PIRELLI & C

NEUTRAL

Sector: Industrials

Price: Eu6.07 - **Target: Eu6.00**

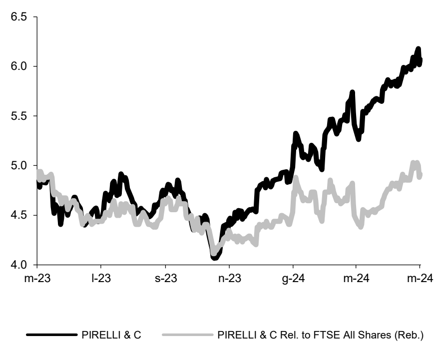
Slightly Better Results, Limited Action Expected on Estimates

Gianluca Bertuzzo +39-02-77115.429
gianluca.bertuzzo@intermonte.it

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 5.80 to 6.00
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-0.1%	0.2%	0.4%

Next Event
Results Out 01/08/2024

PIRELLI & C - 12M Performance



Stock Data			
Reuters code:			PIRC.MI
Bloomberg code:			PIRC IM
Performance	**1M**	**3M**	**12M**
Absolute	4.2%	13.6%	24.3%
Relative	3.0%	3.7%	0.5%
12M (H/L)			6.18/4.07
3M Average Volume (th):			1,927.40

Shareholder Data	
No. of Ord shares (mn):	1,000
Total no. of shares (mn):	1,000
Mkt Cap Ord (Eu mn):	6,068
Total Mkt Cap (Eu mn):	6,068
Mkt Float - Ord (Eu mn):	1,661
Mkt Float (in %):	27.4%
Main Shareholder:	
Marco Polo International Italy Srl	37.0%

Balance Sheet Data	
Book Value (Eu mn):	5,653
BVPS (Eu):	5.80
P/BV:	1.0
Net Financial Position (Eu mn):	-1,961
Enterprise Value (Eu mn):	8,029

- **1Q24 results: EBIT slightly better, net income burdened by ForEx.** PIRC reported slightly better EBIT thanks to volumes, while net income was weighed down by a non-cash ForEx devaluation. Revenues were €1.70bn, flat YoY, with volumes and price&mix up 2.3% offset by a -5% ForEx effect. Adj. EBIT was €263mn (vs. our/cons. €259/257mn), up +6% YoY for a 15.5% margin vs. 14.6% in 1Q23, thanks to volumes contributing slightly more than assumed while other items were broadly in line. Adj. net income was €120mn (-14% YoY) vs. our €131mn as net financial charges were higher than expected due to non-cash currency devaluations and hyper-inflation effects, which more than offset higher operating results and a lower tax rate due to the patent box. Net debt was €2.93bn (vs. our/cons. €2.96/2.97bn) on better FCF, driven by NWC.
- **2024 guidance confirmed.** FY24 guidance was confirmed, pointing to: revenues of €6.7bn (€±0.1bn), adj. EBIT of €1.02bn (€±32mn), net cash flow of €510mn (€±10mn) and net debt of €1.95bn. In light of 1Q results and prospects for a similar 2Q, PIRC looks well placed to achieve the high end of these target ranges, to which our forecasts and consensus are aligned. In terms of price&mix, PIRC continues to expect mix to be the only contributor, with pricing flat (negative OE offset by positive RT). Volumes are seen evolving consistently with the consolidated company strategy of slightly-above-market growth in High Value tyres and reducing exposure to Standard Value. The reversal in raw materials (from positive in 1H to negative in 2H) should be offset by less adverse ForEx and the confirmation of cost efficiencies at €140mn for the year.
- **Change in estimates.** We are confirming our forecasts, with higher net financial charges due to the above-mentioned factors, offset by a lower tax rate thanks to the patent box.
- **NEUTRAL; target €6.0.** PIRC reported slightly better-than-expected operating figures in 1Q, but given it only beat estimates by a small amount, and forecasts are already near the top end of the guidance range, we don't expect estimates to move much. While we appreciate the company's strategy and recent execution, especially in terms of cash generation, we confirm our NEUTRAL rating due to a lack of upside vs. our valuation model. TP to €6.0 vs. €5.8 on slightly better cash generation. In terms of the valuation, the stock is trading at multiples that are consistent with the pre-Covid industry average of ~7.5x EV/EBIT.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	6,616	6,650	6,750	6,954	7,167
EBITDA Adj (Eu mn)	1,408	1,446	1,490	1,556	1,614
Net Profit Adj (Eu mn)	557	579	600	644	685
EPS New Adj (Eu)	0.557	0.579	0.600	0.644	0.685
EPS Old Adj (Eu)	0.557	0.579	0.601	0.643	0.682
DPS (Eu)	0.210	0.198	0.249	0.217	0.234
EV/EBITDA Adj	5.0	4.8	5.4	5.0	4.5
EV/EBIT Adj	7.2	6.9	7.7	7.0	6.3
P/E Adj	10.9	10.5	10.1	9.4	8.9
Div. Yield	3.5%	3.3%	4.1%	3.6%	3.9%
Net Debt/EBITDA Adj	1.8	1.6	1.3	1.1	0.7

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- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

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BUY: stock expected to outperform the market by over 25% over a 12 month period;
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NEUTRAL: stock performance expected at between +10% and – 10% compared to the market over a 12 month period;
UNDERPERFORM: stock expected to underperform the market by between –10% and -25% over a 12 month period;
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Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
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UNDERPERFORM	00.00 %
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Emittente	%	Long/Short

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