Milan, 30 April 2025

Italian Equity Research – 1Q25 Preview

DE' LONGHI

OUTPERFORM

Sector: Consumers

Price: Eu26.80 - **Target: Eu40.00**

Robust Start To The Year Expected

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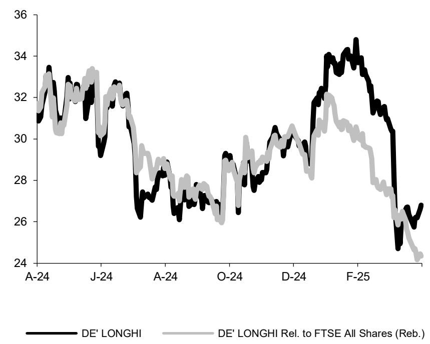
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2025E	**2026E**	**2027E**
Chg in Adj EPS	0.0%	0.0%	0.0%

DE' LONGHI - 12M Performance



Stock Data			
Reuters code:			DLG.MI
Bloomberg code:			DLG IM
Performance	**1M**	**3M**	**12M**
Absolute	-13.5%	-21.2%	-15.5%
Relative	-11.5%	-25.2%	-25.5%
12M (H/L)			34.80/24.70
3M Average Volume (th):			130.38

Shareholder Data	
No. of Ord shares (mn):	150
Total no. of shares (mn):	151
Mkt Cap Ord (Eu mn):	4,007
Total Mkt Cap (Eu mn):	4,007
Mkt Float - Ord (Eu mn):	1,455
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:	1.8
Net Financial Position (Eu mn):	801
Enterprise Value (Eu mn):	3,247

- **1Q25 results due out on 13 May.** We expect the solid trends seen in the last part of the year to have continued in the first quarter of this year, driven by growth in coffee and still resilient trends in the other categories. Overall, a solid quarter that should show a contnuation of momentum and figures consistent with FY expectations.
- **Revenues up double digit.** At group level we expect revenues to be up 11.1% YoY in the first quarter, with a negligible ForEx effect. The performance should have been driven again by resilient coffee trends, expected up 18.3%, with B2C at +8.2% and B2B doubling (+100%) thanks to the positive contribution of two additional months contribution frm La Marzocco compared to last year. We factor in a somwhat mixed performance within the Nutrition and food preparation category following strong 4Q24 figures (+1.5% YoY overall in 1Q25, +8% YoY in 4Q24, +5% YoY n 1Q24) and only a slightly positive performance for the remainder of the product portfolio. Excluding the positive La Marzocco contribution, organic sales performance is expected up by +5.3% YoY, with the recently-acquired business adding c.5pp to the group's sales growth.
- **Geographical markets in line with 4Q24.** By region, we expect a positive contribution from all divisions, featuring double-digit growth with the sole exception of the US, expected to rise +9% YoY following the +27% YoY growth of 4Q24.
- **Profitability up thanks to operating leverage and La Marzocco.** We expect adj.EBITDA at Eu107.6mn, a 50bp increase in the margin on sales to 14.7% thanks to higher volumes, new products and the higher La Marzocco contribution compared to last year, only partially mitigated by A&P spending.
- **Cash position lower than year-end due to rising inventory.** We expect a material build up in inventories, mainly in the US, in order to mitigate new tariffs as much as possible. This should have resulted in a net cash position of c.Eu540mn vs. Eu643mn as at YE24.
- **Focus on guidance and impact of tariffs.** Current FY25 guidance indicated growth in the +5%/+7% range (full scope) with EBITDA indicated at Eu580-600mn (full scope), already including a c.Eu20mn impact form tariffs before mitigation actions. We think management will provide further detail on the current scenario and implications on expectations. <u>We believe the build-up of inventories in the US, potential A&P rationalisation as well as production optimisation could lead to a substantial confirmation of current guidance. This would represent a very positive catalyst for De'Longhi, which would confirm itself as one of the most resilient players in the industry</u>.
- **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. 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, thanks in part to the strong product launch pipeline which is confirmed for FY25 as well. M&A remains a key catalyst for the stock and looks highly likely in the medium term.

Key Figures & Ratios	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
Sales (Eu mn)	3,076	3,497	3,714	3,977	4,264
EBITDA Adj (Eu mn)	444	560	595	649	709
Net Profit Adj (Eu mn)	250	311	339	375	415
EPS New Adj (Eu)	1.658	2.057	2.246	2.485	2.748
EPS Old Adj (Eu)	1.658	2.057	2.246	2.485	2.748
DPS (Eu)	0.677	0.840	0.918	1.015	1.122
EV/EBITDA Adj	6.1	6.9	5.5	4.7	3.9
EV/EBIT Adj	6.5				
P/E Adj	16.2	13.0	11.9	10.8	9.8
Div. Yield	2.5%	3.1%	3.4%	3.8%	4.2%
Net Debt/EBITDA Adj	-1.5	-1.1	-1.3	-1.6	-1.8

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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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BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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