FERRARI

NEUTRAL

Sector: Consumers

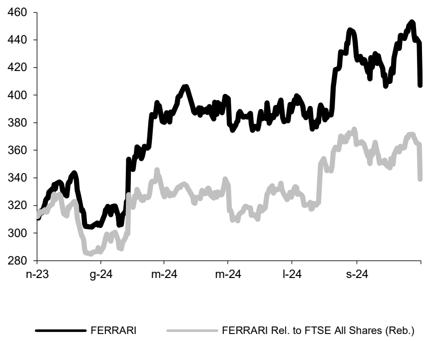
Price: Eu407.00 - **Target: Eu418.00**

When "Enough" is Not "Enough"

Gianluca Bertuzzo +39-02-77115.429
gianluca.bertuzzo@intermonte.it

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-1.5%	-2.3%	-1.7%

FERRARI - 12M Performance



Stock Data			
Reuters code:			RACE.MI
Bloomberg code:			RACE IM
Performance	**1M**	**3M**	**12M**
Absolute	-0.6%	4.9%	31.8%
Relative	-2.9%	-4.6%	12.2%
12M (H/L)			453.20/304.40
3M Average Volume (th):			306.07

Shareholder Data	
No. of Ord shares (mn):	180
Total no. of shares (mn):	180
Mkt Cap Ord (Eu mn):	73,260
Total Mkt Cap (Eu mn):	73,260
Mkt Float - Ord (Eu mn):	47,978
Mkt Float (in %):	65.5%
Main Shareholder:	
Exor	24.2%

Balance Sheet Data	
Book Value (Eu mn):	3,615
BVPS (Eu):	20.16
P/BV:	nm
Net Financial Position (Eu mn):	-1,405
Enterprise Value (Eu mn):	73,331

RACE reported 3Q24 results in line with forecast and confirmed FY24 guidance. However, the interruption of the beat-and-raise streak coupled to a positive share price performance since mid-August drove yesterday's negative reaction, in our view. Some softness in residual value in the UK market (7/8% of total) needs to be monitored and could also imply lower momentum from personalisation in the future, but at this stage we are not too concerned as other markets are not showing this trend. The quality of the equity story is undisputed, but at 48/44x PE NTMA/STMA, a 7% premium to RMS, we do not see enough upside at our TP (unchanged, as slightly lower estimates are offset by the inclusion of 2027).

- **3Q24 results in line with expectations.** 3Q24 results were in line with both our / cons. forecasts, although showing a lower price&mix contribution offset by positive evolution of industrial costs and R&D. In detail:
  - **Revenues €1.64bn vs our/cons. 1.66/1.65**, +6% YoY o/w +7% organic and -1% FX. Auto&Parts (85% of tot) up +5% YoY, reflecting ARPU at €414k, +8% YoY (vs +11% exp.) thanks to mix and personalisation and a slight volume drop -2% (vs -3% exp.) in line with deliberate allocation and to accommodate the ERP transition;
  - **EBIT at €467mn vs our/cons. 475/464,** +10% YoY, margin at 28.4% (+1.0pp YoY). Price&Mix were positive, but lower than exp. (€60mn vs 104 exp) on both lower ARPU and drop-through (likely less pricing component). This was offset by positive ind. costs and R&D vs our negative assumption (€11mn vs -27mn exp.). Other items were in line with expectations. **EPS €2.08 (+14% YoY) vs our €2.10;**
  - **Ind. FCF was €364mn vs our/cons 347/358,** with better NWC inflow offsetting higher CapEx. Net industrial debt was €246mn vs 238.
- **2024 guidance confirmed.** FY24 guidance, provided in the form of a floor, was confirmed, pointing to revenues >€6.55bn (+10% YoY), EBITDA >2.50bn (+10%, 38.2% margin), EBIT >1.82bn (+13% YoY, 27.8% margin), EPS ≥7.90, and FCF ≤0.95bn. 4Q will see higher YoY shipments but lower QoQ, with profitability development reflecting the usual seasonality with higher OpEx. Both our / consensus figures are slightly above these minimum levels by ~3%. Considering the share price movement since mid-August (+13.5%), we view yesterday's reaction as linked to the lack of upgrades.
- **Comments on order backlog in line with prev., while China growth needs to be "careful".** The order book covers well into 2026, a comment that is consistent with the view offered at the 2Q24 results presentation. However, in China, the order book is for 5 quarters, suggesting it is below the group average, as growth in the country needs to be managed "carefully". Indeed, management reaffirmed that China would remain below 10% of deliveries in the foreseeable future as customers must become gradually more familiar with the brand.
- **Residual value weak in UK due to personalisation.** On residual values, management acknowledged softness in the UK market, although not in other markets, due to personalization and electrification being too high. While electrification is still seen as a "contributor" to value, excessive personalisation is associated with lower residuals. In our view, this may suggest that future growth for personalisation will be less energetic than in recent past. For context, personalisation will be ~20% of Auto&Parts revenues this year, the same as in 2019 and higher than ~18% in 2021, despite a much higher ARPU (+45% vs 2019, +31% vs 2021).

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Sales (Eu mn)	5,096	5,970	6,600	7,091	7,532
EBITDA Adj (Eu mn)	1,774	2,220	2,515	2,820	3,083
Net Profit Adj (Eu mn)	933	1,254	1,478	1,589	1,747
EPS New Adj (Eu)	5.094	6.910	8.211	8.827	9.706
EPS Old Adj (Eu)	5.094	6.910	8.339	9.039	9.877
DPS (Eu)	1.810	2.419	2.874	3.089	3.397
EV/EBITDA Adj	20.4	22.6	29.2	25.7	23.3
EV/EBIT Adj	29.5	31.0	39.7	35.1	31.6
P/E Adj	79.9	58.9	49.6	46.1	41.9
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.

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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As at 30 September 2024 Intermonte's Research Department covered 125 companies. Intermonte's distribution of stock ratings is as follows:

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

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (61 in total) is as follows:

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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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