

# CAMPARI

Sector: Consumers

## OUTPERFORM

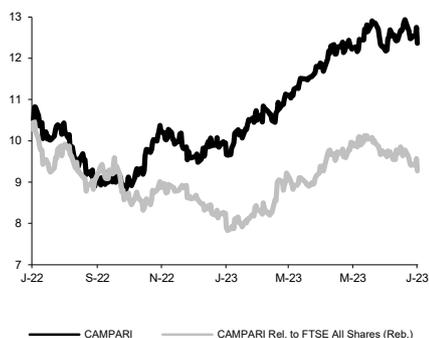
Price: Eu12.36 - Target: Eu13.50

### 1H23 Still Robust Despite Headwinds. Guidance Confirmed

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	-6.4%	0.1%	4.6%

#### CAMPARI - 12M Performance



Stock Data			
Reuters code:	CPRI.MI		
Bloomberg code:	CPR IM		
Performance	1M	3M	12M
Absolute	1.5%	4.6%	18.5%
Relative	-4.3%	-1.3%	-14.9%
12M (H/L)	12.93/8.65		
3M Average Volume (th):	2,226.44		

Shareholder Data	
No. of Ord shares (mn):	1,162
Total no. of shares (mn):	1,162
Mkt Cap Ord (Eu mn):	14,357
Total Mkt Cap (Eu mn):	14,357
Mkt Float - Ord (Eu mn):	5,624
Mkt Float (in %):	39.2%
Main Shareholder:	
Alicros (Garavoglia Fam.)	51.0%

Balance Sheet Data	
Book Value (Eu mn):	3,031
BVPS (Eu):	2.61
P/BV:	4.7
Net Financial Position (Eu mn):	-1,555
Enterprise Value (Eu mn):	15,913

- Double digit organic sales growth.** Yesterday Campari reported results for 2Q23 delivering a robust +10.1% organic growth in sales which came in at Eu790m (-1% vs. consensus), bringing 1H23 sales to c.Eu1,458m, up 14.2% in organic terms or +16% on a reported basis. After an exceptionally positive 1Q23, solid brand momentum continued in 2Q23, particularly for aperitifs, tequila and premium bourbon with the performance enhanced by pricing as well. 2Q23 performance was mitigated by the reversal of 1Q23 exceptional positive effects involving phasing of shipments, the timing of Easter and very poor weather conditions across core Southern and Central Europe. In addition, the quarter experienced temporary delistings by selected European retailers due to commercial negotiations linked to price increases which were then successfully resolved.
- Organic EBIT Adj. up +20bps YoY.** Adj. EBIT in the semester came in at Eu360m (slightly below consensus and our estimates at c.Eu365) with a 24.7% margin on sales, +20bps organic YoY (flat on a reported basis). This was the result of gross margin dilution by 50bps, 50bp accretion from A&P due to late activations to be reversed in 3Q23, and operating leverage on SG&A which was accretive by 20bps. The second quarter saw an organic dilution of c.120bps driven particularly by the expected strong cost inflation impacting the aperitifs business in its peak season as well as a poorer mix compared to 1Q following the bringing forward of sales.
- Guidance confirmed; encouraging indications from management.** Guidance for a flat organic EBIT margin was confirmed with indications of an acceleration of negative FX trends to reflect weakening USD to be mitigated by positive perimeter impacts on Adj. EBIT by roughly Eu10-15m. Positive indications from management on easing costs.
- Change in estimates.** Following management indications, we are trimming FY23 estimates for organic growth, lowering perimeter contribution and adding additional FX headwinds on profitability due to the mix of geographies (main impact from USD). We are also revising one-off costs upwards. On the other hand, we are factoring in the increasing visibility on easing cost levels particularly on agave and logistics (on top of carryover of price increases) resulting in material GM accretion starting from 2024.
- OUTPERFORM, target Eu13.5 confirmed.** 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. The mix of our actions on estimates leave our target price unchanged. 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 to 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	3,041	3,372	3,645
EBITDA Adj (Eu mn)	481	602	730	889	1,038
Net Profit Adj (Eu mn)	308	388	441	557	655
EPS New Adj (Eu)	0.265	0.334	0.380	0.479	0.564
EPS Old Adj (Eu)	0.265	0.334	0.406	0.479	0.539
DPS (Eu)	0.060	0.060	0.070	0.080	0.090
EV/EBITDA Adj	28.6	22.0	21.8	17.6	14.8
EV/EBIT Adj	34.2	25.9	25.5	20.4	17.1
P/E Adj	46.6	37.0	32.5	25.8	21.9
Div. Yield	0.5%	0.5%	0.6%	0.6%	0.7%
Net Debt/EBITDA Adj	1.7	2.6	2.1	1.5	1.0

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