

A Work Project, presented as part of the requirements for the Award of a Master Degree in Finance  
from the NOVA – School of Business and Economics.

# *The legend of the Prancing Horse*

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## *Abstract*

*The analysis below aims to determine the current Ferrari Stock Price, based on a Fundamental Valuation, which applies the DCF Model. After describing the Industry, an in depth analysis of the Company itself is proposed, which begins with the Ferrari's history and proceeds with its governance, products, business model and geographical presence. Then a forecast of Ferrari's financials has been drafted, trying to represent at the most the team's understanding of the Company's possible growth as well as the industry and economy. From the conducted study a Price per Share of €245,60 has been derived, assuming a BUY recommendation.*

### Keywords

- Ferrari N.V.
- Equity Valuation
- DCF
- Forecast

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This report is part of the Ferrari report (annexed) and should be read has an integral part of it.

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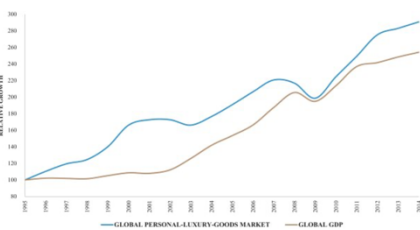
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## Industry Overview

## Luxury Performance Car Market

Among the most prestigious sport automobiles manufacturer in the world, Ferrari competes in the Luxury Performance Car Market, comprising of models having in common the two-doors bodywork, a 500hp engine and a retail price in excess of € 150Thousand. Targeted costumers are hence High Net Worth Individuals, defined as somebody with at least € 1Million in liquid financial asset. In 2020, the total worldwide amount of HNWI accounted for over 13Million, representing 0,2% of the total population.

The segment in which the Company competes is quite close in terms of correlation to the Industry of Luxury Goods Market and has historically been following macroeconomics cycles and trends, mainly the state of the economy as a whole (GDP) and inflation rates. Compared to the GDP, the Luxury Goods Market shows particularly severe consequences in case of general market downturns. During recessionary periods in fact, social acceptability of luxury purchases may decrease, also due to the nature of the purchase, strongly based on emotional feelings. During the 2008 the Luxury Goods Market got quickly close to the GDP, showing a major impact of the crisis on the sector, but the recovery already began in 2009 thanks to the raising demand from Asia and general worldwide urbanization (*Exhibit 1*).



*Exhibit 1*  
Source: Ferrari Annual Report 2020

In 2019, in a pre-pandemic environment, the segments recorded total revenues for € 34Billion, based on the sales of 0,4Million of cars.

In general, while in the period 2014 - 2019 segment's revenues saw a negative CAGR of 2,5%, the volume of cars sold yearly remained constant, sign of an overall decrease in prices.

Lastly it is important to note that, even more than for the other segment of the industry, the Sports Car Market heavily depends on the number of new models launched in each year, both by the Company itself and by Competitors.

If in fact different manufacturers do present similar products in the same period of time, the few clients available would split, decreasing potential revenues.

## Competition

In the segment, the most well-known competitors are:

1. **Aston Martin:** the British Company is quite close to Ferrari in terms of performance of some of its models but designing cars also serving other niches of the Car Industry, it produces in the end many more cars yearly, presenting a lower average price per car equals to € 190Thousand.

In 2020, Aston Martin has been heavily hit by the pandemic, flooding down units' delivery by 40% and generating losses in revenues for 32% with respect to the year before. Still in the first semester of 2021, the British automaker managed to record

positive earnings compared to the first half of 2020, with revenues amounting € 499Million, versus the € 146Million of the previous year.

2. **McLaren:** also based in UK, it is maybe the most similar Company to Ferrari. This is due to its historical participation in the F1 World Championship, in which the competition among the two teams has been thrilling fans for years.

Also, the low number of cars produced yearly reminds of the strategy adopted by Ferrari, leaving as major different the non-listing of McLaren in any Financial Markets.

In 2021, the Company released important results concerning the revenues made in the first quarter, amounting to € 184,3Million, corresponding to a growth of 118% versus the same timeframe in 2020.

The significant growth is reflected by the number of cars sold, 520, compared to a total of 307 in the Q1 of 2020. The data is understandable considering that during the first lockdown in 2020 in fact, the Company stopped the production and recorded a loss of 64% in terms of wholesales compared to 2019.

3. **Maserati:** also headquartered in the Motor Valley, the Company is another key player in the segment. Originally owned by FCA Group, now registered as Stellantis N.V., Maserati has been, and still is, very close to Ferrari. Currently in fact, some of the engines adopted by Maserati for their most performing models are produced by Ferrari.

In 2020, it released an Adjusted EBITDA loss of € 199Million mainly due to the Covid-19 pandemic, leading to a loss also for Ferrari. Still the opening of a new showroom in Cambodia shows the intention of the Company to grow in the South-East Asia regional market, ultimately trying to reposition its business activities.

4. **Bentley:** competing with Ferrari more on the GT niche than the Sports niche, the Company is worldwide known for the quality of its products, rather than their sports performances.

Differently from the majority of automakers, Bentley managed to grow in spite of the pandemic, increasing yearly units' deliveries by 1,8% to 11.206, a record number for the Company. This also thanks to the introduction of the new version of the *Flying Spur* model, which partially offset the decrease in the sales of the other models.

Lastly, it is peculiar to note that the Company's models produced anyway decrease by 14% compared to the previous year due to the Covid-19's restrictions, showing in the end an high management of their Inventories.

## Barriers to Entry

As for the rest of the Luxury Goods Market Industry, also the niche segment served by Ferrari presents high Barriers to entry, among the others:

5. **Production Process:** the quality required for the creation of Ferrari's models implies an high level of specialization from suppliers, which will have to provide first-quality raw materials, as well as from Company's employees, which are chosen among the bests in each field.
6. **Reputation:** A concept which is a fundamental for the luxury industry. In order in fact for Companies to be able to ask such premium prices for their products, they need to be recognized worldwide for their know-how and expertise.
7. **High Taxation:** All the segments in the industry do face high taxation requirements due to the non-necessary nature of the product produced.
8. **Patent Protection:** The research of exclusivity in the product development phase, often brings out new ideas and concepts which becomes patent of the Company and an Intangible Asset for it.
9. **High Regulations' Costs:** In order to comply with all the applicant laws and regulations a car producer must consider various elements such as: environmental concerns about emissions, raw materials and disposable of waste or regulatory matters regarding vehicle security approvals.

The Companies populating the top 10 positions of the market are overtime quite the same, with no surprises (*Exhibit 2*).

Financial Year	2018	2019	2020
1	Porsche	Porsche	Porsche
2	Luis Vuitton	Gucci	Gucci
3	Cartier	Cartier	Luis Vuitton
4	Hermes	Luis Vuitton	Cartier
5	Gucci	Chanel	Chanel
6	Ferrari	Hermes	Hermes
7	Rolex	Ferrari	Ferrari
8	Coach	Rolex	Rolex
9	Chanel	Coach	Dior
10	Tiffany & Co	Dior	Coach

*Exhibit 2*  
Source: Statista.com

## Company Overview

With a current Market Capitalization of € 36,5Billion and Net Revenues of € 3,5Billion, Ferrari is among the world's leading luxury brands.

Its core business covers the whole production process of their car models, from the design of each element to its engineering, manufacturing and testing.

The brand is worldwide recognized for its history, being with 31 Titles the most successful racing team in F1, its exclusivity, given by the limited number and the quality of the models produced, and innovation, both in terms of design and technologies applied.

### History and Popularity

Starting as a pilot for Alfa Romeo, Enzo Ferrari already in 1939 became the leader of the team Scuderia Ferrari. During that time, the team arrived at almost 40 pilots, and, after leaving the Alfa Romeo, established its own name, initially in the same year as Auto Avio Costruzioni and only in 1947, as Ferrari.

On the 11th of May 1947 the first car produced by Ferrari, Ferrari Tipo 125, made his debut, signing the born of the legend of the Prancing Horse. By hiring the most experienced engineers and the best pilots Ferrari quickly took over the competition, winning in the following years the “Mille Miglia”, the “24 Hours of Le Mans” and two F1 Titles. Even though Ferrari was able to gain from the victories, the costs needed to participate in the races were too high to be sustained and the need of liquidity pushed Enzo to broaden the company’s horizons and to start producing models for the public.

Thanks to important collaborations for the realization of exclusive bodywork, such as the one with Pininfarina, to the performances and quality of the engines, assured by the fact that they were adaptations of the ones used in races, and to the popularity gained from the numerous victories achieved in those years, the few Ferrari’s produced models started to attract the most influents clients.

In 1960 Ferrari became a Limited Company and in 1968 as sponsorship got allowed in F1, fundamental agreements got stipulated, one on top with Shell, which continues now day. The decade ended with the acquisition of a 50% stake of Ferrari by FIAT (later on renominated FCA Group).

In 1988, FIAT managed to increase its stake of the Company to 90%, right after the death of Enzo Ferrari. The resting 10% remained owned by the family, in the person of Piero Ferrari, the son of Enzo and in the last decade of the Millennium, important changes happened in terms of design of the new models. The technology applied for the development of the F50, such as the wind tunnel testing practice for the bodywork, showed worldwide how far the Company’s research of excellence was gone.

From the year 2000 new spectacular victories in F1 started to arrive. With Schumacher at the steering wheel, the following ten years saw the Scuderia winning 13 Titles: 6 Pilot and 7 Constructors. On the commercial side a fundamental turn instead concerned branding policy and the decision to open physical retail outlets worldwide. By 2010, 30 stores opened in various locations and the international expansion kept increasing in the coming years in countries such as Asia and Middle East, while consolidating in USA and Europe.

## IPO, Ownership & Corporate Governance

In 2014 FCA announced the beginning of the process to complete the separation of Ferrari and to do so in 2015 Ferrari initiated its first IPO through a Special Purpose Vehicle (SPV) acquiring 100% of Ferrari S.p.A. To restructure the debt, the SPV, through a promissory note, distributed 10% of the stake to the public, keeping 80% for FCA and 10% for the Ferrari family. The final establishment of Ferrari NV is a result of the spin-off concluded in 2016, which saw the FCA’s shares distributed to common shareholders in a process of demerger of the Group, and the acquisition of the SPV by the new-born Ferrari NV.

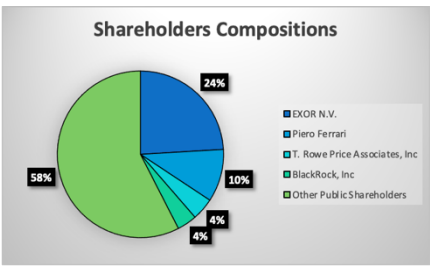


Exhibit 3  
Source: Ferrari Annual Report 2020

Currently, Ferrari N.V. is a Public Limited Liability Company registered under the laws of Netherlands, Holding of the Ferrari Group.

Its largest Shareholders is Exor N.V., a Holding Company mostly controlled by the Agnelli family, considered by Fortune 500 the 37<sup>th</sup> largest Group worldwide by revenues, \$ 136.185.9Million in 2021 (Exhibit 3).

Regarding Corporate Governance, the Company adopts the Dutch Corporate Governance Code to assure the application of the best practice and principles concerning the relation among the BoD and the Committees. From December 2020, after the decision of L. Camilleri to retire as Company’s CEO, J. Elkann, is acting as *interim* while the BoD, currently having nine Directors, is defining the successor. The Committees defined are the Audit Committee, the Governance and Sustainability Committee and the Compensation Committee.

### Products

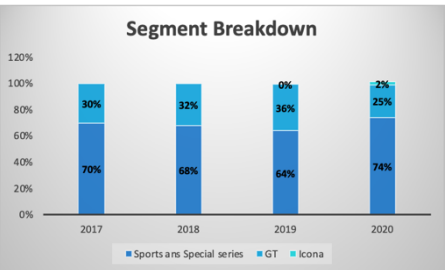


Exhibit 4  
Source: Ferrari Annual Reports

To broaden and differentiate the Targeted customer base the current range of offers of the Company comprises of four main segments, licensed for road (Exhibit 4):

- The Sports Range:** Currently including six models, such the F8 and the SF90, it represented the 74% of the shipments made during 2020, a net increase from the previous year.

Models in this segment favour performance over comfort and are characterized by a deep application of innovative technologies.
- The GT Range:** Includes two models, the Roma and the Portofino and, even though still maintaining the standard Ferrari for what concerns the performances, comprises of the most comfort-oriented models. Technologies here are applied for the interior, which is always able to appear forward-looking when presented.

The segment represented only the 25% of the Company’s 2020 revenues, a strong decrease compared to the previous year contribution to total revenues of 35,5%.
- The Special Series:** Currently composed of two models, it is a time-to-time populated range with models produced on a limited number for a limited time, usually modification of models in the Sports range.
- The Icona:** Introduced at the end of 2018 it has a unique concept which takes inspiration from the past and reinterprets it in a modern look. In the last year, the segment represented less than the 2% of the Company’s revenues (examples of clients: Ibrahimović and Cristiano Ronaldo).

Moreover, Ferrari has three segments only for competition: the Ferrari Challenge, The XX Programme and two Racing cars. Lastly, to meet the different requests of the clients, Ferrari can also produce one-off models, cars which reflect in the exterior, interior and

engine the desires of the future owner. In particular, the personalization offer is declined on four levels, which allow the Company to satisfy almost whatever clients' need.

## Brand Activities

In 2019 the Management presented a Brand Diversification plan, designed to increase the connection to the F1 community.

Defined on the following three pillars:

- 1. Brand Extension:** A collection of branded Ferrari's products, distributed by retail stores owned or managed through franchising, a total of 36 in 2020. The last five years' increasing trend, particularly regarding Owned Stores, has only seen a small decrease in 2020 due to the pandemic, year in which two locations closed (*Exhibit 5*).
- 2. Entertainment:** Aiming to reach out to younger F1 supporters is realized through Museums and Theme Parks. With the openings of the "Ferrari Land Portaventura" in Spain in 2017, the Company has entered the industry also in Europe, after the success of "Ferrari World" opened in 2010 in Abu Dhabi, which has been contributing to a substantial portion of the Company's revenues from licensing activities of the last years.  
Given the success, Company's aim is to open a theme park in each of the geographical region identified, such as Asia and North America.
- 3. Car Adjacencies:** Which comprises complementary luxury products designed to complete clients' experience. Examples of this strategy are the collaboration with the Chef Massimo Bottura at the restaurant "Cavallino" or with Giorgio Armani (fashion) for the realization of various products.

## Production Process

The production process can be declined in the sequent phases:

- 1. Design:** Apart from the numerous collaboration which have always characterized the brand, such as the one with Pininfarina or Carrozzeria Scaglietti, Ferrari established in 2019 an Advanced Designing team, where engineers, architect and modelers work together to define through new concepts the always present Ferrari DNA.
- 2. Product Development:** Which focuses on three dimensions: Performance, Versatility and Driving Emotions. In all those Ferrari strives to reach excellence and adopts the highest innovation practices.

A great current focus is also given to the implementation of hybrid and electric engines to power the next generation of models. A different look is instead given to the theme of Autonomous Driving which will only be implemented in some features for the GT segment, leaving intact the feeling of driving for the models in the other segments.

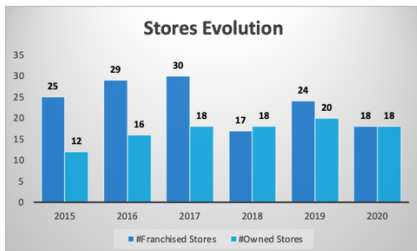


Exhibit 5  
Source: Ferrari Annual Reports

3. **Production:** The manufacturing process is completed in Maranello, in the Motor Valley, which assures an excellent know-how of all the employees of the Company. The process, even for the few numbers of models produced, is quite complex due to the wide variety of components needed and the high quality requested. For this reason, the supply chain employs over 800 suppliers who provide components, raw materials and utilities, each of them specialized in their services and accounting for a very small part of the total procurement costs. More uniquely than rarely, Ferrari produces in-house both the engines and the bodywork of their car, relying on more than 1500 employees.

4. **Point of Sales:** are organized through a series of authorized dealers in over 60 markets worldwide and divided in four regions: EMEA, Americas, Mainland China & Hong Kong and Rest of APAC. Even though the last 5 years have seen a decreasing trend in the overall number of point of sales and dealers worldwide, on average at 1% annually in the last 5 years, the number increases during periods of presentations of new models, such as 2018 (*Exhibit 6*).

Clients' relationship is kept to the highest standards through the whole purchase process and the after-sales phase is considered fundamental to retain clients and assure them the best possible experience.

## Strategy

Ferrari strategy aims at maintaining the leading position they have in their pertinent segment while always strive for being pioneers in innovation and performances. In particular, it mainly relies on the following principles:

1. **Controlled Growth:** The limited number of clients able to afford Ferrari's products implies an extremely high attention given by the Company to the analysis of the demand for its products, in order to regulate the relative needed supply. To keep a stable growth overtime and reduce the industry's volatility the Company produces "*less cars than the market request*" in a quite stable number overtime.
2. **Regular new model introduction and enhancements:** As seen in the Industry overview, revenues are particularly sensitive to the introduction of new modes in the market. It is for this reason that Ferrari tries to employ a strategy of constant new models' launch. After the renewal of most of their offer in the last two years, Ferrari intend to keep introducing new models in the next years, such as the "*Ferrari Purosangue*" in 2023, and the "*SF90 Hybrid*" in 2025.
3. **Controlled growth in adjacent luxury and lifestyle categories:** Not only in fact Companies in the same segment can reduce the number of potential buyers, but also

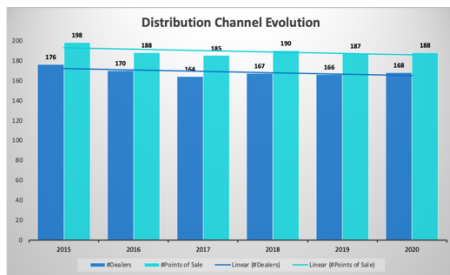


Exhibit 6  
Source: Ferrari Annual Reports

Companies in the same Industry do represent a threat to Ferrari, which necessitates to estimate potential demand to target its supply.

## Risks

Due to the nature, structure and ambitions of the Company, there exist many risks, that it has to face to keep growing and remain profitable. Among the others:

- 1. Dependence of Revenues to F1 Performances:** The prestige of the Company continues to be partially based on the Scuderia Ferrari's F1 team performances. This represents a continuous challenge for the Company, which even though manages to retain its pilots and team's components, can not assure a constant success in the competition.
- 2. Market and Clients' preferences volatility:** Represent a source of risk for the Company due to the small number of Targeted clients. Their decision-making process is influenced by many factors and being not only up to date, but forward looking in this, represent not an easy task for the Company.  
As always with volatility concerns, the key solution is the diversification and Ferrari has been broadening its Portfolio of offers to reach new industry's niches with the planned introductions of the "*Ferrari Purosangue*", the first luxury "SUV" produced by the Company in 2023, and of the *SF90 Hybrid* in 2025, show how Ferrari puts the concept into practice.
- 3. Growth Strategy:** The Company's identified and pursued growth strategy represents itself a source of risk. This is due to the constant expansion that Ferrari operates worldwide, which even though can give the Company access to new potential buyers, also implies the challenge of entering new geographical areas. The establishment of new parts of the dealers' network require many efforts to assure profits. Moreover, to maintain the brand's exclusivity the Company adopts a Low Volume Strategy and only produces up to 10.000 units yearly.
- 4. International Operations:** The presence of the Company worldwide exposes itself to a series of additional sources of risk. Political instability in some of the region served may represent a critical factor as well as Regulatory changes regarding Import&Export policies may impose restriction on Company's shipment or increase Company's costs.  
Also, a major source of risk is given by Foreign Exchange rates fluctuations. Due in fact to the different location of the manufacturing activities and commercial activities, Ferrari has different revenues and cash flow's currencies. Still concerning the Forex risk, the Company is actually increasing its exposure by trading financial Derivatives for hedging purposes.

## Geographical Presence

Ferrari differentiate its commercial activities in four main regions:

1. **EMEA:** Comprising of Italy, UK, Germany, Switzerland, France, Middle East, and others, represents the fulcrum of the Company. Even if not the legal site of the Company, Italy is the heart of Ferrari. In Maranello it is based the whole manufacturing process as well as being the Corporate office headquarter, hence most of the employees are hired here. Moreover, in Italy there are the two Ferrari Museums and the Mugello Circuit, where since the 1992, Ferrari has been hosting the MotoGP World Championship.

For what regards the number of points of sale, the openings of a new one in East Europe let the region reach a total of 91, representing the 48,4% of the total worldwide, which, after the continuously decreasing trend of the last years, that saw a CAGR of -0,54%, a sign of new attention toward the region and its potential buyers.

Macroeconomically speaking, the region has seen a continuously declining trend in the GDP, with the UK and the United Arab Emirates leading the negative performances, due to Brexit and Oil Turmoil. Lastly, the main political concern of the region is about the Brexit. The exit of the country from the European Union represents a treat to the Company both in terms of Regulatory matters and volatility of Exchange rates, with UK contributing in 2020 to the 11% of Net Revenues from Cars and spare parts (*Exhibit 7*).

2. **Americas:** The American continent is broadly diversified but is currently mainly driven by USA dominance, which sees the majority of point of sales in the region, that in 2020 is 40 over a total of 52, and representing the 21% worldwide. A further testimony of the great consideration that the Company has in the USA is the presence of the widest Ferrari club community, counting more than 11500 members. Considering the other countries of the region, Canada has been having a constant number of stores, 5 over the whole considered timeframe, while South America has seen a decrease in point of sales in 2016, when the number went from 10 to 7 (*Exhibit 8*).

North America has proven to have a stable economy, but the sports car market is one of the most competitive, with a vast range of automakers operating. Moreover, due to different macro factors, such as the tensions due to changes in the Import & Export regulations with China and the concerning increase in consequences of emissions, in 2018 in the USA, the revenues of Sports Car Market tanked by 29,36%. Lastly, the idea of expansion in the region of the Company are demonstrated also by the intention to build a theme park.

3. **China & Hong Kong:** The past year has been volatile due to the explosion of the pandemic, with China being the first country to be hit. Moreover, the unresolved tension regarding the trade deal between US-China still increase the risk of carrying

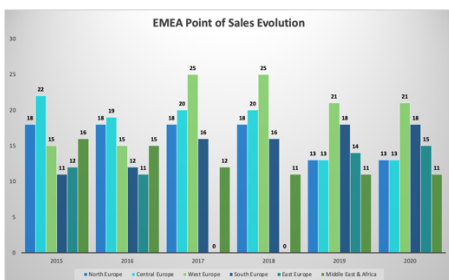


Exhibit 7  
Source: Ferrari Annual Reports



Exhibit 8  
Source: Ferrari Annual Reports



Exhibit 9  
Source: Ferrari Annual Reports

activities in the region. Lastly, the internal tension between the Chinese's government and Hong Kong, has driven down the economy in a secession and China is cutting down Hong Kong relationship and business with foreign investors and institutions, by punishing who will collude with outsiders with the new national security law.

To hedge from this geopolitical risk, the Company is reducing the number of point of sales in the region, as shown by the reduction of stores in China, which went from 28 in 2015 to 17 in 2020, decreasing at a CAGR of -7,49% during the period. The last store opened in the region goes back to pre Covid-19 in Shanghai, where it hosted the premiere of the F8 Tributo and a Tailor-made Ferrari GTC4Lusso T, with the opportunity to attract high net worth clients providing them with unique customization possibilities (*Exhibit 9*).

**4. Rest of APAC:** The region includes Japan, Australia, Singapore, Indonesia, South Korea, Thailand, and Malaysia.

Looking at the number of showrooms present in the regions it is possible to note that Ferrari has been putting the region under a spotlight. From 2016 to 2018 the region experienced many new openings, arriving at a total of 26 stores, when they were only 20 in 2015. In the last two years, the decrease in Asia has been partially offset by an increase in number of stores in Australia, leading the region to a total of 24 points of sales in 2020. Currently, the region accounts for the 12,77% of total points of sale worldwide, while they were only 10,1% in 2015.

The increase is given by the rising disposable income available to people in those countries, which is creating a strong demand for premium vehicles.

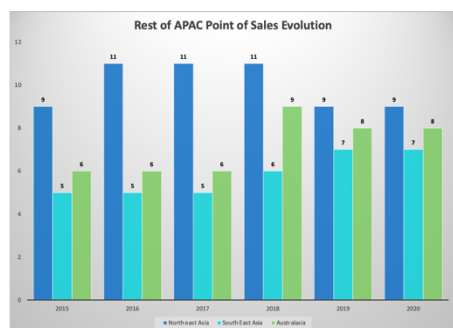
Lastly, Japan seems the most insidious market as it suffers for its sociodemographic factors, with young consumers showing less attention to cars and a high level of development of smart cities and public transportation (*Exhibit 10*).

## Financial Statement Analysis

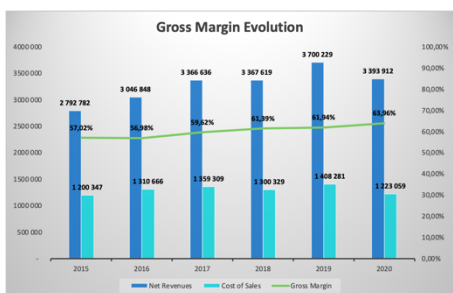
### Vertical & Horizontal Analysis

One of the reasons for which the Luxury Industry is quite attractive for entrepreneurs is the high Margin rates it can provide to Companies in the sector. Even though in fact the manufacturing costs are high, due to the excellent quality of the raw materials employed, the know-how of workers required, and the technologies needed, the premium prices that Companies can charge for their products can offset the expenses. Relying on the brand image and reputation Ferrari's Management defines prices much more according to the analysis of the demand, as previously seen, than by a cost-benefit analysis.

Considering Ferrari's Core Gross Margin, then it is possible to note that it has been experiencing an increasing trend, going from 57,02% in 2015 to 61,39% in 2018, driven by constantly increasing revenues in both the segments Cars and Spare parts, growing at



**Exhibit 10**  
Source: Ferrari Annual Reports



**Exhibit 11**  
Source: Team Estimation

an average of 6,89% in the period, and Sponsorship, Commercial and Brand, growing at an average of 4,74%.

Thanks to a lower relative growth rate of Cost of Sales, Ferrari manages to increase its profitability and in 2020, even though the Company experienced a fall in Net Revenues, common to all the segments covered, also manufacturing costs decreased, since the production stopped for the whole lockdown period. Consequently, the Core Gross Margin resulted in a constant increase also in the last year, going from 61,95% in 2019 to 63,96% in 2020 (*Exhibit 11*).

Moving the analysis to the EBIT Margin, the observable trend is similar: thanks to constant Operating Costs, such as Selling Costs, reducing revenues in the last 5 years on average for 5,1%, with a Standard Deviation of 0,42%, General and Administrative Costs, affecting revenues on average for 5% since 2015, with a Standard Deviation of 0,63%, Research and Development, on which an average 15,93% of revenues is devolved, with a Standard Deviation of 0,61%, the EBIT Margin kept increasing until 2019, as revenues were increasing, and fell only during 2020, going from 24,78% in 2019 to 21,02% in 2020 (*Exhibit 12*).

Lastly considering the Comprehensive Income Margin, the pattern changes a bit. In 2018 the Company entered an agreement with the Italian Revenues Agency in relation to the Patent Box Regime which led to a decrease of 92,2% of Tax expense accounting for the year, moving from 27,98% in 2017 to 2,03% in 2018, ultimately increasing the Comprehensive Income Margin from 15,96% to 23,36% in 2018. In 2020 the Effective Tax Rate was equal to 9,45%, and the Company presented a Comprehensive Income Margin of 17,94% (*Exhibit 13*).

## Revenues

Overall, until 2018 revenues were growing double digit providing excellent result to Shareholders. In 2018 though, revenues decreased in terms of growth, signing only a +0,1%, due to a decrease in Cars and Spare parts, which went from a growth of 12,66% in 2017 to 3,23% in 2018, mainly because four models were in phase-out and new to be launched, but also due the decrease in the segment of Engines, which recorded a negative growth of 23,78% in the same year. In 2019 then, the new launches increased demand and revenues went back to a double-digit growth, signing a +10,12% (*Exhibit 14*).

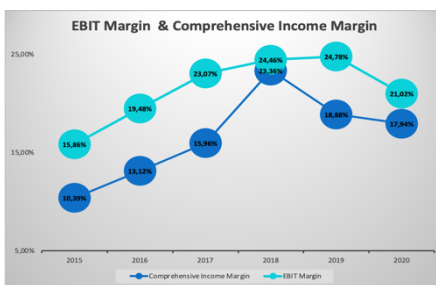
Ferrari serves more than 60 market worldwide, dividing, according to the Annual Report, commercial activities into four main regions:

1. **EMEA:** As mentioned before, in the region the Company incurs the majority of activities, and it is the one where, as seen previously, also most of the points of sales are present.

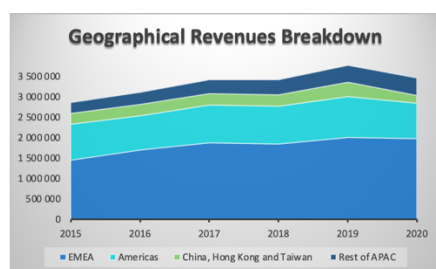
In terms of Market Share, the region has been experiencing a decreasing trend from 2015 until 2018, when it was only contributing to the 15% of the total Luxury



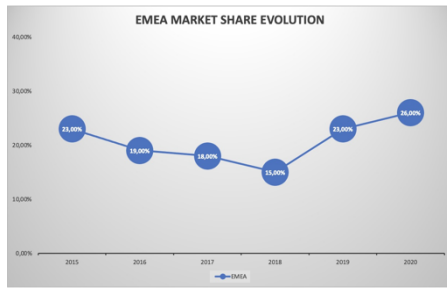
**Exhibit 12**  
Source: Team Estimation



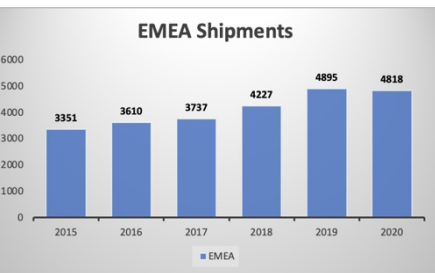
**Exhibit 13**  
Source: Team Estimation



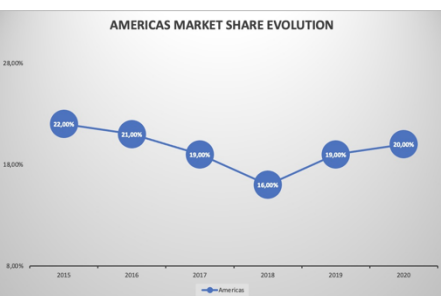
**Exhibit 14**  
Source: Ferrari Annual Reports



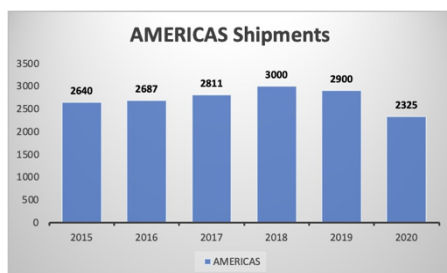
**Exhibit 16**  
Source: Ferrari Annual Reports



**Exhibit 17**  
Source: Ferrari Annual Reports



**Exhibit 18**  
Source: Ferrari Annual Reports



**Exhibit 19**  
Source: Ferrari Annual Reports

Performance Car Market shipments made during the year. Already in 2019, thanks to the impact of the introduction of a wide range of new models in various categories, the Company recovered all the losses (showing how sensitive the index is to the presentation of new models) and in 2020 managed to overturn the past performances and reach a Market Share of 26% in the region (*Exhibit 16*).

In a similar direction goes the evidence from the number of cars shipped.

The slow increase in shipments in the region ended in 2018, when the demand for the new presented products reached 4.227 cars, 13,11% more than the year before, when total shipments were equal to 3.737.

From 2019, as the new models' distribution kept providing its results, the number of shipments increased to 4895, growing of 15,8%, signing a double-digit growth from the second year in a row. In 2020, due to the pandemic, regional shipments decreased to 4818, reducing by 1,57% the previous year's value. Still, considering the reduction in shipments in 2020 and at the same time the increase in Market Share in the region, the Company proved less sensitive to downturns with respect to its competitors (*Exhibit 17*).

In terms of percentage of revenues, the region only, keeps accounting for most of the earnings, on average in the last five years for the 54,13% and the trend is increasing overtime. In 2020 it recorded revenues for € 1,98Billion, a decrease of 0,98% from last year, when it recorded € 2Billion. Compared the overall reduction of revenues for pandemic reason of 8,28%, the region exceeded the average.

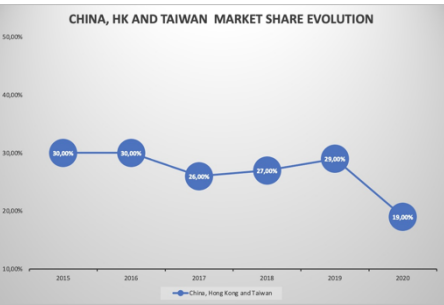
**2. Americas:** The second largest region in terms of revenues-contribution, points of sale and number of shipments, has recently seen a rapid growth of competition which led to a strongly decreasing trend in the Company's Market Share until 2018, going from having the 22% share in 2015 and arriving to only participating for the 16% in 2018 (*Exhibit 18*).

Still, in terms of Shipments the year saw an absolute growth of 6,72%, also result of the opening two more points of sales during the year in USA, leading to an increase of Shipments toward the region of 189 cars. representing a growth of 6,72% in the same year (*Exhibit 19*).

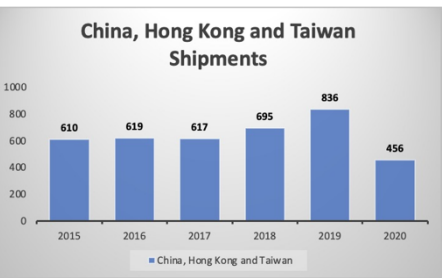
The region's contribution to the Company's overall revenues is decreasing overtime and in the last year shipments felt even more, touching a record of -19,83% compared to 2019, dragging revenues down from € 1Billion to € 856Million, signing a -15,21%, for a total revenue's contribution falling from 26,82% to 24,76%.

In 2020 anyway, the EMEA's pattern is confirmed with a decrease in number of cars shipped, but an increase in Market Share, a sign of lower impact from Covid-19 compared to peers.

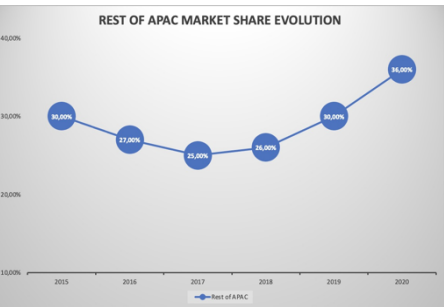
**3. China & Hong Kong:** The Mainland China, Hong Kong, and Taiwan region accounted on average for 8,15% of Ferrari's net revenues from 2015 to 2020. While in 2019 the region registered the highest revenue's growth worldwide, recording a



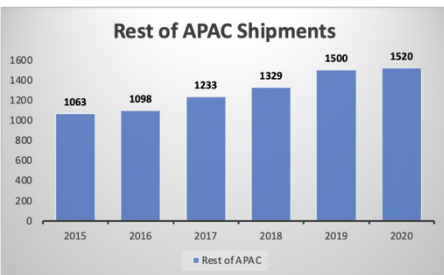
**Exhibit 20**  
Source: Ferrari Annual Reports



**Exhibit 21**  
Source: Ferrari Annual Reports



**Exhibit 22**  
Source: Ferrari Annual Reports



**Exhibit 23**  
Source: Ferrari Annual Reports

+27,73%, increasing the revenue's share to 9,30% but in 2020 it fell to 5,52%, mainly due to Covid-19 and political tension in the Chinese Market.

In terms of Market Share, the region had an average of 26,83% between 2015 and 2020, in a quite constant overtime.

Ferrari registered a big fall in 2017, when the closing 4 points of sales in the region caused a decrease in Market Share from 30% to 26%, representing a negative growth of 13,33% (*Exhibit 20*).

Still, the increase in number of shipments of the following two years led the Company to recover and arrive at a Market Share of 29% in 2019.

Lastly, the region is the only one in which in 2020 Ferrari experienced a decrease in Market Share, meaning a greater impact of the pandemic on the Company, when compared to the industry.

Counting for very few numbers of cars shipped, the region's revenues in the last years has been slowly increasing until 2019. Still due to the pandemic in 2020 the region's shipments registered a negative growth equal to 45,45% (*Exhibit 21*).

- Rest of APAC:** The region accounted on average for 10,49% of Ferrari's net revenues from 2015 to 2020, constantly increasing overtime, with a CAGR of 8,55%. Also in 2020, revenues' share of the region to the total increased by 6,37% from the previous year, arriving at a total of € 431Million, a record for the region, which in the year contributed for 12,47% of Ferrari's revenue share.

In terms of Market Share, after a continuous decrease until 2017, a double-digit growth happened in 2019, when the Company managed to arrive at a Market Share of 30% of the total shipments of the industry in the region, increasing the value from the year before by 15,38%. Also in 2020, Ferrari experienced a great increase in its Market Share, reaching 36% and signing for the second year in a row a double-digit growth, equals to 20%, a further sign of the lower impact of the pandemic on the Company, when compared to its peers (*Exhibit 22*).

As also seen previously, the patterns of the Company Market Share and of the number of cars shipped is not always the same. In the region in fact, while the Market Share was decreasing in the period 2015 – 2017, Shipments were instead slightly, but constantly, increasing overtime, with a peak in 2017, registering a growth of 12,29%.

Lowering only in 2018, region's shipments will recover around the mean, that is 14,68%, already in 2019 and will end up with a unit shipped share of 16,67% in 2020, in line with the Board's strategy (*Exhibit 23*).

## Costs



**Exhibit 24**  
Source: Team Estimation

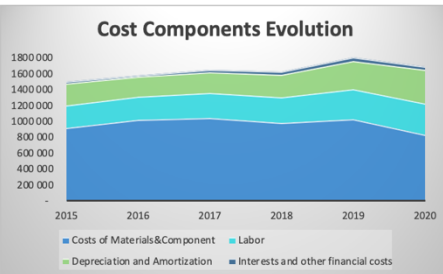
As seen when discussing the Gross Margin, Cost of Sales have been proven to be a quite stable percentage of the Net Revenues overtime, reducing them on average by the 39,85% over the last five years, in a decreasing trend until 2020.

Apart from the Depreciation, which the Company includes in the Cost of Sales and has seen a constant increase, in line with the increase in Property, Plant and Equipment, of which it represented on average the 36,5%, Cost of Sales are mainly composed by Cost of Material & Components, on average the 59,18% of total Cost of Sales. From the 2018 contribution of 60,16%, in the last two years its portion has been decreasing and in 2020, in particularly due to the temporary suspension of the activities because of Covid-19, it felt to 49,41% (*Exhibit 24*).

What grew the most in costs over the last year has been the Labor Costs, as Ferrari managed to keep retributing its employees during the entire year.

In this sense, even if not really increasing in absolute value, going from € 385Million to € 289Million, the contribution of those kind of costs to the overall Cost of Sales increased to 23,12% in 2020, against an average of the last five year of 20,17%.

Moreover, by looking at the number of employees working for the Company overtime, the increase is quite interesting. In the last five years in fact, the Company's workers raised at on average at 8,79% annually, with positions filled in all the hierarchy, a sign of overall expansion (*Exhibit 25*).



**Exhibit 25**  
Source: Team Estimation