Milan, 03 October 2024

Italian Equity Research – 3Q24 Preview

FERRARI

NEUTRAL

Sector: Consumers

Price: Eu415.00 - **Target: Eu418.00**

Seasonally “Soft”, but Still a Positive Quarter

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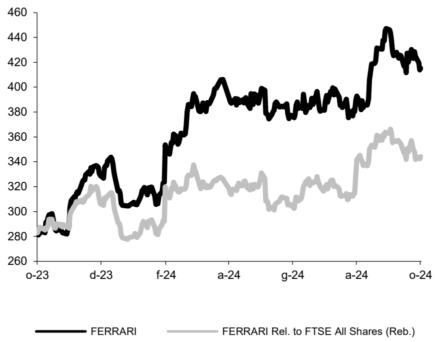
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	5.7%	2.0%	2.1%

Next Event
Results Out 5th of November

FERRARI - 12M Performance



Stock Data			
Reuters code:			RACE.MI
Bloomberg code:			RACE IM
Performance	**1M**	**3M**	**12M**
Absolute	-7.0%	8.8%	46.7%
Relative	-5.1%	8.4%	26.2%
12M (H/L)			447.20/281.20
3M Average Volume (th):			299.96

Shareholder Data	
No. of Ord shares (mn):	180
Total no. of shares (mn):	180
Mkt Cap Ord (Eu mn):	74,700
Total Mkt Cap (Eu mn):	74,700
Mkt Float - Ord (Eu mn):	48,921
Mkt Float (in %):	65.5%
Main Shareholder:	
Exor	24.2%

Balance Sheet Data	
Book Value (Eu mn):	3,638
BVPS (Eu):	20.28
P/BV:	nm
Net Financial Position (Eu mn):	-1,426
Enterprise Value (Eu mn):	74,714

3Q has been flagged as a “softer” quarter but this should be seen in the context of quarterly phasing rather than in absolute terms. Indeed, growth was consistent with the FY pace thanks to a strong mix, while the relative softness is due to the transition to a new ERP which was mostly carried out during the summer plant shutdown. 2024 estimates are already slightly above the current guidance floor, so we don’t see any need for further action on estimates. We confirm our NEUTRAL stance due to the lack of upside to our TP, with the stock trading at 47/43x NTMA/STMA P/E, a slight premium to RMS vs. an average historical discount of 10%.

- **3Q24 preview: quarter consistent with FY guidance despite ERP transition.** During the pre-close call, RACE highlighted 3Q as “softer”, but this was in the context of quarterly phasing rather than in absolute terms. Overall, we expect RACE to report a positive quarter, with earnings evolving at a pace consistent with FY expectations albeit slightly slower than in 1H due to the transition to a new ERP. The mix should remain the main growth driver, complemented by a small price effect, essentially neutral ForEx and a slight drop in volumes due to the above-mentioned ERP transition. Our estimates point to revenue of €1.66bn, +9% YoY, EBITDA of €638mn, +7% YoY and a 38.5% margin, EBIT of €475mn, +12% YoY and a 28.6% margin, EPS of €2.10, +15% YoY, FCF of €347mn and net debt of €238mn. Key items to consider:
  - **Mix:** strong thanks to personalisation, geographical mix and product mix (Daytona (~60), the 499P (“few”) and the ramp-up of the SF90 XX Stradale);
  - **Pricing:** mostly on personalisation (~20% of Auto&Parts revenue);
  - **ForEx:** no major movements during the quarter;
  - **Volumes:** we see a small YoY/QoQ drop (-3%/-4%) due to slightly lower production during the summer plant shutdown amid the transition to a new ERP;
  - **R&D/Ind. Cost/SG&A:** a slight headwind due to higher R&D and SG&A expenses (similar increase as in previous quarters) and minor cost inflation;
  - **Other:** unlikely release of F1 bonuses accrual due to current ranking;
  - **FCF:** seasonally stronger, partly due to no tax payments.
- **2024 guidance: our estimates slightly above current floor.** We note that both our estimates and consensus are some 2-3% above the current guidance floor, suggesting some earnings surprise is already expected. In that sense, the implicit 4Q24 looks highly achievable, with +14% revenue growth and EBITDA/EBIT margins of 36.5/26.3% vs. +11% and 38.6/28.8% respectively in 9M24E. It is also worth noting that 4Q has historically been used by RACE to smooth out FY numbers.
- **Valuation and exposure to China.** RACE is the only luxury and high-quality name trading at a premium to its history. While we believe there are reasons underpinning this, especially the strong brand and lower exposure to a volatile China, we find little support from the valuation to unlock further upside. RACE’s exposure to China (incl. HK) is 10%, the lowest of all luxury names, with the average being 19%.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	5,096	5,970	6,688	7,220	7,622
EBITDA Adj (Eu mn)	1,774	2,220	2,545	2,871	3,124
Net Profit Adj (Eu mn)	933	1,254	1,501	1,627	1,778
EPS New Adj (Eu)	5.094	6.910	8.339	9.039	9.877
EPS Old Adj (Eu)	5.094	6.910	7.889	8.858	9.670
DPS (Eu)	1.810	2.419	2.919	3.164	3.457
EV/EBITDA Adj	20.4	22.6	29.4	25.8	23.4
EV/EBIT Adj	29.5	31.0	39.7	35.0	31.6
P/E Adj	81.5	60.1	49.8	45.9	42.0
Div. Yield	0.4%	0.6%	0.7%	0.8%	0.8%
Net Debt/EBITDA Adj	0.7	0.6	0.6	0.5	0.5

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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.
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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:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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