



FERRARI N.V.

NYSE: RACE

Wealth Preservation Equity Research

Report Date: 15 March 2026 | Analyst: Moschovakis Capital Research

BUY

at current price \$331.86

Current Price: \$331.86
Fair Value (Base): \$399
Margin of Safety: +16.8%

WP Score: 78 / 100
Expected Return (Base): 10.5% CAGR
Bear Case Return: +3.4% CAGR

ONE-LINE THESIS:

The world's most iconic luxury brand with fortress financials, 29.5% EBIT margins, and 22%+ ROIC, now trading near 52-week lows at ~31.5x P/E — well below its 5Y average of ~42x — with +16.8% margin of safety.



EXECUTIVE SUMMARY

Metric	Value	Metric	Value
Recommendation	BUY	WP Score	78 / 100
Current Price	\$331.86	Downside Protection Score	75 / 100
Fair Value (Base Case)	\$399	Quality Score	86 / 100
Margin of Safety	+16.8%	Risk Level	LOW
Position Size	Full (Standard)	Prob. of >50% Loss	<3%
52-Week Range	\$328 — \$519	Recession Profile	RESILIENT

Return Profile

Metric	Value
Dividend Yield	1.03% (\$3.43 / \$331.86)
Expected Dividend Growth	12—15% CAGR
Expected Price Appreciation (Base)	9.1% CAGR
Total Expected Return (Base)	10.5% CAGR
Bear Case Total Return	+3.4% CAGR
Bull Case Total Return	+17.0% CAGR
Probability-Weighted Return	10.4% CAGR

INVESTMENT THESIS

Ferrari is not an automaker — it is the world's most powerful luxury brand that happens to make cars. With production deliberately capped below demand (~13,600 units annually), gross margins above 51%, and EBIT margins approaching 30%, Ferrari operates with profitability metrics that rival the finest luxury houses in the world. The company's ROIC of 22%+ significantly exceeds its ~9.5% WACC, confirming genuine economic value creation year after year.

For the wealth preservation mandate, Ferrari checks virtually every box: fortress balance sheet (D/E 0.74x, interest coverage ~115x), consistent and growing dividends maintained even through COVID-19, and a business model with exceptional recession resilience — revenue declined just 8% in 2020 despite a 7-week factory shutdown. The bear case preserves capital with a positive +3.4% CAGR, and the probability of permanent capital loss is negligible given the brand's durability and financial strength.

At \$331.86, Ferrari trades at ~31.5x trailing earnings — a significant discount to its 5-year average P/E of ~42x and its 10-year average of ~38x. The stock has declined ~36% from its July 2025 all-time high of ~\$519 and sits just \$4 above its 52-week low. With FY2025 results showing continued margin expansion (EBIT margin 29.5%, up 120bps YoY), revenue growth of 7% to \$8.3B, and industrial free cash flow surging 50% to \$1.8B, the fundamentals are improving while the price has compressed. This creates the exact asymmetric setup the WP framework targets: limited downside, meaningful upside, and a +16.8% margin of safety to our base-case fair value of \$399.

1. SECTOR & THEME IDENTIFICATION

Screening Question	Answer	Assessment
Understandable business?	Yes — luxury goods / ultra-premium automotive	PASS
Secular decline?	No — luxury demand structurally growing	PASS
Defensive or Cyclical?	Luxury defensive (low beta 0.63)	PREFERRED
Sector tailwinds?UHNW population growth, personalization trend, scarcity premium		FAVORABLE
Sector valuation vs. history?	Luxury sector near 5Y lows after 2025 correction	FAVORABLE

Sector Verdict: CONTINUE. Ferrari operates in the ultra-luxury segment, which behaves more like a luxury goods company (comparable to Hermes, LVMH) than a traditional automaker. The sector is defensive by nature — ultra-high-net-worth demand is structurally insensitive to economic cycles. Ferrari's beta of 0.63 confirms this empirically. Key tailwinds include global UHNW population growth, increasing appetite for personalization (which now drives significant revenue per unit uplift), and the scarcity-driven brand model that ensures demand perpetually exceeds supply.

2. FINANCIAL FORTRESS ANALYSIS

2.1 Solvency Check

Metric	Value	Threshold	Assessment
Debt-to-Equity	0.74x	<1.0x	PASS
Interest Coverage (EBIT/Interest)	~115x	>5.0x	PASS (Exceptional)
Current Ratio	2.45x	>1.5x	PASS
Cash / Total Debt	~48% (\$1.62B / \$3.37B)	>20%	PASS
FCF Positive (5Y)	5 / 5	5 / 5	PASS
Debt Maturity Cliff?	No — well-laddered	No cliff >30%	PASS

Solvency Verdict: FORTRESS. Ferrari's balance sheet is among the strongest in the global automotive/luxury sector. D/E of 0.74x has improved dramatically from its 10-year median of 1.30x, reflecting disciplined deleveraging. Interest coverage of ~115x is extraordinary — the company could service its debt obligations more than 100 times over from operating profits alone. Total debt stands at \$3.37B against \$1.62B in cash, with operating cash flow of \$2.73B providing massive debt servicing headroom. In a 30% revenue decline stress test, Ferrari would remain comfortably solvent, able to service all debt, and likely maintain its dividend.

2.2 Earnings Quality

Earnings Quality: HIGH. Operating cash flow (\$2.73B TTM) significantly exceeds net income (\$1.88B TTM), demonstrating exceptional cash conversion. FY2025 industrial free cash flow surged 50% to \$1.77B. There are no signs of aggressive revenue recognition, no financial restatements in the company's history, and receivables growth has tracked in line with revenue. Ferrari's earnings are among the highest quality in the consumer discretionary universe.

2.3 Profitability Metrics

Metric	FY2023	FY2024	FY2025	5Y Avg	Trend
Gross Margin	49.8%	50.1%	51.7%	~50%	Improving
Operating Margin (EBIT)	27.1%	28.3%	29.5%	~26%	Improving
Net Margin	21.1%	22.9%	22.4%	~21%	Stable/Improving
EBITDA Margin	38.2%	38.3%	38.8%	~37%	Improving
FCF Margin	~13%	~15%	~21.5%	~15%	Improving
ROIC	~19%	~22%	~22.6%	~20.5%	Improving

ROIC: 22.6% vs. WACC: 9.5% | Trend: Improving | Verdict: EXCEPTIONAL VALUE CREATOR. Ferrari generates returns on invested capital that are more than double its cost of capital, confirming a deep and durable competitive moat. All margin metrics are trending favorably, with EBIT margin expanding 120bps in FY2025 and gross margin exceeding 51% for the first time. Revenue per unit of \$8.3B / 13,640 units = ~\$609K average selling price. This is luxury goods profitability, not automotive profitability.

2.4 Dilution Check

Dilution Assessment: EXCELLENT. Ferrari has been a consistent net buyer of its own shares. The company completed a \$2.3B buyback program in 2025 and has launched a new \$4.0B program (first \$290M tranche actively being executed as of March 2026). Shares outstanding stand at ~188.65M and declining. Stock-based compensation is modest relative to net income. Management is clearly aligned with shareholder value creation.

3. DIVIDEND ANALYSIS

Metric	Value	Assessment
Annual Dividend	\$3.43 per share	Paid annually (April/May)
Current Yield	1.03%	Low — growth story
Payout Ratio (EPS)	~33%	Excellent (<60%)
Payout Ratio (FCF)	~39%	Excellent (<70%)
Dividend Growth (5Y CAGR)	~21.5%	Exceptional
Consecutive Years Paid	9 years (every year since 2016 IPO)	Growing track record
Maintained Through COVID-2020?	Yes — increased 8%	STRONG
Dividend Coverage (FCF/Div)	>2.5x	Well covered

Dividend Sustainability: ROCK SOLID. While the current yield of 1.03% is low in absolute terms, Ferrari's dividend policy is exceptional for wealth preservation purposes. The payout ratio of ~33% provides enormous cushion — even if earnings dropped 50%, the dividend would remain covered. Ferrari maintained and actually increased its dividend during COVID-2020 (to \$1.30/share, up 8% YoY), demonstrating management's commitment to shareholders even under extreme stress. The 21.5% five-year dividend CAGR means the income stream is compounding rapidly; at this growth rate, the yield-on-cost doubles approximately every 3.5 years. At 12-15% forward growth, an investor buying today at \$332 would see a yield-on-cost of ~2.5-3.0% within five years.

Stress Test: If earnings dropped 40%, the payout ratio would rise to ~55% — still well within sustainable territory. Dividend coverage would remain above 1.5x. **Assessment: ADEQUATE even under severe stress.**

4. VALUATION ANALYSIS

4.1 Relative Valuation

Metric	Current	5Y Avg	10Y Avg	Percentile	vs. History
P/E (TTM)	~31.5x	~42x	~38x	~15th	Well Below Avg
EV/EBITDA	~24.5x	~30x	~28x	~20th	Below Average
P/FCF	~29x	~45x	~40x	~15th	Well Below Avg
Dividend Yield	1.03%	0.65%	0.60%	~90th	Above Average
P/S	~7.5x	~9.5x	~8.5x	~20th	Below Average

Ferrari's valuation has compressed dramatically from its July 2025 peak (~\$519, ~50x+ P/E) to the current \$332 (~31.5x P/E). On every single metric, the stock is now trading well below its 5-year average multiples and in the bottom quartile of its historical range. The 52-week range of \$328-\$519 confirms the stock is near cycle lows. This is exceptional given the fundamentals are simultaneously improving — FY2025 showed margin expansion, revenue growth, and a 50% surge in free cash flow.

4.2 Fair Value Calculation (USD)

Approach	Inputs	Fair Value
Normalized EPS x Conservative P/E	EPS \$10.52 x 35x	\$368
Normalized EPS x Base P/E	EPS \$10.52 x 38x (10Y avg)	\$399
Normalized EPS x 5Y Avg P/E	EPS \$10.52 x 42x	\$442
EV/EBITDA based	EBITDA \$3.2B x 28x avg - net debt	~\$420
Analyst Consensus Target	10 analysts avg	\$488

Fair Value Range: \$368 — \$442 | Base Fair Value: \$399

Current Price: \$331.86

Margin of Safety to Base FV (\$399): +16.8%

Margin of Safety to Conservative FV (\$368): +9.8%

Valuation Verdict: ATTRACTIVE. At ~31.5x P/E, Ferrari is trading below its 10-year average multiple for the first time in years, despite improving fundamentals. Every approach to fair value yields a number meaningfully above the current price. Even using a conservative 35x P/E (well below historical averages), the stock offers ~10% upside. Using the 10-year average multiple of 38x, the margin of safety is +16.8%. Analyst consensus at \$488 implies ~47% upside, though we use more conservative estimates. The valuation setup strongly favors entry at current levels.

5. QUALITATIVE DEEP DIVE

5.1 Competitive Moat Assessment

Moat Type	Evidence	Durability (1-10)	Preservation Value
Brand Power	Strongest automotive brand globally; 77+ years of F1 heritage	10	Excellent
Artificial Scarcity	Production capped ~14K units; demand 2-3x supply	9	Excellent
Switching Costs	Loyal client base; 70%+ sales to existing owners	8	Excellent
Pricing Power	ASP >\$550K; consistent price increases absorbed	9	Excellent
Network Effects	Ferrari owner community; events, lifestyle, museums	7	Good

Primary Moat: Brand Power + Artificial Scarcity — Durability: 10/10. Ferrari's moat is arguably the most durable in the entire equity universe. The brand is the product of 77+ years of Formula 1 racing heritage, cultural iconography, and deliberate scarcity. Unlike most luxury goods, where competitors can gradually erode market share through quality improvements, Ferrari's competitive position is reinforced by its history — a resource that compounds with time and cannot be replicated. The company sold 6 new models in 2025 including the Amalfi Spider, with bookings for the Amalfi already stretching into 2027, confirming the demand/supply imbalance remains intact.

Moat Erosion Risk: VERY LOW. The primary risk to Ferrari's moat would be a catastrophic brand impairment event. None appear likely under current management. The EV transition is being executed proactively — Ferrari's first full-electric sports car launches May 2026, maintaining the scarcity-based pricing model. CEO Vigna stated the approach is powertrain-agnostic: maximum client choice between ICE, hybrid, and electric.

5.2 Management Quality & Capital Allocation

CEO: Benedetto Vigna (since Sep 2021, ~4.5 years). Under his leadership, EBIT margins expanded from ~24% to 29.5%, free cash flow surged 50% in 2025, and the company executed a disciplined \$2.3B buyback while investing in electrification and digital capabilities.

Capital Allocation (5Y)	Assessment
Dividend Growth	Consistent annual increases; 21.5% 5Y CAGR
Buybacks	\$2.3B completed; \$4.0B new program launched Dec 2025
Acquisitions	None — organic growth only (excellent for preservation)
CapEx	\$5.4B planned 2026-2030; new models, paint shop, EV development
Debt Management	D/E reduced from 1.30x to 0.74x over 5 years

Management Quality: EXCELLENT. Capital Allocation Track Record: STRONG. No red flags. No empire-building acquisitions, no dilutive equity raises, no dividend cuts. Ferrari recently announced a partnership with IBM and an agreement to supply power units to Andretti Formula Racing from 2026 — both strategically sound, low-risk initiatives.

5.3 Recession Performance History

Event	Revenue Impact	EPS Impact	Dividend Action	Stock Drawdown	Recovery
COVID-2020	-8.1%	-22% (FY)	Increased +8%	~35%	~6 months
2022 Market Selloff	Grew +19%	Grew +32%	Increased	~35%	~9 months
2025 Correction	Grew +7%	Grew +6%	Increased	~36% (ongoing)	In progress



Recession Profile: RESILIENT. Ferrari's 2020 performance was remarkable. Despite a 7-week complete production shutdown, revenue declined only 8.1% vs. an auto industry average of 15-25%, and the company increased its dividend. The ultra-wealthy client base is structurally insulated from typical consumer downturns — the waiting list for most models exceeds 2 years, providing an enormous demand buffer. The stock has never had a drawdown exceeding 36% since its 2016 IPO, and every drawdown has fully recovered within 6-12 months.

6. SCENARIO ANALYSIS & TOTAL RETURN MODEL

6.1 10-Year Total Return Model (All USD, from \$331.86 entry)

Component	Bear Case	Base Case	Bull Case
Revenue CAGR	2%	6%	9%
EPS CAGR	3%	8%	12%
Terminal P/E	25x	35x	45x
10Y EPS	\$14.14	\$22.70	\$32.65
10Y Price Target	\$354	\$795	\$1,469
Cumulative Dividends	~\$55	~\$75	~\$95
Total Value per Share	~\$409	~\$870	~\$1,564
Total Return CAGR	+3.4%	+10.5%	+17.0%

6.2 Probability-Weighted Expected Return

Scenario	10Y Price Target	Total CAGR	Weight	Contribution
Bear	\$354	+3.4%	25%	+0.9%
Base	\$795	+10.5%	50%	+5.3%
Bull	\$1,469	+17.0%	25%	+4.3%
EXPECTED		10.4% CAGR	100%	10.4%

The probability-weighted expected return of 10.4% CAGR comfortably exceeds the 7% hurdle rate and meaningfully outperforms the 4% HYSA alternative. Critically, even the bear case delivers a positive +3.4% CAGR, preserving capital in all modeled scenarios.

6.3 Downside Protection Analysis

Metric	Value
Bear Case Total Return (10Y CAGR)	+3.4% (Capital preserved)
Bear Case 10Y Price	\$354 (+6.7% above current)
Max Estimated Drawdown	~35-40% (based on historical pattern)
Probability of >50% Permanent Loss	<3%
Dividend Floor in Bear Case	Maintained (payout ratio rises to ~55%)
Balance Sheet Stress	D/E remains <1.0x even in recession

Critical Downside Check: PASS. The bear case preserves capital with a positive 3.4% CAGR. Even assuming revenue growth slows to 2%, margins compress modestly, and the P/E multiple contracts to 25x (well below any historical trough for Ferrari), the combination of dividend income and modest earnings growth still generates a positive real return. In the bear case, \$100 invested becomes ~\$140 over 10 years — ahead of inflation, though behind HYSA. This asymmetric profile is precisely what the WP framework demands.

7. PEER COMPARISON & QUALITY RANKING

Ferrari is best compared to ultra-luxury goods companies rather than traditional automakers. The relevant peer set includes Hermes, LVMH, and Porsche AG.

Metric	Ferrari	Hermes	Porsche AG	Best for WP
Debt/Equity	0.74x	~0.0x	~1.1x	Hermes
EBIT Margin	29.5%	~42%	~18%	Hermes
Dividend Yield	1.03%	~0.9%	~1.5%	Porsche
Payout Ratio	33%	~35%	~45%	Ferrari
ROIC	22.6%	~35%	~12%	Hermes
P/E	~31.5x	~45x	~18x	Porsche (value)
5Y Revenue CAGR	~13%	~17%	~8%	Hermes
Beta	0.63	~0.75	~1.1	Ferrari

Why Ferrari for Wealth Preservation: Ferrari offers the best combination of brand durability, balance sheet improvement trajectory, low systematic risk (beta 0.63), and current valuation opportunity among luxury peers. Hermes has superior margins and lower leverage but trades at a persistent 45x+ P/E. Porsche appears cheaper but carries higher cyclical risk and a weaker brand moat. Ferrari sits in the sweet spot — luxury-house quality at the most attractive relative valuation it has offered in years.

8. WEALTH PRESERVATION SCORING & DECISION

8.1 WP Quality Score (Stage 3)

Category	Metric	Points	Max
Balance Sheet	D/E 0.5-1.0x	10	15
Balance Sheet	Interest Coverage >8x (115x)	15	15
Balance Sheet	FCF positive 5/5 years	10	10
Income Reliability	Div yield <2% with <60% payout	8	15
Income Reliability	Div growth >5% CAGR (21.5%)	10	10
Income Reliability	Div history ~9 years	3	5
Capital Efficiency	ROIC >15% (22.6%)	10	10
Capital Efficiency	ROIC trend improving	5	5
Valuation	Trading <25th percentile of 5Y range	15	15
	TOTAL	86	100

8.2 Composite WP Score

Component	Score	Weight	Weighted
Downside Protection Score	75	45%	33.8
Return Adequacy Score (10.5% base)	85	30%	25.5
Quality Score	86	25%	21.5
COMPOSITE WP SCORE			78 / 100

WP Score: 78 / 100 — Excellent wealth preservation candidate; high conviction position (75+ threshold).

The Downside Protection Score of 75 reflects: bear case positive return (+15), D/E below 1.0x (+10), dividend maintained through 2020 (+10), max historical drawdown <40% (+10). The Return Adequacy Score of 85 reflects base case total return of 10.5% CAGR, well above the 7% hurdle.

8.3 Absolute Requirements Check

Requirement	Result	Status
Bear case total return >= 0%	+3.4% CAGR	PASS
Base case total return >= 7%	10.5% CAGR	PASS
Solvency assessment	FORTRESS	PASS
Dividend sustainability	ROCK SOLID	PASS
Prob. of >50% permanent loss <10%	<3%	PASS

All five absolute requirements are met. Ferrari qualifies as a BUY for the wealth preservation mandate. WP Score of 78 exceeds the 75+ threshold for a full-conviction, standard position size. The combination of fortress financials, improving business momentum, and the most attractive relative valuation in years creates a compelling entry opportunity.

9. RISK ASSESSMENT

Risk Category	Score (1-10)	Key Concern	Mitigation
Balance Sheet	2	Minimal — fortress	D/E declining, 115x coverage
Earnings Volatility	3	Modest — luxury cycles	Scarcity model buffers demand
Competitive Threat	2	Very low — unreplicable	77 years of heritage, F1
Regulatory Risk	4	EU emissions / EV mandates	EV launch May 2026; proactive
Management Risk	3	CEO tenure 4.5Y	Strong track record so far
Valuation Risk	3	Premium business = premium multiple	Near 5Y valuation lows
FX Risk	4	EUR-denominated business	Pricing power absorbs FX
Tariff Risk	3	US import tariffs on EU cars	\$200M headwind guided; manageable

Aggregate Risk Score: 3.0 / 10 (LOW). Ferrari's risk profile is exceptionally favorable for wealth preservation. The primary risk has been valuation, but the 36% price decline from ATH has substantially de-risked the entry point. Regulatory and FX risks are real but manageable given Ferrari's pricing power. The 2026 guidance (\$8.6B revenue, 39% EBITDA margin) signals continued confidence from management.

10. KEY METRICS SUMMARY

Metric	Value
Wealth Preservation Score	78 / 100
Fair Value Range	\$368 — \$442
Current Price	\$331.86
Margin of Safety to Base FV (\$399)	+16.8%
Expected Total Return (Base)	10.5% CAGR
Bear Case Return	+3.4% CAGR
Probability-Weighted Return	10.4% CAGR
Dividend Yield + Growth	1.03% + 12-15% CAGR
ROIC vs. WACC	22.6% vs. 9.5%
Probability of Permanent Loss	<3%

11. MONITORING CHECKLIST & EXIT TRIGGERS

Quarterly Review Checklist:

- Earnings vs. expectations (next report: May 6, 2026)
- Dividend maintained/increased (annual payment, typically April/May ex-date)
- Balance sheet metrics stable (D/E, interest coverage, FCF generation)
- Competitive position unchanged (order backlog, waiting list length, personalization revenue)
- Management guidance (2026: ~\$8.6B revenue, 39% EBITDA margin)
- EV launch progress (first full-electric debuting May 2026)
- Share buyback execution (\$4.0B program underway)

Exit Triggers:

Condition	Action
Dividend cut	Reassess immediately; likely sell
Debt/Equity rises >1.5x	Sell
ROIC falls below WACC (9.5%) for 2+ years	Sell
Bear case return turns significantly negative	Reduce / Sell
EBIT margin deteriorates below 22% for 2+ quarters	Reassess
Brand impairment event	Immediate review
Price reaches \$500+; forward return <5% CAGR	Trim / Take profits
Better opportunity with 10+ point higher WP Score	Replace

FINAL RECOMMENDATION

RECOMMENDATION: BUY at \$331.86

Current Price	\$331.86
Position Size	Full position (standard — WP Score 78)
Entry Strategy	Market order or limit at \$332; scale in on further weakness toward \$300
Fair Value (Base)	\$399 — 16.8% upside to fair value

Expected Outcome (10 years):

Metric	Base Case	Bear Case
Total Return CAGR	10.5%	+3.4%
Cumulative Return	~172%	~40%
\$100 Becomes	~\$272	~\$140
vs. HYS (4%): \$100 -> \$148	+\$124 outperformance	-\$8 underperformance

Downside Protection Summary:

Bear case preserves capital: YES (+3.4% CAGR)

Dividend provides income floor: YES (1.03%, growing 12-15% p.a.)

Balance sheet provides safety: YES (Fortress — D/E 0.74x, 115x interest coverage)

Recession resilience demonstrated: YES (2020: -8% revenue, dividend increased)

ANALYST NOTES

Key Assumptions:

- Base case assumes 8% EPS CAGR (below recent 12-20% growth) — conservative
- Terminal P/E of 35x assumes meaningful multiple compression from 5Y avg of 42x — conservative
- Dividend growth of 12-15% assumes deceleration from 21.5% 5Y CAGR — conservative
- Bear case uses 3% EPS growth and 25x terminal P/E — severe (below any historical level)
- All figures in USD; EUR-denominated financials converted at prevailing exchange rates (~1.09-1.15)

Limitations:

- Ferrari's short public market history (IPO 2016) limits recession stress-testing to one event (COVID-2020)
- EV transition introduces execution risk that is difficult to model precisely
- Chinese luxury demand (8% of revenue) faces macro uncertainty
- EUR/USD volatility affects USD-denominated returns (company reports in EUR)

Confidence Level: HIGH. Ferrari is among the highest-conviction names in the investable universe for wealth preservation. The combination of an unassailable brand moat, fortress balance sheet, improving profitability, and the most attractive valuation in years makes this a compelling BUY. The 36% decline from ATH has created an entry opportunity that the WP framework is designed to exploit — sentiment-driven weakness in a



fundamentally improving business.



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