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Stock market. Price range set: from €6.3 to €8.3 per share

Pirelli ready to launch IPO. Valued at up to €8.3 billion

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Pirelli has determined the price range for its return to Piazza Affari. The tyre manufacturing group is just one step away from its stock market debut and expects to take that step with a capitalisation which on paper is fluctuating from €6.3 to €8.3 billion. The price range has been set at €6.3 to €8.3 per share. These values are within the range – a very wide one – indicated in recent weeks by a number of investment banks, which put the overall valuation at between €5 and 9.7 billion.

The public offering (€2.5-3.3 billion), as anticipated, will be for a maximum of 350 million ordinary shares, which correspond to 35% of Pirelli's share capital. An "over-allotment" option is also envisaged for the joint global coordinators to borrow up to 50 million shares, equating to about 14.3% of the shares on offer and 5% of the share capital, as part of the institutional placement. In all, therefore, up to 40% of the tyres group could end up in Piazza Affari [the Milan stock exchange]. In this context, explains the note published yesterday by Pirelli, a minimum percentage of 10% of the public offering is intended for retail investors in Italy, while a maximum of 90% will be reserved for the institutional offering, addressed to qualified investors in Italy and institutional investors abroad. The offering therefore envisages a minimum lot of 500 shares and an increased minimum lot of 5,000 shares.

THE STAGES OF THE OPERATION

CONSOB's green light for the prospectus is expected today and the road show from Monday. The launch in Piazza Affari is expected for early October.

Once CONSOB has given the go-ahead – expected any time now – the next step will be to publish the prospectus, which is expected today. This would immediately trigger the procedure for the road show, which could start as early as next week. The final price for the offering will be determined only at the end of the IPO period, on the basis of the demand

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expressed by investors. According to the first indiscretions, investors are showing considerable interest, which could push the indicator needle into the higher end of the range. In the last few days, for example, Banca Imi has suggested a minimum valuation of €7.6 billion, against a maximum of €7 billion expressed by Unicredit. If we cross these two estimates with other valuations on the market, the price would range from €7 to €7.6 per share. Angelo Meda, head of equity at Banor SIM, considers that “an offering in the lower part of the range, up to €7.2, would be interesting”. He adds that he has nothing to say about “the business” but sees “the company’s only weak point as being debt, with a debt-to-EBITDA ratio of 4.7x, according to the figures for 2016”.

That said, the time chosen for the stock market debut appears to fall in a favourable period for securities listings. Prices are high and the economic picture is essentially positive. This makes for a scenario where an offering of this type could well be appreciated by investors. However, the market is waiting for the final details of the IPO, which will be discussed during the road show, especially as regards the outlook, with a focus on investment and corporate governance. Governance is, of course, directly correlated with the new share structure after the listing. After the debut, expected to be in early October, Pirelli’s share structure will be completely re-drawn, with ChemChina’s holding reduced from 65% to 45%, Camfin’s from 22.6% to 10% and that of the LTI fund’s Russian component from 12.6% to 5%.



Il ritorno a Piazza Affari. Il presidente di Pirelli, Marco Tronchetti Provera