Milan, 17 March 2025

Italian Equity Research – FY24 Results

DE' LONGHI

OUTPERFORM

Sector: Consumers

Price: Eu31.26 - **Target: Eu40.00**

Beat after Beat: Strong Profitability and Cash Flow. DPS +87%

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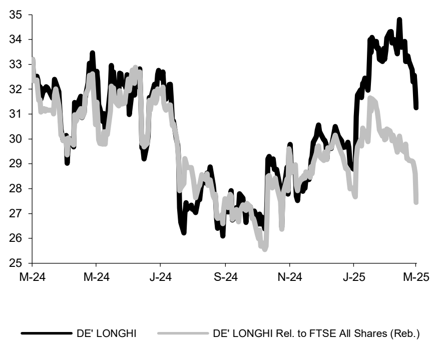
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2025E	**2026E**	**2027E**
Chg in Adj EPS	-4.0%	-3.2%	4.0%

DE' LONGHI - 12M Performance



Stock Data			
Reuters code:			DLG.MI
Bloomberg code:			DLG IM
Performance	**1M**	**3M**	**12M**
Absolute	-8.2%	3.5%	-5.8%
Relative	-9.9%	-6.8%	-19.7%
12M (H/L)			34.80/26.10
3M Average Volume (th):			112.74

Shareholder Data	
No. of Ord shares (mn):	150
Total no. of shares (mn):	151
Mkt Cap Ord (Eu mn):	4,673
Total Mkt Cap (Eu mn):	4,673
Mkt Float - Ord (Eu mn):	1,697
Mkt Float (in %):	36.3%
Main Shareholder:	
The Long E Trust (De'Longhi Fam.)	57.0%

Balance Sheet Data	
Book Value (Eu mn):	2,260
BVPS (Eu):	14.96
P/BV:	2.1
Net Financial Position (Eu mn):	801
Enterprise Value (Eu mn):	3,921

- **Full results released.** De'Longhi released on Friday afternoon the full set of FY24 results, which again came in ahead of expectations on profitability, and more remarkably on cash generation. The company had already released (report) preliminary figures on revenues and EBITDA at the end of January, which surpassed estimates. Actual EBITDA came in again slightly ahead of new expectations at Eu560m (+1% vs. Intermonte, +4.5% vs. consensus) with the margin on sales at 16.0% (+100bps YoY), thanks to solid 4Q24 EBITDA at Eu224m, a 17.7% margin on sales, up 110bps YoY. This was driven by a net industrial margin at 49.7% on sales (+130bps YoY), which benefited from higher volumes and lower production costs as well as from the positive contribution of La Marzocco and the organic product mix. Below EBITDA, figures were confirmed slightly ahead of expectations, leading to net income at Eu310.7m (c.+2% vs. consensus). More importantly, the Group ended FY24 with a positive NFP of Eu643m (vs. c.Eu450m expected) thanks to 4Q24 cash generation of Eu380m out of Eu416m for the whole year after a Eu435m cash-out for dividends and M&A. This led to a proposed dividend of Eu1.25 ps or +87% YoY with a pay-out ratio of 60% compared to the usual policy of 40%.
- **Outlook solid and reasonable, already including impact of tariffs.** Management confirmed the previously indicated top-line growth for FY25 in the range of +5%/+7% (full perimeter) and added the indications on profitability with EBITDA expected at Eu580-600m (full perimeter), already including the current scenario with tariffs on products meant for the American market. <u>We highlight that current consensus (FY25E EBITDA at c.Eu600m) did not include the tariffs scenario that has emerged recently. Given the time of the year at which guidance has been provided and the current geopolitical context, we see the guidance as solid and strong while hinting at a high degree of confidence to achieve it. As pointed out by management during the conference call, guidance without the impact of tariffs would have been Eu600-620m and this is the level that should be compared with outstanding consensus as of today, meaning the stock reaction to the release was misplaced</u>.
- **Management comments very supportive.** The tone of the conference call on current trading and prospects was very positive. M&A confirmed as a priority. See below for more.
- **Including tariffs.** We merely factor in the new indications on the impact of tariffs thus aligning our FY25 EBITDA estimates to the mid-to-high point of current guidance.
- **OUTPERFORM; target Eu40 confirmed.** We are even more convinced that business fundamentals are robust, with particularly resilient Coffee trends and still-untapped opportunities increasingly visible across regions where the company continues to increase its penetration and brand recognition. Current results and prospects, especially in the highly resilient Coffee segment but also in the Nutrition arena, show that the company is ready to benefit fully from positive momentum, also thanks to the strong product launch pipeline which is confirmed for FY25 as well. M&A remains a key catalyst for the stock and highly likely in the medium term. The stock is trading below historical levels at c.7.5x EV/EBITDA and 15x P/E on 2025 and at a material discount to Breville and Sharkninja, which in our view do not reflect the value of the company's new scope, prospects, and margin trends at all.

Key Figures & Ratios	2022A	2023A	2024A	2025E	2026E
Sales (Eu mn)	3,158	3,076	3,497	3,714	3,977
EBITDA Adj (Eu mn)	362	444	560	595	649
Net Profit Adj (Eu mn)	177	250	311	339	375
EPS New Adj (Eu)	1.175	1.658	2.057	2.246	2.485
EPS Old Adj (Eu)	1.175	1.658	2.099	2.341	2.567
DPS (Eu)	0.480	0.677	0.840	0.918	1.015
EV/EBITDA Adj	8.2	6.1	6.9	6.6	5.7
EV/EBIT Adj	7.3	6.5			
P/E Adj	26.6	18.9	15.2	13.9	12.6
Div. Yield	1.5%	2.2%	2.7%	2.9%	3.2%
Net Debt/EBITDA Adj	-0.8	-1.5	-1.1	-1.3	-1.6

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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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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.
As at 31 December 2024 Intermonte's Research Department covered 132 companies.
As of today Intermonte's distribution of stock ratings is as follows:

BUY:	30.60 %
OUTPERFORM:	43.28 %
NEUTRAL:	26.12 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 December 2024 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (71 in total) is as follows:

BUY:	50.70 %
OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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