

PIRELLI & C

Sector: Industrials

OUTPERFORM

Price: Eu5.80 - Target: Eu7.30

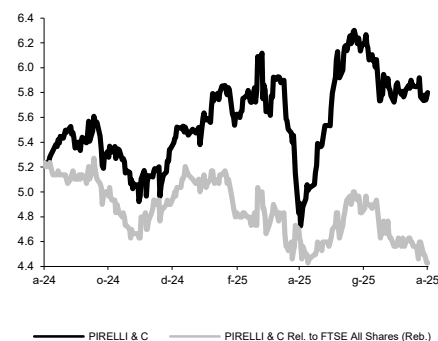
Solid 2Q results and Guidance Confirmed; Little Govt Progress on CG/GP

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Stock Rating

| | | | |
|--------------------|-------------------|-------|-------|
| Rating: | Unchanged | | |
| Target Price (Eu): | from 6.80 to 7.30 | | |
| | 2025E | 2026E | 2027E |
| Chg in Adj EPS | 0.0% | 0.0% | 0.0% |

PIRELLI & C - 12M Performance



Stock Data

| | | | |
|-------------------------|-----------|-----------|------------|
| Reuters code: | PIRC.MI | | |
| Bloomberg code: | PIRC IM | | |
| Performance | 1M | 3M | 12M |
| Absolute | 0.3% | 2.2% | 10.7% |
| Relative | -3.2% | -4.7% | -19.9% |
| 12M (H/L) | 6.30/4.73 | | |
| 3M Average Volume (th): | 2,072.80 | | |

Shareholder Data

| | |
|------------------------------------|-------|
| No. of Ord shares (mn): | 1,000 |
| Total no. of shares (mn): | 1,000 |
| Mkt Cap Ord (Eu mn): | 5,800 |
| Total Mkt Cap (Eu mn): | 5,800 |
| Mkt Float - Ord (Eu mn): | 1,588 |
| Mkt Float (in %): | 27.4% |
| Main Shareholder: | |
| Marco Polo International Italy Srl | 37.0% |

Balance Sheet Data

| | |
|---------------------------------|--------|
| Book Value (Eu mn): | 5,792 |
| BVPS (Eu): | 5.98 |
| P/BV: | 1.0 |
| Net Financial Position (Eu mn): | -1,642 |
| Enterprise Value (Eu mn): | 7,442 |

PIRC reported a set of results for 2Q25 that was solid and in line with expectations. More importantly, guidance has been confirmed thanks to a stronger price/mix and execution of the mitigation plan for tariffs, and despite an unfavourable external scenario (FX, tariffs). However, there has been little progress on the corporate governance issues, with the outcome of the possible breach of the Golden Power by the government on Sinochem likely postponed to September; in our view, an overhang risk remains given Sinochem's 37% stake. That said, we reiterate our positive view on PIRC as we appreciate the company's exposure to more resilient demand, a superior financial profile vs peers, and strong execution, while the stock trades at a >10% discount to EV/EBIT NTMA of 6.6x. Estimates confirmed, TP up to €7.3 (+7% on lower ERP at 5.5% vs 6.0% prev.)

■ **2Q25 results (31st July): solid and in line with expectations.** PIRC reported solid 2Q25 results overall, supported by a positive commercial performance, a stronger price&mix and execution offsetting FX, raw material and tariff headwinds. In detail:

- **Revenues €1.74bn vs our/cons. 1.72/1.74**, -1% YoY, as FX at -5% offset a positive price/mix +4% and flat volumes. High-Value was up MSD, outperforming the market by 1pp in both RT and OE, while STD was down -11% as PIRC increases selectivity;
- **EBIT €279mn vs our/cons. 278/274**, +1% YoY for a 16.0% margin +0.2pp YoY, as stronger price/mix and efficiencies more than offset higher FX headwinds and input costs while other elements were in line. Net income €156mn vs our 154;
- **Net debt at €2.68bn vs our/cons. 2.72/2.71**, reflecting FCF in line at €150mn and the €40mn cash-in from the sale of Däckia (sale network in the Nordics).

■ **2025 guidance: FX weighs on revenue, but margins confirmed on better price/mix and mitigation plan.** PIRC updated its 2025 guidance reflecting a higher FX impact on revenues, but profitability is confirmed, supported by a stronger price/mix contribution and the mitigation plan to reduce the impact of tariffs. Nevertheless, the updated guidance reflects changes already embedded in our / consensus estimates, confirming the resilience of the company in a generally unsupportive scenario. Guidance points to revenues at €6.75bn (±0.05 vs prev. 6.9), EBIT margin at ~16.0% (confirmed vs our/cons 15.9/15.8%) for EBIT €1.07bn, and FCF of ~€550mn (vs prev. ~560, our/cons. ~550mn).

■ **Tariff impact confirmed, but scenario volatile.** On tariffs, the gross and net impact of ~€60mn and ~€30mn respectively were confirmed due to lower rates on the EU offset by higher on Brazil, while Mexico remains exempt being USMCA compliant. We note that PIRC derives >20% of group revenues from the US; ~55% of products sold come from Mexico (Silao plant), ~40% from EU and Brazil, and ~5% from a high-tech plant in Georgia, which was already under expansion before tariffs. The PIRC mitigation plan envisages optimization of import flows (MX to produce for US, EU favoured over Brazil), a revision of commercial agreements (i.e., price increases, as already announced by other players) and a cost-cutting programme at group level.

■ **Little news on corporate governance.** While the outcome of the Golden Power review was due by the end of July, PIRC believes the government has postponed it to September as the process is ongoing. In October last year, the government initiated a review to investigate potential violations of GP requirements, examining whether Sinochem (37% stake) maintained improper organizational or functional links with PIRC. Chairman Mr Tronchetti said that there are no restrictions on operations for PIRC and the problem will be solved.

| Key Figures & Ratios | 2023A | 2024A | 2025E | 2026E | 2027E |
|------------------------|-------|-------|-------|-------|-------|
| Sales (Eu mn) | 6,650 | 6,773 | 6,775 | 6,984 | 7,201 |
| EBITDA Adj (Eu mn) | 1,446 | 1,520 | 1,548 | 1,603 | 1,636 |
| Net Profit Adj (Eu mn) | 579 | 580 | 582 | 627 | 680 |
| EPS New Adj (Eu) | 0.579 | 0.580 | 0.582 | 0.627 | 0.680 |
| EPS Old Adj (Eu) | 0.579 | 0.580 | 0.582 | 0.627 | 0.680 |
| DPS (Eu) | 0.198 | 0.250 | 0.203 | 0.223 | 0.257 |
| EV/EBITDA Adj | 4.8 | 4.9 | 4.8 | 4.4 | 4.0 |
| EV/EBIT Adj | 6.9 | 7.0 | 6.9 | 6.2 | 5.6 |
| P/E Adj | 10.0 | 10.0 | 10.0 | 9.2 | 8.5 |
| Div. Yield | 3.4% | 4.3% | 3.5% | 3.8% | 4.4% |
| Net Debt/EBITDA Adj | 1.6 | 1.3 | 1.1 | 0.8 | 0.4 |

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales
- 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)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEIMIB40 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

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;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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As at 11 August 2025 Intermonte's Research Department covered 134 companies. Intermonte's distribution of stock ratings is as follows:

| | |
|---------------|--------|
| BUY: | 32.09% |
| OUTPERFORM: | 37.31% |
| NEUTRAL: | 30.60% |
| UNDERPERFORM: | 00.00% |
| SELL: | 00.00% |

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (79 in total) is as follows:

| | |
|---------------|--------|
| BUY: | 51.90% |
| OUTPERFORM: | 29.11% |
| NEUTRAL: | 18.99% |
| UNDERPERFORM: | 00.00% |
| SELL: | 00.00% |

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