

# Pirelli & C. S.p.A. - PIRC:ITA (EUR 4.49, Mkt Cap EUR 4.49bn)

**GICS Sector** Consumer Discretionary  
**Sub-Industry** Tires and Rubber

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

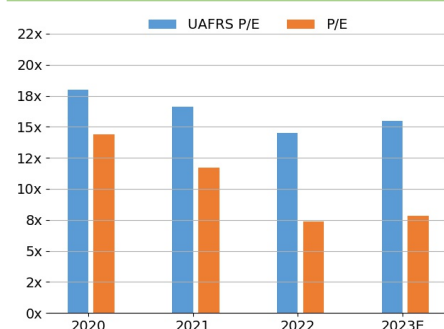
## Summary

15.5x	UAFRS Forward P/E	Below Market	At a P/E of 15.5x, this is below the global corporate average of 18.4x, but around PIRC's historical P/E of 16.1x.
-8%	Mkt. Required UAFRS EPS Growth	Low Expectations	To justify current valuations, PIRC earnings need to shrink by 8% per year over the next three years.
32%	Historical UAFRS EPS Growth	Below Avg	UAFRS EPS grew by 32% last year.
-20% 13%	Forecast UAFRS EPS Growth - 2023 Forecast UAFRS EPS Growth - 2024	Below Avg	Analysts forecast UAFRS EPS to decline by 20% in 2023 and grow by 13% in 2024.
Grade: F Grade: F	UAFRS EPS' Growth vs Peers UAFRS P/E vs Peers	Below Avg	UAFRS EPS growth for the coming two years ranks in the 0 <sup>th</sup> percentile versus peers. UAFRS P/E for the company ranks in the 100 <sup>th</sup> percentile versus peers.
EUR 440.8mn	Earnings Revision Momentum	Above Avg	Estimates for 2023 UAFRS Earnings have increased by EUR 440.8mn 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.
No Div. HY2+	Credit & Dividend Risk (UAFRS)	Avg. Credit Risk	Cash flows and cash on hand are below total obligations. Intrinsic credit risk is 180bps 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 8% over the next three years, the valuation is justified.

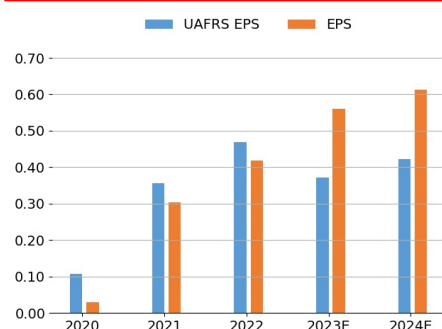
## Insights

### UAFRS P/E vs P/E As-Reported



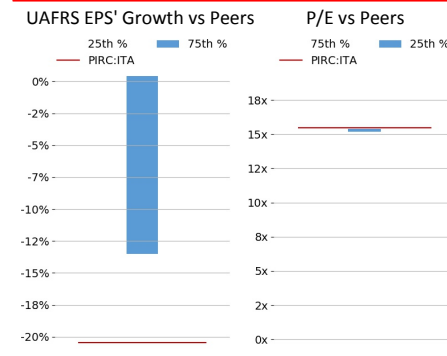
PIRC trades at a 15.5x UAFRS Fwd P/E, which is more expensive than the as-reported 7.8x P/E. PIRC trades in line with valuations over the past 3+ years, and trades below average valuations of 18.4x in the market currently.

### UAFRS Annual EPS vs EPS As-Rep.



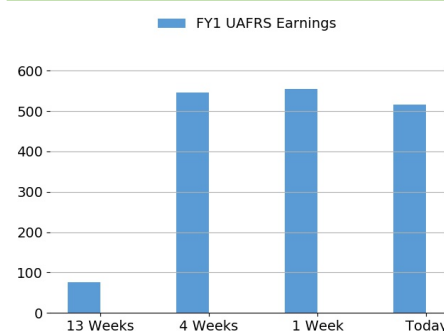
UAFRS EPS has grown from EUR 0.4 in 2021 to EUR 0.5 in 2022; UAFRS Earnings were higher than as-reported earnings in 2022. Analyst forecasts call for UAFRS EPS to decline to EUR 0.4 in 2023, a decline of 20%. Forecasted US market UAFRS earnings for 2023 is 5%.

### UAFRS EPS' Growth and P/E vs Peers



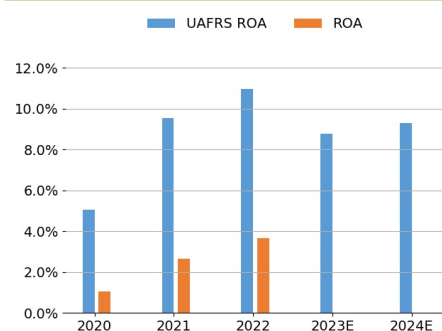
UAFRS EPS growth for FY1 is -20%, which ranks in the 0<sup>th</sup> percentile versus peers. UAFRS Forward P/E is 15.5x, which ranks in the 100<sup>th</sup> percentile versus peers.

### Consensus Revision Momentum



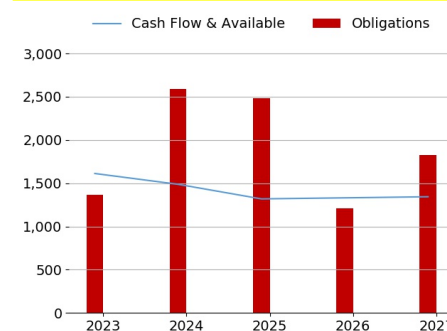
Forecasted 2023 UAFRS Earnings have risen by EUR 440.8mn in the past quarter. However, expanding forecasts occurred several months ago, with forecasts down EUR 30.0mn over that time period.

### UAFRS ROA vs ROA As-Rep.



Analysts forecast UAFRS ROA to fall from 11% in 2022 to 9% in 2023 and 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 moderate operating risk, with cash flows and cash on hand exceeding obligations. Based on operating risk and refinancing capability, PIRC's iCDS is 180bps, 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.

To see more research like this, and our top insights daily, you can register for the [Investor Essentials Daily here](#), or contact us at [info@valens-research.com](mailto:info@valens-research.com).

## 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

VALENS  
RESEARCH

# Learn more about how Valens Research Subscriptions can Enhance your Investment Analysis Process

## LEARN MORE

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. To see more research like this, and our top insights daily, you can register for the [Investor Essentials Daily here](#), or contact us at [info@valens-research.com](mailto:info@valens-research.com).

## Disclosures

### VALENS RESEARCH

This material has been prepared by Valens Research and is provided for information purposes only. The information provided is not intended to provide a sufficient basis on which to make an investment decision. Information and opinions presented in this material have been obtained or derived from sources believed by Valens Research to be reliable, but Valens Research makes no representation as to their accuracy or completeness. Valens Research accepts no liability for any loss arising from the use of this material. Any reference to potential asset allocation and potential returns do not represent and should not be interpreted as projections.

### VALENS CREDIT

CREDIT ANALYSES ISSUED BY VALENS CREDIT AND ITS AFFILIATES ARE VALENS' CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT ANALYSES AND RESEARCH PUBLICATIONS PUBLISHED BY VALENS ("VALENS PUBLICATIONS") MAY INCLUDE VALENS' CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. VALENS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE, AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. VALENS' CREDIT ANALYSES DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. VALENS' CREDIT ANALYSES AND OPINIONS INCLUDED IN VALENS PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. VALENS' CREDIT ANALYSES AND VALENS PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE. VALENS' CREDIT ANALYSES AND VALENS PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER VALENS' CREDIT ANALYSES NOR VALENS PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. VALENS ISSUES ITS CREDIT ANALYSES AND PUBLISHES VALENS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT VALENS' PRIOR WRITTEN CONSENT.

All information contained herein is obtained by VALENS from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. VALENS adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources VALENS considers to be reliable including, when appropriate, independent third-party sources. However, VALENS is not an auditor and cannot in every instance independently verify or validate information received in the rating process. Under no circumstances shall VALENS have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of VALENS or any of its directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if The ANALYSIS, financial reporting analysis, projections, and other observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. Each user of the information contained herein must make its own study and evaluation of each security it may consider purchasing, holding or selling. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY VALENS IN ANY FORM OR MANNER WHATSOEVER.

VALENS' credit analyses are opinions as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail clients. It would be dangerous for retail clients to make any investment decision based solely on VALENS' credit ratings. If in doubt, you should contact your financial or other professional adviser.

### **Timeliness and Relevance**

Any report issued by Valens Research, Valens Credit, Valens Equities, or any of their subsidiaries/affiliates (collectively, “Valens”) are current as of the date of the report until they are updated or replaced by a new report, or withdrawn.

### **Conflicts of Interest**

Neither Valens nor its employees receive any direct or indirect benefit from the publication of any Valens research reports.

Valens provides its research to clients on a subscription-based structure, which may be differentiated between clients depending on the client’s preferences. Valens does not receive any commission for providing such research. Valens does not charge or receive compensation from companies it rates or publishes reports on.

**© 2015 Valens Research and/or its licensors and affiliates (collectively, “Valens”). All rights reserved.**