Ferrari IPO valuation driven by luxury goods, high-end autos, Man Utd - investors

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July 17, 2015

- Fair value within a 10x-12x EV/EBITDA multiple range – investor
- Comps mix includes Hermes, LVMH, Aston Martin, Harley Davidson and BMW
- Spin-off could happen as soon as January 2016 – Marchionne

Ferrari IPO bookrunners are right to benchmark the iconic auto player's valuation against a basket ofcomparables including luxury companies, according to two fund managers following the situation.

The set of peers should also include high-end auto and motorcycle producers, as well as **Manchester United** [NYSE:MANU], Steven Wood, founder of investment fund Green Wood Investors, said. Green Wood Investors is a minority shareholder of Ferrari owner **Fiat Chrysler Automobiles** (FCA) [BIT:F] and should receive a *pro rata* share of stock from the planned spin-off of an 80% stake in the *cavallinorampante*.

Man Utd should be included in the mix as it shares a similarly European-focused fan base and brand strength, Wood noted. In particular, the soccer club also has a limited free float of close to 15%, he said. As just 10% of Ferrari is expected to be initially listed in New York, there will likely be a scarcity value, he argued.

But Ferrari is unlikely to trade at Manchester United's 20x EV/EBITDA, Wood conceded. Such a generous multiple would probably lead the fund to sell the Ferrari shares, despite having a positive long-term view on the company, he admitted.

A reasonable valuation would be in the 10x-12x EV/EBITDA range, Wood said. "A valuation of EUR 6bn is fair," he suggested.

FCA CEO Sergio Marchionne has previously pinned a EUR 10bn price tag on Ferrari. Marchionne's new role as chairman of Ferrari, replacing Luca Cordero di Montezemolo, is seen as a positive in Ferrari's push to deliver results, the second fund manager added.

Speaking to this news service at the *Toronto Global Forum* on 10 July, Marchionne said: "I've been instructed to keep my mouth shut on valuation […] We are just days away from filing the prospectus with the Securities and Exchange Commission [SEC]," he added.

Production boost?

At the top of the 10x-12x range, Ferrari would still be valued at a premium to **Aston Martin** and **Ducati**'stakeover multiples of 9.9x and 9.1x respectively, Wood pointed out. Though it would come in shy of**Hermes**' [EPA:RMS] 19x multiple, an automotive sector banker noted. The French luxury goods company would make sense in the comps mix, but deserves a premium to Ferrari given its superior margins and less capital intensive business, he added.

Luxury brand **LVMH** [EPA:MC] just lags the suggested range, with its own EV/EBITDA at 9.9x, despite similar profitability levels, the sector banker noted.

LVMH has been adding rare-wine producers to its brand portfolio to diversify its revenue base while keeping an exclusivity status, a strategy that might inspire Ferrari in its push to keep car productivity low to preserve mystique but grow turnover, Wood said.

Thus far Ferrari has “insignificant revenues from non-car stuff,” he added. Abu Dhabi-based theme park Ferrari World is an exception “but it doesn’t move the needle”, Wood said.

It should be possible to pursue higher growth through a boost in production without damaging the scarcity cachet, given the high level of demand for the Maranello, Italy-based company’s supercars, the second fund manager said.

Among high-end auto players, the 10x-12x range would be in line with **Harley Davidson** [NYSE:HOG], the banker said. The US iconic motorcycle brand could be a good benchmark considering its comparable luxury brand and customer loyalty profile and similar EBITDA margins, the first and a second banker noted.

But despite its premium offer, the entry price point for a Harley Davidson hog remains more accessible than that for a Ferrari and the US group has a lower intangible brand value, Wood argued.

German car giant **BMW** [ETR:BMW] trades close to 10x EV/EBITDA and represents a logical comp, the first banker said.

Stepping aside from EBITDA-based valuations, price/earnings (P/E) may offer a sharper read-through of where Ferrari stands after capital expenditures are taken into account, the first banker said. This is particularly important in the capital intensive auto industry, he noted.

On a P/E basis, Hermes comes in close to 34x thanks to the company’s growth rates, while Harley Davidson’s stands at 14x, the this banker said.

Ferrari is expected to list in New York in the fourth quarter of this year, with UBS reportedly handling theIPO.

Following the IPO of a 10% block, the spin-off of another 80% of Ferrari to FCA shareholders could happen as soon as January 2016, Marchionne told this news service. The remaining 10% of the company is held by Piero Ferrari, who is not planning to sell shares in the IPO.

A secondary listing of Ferrari in Milan is under consideration, Marchionne added.

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