

Pirelli & C. S.p.A. - PIRC:ITA (EUR 4.51, Mkt Cap EUR 4.48bn)

GICS Sector Consumer Discretionary
Sub-Industry Tires and Rubber

Pirelli & C. S.p.A. manufactures and supplies tires for cars, motorcycles, and bicycles worldwide.

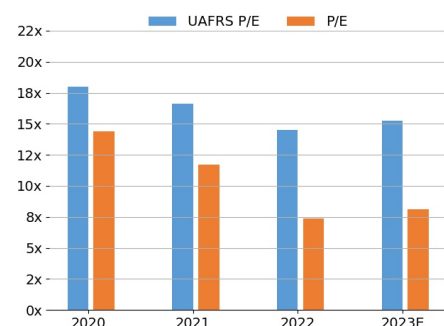
Summary

15.3x	UAFRS Forward P/E	Below Market	At a P/E of 15.3x, this is below the global corporate average of 18.4x, but around PIRC's historical P/E of 16.1x.
-7%	Mkt. Required UAFRS EPS Growth	Low Expectations	To justify current valuations, PIRC earnings need to shrink by 7% per year over the next three years.
32%	Historical UAFRS EPS Growth	Below Avg	UAFRS EPS grew by 32% last year.
-16% 15%	Forecast UAFRS EPS Growth - 2023 Forecast UAFRS EPS Growth - 2024	Below Avg	Analysts forecast UAFRS EPS to decline by 16% in 2023 and grow by 15% in 2024.
Grade: F Grade: A	UAFRS EPS' Growth vs Peers UAFRS P/E vs Peers	Average	UAFRS EPS growth for the coming two years ranks in the 0 th percentile versus peers. UAFRS P/E for the company ranks in the 0 th percentile versus peers.
EUR 427.1mn	Earnings Revision Momentum	Above Avg	Estimates for 2023 UAFRS Earnings have increased by EUR 427.1mn in the past quarter.
11%	Economic Profitability (UAFRS)	High	PIRC corporate return on assets was 11% in 2022, which is 2x the long-run corporate averages.
5% Div % HY2	Credit & Dividend Risk (UAFRS)	High Dividend Risk	PIRC has high risk to their dividend. Cash flows and cash on hand are below total obligations. Intrinsic credit risk is 210bps above the risk free rate.
	Accuracy of As-Reported EPS	Low	As-reported GAAP earnings is unreliable due to high accounting inconsistencies.

Overall: PIRC is seeing below average earnings growth, and this is expected to continue. P/E is below market valuations, but if the company sees earnings shrink by 7% over the next three years, the valuation is justified.

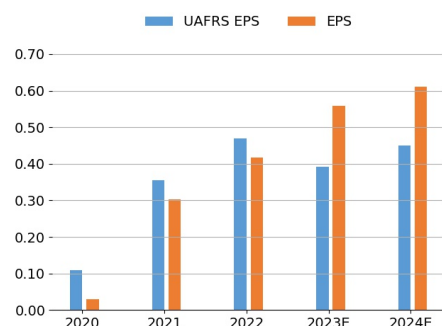
Insights

UAFRS P/E vs P/E As-Reported



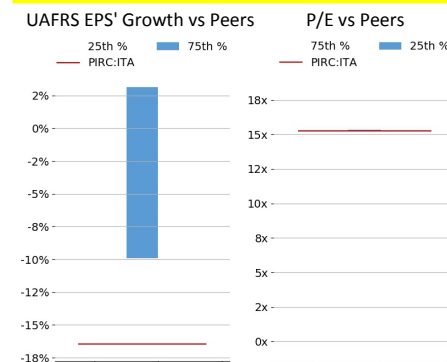
PIRC trades at a 15.3x UAFRS Fwd P/E, which is more expensive than the as-reported 8.1x P/E. PIRC trades in line with valuations over the past 3+ years, and trades below average valuations of 18.4x in the market currently.

UAFRS Annual EPS vs EPS As-Rep.



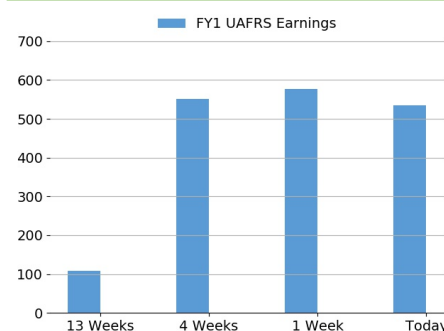
UAFRS EPS has grown from EUR 0.4 in 2021 to EUR 0.5 in 2022; UAFRS Earnings were higher than as-reported earnings in 2022. Analyst forecasts call for UAFRS EPS to decline to EUR 0.4 in 2023, a decline of 16%. Forecasted US market UAFRS earnings for 2023 is 5%.

UAFRS EPS' Growth and P/E vs Peers



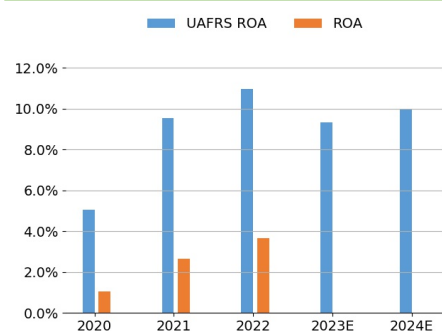
UAFRS EPS growth for FY1 is -16%, which ranks in the 0th percentile versus peers. UAFRS Forward P/E is 15.3x, which ranks in the 0th percentile versus peers.

Consensus Revision Momentum



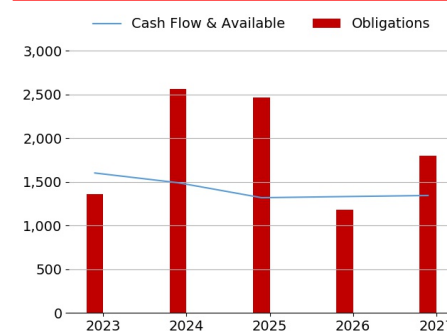
Forecasted 2023 UAFRS Earnings have risen by EUR 427.1mn in the past quarter. However, expanding forecasts occurred several months ago, with forecasts down EUR 15.0mn over that time period.

UAFRS ROA vs ROA As-Rep.



Analysts forecast UAFRS ROA to fall from 11% in 2022 to 9% in 2023 and 10% in 2024; UAFRS ROA was above highly inaccurate as-reported ROA of 4% in 2022. Long-run corporate average returns are 6%.

Credit & Dividend Risk



PIRC has high dividend risk, with cash flows and cash on hand falling short of obligations within five years. Based on operating risk and refinancing capability, PIRC's iCDS is 210bps, suggesting a moderate credit risk.

UAFRS has become a recognized alternative to as-reported GAAP and IFRS reported accounting statements. This provides an apples to apples comparison of corporate financial activity and valuations in a way that as-reported financial statements simply do not. The calculations and framework are vetted by the UAFRS Advisory Council.

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Peers Included in Analysis

BRE:ITA Brembo S.p.A.

Summary Section Rules

Section	Negative	Neutral	Positive
UAFRS Forward P/E	> Market P/E + 2x	+/- 2x from Market P/E	< Market P/E - 2x
Mkt. Required UAFRS EPS Growth	> 10%	10% > Growth > 3%	< 3%
Historical UAFRS EPS Growth	< Market Growth - 5%	+/- 5% from Market Growth	> Market Growth + 5%
Forecast UAFRS EPS Growth	< Market Growth - 5%	+/- 5% from Market Growth	> Market Growth + 5%
UAFRS EPS and P/E vs. Peers	Average Grade: D or F	Average Grade: C	Average Grade: A or B
Earnings Revision Momentum	< -5%	5% > Revision > -5%	> 5%
Economic Profitability	< 4%	4% < x < 8%	> 8%
Dividend Risk	Cash flow + Cash < 80% of Obligations	Cash flow + Cash > 80% of Obligations	Cash flow + Cash > 100% of Obligations
Credit Risk (when no dividend)	iCDS > 500bps	500bps > iCDS > 100bps	iCDS < 100bps

Insights Section Rules

Section	Negative	Neutral	Positive
UAFRS P/E vs P/E As-Reported	> Market P/E + 2x	+/- 2x from Market P/E	< Market P/E - 2x
UAFRS Annual EPS vs EPS As-Rep.	< Market Growth - 5%	+/- 5% from Market Growth	> Market Growth + 5%
UAFRS EPS' Growth and P/E vs Peers	Average Grade: D or F	Average Grade: C	Average Grade: A or B
Consensus Revision Momentum	< -5%	5% > Revision > -5%	> 5%
UAFRS ROA vs ROA As-Rep.	< 4%	4% < x < 8%	> 8%
Dividend Risk	Cash flow + Cash < 80% of Obligations	Cash flow + Cash > 80% of Obligations	Cash flow + Cash > 100% of Obligations
Credit Risk (when no dividend)	iCDS > 500bps	500bps > iCDS > 100bps	iCDS < 100bps



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