PIRELLI & C

OUTPERFORM

Sector: Industrials

Price: Eu6.13 - **Target: Eu6.80**

Solid 1Q; Guidance Confirmed with Some Upside Risk; CG issues remains

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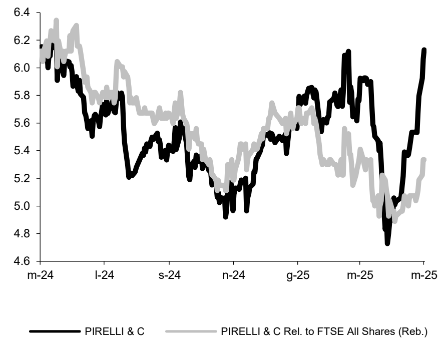
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2025E	**2026E**	**2027E**
Chg in Adj EPS	-0.4%	0.2%	0.2%

PIRELLI & C - 12M Performance



Stock Data			
Reuters code:			PIRC.MI
Bloomberg code:			PIRC IM
Performance	**1M**	**3M**	**12M**
Absolute	24.0%	6.5%	0.2%
Relative	8.9%	0.2%	-14.3%
12M (H/L)			6.19/4.73
3M Average Volume (th):			2,531.14

Shareholder Data	
No. of Ord shares (mn):	1,000
Total no. of shares (mn):	1,000
Mkt Cap Ord (Eu mn):	6,130
Total Mkt Cap (Eu mn):	6,130
Mkt Float - Ord (Eu mn):	1,678
Mkt Float (in %):	27.4%
Main Shareholder:	
Marco Polo International Italy Srl	37.0%

Balance Sheet Data	
Book Value (Eu mn):	5,805
BVPS (Eu):	6.00
P/BV:	1.0
Net Financial Position (Eu mn):	-1,632
Enterprise Value (Eu mn):	7,762

PIRC opened 2025 with solid 1Q results, supported by strong price/mix and execution. FY guidance confirmed, with a mitigation plan in place to secure the low end in the event tariffs remain unchanged, although recently-signed trade deals hint at a better outcome (our estimates remain unchanged as we prefer to err on the side of caution). Governance tensions persist following Sinochem's opposition to the BoD vote, but management reiterated confidence in a resolution with the support of historic shareholders and the market. We reiterate our positive view on above-industry-average operating leverage while trading at a discount and in the hope of a positive solution to CG issues. TP confirmed.

- **1Q25 results: EBIT slightly better.** Supported by a positive commercial performance, PIRC reported slightly better results thanks to ForEx and a stronger price/mix effect, while other costs were slightly higher. In detail:
  - **Revenues €1.76bn (our/cons. €1.74/1.74bn)**, up +4% YoY, driven by price/mix (+3.9% vs. 2.7% exp.) and volumes (+0.8% vs. +1.0% exp.) and -1% ForEx (in line);
  - **Adj. EBIT €280mn (our/cons. €270/270mn),** up +7% YoY, with better-than-expected ForEx and price/mix partly offset by higher other costs, with the rest in line. Adj. net income was €147mn (our est. €151mn), up +23% YoY, with net financial charges lower YoY and in line with expectations and a temporarily higher tax rate (31.7% vs. 28.0% exp.);
  - **Net debt €2.62bn (our/cons. €2.64/2.64bn)** amid the usual FCF outflow that was slightly better than anticipated (€-697mn vs €-711mn exp.).
- **2025 guidance confirmed, with mitigation plan to secure low end of target range.** Confirmed FY25 guidance points to: revenues €6.9bn (€±0.1bn), adj. EBIT margin ~16%, net cash flow €560mn (€±10mn), and net debt €1.6bn. Despite the US tariff impact, PIRC is confident of hitting the low end of the range thanks to mitigation actions (see details later in this report); our estimates and consensus are already aligned. Management suggests recent trade deals imply better conditions may emerge, allowing a potential surprise on the upside vs. current expectations.
- **Corporate governance: tension remains, confidence reiterated.** PIRC confirmed the "tense" governance situation, as results were approved by 9 out of 15 BoD members, with Sinochem-appointed directors voting against — citing the declaration issued last April that ended Sinochem's control. Management stated that negotiations with Chinese shareholders have concluded, but without a positive outcome. The company remains open to exploring solutions to ensure full compliance with US regulations, expressing confidence that, with the support of its historic shareholders and the market, PIRC's interests will be fully protected. Tronchetti-Provera reiterated that the best interests of the company (i.e. creating value for all shareholders) will ultimately prevail.
- **Change in estimate.** As we prefer to err on the side of caution given the volatile context, we maintain our estimates at the low end of the guidance range (i.e. consistent with the current tariffs remaining in place).

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	6,650	6,773	6,875	7,086	7,306
EBITDA Adj (Eu mn)	1,446	1,520	1,547	1,603	1,638
Net Profit Adj (Eu mn)	579	580	590	637	691
EPS New Adj (Eu)	0.579	0.580	0.590	0.637	0.691
EPS Old Adj (Eu)	0.579	0.591	0.593	0.635	0.690
DPS (Eu)	0.198	0.250	0.210	0.230	0.262
EV/EBITDA Adj	4.8	4.9	5.0	4.6	4.2
EV/EBIT Adj	6.9	7.0	7.2	6.5	5.9
P/E Adj	10.6	10.6	10.4	9.6	8.9
Div. Yield	3.2%	4.1%	3.4%	3.7%	4.3%
Net Debt/EBITDA Adj	1.6	1.3	1.1	0.7	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 of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMIB40 Index, most of those on the MIDEX 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.

Explanation of our ratings system:

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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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 March 2025 Intermonte's Research Department covered 131 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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Further information is available