Intermonte

Milan, 02 October 2023

Italian Equity Research – 3Q23 Preview

FERRARI

OUTPERFORM

Sector: Consumers

Price: Eu279.70 - **Target: Eu362.00**

Positive Results Ahead; Can 4Q See Hyper/Supercar Launch?

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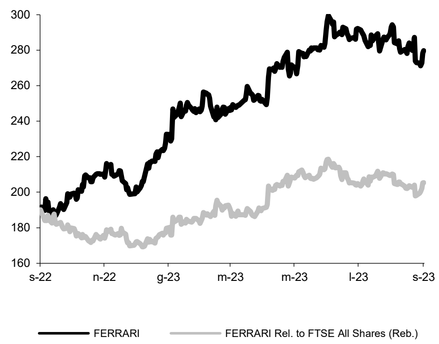
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2023E	**2024E**	**2025E**
Chg in Adj EPS	0.2%	0.2%	0.0%

Next Event
Results Out November 2nd

FERRARI - 12M Performance



Stock Data			
Reuters code:			RACE.MI
Bloomberg code:			RACE IM
Performance	**1M**	**3M**	**12M**
Absolute	-4.6%	-5.5%	47.2%
Relative	-2.0%	-5.9%	11.0%
12M (H/L)			299.50/186.70
3M Average Volume (th):			329.89

Shareholder Data	
No. of Ord shares (mn):	182
Total no. of shares (mn):	182
Mkt Cap Ord (Eu mn):	50,794
Total Mkt Cap (Eu mn):	50,794
Mkt Float - Ord (Eu mn):	33,265
Mkt Float (in %):	65.5%
Main Shareholder:	
Exor	24.2%

Balance Sheet Data	
Book Value (Eu mn):	3,082
BVPS (Eu):	17.02
P/BV:	16.4
Net Financial Position (Eu mn):	-1,436
Enterprise Value (Eu mn):	50,795

- **3Q23 results preview: another strong quarter.** We expect RACE to report another strong set of results driven by mix, high single-digit volume growth and mid-single-digit price hikes, only partly offset by cost inflation, higher D&A due to the start of production of new models and slightly negative ForEx. We project revenues of €1.49bn, +19% YoY (+20% organic), driven by both ASP amid strong mix (+ Daytona, 812 Competizione, 296 GT and Purosangue, - Portofino M) and +9% volume growth to 3.47k. The strong organic growth should lead to adj. EBITDA/EBIT of €568/395mn, +31/32% YoY to a 38.2/26.6% margin, up 3.4/2.7pp. Net industrial debt is foreseen at €217mn after strong FCF generation of €304mn and a €190mn buyback.
- **2023 guidance: don't expect major upgrades.** RACE is set to report very strong growth in 9M23, but given the extremely high visibility provided by the business model we believe there is limited chance of a guidance upgrade. As the company has already highlighted, 1H23 is going to be the strongest half-year, partly helped by the release of F1 bonuses and CO_2 provisions, while 2H23 is going to see cost inflation and F1 spending. While a surprise is possible, we note that both our estimates and consensus are already a touch above the upper end of the range, with adj. EBITDA projected at €2.23/2.21bn vs. guidance of €2.20bn.
- **Strong order intake; New car to come in 4Q; positive residual values:**
  - **Order intake** is said to be strong for available-for-sale models as the company is only taking orders on the 296, 296 GTS, Roma, Roma Spider and Purosange beyond 2026;
  - **One more model** is expected to be unveiled this year, in line with the schedule. In our view, the new vehicle could be the new Super/Hypercar (based on the LeMans winning 499P). As we analysed in our June upgrade note, the Super/Hypercar would represent an improvement on the 2022-26 business plan, as it would fill and fix the mix vacuum during the Icona model changeover. We believe RACE has what it takes to exploit this market niche (which we estimate to be worth ~€1.0bn);
  - **Residual values** are also said to be positive in all areas, offering support for the company's business model. We remind that beyond the undisputed technical and design leadership, RACE has a proven ability to preserve and enhance the residual value of models thanks to its heritage, high positional value and careful management of the secondary market. This lowers the cost of ownership for customers, acting as a stable source of value, and promotes the primary market as owners are facilitated in the switch between models.
- **Change in estimates.** We are updating our forecast, making some tweaks to volume, pricing&mix and profitability assumptions, while also factoring in the recent buyback. Nevertheless, our overall estimates remain unchanged.
- **OUTPERFORM; target €362.0.** We remain positive on the stock, as we believe Ferrari is well placed to significantly outpace 2026 targets, reaching the upper end of the range a year earlier than indicated. RACE enjoys strong demand for products that already have a 2-year waiting list, which cannot be lengthened much further. The launch of the mix-accretive white-space Purosangue and our expectations for the launch of a "Supercar", which will fill and fix the mix vacuum between "Icona" models, are factors providing further visibility on earnings growth. TP confirmed.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	4,271	5,095	5,895	6,417	6,910
EBITDA Adj (Eu mn)	1,531	1,774	2,235	2,501	2,798
Net Profit Adj (Eu mn)	831	933	1,199	1,353	1,541
EPS New Adj (Eu)	4.497	5.094	6.602	7.473	8.512
EPS Old Adj (Eu)	4.497	5.094	6.588	7.456	8.509
DPS (Eu)	1.362	1.810	2.311	2.616	2.979
EV/EBITDA Adj	22.5	20.4	22.7	19.9	17.5
EV/EBIT Adj	32.1	29.5	32.4	28.3	24.6
P/E Adj	62.2	54.9	42.4	37.4	32.9
Div. Yield	0.5%	0.6%	0.8%	0.9%	1.1%
Net Debt/EBITDA Adj	0.6	0.7	0.6	0.6	0.6