Intermonte

Milan, 30 October 2024

Italian Equity Research – 3Q24 Results

CAMPARI

OUTPERFORM

Sector: Consumers

Price: Eu7.76 - **Target: Eu9.00**

Tough Environment Hits 3Q24 Results. Constructive Outlook

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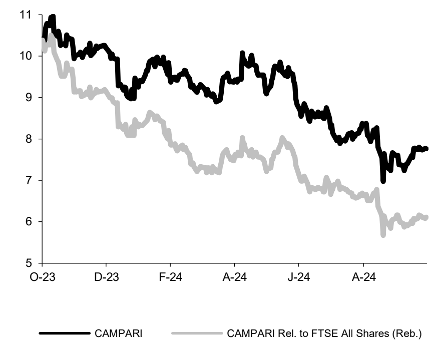
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 10.20 to 9.00
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-9.3%	-11.4%	-14.7%

CAMPARI - 12M Performance



Stock Data			
Reuters code:			CPRI.MI
Bloomberg code:			CPR IM
Performance	**1M**	**3M**	**12M**
Absolute	1.2%	-8.7%	-23.7%
Relative	0.8%	-12.1%	-51.3%
12M (H/L)			10.96/6.98
3M Average Volume (th):			4,495.84

Shareholder Data	
No. of Ord shares (mn):	1,162
Total no. of shares (mn):	1,231
Mkt Cap Ord (Eu mn):	9,016
Total Mkt Cap (Eu mn):	9,016
Mkt Float - Ord (Eu mn):	3,532
Mkt Float (in %):	39.2%
Main Shareholder:	
Alicros (Garavoglia Fam.)	51.0%

Balance Sheet Data	
Book Value (Eu mn):	3,228
BVPS (Eu):	2.62
P/BV:	3.0
Net Financial Position (Eu mn):	-2,201
Enterprise Value (Eu mn):	11,758

- **Disappointing 3Q24 mainly due to very weak context.** Campari released 3Q24/9M figures after market close which came in lower than our below-consensus estimates. Organic growth remained positive in 9M (+2.1% YoY) but lower than expected and with a slightly negative 3Q24 (-1.4% YoY), which dented margins following low absorption of fixed costs and the continuation of infrastructure investments to which the company is already committed. Despite industry-beating performance across markets and brands, results were mainly affected by the very poor weather conditions in September (including the extraordinary impact of the hurricane in Jamaica), combined with lower-than-expected consumer confidence across markets and de-stocking trends that were largely unexpected, especially in Europe.
- **Brand portfolio resilient across markets.** In terms of brands, Global Priorities were positive, +3% organic in 9M, with Aperol +3%, Campari +8%, Espolòn +19%. Negative results for Jamaican Rums (-5% in 9M, -19% in 3Q24) hit by the Jamaican hurricane, which limited distilling and bottling activity. Regional Priorities stood at +2% YoY in 9M24, Local Priorities at -1% YoY.
- **Outlook constructive but cautious.** Based on current visibility Campari Group expects FY24 organic net sales growth to be low single-digit (current consensus c.+6% YoY). In a very extensive conference call, management outlined the underlying performance of brands and markets in detail, with Campari Group outperforming the industry even in 3Q24. The negative impacts in 3Q were mainly exogenous as a result of a deteriorating consumption environment, while based on company performance, management is expecting a gradual recovery in margins and organic sales growth. In 4Q, growth will be positive but to a lesser extent than previously expected, meaning the impact on margins will persist until YE24. Confidence on 2025 developments, with margin accretion foreseen, due in part to the new efficiency plan, the company envisages gross margin growth of c.+50bp in 2025, +90bp in 2026, +60bp in 2027. In terms of phasing, 2025 margin trends will be more visible in 2H vs. 1H.
- **Estimate revision:** we are extensively revising our forecasts, mainly in terms of sales growth, to factor in management indications. This is reflected in lower margins.
- **OUTPERFORM confirmed; target Eu9 (from Eu10.2).** We continue to appreciate the resilience of the business. Despite contingent weather and macroeconomic effects, underlying trends proved solid thanks to one of the industry's most balanced and renowned brand portfolios, which still has notable untapped potential. Moreover, the company can maintain strong price discipline due to high on-premises exposure, strong brand momentum across markets, and a super-premium positioning, definitely a plus in the current context. We therefore reiterate our OUTPERFORM recommendation, still viewing the stock de-rating as an opportunity in light of future developments. The company's high-end profile justifies a valuation at least in line with history (1Y FW EV/EBITDA c.18x historically, vs. c.14x now; 1Y FW P/E c.28x historically vs. 18x now).

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	2,698	2,919	3,029	3,248	3,520
EBITDA Adj (Eu mn)	602	650	701	821	932
Net Profit Adj (Eu mn)	388	390	386	461	531
EPS New Adj (Eu)	0.334	0.336	0.314	0.374	0.431
EPS Old Adj (Eu)	0.334	0.336	0.346	0.423	0.506
DPS (Eu)	0.060	0.070	0.080	0.090	0.100
EV/EBITDA Adj	22.0	23.0	16.8	14.1	12.0
EV/EBIT Adj	25.9	27.7	20.4	17.1	14.6
P/E Adj	23.2	23.1	24.7	20.7	18.0
Div. Yield	0.8%	0.9%	1.0%	1.2%	1.3%
Net Debt/EBITDA Adj	2.6	2.8	3.1	2.4	1.8

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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)

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Frequency of research: quarterly.
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A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.
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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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BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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