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BY MAURIZIO BELPIETRO

A feeble stock market debut for Pirelli. No maxi-bonus for management

The market doesn't see the value in the tyre manufacturers from Bicocca. Shares open with a steep fall, and close almost at par.

by GIANLUCA DI MAIO

It certainly can't be said that Pirelli stocks started off with a bang when they made their debut yesterday on Piazza Affari. Shares in the group headed by **Marco Tronchetti Provera** closed the day down 0.46%, at €6.47. At closing prices, the stock market capitalisation stood at €6.47 billion. A number of experts contacted by the MF Dow Jones agency underscored that the stock paid the price of a bearish market in Milan, although the outlook should pick up again in the medium term. "The market struggled a bit to evaluate the investment history, as the income statement also includes some non-recurring items that made it somewhat complicated to interpret. In my view, however, at these valuations the stock certainly offers an upside margin in the medium term", states an analyst consulted by MF-Dow Jones.

Angelo Meda, head of equities at Banor SIM, explains that during the IPO "demand was less significant than expected". However, continues the expert, the valuation "could rise in the medium term, but the company needs to demonstrate that its Premium strategy will pay off. In the meantime, anyone who bought Pirelli with just a short-term horizon is already selling, and pushing its shares down slightly". The premium tyre segment is more marginal in nature. Once the listing was concluded the share price stood at €6.5 (in the lower part of the range, restricted to €6.5-6.7, with demand at 2.35 times supply), so yesterday the stock returned almost to parity. But the people left with the bitterest taste in their mouths after yesterday's performance are most certainly management. The group's top executives saw their special bonuses, which were linked to the share placement price, go up in smoke. In a note, the company stated that its equity value objective, to which the payment of the bonus was linked, had not been met.

To coincide with the quotation, Pirelli's CEO had announced that the group's management would receive a bonus amounting to 2% of capitalisation at the time of quotation, if on listing day a pre-established minimum valuation had been achieved. The bonus, if calculated at the average price for the initial expected range – between €6.3 and €8.3 – would have been around €120 million. The award was to be shared out in proportion to pay, with CEO **Marco Tronchetti Provera** receiving 25% of

the total payout. **Tronchetti Provera** himself said he wasn't concerned and underscored that the performance of the stock should be judged some months down the line. "We'll need to see in a few months time", he replied to journalists in the margins of the listing ceremony at Palazzo Mezzanotte. "We know that the company is sound and that it delivers results. And then, there's always volatility in the early days". **Tronchetti Provera** went on to underscore that "Pirelli has returned to the stock market stronger than before", and that "there's been very positive support; Italian technology and brands are winners".

"Pirelli and its management should be given the merit for bringing a high-end brand with a very sound stock market history back into the Bourse. A brand that will bring satisfaction to the market", said **Stefano Rangone** of Mediobanca in the margins of the ceremony marking Pirelli's return to Piazza Affari after an absence of about two years. We'll see if that's true.