

PIERER Mobility

Automobiles & parts
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Surging demand for powered two wheelers

PIERER Mobility is recovering rapidly from H120 pandemic disruptions to activity. It continues to grow share in its main markets, which saw stronger demand as lockdowns eased. The positive mobility trends driving demand for both motorcycles and e-bikes appear set to continue and the strategic move into urban e-mobility continues to plan, enhancing organic growth.

Motorcycle demand increasing

Motorcycle performance is proving to be relatively resilient despite lockdowns that shut dealerships in many countries in H120. Sales fell 29% to €529.4m with gross margins falling to 24.4% (H119 27.7%). Around 30k units lost due to a pre-emptive eight-week production shutdown should be recovered by higher output in H220. Motorcycle demand is surprising on the upside, recovering strongly as lockdowns eased. PIERER continued to outperform in H120 despite pandemic disruptions, increasing share in all main markets. While the European market declined 14.7%, overall KTM and HUSQVARNA registrations fell 11.4% to 37.6k units with market share rising to 11.8%. In North America, KTM and HUSQVARNA grew market share to 10.9% as registrations rose 18.3% to 26.7k motorcycles. In the smaller Australia and New Zealand market, the brands saw stronger growth of 39.3% to 5.9k units. PIERER took full control of GASGAS ahead of plan in July 2020.

Lockdowns amplify e-bike growth trends

The e-bikes business performed ahead of plan in H120, generating an initial €68m of revenues and a better than expected EBIT of €3.5m. 34,351 Husqvarna and R-Raymon e-bikes were sold as were 8,492 R-Raymon bicycles. Initial sharp market declines during European lockdowns largely reversed in May and June, as pent up demand was absorbed and the public propensity for cycling increased. FY20 revenue guidance is maintained at €110m, as is management's target of 250k unit sales by 2024 generating revenues of approximately €500m.

E-mobility to enhance organic motorcycle growth

In September, management increased FY20 revenue guidance by around 3% to more than €1.45bn while maintaining EBIT margin guidance of 4–6%. As e-bike expectations were unchanged the increase reflects buoyant motorcycle markets. H220 revenues are guided to be c 10% ahead of H219, and momentum should continue into H121. We expect recovery in FY21 financials to at least FY19 levels as organic growth resumes enhanced by rising e-bike volumes and profits, with stronger cash flows. The FY21 P/E rating of 23.5x reflects the view that the move into e-mobility will sustain above average growth.

Edison estimates

Year end	Revenue (€m)	EBIT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/18	1,462	128.7	1.82	0.30	29.7	0.6
12/19	1,520	131.7	2.42	0.00	22.3	N/A
12/20e	1,458	76.3	1.02	0.30	52.9	0.6
12/21e	1,736	140.7	2.30	0.30	23.5	0.6

Source: Company reports, Edison Investment Research estimates

Price €54
Market cap €1.22bn

Share price graph



Share details

Code PMAG
 Shares in issue 22.5m
 Net debt at 30 June 2020 €489.4m

Business description

PIERER Mobility is a leading manufacturer of powered two wheelers, focusing on premium motorcycles and two-wheeled electric vehicles including e-bikes. With its well-known motorcycle brands – KTM, HUSQVARNA and GASGAS – it is the largest sports motorcycle manufacturer in Europe. The e-bikes business sells premium models under the Husqvarna and R-Raymon brands as it enters urban e-mobility markets.

Bull

- Continued growth of market share in main markets for motorcycles despite the pandemic.
- Motorcycles markets performing strongly following lockdowns as mobility trends adjust.
- E-bikes integrated under PIERER E-Bikes and growing rapidly in expanding European market.

Bear

- Highly competitive motorcycle and e-bikes markets.
- Pandemic repercussions may subdue economic growth in coming years, slowing market demand.
- Capital allocation policy limits payout ratio as high levels of investment to support growth continue.

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