Ferrari N.V. (RACE)

Updated November 6th, 2024 by Nathan Parsh

Key Metrics

Current Price:	$443	**5 Year CAGR Estimate:**	4.3%	**Market Cap:**	$80 Billion
Fair Value Price:	$329	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	04/21/25[1]
% Fair Value:	134%	**5 Year Valuation Multiple Estimate:**	-5.8%	**Dividend Payment Date:**	05/05/25[2]
Dividend Yield:	0.6%	**5 Year Price Target**	$531	**Years Of Dividend Growth:**	3
Dividend Risk Score:	D	**Retirement Suitability Score:**	F	**Rating:**	Hold

Overview & Current Events

Ferrari was founded in 1947 and is headquartered in Italy. The company began trading as a public company in 2015, following a spinoff from Fiat Chrysler. Today, the company manufactures luxury sports cars under a variety of models. Its cars are generally high performance, with a number of V-8 and V-12 models among its best sellers. Ferrari's luxury vehicles cater to the very top of the consumer automotive market. In 2020, shipments fell more than 10% to 9,119 units, with about half of that in Europe, Middle East, and Africa, and a third coming from the Americas. Shipments for 2023 rebounded to a new record of more than 11,000. Ferrari generates more than $7 billion in annual revenue.

On February 22nd, 2024, Ferrari raised its annual dividend 30.3% to $2.60, which follows the company's 35.8% increase last year. Ferrari has now raised its dividend three consecutive years.

On November 5th, 2024, Ferrari reported third quarter earnings results for the period ending September 30th, 2024. All figures reported in USD. For the quarter, revenue grew 9.5% to $1.8 billion, which topped estimates by $12 million. Earnings-per-share of $2.27 compared favorably to earnings-per-share of $1.93 in the prior year and was $0.11 better than expected.

For the quarter, units shipped totaled 3,383, which represented a 2.2% decline from the prior year. Shipments were up 28 units for the EMEA and higher by 36 units for the Rest of Asia. Unit shipments fell 26 units for the Americas and were down 114 units for Mainland China, Hong Kong, and Taiwan. Internal combustion engine models accounted for 45% of units shipped during the quarter with hybrid models contributing the remainder.

We project that Ferrari will earn $8.67 per share in 2024, up from $8.63, $8.35, and $8.38 previously. This would be a 16.1% increase from last year. We have updated our forecast accordingly.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	---	$1.66	$2.22	$3.38	$3.89	$4.12	$3.33	$5.25	$5.28	$7.47	***$8.67***	***$13.96***
DPS	---	---	$0.46	$0.64	$0.88	$1.16	$1.23	$1.04	$1.47	$2.00	***$2.60***	***$4.19***
Shares[3]	---	189	189	189	189	186	185	185	183	182	***182***	***180***

Ferrari became a publicly-traded company in 2015, when it was spun-off from its former parent company Fiat Chrysler. The company has posted strong growth as a public company. As long as the global economy remains strong, Ferrari's sales and earnings should continue to grow. Of course, this growth trajectory would be called into question in tougher times. Given the name brand, growth in all markets, and recent results, we now estimate that Ferrari can grow earnings by a rate of 10% annually through 2029. This is a premium to other car manufacturers' expected growth rates, but below the company's five-year earnings CAGR of 12.6%. Ferrari will also be investing in new products to generate growth. For example, Ferrari recently released its first SUV model, called the Purosangue, which is Italian for thoroughbred. It is a

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[1] Estimated ex-dividend date
[2] Estimated dividend date
[3] In millions of shares

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hybrid based on a new platform that Ferrari will be using for many of its next-generation models going forward. The company has four hybrid engine models in its portfolio.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	---	29.7	20.7	26.9	31.6	36.5	68.9	49.3	40.6	45.3	***51.1***	***38.0***
Avg. Yld.	---	0.0%	1.0%	0.7%	0.7%	0.8%	0.8%	0.4%	0.7%	0.6%	***0.6%***	***0.8%***

Much like Ferrari's sports cars, the current share price continues to trade a premium to the stock's historical average. While we do believe that some sort of upward revision is warranted because of the strong brand name and growth prospects, the current valuation still appears lofty. Ferrari's business was greatly impacted by COVID-19, but has more than recovered since. Shares of Ferrari have increased $23, or 5.5%, since our August 12th, 2024 report. Using earnings-per-share estimates for 2024, the stock trades with a P/E of nearly 51.1. Ferrari has typically had an average P/E in the high 20s to low 40s since becoming a publicly traded company. We are reaffirming our 2029 target P/E of 38 to bring it more in-line with the stock's long-term average valuation. If shares revert to our 2029 target P/E by this time then valuation would be a 5.8% headwind to total annual returns.

The current dividend payout is prudent – pegged at 25% to 40% of past year's profits and paid once a year – but unexciting due to the elevated valuation. That said, the last two dividend increase were very strong.

Safety, Quality, Competitive Advantage, & Recession Resiliency

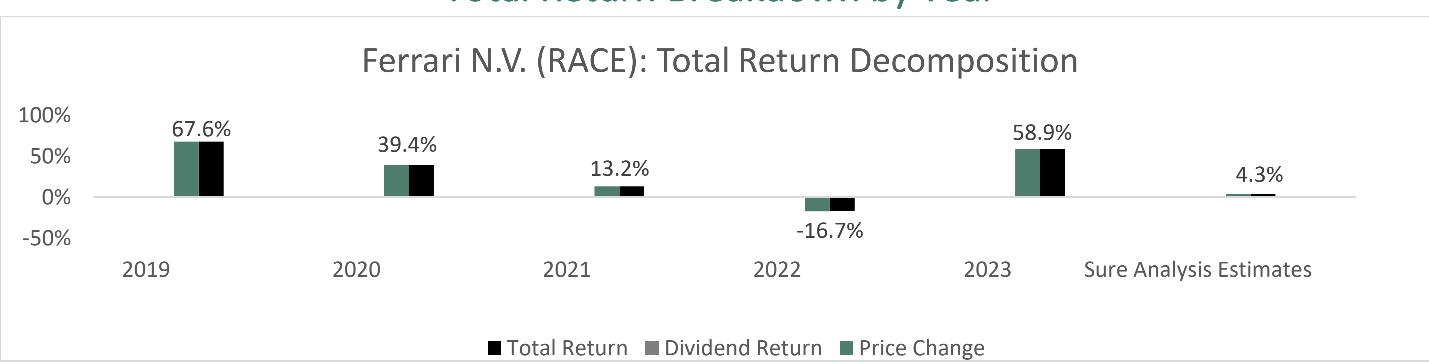
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	---	---	21%	19%	23%	28%	37%	20%	28%	27%	***30%***	***30%***

Ferrari's lasting competitive advantage is its brand. In some ways, the more expensive its vehicles, the more inaccessible they are to the average person, the more appealing the ultra-luxury automobiles become. Interestingly, substantially increased production is unlikely to be a long-term growth driver as this would devalue the exclusivity of the brand. The company currently generates healthy profit margins, as Ferrari does not have to battle it out in the exceptionally competitive middle-market segment. That said, the next recession could be concerning if luxury vehicle purchases were to decline significantly (as we expect they would).

Final Thoughts & Recommendation

After third quarter results, Ferrari is expected to produce an annual return of 4.3% through 2029, down from our prior estimate of 5.4%. Our projection stems from 10.0% annual earnings growth and a starting yield of 0.6% that are offset by a valuation headwind. Shipments were down from the prior year, with the company showing mixed performance in its regions. Ferrari's valuation continues to leave a lot to be desired as well. We have raised our five-year price target $3 to $531 due to EPS estimates, but we reaffirm our holding rating on shares of Ferrari due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	3,673	3,167	3,437	3,870	4,039	4,217	3,951	5,053	5,373	6,463
Gross Profit	1,671	1,504	1,688	2,000	2,122	2,196	2,025	2,591	2,580	3,220
Gross Margin	45.5%	47.5%	49.1%	51.7%	52.6%	52.1%	51.3%	51.3%	48.0%	49.8%
SG&A Exp.	399	376	327	373	387	384	384	412	451	501
D&A Exp.	384	305	274	295	341	394	487	540	576	717
Operating Profit	553	505	682	883	977	1,029	834	1,271	1,311	1,744
Operating Margin	15.0%	16.0%	19.9%	22.8%	24.2%	24.4%	21.1%	25.2%	24.4%	27.0%
Net Profit	348	319	441	606	927	779	694	983	984	1,355
Net Margin	9.5%	10.1%	12.8%	15.7%	22.9%	18.5%	17.6%	19.5%	18.3%	21.0%
Free Cash Flow	128	390	734	307	349	672	148	646	631	918
Income Tax	177	160	186	236	19	198	66	247	251	373

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	5,644	4,237	4,070	4,968	5,550	6,101	7,702	7,771	8,328	8,900
Cash & Equivalents	163	200	484	777	908	1,006	1,676	1,522	1,489	1,240
Accounts Receivable	223	173	258	287	242	259	227	209	249	289
Inventories	360	323	343	472	447	471	567	612	724	1,048
Goodwill & Int. Ass.	1,280	1,197	1,205	1,470	1,637	1,818	2,170	2,178	2,244	2,437
Total Liabilities	2,630	4,258	3,721	4,028	4,001	4,435	5,501	5,267	5,537	5,506
Accounts Payable	651	555	650	729	748	797	878	903	968	1,029
Long-Term Debt	620	2,471	1,954	2,167	2,204	2,273	3,275	2,914	2,954	2,658
Shareholder's Equity	3,003	(27)	344	934	1,543	1,659	2,196	2,498	2,781	3,384
LTD/E Ratio	0.21	(90.0)	5.69	2.32	1.43	1.37	1.49	1.17	1.06	0.79

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	6.3%	6.5%	10.6%	13.4%	17.6%	13.4%	10.1%	12.7%	12.2%	15.7%
Return on Equity	11.3%	21.5%	279%	94.9%	74.8%	48.7%	36.0%	41.9%	37.3%	43.8%
ROIC	9.6%	10.5%	18.6%	22.4%	27.0%	20.3%	14.7%	18.0%	17.6%	23.0%
Shares Out.	---	189	189	189	189	186	185	185	183	182
Revenue/Share	19.44	16.77	18.19	20.39	21.32	22.49	21.31	27.36	29.35	35.61
FCF/Share	0.68	2.06	3.89	1.62	1.84	3.58	0.80	3.49	3.45	5.06

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise