

Ferrari

Firing on all cylinders... 4Q beat and strong 2024 outlook - first take

Maintain Rating: BUY | PO: 456.00 USD | Price: 366.84 USD

4Q:23 results beat with higher revenues & execution

RACE reported 4Q:23 adj. EBIT of €372mm, above our estimate of €338mm and consensus of €365mm. 4Q:23 adj. EPS of €1.62 was also ahead of our estimate of €1.38 and consensus of €1.49. The beat was driven by higher revenues on favorable mix (shipments were 4% lower than BofA – see below), strong execution (operating expenses of €371mm were below BofA at €382mm) and a favorable gross financial income (-€5mm vs. BofA at -€17mm). The tax rate of 20% was also a bit lower than our 22% estimate. Gross margin of 48.8% was better than expected (BofAe 48.0%), which combined with lower operating expenses drove an impressive EBIT margin of 24.4% (BofAe 22.5%). Total revenue of €1.52bn was just ahead of estimates (BofAe €1.50bn). At the segments, revenue was largely in-line with our forecast in Cars & Spare Parts (€1.29bn vs. BofAe €1.31bn), and above in Sponsorship & Brand (€150mm vs. BofAe €140mm) and Engines (€39mm vs. BofAe €26mm). Ferrari maintains and manages a very strong order book that extends through 2025. We reiterate our Buy rating.

2024 financial outlook above BofA, in-line with Street

RACE provided its 2024 outlook, which is above BofA and mostly in-line with consensus. RACE has tended to guide conservatively, and we believe there may be more upwards tension as the year progresses. For 2024, RACE expects revenue of more than €6.4bn (BofAe €6.26bn, consensus €6.44bn), adjusted EBIT of €1.77bn or more (BofAe €1.65bn, consensus €1.80bn), and adjusted EBITDA of €2.45bn or more (BofAe €2.35bn, consensus €2.50bn). The range for adjusted EPS of €7.50 or higher compares to our estimate of €7.00 and the Bloomberg consensus of €7.61. Ferrari's guidance reflects a favorable product and country mix, strong personalizations, some impact to racing activities from Ferrari's lower Formula 1 ranking in 2023 and continued cost inflation. Capital expenditures and tax payments are expected to increase in 2024. We have been forecasting for capital expenditures of €925mm in 2024 vs. €869mm in 2023. Ferrari plans to inaugurate the e-building in 2024 and launch 3 new models (including the SF90 XX, 296, and 499P).

Shipments below, reflect volume and allocation plans

RACE's 4Q:23 shipments of 3,245 were below BofAe at 3,377 and down 2.5% YoY from a base of 3,327 in 4Q:22. Relative to our estimates, shipments to EMEA were stronger than expected, while shipments to the Americas, Greater China and Rest of APAC were lighter. By region, Americas shipments increased 6.4% YoY to 884 (BofAe 979), Greater China declined 24.7% YoY to 360 (BofAe 388), EMEA shipments decreased 2.2% YoY to 1,493 (BofAe 1,452) and the Rest of APAC increased 3.5% YoY to 508 (BofAe 557). In 4Q:23, Ferrari continued to work through its lengthy order book and the shipments reflected its volume plans and allocation by geography and product. Ferrari continued to ramp up production of the Purosangue in 4Q and began deliveries of the Roma Spider, which is just a small representation of its unmatched product cycle management.

01 February 2024

Equity

John Murphy, CFA
Research Analyst
BofAS
+1 646 855 2025
johnj.murphy@bofa.com

John P. Babcock
Research Analyst
BofAS
+1 646 743 0046
john.p.babcock@bofa.com

Federico Merendi
Research Analyst
BofAS
+1 646 556 2798
federico.merendi@bofa.com

William Healey
Research Analyst
BofAS
+1 646 855 5747
william.healey2@bofa.com

Stock Data

Price (NYS / MIL)	366.84 USD / 340.00 EUR
Price Objective	456.00 USD / 416.00 EUR
Date Established	28-Nov-2023 / 28-Nov-2023
Investment Opinion	B-1-7 / B-1-7
52-Week Range	249.23 USD - 372.42 USD
Market Value (mn)	66,514 USD
Free Float	57.4%
Average Daily Value	132.54 USD
Shares Outstanding (mn)	181.3 / 181.3
BofA Ticker / Exchange	RACE / NYS
BofA Ticker / Exchange	XJHKF / MIL
Bloomberg / Reuters	RACE US / RACE.N
ROE (2023E)	47.4%
Net Dbt to Eqty (Dec-2022A)	54.7%
ESGMeter™	High

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RACE = Ferrari

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Timestamp: 01 February 2024 08:44AM EST

Exhibit 1: Quarterly results YoY and versus BofAe

RACE reported adjusted EPS of €1.62 vs. BofAe of €1.38

YoY Change				Actual vs. BofAe		
Shipments	4Q:23	4Q:22	YoY Change	Actual	BofAe	Variance
EMEA	1,493	1,527	-2.2%	1,493	1,452	2.8%
Americas	884	831	6.4%	884	979	-9.7%
Greater China	360	478	-24.7%	360	388	-7.3%
Rest of APAC	508	491	3.5%	508	557	-8.8%
Total Shipments	3,245	3,327	-2.5%	3,245	3,377	-3.9%
Segment Revenue	4Q:23	4Q:22	YoY Change	Actual	BofAe	Variance
Cars & Spare Parts	€ 1,288	€ 1,053	22.3%	€ 1,288	€ 1,309	-1.6%
Engines	€ 39	€ 36	8.2%	€ 39	€ 26	49.2%
Sponsorship, Brand, etc.	€ 150	€ 127	18.1%	€ 150	€ 140	6.9%
Other	€ 45	€ 30	51.9%	€ 45	€ 28	59.9%
Total Net Revenues	€ 1,523	€ 1,368	11.4%	€ 1,523	€ 1,503	1.3%
Consolidated Results:	4Q:23	4Q:22	YoY Change	Actual	BofAe	Variance
Net Sales	€ 1,523	€ 1,368	11.4%	€ 1,523	€ 1,503	1.3%
Adjusted EBIT	€ 372	€ 298	24.9%	€ 372	€ 338	9.9%
Adjusted EBITDA	€ 558	€ 469	19.0%	€ 558	€ 542	2.9%
Adjusted Net Profit	€ 294	€ 221	33.2%	€ 294	€ 251	17.2%
Adjusted Operating EPS	€ 1.62	€ 1.21	34.4%	€ 1.62	€ 1.38	17.8%
EBITDA margin	36.6%	34.3%	237 bps	36.6%	36.1%	56 bps
EBIT margin	24.4%	21.8%	266 bps	24.4%	22.5%	191 bps

Source: Company filings, BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk**Ferrari (RACE / XJHKF)**

Our \$456 PO for RACE US (EUR416 for RACE IM) is based on an adj. EV/EBITDA multiple of roughly 31x on our 2024 estimates, which is a slight premium to RACE's current trading level due to ongoing volume, sales, and earnings growth. This valuation is also supported by a DCF analysis. The multiples used for our valuation framework are a premium to the current trading range of a number of luxury companies we classify as RACE's peer group, but warranted, in our view, given RACE's outsized growth opportunity and stability.

Downside risks: 1) devaluation of the brand due to overproduction or licensing expansion, 2) a decline in the wealth/size of the HNWI community, 3) degradation in perceived vehicle quality or performance, 4) impairment of its Formula 1 reputation or perceived racing pedigree, 5) F-1 losses persist or accelerate, 6) deterioration in adjacent businesses, 7) intensifying competition in the luxury vehicle market, 8) dependence on certain large volume suppliers, 9) significant rise in raw material costs, 10) significant voting power and control attributable to Piero Ferrari & Exor S.p.A.

Upside risks: 1) modest volume expansion, 2) an upward bias on pricing, 3) growth in adjacent businesses, 4) gradual brand and licensing extension, 5) moderation or rationalization of F-1 losses, 6) execution & cost efficiency realization, and 7) management commitment to preserving the exclusive luxury culture.

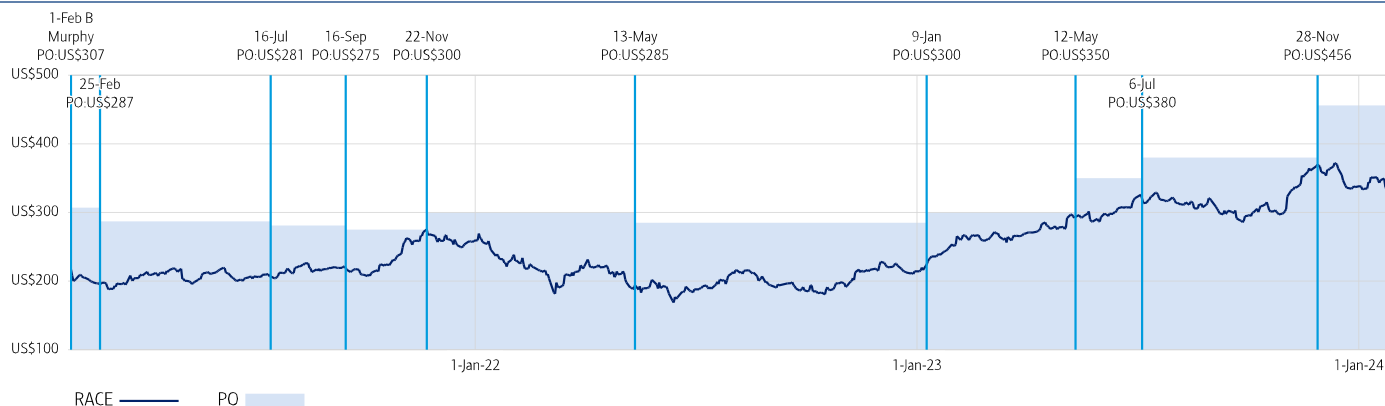
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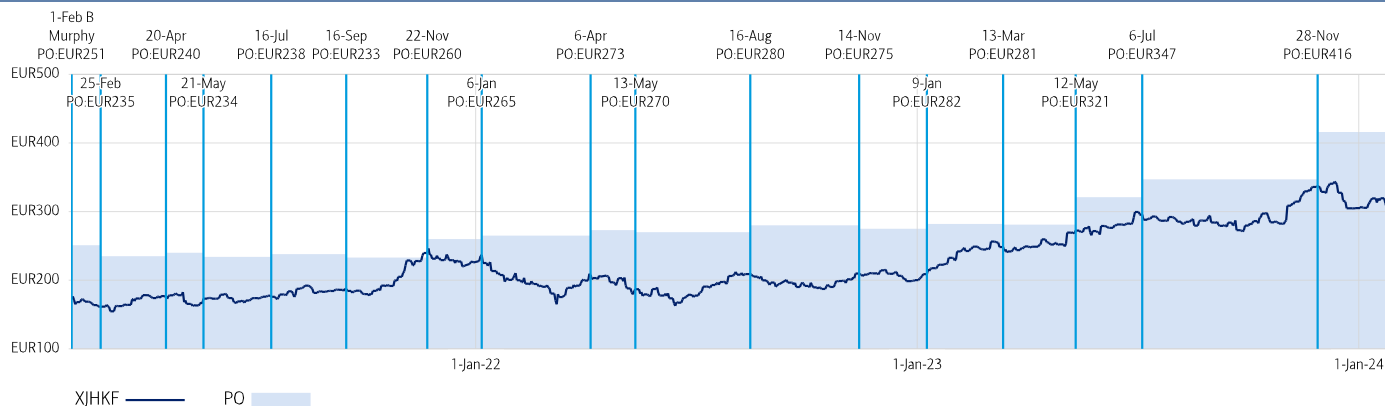
Ferrari (RACE) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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Ferrari (XJHKF) Price Chart



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Equity Investment Rating Distribution: Autos Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	67	55.83%	Buy	39	58.21%
Hold	30	25.00%	Hold	15	50.00%
Sell	23	19.17%	Sell	12	52.17%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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