

# BREMBO

# UNDERPERFORM

Sector: Industrials

Price: Eu14.26 - Target: Eu12.00

## 4Q22 Results and FY23 Guidance Below Consensus; No Real Update on Sensify and PIRC

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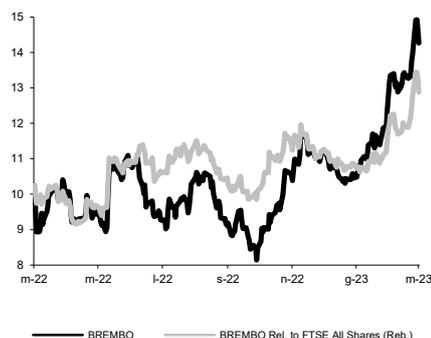
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### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 10.10 to 12.00		
	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>Chg in Adj EPS</b>	5.9%	3.4%	

### BREMBO - 12M Performance



### Stock Data

Reuters code:	BRBI.MI		
Bloomberg code:	BRE IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	8.4%	26.9%	39.1%
Relative	7.3%	15.7%	28.4%
12M (H/L)	14.92/8.14		
3M Average Volume (th):	375.88		

### Shareholder Data

No. of Ord shares (mn):	323
Total no. of shares (mn):	325
Mkt Cap Ord (Eu mn):	4,612
Total Mkt Cap (Eu mn):	4,612
Mkt Float - Ord (Eu mn):	2,023
Mkt Float (in %):	43.9%
Main Shareholder:	
Bombassei	53.5%

### Balance Sheet Data

Book Value (Eu mn):	2,156
BVPS (Eu):	6.52
P/BV:	2.2
Net Financial Position (Eu mn):	-395
Enterprise Value (Eu mn):	4,759

■ **4Q22 results below expectations.** BRE reported weaker-than-expected 4Q22 results due to lower Vol&Mix growth (+9% vs. +15% exp.) and higher industrial costs (-5% vs. -1% exp.), only partly offset by a stronger contribution from the recovery of cost inflation through pricing (+8% vs. +7% exp.), ForEx and M&A (+5% vs. +4% exp.). The lower Vol&Mix performance implies +3% outperformance vs. the industry, from +9%/+27% in 3Q/1H22, which we believe is due to the tough comparison base and the recovery in mass market production (BRE is more exposed to the premium segment). At the same time, higher industrial costs don't pertain to inflation (usually recoverable in subsequent quarters), but to non-recoverable items amid high order volatility, supply chain issues and other factors. In brief, revenues were €901mn (+22% YoY, vs. our/cons. €912/921mn); EBITDA €143mn (+18% YoY, vs. our/cons. €164/165mn) a 15.9% margin (-0.5% YoY), EBIT €80mn (+25% YoY, vs. our/cons. €104/110mn). According to the usual reclassification, net debt was €524mn vs. our €502mn and €412mn in FY21, largely due to a €31mn investment for ~8mn PIRC shares. In 2022, FCF was €30mn (5% conversion).

■ **2023 guidance: tepid, below-consensus indications.** Management guided for mid-single-digit revenue growth, but didn't offer indications on profitability other than saying that more info will be provided in 1Q23 and the company is working to maintain/increase margins. Given some positive impact from the roll-over of pricing in 2023, as BRE will recover 2022 cost inflation with the usual time lag, this indication does not seem particularly strong in the context of the global car production outlook, as well as guidance from other auto suppliers (below the average ~10% growth). CapEx will grow to ~€300mn (~8% of sales, vs. €282mn in 2022), while NWC will stay at the current relative level (~12% of sales). Overall, we believe this outlook could lead consensus to make mid-single-digit cuts to EBIT forecasts.

■ **No update on PIRC and Sensify.** While there has been some movement and interest in PIRC and Sensify, we note that no further news emerged. On PIRC, BRE confirmed it bought shares in 4Q, without providing any more colour other than confirming its role as a long-term shareholder. Interestingly, BRE is no longer targeting large deals in the electronics field, as had been the case until 2021. On Sensify, one customer from the premium world (not luxury) was confirmed, but no other indications were forthcoming.

■ **Change in estimates.** We are aligning our revenue forecast to company guidance, assuming +6% growth deriving from +7% organic growth (+3% pricing and ~4% outperformance vs. a global market seen flat in 2023; S&P IHS +3.5%) and -1% ForEx. In light of these trends, we estimate a 17.4% EBITDA margin (17.2% in 2022). All in all, we are raising our EPS by 5% on average, but remain some 10% below 2023/24 consensus.

■ **UNDERPERFORM confirmed; target to €12.0.** We clearly missed out on the recent stock rally, which we believe was driven by improving confidence on the macro side, positive expectations entering 4Q/2023 and the potential from Sensify. Yesterday's results fell short of expectation, however, with a more tepid outlook than expected and no update on Sensify, which doesn't currently seem a tangible additional opportunity for the next two years. Amid a still-volatile macro scenario and uncertainties around the PIRC situation, where we don't see a strong rationale for BRE in a deeper integration scenario, we confirm our UNDERPERFORM rating. Target from €10.1 to €12.0 following the roll-over to 2023/24 and slightly lower WACC (8.7% vs. 9.1% previously). The stock trades at 7.5/7.0x the EV/EBITDA NTMA/STMA, in line with its history in a context of higher discount rates and lower outperformance/returns on capital.

Key Figures & Ratios	2019A	2020A	2021A	2022A	2023E
Sales (Eu mn)	2,592	2,209	2,778	3,629	3,847
EBITDA Adj (Eu mn)	515	389	503	625	669
Net Profit Adj (Eu mn)	231	137	215	293	299
EPS New Adj (Eu)	0.710	0.420	0.666	0.900	0.918
EPS Old Adj (Eu)	0.710	0.420	0.666	0.973	0.867
DPS (Eu)	0.000	0.220	0.270	0.280	0.286
EV/EBITDA Adj	7.0	8.4	7.4	5.8	7.1
EV/EBIT Adj	11.3	17.9	13.0	9.4	11.5
P/E Adj	20.1	34.0	21.4	15.8	15.5
Div. Yield	0.0%	1.5%	1.9%	2.0%	2.0%
Net Debt/EBITDA Adj	0.7	1.0	0.8	0.8	0.6