

PIERER Mobility

Strong momentum into H220

Half year trading update

Automobiles & parts

PIERER management have confirmed strong market demand for its powered two-wheeler (PTW) product portfolio since lockdowns have lifted. H220 management guidance is for revenue growth compared to H219 and we have increased our EPS estimates by c 2% for FY21, primarily reflecting higher than anticipated e-bike sales.

Year end	Revenue (€m)	EBIT* (€m)	EPS* (€)	DPS (€)	P/E (x)	Yield (%)
12/18	1,462	128.7	1.82	0.30	26.7	0.6
12/19	1,520	131.7	2.42	0.00	20.1	N/A
12/20e	1,441	72.8	1.01	0.30	48.1	0.6
12/21e	1,710	134.5	2.11	0.30	23.0	0.6

Note: *EBIT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Robust performance despite COVID-19 effects

Unit sales of motorcycles and e-bikes fell by 8% in H120 to 124,682 (H119: 135,711). The drop reflects lower KTM and Husqvarna motorcycle brand sales by Indian partner Bajaj Auto due to the severe impact of COVID-19 in the sub-continent, where unit sales fell 12,379 or 38% to 20,160. Excluding Bajaj sales, motorcycle and e-bike sales actually rose by 1.3% to 104,522 units (70,171 and 34,351, respectively), although volumes include initial GasGas motorcycle sales. Management expect H120 revenues of c €600m, 20% below H119 (€754.9m), generating a modest EBIT of €1.7m (H119 €46.5m). Since the end of lockdowns in many territories, PTW demand has been strong, which may be attributable to changed attitudes to private versus public forms of transport. Global motorcycle sales grew by 4% in H120, with North America up 20% and Australia up 39%. KTM and Husqvarna brands both grew market share and PIERER has responded by increasing production to above pre-lockdown levels and adding staff.

Market strength augurs well for FY21

The underlying strength of the market should lead to a strong H220 performance. Management expects sales to exceed €800m, more than 4.5% above H219 revenues of €765.3m. FY20 sales are expected to be more than €1,400m. The e-bikes activity is now expected by management to contribute over €110m to sales, €10m above our estimate, which we have now raised to match guidance. We do not expect this to increase FY20 EBIT and maintain our previous assumption. The growth in demand for e-bikes and the general positive recovery for powered two-wheeler markets should continue in FY21, although COVID-19 remains a risk to the assumption in some markets. With the sales growth expected to continue from the higher base in FY21, our EPS estimates increase by around 2%.

Valuation: Return to growth anticipated

The share price has recovered strongly, reflecting the expectation that the previous growth trajectory can be attained. The move into urban mobility markets should augment the core business share gains, warranting the P/E ratio rating premium.

23 July 2020

Price **€48.6**

Market cap **€1,094m**

Net debt (€m) as at 31 December 2019 396

Shares in issue 22.5m

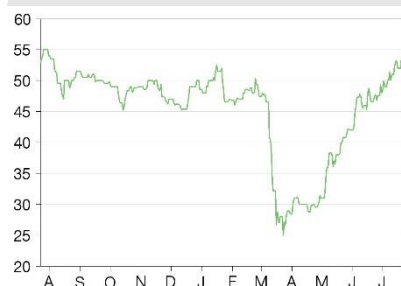
Free float 38%

Code PMAG

Primary exchange SIX Swiss Exchange

Secondary exchange Frankfurt Stock Exchange

Share price performance



% 1m 3m 12m

Abs 14.9 80 (7.9)

Rel (local) 11.8 66 (12.4)

52-week high/low €60.00 €25.00

Business description

PIERER Mobility (previously KTM Industries) is a leading manufacturer of powered two wheelers, focusing on premium motorcycles and two-wheeled electric vehicles. With its well-known brands – KTM, Husqvarna and GasGas – it is the largest sports motorcycle manufacturer in Europe.

Next event

H120 results 30 August 2020

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Earnings estimate revisions

We have increased our revenue estimates by €10m to reflect the stronger than expected e-bikes performance, and the strength from the higher base carries through to FY21. While this only has a modest impact on earnings in FY21, it is nevertheless encouraging given the robust recovery being seen in the core motorcycle business following the COVID-19 shutdowns.

Exhibit 1: PIERER Mobility revised estimates

Year to 31 December €m	2020e			2021e		
	Prior	New	Change	Prior	New	Change
Core Motorcycle business	1330.8	1330.8	0.0%	1577.8	1577.8	0.0%
E-motorcycles	0.0	0.0		0.0	0.0	
E-bikes	100.0	110.0	10.0%	120.0	132.0	10.0%
Total revenues	1430.8	1440.8	0.7%	1697.8	1709.8	0.7%
Core Motorcycle business	387.1	387.1	0.0%	460.9	460.9	0.0%
E-motorcycles	0.0	0.0		0.0	0.0	
E-bikes (PEXCO)	15.0	15.0	0.0%	21.6	23.8	10.0%
Total gross profit	402.1	402.1	0.0%	482.5	484.7	0.4%
Operating expenses	202.0	202.0	0.0%	212.4	212.4	0.0%
EBITDA	200.1	200.1	0.0%	270.1	272.3	0.8%
D&A	-127.2	-127.2	0.0%	-137.8	-137.8	0.0%
EBIT	72.8	72.8	0.0%	132.3	134.5	1.7%
PBT	57.3	57.3	0.0%	118.1	120.5	2.0%
Net Income	22.7	22.7	0.0%	46.7	47.6	2.0%
EPS (€)	1.01	1.01	0.0%	2.07	2.11	2.0%
Dividend (€)	0.30	0.30	0.0%	0.3	0.30	0.0%
Adjusted net debt	385	380	-1.4%	368	361	-1.9%

Source: PIERER Mobility reports, Edison Investment Research estimates

Management has already decided not to pay a dividend in respect of FY19 as part of the mitigation factors aimed at preserving cash through the COVID-19 pandemic. We have adjusted our debt estimates for the €7m cash retention in FY20 this achieves. We expect a resumption of dividend payments for FY20 (at the FY18 level) despite the tougher trading year, reflecting a still good level of earnings cover as well as the strong recovery already appearing in H220.

Exhibit 2: Financial summary

Accounts: IFRS, Yr end: December, EUR: Millions	2017A	2018A	2019A	2020E	2021E
Income statement					
Total revenues	1,354	1,462	1,520	1,441	1,710
Cost of sales	(945)	(1,031)	(1,074)	(1,039)	(1,225)
Gross profit	409	431	446	402	485
SG&A (expenses)	(128)	(194)	(191)	(176)	(185)
R&D costs	(34)	(27)	(24)	(25)	(26)
Other income/(expense)	(28)	1	10	(1)	(1)
Depreciation and amortisation	(97)	(82)	(109)	(127)	(138)
Reported EBIT	122	129	132	73	134
Finance income/(expense)	(11)	(15)	(14)	(15)	(14)
Other income/(expense)	(2)	(1)	0	(1)	0
Reported PBT	109	112	118	57	121
Income tax expense	(30)	(27)	(22)	(14)	(29)
Minorities	(39)	(44)	(41)	(21)	(44)
Reported net income (post-minorities)	40	41	54	23	48
Basic average number of shares, m	225	23	23	23	23
Basic EPS	1.98	2.99	2.42	1.01	2.11
Dividend per share	0.30	0.30	0.00	0.30	0.30
Adjusted EBITDA	219	211	241	200	272
Adjusted EBIT	122	129	132	73	134
Adjusted PBT	109	112	118	57	121
Adjusted EPS	1.77	1.82	2.42	1.01	2.11
Adjusted diluted EPS	1.77	1.82	2.42	1.01	2.11
Balance sheet					
Property, plant and equipment	357	283	380	413	435
Goodwill	117	96	146	146	146
Intangible assets	280	327	345	345	345
Other non-current assets	28	39	17	17	17
Total non-current assets	782	745	888	921	943
Cash and equivalents	169	89	161	157	156
Inventories	297	287	324	313	351
Trade and other receivables	216	220	235	227	255
Other current assets	1	13	8	8	8
Total current assets	683	609	728	705	769
Non-current loans and borrowings	373	339	477	457	437
Other non-current liabilities	89	95	110	110	110
Total non-current liabilities	461	435	587	567	547
Trade and other payables	178	191	205	198	234
Current loans and borrowings	171	73	80	80	80
Other current liabilities	125	104	116	116	116
Total current liabilities	475	368	401	394	430
Equity attributable to company	318	297	334	350	376
Non-controlling interest	211	253	295	316	360
Cashflow statement					
Profit for the year	84	114	96	44	92
Taxation expenses	33	29	22	14	29
Net finance expenses	4	(16)	(16)	16	14
Depreciation and amortisation	86	91	109	127	138
Movements in working capital	(23)	(83)	70	12	(30)
Interest paid / received	(13)	(15)	(12)	(16)	(14)
Income taxes paid	(10)	(36)	(10)	(14)	(29)
Cash from operations (CFO)	161	85	258	183	200
Capex	(182)	(167)	(165)	(160)	(160)
Acquisitions & disposals net	28	70	0	0	0
Other investing activities	0	(6)	(1)	0	0
Cash used in investing activities (CFIA)	(154)	(102)	(166)	(160)	(160)
Movements in debt	(96)	(38)	0	(20)	(20)
Dividends paid	(20)	(19)	(20)	(7)	(21)
Other financing activities	(2)	(6)	(1)	0	0
Cash from financing activities (CFF)	(118)	(63)	(21)	(27)	(41)
Currency translation differences and other	(4)	0	0	0	0
Increase/(decrease) in cash and equivalents	(115)	(80)	72	(4)	(1)
Cash and equivalents at end of period	169	89	161	157	156
Net (debt) cash	(375)	(323)	(396)	(380)	(361)
Movement in net (debt) cash over period	(375)	52	(73)	16	19

Source: Company reports. Edison Investment Research estimates

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