Intermonte

Milan, 31 July 2024

Italian Equity Research – 1H24 Results

CAMPARI

OUTPERFORM

Sector: Consumers

Price: Eu8.26 - **Target: Eu10.20**

1H24: Unparalleled Growth in a Normalising Environment

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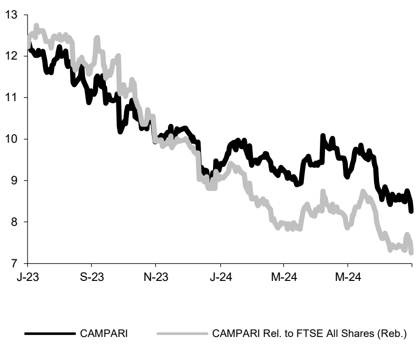
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 11.60 to 10.20
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-5.8%	-4.8%	

CAMPARI - 12M Performance



Stock Data			
Reuters code:			CPRI.MI
Bloomberg code:			CPR IM
Performance	**1M**	**3M**	**12M**
Absolute	-6.4%	-12.3%	-33.3%
Relative	-8.6%	-12.8%	-47.8%
12M (H/L)			12.32/8.26
3M Average Volume (th):			3,571.26

Shareholder Data	
No. of Ord shares (mn):	1,162
Total no. of shares (mn):	1,231
Mkt Cap Ord (Eu mn):	9,595
Total Mkt Cap (Eu mn):	9,595
Mkt Float - Ord (Eu mn):	3,758
Mkt Float (in %):	39.2%
Main Shareholder:	
Alicros (Garavoglia Fam.)	51.0%

Balance Sheet Data	
Book Value (Eu mn):	3,268
BVPS (Eu):	2.65
P/BV:	3.1
Net Financial Position (Eu mn):	-2,160
Enterprise Value (Eu mn):	12,330

- **Resilient organic growth across the board.** Yesterday Campari released 1H24 results that showed a continuation of Group momentum, as it managed to deliver the highest growth rates in the industry across brands and regions. The top line, which was almost in line with expectations, showed highly resilient organic growth across regions, continuing to outpace the market despite a tough comp base. The US in particular showed 1H24 organic growth of +3.5%, whereas the core market and all other players posted declining performances. This implies a strong acceleration in 2Q24 to +7.2%YoY vs. -0.4% in 1Q24. The whole Americas region was up +6.8% YoY. EMEA also showed positive growth (+3.3% YoY) despite the impact of poor weather which dented the mix, hitting high-margin aperitifs. APAC remained affected by the tough competitive environment in Australia and some route-to-market changes in the region: -10.7% YoY organic (+26.2% last year in 1H23).
- **Adj. EBIT growing slightly less than sales.** In terms of margins, figures showed signs of pressure, with c.40bp dilution in the adj. EBIT margin, mainly driven by gross margin (poorer mix and costs) and SG&A growth. Organic adj. EBIT growth was +2.1% with a 23.6% margin, -40bp vs. 1H23 (2Q: +5.6%, -30bp). The gross margin was entirely hit by a negative mix effect from fast growth in Espolòn and poor weather on high-margin aperitifs in EMEA. Pricing offset COGS that was exacerbated by the impact of high-cost stock; A&P was accretive due to the late start in summer activations in 2Q.
- **Outlook still supportive despite temporary headwinds.** Management confirmed previous indications for top line growth to outperform the market (overall level of growth depends on underlying market growth), while highlighting some temporary headwinds for 2H24 that will mitigate margin progression: poor weather conditions which affected the mix in 2Q24 (high-margin aperitifs) will not be recovered in 2H, while the expected easing in costs, most importantly glass and agave, is now expected to be skewed more towards 1H25. Net-net, management is now expecting a flat gross margin in FY24, which coupled with flattish A&P and SG&A on sales will result in a flattish adj. EBIT margin YoY. This is not a major change in our opinion, and certainly does not justify yesterday's violent stock reaction (much more normalised after management's reassuring and constructive conference call).
- **Estimates revision.** We are slightly trimming our expectations for 2024 onwards to reflect new indications, both on top line trends (confirmed outperformance of the market, with the latter now assumed to be more normalised) and margins (benefits from easing costs more skewed towards 2025).
- **OUTPERFORM confirmed; target Eu10.2 (from Eu11.6).** We appreciate the resilience of the business and management's ability to react rapidly and successfully to implement its strategy. Despite market concerns, underlying trends proved to be 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 a 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. The company's high-end profile justifies a valuation at least in line with history (1Y FW EV/EBITDA c.18x historically, vs. c.13x now; 1Y FW P/E c.28x historically vs. 20x now).

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	2,698	2,919	3,060	3,362	3,695
EBITDA Adj (Eu mn)	602	650	759	903	1,059
Net Profit Adj (Eu mn)	388	390	426	520	622
EPS New Adj (Eu)	0.334	0.336	0.346	0.423	0.506
EPS Old Adj (Eu)	0.334	0.336	0.367	0.444	
DPS (Eu)	0.060	0.070	0.080	0.090	0.100
EV/EBITDA Adj	22.0	23.0	16.2	13.4	11.0
EV/EBIT Adj	25.9	27.7	19.5	15.9	13.0
P/E Adj	24.7	24.6	23.9	19.5	16.3
Div. Yield	0.7%	0.8%	1.0%	1.1%	1.2%
Net Debt/EBITDA Adj	2.6	2.8	2.8	2.1	1.4

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- 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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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:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

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BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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