

PIRELLI & C

Sector: Industrials

OUTPERFORM

Price: Eu5.81 - Target: Eu6.80

2Q25 Preview: Resilience Amid ForEx Headwinds; Guidance to be Confirmed

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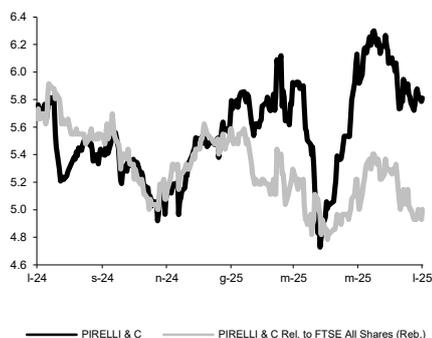
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2025E	2026E	2027E
Chg in Adj EPS	-1.4%	-1.5%	-1.5%

Next Event

 2Q25 Results Out 31st of July

PIRELLI & C - 12M Performance



Stock Data

Reuters code:	PIRC.MI
Bloomberg code:	PIRC IM

Performance	1M	3M	12M
Absolute	-4.2%	14.9%	2.7%
Relative	-5.5%	3.2%	-13.2%
12M (H/L)	6.30/4.73		
3M Average Volume (th):	2,161.66		

Shareholder Data

No. of Ord shares (mn):	1,000
Total no. of shares (mn):	1,000
Mkt Cap Ord (Eu mn):	5,810
Total Mkt Cap (Eu mn):	5,810
Mkt Float - Ord (Eu mn):	1,591
Mkt Float (in %):	27.4%
Main Shareholder:	
Marco Polo International Italy Srl	37.0%

Balance Sheet Data

Book Value (Eu mn):	5,791
BVPS (Eu):	5.98
P/BV:	1.0
Net Financial Position (Eu mn):	-1,643
Enterprise Value (Eu mn):	7,453

Despite a greater ForEx headwind, mainly due to a weaker USD, we anticipate PIRC will report 2Q results broadly in line with expectations, while earnings guidance should be confirmed, supported by a resilient price/mix and solid execution. The tariff situation appears to be evolving as previously anticipated and is not expected to add pressure to the full-year forecast. The corporate governance situation, with the persistent overhang risk from Sinochem's 37% stake, continues to hamper the valuation, while the next catalyst is the government's decision on the potential breach of Golden Power rules, expected by the end of July. The stock is currently trading at 6.6x NTM EV/EBIT, a 10% discount to peers despite stronger fundamentals. We confirm our TP at €6.8, as the payment of the dividend and marginally lower estimates are offset by the roll-over of our valuation by one quarter. Overall, 2Q should once again prove the company's resilience in a volatile environment, reinforcing our investment case.

■ **2Q25 results preview: resilient quarter in line with guidance.** While ForEx should have posed a larger-than-anticipated headwind and volumes may have contributed slightly less, we expect PIRC to report a quarter broadly in line with expectations, benefiting from a stronger price/mix. In brief, we forecast revenues of €1.72bn, down 2% YoY, with price/mix at +3%, flat volumes (HV up mid-single-digit, SV down high-single-digit), and ForEx at -5%. We estimate adjusted EBIT of €278mn, up 1% YoY, for a 16.1% margin (+30bp), with efficiencies and price/mix more than offsetting inflation in industrial costs and raw materials, and ForEx. We expect net debt of €2.72bn after FCF of €154mn (flat YoY) and a €250mn dividend payment.

■ **2025 guidance: ForEx-driven revenue revision, EBIT should be confirmed.** We expect a ForEx-driven revision in revenue guidance towards/slightly below the low end of the current range (~€6.8bn). Nevertheless, the EBIT margin is likely to be confirmed at ~16%, for adjusted EBIT of more than €1.07bn (flat to slightly up YoY), supported by a resilient price/mix. By driver, we continue to see slight volume growth favoured by a recovery in OE (+0.5% vs. guid. of +1/2%), price/mix above the high end of the range (+3.5% vs. guid. of +2/3%), and ForEx at -4% vs. guid. of -2/3%.

■ **Indicated tariff scenario materialising.** During the 1Q25 results presentation, PIRC indicated that it expects US tariffs to have a net negative impact of €30mn, with mitigation actions offsetting a gross impact of €60mn. The mitigation plan includes actions on pricing, a review of flows, inventory build-up ahead of tariff implementation, and cost-cutting measures. While newsflow on this front remains volatile, the current situation appears to be progressing in line with the company's expectations. We therefore expect no material changes to guidance from this factor.

■ **Change in estimates.** We are trimming our forecast by 1% due to slightly higher interest charges, while the increased ForEx headwind is offset by a stronger price/mix. Our estimates remain consistent with guidance.

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	0.590	0.637	0.691
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	9.3	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 S&P500 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 30 June 2025 Intermonte's Research Department covered 133 companies. As of today Intermonte's distribution of stock ratings is as follows:

BUY:	31.85 %
OUTPERFORM:	37.78 %
NEUTRAL:	30.37 %
UNDERPERFORM:	00.00 %
SELL:	00.00 %

As at 30 June 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (80 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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