PIRELLI & C

OUTPERFORM

Sector: Industrials

Price: Eu6.49 - **Target: Eu7.60**

Resilient Organic Prospects; CG Solution Seems to Be Nearing

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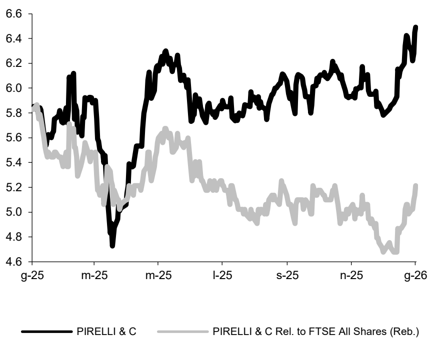
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2025E	**2026E**	**2027E**
Chg in Adj EPS	-0.1%	-10.4%	-11.7%

Next Event
Results Out 26th February

PIRELLI & C - 12M Performance



Stock Data			
Reuters code:			PIRC.MI
Bloomberg code:			PIRC IM
Performance	**1M**	**3M**	**12M**
Absolute	12.2%	6.5%	11.4%
Relative	11.4%	0.6%	-13.1%
12M (H/L)			6.49/4.73
3M Average Volume (th):			1,772.24

Shareholder Data	
No. of Ord shares (mn):	1,085
Total no. of shares (mn):	1,085
Mkt Cap Ord (Eu mn):	7,041
Total Mkt Cap (Eu mn):	7,041
Mkt Float - Ord (Eu mn):	1,928
Mkt Float (in %):	27.4%
Main Shareholder:	
Marco Polo International Italy Srl	37.0%

Balance Sheet Data	
Book Value (Eu mn):	5,979
BVPS (Eu):	5.72
P/BV:	1.1
Net Financial Position (Eu mn):	-876
Enterprise Value (Eu mn):	7,917

We expect PIRC to report a solid end to 2025 and issue resilient 2026 outlook amid positive volume and price/mix growth, partly offset by external headwinds (mainly FX). In recent weeks, press speculation on PIRC corporate governance has intensified; 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 EV/EBIT, a discount of c.15% to the most comparable peers (Conti, Michelin, Bridgestone trade at ~8.3x), despite better organic growth prospects, margins, return on capital and cash generation. TP confirmed at €7.6 as the effect of the convertible bond has already been discounted in our valuation.

- **4Q25 preview: a solid end to 2025.** We forecast revenue of €1.57bn, -1% YoY o/w organic growth at +5%, more than offset by FX and Scope (Dackia deconsolidation) at -6% and -1% respectively. Volumes should be up +2% YoY, with trends in line with recent quarters (HV +MSD, SV down LDD) thanks to a solid commercial performance as PIRC should have gained share in the key HV segment (77% of revenue). Price/mix should remain solid at +3%, albeit a touch softer than recent quarters due to channel mix (OE>RT). Adj. EBIT should come in at €245mn, flat YoY for a 15.7% margin (+0.3pp YoY) with organic levers (efficiencies, price/mix and volumes) offsetting external impacts (inflation, FX and others). Net debt should close at €1.1bn vs €1.93bn in FY24, benefitting from FY25 FCF of ~€560mn and the conversion of the ~€500mn bond in late December.
- **2026 outlook: resilient operating performance, income/FCF impacted by end of the patent box.** For 2026, we expect PIRC to provide outlook featuring a slight expansion of profitability and EBIT. We forecast revenues of €6.8bn, +1% YoY with organic at +4% and FX at -3%. Volumes should grow slightly (+1%), supported by solid commercial execution with price/mix also up +2%. Adj. EBIT is seen at €1.10bn, +1% YoY for a 16.1% margin, again with internal levers compensating for external headwinds. FCF should be slightly down YoY mainly due to higher taxes, which impact net income due to the end of the patent box. All in all, we see no negative surprises as we and consensus are essentially aligned to such trends.
- **Corporate governance.** In recent weeks, press speculation around PIRC's corporate governance has intensified, focusing on Sinochem's significant stake in the company (34.1% following bond conversion). Late last week, Camfin, the holding vehicle controlled by Mr. Tronchetti Provera through a 25.3% stake, announced it would not renew the shareholder agreement with Sinochem. This is a key development ahead of the June AGM, which will appoint a new 15-member board. While this step may help address governance concerns, a further reduction of Sinochem's stake to a non-relevant level would still be required to fully mitigate residual risks. Importantly, these risks relate to PIRC's potential ability to develop its Cyber Tyre business in the US from 2027 onward (currently immaterial), rather than to its existing operations. Although Sinochem has made limited public statements, press reports indicate that discussions are ongoing to reduce its stake to around 10%, with several financial investors potentially ready to step in. These may include Camfin, which could increase its holding by up to 4.6% to 29.9%, as well as the possible issuance of a new convertible bond.
- **Change in estimates.** We confirm our organic estimates, but we lower our EPS by 11% in 2026-27, mainly due to the effect of the convertible bond. Net of this, our EPS would decrease slightly (-3%) because of a higher tax rate due to the end of the patent box benefit. The effect of the convertible bond has already been factored into our TP.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Sales (Eu mn)	6,650	6,773	6,761	6,824	7,038
EBITDA Adj (Eu mn)	1,446	1,520	1,548	1,570	1,614
Net Profit Adj (Eu mn)	579	580	584	593	632
EPS New Adj (Eu)	0.579	0.580	0.583	0.546	0.582
EPS Old Adj (Eu)	0.579	0.580	0.584	0.610	0.659
DPS (Eu)	0.198	0.250	0.249	0.236	0.266
EV/EBITDA Adj	4.8	4.9	4.5	5.0	4.7
EV/EBIT Adj	6.9	7.0	6.4	7.2	6.7
P/E Adj	11.2	11.2	11.1	11.9	11.1
Div. Yield	3.1%	3.9%	3.8%	3.6%	4.1%
Net Debt/EBITDA Adj	1.6	1.3	0.7	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 27 January 2026 Intermonte's Research Department covered 133 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	32.33%
OUTPERFORM:	39.10%
NEUTRAL:	27.82%
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 (74 in total) is as follows:

BUY:	52.70%
OUTPERFORM:	31.08%
NEUTRAL:	14.87%
UNDERPERFORM:	01.35%
SELL:	00.00%

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