

# DE' LONGHI

Sector: Consumers

## OUTPERFORM

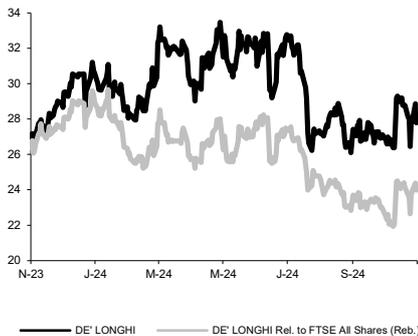
Price: Eu27.78 - Target: Eu40.00

## Another Strong Beat. FY Guidance Raised

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	6.5%	8.7%	6.5%

### DE' LONGHI - 12M Performance



Stock Data			
Reuters code:	DLG.MI		
Bloomberg code:	DLG IM		
Performance	1M	3M	12M
Absolute	2.5%	1.6%	6.0%
Relative	4.5%	-3.4%	-11.5%
12M (H/L)	33.46/26.10		
3M Average Volume (th):	102.83		

Shareholder Data	
No. of Ord shares (mn):	150
Total no. of shares (mn):	151
Mkt Cap Ord (Eu mn):	4,153
Total Mkt Cap (Eu mn):	4,153
Mkt Float - Ord (Eu mn):	1,508
Mkt Float (in %):	36.3%
Main Shareholder:	
The Long E Trust (De'Longhi Fam.)	57.0%

Balance Sheet Data	
Book Value (Eu mn):	2,046
BVPS (Eu):	13.54
P/BV:	2.1
Net Financial Position (Eu mn):	453
Enterprise Value (Eu mn):	3,744

Yesterday De'Longhi reported very solid 3Q24 results that beat our expectations and consensus, even on organic sales growth (i.e. without the boost from La Marzocco). Positive sales and margin expansion together with a strong start to 4Q24 allowed management to raise guidance further (indicated at the upper end of the range at the latest release) confirming the company's momentum across the product portfolio and geographical markets. As a result, the current stock price is completely unjustified (especially after yesterday afternoon's reaction), offering a clear opportunity to enter one of the most resilient names we cover.

- Sales up 14% YoY in 3Q24, +5.2% organic.** The Group posted +14.0% sales growth in 3Q24, corresponding to organic sales growth of +5.2% (excluding the contribution of La Marzocco, which stood at Eu62mn in the quarter). Geographically, the expected continuation of the trends witnessed in the first six months of the year was confirmed, with all regions growing YoY, including MEIA, which resumed double-digit growth, and a remarkable acceleration in the Americas, up +23.5% YoY thanks to the consolidation of La Marzocco and organic growth. As for business segments, Coffee, now at 62% of total sales, remained the main growth driver in 3Q24 (c.+26% YoY) with positive trends in Nutrition and Food Preparation.
- Faster-than-expected YoY EBITDA margin expansion, +140bp YoY.** Adj. EBITDA stood at Eu131mn with a margin of 15.6%, a 140bp YoY expansion thanks to higher volumes, organic profitability and La Marzocco's contribution, together with cost control along the lines of 1H24 trends.
- Very positive indications, guidance raised.** Based on results and visibility, the company raised FY24 guidance on both revenues and profitability, now foreseeing an **FY revenue growth range of 11%-12%** from 9%-11%, and FY adj. EBITDA of Eu540-550mn, from Eu500-530mn previously. During the conference call management provided positive indications on the start of 4Q24 and on FY25 prospects.
- Estimates revised upwards.** We are revising our estimates to reflect the new indications, which confirmed the inkling we got from the previous release that a potential guidance raise was on the cards.
- OUTPERFORM; target Eu40 confirmed.** We are even more 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. 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 fully from positive momentum, partly thanks to the strong product launch pipeline. M&A remains a key catalyst for the stock and is still highly likely in the medium term, although management is now focusing on integrating La Marzocco. The stock has de-rated YTD and is now trading well below historical levels, at c.7.6x EV/EBITDA and 15x P/E, which in our view does not reflect the value of the company's new scope, prospects and margin trends.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	3,158	3,076	3,429	3,647	3,904
EBITDA Adj (Eu mn)	362	444	545	601	656
Net Profit Adj (Eu mn)	177	250	309	345	381
EPS New Adj (Eu)	1.175	1.658	2.044	2.283	2.519
EPS Old Adj (Eu)	1.175	1.658	1.919	2.099	2.366
DPS (Eu)	0.480	0.677	0.835	0.932	1.029
EV/EBITDA Adj	8.2	6.1	6.9	5.9	5.1
EV/EBIT Adj	7.3	6.5			
P/E Adj	23.6	16.8	13.6	12.2	11.0
Div. Yield	1.7%	2.4%	3.0%	3.4%	3.7%
Net Debt/EBITDA Adj	-0.8	-1.5	-0.8	-1.0	-1.3

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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&PMB40 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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As at 30 September 2024 Intermonte's Research Department covered 125 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (61 in total) is as follows:

BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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