Intermonte

Milan, 01 August 2024

Italian Equity Research – 2Q24 Results

DE' LONGHI

OUTPERFORM

Sector: Consumers

Price: Eu29.14 - **Target: Eu40.00**

1H24 Results in Line. Upper End of Guidance Confirmed

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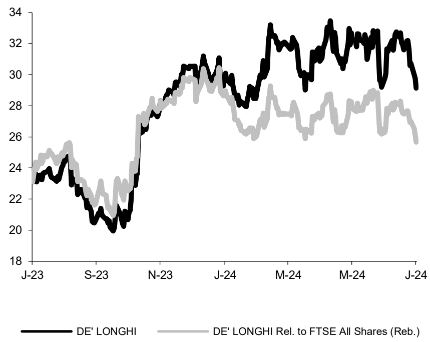
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	0.0%	0.0%	0.0%

DE' LONGHI - 12M Performance



Stock Data			
Reuters code:			DLG.MI
Bloomberg code:			DLG IM
Performance	**1M**	**3M**	**12M**
Absolute	-0.2%	-5.6%	26.1%
Relative	-2.0%	-5.6%	12.6%
12M (H/L)			33.46/19.95
3M Average Volume (th):			111.82

Shareholder Data	
No. of Ord shares (mn):	150
Total no. of shares (mn):	151
Mkt Cap Ord (Eu mn):	4,356
Total Mkt Cap (Eu mn):	4,356
Mkt Float - Ord (Eu mn):	1,582
Mkt Float (in %):	36.3%
Main Shareholder:	
The Long E Trust (De'Longhi Fam.)	57.0%

Balance Sheet Data	
Book Value (Eu mn):	2,027
BVPS (Eu):	13.42
P/BV:	2.2
Net Financial Position (Eu mn):	496
Enterprise Value (Eu mn):	3,906

- **Everything in line and on track.** De'Longhi published 1H24 results which came in pretty much in line with our estimates and a touch above consensus on EBITDA (+2%). Revenues increased more than 10% to Eu1,423.7, up by 10.3% (+3.5% like-for-like, +4.2% like-for-like and constant FX) thanks to continued momentum in 2Q24 (>10% YoY) benefiting from the consolidation of the professional coffee area (La Marzocco) and positive trends in core categories. Household segment (all other appliances excluding coffee) grew by 6.9% YoY, considering the Comfort segment separately. Market share in coffee machines further increased with Nutrition and Food preparation continuing to post growth thanks to the launch of new products.
- **Margins growing mainly thanks to improved mix.** 1H24 adj. EBITDA at Eu204.7m with a margin on sales at 14.4% or +200bps YoY (12.4% in 1H23) thanks to consolidation of La Marzocco and a positive mix effect together with the stabilization of certain production costs compared to previous years resulting in a higher gross margin (51.2% in 2Q24 vs. 48.8% in 2Q23). These favourable dynamics allowed the Group to quickly return to its historical profitability range and to reaffirm significantly improved margin guidance for the year. Bottom line, net income pertaining to the Group at Eu106.2m, +28.4% YoY and free cash flow before dividends and acquisitions of Eu74.3m. NFP as of June 30, 2024 was positive by Eu305.3m after the net absorption of Eu326.8m for La Marzocco transaction.
- **Confidence in the upper range of the guidance.** In light of results, management confirmed the guidance in the upper part of the range: FY24 revenue growth in the 9-11% YoY range (Intermonte +10.4% YoY) and adj. EBITDA between Eu500-530m for the new perimeter. Conference call indications were supportive, with the CEO highlighting the positive trends across markets and product segments. July is showing continued growth despite uncertainties from the macro environment and fierce competition.
- **Estimates unchanged.** Results came in pretty much in line with our expectations and consensus and seems well on track to meet FY guidance also in terms of phasing. From management indications and conf call tone we acknowledge that there could be some room for additional upside in the case of favourable conditions in 2H24 but we do not have enough visibility to factor this scenario into our model. We therefore leave our estimates unchanged, i.e. in the upper range of the provided guidance.
- **OUTPERFORM, target Eu40 confirmed.** After the recent CMD and yesterday's 1H24 results, we remain convinced that business fundamentals are robust, with particularly resilient coffee trends and still-untapped opportunities, especially in areas such as North America and China where the company continues to increase its penetration and brand recognition, as well as other regions where De'Longhi is consolidating its leadership. We believe current results and prospects, especially in the very resilient coffee segment but also in the nutrition arena, show that the company is ready to benefit in full from positive momentum, partly thanks to a strong pipeline of product launches that will hit the market throughout 2024. M&A remains a powerful catalyst for the stock and is still very likely in the medium term, even though management is now focusing on the integration of recent acquisition La Marzocco. The stock has de-rated YTD and is now trading well below its historical levels at c.8x EV/EBITDA and 16x P/E, which in our opinion do not reflect the value of the new scope of the company, its prospects, and margin evolution.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	3,158	3,076	3,395	3,626	3,879
EBITDA Adj (Eu mn)	362	444	521	567	628
Net Profit Adj (Eu mn)	177	250	290	317	357
EPS New Adj (Eu)	1.175	1.658	1.919	2.099	2.366
EPS Old Adj (Eu)	1.175	1.658	1.919	2.099	2.366
DPS (Eu)	0.480	0.677	0.784	0.857	0.966
EV/EBITDA Adj	8.2	6.1	7.5	6.6	5.7
EV/EBIT Adj	7.3	6.5			
P/E Adj	24.8	17.6	15.2	13.9	12.3
Div. Yield	1.6%	2.3%	2.7%	2.9%	3.3%
Net Debt/EBITDA Adj	-0.8	-1.5	-1.0	-1.1	-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.

Reports on all companies listed on the S&PMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

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.

Explanation of our ratings system:

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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As at 30 June 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

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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