

# CAMPARI

Sector: Consumers

# OUTPERFORM

Price: Eu10.31 - Target: Eu12.20

## Not Lingerin On Passing Clouds

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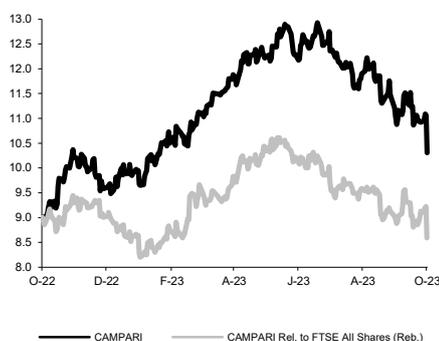
### Stock Rating

**Rating:** Unchanged

**Target Price (Eu):** from 13.50 to 12.20

	2023E	2024E	2025E
<b>Chg in Adj EPS</b>	-18.0%	-16.4%	-13.5%

### CAMPARI - 12M Performance



### Stock Data

Reuters code: CPRI.MI

Bloomberg code: CPR IM

Performance	1M	3M	12M
Absolute	-6.7%	-16.6%	14.5%
Relative	-4.4%	-11.0%	-5.6%
12M (H/L)			12.93/8.92
3M Average Volume (th):			2,206.92

### Shareholder Data

No. of Ord shares (mn):	1,162
Total no. of shares (mn):	1,162
Mkt Cap Ord (Eu mn):	11,976
Total Mkt Cap (Eu mn):	11,976
Mkt Float - Ord (Eu mn):	4,691
Mkt Float (in %):	39.2%
Main Shareholder:	
Alicros (Garavoglia Fam.)	51.0%

### Balance Sheet Data

Book Value (Eu mn):	2,951
BVPS (Eu):	2.54
P/BV:	4.1
Net Financial Position (Eu mn):	-1,630
Enterprise Value (Eu mn):	13,606

■ **What happened in 3Q23.** Yesterday Campari released 3Q23 results that came in below consensus expectations by, on average, -5% on revenues and -12.7% on adj. EBIT. Despite continuing brand momentum, with pricing intact, and the group's notable outperformance of the market in its core regions, poor weather conditions in Europe (especially Italy, skewed to on-premises consumption), and the tough comp base (+18.5% organic in 3Q22) affected organic growth, which nevertheless landed in positive ground at +4.3% YoY, some 2pp below our estimates. This, coupled with a harsher ForEx effect in the quarter (-5.6% vs. -3% expected) resulted in flattish/slightly negative sales performance at reported level (Eu743.3mn -0.7% YoY vs. Eu784.1mn +4.8% YoY expected).

■ **Profitability dented by ForEx but growing organically.** On profitability, adj. EBIT came in at Eu160.7mn, c.13% below expectations, with a reported margin of 21.6%, 260bp YoY dilution as a result of cost inflation, lower operating leverage and a material ForEx effect. On an organic basis, adj. EBIT grew +3.3% YoY with margin dilution of just -20bp (the 9M margin was positive by +10bp) mainly as a result of SG&A costs.

■ **Guidance reiterated, encouraging indications on 4Q23/2024.** Despite everything, FY guidance (flat organic EBIT margin YoY) was reiterated. The tone during the conference call was positive, with management hinting at a healthy exit rate from 3Q23 in October with high single-digit organic growth and aperitifs growing at a double-digit pace. Also, and more importantly, the CFO rightly drew attention to the upside potential on margin expansion that will kick in starting with the end of this year (more details below).

■ **Our take on the release.** We acknowledge that a few hiccups outside the company's control can happen occasionally, such as poor weather conditions, c.10% MXN/USD appreciation in the period, or a contingent de-stocking of Southern European market inventories in light of faster delivery times and a lower propensity for building up inventories in the current macroeconomic scenario (a factor that will represent an opportunity going forward). We continue to focus on the company's strengths rather than the passing clouds: its growth potential, as demonstrated by its outperformance in core markets and new promising areas (APAC), expanding margins driven by lower costs, pricing/ improving mix, as well as the most balanced and well-positioned product portfolio in the industry.

■ **Estimate revision:** we are trimming our estimates in light of actual results and 4Q23 indications, re-basing absolute values for this year and those to come. We are still forecasting c.9% organic growth in FY23, followed by a strong +11% and 8% in 2024E and 2025E. Our margin expansion path is almost unchanged (+170bp in '24E, +180bp in '25E) while the EPS revision in absolute terms also reflects an increase in financial charges and the tax rate.

■ **OUTPERFORM; target Eu12.2 (from Eu13.5).** We appreciate the resilience of the business and management's ability to react rapidly and successfully to implement its strategy. Underlying trends remain 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 and update on DCF parameters (risk-free rate to 4.5% from 4%, cost of debt at 3.2% from 2%, beta updated to 0.63) bring our target price to Eu12.2, which still offers c.18% potential upside to current prices. We therefore reiterate our OUTPERFORM recommendation. The company's high-end profile justifies a valuation at least in line with history (1Y FW EV/EBITDA c.19x historically, vs. c.17x now; 1Y FW P/E c.33.7x historically vs. 25.7x now) which, coupled with potential further M&A appeal (increased voting rights for the main shareholder), grants us confidence in reiterating our positive recommendation on the stock.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	2,173	2,698	2,932	3,284	3,613
EBITDA Adj (Eu mn)	481	602	646	806	961
Net Profit Adj (Eu mn)	308	388	362	465	567
EPS New Adj (Eu)	0.265	0.334	0.312	0.401	0.488
EPS Old Adj (Eu)	0.265	0.334	0.380	0.479	0.564
DPS (Eu)	0.060	0.060	0.070	0.080	0.090
EV/EBITDA Adj	28.6	22.0	21.1	16.7	13.7
EV/EBIT Adj	34.2	25.9	25.2	19.6	16.1
P/E Adj	38.9	30.9	33.1	25.7	21.1
Div. Yield	0.6%	0.6%	0.7%	0.8%	0.9%
Net Debt/EBITDA Adj	1.7	2.6	2.5	1.8	1.2