PIRELLI & C

OUTPERFORM

Sector: Industrials

Price: Eu5.86 - **Target: Eu7.10**

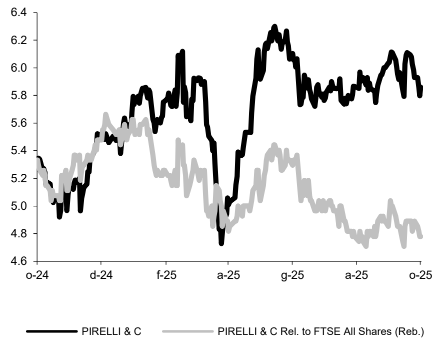
Solid Quarter Expected with Confirmation of Guidance; Wider Peer Discount on CG

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

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 7.30 to 7.10
	2025E	**2026E**	**2027E**
Chg in Adj EPS	-0.1%	-3.1%	-3.4%

Next Event
Results Out November 6

PIRELLI & C - 12M Performance



Stock Data			
Reuters code:			PIRC.MI
Bloomberg code:			PIRC IM
Performance	**1M**	**3M**	**12M**
Absolute	-2.9%	1.7%	9.9%
Relative	-2.6%	-4.7%	-12.3%
12M (H/L)			6.30/4.73
3M Average Volume (th):			1,899.68

Shareholder Data	
No. of Ord shares (mn):	1,000
Total no. of shares (mn):	1,000
Mkt Cap Ord (Eu mn):	5,860
Total Mkt Cap (Eu mn):	5,860
Mkt Float - Ord (Eu mn):	1,604
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):	-1,609
Enterprise Value (Eu mn):	7,469

Despite an unfavourable external scenario featuring lower YoY industry volumes, ForEx headwinds and a tough comparison base, we expect a stable quarter overall thanks to price/mix and efficiencies. We believe FY25 guidance will be confirmed in light of no read-across from ML issues, solid 9M trends and easier comps in 4Q. The review of Sinochem's compliance with Golden Power regulations was concluded in September with no wrongdoing found. While for the first time Sinochem has signalled it is open to considering offers, its request for a premium could complicate any deal. We still believe a positive outcome will be found, with PIRC able to conduct its CyberTyre business in the US from 2027, but the situation is burdening the stock, given the 20% discount to peers at which is trading on 2025 EV/EBIT despite better fundamentals. Having said that, we reiterate our positive view on PIRC as we appreciate the company's exposure to more resilient demand and strong execution. Target from €7.3 to €7.1 on slightly lower estimates due to ForEx.

- **3Q25 preview: stable quarter despite adverse external scenario.** We forecast revenue of €1.70bn, -2% YoY, with price/mix +4% in line with 1Q/2Q, volumes -1% in line with the market (HV up mid-single-digit, SV down low double-digit), and ForEx at -5%. Adj. EBIT at €274mn, almost flat YoY, a 16.1% margin, with price/mix and efficiencies offsetting cost inflation, ForEx and volumes. Net debt at €2.53bn, vs. €2.68bn in 2Q thanks to FCF of €147mn almost flat YoY when excluding a ~€25mn tariff headwind (August to mid-September tariffs, no longer due in light of recent changes and to be recouped next year).
- **2025 guidance expected to be confirmed.** While peers such as Michelin (ML) lowered their FY25 guidance, we expect PIRC to confirm it in light of no read-across from ML issues, solid 9M trends and an easier comparison base in 4Q. Specifically , we note ML's warning came on the back of a weak performance in the Truck and Agriculture markets in North America, a segment to which PIRC is not exposed, and a harsher impact on competitiveness from tariffs. Indeed, while ML has a stronger local presence in the US than PIRC (~75% vs. ~5%), a situation shared by other Tier-1, the reliance on a foreign supply chain is having a heavier-than-expected impact. We note that PIRC already laid out a solid tariff impact framework for a gross impact of ~€60mn, which thanks to mitigation measures should be reduced to ~€30mn. Moreover, the end of September news that tariffs on the EU have been cut from 25% to 15% should provide some relief.
- **No Golden Power breach by Sinochem, which is open to offers for its stake.** Earlier last month, the Italian government dismissed the proceedings opened in October 2024 over a possible Golden Power violation by CNRC (Sinochem), noting that the conduct of directors appointed by Sinochem did not undermine PIRC's managerial autonomy. A few days later, *Reuters* reported that Sinochem is open to offers for its stake in PIRC, the first direct report on its stance, though its demand for a premium could complicate any deal. A possible catalyst would be next year's renewal of the pact with Camfin, where we believe the Tronchetti led-vehicle is not particularly interested in renewing at current conditions. We believe the newsflow seems to confirm Sinochem is leaning towards an exit, but the timing remains uncertain. In our view, this is burdening PIRC, as it is trading at a 20% discount on 2025 EV/EBIT vs. peers despite its better operating performance.
- **Change in estimate.** While confirming our FY25 forecast, we are trimming our FY26/27 estimates by -3% due to higher ForEx headwinds (revenue impact -2% vs. -0% prev.).

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	6,650	6,773	6,773	6,861	7,077
EBITDA Adj (Eu mn)	1,446	1,520	1,547	1,571	1,605
Net Profit Adj (Eu mn)	579	580	582	608	657
EPS New Adj (Eu)	0.579	0.580	0.582	0.608	0.657
EPS Old Adj (Eu)	0.579	0.580	0.582	0.627	0.680
DPS (Eu)	0.198	0.250	0.203	0.214	0.247
EV/EBITDA Adj	4.8	4.9	4.8	4.5	4.1
EV/EBIT Adj	6.9	7.0	7.0	6.5	5.9
P/E Adj	10.1	10.1	10.1	9.6	8.9
Div. Yield	3.4%	4.3%	3.5%	3.7%	4.2%
Net Debt/EBITDA Adj	1.6	1.3	1.0	0.8	0.5

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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 FTSEMIB40 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.

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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 17 October 2025 Intermonte's Research Department covered 131 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	31.30%
OUTPERFORM:	38.17%
NEUTRAL:	30.53%
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 (76 in total) is as follows:

BUY:	51.32%
OUTPERFORM:	30.26%
NEUTRAL:	18.42%
UNDERPERFORM:	00.00%
SELL:	00.00%

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