Milan, 28 February 2024

Italian Equity Research – 4Q23 Results

CAMPARI

OUTPERFORM

Sector: Consumers

Price: Eu9.84 - **Target: Eu11.60**

4Q23 momentum confirmed. Beat on profitability

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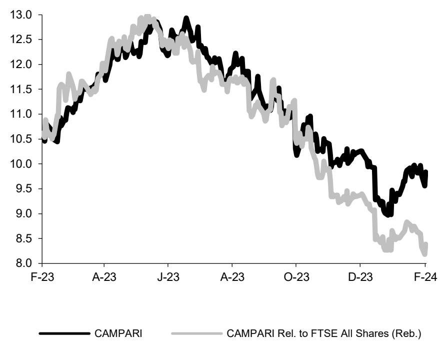
Stock Rating		
Rating:		Unchanged
Target Price (Eu):		from 12.20 to 11.60
	2024E	**2025E**
Chg in Adj EPS	-6.2%	-6.9%

CAMPARI - 12M Performance



Stock Data			
Reuters code:			CPRI.MI
Bloomberg code:			CPR IM
Performance	**1M**	**3M**	**12M**
Absolute	3.9%	-5.5%	-7.4%
Relative	-3.2%	-16.8%	-24.7%
12M (H/L)			12.93/8.97
3M Average Volume (th):			3,785.48

Shareholder Data	
No. of Ord shares (mn):	1,162
Total no. of shares (mn):	1,231
Mkt Cap Ord (Eu mn):	11,425
Total Mkt Cap (Eu mn):	11,425
Mkt Float - Ord (Eu mn):	4,475
Mkt Float (in %):	39.2%
Main Shareholder:	
Alicros (Garavoglia Fam.)	51.0%

Balance Sheet Data	
Book Value (Eu mn):	3,304
BVPS (Eu):	2.68
P/BV:	3.7
Net Financial Position (Eu mn):	-2,154
Enterprise Value (Eu mn):	14,265

- **FY23 Results ahead of expectations.** The company yesterday released FY23 results which came in substantially in line on revenues but above our estimates and consensus on profitability. 4Q23 accelerated sequentially with organic growth at +10.6% YoY (3Q23 at +4.3% YoY) mainly thanks to outperforming Americas and EMEA regions (respectively +11.1% and 10.7% organic) followed by positive growth also in the APAC region. Global Priorities still the best performing segment up by 13.1% YoY organic driven by aperitifs, tequila and bourbon indicating strong pricing discipline across brands as well. Overall sales came in at Eu2.92bn, up +10% organic. Profitability was strong and above expectations confirming a positive trajectory with EBIT adj. organic growth of +15.5% or +90bps overall accretion in FY23 (+45.5% in 4Q23) thanks to pricing and mix. In 4Q23 performance was supported by the benefits of lower input costs (mainly agave, packaging and glass) as well as a portion of the marketing spend delayed to 2024 due to poor weather conditions.
- **Constructive outlook for 2024 even if qualitative.** Management provided constructive indications for 2024 but without defined guidance. Volumes are seen as solid, allowing outperformance of the market with a better mix compared to 2023. Pricing, after the strong increases in the past two years (c.+15% overall) should contribute by c.2p.p. Different moving parts in the cost structure should enable moderate margin expansion with the main tailwinds from lower costs more visible on the P&L in the second part of the year and in 2025. Courvoisier acquisition closing is expected in 3Q24 with a limited contribution on 2024. No specific details on financials were provided.
- **Our quick take: continued momentum.** Overall, this is a positive set of results testifying to Campari's continued outperformance vs. peers and core market across geographies and product categories. In our opinion, Campari is one of the best positioned players in the beverage industry in terms of product portfolio, brand recognition (with consequent strong pricing power) and geographical footprint.
- **Estimates revision.** We update our model including actuals and new estimates which now include debt assumptions and new share capital post stock placement. We are leaving our assumptions on 2024 and 2025 almost unchanged following the actuals release above expectations. **We will update our main estimates further once visibility on Courvoisier timing and its most recent trends becomes more granular. Our table below shows our assumptions on the combination and impact on Group EPS. Negative EPS revision in this report is the mere effect of the new share count not yet taking into account the contribution from the Courvoisier deal**.
- **OUTPERFORM; target Eu11.6 (from Eu12.2).** We appreciate the resilience of the business and management's ability to react rapidly and successfully to implement its strategy. Underlying trends despite market concerns 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 context. The mix of our actions on estimates and updated share capital to reflect the recent stock placement bring our target price to Eu11.6, 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.14x now; 1Y FW P/E c.33x historically vs. 25x now) which, coupled to potential further M&A potential, represents valuable appeal.

Key Figures & Ratios	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**
Sales (Eu mn)	2,173	2,698	2,919	3,268	3,595
EBITDA Adj (Eu mn)	481	602	650	810	957
Net Profit Adj (Eu mn)	308	388	390	462	559
EPS New Adj (Eu)	0.265	0.334	0.336	0.376	0.454
EPS Old Adj (Eu)	0.265	0.334	0.312	0.401	0.488
DPS (Eu)	0.060	0.060	0.070	0.080	0.090
EV/EBITDA Adj	28.6	22.0	23.0	17.6	14.6
EV/EBIT Adj	34.2	25.9	27.7	20.8	17.2
P/E Adj	37.1	29.5	29.3	26.2	21.7
Div. Yield	0.6%	0.6%	0.7%	0.8%	0.9%
Net Debt/EBITDA Adj	1.7	2.6	2.8	2.7	2.0

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- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.
Frequency of research: quarterly.
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BUY: stock expected to outperform the market by over 25% over a 12 month period;
OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
NEUTRAL: stock performance expected at between +10% and – 10% compared to the market over a 12 month period;
UNDERPERFORM: stock expected to underperform the market by between –10% and -25% over a 12 month period;
SELL: stock expected to underperform the market by over 25% over a 12 month period.
Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
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UNDERPERFORM	00.00 %
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Emittente	%	Long/Short

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