

PIERER Mobility

Industrials
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Building on its track record of strong growth

PIERER Mobility (previously KTM Industries) plans to build on its historically strong growth track record by penetrating emerging markets via its strategic partner Bajaj in India and growing market share in developed markets. Longer term, e-mobility is a key area of growth.

Emerging markets and electric are key growth drivers

PIERER has a track record of robust growth with +12.6% revenue CAGR and +22.5% EBIT CAGR in the period 2011–18. It is focused on growing market share in developed markets and on expanding in emerging markets. PIERER's strategic partnership with Bajaj in India (units produced by Bajaj are targeted to grow by a CAGR of 17% in 2017-2022 to 200k) strengthens the company's competitive positioning in the global market. With the CFMoto JV, the group is well positioned in China (PIERER expects the high-end motorcycle market in China to grow by 20% pa). In developed markets, PIERER continues to gain market share in the US (9.2% at end June, more than offsetting the market decline – H1 registrations in North America were +5.5% vs the market -3.0%) and in Europe. Longer term, PIERER is focusing on developing its e-mobility offering. With certain electric models already available and many more to follow, it is targeting the high-performance and urban mobility (e-bikes, e-scooters) segments.

Targeting strong revenue growth

PIERER reported 4% y-o-y revenue growth in H119 (thanks to a 7% increase in units sold to 135,711 motorcycles), while EBIT was up 1%. Growth in registrations was driven by emerging markets (India +36%) as well as North America (+5.5%) and Europe (+6.6%). Adjusted for one-off effects in H118, EBIT margin increased by 0.5pp to 6.2%. For 2019, PIERER expects 3–5% revenue growth (continuing operations; upgraded from 1–5%) and EBIT in excess of €130m. It expects revenue growth of 1–5% in FY20, rising to 9–11% in FY21 and an EBIT margin of 8–10% in FY21 (vs 8.8% in FY18). After significant investment in new capacity and infrastructure in previous years, PIERER expects free cash flow/sales to improve to 3–5% pa. PIERER is targeting net debt/EBITDA of <1x vs 1.4–1.6x in FY19.

Valuation: Trading on 13x FY19 EV/EBIT

Based on PIERER's earnings target for FY19 (>€130m EBIT), the stock trades on 13.0x EV/EBIT (using the book value for minority interests). As a benchmark, Piaggio Spa, another large European motorcycle manufacturer with slower revenue and EBIT growth historically, currently trades on 12.2x FY19 consensus EV/EBIT.

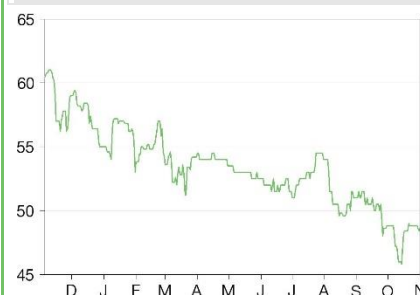
Company-compiled consensus estimates

Year end	Revenue (€m)	EBITDA (€m)	EBIT (€m)	DPS (€)	P/E (x)	Yield (%)
12/17	1,354.1*	193.1*	121.9*	0.30	24.5	0.6
12/18	1,462.2*	211.0*	128.7*	0.30	16.2	0.6
12/19e	1,514.0	237.0	135.0	0.35	22.4	0.7
12/20e	1,605.5	255.0	147.0	0.38	19.9	0.8

Source: Company data. Note: *Continuing operations, excluding the sale of Pankl Group.

Price €48.6
Market cap €1,095m

Share price graph



Share details

Code PMAG
 Primary exchange SIX Swiss Exchange
 Secondary exchange Vienna Stock Exchange
 Shares in issue (30 June 2019) 22.539m

Business description

PIERER Mobility (previously known as 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 WP – it is the largest sports motorcycle manufacturer in Europe. PIERER signed an industrial cooperation agreement with the owners of GASGAS Motorcycles; the GASGAS brand will be integrated with PIERER's commercial platform.

Bull

- Strong brands and high-quality products are key competitive advantages.
- Strong revenue and earnings growth track record.
- Focused on innovative e-mobility solutions.

Bear

- Strong competition in the sector.
- Historically high levels of investment to sustain business development, which has implications for free cash flow generation.
- Very high market share in key off-road market offers little expansion opportunities.

Analysts

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