Milan, 29 January 2025

Italian Equity Research – FY24 Prelim. Results

DE' LONGHI

OUTPERFORM

Sector: Consumers

Price: Eu32.56 - **Target: Eu40.00**

Brewing Strong Results: Another Beat on Expectations

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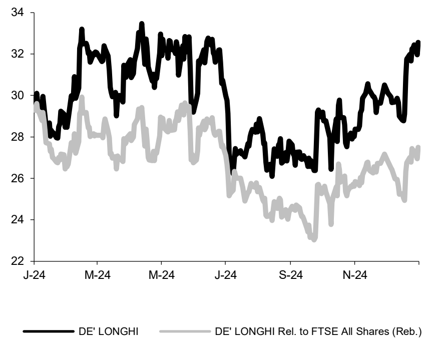
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	2.7%	2.6%	1.9%

DE' LONGHI - 12M Performance



Stock Data			
Reuters code:			DLG.MI
Bloomberg code:			DLG IM
Performance	**1M**	**3M**	**12M**
Absolute	6.8%	12.4%	9.6%
Relative	1.3%	9.2%	-8.3%
12M (H/L)			33.46/26.10
3M Average Volume (th):			105.87

Shareholder Data	
No. of Ord shares (mn):	150
Total no. of shares (mn):	151
Mkt Cap Ord (Eu mn):	4,868
Total Mkt Cap (Eu mn):	4,868
Mkt Float - Ord (Eu mn):	1,768
Mkt Float (in %):	36.3%
Main Shareholder:	
The Long E Trust (De'Longhi Fam.)	57.0%

Balance Sheet Data	
Book Value (Eu mn):	2,278
BVPS (Eu):	15.08
P/BV:	2.2
Net Financial Position (Eu mn):	622
Enterprise Value (Eu mn):	4,297

- **Guidance raised but actuals are better.** De'Longhi released preliminary FY24 results that were remarkably higher than of our / consensus expectations. We had already acknowledged some upside potential to our estimates but results surpassed the brightest scenario (full results due on 14 March). At the 9M results release in November, management raised the guidance to a FY revenue growth range of +11%-12% (from the previous 9%-11%) and FY adj. EBITDA of Eu540-550m (from Eu500-530m). Actuals showed the FY24 top-line at Eu3,497.6m, up 13.7% YoY or a beat of c.2% on our / consensus estimates. More importantly, organic growth (ex. La Marzocco) came in at +6.6% or c.230bps ahead of our expectations, signalling the momentum of the traditional business perimeter. The company also indicated preliminary FY24 adj. EBITDA which came in at Eu555m (c.+2% vs. Intermonte and consensus) with the margin on sales at 15.9%, slightly ahead of consensus.
- **FY25 outlook: growth to continue.** Consolidation of growth dynamics, the launch of new products together with announced media campaigns (and in our opinion a solid start to 2025) have given management confidence to aim at FY25 revenues up +5%/+7% YoY (at group level, i.e. including La Marzocco). We also expect additional details on margins to be provided on the release of full results.
- **Coffee at 62% of group sales. Growth spread across regions.** The solid performance was driven by very strong 4Q24 results accelerating to c.+18% YoY thanks to organic growth (+11.1% YoY) and the positive contribution of La Marzocco. Double-digit growth was achieved across regions except Asia-Pacific (+9.3% YoY). Americas up by +19.2% YoY (+5.9% organic), with growth accelerating in 2H thanks to double-digit trends for fully-auto machines and Nutribullet personal blenders. The Coffee segment is now at 62% of total business, up c.+20% YoY, with B2C up c.+9.5% thanks to fully-auto machines indicated at mid-teen growth and professional increasing mainly thanks to the contribution of La Marzocco. We also highlight the major acceleration in 4Q24 by Nutrition and food preparation.
- **Estimates revision.** We factor in new actuals which came in ahead of our expectations, leaving our assumptions for FY25 and FY26 almost unchanged in terms of revenue and margin trends. For the moment, we cautiously stick to our +6.2% growth in FY25 at the mid-point of the indicated range. This results in EPS up c.3% on FY24/25 and c.+2% on FY26.
- **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. 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 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	2024E	2025E	2026E
Sales (Eu mn)	3,158	3,076	3,497	3,716	3,980
EBITDA Adj (Eu mn)	362	444	555	612	663
Net Profit Adj (Eu mn)	177	250	317	354	388
EPS New Adj (Eu)	1.175	1.658	2.099	2.341	2.567
EPS Old Adj (Eu)	1.175	1.658	2.044	2.283	2.519
DPS (Eu)	0.480	0.677	0.857	0.956	1.048
EV/EBITDA Adj	8.2	6.1	7.3	7.0	6.1
EV/EBIT Adj	7.3	6.5			
P/E Adj	27.7	19.6	15.5	13.9	12.7
Div. Yield	1.5%	2.1%	2.6%	2.9%	3.2%
Net Debt/EBITDA Adj	-0.8	-1.5	-0.8	-1.0	-1.3

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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)

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:	43.28 %
NEUTRAL:	25.38 %
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 (71 in total) is as follows:

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

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Emittente	%	Long/Short

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