

Earnings			Key Facts		Stock Price (EUR) € 4,60 09/01/2023
Last Earnings Release	07/28/23		Dividend Yield	4.74%	
Last Qtr. Actual vs. Est.	€ 0,12 / € 0,11		52 Wk High	€ 5,02	
Next Release	11/10/23	€ 0,12	52 Wk Low	€ 3,27	
Year Ending	12/31/23	€ 0,51	Enterprise Value	€ 7,88B	
Year Ending	12/31/24	€ 0,57	Market Cap	€ 4,60B	

The Company's Fundamentals Look Average, at Best, with Significant Room for Improvement

MarketGrader currently rates Pirelli & C. S.p.A. HOLD, based on an overall grade of 54.80 (out of 100). This grade is calculated as the sum of our 24 fundamental indicators across Growth, Value, Profitability and Cash Flow and reflects our view on the investment merit of the stock in the next 18 months. Our methodology, which focuses on identifying growth-at-a-reasonable-price oportunities among public equities requires a minimum overall grade of 60 in order to issue a BUY rating; in this case, the company's fundamentals are average at best and not deserving of a better rating without an improvement in the company's performance, a more attractive valuation, or a combination of both. We have maintained this rating since April 12, 2023, when we upgraded the stock from SELL, based on an overall grade of 39.06. Since then, the stock is down .22%.

GROWTH = B

- 1. Market Growth Long Term **B+**
- 2. Market Growth Short Term **B-**
- 3. EPS Weighted Growth **B+**
- 4. Growth Potential **D**
- 5. Earnings Impact **B-**
- 6. Earnings Surprise **B+**

PROFITABILITY = B

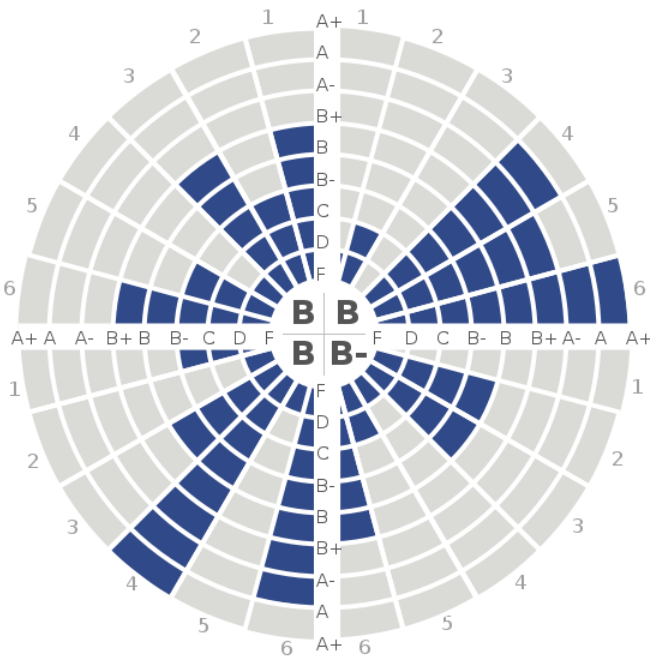
- 1. Asset Utilization **B-**
- 2. Capital Utilization **D**
- 3. Operating Margins **B**
- 4. Relative Margin **A+**
- 5. Return On Equity **D**
- 6. Gross Profitability **A**

VALUE = B

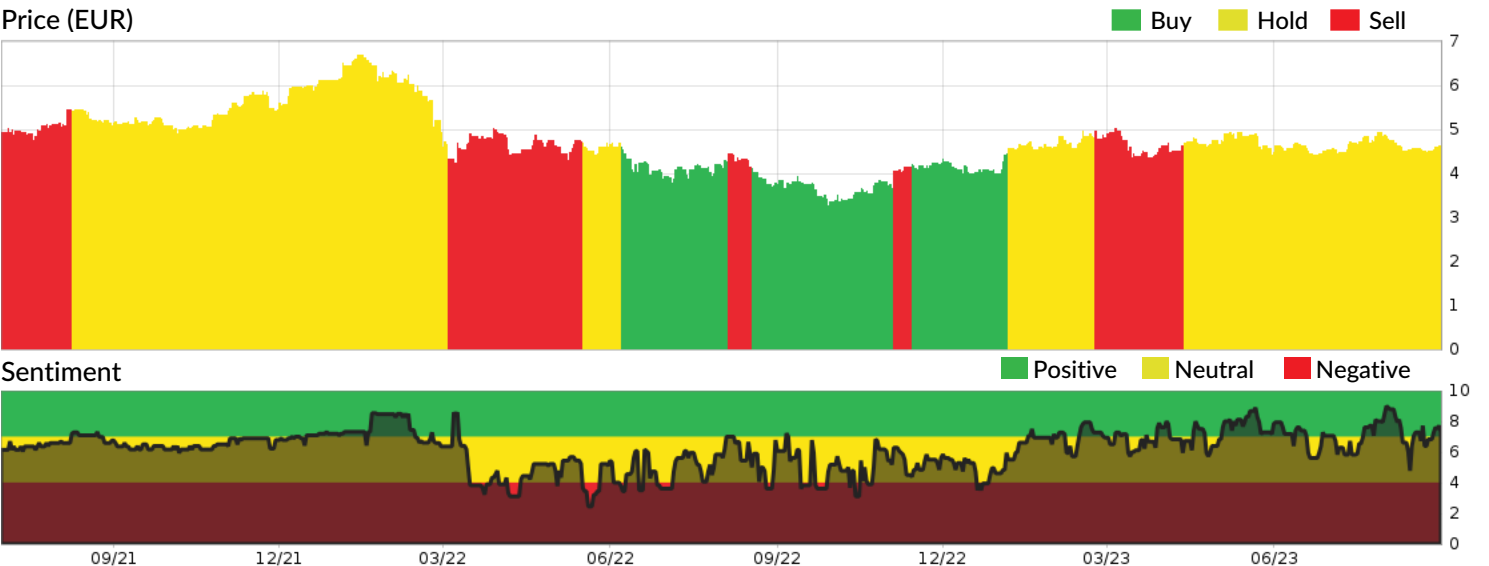
- 1. Capital Structure **D**
- 2. PE Analysis **C**
- 3. Price To Book Ratio **F**
- 4. Price To Cash Flow Ratio **A**
- 5. Price To Sales Ratio **A-**
- 6. Market Value **A+**

CASH FLOW = B-

- 1. Cash Flow Growth **F**
- 2. EBITDA Margin **B**
- 3. Debt To Cash Flow Ratio **B**
- 4. Interest Coverage Ratio **D**
- 5. Economic Value Added **C**
- 6. Working Capital Ratio **B+**



PIRC.IT - Price, Grade and Sentiment History - 2 Years



PIRELLI & C. S.P.A.

IT - MIL: PIRC.IT - AUTOMOTIVE AFTERMARKET

HOLD ○ **54.8**

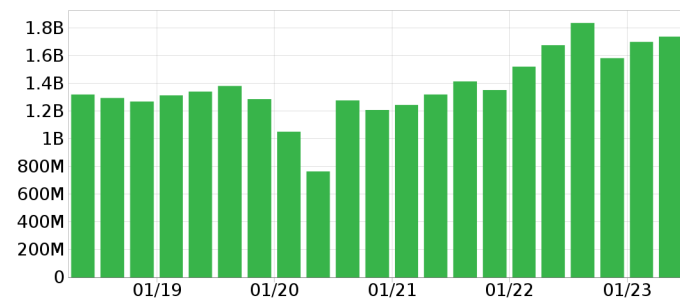
GROWTH B	Market Growth Long Term B+	Market Growth Short Term B-	EPS Weighted Growth B+
	Growth Potential D	Earnings Impact B-	Earnings Surprise B+

Company's Growth Indicators are Acceptable at Best Offering Ample Room for Improvement

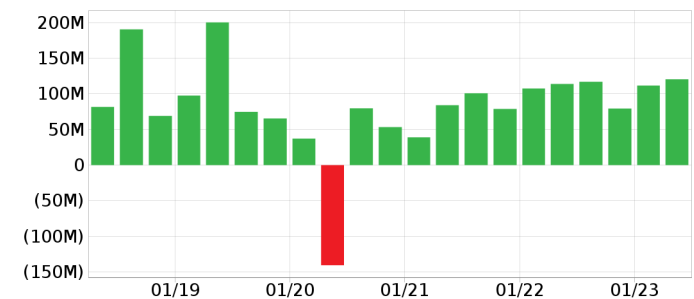
Pirelli & C.'s business continues to grow at a pretty healthy pace but it is nevertheless becoming quite apparent that its rate of growth is not what it used to be. In the first place, while the company posted strong sales growth during the 12 months ended in June, with revenue up 14.97% from the year-earlier period, this was actually a notch below the 18.08% in sales growth it had posted a year earlier. And while its operating income also increased from a year earlier, growing by 10.69%, also a healthy improvement, its operating margin showed a small 0.51 percentage point erosion also from a year earlier. So, assuming this deceleration continues and is not just a short-term, cyclical decline, shareholders may want to keep a close eye on our Value indicators to better gauge how far the stock could fall if a more serious decline in the company's growth rates becomes widely anticipated by investors. The company reported € 0,12 in quarterly earnings per share on July 28th, surpassing the consensus estimate of € 0,11 a share and, as a result, the stock gained 0.21% from the day before to the day after the report. The company has now either met or beaten consensus estimates in five of its last six earnings reports. The company's revenue rose moderately last quarter to € 1,74 billion, 3.69% above last year's € 1,68 billion, while operating income grew 11.27% to € 248,50 million from € 223,33 million, also on a year-over-year basis. Operating costs, meanwhile, grew in line with the top line, up 2.62% from a year ago.

our viewpoint. Pirelli & C.'s earnings per share last quarter grew 7.50% above the year-earlier period, mostly in line with what has been a steady, yet unspectacular earnings per share growth rate in the last few years. In fact, the company's earnings per share have grown at an annualized rate of 4.20% in the last five years, giving it ample room for improvement. The latest results, though, at least suggest the company is moving in the right direction.

The company has also shown some decent long-term growth, with its trailing 12-month sales increasing 52.88% in the last three years while its operating income more than doubled over the same time frame. And while these numbers might seem, at face value, pretty strong, three years is a significant amount of time over which to generate such growth, making them neither poor or outstanding from

Revenue Quarterly - 5 Years (EUR)**Revenue Growth**

Revenue Quarterly	06/30/23	€ 1,74B
Revenue Quarterly	Year Ago	€ 1,68B
Revenue 1 Year	Change	3.7%
Revenue LTM	Latest	€ 6,86B
Revenue LTM	3Y Ago	€ 4,48B
Revenue LTM	3Y Change	52.9%

Net Income Quarterly - 5 Years (EUR)**Net Income Growth**

Net Income Qtrly.	06/30/23	€ 120,45M
Net Income Qtrly.	Year Ago	€ 113,90M
Net Income 1 Year	Change	5.8%
Net Income LTM	Latest	€ 428,43M
Net Income LTM	3Y Ago	€ 36,94M
Net Income LTM	3Y Change	1,059.8%

VALUE B	Capital Structure D	PE Analysis C	Price To Book Ratio F
	Price To Cash Flow Ratio A	Price To Sales Ratio A-	Market Value A+

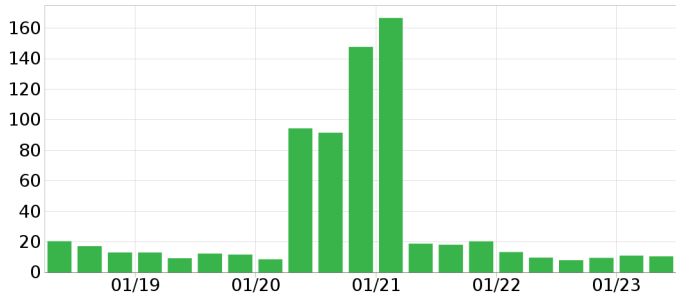
The Stock Looks Fairly Priced at Best, Offering Little Margin for Error if Fundamentals Deteriorate

Shares of Pirelli & C., currently trading at 10.00 times forward 12-month earnings per share, are pretty rich relative to our calculation of the stock's optimum P/E. This calculation is based on the company's historical EPS growth rate, which places a bigger weight on the company's recent growth record than on older gains, as we seek to reward companies with accelerating earnings momentum. By this measure, Pirelli & C.'s earnings have grown at a five-year annualized rate of 4.20%, resulting in our optimum P/E of 7.58, or 31.86% lower than the current multiple. The stock is also trading at 10.70 times trailing 12-month earnings per share. The stock looks even more expensive when comparing its recent closing price of € 4,60 a share to the company's € 0,02 in tangible book value per share, reported in its most recent balance sheet, a multiple of 274.89 times. When intangible assets are added back to total assets, book value per share rises to € 5,34, lowering the price to book multiple to 0.86. However, our indicator uses the strictest of the two measures, which is based only on tangible assets.

Our analysis of the stock's price to cash flow ratio is among the most favorable indicators in our valuation analysis of Pirelli & C.. The company's operations generated € 838,44 million in cash flow during the 12 months ended last quarter, on June 30, 2023, which translates into a multiple of 5.40 times the € 0,84 in cash flow attributed to each share on a fully diluted basis. This indicator is helpful in measuring the stock's attractiveness relative to the company's earnings power, since cash flow includes all of its operating income, before non-cash charges such as depreciation and amortization and non-operating charges such as interest and taxes are stripped out of the company's earnings. When measuring a company's valuation relative to its sales, our analysis doesn't assign

each stock a grade based on an absolute scale, like we do for all other multiples, but rather based on the company's price to sales ratio relative to its peer average. Since sales are much harder to manipulate than, say, earnings or cash flow, and given that industry dynamics vary greatly, this allows us to contextualize each company's valuation against a meaningful backdrop. Pirelli & C.'s shares, in this case, trade at only 0.67 times sales, which in itself is a very favorable valuation. Better yet, this represents a 39.67% discount to the Automotive Aftermarket average price to sales ratio of 1.11, making the company's valuation even more attractive than if measured on a stand-alone basis.

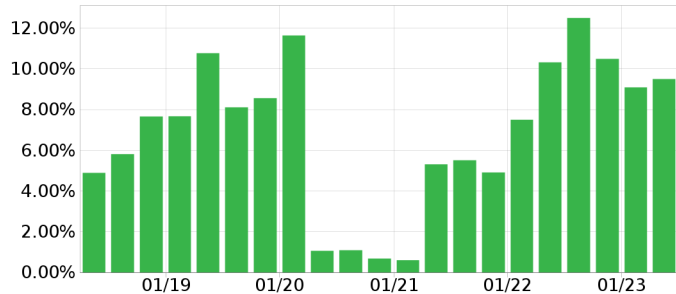
Trailing P/E Ratio - 5 Years



Price To Earnings

P/E Ratio LTM	10.74
P/E Ratio - Forward	10.0
S&P 500 Forward P/E	22.83
Optimum P/E	7.58
EPS Growth Rate 3 Years	120.7%
EPS Growth Rate 5 Years	4.2%
Earnings Yield LTM	9.5%

Earnings Yield - 5 Years



Valuation Multiples

Price to Book Ratio	0.86
Price to Tangible Book	274.89
Price to Cash Flow Ratio	5.49
Price to Sales Ratio	0.67
Price to Sales Industry Average	1.11
Market Cap/Operating Income	5.11
52 Week Range	€ 3,27 - € 5,02

PROFITABILITY B	Asset Utilization B-	Capital Utilization D	Operating Margins B
	Relative Margin A+	Return On Equity D	Gross Profitability A

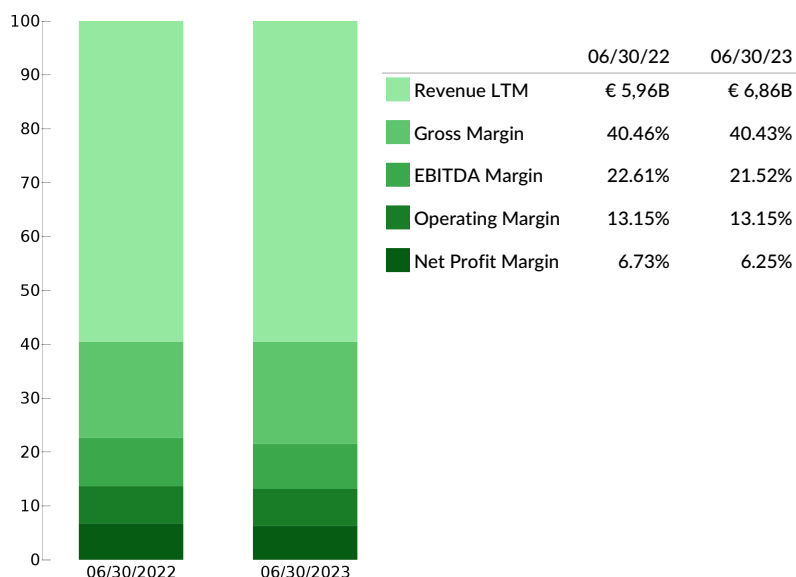
The Company's Profitability Grades Offer a Mixed Picture and Leave Plenty of Room for Improvement

Pirelli & C.'s profitability was pretty light during the last 12 months--ended on June 30, 2023--despite net earnings of € 428,43 million, as this represented only 6.25% of € 6,86 billion in total revenue booked during the period, a pretty thin margin. However, this offers only a very narrow view of the company's profitability since net income is the item in the income statement furthest removed from the top line and is therefore often contaminated with non-recurring income and expense items that don't reflect its true earnings power. Among our preferred indicators is Gross Profitability, in part because it is very close to the top line and almost impossible to manipulate. This indicator measures the gross profits generated by the company's operations in the last 12 months (total sales minus costs of goods sold) against its total tangible assets. In Pirelli & C.'s case, gross profits incredibly accounted for 39.32% of its total tangible assets, a much higher ratio than its net profit margin, suggesting not only that the company's operations are very efficient but also that it is probably able to generate strong profits from relatively small capital investments, the hallmark of a very strong business model. By this measure, Pirelli & C. ranks among the most profitable non-financial companies in MarketGrader's global coverage universe for which this indicator is used. The company, however, was only able to retain a part of its gross profits after accounting for other general and selling expenses, since its operating margin is a modest 13.15%. This is based on trailing 12-month operating income of € 901,41 million earned on € 6,86 billion in total sales, which suggests that it is reinvesting a healthy amount of its profits into growing or defending its business.

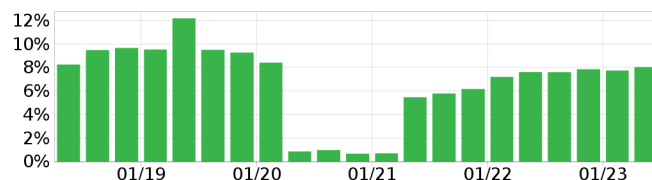
shareholders' equity of only 8.03%, based on its trailing 12-month results. To be clear, our Profitability analysis isn't really focused on evaluating the company's capital structure itself, which is done in our Cash Flow section below; we do, however, keep a close eye on debt levels relative to return on equity and, in this case until this improves significantly, it will be important for shareholders to monitor leverage closely so that it doesn't climb past 50% of total capital. That would leave the company little margin to maneuver, including by raising debt, should its business experience a significant downturn.

Pirelli & C.'s management seems prudent in keeping the company's leverage relatively low in light of a less than impressive return on

Margin Comparison (LTM vs. Year Ago)



Return on Equity TTM - 5 Years



Returns

Return on Equity LTM	8.0%
Return on Equity LTM Year Ago	7.6%
Total Invested Capital LTM	€ 8,61B
ROIC LTM	10.0%
After Tax Cost of Capital	5.9%
Economic Value Added	4.1%

Margins

Operating Margin Qtrly.	14.3%
Operating Margin Qtrly. Year Ago	13.3%
Operating Margin LTM	13.2%
Operating Margin LTM 3Y Ago	9.0%
Net Profit Margin Qtrly.	6.9%
Net Profit Margin Qtrly. Year Ago	6.8%

CASH FLOW B-	Cash Flow Growth F	EBITDA Margin B	Debt To Cash Flow Ratio B
	Interest Coverage Ratio D	Economic Value Added C	Working Capital Ratio B+

The Company's Cash Flow Indicators are Pretty Mediocre, Limiting its Ability to Reinvest in New Growth Opportunities

Pirelli & C.'s operating cash flow fell 12.43% during the 12 months ended last quarter, which stands in very stark contrast to the comparable period ended a year before in which the company's cash flow had increased 12.43% a worsening trend from the comparable period ended a year before in which cash flow had declined 5.42%. In the period ended in June Pirelli & C. earned € 838,44 million in cash from operations compared to € 957,42 million in the 12 months through June quarter.

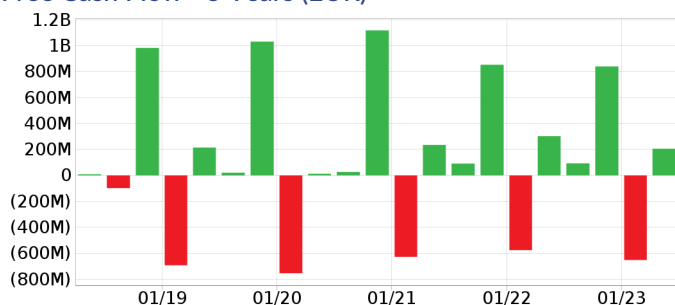
Its EBITDA margin eroded slightly during the last 12 months but nevertheless continues to be a very solid sign of the company's ongoing operating strength. Total earnings before interest, taxes, depreciation and amortization for this period accounted for 21.52% of the company's total sales, just slightly lower than the prior year's 22.61% EBITDA margin.

The company increased its capital expenditures fairly significantly during the 12 months ended last quarter, investing € 380,93 million compared to € 313,60 million in the same period ended a year earlier; this largely explains an 27.53% drop in its free cash flow, from € 669,54 million to € 485,24 million over the same time frame. While improvements in free cash flow are usually desirable, so are investments in the company's future, provided that they eventually yield a good return in investment. So, in this case, the modest drop in the company's free cash flow should not be a major cause of concern for long-term shareholders. This expansion in Pirelli & C.'s capital expenditures program meant also that during the course of the last 12 months the company continued to be a net investor, from a cash flow perspective, although its net investment cash outlays were lower than they had been the prior year. It reported having negative

net investing cash flows of € 103,42 million during the period, down from negative € 346,28 million booked during the 12 months ended the prior year. Therefore, assuming the company is investing wisely, this ongoing trend should result in higher shareholder returns in the future.

Even though the company's leverage declined in the last 12 months from the year earlier period--with leverage defined as total debt as a percentage of capital--it nevertheless had to spend a much higher portion of its operating cash flow servicing that debt than it had a year earlier. During the period ended last quarter, the company's total interest expense of € 346,14 million accounted for 41.28% of its operating cash flow, 16.62 points higher than a year earlier; this, despite a decline in its debt as a percentage of total capital from 48.18% a year ago to 47.11%.

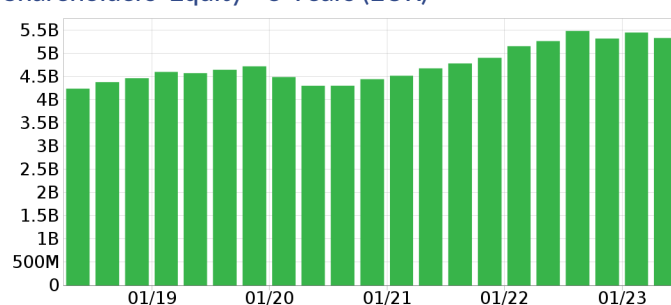
Free Cash Flow - 5 Years (EUR)



Cash Flow

Cash Flow Quarterly	06/30/23	€ 277,63M
Cash Flow Quarterly	Year Ago	€ 360,23M
Cash Flow LTM		€ 838,44M
Cash Flow LTM	3Y Ago	€ 646,97M
Free Cash Flow LTM		€ 485,24M
Free Cash Flow LTM	3Y Ago	€ 309,77M

Shareholders' Equity - 5 Years (EUR)



Financial Strength

Total Debt	€ 4,75B
Total Debt / Total Capital	47.1%
Long Term Debt	€ 3,28B
Long Term Debt as % of Total Debt	69.0%
Capital Expenditures LTM	€ 380,93M
Shareholders Equity	€ 5,34B

Share Count Analysis:
Impact of Changes in Outstanding Share on Company's Earnings per Share

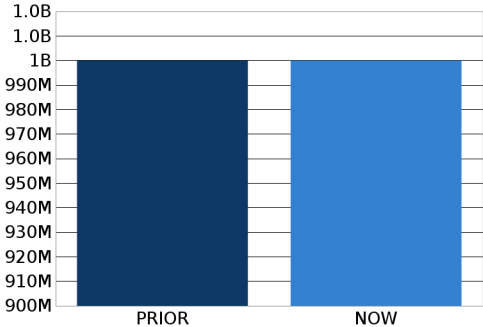
Impact of change in shares outstanding on most recent quarterly earnings per share

EPS - Q2 2023 (06/30/2023)



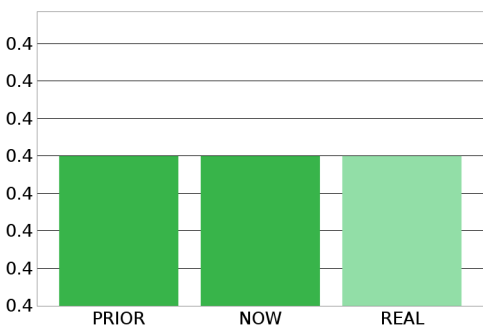
EPS Chart in (EUR)

Diluted Common Shares Q2 2023



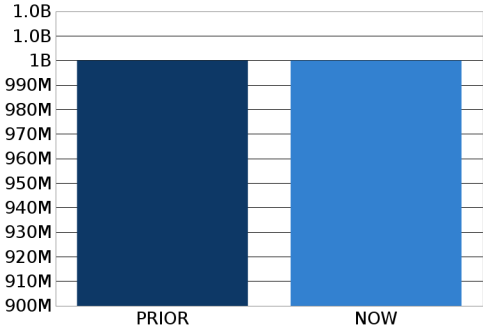
EPS Latest	€ 0,12
EPS Year Ago	€ 0,11
EPS Change 1 Year	5.8%
Common Shares - Latest	1.00B
Common Shares - Year Ago	1.00B
Common Shares - 1Y Change	N/A
EPS if Year Ago Shares	€ 0,12
EPS Change if Year Ago Shares	5.8%
EPS Loss From Dilution	N/A

EPS TTM through 06/30/2023



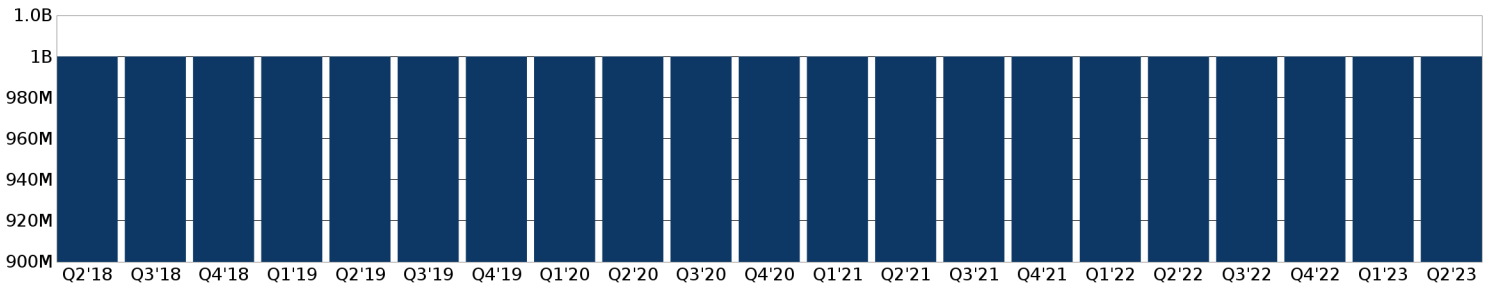
EPS Chart in (EUR)

Diluted Common Shares TTM to Q2 2023



EPS Latest	€ 0,43
EPS Year Ago	€ 0,40
EPS Change 1 Year TTM	6.8%
Common Shares - Latest	1.00B
Common Shares - Year Ago	1.00B
Common Shares - 1Y Change	N/A
EPS if Year Ago Shares TTM	€ 0,43
EPS Chg. if Year Ago Shares TTM	6.8%
EPS Loss From Dilution	N/A

Diluted Common Shares Outstanding Quarterly - 5 Years



PIRELLI & C. S.P.A.

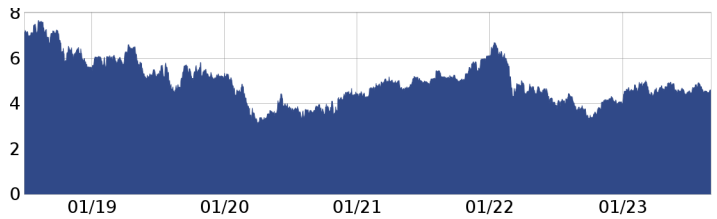
IT - MIL: PIRC.IT - AUTOMOTIVE AFTERMARKET

HOLD ○ 54.8

Profile

Pirelli & C. SpA is a consumer tyre company, which engages in manufacturing and marketing of tires for motor and industrial vehicles and motorcycles. It operates as a supplier to brands, such as Aston Martin, Bentley, Ferrari, Porsche, and Maserati, and the sole supplier for Lamborghini, McLaren, and Pagani Automobili. The company was founded by Giovanni Battista Pirelli on January 28, 1872 and is headquartered in Milan, Italy.

Stock Price - 5 Years (EUR)



Key Facts

Domicile

Viale Piero e Alberto Pirelli, 25
Milan, MI 20126
Italy
<https://www.pirelli.com/>

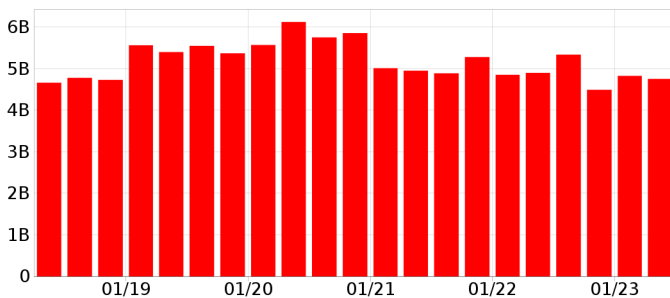
Income Statement

	Last Qtr (20/6-30)	Trailing 12 Months
Revenue	€ 1,74B	€ 6,86B
Op. Income	€ 248,50M	€ 901,41M
Net Income	€ 120,45M	€ 428,43M
EPS	€ 0,12	€ 0,43

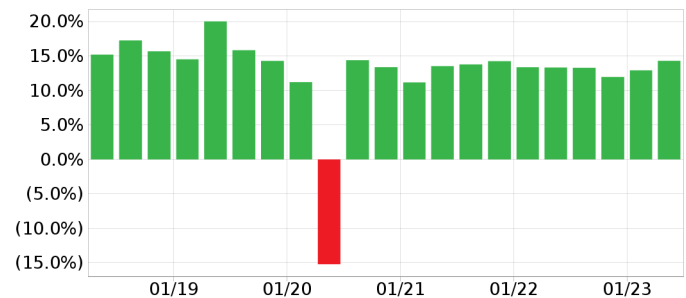
Ratios

Price/Earnings (12 mo. trailing)	10.74
Price/Tangible Book	274.89
Price/Cash Flow	5.49
Price/Sales	0.67
Debt/Cash Flow	566.87
Return on Equity	8.0%
Interest Ratio Quarterly	N/A
Net Interest Margin Quarterly	N/A
Net Profit Margin (12 mo. trailing)	6.2%

Total Debt Quarterly - 5 Years (EUR)



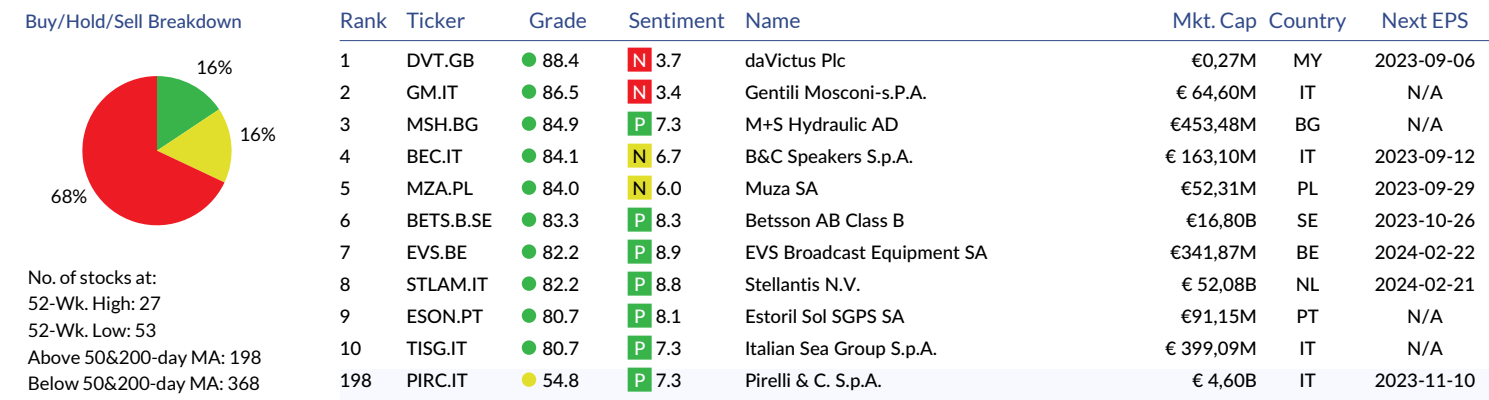
Operating Margin Quarterly - 5 Years



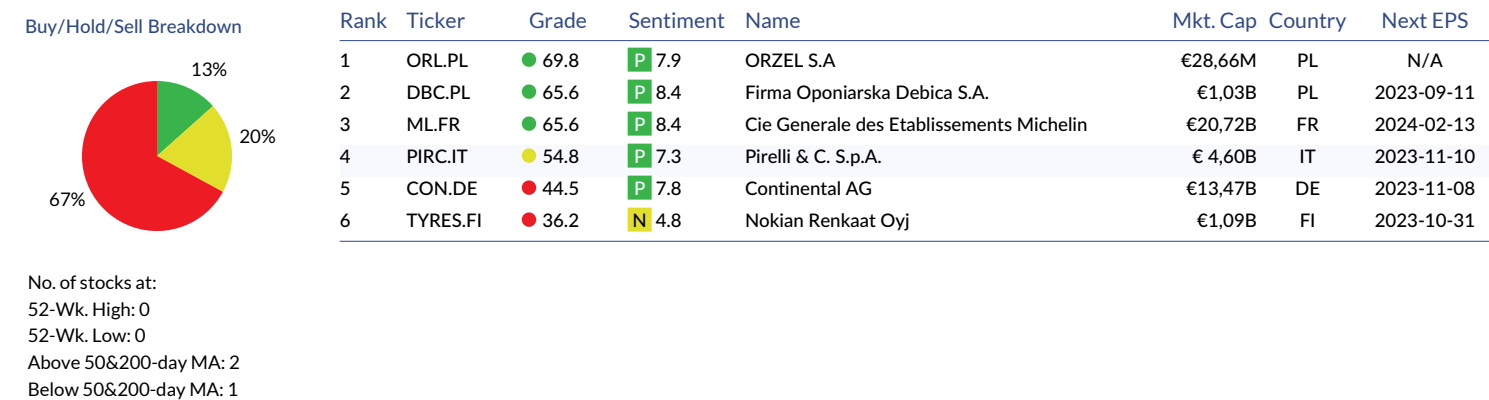
Total Assets	€ 13,83B	Total Debt as Total Capital	47.1%	Gross Margin Qtrly.	41.5%
Intangible Assets	€ 5,32B	LT Debt as Total Capital	32.5%	EBITDA Margin Qtrly.	22.3%
Long Term Debt	€ 3,28B	LT Debt as Total Debt	69.0%	Operating Margin Qtrly.	14.3%
Total Debt	€ 4,75B	Total Debt / Cash Flow LTM	566.9%	Operating Margin Industry Avg.	7.2%
Book Value	€ 5,34B	Int. Exp. as % of Cash Flow Qtrly.	40.1%	Operating Margin 12 mo. trailing	13.2%
Enterprise Value	€ 7,88B	Cash on Hand 1Y Chg.	43.6%	Net Profit Margin LTM	6.2%

Sector and Industry Breakdowns

Sector: Consumer Discretionary. Companies in European Union Region: 786



Industry: Automotive Aftermarket. Companies in European Union Region: 6



Sentiment Score (out of 10)

Price Momentum	Price Trend	Relative Strength	Earnings Guidance	7.28 POSITIVE
B+	B+	B	B	

PIRC.IT - 1 Year Price Return vs. Country Benchmark



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