



Ferrari (RACE)

Sector: Consumer Discretionary

Industry: Luxury

Recommendation: BUY

Presented By:

Yuhang Xiang, Fyodor Konovalchuk, Bhargav Patel





Disclosure Statement

We have no position in any stocks mentioned in this presentation and do not have plans to initiate any position within the next 72 hours.

A decorative background on the left side of the slide, consisting of a grid of triangles in various shades of red, creating a mosaic-like effect.

Contents

- 1. Business Overview**
- 2. Market Outlook**
- 3. Investment Thesis**
- 4. Catalyst**
- 5. SWOT Analysis**
- 6. Peer Comparison**
- 7. Porter's Five Force Model**
- 8. Potential Risk**
- 9. Valuation**

Business Overview

- Ferrari is an ultra luxury performance automotive manufacturer headquartered in Maranello, Italy, known for engineering excellence, brand heritage, and global prestige.
- The company operates several product families, including
 - Sports Range (Roma, 296 GTB/GTS)
 - Special Series (812 Competizione, SF90 XX)
 - Icona Series (Monza SP1/SP2, Daytona SP3)
 - Limited Series and Hypercars
- Ferrari maintains intentionally low production volumes to preserve exclusivity and sustain strong pricing power which consistently results in demand exceeding supply across regions.
- The company benefits from a globally diversified customer base spanning Europe, the Americas, China, and the Middle East with strong brand loyalty and stable order intake.
- Revenue is generated through vehicle sales, engines, racing activities, and high margin personalization programs and lifestyle brand extensions which enhance profitability and brand engagement.



Market Outlook

Global Luxury Car Market

- Global luxury auto market projected to grow at about **10 percent CAGR** from 2025–2030.
- Market expected to expand from roughly **USD 1.3T in 2024** to more than **USD 2T by 2030**.
- Europe remains the largest region; Asia-Pacific is the fastest-growing.

Ultra Luxury & Sports Car Demand

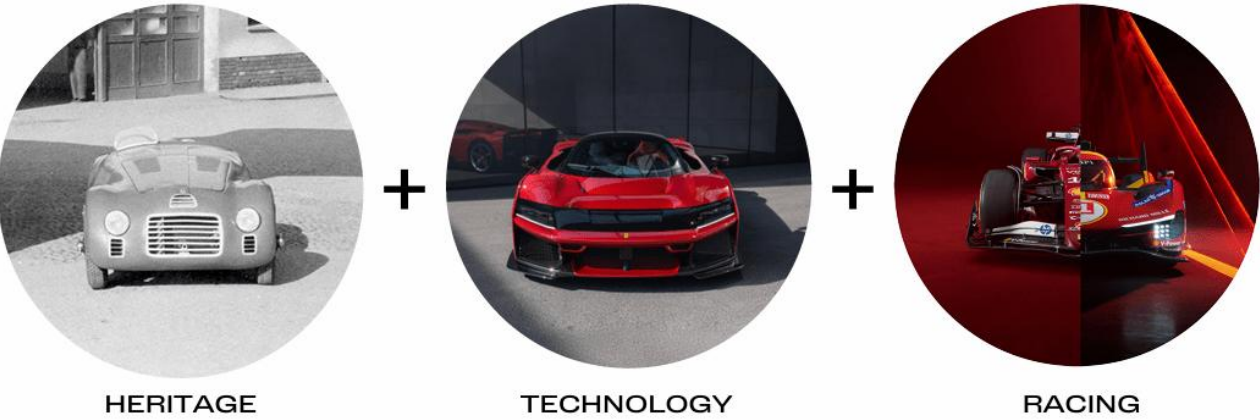
- Global UHNWI population rose **4.2 percent** in 2023; North America up **7.2 percent**.
- UBS reports global wealth increased **4.6 percent** in 2024, adding hundreds of thousands of new millionaires.
- Growing wealth concentration supports sustained demand for exclusive high-performance vehicles.

Macro & Regulatory Environment

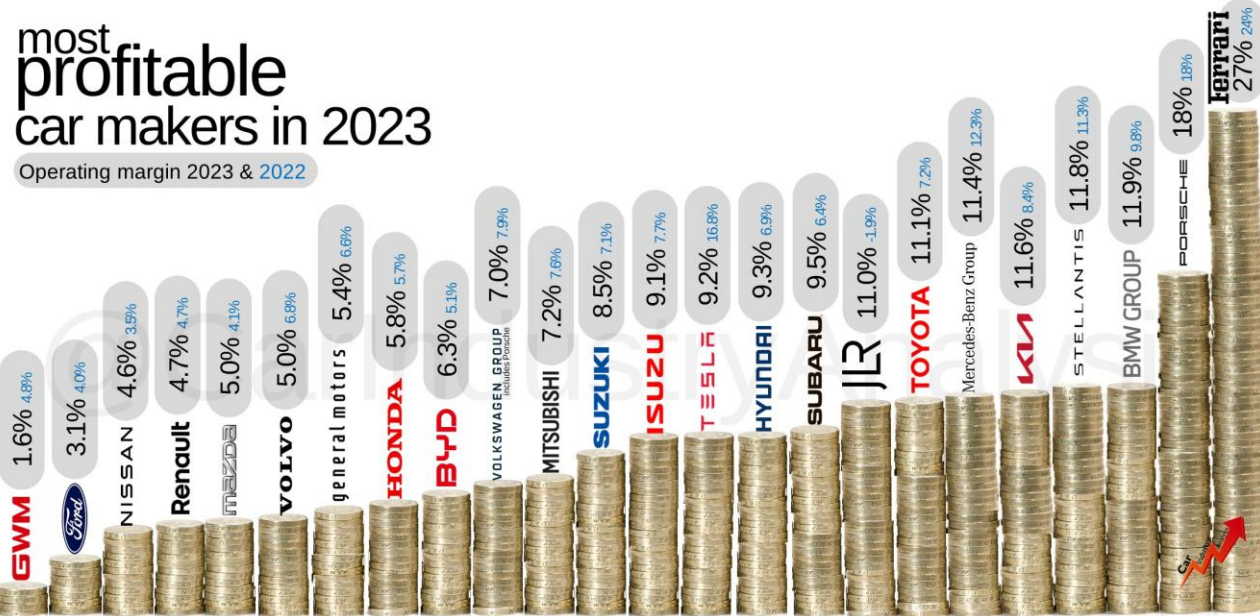
- Luxury demand is relatively resilient, though broader macro conditions remain a background risk.
- Emissions and electrification rules are tightening globally, driving premium EV/hybrid growth.
- Luxury car market expected to more than double from **USD 1.43T in 2025 to USD 2.79T by 2032**, supported by hybrid and EV adoption.

Investment Thesis

FERRARI



A UNIQUE COMPANY



Pricing Power & Brand Strength

Unmatched Pricing Power

- Mid-to-high single digit annual price increases with zero observable demand elasticity.
- Average Selling Price (ASP) continue to rise despite macro softness; Clients are ultra-high net worth and price insensitive.

Best in class profitability

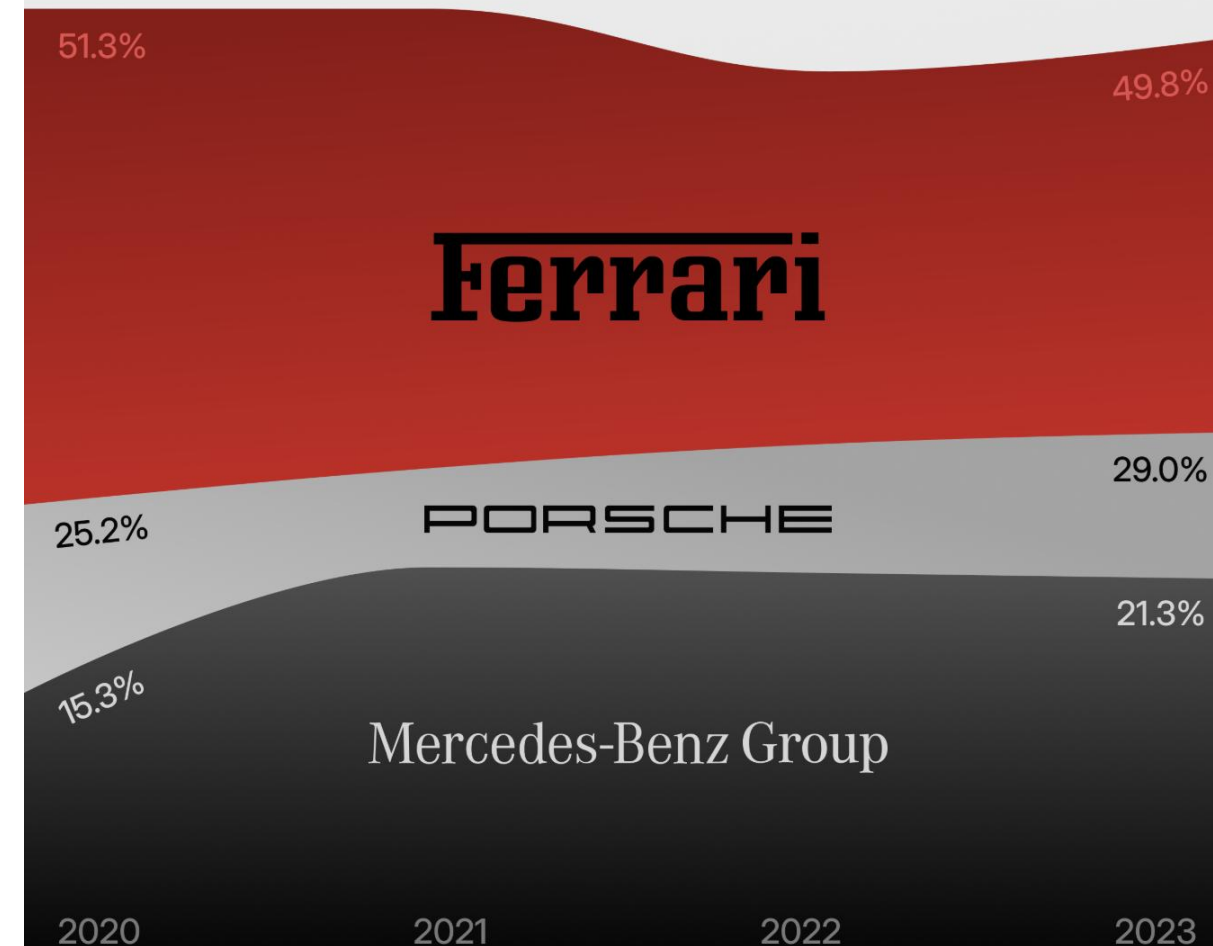
- Nearing 60% gross margin, ~25-28% EBIT margin – far above auto peers.
- Tight production caps (13-14k units) protect exclusivity and maintain scarcity premium

Multi-Year Demand Visibility

- Order book covers 2025-2026, with most models waitlisted for 2+ years.
- Scarcity model ensures Ferrari sells every car it choose to produce.

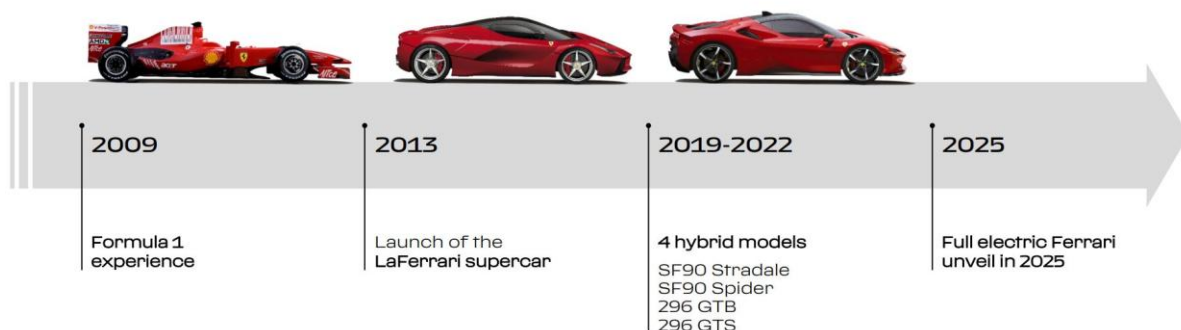
Ferrari's Pricing Power

Comparing the gross margins of Ferrari, Porsche, and Mercedes Benz Group



Electrification (EV Transition, Addition)

OUR ELECTRIFICATION JOURNEY
IS GROUNDED IN OUR RACING HERITAGE



2030 SPORTS CARS MODEL LINE-UP



TECHNOLOGY NEUTRALITY TO ADDRESS DIFFERENT CLIENTS AND CLIENT NEEDS

Scaling Back EV Mix = Positive News

- 2030 Full EV target cut from 40% → 20%
- Protects brand identity (Sound, emotion, performance)
- Reduces execution and margin risk.

Hybrids Are More Profitable Than Full EVs

- Lower battery cost exposure
- Higher personalization attach rates
- Stronger customer pull
- Slower EV adoption means margin pressure come later, while Ferrari maintain its current > 25% EBIT profile.

Small Volume Manufacturer (SMV) advantage

- Ferrari qualifies as an SMV in both EU (<10,000 units) and U.S (<5,000 units).
- Exempt from aggressive EV mandates and fleet-average CO₂ rules.
- Gives Ferrari flexibility to keep ICE + Hybrid well past 2035.
- EV becomes optional, not forced – Protects margins & brand identity.

Expansion of High Margin Luxury Ecosystem

Personalization as a Core Growth Engine

- Tailor-made customization add € 80-150k+ per car
- Ferrari's highest-margin business and still growing double-digits.

Ferrari Classiche: Recurring, High-Margin Services

- Restoration, certification, and heritage programs
- Reinforce resale value and deepens customer relationship ecosystem.

Lifestyle & Experience Revenue

- Track experiences, memberships, events, merchandise
- Recurring, luxury-like revenue that expands Ferrari beyond Car sales.

Limited Models & Icona Programs

- ASPs € 1-2 Million+, extremely high margin with minimal volume impact.
- Further strengthens exclusivity and brand desirability.



CATALYSTS

Hybrid Mix Shift & Electrification

- Hybrid models now represent a growing share of shipments
- Higher ASP and stronger margins versus ICE models
- First fully electric Ferrari planned mid-decade supports long-term growth

New Model Cycle & Limited-Series Releases

- Ongoing rollout of new models across all product families
- Limited-series and Icona launches drive high-margin revenue
- Strong global demand supports multi-year volume visibility

Personalization & Lifestyle Revenue Expansion

- Tailor Made and Atelier programs increase per-unit profitability
- Personalization uptake rising across regions
- Expanding lifestyle brand ecosystem deepens customer engagement

SWOT Analysis

Strengths

- Iconic ultra-luxury brand with exceptional pricing power
- Outstanding financial performance
- Highly innovative product portfolio
- Controlled low-volume manufacturing
- Diversified revenue model

Opportunities

- Product Expansion & Electrification
- Customer Base Growth
- Lifestyle & Brand Extension
- Geographic Expansion
- Financial Targets & Sustainability Leadership

Weaknesses

- High geographic concentration
- Limited production scale
- Increasing cost pressures
- Challenging technology transition

Threats

- Regulatory & Environmental Pressures
- Economic & Geopolitical Volatility
- Foreign Exchange Headwinds
- Intensifying Competition & Technology Shifts
- Operational & Market-Specific Risks

Porter's 5 Forces

Threat of New Entrants	Bargaining Power of Suppliers	Bargaining Power of Buyers	Threat of Substitutes	Competitive Rivalry
LOW	MODERATE	LOW	MODERATE	MODERATE
High capex , brand heritage, impossible to replicate, specialized Italian manufacturing, dealer network,	Diversified supplier , semiconductors and battery cells, €1.4B cash) provide negotiating power.	2027 extreme demand, Fragmented customer base , High switching costs, Customers compete for allocation	No perfect substitute, Direct competitors, luxury EVs	Limited direct competitors, electrification and China market pressure,

Peer Analysis

	RACE	HESAY	LVMUY	CFRUY
Market Cap	\$91.09 B	\$254.32 B	\$355.96B	\$120.51 B
Revenue Growth	20.26%	4.02%	-1.71%	5.54%
EV/Sales	11.15	14.33	4.32	4.89
Net Profit Margin	21.59%	27.96%	14.31%	16.91%
Operating Margin	29.39%	41.86%	22.58%	22.1%
P/E	37.52	52.32	29.58	

Potential Risks!

Macroeconomic & Geopolitical

Global economic slowdowns or geopolitical shocks can affect luxury spending and reduce order activity for high-end vehicles.

Environmental & Regulatory

Stricter emissions and electrification rules raise development costs and may limit sales in regions with tighter sustainability requirements.

Supply Chain Constraints

Dependence on specialized suppliers for engines, electronics, and composite materials exposes Ferrari to shortages, delays, and rising input costs.

Foreign Exchange Exposure

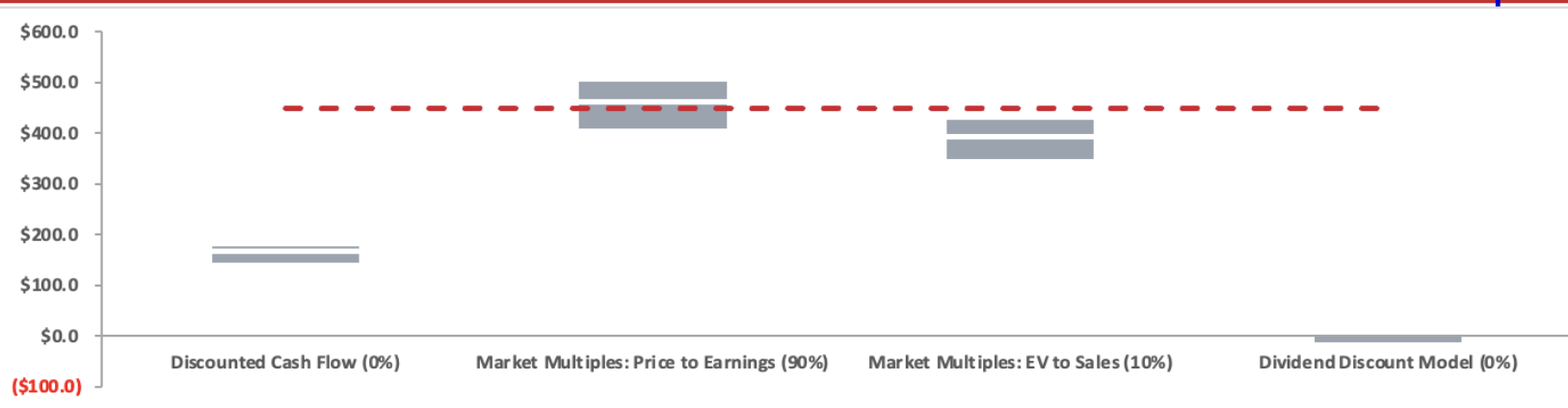
Ferrari sells globally but reports in euros. Currency swings, especially USD and CNY, can impact revenue and profit margins.

Competitive Landscape

Competition from Lamborghini, McLaren, Porsche, Aston Martin, and emerging EV supercar makers may pressure pricing power and long-term market share.

Valuation Summary

Ferrari SA (RACE) | Per Share Valuation Summary



Models

Valuation Methodology	Low (-10%)	Median	High (+10%)	Weights	Baseline Metrics (\$B):		
Discounted Cash Flow	\$145.35	\$161.50	\$177.65	--	Revenue	\$8.7	\$48.8
Market Multiples: Price to Earnings	\$410.21	\$455.79	\$501.37	90.0%	Gross Margin	\$4.6	\$25.9
Market Multiples: EV to Sales	\$349.08	\$387.86	\$426.65	10.0%	Operating Income	\$2.5	\$13.9
Dividend Discount Model	-	-	-	--	Net Income	\$2.0	\$11.0
Target Price (12-Month)	\$404.10	\$449.00	\$493.90	100%			
Current Price	\$ 385.60						
Upside from Current Price (12 Month)	16.4%						
Expected Alpha (12 Month)	4.4%						