

DE' LONGHI

Sector: Consumers

NEUTRAL

Price: Eu21.12 - Target: Eu21.50

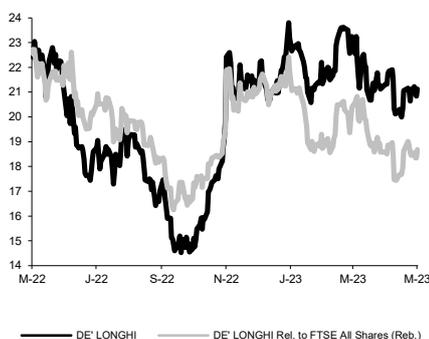
1Q23 Down As Expected. Guidance Confirmed

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	0.0%	0.0%

DE' LONGHI - 12M Performance



Stock Data

Reuters code:	DLG.MI
Bloomberg code:	DLG IM

Performance	1M	3M	12M
Absolute	-1.0%	-1.0%	-7.0%
Relative	0.6%	-0.2%	-20.0%
12M (H/L)	23.80/14.52		
3M Average Volume (th):	115.77		

Shareholder Data

No. of Ord shares (mn):	150
Total no. of shares (mn):	150
Mkt Cap Ord (Eu mn):	3,157
Total Mkt Cap (Eu mn):	3,157
Mkt Float - Ord (Eu mn):	1,147
Mkt Float (in %):	36.3%
Main Shareholder:	
The Long E Trust (De'Longhi Fam.)	57.0%

Balance Sheet Data

Book Value (Eu mn):	1,790
BVPS (Eu):	11.97
P/BV:	1.8
Net Financial Position (Eu mn):	385
Enterprise Value (Eu mn):	2,773

- 1Q23 results in line with expectations.** Yesterday De'Longhi reported 1Q23 results, which were broadly in line with consensus expectations and slightly above our estimates. Revenues came in at Eu602.4mn, -18.1% (-18.7% CER) mainly due to the tough comparison base (1Q22 +8.4% after 1Q21 +72.4% or +5.5% and +59% respectively like-for-like), softening demand and de-stocking trends at distributor level, which led to a decline in all of the macro categories of the consumer business, including coffee. Performance was also affected by the decision to exit the portable air conditioning segment in the US, which dented quarterly revenues by Eu23.4mn and will continue to have a negative impact in 2Q. On the other hand, professional coffee (Eversys) continued its strong positive trend with high double-digit growth.
- Margin dilution contained but material. NFP improving.** The net industrial margin came in at 50.5% (-60bp YoY) hit by input costs and production inefficiencies not fully offset by price/mix and lower transport prices. Adj. EBITDA came in at Eu74.3mn, a 12.3% margin that showed 130bp dilution from 13.6% in 1Q22 following continuing A&P investments, which remained flat YoY in proportion to sales. Net income was Eu38.7mn, 6.4% of revenues vs. 6.9% in 1Q22. NFP was positive at Eu317.2mn, improving vs. both YE22 (+Eu18.5mn) and 1Q22 (+Eu42.6mn).
- Guidance confirmed despite lingering uncertainties.** Management confirmed FY23 guidance, indicating a slight decrease in sales and adj. EBITDA of Eu370-390mn. During the conference call, comments highlighted that 2H should see positive YoY growth, especially in light of the easing comparison base, while 2Q23 will still be affected by the exit from the portable air conditioning business in the US (c.Eu-40mn). No further price increases foreseen this year.
- Estimates unchanged.** 1Q23 results were a bit higher than our estimates, but we are currently in line with company guidance and consensus on FY23, so we will only adjust quarterly phasing. We remain cautious pending further visibility on market dynamics, especially in 2H23.
- NEUTRAL, target Eu21.5 (confirmed).** We remain convinced that business fundamentals are robust, with particularly resilient coffee trends and still-untapped opportunities, especially in areas such as North America and China where the company continues to grow nicely. Nevertheless, we believe it will take more time for business and profitability to normalise, as highlighted by the outlook provided by management, with some uncertainties ahead for volume and cost trends. Pending further visibility, especially on the second part of the year, we remain NEUTRAL on the stock. The stock is almost flat YTD and is close to its 5Y historical averages in terms of EV/EBITDA and P/E. We now foresee a lack of business momentum in the short to medium term, especially in the food preparation segment, driven by uncertainties over consumer confidence and purchasing propensity on top of a very challenging comparison base in the first part of the year. M&A remains an area of focus, and could be a positive catalyst for the stock.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Sales (Eu mn)	3,222	3,158	3,080	3,136	3,199
EBITDA Adj (Eu mn)	515	362	393	422	427
Net Profit Adj (Eu mn)	311	177	201	222	226
EPS New Adj (Eu)	2.081	1.187	1.344	1.484	1.513
EPS Old Adj (Eu)	2.081	1.187	1.344	1.484	1.513
DPS (Eu)	0.743	0.480	0.544	0.600	0.612
EV/EBITDA Adj	9.1	8.2	7.1	6.4	6.1
EV/EBIT Adj	13.4	7.2	6.6		
P/E Adj	10.1	17.8	15.7	14.2	14.0
Div. Yield	3.5%	2.3%	2.6%	2.8%	2.9%
Net Debt/EBITDA Adj	-0.8	-0.8	-1.0	-1.1	-1.3