

DE' LONGHI

Sector: Consumers

NEUTRAL

Price: Eu22.54 - Target: Eu21.50

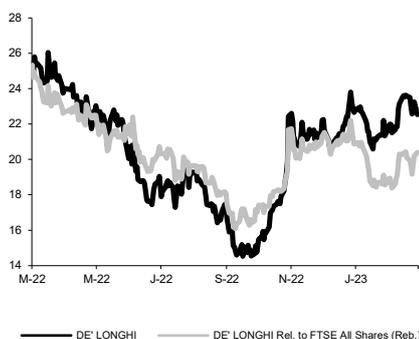
FY22 profitability better than expected. Cautious outlook

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 19.50 to 21.50		
	2023E	2024E	2025E
Chg in Adj EPS	-7.5%	-14.6%	

DE' LONGHI - 12M Performance



Stock Data

Reuters code:	DLG.MI		
Bloomberg code:	DLG IM		
Performance	1M	3M	12M
Absolute	4.0%	1.4%	-5.0%
Relative	8.5%	-4.6%	-17.4%
12M (H/L)	26.04/14.52		
3M Average Volume (th):	102.54		

Shareholder Data

No. of Ord shares (mn):	150
Total no. of shares (mn):	150
Mkt Cap Ord (Eu mn):	3,370
Total Mkt Cap (Eu mn):	3,370
Mkt Float - Ord (Eu mn):	1,224
Mkt Float (in %):	36.3%
Main Shareholder:	
The Long E Trust (De'Longhi Fam.)	57.0%

Balance Sheet Data

Book Value (Eu mn):	1,790
BVPS (Eu):	11.97
P/BV:	1.9
Net Financial Position (Eu mn):	385
Enterprise Value (Eu mn):	2,985

■ Full results for FY22 released yesterday. De'Longhi released FY22 results yesterday following the release at the end of January of preliminary revenues and guidance. The group closed the year with sales of Eu3,158mn, down c.2% YoY (-5.9% YoY at CER) and in line with the high end of the guidance range ("mid-single-digit decline") thanks to better-than-expected trends in 4Q. The Coffee Machines segment showed a positive trend thanks to full-auto and manual products, while the Cooking & Food Preparation segment closed the year well down, as expected, due to general weakness in sector consumption and a very challenging comparison with the previous year. Yesterday's release showed positive developments in terms of profitability and inventory management in the last quarter of the year which beat expectations. FY22 adj. EBITDA came in ahead of expectations at Eu362m, with the margin on sales at 11.5% vs. 16% last year (consensus at Eu334, Intermonte at Eu340). The net financial position was positive at Eu298.8m, even if down by Eu126m vs. the end of 2021, but highlighting cash flow generation in 4Q22 of Eu270m. This was mainly attributable to the positive WC dynamics (9.1% on sales) and in particular to the inventory reduction to Eu550m, well below the targeted Eu700m threshold indicated by the management as a target. Management proposed a dividend of Eu0.48 per share.

■ Outlook updated. Constructive indications but cautious. Management confirmed a year of slightly decreasing sales (mainly due to a soft Kitchen machines segment) with adj. EBITDA now seen in the Eu370-390m range (current consensus at Eu385m). During the conference call the tough comparison base in 1H23 was highlighted along with continuing pressure from cost inflation despite a positive carryover of 2022 price increases. The vast majority of inefficiencies from high inventory management and the reduction of production should be recovered but not in full. In addition, FX should be a headwind in 2023 compared to the positive impact in 2022.

■ Estimates revision. We have adjusted our model to reflect the latest indications and current numbers with minor changes, with the exception of a better cash generation profile deriving from the better-than-expected de-stocking in 4Q22. Our P&L estimates were already almost aligned to current guidance and we stick to these assumptions pending additional visibility.

■ NEUTRAL confirmed; target to Eu21.5 (from Eu19.5). 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. Nevertheless, we believe it will take some more time to normalize the business and profitability as highlighted by the outlook provided by management with some uncertainties ahead for the volume trend and costs. Pending additional visibility, we remain NEUTRAL on the stock, with our target price now at Eu21.5 following the revision to estimates, mainly to working capital and cash flow generation as highlighted above, and a better long-term growth profile now at 2% vs. 0.5% before. The stock is up c.7% YTD and is close to 5Y historical averages in terms of EV/EBITDA and P/E historical averages. We now foresee a lack of business momentum in the short term, especially in the food preparation segment, driven by uncertainties over consumer confidence and purchasing propensity on top of a very challenging comparison base in the first part of the year. M&A remains of great attention and could be a positive catalyst for the stock.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	3,222	3,158	3,080	3,136	3,199
EBITDA Adj (Eu mn)	515	377	385	414	427
Net Profit Adj (Eu mn)	311	177	201	222	226
EPS New Adj (Eu)	2.081	1.187	1.344	1.484	1.513
EPS Old Adj (Eu)	2.081	1.168	1.454	1.737	
DPS (Eu)	0.743	0.480	0.544	0.600	0.612
EV/EBITDA Adj	9.1	7.8	7.8	7.1	6.6
EV/EBIT Adj	13.4	7.2	7.1		
P/E Adj	10.8	19.0	16.8	15.2	14.9
Div. Yield	3.3%	2.1%	2.4%	2.7%	2.7%
Net Debt/EBITDA Adj	-0.8	-0.8	-1.0	-1.1	-1.3