Intermonte

Milan, 03 May 2023

Italian Equity Research – 1Q23 Results

CAMPARI

OUTPERFORM

Sector: Consumers

Price: Eu11.99 - **Target: Eu13.50**

Very Strong Start to the Year, Exceeding Expectations

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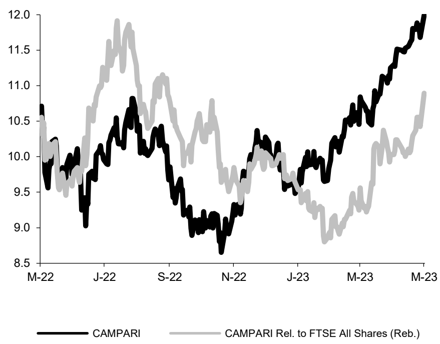
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 12.50 to 13.50
	2023E	**2024E**	**2025E**
Chg in Adj EPS	3.5%	4.8%	3.8%

CAMPARI - 12M Performance



Stock Data			
Reuters code:			CPRI.MI
Bloomberg code:			CPR IM
Performance	**1M**	**3M**	**12M**
Absolute	6.6%	20.5%	14.5%
Relative	8.4%	22.4%	4.2%
12M (H/L)			11.99/8.65
3M Average Volume (th):			2,183.27

Shareholder Data	
No. of Ord shares (mn):	1,162
Total no. of shares (mn):	1,162
Mkt Cap Ord (Eu mn):	13,928
Total Mkt Cap (Eu mn):	13,928
Mkt Float - Ord (Eu mn):	5,455
Mkt Float (in %):	39.2%
Main Shareholder:	
Alicros (Garavoglia Fam.)	51.0%

Balance Sheet Data	
Book Value (Eu mn):	3,061
BVPS (Eu):	2.64
P/BV:	4.6
Net Financial Position (Eu mn):	-1,528
Enterprise Value (Eu mn):	15,456

- **1Q23 results exceed expectations.** Yesterday Campari released 1Q23 results that beat forecasts, even adjusted for some exceptional positive effects involving phasing of shipments and the timing of Easter. Results once again confirmed the strong brand momentum and demand across regions, with double-digit organic growth across geographical markets and a particularly positive performance in the Americas, which was the main point of focus for the current release after some peers highlighted an ongoing normalisation in volumes.
- **Organic sales growth +19.6% YoY.** The company reported very strong organic growth at +19.6% YoY vs. c.9% consensus and our +10.2% estimate. Sales came in at Eu667.9mn (+8% vs. cons. at Eu619mn, +7.5% vs. our Eu621mn estimate) thanks to robust brand momentum and the previous year's price hikes, as well as the phasing of some shipments and the early Easter, worth c.Eu35mn. Even without these effects, organic growth would have been c.+13% YoY, still well ahead of consensus.
- **Adj. EBIT +20%+ vs. consensus:** adj. EBIT came in at Eu159.3mn, +22% vs. Eu131mn expected by consensus and +19% vs. our estimate (Eu134mn) with +32% organic growth and a +220bp organic margin expansion (+250bp on a reported basis) mainly driven by a lower A&P contribution on top of lower SG&A and gross margin accretion, which benefited from pricing phasing (last year's multiple rounds) and a favourable sales mix (outperformance of high-margin aperitifs) more than offsetting COGS inflation (mainly glass). Excluding the one-offs, the margin would have been flattish YoY.
- **Guidance unchanged, confident on the remainder of the year.** Even in light of this strong start to the year, management left guidance unchanged (organic adj. EBIT flat YoY) highlighting that the annualisation of the pricing effect and normalisation of volumes will offset lower input costs. Also, the ForEx effect is expected to reverse in FY23 as the USD weakens against the EUR. Furthermore, some one-offs will reverse in 2Q. Still, ahead of the peak season management reiterated its confidence in the development of the business, which is seen as particularly healthy ("buoyant") in the on-premises channel.
- **Estimates revised upwards.** We are factoring in the higher volumes and resiliency of the business, but leaving margin projections almost unchanged for now pending further visibility on cost trends.
- **OUTPERFORM confirmed; target Eu13.5 (from Eu12.5).** We appreciate the resilience of the business and management's ability to react quickly and successfully to implement its strategy. Underlying trends are solid thanks to one of the industry's most balanced and renowned brand portfolios, which still has notable untapped potential. Moreover, the company can pass on price hikes due to high on-premises exposure, strong brand momentum across markets and a super-premium positioning, definitely a plus in the current inflationary context. Factoring in new volumes growth together with higher operating leverage and a long term growth rate now at 4% brings our valuation to Eu13.5ps from Eu12.5ps. The high-end profile, borne out by the latest announcement, justifies a valuation at least in line with history (1Y FW EV/EBITDA c.20x, vs. 22x historically) which, coupled with potential further M&A appeal as 2023 progresses (increased voting rights for the main shareholder), prompts us to reiterate our positive recommendation on the stock.

Key Figures & Ratios	**2021A**	**2022A**	**2023E**	**2024E**	**2025E**
Sales (Eu mn)	2,173	2,698	3,088	3,384	3,620
EBITDA Adj (Eu mn)	481	602	771	888	999
Net Profit Adj (Eu mn)	308	388	472	556	626
EPS New Adj (Eu)	0.265	0.334	0.406	0.479	0.539
EPS Old Adj (Eu)	0.265	0.334	0.392	0.457	0.519
DPS (Eu)	0.060	0.060	0.070	0.080	0.090
EV/EBITDA Adj	28.6	22.0	20.1	17.1	14.9
EV/EBIT Adj	34.2	25.9	23.2	19.8	17.4
P/E Adj	45.2	35.9	29.5	25.0	22.2
Div. Yield	0.5%	0.5%	0.6%	0.7%	0.8%
Net Debt/EBITDA Adj	1.7	2.6	2.0	1.5	1.0