DE' LONGHI

OUTPERFORM

Sector: Consumers

Price: Eu32.28 - **Target: Eu39.00**

Solid FY23 Results with a Big Cash Beat. Positive Outlook

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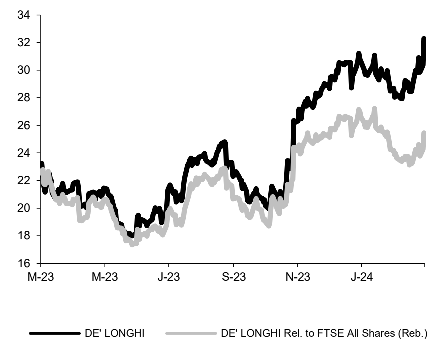
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 37.50 to 39.00
	2024E	**2025E**	**2026E**
Chg in Adj EPS	4.5%	7.7%	

DE' LONGHI - 12M Performance



Stock Data			
Reuters code:			DLG.MI
Bloomberg code:			DLG IM
Performance	**1M**	**3M**	**12M**
Absolute	12.6%	11.5%	38.9%
Relative	5.7%	0.5%	17.1%
12M (H/L)			32.28/18.00
3M Average Volume (th):			102.45

Shareholder Data	
No. of Ord shares (mn):	150
Total no. of shares (mn):	151
Mkt Cap Ord (Eu mn):	4,826
Total Mkt Cap (Eu mn):	4,826
Mkt Float - Ord (Eu mn):	1,753
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:	2.4
Net Financial Position (Eu mn):	496
Enterprise Value (Eu mn):	4,380

- **Robust results confirmed. Surprise on cash.** De'Longhi published complete FY23 results yesterday. On January 25, the company disclosed preliminary revenues and indications on EBITDA "seen in the upper range of the guidance" at "around Eu440m" which at that time was c.2% above consensus. Actual EBITDA was confirmed at Eu444.2m or a 14.4% margin on revenues (11.5% in FY22) and Net Income saw solid progression to Eu250.4m, up +41% YoY. The net cash position also showed a very positive evolution (c.200m above consensus and estimates) with strong cash generation during the year and particularly in the last quarter, mainly due to lower CapEx (down c.Eu20m) and WC which were able to generate robust positive flows: inventories went down, positive management of receivables and extended payables, which last year were affected by the slowdown in production in 2H to reduce inventories. Proposed dividend at Eu0.67p.s.
- **Positive outlook and start to the year.** The outlook on 2024 released along with preliminary results was already positive, hinting at revenues increasing at a low to mid-single digit growth rate for the current perimeter (ex La Marzocco). Management has now provided guidance for the whole group indicating revenues in the +9%/+11% YoY range and improvements from the new perimeter potentially leading to adj. EBITDA of c.Eu500/530m. This is perfectly in line with guidance for the previous perimeter and already includes some caution on exogenous factors impacting 2024 (e.g. the Suez canal situation).
- **Estimates revision.** We previously did not include the La Marzocco acquisition, so we add its contribution as well as the latest developments in cash generation achieved in FY23. We remain cautious on FY24, positioning our estimates in the middle of the EBITDA guidance, which acknowledges that, should the first quarter continue the 4Q23 trajectory, visibility on the top-end of the guidance range will be much higher. For La Marzocco, we assume low single digit growth in 2024 after the exceptional performance in 2023. Full contribution will start in 2025 (see table below for details).
- **OUTPERFORM, target Eu39 (from Eu37.5).** We now include La Marzocco in our model as the deal was closed at the end of February. 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. We believe current results and prospects, especially in the very resilient coffee segment but also in the nutrition arena, show that the worst is over and that the company is now ready to fully benefit from positive momentum, thanks in part to a strong pipeline of product launches that are ready and will hit the market throughout 2024. M&A remains a powerful catalyst for the stock and is still likely in the mid-term even if management is now focusing on integration of new acquisition La Marzocco. New estimates and actuals (with a strong cash beat on FY23) take our target price to Eu39 per share. The stock is now trading almost in line with the historical level at c.8x EV/EBITDA and 16x PE, which in our opinion does no longer reflect the value of the new perimeter of the company and its potential prospects.

Key Figures & Ratios	2021A	2022A	2023A	2024E	2025E
Sales (Eu mn)	3,222	3,158	3,076	3,395	3,626
EBITDA Adj (Eu mn)	515	362	444	521	567
Net Profit Adj (Eu mn)	311	177	250	290	317
EPS New Adj (Eu)	2.081	1.175	1.658	1.919	2.099
EPS Old Adj (Eu)	2.081	1.175	1.671	1.837	1.949
DPS (Eu)	0.743	0.480	0.677	0.784	0.857
EV/EBITDA Adj	9.1	8.2	6.1	8.4	7.5
EV/EBIT Adj	13.4	7.3	6.5		
P/E Adj	15.5	27.5	19.5	16.8	15.4
Div. Yield	2.3%	1.5%	2.1%	2.4%	2.7%
Net Debt/EBITDA Adj	-0.8	-0.8	-1.5	-1.0	-1.1

Intermonte

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

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

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Emittente	%	Long/Short

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