Milan, 05 May 2023

Italian Equity Research – 1Q23 Results

FERRARI

NEUTRAL

Sector: Consumers

Price: Eu265.00 - **Target: Eu257.00**

Strong Start To the Year; Valuation Keeps Us on the Sidelines

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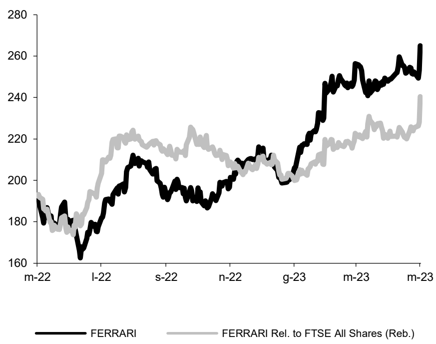
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 253.00 to 257.00
	2023E	**2024E**	**2025E**
Chg in Adj EPS	2.7%	2.3%	2.1%

FERRARI - 12M Performance



Stock Data			
Reuters code:			RACE.MI
Bloomberg code:			RACE IM
Performance	**1M**	**3M**	**12M**
Absolute	6.7%	9.5%	37.6%
Relative	8.2%	10.9%	27.4%
12M (H/L)			265.00/162.65
3M Average Volume (th):			287.41

Shareholder Data	
No. of Ord shares (mn):	182
Total no. of shares (mn):	182
Mkt Cap Ord (Eu mn):	48,230
Total Mkt Cap (Eu mn):	48,230
Mkt Float - Ord (Eu mn):	31,586
Mkt Float (in %):	65.5%
Main Shareholder:	
Exor	24.2%

Balance Sheet Data	
Book Value (Eu mn):	3,338
BVPS (Eu):	18.39
P/BV:	14.4
Net Financial Position (Eu mn):	-1,420
Enterprise Value (Eu mn):	48,010

- **1Q23 results beat expectations thanks to mix (incl. personalisation) and ForEx.** RACE reported a strong start to the year, with the key adj. EBIT metric 6/7% better than expected. This was due to a stronger contribution from the mix, including personalisation, and ForEx, more than offsetting a lower contribution to profit from volumes and marginally higher cost inflation. In detail, revenues were €1.43bn, up +20% YoY. The Auto&Parts division (87% of the total) was up +23% YoY, driven by ASP up +12% YoY (+6% exp.) to €348k and volumes up +10% to 3.6k units. Adj. EBIT was €385mn (vs. our estimate/consensus €364/361mn), +25% YoY for a 27.0% margin, up 1.1pp YoY. As mentioned, price & mix and the ForEx contribution were better than expected (+€54mn) more than offsetting worse volumes and cost inflation (€-32mn). Adj. EPS was €1.62 (vs. our estimate /consensus €1.51/1.48). Finally, FCF was a bit stronger at €269mn thanks to higher operating trends.
- **2023 guidance unchanged despite strong 1H.** Despite the strong 1Q and indications of 2Q as the strongest quarter of the year, management left FY guidance unchanged. After the suggested >27% adj. EBIT margin in 1H, this implies a weakening in 2H to ~25%. This was explained in light of cost inflation and higher D&A after the start of production of new models such as the Purosangue. Nevertheless, we believe the guidance assumes a certain degree of conservatism. Our view is because we struggle to reconcile the high end of the guidance range with underlying assumptions that point to: a mid-single-digit rise in prices, mix contributing more than price, inflation up high single-digit, continuing investments in SG&A and relatively neutral ForEx. All in all, estimates should edge up by a low single-digit percentage after the release.
- **Strong comments from the call, as usual.** Management said the order backlog stretches well into 2025, offering full visibility on 2024. After the stronger-than-expected initial reaction, it reopened the books for the Purosangue with deliveries restarting from 2026, although the strategy of keeping it below 20% of company volumes was confirmed.
- **Change in estimates.** We are slightly raising our forecast in light of a stronger price & mix effect, only partly offset by a worse volume contribution and SG&A. Our new forecasts stand at €1.53bn and €6.38 for adj. EBIT and adj. EPS respectively, vs. guidance of €1.50bn and €6.20.
- **NEUTRAL; target to €257.0.** RACE reported a strong, better-than-expected set of results, leveraging on the strength of its brand and solid execution. Nevertheless, we confirm our NEUTRAL rating as we find no upside to our valuation. RACE is well understood story with superior visibility, but the valuation remains unattractive in our view, as the stock is trading at 40/36x the NTMA/STMA P/E, above the 5-year average of 37/32x. We are lifting our target price to €257.0 from €253.0 on the back of higher estimates and slightly lower NOSH.

Key Figures & Ratios	**2021A**	**2022A**	**2023E**	**2024E**	**2025E**
Sales (Eu mn)	4,271	5,095	5,839	6,243	6,610
EBITDA Adj (Eu mn)	1,531	1,774	2,211	2,413	2,641
Net Profit Adj (Eu mn)	831	933	1,161	1,276	1,416
EPS New Adj (Eu)	4.497	5.094	6.379	7.009	7.782
EPS Old Adj (Eu)	4.497	5.094	6.210	6.854	7.624
DPS (Eu)	1.362	1.810	2.233	2.453	2.724
EV/EBITDA Adj	22.5	20.4	21.7	19.6	17.6
EV/EBIT Adj	32.1	29.5	31.4	28.2	25.2
P/E Adj	58.9	52.0	41.5	37.8	34.1
Div. Yield	0.5%	0.7%	0.8%	0.9%	1.0%
Net Debt/EBITDA Adj	0.6	0.7	0.6	0.6	0.6