Milan, 13 May 2024

Italian Equity Research – 1Q24 Results

DE' LONGHI

OUTPERFORM

Sector: Consumers

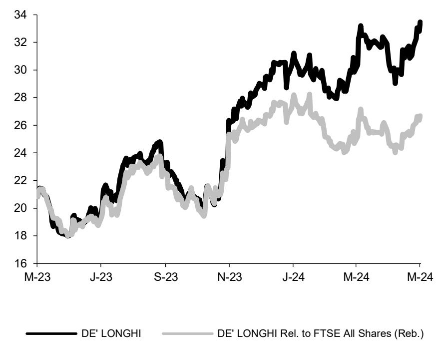
Price: Eu33.46 - **Target: Eu39.00**

Good Start to the Year, Positive Outlook

Francesco Brilli +39-02-77115.439
francesco.brilli@intermonte.it
Andrea Randone: +39-02-77115.364
andrea.randone@intermonte.it

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	10.1%	17.5%	60.6%
Relative	8.3%	6.7%	35.1%
12M (H/L)			33.46/18.00
3M Average Volume (th):			99.37

Shareholder Data	
No. of Ord shares (mn):	150
Total no. of shares (mn):	151
Mkt Cap Ord (Eu mn):	5,002
Total Mkt Cap (Eu mn):	5,002
Mkt Float - Ord (Eu mn):	1,817
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:	2.5
Net Financial Position (Eu mn):	496
Enterprise Value (Eu mn):	4,559

- **1Q24 results beat expectations.** De'Longhi published 1Q24 results that came in ahead of expectations, only slightly at the top line (+1.5%) but by c.9.5% on adj. EBITDA, highlighting very positive underlying trends. Figures benefited from the first consolidation of La Marzocco into the Group (1 month) but even registered positive (high single-digit) performances on a like-for-like basis. This is the third quarter in a row that the Group has posted consistent growth. Adj. EBITDA came in at Eu93.8mn, a margin of 14.2% or a 190bp YoY expansion (9% ahead of consensus and our estimates). This performance was achieved thanks to volume growth, a further partial easing of inflationary pressure on some industrial costs and investments in media and communications that were in line with 2023 (A&P on revenues at 11.2%), all of which more than offset the increase in costs for labour and organisational structures. At bottom line, net income stood at Eu51.3mn or c.20%+ ahead of estimates, while net cash stood at Eu307.6mn (Eu662.6mn at YE23) after the Eu326.8mn outlay for the business combination between La Marzocco and Eversys.
- **Outlook confirmed, 2Q in line with 1Q.** In light of the results achieved, previous guidance was confirmed (including La Marzocco): FY24 revenues are seen at +9-11% YoY (consensus currently +10.3% YoY); adj. EBITDA in the Eu500-530m range (consensus is currently Eu523mn). This also includes the contribution of La Marzocco. During the conference call management commented that single-digit growth for the Group on a like-for-like basis would be reasonable. In light of this strong quarter the guidance might seem a touch conservative, but we acknowledge that it is very early in the year. At the very least, we expect consensus to align with the high end of the guidance range.
- **Estimates unchanged. CMD on 28 May.** We were already forecasting numbers towards the upper end of the provided guidance range, so we are leaving our assumptions there for now. We acknowledge that there could be some upside potential if the overall pace of growth in coffee and kitchen machines continues for both top line and margins. The company will present new targets and a 3-year plan during a Capital Markets Day at headquarters on 28 May, so we prefer to wait before making any changes to our numbers.
- **OUTPERFORM, target Eu39 (confirmed).** We included La Marzocco in our model after FY23 results 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 though management is now focusing on the integration of new acquisition La Marzocco. New estimates and actual figures (with FY23 cash much better than forecast) bring our target price to Eu39 per share. The stock is now trading almost in line with historical levels at c.8x EV/EBITDA and 16x P/E, which in our opinion no longer reflects the value of the new scope of the company and its prospects.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	3,158	3,076	3,395	3,626	3,734
EBITDA Adj (Eu mn)	362	444	521	567	584
Net Profit Adj (Eu mn)	177	250	290	317	326
EPS New Adj (Eu)	1.175	1.658	1.919	2.099	2.160
EPS Old Adj (Eu)	1.175	1.658	1.919	2.099	2.160
DPS (Eu)	0.480	0.677	0.784	0.857	0.882
EV/EBITDA Adj	8.2	6.1	8.8	7.8	7.2
EV/EBIT Adj	7.3	6.5			
P/E Adj	28.5	20.2	17.4	15.9	15.5
Div. Yield	1.4%	2.0%	2.3%	2.6%	2.6%
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.

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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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OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
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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