BLUEGRASS CAPITAL RESEARCH

Keegan Deters | *Analyst*
Consumer Discretionary | *Auto Manufacturing*
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Ferrari N.V.

$RACE to the Top

Investor sentiment regarding Ferrari has been negative since a large turnaround in October 2025 when Ferrari provided their 2030 revenue projections. These projections worried investors as they underperformed consensus expectations. Ferrari estimated around €9 billion in revenue for 2030 compared to the more aggressive consensus estimate of €10 billion which led to a single-day drop in share price of 14%. We believe that the market overreacted to conservative guidance and that the resulting valuation disconnect presents a compelling entry point. **We recommend a BUY rating on $RACE with a price target of $478.**

Thesis Point 1 Since its separation from Fiat Chrysler through IPO in 2016, Ferrari's management has consistently issued conservative guidance, beating it by an average of 3.24% over the past 10 years. This track record is validated in multiples as well; prior to FY 2025, Ferrari's EV/EBITDA traded in the 26-31x range, now sitting at 21x. This compression, alongside continuous EBITDA and EBIT margin growth over the last 5 years (+1.96% and +4.01% CAGR respectively) signals a clear valuation discount, further reflected in the P/E ratio, which has historically been between 45-50x as $RACE has traditionally commanded a premium to automotive peers. The stock now trades around 35x despite beating FY 2025 revenue guidance by 2.1%, or €150 million.

Thesis Point 2 Ferrari's decision to recalibrate its electrification mix has received significant criticism from investors, contributing to the October 2025 selloff. The company revised its 2030 EV target from 40% of the lineup down to 20%, preserving 40% for internal combustion engines. We believe this decision is more defensible than the market has given credit for.

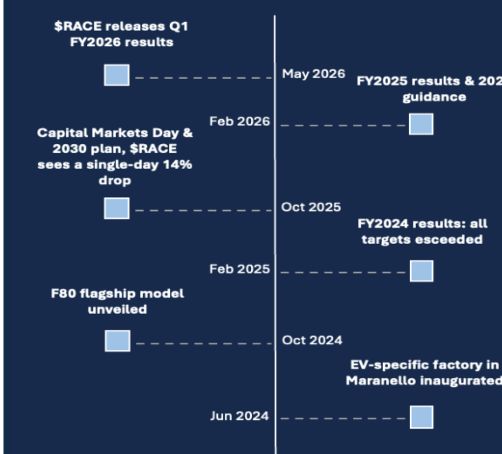
Recent industry trends demonstrate that automotive manufacturers who aggressively pursue EV production risk either eroding sales in an underdeveloped market or misallocating capital toward R&D at the expense of shareholder returns. This is seen by manufacturers such as Porsche who had a more aggressive approach to EV integration, stating that they wanted 80% of their lineup to be all electric by 2030 and suffered severe margin degradation, now having to pivot due to a lack of demand and a massive €3.9 billion restructuring burden recognized during FY 2025. This forced Porsche to take an approach that abandons the strict 80% figure in favor of an approach that aligns with consumer demand. With uncertain EV demand and the cost of development, we believe that Ferrari's slow, conservative implementation of EVs into their lineup is a deliberate risk management decision and de-risks the equity profile. Ferrari's measured approach to electrification positions the company to avoid the capital misallocation that has weighed on peers, supporting a more durable margin profile as the industry transition plays out.

Company Overview Ferrari is to most, the pinnacle of the automotive world, founded as a racing team named Scuderia Ferrari in 1929 before manufacturing road cars beginning in 1947. Ferrari designs, develops, manufactures, and sells exclusive, sometimes one-off, track and luxury supercars. Ferrari operates using artificial scarcity and relies on their prestige and exclusivity marketing to maintain a business model where demand consistently outpaces production capacity. Ferrari's founder, Enzo Ferrari, had a mantra stating that the company should always deliver one less car than the market demands. As a result, they already have

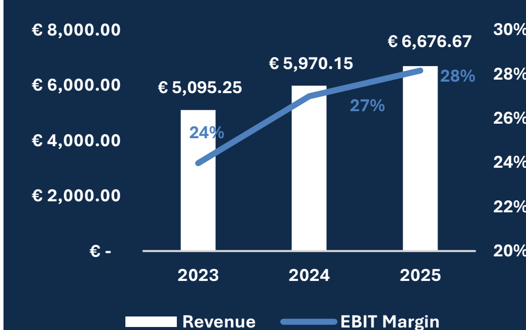
TICKER:	$RACE
RATING:	BUY
PRICE:	$322.05
PRICE TARGET:	$478.00
MARKET CAP:	$57.33bn
52-W RANGE:	$312.76 - $522.91
NTM P/E:	24.34x
IMPLIED UPSIDE:	48.46%

1 Year Price History

Recent Events Timeline



EBIT Margin with Annual Revenue



a fully allocated backlog which covers production through 2027. The primary target demographic is Ultra-High-Net-Worth individuals between the ages of 40-60.

Risk 1 Ferrari faces geopolitical risk through delayed MEA shipments due to tensions in the Middle East and blockage of the Strait of Hormuz and Red Sea. The MEA region represents only 5% of total units but 20% of car and spare parts revenue, as buyers there typically opt for high-level customization. Air freight alternatives raise costs 4-5x, and continued disruption could create meaningful distortions in short-term reported revenue.

Risk 2 Ferrari's first full BEV, the Luce, debuts May 25, 2026 into a market with virtually no existing demand for ultra-high-end exotic EVs. Should the vehicle underperform, the €4.4 billion in cumulative capex from the 2022-2026 strategic plan would be underutilized, including €200 million for the Maranello EV facility and €253 million in Q1 2026 R&D alone, both creating a drag on Ferrari's 39%+ gross margins.

Catalyst 1 Ferrari is using the F80 as a financial buffer to stabilize revenue through FY 2026. All 799 units are sold out at a base price of €3.6 million, with heavily optioned configurations commanding significantly more. By intentionally staggering deliveries, Ferrari can actively manage quarterly cash flow recognition, and HSBC analysts estimate every 10 F80s delivered contributes 1% of EBIT, giving Ferrari a reliable mechanism to maintain or boost margins well ahead of recognition.

Catalyst 2 Ferrari maintained a leading EBITDA margin of 39.1% in Q1 2026. If sustained, this positions $RACE to be valued closer to an ultra-high-end luxury goods manufacturer such as Hermès (avg 46.5% over 5 years) or LVMH (avg 28.2% over 5 years) rather than a premium automotive manufacturer, demanding a re-rating toward luxury goods multiples.

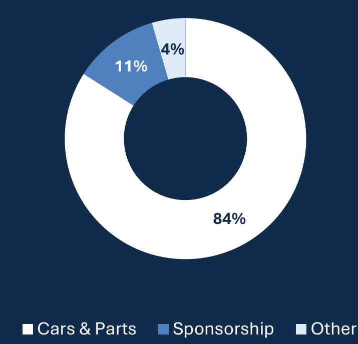
Valuation

DCF Analysis (€mm)	FY2025 12/31/2025	FY2026 12/31/2026	FY2027 12/31/2027	FY2028 12/30/2028	FY2029 12/30/2029	FY2030 12/30/2030	FY2031 12/31/2031
Revenue	7,146	7,655	8,202	8,724	9,211	9,653	10,041
Revenue Growth	*7%*	*7%*	*7%*	*6%*	*6%*	*5%*	*4%*
Auto Manufacturing	7,004	7,500	8,033	8,541	9,015	9,445	9,823
Finance Div. Revenue	142	155	169	183	196	208	218
EBIT	2,104	2,350	2,477	2,739	3,003	3,263	3,514
EBIT Margin	*29%*	*31%*	*30%*	*31%*	*33%*	*34%*	*35%*
Tax Expense	464	540	545	609	676	742	808
Effective Tax Rate	*22%*	*23%*	*22%*	*22%*	*23%*	*23%*	*23%*
NOPAT	1,639.85	1,810.00	1,932.01	2,129.74	2,327.06	2,520.42	2,706.08
D&A	336	370	410	425	438	446	452
Capex	485	550	574	600	622	640	653
Changes in NWC	196	200	246	240	230	217	201
UFCF	1,294	1,430	1,522	1,715	1,913	2,110	2,304
PV of FCF		1,400	1,409	1,481	1,540	1,584	1,613

Our base DCF case assumes revenue growth at a CAGR of 5.8% through FY2031 along with EBIT margins expanding from 29% to 35% over the projection period. This revenue growth is largely impacted by their lineup transitions and high-margin personalization. Their EBIT margin expansion is an ongoing trend being continued due to their strategic cash flow recognition with their flagship model.

Conclusion We rate $RACE a Buy with a price target of $478, implying 48% upside. The market's overreaction to conservative FY2030 guidance has created a meaningful valuation disconnect for a company with a decade-long track record of guidance beats, a fully allocated backlog through 2027, and continued margin expansion.

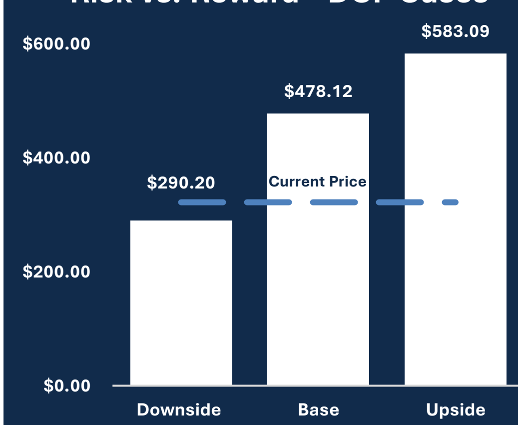
Revenue Breakdown



Terminal Value	
Exit Multiple Method	
2034 EBITDA	€ 3,966.24
EV/EBITDA Exit Multiple	26.0x
Terminal Value	€ 103,122.20
PV of Terminal Value	€ 72,194.15
PV of Projection Period	€ 9,027.53
PV of Terminal Value	€ 72,194.15
Implied TEV	**€ 81,221.69**
(-) Debt	€ 2,884.22
(+) Cash	€ 1,410.71
Implied Equity Value	€ 79,748.18
Diluted Shares Outstanding	194
Implied Share Price (EUR)	€ 411.24
EUR/USD Rate	1.16
Implied Share Price (USD)	**$ 478.12**
Upside/Downside	48.5%

Football Field Valuation Range

Risk vs. Reward - DCF Cases



Income Statement ($mm)	**2025A**	**2026E**	**2027E**	**2028E**	**2029E**	**CAGR%**
Revenue	7,146	7,655	8,202	8,724	9,211	6.6%
EBITDA	2,440	2,720	2,887	3,164	3,440	9.0%
EBIT	2,104	2,350	2,477	2,739	3,003	9.3%
NOPAT	1,640	1,810	1,932	2,130	2,327	9.1%

Margin & Growth Data	**2025A**	**2026E**	**2027E**	**2028E**	**2029E**	**AVG%**
EBITDA Margin	34.1%	35.5%	35.2%	36.3%	37.4%	35.7%
EBIT Margin	29.4%	30.7%	30.2%	31.4%	32.6%	30.9%
Revenue Growth	7.0%	7.1%	7.1%	6.4%	5.6%	6.6%
EBIT Growth	11.9%	11.7%	5.4%	10.6%	9.6%	9.8%

Valuation Metrics	**2025A**	**2026E**	**2027E**	**2028E**	**2029E**	**AVG%**
P/FCF	46.6x	42.2x	39.6x	35.2x	31.5x	39.0x
EV/Sales	8.6x	8.1x	7.5x	7.1x	6.7x	7.6x
EV/EBITDA	25.3x	22.7x	21.4x	19.5x	18.0x	21.4x
FCF Yield	2.1%	2.4%	2.5%	2.8%	3.2%	2.6%

Comparable Companies

$mm

Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM
Mercedes-Benz Group AG (XTRA:MBG)	$60,965	$159,630	9.1x	$156,078	$13,231
Aston Martin Lagonda Global Holdings plc (LSE:	$616	$2,509	-2.3x	$1,708	$126
Bayerische Motoren Werke Aktiengesellschaft (X	$58,937	$173,509	7.7x	$157,541	$18,583
Volkswagen AG (XTRA:VOW3)	$54,285	$308,556	4.4x	$380,018	$28,677
Ferrari NV (XMIL:RACE)	$63,055	$64,797	28.2x	$9,808	$3,303

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margi	EBIT Margin	1 Yr Rev Growth Rate LF
Mercedes-Benz Group AG (XTRA:MBG)	12.1x	16.1%	8.5%	4.4%	(9.2%)
Aston Martin Lagonda Global Holdings plc (LSE:	20.0x	29.0%	7.4%	(15.0%)	(20.4%)
Bayerische Motoren Werke Aktiengesellschaft (X	9.3x	15.4%	11.8%	7.7%	(6.3%)
Volkswagen AG (XTRA:VOW3)	10.8x	15.9%	7.5%	2.8%	(0.9%)
Ferrari NV (XMIL:RACE)	19.6x	51.7%	33.7%	29.5%	7.0%

High	19.96x	51.7%	33.7%	29.5%	7.0%
75th Percentile	19.61x	29.0%	11.8%	7.7%	(0.9%)
Average	14.35x	25.6%	13.8%	5.9%	(6.0%)
Median	12.06x	16.1%	0.0%	4.4%	(6.3%)
25th Percentile	10.76x	15.9%	7.5%	2.8%	(9.2%)
Low	9.34x	15.4%	7.4%	(15.0%)	(20.4%)

Ferrari NV (XMIL:RACE)		
Implied Enterprise Value (25th Percentile)	$	35,544
Implied Enterprise Value (Median)	**$**	**39,855**
Implied Enterprise Value (75th Percentile)	$	64,797
Implied Share Price (25th Percentile)	$	175.69
Implied Share Price (Median)	**$**	**197.92**
Implied Share Price (75th Percentile)	$	326.54

Weighted Average Cost of Capital ($mm)	
Market Risk Premium	4.33%
Beta	0.79
Risk Free Rate	4.60%
Cost of Equity	6.78%
Weighted Average Cost of Debt	3.63%
Tax Rate	22.00%
Cost of Debt	0.44%
Total Equity	€ 60,310.21
Total Debt	€ 1,473.51
Equity/Total Capitalization	84.39%
Debt/Total Capitalization	15.61%
WACC	7.22%

Downside Case: Our downside case applies an 18x EV/EBITDA multiple, assuming continued geopolitical pressure. Revenue growth slows to 3.5% through FY2031, with EBIT margins remaining flat at 29.4%. This scenario yields a price target of $290.

Upside Case: Our upside case applies a 30x EV/EBITDA multiple, assuming Ferrari's BEV rollout proceeds smoothly. Revenue growth begins at 8% and normalizes to 4.5% by FY2031, with EBITDA margins expanding to 36%. This scenario yields a price target of $583.