Ferrari Group FY 2024 Results

Operator:

Good morning ladies and gentlemen, and welcome to the Ferrari Group PLC Full Year 2024 Results Call. At this time, all participants are in a listen-only mode. After the presentation, there will be a question and answer session. I will now hand over to Paola Mantovani, Head of IR to begin the meeting. Paola, please go ahead.

Paola Mantovani:

Thank you and good morning everyone. Thank you for joining Ferrari Group's Full Year 2024 Financial Results Presentation. Presenting the call today are Marco Deiana, our CEO, and Alessandro Ugo, our CFO. They will take you through our full year 2024 business and financial progress, and we'll update you on our strategy and outlook.

After the presentation, we will open the floor to questions. Please note that the presentation materials and the related press release are available for download on our IR website under the results and presentation section. With that, I will now hand over to Marco to begin the presentation.

Marco Deiana:

Thank you, Paola, and good morning everyone. Thank you for joining the webcast and for interest in Ferrari Group. It is our first result presentation as a listed company, and we are very excited to share our progress with you. We will provide you with an overview of our performance on the full year 2024, and will then be happy to take any questions you may have.

Let me start by sharing our main result highlights. Ferrari Group delivered a robust performance in 2024 with targets met across financial metrics. We have seen a steady improvement in revenue and consistent profitability levels as a result of strong execution against our strategy, also reflected in our robust cash generation and resilient net cash position. Our encouraging revenue growth of 4.7% was driven by strong performance across our segments, notwithstanding challenging market conditions in the luxury goods sector. Our consistently high adjusted EBITDA delivered broadly stable margin at 26.5%, despite our investments for growth.

Net cash position increased by 20% year-on-year to 87 million euros driven by strong cash generation with an 86.3% cash conversion rate.

I'm delighted to announce that we have proposed a dividend for 2024 over 25 million euros or 0.27 euros per share, in line and slightly exceeding our dividend policy target payout ratio of at least 40%.

Moving to our latest business developments, I'll now share some operational highlights which demonstrate strong execution against our strategy this year.

Firstly, geographic expansion;

- We announced the company's global footprint with new contractual relationships in Azerbaijan, Jordan, and the Maldives;
- We opened new offices in Australia, Botswana, and the UK, and they are now fully operational;
- Warehouse expansions were completed in Germany, Netherlands, the UK, and the US;
- We are very excited to also commence work in 2025 for a new warehouse near Charles de Gaulle Airport in Paris and to be planning for a new opening in Saudi Arabia.

Secondly, we achieved some notable client wins, in particular the domestic services in France for a watch manufacturer. Our new European hub also drove significant revenue growth, in particular in the Netherlands for a US jewelry brands. We also continued our offering expansion in complementary segments, such as precious metal, high-end handbags, and fine arts.

Thirdly, we made significant progress in digital transformation, aiming at delivering modernization and streamlining of the group's digital operational infrastructure and driving efficiencies.

Finally, we continued to invest in people with over 10 hires across leadership and account management globally, as well as over 50 hires across the group to support growth. You have more detail around this on this slide.

To conclude, it was a huge milestone for our Group to successfully list on Euronext Amsterdam post year-end in February 2025, to increase our profile and bring awareness in line with our ambitious growth strategy.

I will now hand over to Alessandro who will take us through the financial review.

Alessandro Ugo:

Thank you, Marco, and good morning everyone. Moving to the next slide. As you can see, we have made progress across our top line, profitability and net financial position, which I will be diving to deeper in the coming slides.

The next slide provide more context on our top line growth drivers. Revenues increased by 4.7% from 333 million in 2023 to 348.8 million in 2024. As you can see, this was primarily due to organic growth, thanks to an increase in value of goods transported, as well as number of shipment and taxable weight. The new openings and business win that we mentioned in the previous section were the key drivers for the performance across segments.

Moving on, this slide highlights our revenues by service line.

- International services represent the group's largest service by revenues, with revenues of 230.5 million, up 3.8% year-on-year. This increase was mainly due to the growth in the average value and the weight of the goods transported, as well as the optimization and expansion of our route network.
- Domestic services with revenues of 57.4 million represented 16.5% of total revenue increased by 13.1% year-on-year. This was driven by the increase in volumes of international services, which positively impacted domestic activity, particularly in France, Germany, Italy, UAE, and the US. The Group’s full service offering as one-stop shop platform allows it to combine and cross sell different services to its global customer base.
- Warehouse and logistic services, which is 6.4% of total revenues, saw its revenue jump by 21% to 22.3 million euros. The growth was mainly due to the Group’s decision to increase its provision of warehouses and security vaults, especially in the Netherlands in order to meet growing customers' demand for secure storage facility, to streamline supply chains and keep inventory closer to their end-customers.

- Regarding our special and other services, revenues were down by three million year-on-year to 38.5 million. This was mainly driven by a combination of factors including a shift in the mix of tailored services, private events, fairs and shows, despite a rise in the hand-carry services for private events. The latter should continue this trend, however, it is hard to foresee how it will evolve in 2025 based on the tailored nature of the services offered.

Moving on to our revenue by geography, you can see that Europe was the main growth contributor thanks to the Group's solid positioning in the region and expansion in new location such as the Netherlands and UK with revenue up 6.1% to 203.4 million.

Asia faced a slowdown on the back of slower economic outlook with revenue down slightly by 4.6% to 58.3 million despite revenue growth in Korea and Japan following recent investments.

Continued positive momentum in North America and Brazil led to revenue increase 5% to 47.5 million.

Importantly, we maintained a consistent growth in Rest of the World with a 13.4% jump to 39.5 million driven by significant demand for domestic services in UAE and expansion in new geographies, especially in Australia and Botswana.

Slide 13 outlines our consistent high profitability with broadly stable margin despite investment for growth. Adjusted EBITDA increased by 2.4 million or 2.6% year-on-year to 92.4 million in 2024 due to the increase in group revenues. The margin remained broadly stable at 26.5% compared to 27% in 2023, down by 50-basis point as we continued to invest in growth and some projects will launch were still in startup phase in 2024.

Next slide shows our cost base, which has remained stable despite business expansion. Operating expense have increased by 4.8% from 250.5 million to 262.5 million in 2024. The costs reflect business expansion internalization of activities. Shipment costs as a percentage of revenue decreased slightly year over year due to group's ability to consolidate more shipments. As mentioned earlier, higher personal costs were due to an increase in full-time employees to accommodate the growth in the group's operations and assist in the digital transformation.

Briefly taking a look at slide 15, which shows our steady investment for growth with stable capex focused on key initiatives, including our digital transformation project (This is the intangible portion), and our investments in new warehouses and expansion in new geographies (corresponding to tangible assets). We continue, however, to have an asset light approach with capex slightly up 1.6% to 12.7 million this year.

Slide 16 shows how our positive EBITDA trends have driven growth in cash flow. Our cash position has grown by 17.2% to 116 million euros in 2024.

- Cash for operating activities was mainly driven by EBITDA contribution generated by the operations.
- Cash using an investing activity was for capex intangible and intangible assets.
- Cash used in financing activities mainly reflects dividends paid and lease repayments.

Last but not least, our net financial position, as you can see, our robust performance is reflected in a healthy balance sheet. Our net financial position is up 14 million euros year-on-year to 87 million euros, driven by strong cash generation with an 86.3% cash conversion rate.

Dividend on our 2024 net profit was mentioned by Marco earlier. It will be proposed at the AGM and should be paid in July this year.

I will now hand back to Marco who will take us to our strategy and outlook.

Marco Deiana:

Thank you, Alessandro. Moving to slide 19, here I will outline why Ferrari Group is well positioned to continue enjoying the future growth in luxury logistics.

- Firstly, flexibility and personalization. Luxury brands increasingly seek personalized and customized logistics services. Again, something we are able to provide in line with their needs.
- Secondly, we benefit from luxury brands entering longer term collaboration and partnership with their supplier and service provider. We are a trusted partner to over 100 global luxury brands with long-term relationship.
- Third, online luxury sales are expected to increase their shares of the overall luxury mark, and brands have increased their share of outsourcing for warehouses and fulfillment center management. We are able to take advantage of this.
- Moving to the next theme, we are seeing a rise in demand from luxury players for value-added services, which we are able to provide in line with their requirements such as repair, authentication and others.
- Next, sustainability is one of the key focus area for our clients and the broader luxury world. Our clients are focused on reducing their environmental impact by ensuring efficient supply chains, including in logistic, and we're helping them fulfill their sustainability goals.
- Lastly, technology and tracking. Ferrari Group has advanced system to enable efficient supply chain management.

This leads me onto slide 20 where I will discuss our clear strategy for continued growth of our solid core business, in the medium term thank to increasing density of our network and resilience of our business. As most of you know, we are a one-stop-shop platform that offers significant synergies of “scale and scope” as it continues to add the new geographies and services reinforcing our proposition.

Focusing here on our growth journey going ahead, it is supported by the three following pillars:

- increasing our share of wallet with existing customers by increasing breadth of services
- regional expansion, covering white spots. We are, for example, expanding in Saudi market.
- Enhancing our customer base strategically targeting those complementary industries we mentioned earlier, precious metal, high-end handbags, fine arts, et cetera.

The growth will be supported by efficiency synergies, improving our margin and benefiting from operational leverage.

Moving to the next slide. I'm delighted to report that we are delivering on our planned geographical expansion with our opening in Saudi Arabia. The Middle East region has seen a solid growth in hard luxury logistics and we have been working on establishing a new subsidiary in the Kingdom of Saudi Arabia. The operations are expected to commence in Q4 of this year.

Now concluding with our outlook, despite heightened geopolitical volatility and based on our ability to adapt and diversify, management expects positive momentum to continue into 2025. These expectations are based on the assumption of the luxury market and in particular the high value jewelry and watch segments to continue the trend recorded in the first month of 2025. While the current macroeconomic environment brings a degree of uncertainty, we have not observed any direct impact on our business to date. As you know, the situation remains dynamic and we will continue to monitor developments and update the market as appropriate.

The company is targeting the following full year and medium-term targets for the purposes of measuring operational and management performance on a group wide level.

For 2025, we are targeting revenue growth and adjusted EBITDA margin in line with 2024. Ordinary capex is also expected to remain in line with previous year. For the medium term, our guidance remains unchanged: despite wider market volatility, we remain well positioned for future growth.

In terms of capital allocation, we have mentioned earlier the proposed dividend for this year and would like to reiterate that we remain committed to a progressive dividend policy. We aim to increase the dividends annually with potential for additional distributions, subject to performance and market conditions while maintaining the flexibility to invest and support our growth ambitions.

Thank you. We'll now be delighted to take any of your question. I will now hand over to operator to lead the Q&A session.

Operator:

Thank you. Ladies and gentlemen, we will now begin our Q&A session. If you have a question, we ask that you please use the raise hand function at the bottom of your Zoom screen. Once your name has been announced, you can ask a question. If you want to withdraw your question, please lower your hand using the raise hand function again. Thank you. And now we'll take a moment for the first question please.

Our first question is from David Kirsten from Jefferies. If you would like to unmute your line and ask your question.

David Kirsten:

Hi. Good morning gentlemen. Well done on the resilient performance. I was wondering if you can talk about that in a bit more detail with regards to the outlook for 2025, how do you see revenues developed so far year to date? Is that in line with, let's say, 5% you're targeting for this year and do you see any signs of a slowdown in April maybe caused by the impact of tariffs on shipments in the US? And how do you see the overall luxury logistics market develop? Do you still expect to outperform that market this year? Thank you very much.

Alessandro Ugo:

Thank you, David. Thank you for your question. We have started the year well and we are trading in line with our expectation. Clearly we are keeping a close eye on market condition, but as far we are seeing no impact on trading. Regarding the impact on tariff, we see that there is a slightly huge increase in delivery to the US in the last month, but at the moment we don't see any specific problem of disruption in the market.

David Kirsten:

Have you seen any positive impacts ahead of the implementation of tariffs in the first quarter? Or no impact whatsoever and why is-

Alessandro Ugo:

We see an increase based on the fact that there was a huge concentration of deliveries to the US in the end of the quarter. So more shipments to US and together with that we are very close to our clients, due to our flexibility and ability to find solutions in any case.

Okay. Thank you very much.

Operator:

Thank you. Our next question is from Theodora Beadle from Goldman Sachs. If you'd like to unmute your line and ask your question please.

Theodora Beadle:

Hi, thank you for taking my questions. I have two if that's okay. So firstly, your 2025 outlook implies around a 5% revenue growth target, which is below your medium term guidance for 6 to 8% revenue growth. Please, could you give us some color on the assumptions underlying your revenue growth target in 2025 and to what extent is this target based on trading that you've seen the year to date?

And then secondly, on capital allocation, do you see opportunities for you to grow inorganically at the moment? And how would you think about evaluating potential M&A targets? Thank you.

Alessandro Ugo:

Okay, thank you. We confirmed that the guidance that you mentioned are for the mid-term. Right now the expectation for 2025 are aligned with 2024 and on considering the conditions of the market we think is a great expectation. And as mentioned before we start the year well, and we consider our guidance consistent.

Regarding the second part of the question, I'll leave the floor to Marco if you want to jump in.

Marco Deiana:

Yeah, yeah. Thank you Alessandro. Talking about possible M&A, of course we forecast some interesting operation. We can go ahead in some countries that allow us to be present directly in a vertical way 100% with our structure to enhance our geographical expansion. But that could be a sort of shortcut to be present immediately in some countries by some existing operator. We do not forecast big M&A or acquisition of some other competitor. Thank you.

Operator:

Thank you. Our next question is from Robert Jan Vos from ABN-Amro. If you'd like to unmute your line and ask your question please.

Robert Jan Vos:

Yes. Hi. Good morning all. Thanks for taking my questions. I'd like to come back on tariffs and also the outlook. Your words sound quite positive about the outlook 2025, but growth and profitability guidance, both are slightly below these medium term targets. So maybe can you elaborate on where the delta is? Is that like this year, maybe a bit slower growth expected in Asia? Or anything you could add on that that would be helpful.

And secondly, on the tariffs. You just mentioned that you saw quite an increase in volumes to the US in the past couple of months. That seems to suggest that some of your customers expect an impact later on in the year. So I was wondering your views on the impact on tariffs is pretty clear, but what do you hear from your customers on this topic?

And then lastly, it's a technical question about the cash flow statement. Why is the cash taxes paid amount so much higher than what we see in the P&L on taxation?

Those were my questions. Thank you.

Alessandro Ugo:

Okay. I start for the first part. As I mentioned before, the expectation for 2025 are in line with 2024 and we consider it's quite attractive considering the market. As you mentioned, we have for sure a different approach that slow down in the market in China. But there are other parts of Asia that right now have a very interesting momentum in the market such as Japan, Korea, even Australia give us the sense of a good outlook.

Regarding the margin, our expectation is to have a margin in line with the 2024, but very close to what we guide for the midterm. And again, considering the condition of the market, we consider this type of level of margin really remarkable. Based also on the fact that we are a asset light company with a strong cash generation and we think that for this year is in line with our expectation and we are happy of that.

Leave the floor to Marco for the second part of the question.

Marco Deiana:

Yeah, maybe coming back to the tariff. Thank you for the question. Let's say that you're right. We see a growth of shipment versus United States once tariff were announced. And that's because some of our customer decide to ship more expecting another growth, a second growth of this kind of a percentage on tariff, they decide to ship a lot of goods during this period. But in any case, from our point of view, we maintain our approach as usual, and we do not change our way to operate.

And in any case, we stay very flexible and ready to answer to all needs that our customer may have. Being also providing also our advice on a worldwide scale to all customer, old one and new one potential customer that are asking for this kind of problem related to United States.

Alessandro Ugo:

Regarding the last part, the cashflow, we saw an increased plus 17.2%. I'm not sure that I got your question if you can-

Robert Jan Vos:

Yeah, I thought that I saw that your taxes paid in the cashflow statement was an amount that was a lot higher than the amount in the P&L statement. So I was wondering, have you paid some taxes in advance or is there any explanation? And apologies, I have not read the full annual report yet, but I just noticed that. So maybe you can elaborate on that.

Alessandro Ugo:

Yeah, we can maybe take it offline and we revert it to you on that particular question.

Robert Jan Vos:

Yeah, that's fine. Thank you.

Operator:

Thank you. Our next question is from Cesare Colombo from Kairos Partners. If you'd like to unmute your line and ask your question, please.

Cesare Colombo:

Hi.

Operator:

Hi Cesare, if you'd like to unmute your line and go ahead and ask your question.

Cesare Colombo:

Can you hear me now?

Operator:

Yeah, perfect. Please go ahead.

Cesare Colombo:

Thank you. So my first question is related to Saudi Arabia, if you can elaborate about the potential of this market.

My second question is about the cash position and the potential additional distribution. Can you possibly tell us if there is a link between the cash position of the company and the potential additional distribution to shareholders? What is the right cash position for the company?

And the third one is a long-term one about the 27, 29% EBITDA target. I don't know if you can add some ideas about the timeframe where you believe you can reach this target. And if you can remember as the main drivers to reach these potential EBITDA target in the medium term. Thank you.

Marco Deiana:

So thank you Cesare for the question. Let's start talking about Saudi Arabia. As you can understand, we are used to go deeper in some market. Once we understand that huge need from our customer. There is this new huge needs, and in any case, that market is booming from the luxury request point of view. As we made in the past, once we understand that, we understand that we start using an agent in some country like Saudi Arabia and once we understand the market could be interesting to support in terms of number and profitability, our direct new company we open there and so we decide to do it this year in the Q4 of 2025. So basically the reason is that we understood from a big request from our main customer to be there directly.

I leave to Alessandro for...

Alessandro Ugo:

Yes, as a capital allocation and dividends, yes, in our guidance we usually say that is at least 40%. We are going to provide the first dividend in July, as I mentioned. And yes, we're considering based on the fact that the cash conversion can continue to generate growth in the net financial position, we can consider in the future other payments, the standard payment.

The third question was related to the midterm, yes, we consider that the 27%, 29% is achievable in the next five years, we consider, and it'll be based on the ability on leverage and the impact of the digital transformation in our system that give us the sense to manage the operation with more efficiency and able also to collect more data that give us the opportunity to foresee our future in a different way with more potential.

Speaker 3:

Thank you.

Operator:

Thank you. Our next question is from Ricardo Remiati from Aurelia. If you'd like to unmute your line and please ask your question.

Ricardo Ramiati:

Hi, can you hear me?

Operator:

Please go ahead.

Ricardo Ramiati:

Given the last question on your reply where you're saying that you can consider future payments in terms of capital allocation, are you specifically thinking about extra dividends or share bybacks? Or maybe can you elaborate also on the timeframe for these extra payments given the strong balance sheet and the strong cash flow generation that we may see in the coming years? Thank you.

Alessandro Ugo:

We can consider both, extra dividend and even more frequent. Of course we are looking based on the market condition.

Ricardo Ramiati:

Okay, that's great. And maybe coming back to tariffs, one curiosity, given the tariffs add complexity to the managing of goods, do you see opportunities also in terms of market share and how is that reflected? How are you thinking about that and are you seeing possibilities to grab some market share?

Alessandro Ugo:

Yes, we see opportunity because during tough time, usually clients want to mitigate the risk and wants to stay as close as possible to the supplier that can provide a full view of the movement and distribution all over the world and recognizing the market with the great expertise in managing the customer and the possibility of the flexibility of the solution on the market. So yes, but potentially we can see even a more closer relationship with the clients.

Ricardo Ramiati:

Thanks a lot.

Operator:

Thank you. Our next question is from David Kerstens from Jefferies. If you'd like to unmute your line and please ask your question.

Robert Jan Vos:

Yes, hi. Just two follow up questions I wanted to ask please. Can you talk about the weakness you saw in Asia and what you are expecting for the Chinese consumer this year? Do you see any signs of recovery of luxury logistics in China? And the second question relates to the diamond trade, I think there were some reports recently that there was a substantial decline in diamonds in Antwerp, in Belgium. Can you talk about what's really happening there and remind us what your exposure is to that segment, please?

Alessandro Ugo:

Regarding China, and of course I'll leave the floor to Marco for diamonds. Regarding China, no, we don't see a revamp of the market in 2025. Our expectation in growth in that region are more close to other places that right now is represented more by Japan and Korea. And we see with them, we are looking with great interest to other countries that may be in the coming years could become crucial. But answer to your question on China, no, don't see.

Marco Deiana:

Okay, talking about diamond, let's say that the 10% that is now the new tariff, of course could create some problems on the dealer of diamond. But let's say that we mainly are focused on hard luxury and watches and of course we deal some services to offer transportation in diamond sector, mainly related to the needs of our main client. Let's say that we're not interested in offering our service between diamond bourse in Anvers, or Tel Aviv, or New York, but mainly transport diamond for our brands. That makes the difference between us and other competitor that are mainly focused on that. So from that point of view, we're not impacted on our operation about what happened on tariff, on diamond, generally speaking.

Robert Jan Vos:

Understood, thank you.

Operator:

Thank you. If anybody else would like to ask a question, please use the raise hand feature at the bottom of your Zoom screen and once you've been invited to ask your question, please unmute and ask your question. If there are no more questions at this time, we can hand back to management for any closing remarks.

Marco Deiana:

Yeah. Thank you all for joining today. If you have any follow up, please do get in touch with Paola or reach out via our investor relation email, we will be happy to respond. Thank you once again for joining us today and thank you for your continued interest and support of our group.

Operator:

This concludes today's call. Thank you everyone for joining, you may now disconnect.