FERRARI

NEUTRAL

Sector: Consumers

Price: Eu246.80 - **Target: Eu243.00**

Strong Business Model and Shape, but Not Enough (for Us)…

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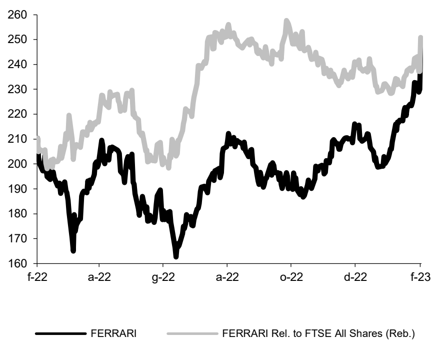
Stock Rating			
Rating:	from UNDERPERFORM to NEUTRAL		
Target Price (Eu):	from 202.00 to 243.00		
	2023E	**2024E**	**2025E**
Chg in Adj EPS	-2.9%	-2.0%	

FERRARI - 12M Performance



Stock Data			
Reuters code:			RACE.MI
Bloomberg code:			RACE IM
Performance	**1M**	**3M**	**12M**
Absolute	21.9%	26.0%	17.3%
Relative	9.8%	7.3%	18.9%
12M (H/L)			246.80/162.65
3M Average Volume (th):			295.23

Shareholder Data	
No. of Ord shares (mn):	183
Total no. of shares (mn):	183
Mkt Cap Ord (Eu mn):	45,182
Total Mkt Cap (Eu mn):	45,182
Mkt Float - Ord (Eu mn):	29,590
Mkt Float (in %):	65.5%
Main Shareholder:	
Exor	24.2%

Balance Sheet Data	
Book Value (Eu mn):	3,278
BVPS (Eu):	18.01
P/BV:	13.7
Net Financial Position (Eu mn):	-1,447
Enterprise Value (Eu mn):	44,736

- **4Q22 results: higher-than-expected EBITDA and FCF.** RACE reported stronger-than-expected 4Q22 EBITDA (~4%) and FCF amid higher ASP (€352k, +9% YoY, +6% QoQ) and volumes (3.3k units, +13% YoY). EBIT and EPS were in line with forecast, mainly penalised by higher D&A, but also higher net financial charges and tax rate. Results were driven by a strong portfolio of models including the Portofino M, 296 GTB and 812 Competizione, as well as the first units of the Daytona SP3, and a positive ForEx effect. In brief, revenues were €1.37bn vs. consensus €1.29bn (+17% YoY, of which +12% organic); EBITDA was €470mn vs. consensus €451mn (+18% YoY, 34.4% margin, +0.4pp YoY); EBIT was €299mn vs. consensus €296mn (+11% YoY, 21.9% margin, -0.8pp YoY); EPS was €1.21 vs. consensus €1.22 (+4% YoY); FCF was €161mn vs. our €120mn (FY22 at €758mn).
- **2023 guidance surprises consensus on the upside.** While 2023 guidance was fairly consistent with our forecast, it was ahead of consensus across the board (~5/6% on average in the mid-point/high-end, an uptick in consensus forecasts seems likely). The key drivers behind the guidance look realistic and achievable: positive mix thanks to the Daytona SP3 and personalisation (our est. 5%); prices up mid-single digit to offset cost inflation of ~€0.2bn (our est. ~4%); neutral ForEx (our est. 0%); SCB revenues up (our est. +8%, Sponsorship flat, Commercial and Brand up); Engines revenue down due to Maserati contract attrition (our est. -35%); CapEx above €0.8bn (our est. €0.87bn); NWC outflow of €-0.1bn due to reversal of the downpayment for the Daytona SP3. Indications on volumes were not provided, but we assume a +6% YoY increase to 14.06k units, of which ~11% from the Purosangue (contributing from 2Q23) and ~1-2% from the Daytona SP3 (already from 1Q23).
- **Change in estimates.** Our estimates remain consistent overall with pre-event expectations with the exception of higher D&A (higher EBITDA, but stable EBIT) and tax rate respectively, due to an increase in amortisation of new models launched and changes in the patent box regime. We are improving FCF slightly following lower CapEx.
- **Upgrade to NEUTRAL (from Underperform), target from €202 to €243.** RACE reported a strong and positive end to 2022, benefitting from a robust portfolio of models and a resilient and loyal customer base. While we thought buy-side expectations were more similar to our forecasts, 2023 guidance that was some 5% ahead of consensus positively surprised the market. As we continue to appreciate the company's business model and see no signs/areas of weakness despite the macro scenario, we are upgrading the stock as our trading call predicated on the interest rate scenario (hence, valuation) didn't work out and is losing steam given a more dovish turn from central banks. Our recommendation therefore moves to NEUTRAL, as the still-high valuation doesn't encourage us to turn positive. Our target goes to €243 from €202, reflecting stronger long-term growth expectations (3.0% vs. 2.5% previously). As evident, the tight spread between WACC and G due to the low-risk and high growth RACE business model results in tangible changes to our valuation, to which we provide a sensitivity analysis in our note.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	4,271	5,095	5,745	6,148	6,528
EBITDA Adj (Eu mn)	1,531	1,773	2,158	2,368	2,598
Net Profit Adj (Eu mn)	831	933	1,114	1,239	1,382
EPS New Adj (Eu)	4.497	5.099	6.100	6.787	7.570
EPS Old Adj (Eu)	4.510	5.169	6.280	6.929	
DPS (Eu)	1.362	1.784	2.135	2.375	2.649
EV/EBITDA Adj	22.5	20.4	20.7	18.6	16.7
EV/EBIT Adj	32.1	29.5	30.3	27.0	24.0
P/E Adj	54.9	48.4	40.5	36.4	32.6
Div. Yield	0.6%	0.7%	0.9%	1.0%	1.1%
Net Debt/EBITDA Adj	0.6	0.7	0.7	0.7	0.6