

# DE' LONGHI

Sector: Consumers

## OUTPERFORM

Price: Eu26.34 - Target: Eu31.00

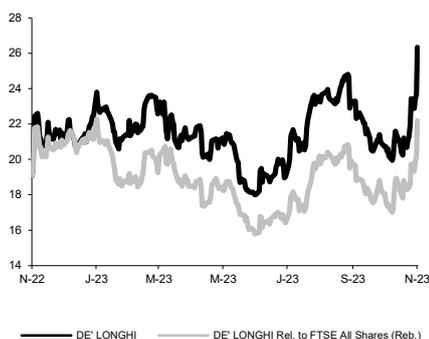
### Recovery Completed: Back to Growth, Guidance Raised

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#### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 26.00 to 31.00		
	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>Chg in Adj EPS</b>	21.0%	14.2%	15.9%

#### DE' LONGHI - 12M Performance



#### Stock Data

Reuters code: DLG.MI  
 Bloomberg code: DLG IM

Performance	1M	3M	12M
Absolute	27.2%	13.3%	37.9%
Relative	23.6%	12.5%	19.1%
12M (H/L)	26.34/18.00		
3M Average Volume (th):	124.66		

#### Shareholder Data

No. of Ord shares (mn):	150
Total no. of shares (mn):	151
Mkt Cap Ord (Eu mn):	3,938
Total Mkt Cap (Eu mn):	3,938
Mkt Float - Ord (Eu mn):	1,430
Mkt Float (in %):	36.3%
Main Shareholder:	
The Long E Trust (De'Longhi Fam.)	57.0%

#### Balance Sheet Data

Book Value (Eu mn):	1,837
BVPS (Eu):	12.16
P/BV:	2.2
Net Financial Position (Eu mn):	436
Enterprise Value (Eu mn):	3,543

- 3Q23 results ahead of expectations.** De'Longhi yesterday reported 3Q23 results which came in ahead of expectations, particularly on adj. EBITDA (+8% vs. our estimates and c.+20% vs. consensus) and Net Income (+7% vs our estimates, +33% vs. consensus). Revenues came in at Eu707m, +3.3% reported and +8.1% organic (ex FX) with all regions positive except MEIA (-2.3% YoY). America region (19% of total sales) was the best performer with organic growth of +13.8% YoY followed by Europe (+9%) and APAC (+2.5% YoY). Performance was boosted by the resilient coffee segment but also by cooking and food preparation, which achieved mid-teen growth rates in the quarter and was mainly driven by the nutrition segment (Nutribullet) as well as other product families.
- EBITDA margin +560bps YoY.** Thanks to higher volumes, strict control on operating costs, easing raw materials, and favourable A&P phasing, adj. EBITDA came in at Eu104.9m, up +67% YoY, with the margin on sales at 14.9% or +570bps YoY.
- EBITDA guidance raised.** Results prompted management to raise FY23 indications on adj. EBITDA, lifting guidance to Eu420-440m from the previous Eu370-390m, a very positive indication testifying to the strong and right strategy implemented so far, the effectiveness of the current product portfolio and of marketing initiatives. During the conference call, management comments were very constructive indicating a good performance by current trading in November and a mid-term revenue growth indication higher than 5% yearly.
- Estimates updated.** After 1H23 results we highlighted that we were acknowledging some upside potential of guidance (on margins) but not to the extent indicated with this release. We therefore update our estimates to reflect new indications on FY23 and reshape the margin expansion path for the following years more smoothly. We are also including materially better financial incomes/expenses than before and a lower tax rate; this results in a significant increase in EPS.
- OUTPERFORM confirmed, target to Eu31 (from Eu26).** 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 grow nicely. We believe that current results and prospects, especially in the very resilient coffee segment but also in the nutrition space, show that the worst is over and that the company is now ready to fully benefit from positive momentum, also thanks to a strong pipeline of product launches which are ready to hit the market in 4Q23/2024. Management has mastered inventory issues faster than had been expected as well as inflationary trends and the exit from the portable air conditioning segment in the US which affected volumes this year. The stock has performed well since 1H23 results but valuations remain below historical averages for EV/EBITDA and P/E, which is completely undeserved based on business potential and foreseeable growth in the next 12 months (easy comp base will enhance this factor). M&A remains a powerful catalyst for the stock and is becoming increasingly likely. For these reasons, and based on our new estimates, we reiterate the OUTPERFORM recommendation with the target from Eu26 to Eu31 based on our DCF valuation.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	3,222	3,158	3,084	3,174	3,285
EBITDA Adj (Eu mn)	515	362	436	468	486
Net Profit Adj (Eu mn)	311	177	249	274	291
EPS New Adj (Eu)	2.081	1.175	1.646	1.812	1.924
EPS Old Adj (Eu)	2.081	1.175	1.361	1.587	1.660
DPS (Eu)	0.743	0.480	0.672	0.740	0.786
EV/EBITDA Adj	9.1	8.2	8.1	7.4	6.8
EV/EBIT Adj	13.4	7.3	8.4		
P/E Adj	12.7	22.4	16.0	14.5	13.7
Div. Yield	2.8%	1.8%	2.6%	2.8%	3.0%
Net Debt/EBITDA Adj	-0.8	-0.8	-1.0	-1.1	-1.4