FERRARI NV

64060977

CORPORATE

A+ ISSUER RATING
Long term

OUTLOOK
Positive

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Rating Action and Rationale

- EthiFinance Ratings affirms Ferrari N.V's long-term rating at A+, maintaining the Positive outlook.
- Ferrari is a world-renowned Italian luxury car manufacturer and a racing team (endurance and Formula 1).
- Our rating remains supported by Ferrari's improvement in credit metrics through the cycle, both historically (2023-2024) as well as for the foreseeable future (2025-2027) according to our estimates. The adjusted net leverage ratio (adjusted for employee benefits as well as US securitization debt in financial services) stood at 0.2x as of end-2024. Assuming no exceptional dividend but just a regular dividend based on a payout ratio of 35%, and a total buyback of €700m per year from 2025 onwards, this ratio is expected to turn negative by 2027, on the back of negative adjusted net debt. Additionally, the interest coverage ratio remained exceptional, above 50.0x, during the rise in Central Banks' interest rates over 2023-2024, and is expected to be higher than 70x by the end of our forecast period.
- For 2024, Ferrari achieved 11.8% sales growth, to reach €6.7bn, mainly driven by the mix (in models and personalisation) along with some pricing effect as volumes remained quite stable at around 13.7k deliveries. Adjusted EBITDA (adjusted for capitalised R&D) reached €2.1bn, equivalent to a margin of 31.1%. This was supported by i) the sales mix of Daytona SP3, Purosangue, Roma Spider, 499P Modificata and to a lesser extent the SF 90 XX, along with the recently introduced models of the 12 Cilindri range. ii) country mix was also a driving factor especially due to the weight of Americas. Ferrari introduced 3 new models in 2024 (two 12 Cilindri types, and the exclusive F80). These models, combined with the phasing-out of older ones, have largely contributed to the current robust order book, covering the next two years. Additionally, Ferrari is expected to introduce 6 new models in 2025 (including its first-ever full electric car) which will further strengthen its order book for the foreseeable future. Our ratings also remain supported by Ferrari's strong brand recognition allowing for premium pricing and above-benchmark margins, clearly surpassing those of traditional automotive OEMs, and more in line with those of the luxury industry known for its commitment to exclusivity. Finally, its conservative financial policy, solid shareholder base, and 'good' liquidity profile all reinforce the A+ rating.
- However, our rating is constrained by the specifics of Ferrari's business model. The company's exclusive focus on high-end sports cars, with only a minimal contribution from lifestyle and sponsorship activities (10% of FY24 sales), highlights a lack of diversification in its product lineup. Additionally, operational risks are exacerbated by the reliance on a single manufacturing facility in Maranello (Italy). Our rating is also constrained by electrification concerns, as Ferrari plans to integrate electric models into its lineup by the end of 2025, gradually phasing out part of its Internal Combustion Engines (ICE) vehicles. This offering addition introduces uncertainties regarding shifts in consumer preferences and market demand while Ferrari has had to make significant investments (c.€250m) with notably a new dedicated e-building which is expected to bring flexibility and optimisation to the industrial process (in-house development and production of electric components) while being technology-neutral.
- In line with our methodology, the auto manufacturing industry has high ESG risks (sector heatmap score between 4 and 5) given its impact on the environment, which constrains our industry assessment. The sector has a high impact on climate attributed to the significant levels of GHG emissions, resulting from production processes which rely on heavy use of raw materials. Besides, the current electrification trend is increasing the pressure on natural resources such as cobalt and nickel. The sector also generates substantial amount of waste and air pollution, resulting in a high impact on biodiversity. On a more positive note, our assessment of the company's ESG policy is advanced (company ESG score of between 0 and 1), thanks notably to excellent governance score, good social practices, and positive trend in environmental considerations. In 2024, Ferrari has indeed decreased both its energy and GHG emissions intensities (scope 1 and 2) YoY by 13% and 14% respectively. All in, the resulting ESG assessment is slightly negative for the final rating.

Issuer Description

- Founded in 1947, Ferrari stands as a prominent brand within the ultra-premium segment of the automotive market, with a portfolio of more than 40 models, including both sports and racing cars. It is known also for its Formula 1 (F1) team with multiple world championship titles. Beyond its manufacturing and distribution operations, Ferrari extends financial services to its clientele in the United States, offering financing solutions through securitization via asset-backed financing. Ferrari is publicly traded on the New York Stock Exchange (NYSE) under the ticker 'RACE US' and on Euronext Milan as 'RACE IM'. As of March 12th, 2024, Ferrari's market capitalization was at € 71.9bn.
- For FY24, Ferrari reported revenues of €6.7bn, equivalent to an increase of 11.8% YoY, for adjusted EBITDA of €2.1bn, equivalent to a margin of 31.1%. Our EthiFinance Ratings-net adjusted leverage ratio was 0.2x at end-2024.

Main Financial Figures

Main financial figures. Millions of €.	FY23	FY24	FY25e	FY26e	FY27e	24vs23
Turnover	5 970	6 677	7 132	7 495	7 813	*11,8%*
Adj EBITDA (1)	1 831	2 078	2 261	2 377	2 477	*13,5%*
Adj EBITDA Margin (1)	30,7%	31,1%	31,7%	31,7%	31,7%	*0,5pp*
EBIT	1 512	1 742	1 879	1 958	2 027	*15,2%*
EBIT Margin	25,3%	26,1%	26,3%	26,1%	25,9%	*0,8pp*
EBT	1 482	1 702	1 839	1 925	1 995	*14,8%*
Total Assets	8 051	9 497	9 308	9 693	10 088	*18,0%*
Equity	3 071	3 543	3 863	4 241	4 665	*15,4%*
Adj Total Financial Debt (2)	1 434	2 144	1 552	1 506	1 431	*49,5%*
Adj Net Financial Debt (2)	312	402	359	146	-186	*28,6%*
Equity/Adj TFD (2)	214,1%	165,3%	248,9%	281,7%	326,1%	*-48,8pp*
Adj NFD/ Adj EBITDA (2)	0,2x	0,2x	0,2x	0,1x	-0,1x	*0,0x*
Funds From Operations	2 070	2 304	2 374	2 486	2 589	*11,3%*
FFO/ Adj NFD (1) (2)	663,1%	573,9%	660,6%	1702,5%	n.a.	*-89,3pp*
Adj EBITDA/Interest (1)	62,6x	52,0x	56,9x	72,4x	77,1x	*-10,6x*

(1) Adj EBITDA is adjusted for capitalised R&D
(2) Adj Net Debt is adjusted for employee benefits (added) and debt related to US securitisation (removed)

Credit Rating

Credit Rating	
Business Risk Profile	**BBB+**
Industry risk assessment	*BB+*
Industry's ESG	*Negative*
Competitive Positioning	*A-*
Governance	*A+*
Financial Risk Profile	**AAA**
Cash flow and leverage	*AA+*
Capitalisation	*A+*
Company's ESG	*Positive*
Anchor Rating	**A+**
Modifiers	*-*
Rating	**A+**

Rating Sensitivity

- **Long-term rating positive factors (↑)**

As reflected by the Positive outlook, Ferrari is close to AA- and an upgrade could result from the natural evolution of credit metrics as forecast over 2025-2027, under current market conditions and assuming no significant deviation with respect to our forecasts.

- **Long-term rating negative factors (↓)**

We could downgrade our rating should Ferrari's credit metrics deteriorate, with its adjusted net leverage ratio returning to levels above 1.0x on a sustainable basis coupled with an interest coverage ratio below 30.0x. Such a deterioration may result, for example, from a more aggressive financial policy, with debt-funded M&A or a significant unplanned dividend payment/buyback program (significantly higher levels than our €3.7bn cash-out planned by EthiFinance Ratings between 2025 and 2027). This could also result from more stringent environmental regulations in the years ahead, leading to higher taxes being paid, more R&D expenditure, or a market demand decline owing to the phasing out of some of the ICE models going forward.

Sources of information

The credit rating issued in this report is unsolicited. The credit rating is based exclusively on public information, being the main sources the following:

1. Annual Audit Report.
2. Corporate Governance Report.
3. Corporate Website.
4. Information published in the Official Bulletins.

The information was thoroughly reviewed to ensure that it is valid and consistent, and is considered satisfactory. Nevertheless, EthiFinance Ratings assumes no responsibility for the accuracy of the information and the conclusions drawn from it.

Level of the rated entity participation in the rating process

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	NO
With Access to Internal Documents	NO
With Access to Management	NO

Additional information

- The rating was carried out in accordance with Regulation (EC) N°1060/2009 of the European Parliament and the Council of 16 September 2009, on credit rating agencies. Principal methodology used in this research are :
    - Corporate Rating Methodology - General : https://www.ethifinance.com/download/corporate-rating-methodology-general/?wpdmdl=35203
- The rating scale used in this report is available at https://www.ethifinance.com/en/ratings/ratingScale.
- EthiFinance Ratings publishes data on the historical default rates of the rating categories, which are located in the central statistics repository CEREP, of the European Securities and Markets Authority (ESMA).
- In accordance with Article 6 (2), in conjunction with Annex I, section B (4) of the Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009, it is reported that during the last 12 months EthiFinance Ratings has not provided ancillary services to the rated entity or its related third parties.
- The issued credit rating has been notified to the rated entity, and has not been modified since.