PIRELLI & C

OUTPERFORM

Sector: Industrials

Price: Eu6.40 - **Target: Eu7.60**

Consistent Results & Guidance, Optionality on Shareholder Structure

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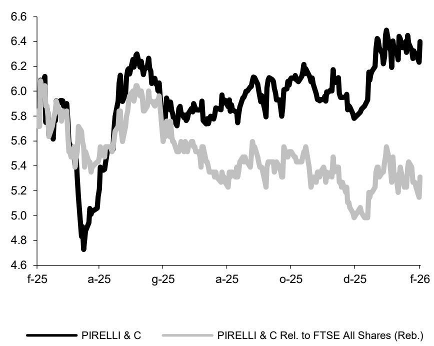
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2026E	**2027E**	**2028E**
Chg in Adj EPS	-0.2%	-0.4%	0.5%

PIRELLI & C - 12M Performance



Stock Data			
Reuters code:			PIRC.MI
Bloomberg code:			PIRC IM
Performance	**1M**	**3M**	**12M**
Absolute	-1.4%	7.9%	9.6%
Relative	-4.9%	-2.0%	-11.5%
12M (H/L)			6.49/4.73
3M Average Volume (th):			1,785.59

Shareholder Data	
No. of Ord shares (mn):	1,085
Total no. of shares (mn):	1,085
Mkt Cap Ord (Eu mn):	6,941
Total Mkt Cap (Eu mn):	6,941
Mkt Float - Ord (Eu mn):	2,818
Mkt Float (in %):	40.6%
Main Shareholder:	
Marco Polo International Italy Srl	34.1%

Balance Sheet Data	
Book Value (Eu mn):	5,890
BVPS (Eu):	5.64
P/BV:	1.1
Net Financial Position (Eu mn):	-1,224
Enterprise Value (Eu mn):	8,165

PIRC reported another set of solid results in line with forecasts. FY26 guidance follows suit, with consistent commercial and operational execution offsetting external headwinds, pointing to slight growth of operating income as expected by the street. Issues in the shareholding structure persist, but greater press speculation and hints from Tronchetti suggest something may be on the move; bolstered by the confidence shown by Camfin through the significant increase in its stake in the last two years, we believe a positive solution will ultimately be found. PIRC trades at ~7x 2026 adj. EV/EBIT, a discount of c.20% to the most comparable peers, despite better organic growth prospects, margins, return on capital and cash generation. TP confirmed at €7.6.

- **4Q25 results in line with exp.** PIRC delivered results in line with expectations with a positive commercial performance and industrial efficiencies offset by FX, inflation and tariffs. **Revenues of €1.58bn vs our/cons. 1.57**, were flat YoY, with organic growth at +6% offset by FX -5% and scope -1%. High-value volumes accelerated, rising +11% YoY, driven by stronger OE contribution and market share gains (mkt +8%), while Standard fell -11% (vs mkt -1%). **Adj. EBIT €246mn vs our/cons. 245**, +1% YoY for a 15.6% margin with all drivers consistent with expectations as internal levers (volume, price/mix and efficiencies) offset external headwinds (mainly FX, inflation and tariffs). **Net debt €1.10bn vs our/cons. 1.11/1.13,** amid in-line FCF for the year of €518mn and bond conversion of €0.5bn. The BoD proposed a **total DPS of €0.34**, including an extraordinary €0.10 in light of positive results and decreased financial leverage.
- **2026 guidance: operating metrics in line, NFP lower due to higher DPS and M&A. Revenues are seen at ~€6.8bn** (±0.1bn), up +1% YoY, with volumes +1/2%, price&mix +2% (only mix), and ForEx -3.5%. **Adj. EBIT is indicated at ~€1.1bn (+2% YoY)**, reflecting a slight improvement from the 16.0% margin in FY25, with similar drivers vs 2025 (+mix, +vol, +net efficiencies) plus a small tailwind from raw materials in 1H. **FCF is seen at €500mn** thanks to solid operating performance and with positive NWC partly offsetting higher tax outflows (end of patent box and ACE benefits in Italy, tax rate at ~32/33% vs 30% in FY25). **Only NPF of €1.2bn** fell short vs our/cons. 0.88/0.86, but this relates to M&A for €250mn and €90mn for the extraordinary dividend. In particular, M&A involved PIRC increasing its stake from 49% to 70% in Shenzhou plant operations (3.5/4.0mn high value capacity in China). No impact on revenues (tyres made at the plant are already sold to PIRC, which distributes them), while accretive to EBIT to the tune of ~€15mn.
- **Shareholding structure.** The main items of note are: **i) 17 March does not represent a hard deadline for Cyber Tyre compliance in the US**; rather, it marks the date from which players may become compliant. This interpretation is consistent with our view and reverses recent press speculation, thereby reducing immediate operational pressure, although it may also ease the urgency for a potential Sinochem exit; **ii) according to Tronchetti, the Golden Power office reviewing the case has all the necessary information to address the issue**, and an intervention is both possible and expected. This appears more constructive than earlier interpretations suggesting that Golden Power tools might not be sufficient to ensure compliance with US regulations. Negotiations with Sinochem are ongoing, and Tronchetti expressed confidence that a solution will be reached. Reducing Sinochem's stake from 34% to below 10% remains a challenging task, but we see several potential solutions, including an ABB via Camfin, domestic financial institutions, foreign investors, PIRC itself following a structure similar to RACE via placement by EXOR, market placements, and a possible convertible bond.

Key Figures & Ratios	2024A	2025A	2026E	2027E	2028E
Sales (Eu mn)	6,773	6,776	6,822	7,040	7,209
EBITDA Adj (Eu mn)	1,520	1,548	1,575	1,618	1,625
Net Profit Adj (Eu mn)	580	587	592	629	654
EPS New Adj (Eu)	0.580	0.586	0.545	0.580	0.603
EPS Old Adj (Eu)	0.580	0.583	0.546	0.582	0.600
DPS (Eu)	0.250	0.340	0.238	0.267	0.286
EV/EBITDA Adj	4.9	4.5	5.2	4.9	4.6
EV/EBIT Adj	7.0	6.4	7.4	6.9	6.6
P/E Adj	11.0	10.9	11.7	11.0	10.6
Div. Yield	3.9%	5.3%	3.7%	4.2%	4.5%
Net Debt/EBITDA Adj	1.3	0.7	0.8	0.6	0.3

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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 26 February 2026 Intermonte's Research Department covered 133 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	31.58%
OUTPERFORM:	38.35%
NEUTRAL:	29.32%
UNDERPERFORM:	00.75%
SELL:	00.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (72 in total) is as follows:

BUY:	54.17%
OUTPERFORM:	31.94%
NEUTRAL:	12.50%
UNDERPERFORM:	01.39%
SELL:	00.00%

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