Driving the Future: Performance, Innovation, and Control

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Table of acronyms

Acronym	Explanation
CAGR	Compound Annual Growth Rate
CAPEX	Capital Expenditure
DCF	Discounted Cash Flow
EBIT	Earning before Interest and Taxes
EBITDA	Earning before Interest, Taxes, Depreciation, Amortization
EQV	Equity Value
ERP	Enterprise Resource Planning
EV	Electric Vehicle
F1	Formula 1
FCF	Free Cash Flow
FTC	Federal Trade Commission
FY	Financial Year
IP	Intellectual Property
IPO	Initial Public Offering
KPI	Key Performance indicators
km	Kilometers
M&A	Mergers and Acquisitions
NPV	Net Present Value
OEM	Original Equipment Manufacturers
PGR	Perpetual Growth Rate

Acronym	Explanation
POR	Profit on Return
ROA	Return on Assets
ROCE	Return of Capital Employed
R&D	Research and Development
SUV	Sport Utility Vehicle
TP	Total Price
TTM	Trailing Twelve Months
TV	Terminal Value
USP	Unique Selling Proposition
USD	United States Dollar
WACC	Weighted Average Cost of Capital
YE	Year Ending
OE	Original Equipment
Repl	Replacement
USA	United Staes of America
EU	European Union

Executive Summary

Executive Summary

Ferrari should fully acquire Pirelli, leveraging the deal's strategic, financial, and operational benefits

Financial value

- As of March 9th 2024, the market is undervaluing Pirelli's €5.65 price per share by 10% creating a window for acquisition
- Expected synergies from cost reductions, revenue generation and R&D sharing amount to €2.1 billion over next 5 years
- A maximum purchase price of €8.30 per share is suggested, which includes a premium range of up to 21% to current market valuation

Strategic fit

- Pirelli's patents in the EV tyre domain strengthens Ferrari's EV capabilities and the combined expertise in material development can lead to further progress in the domain
- The acquisition will result in large amount of cost saving for Ferrari in new cars and spare parts
- An acquisition would result in immediate addition in Pirelli's brand value and help it enter the US market

Acquisition feasibility

- Pirelli's 15.1% EBIT margin, stable €6.65B revenue, and strong cash flow align with Ferrari's high-margin luxury positioning, ensuring immediate value creation
- A proposed structure of 35% debt and 50% equity & 15% Cash, financing maintains Ferrari's financial flexibility, resulting in an IRR of 12%+ and MOIC of 1.5x, optimizing shareholder returns
- Given minimal industry overlap and complementary business models, regulatory risks are low, enabling a seamless acquisition process while securing long-term supply chain control

Industry Analysis

Industry Breakdown | Ferrari operates in 4 industries, namely luxury sports car, personal luxury, racing & motorsports, and experiences

Luxury sports car industry

Luxury sports cars

- *New*
- *Pre-owned*
- *Spare parts and accessories*

Services

- *Extended warranty*
- *Financing and leasing*
- *Engine licensing*

Racing and motorsports industry

Motorsports

- *Formula 1*
- *Endurance*

Digital

- *Esports team*
- *Esports events*

Luxury goods industry

Personal Luxury

- *Clothing*
- *Accessories*
- *Fashion shows*

Gifting

- *Luxury gifts*
- *Collectibles*

Experiences industry (Lifestyle)

Development

- *Amateur racing*
- *Driver academy*

Entertainment

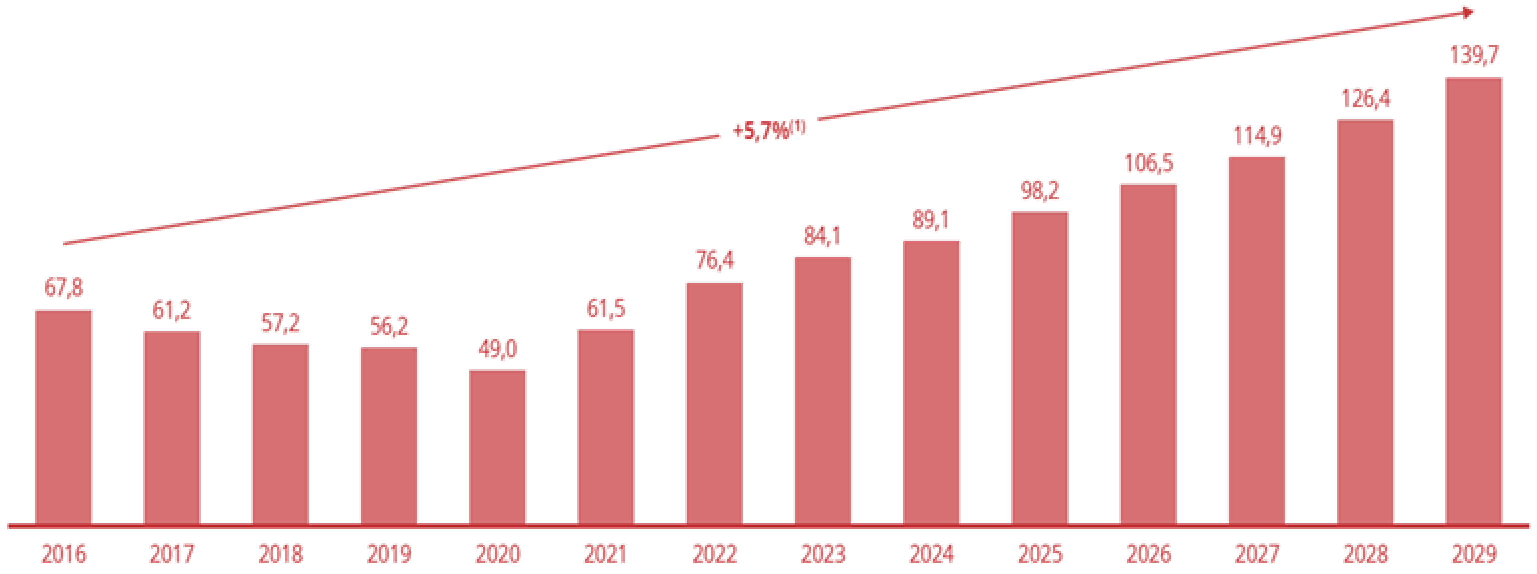
- *Theme parks*
- *Restaurants*
- *Museums*

Luxury sports cars overview | The Sports Cars market in Worldwide is experiencing significant growth due to the increasing demand for high-performance vehicles and the rising disposable income of consumers.

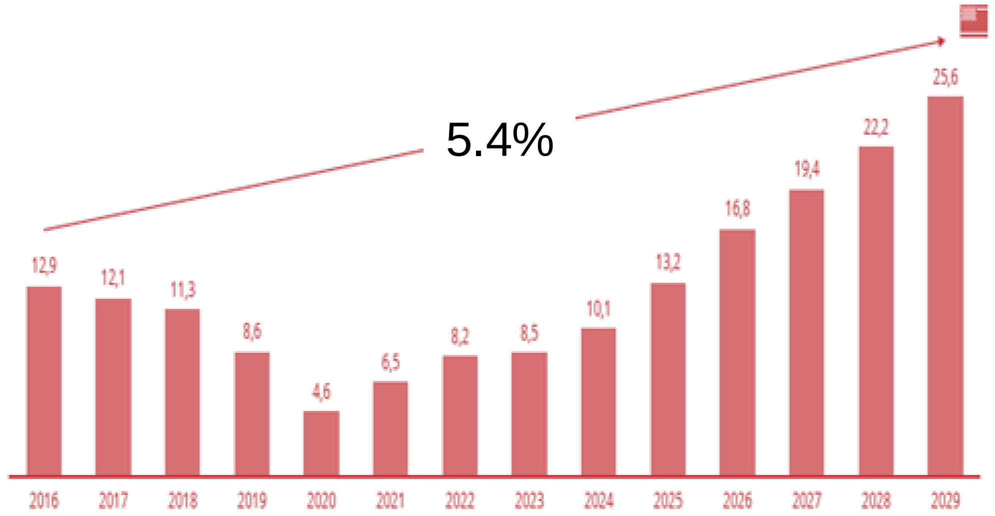
A growing industry, with electrification leading the growth

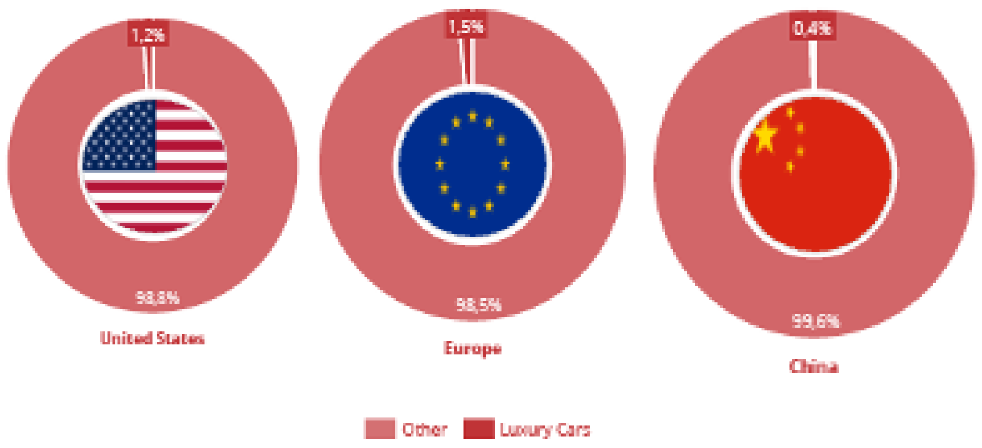
- **Market Expansion**: Luxury car segments are projected to grow annually by 8–14% through 2031, driven by an increasing number of HNWI
- **Electrification**: Battery-electric vehicles (BEVs) are expected to dominate luxury segments by 2031, with varying adoption rates across price tiers
- **SUV Dominance**: SUVs are anticipated to lead growth in the luxury EV market, with their sales share increasing significantly across all luxury price bands
- **Profitability**: Luxury car manufacturers have seen rising EBIT margins, reaching up to 38% in certain price segments between 2016 and 2021, outpacing mass-market brands

Luxury sports car market is stipulated to grow



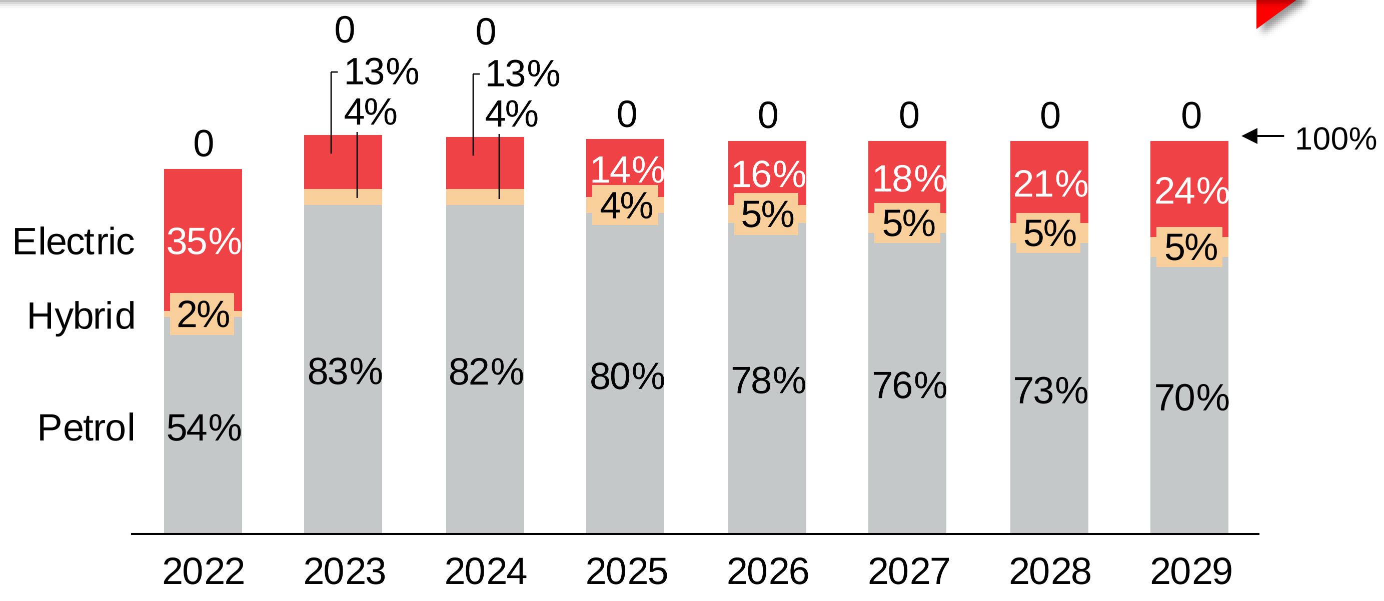
Segment Overview





While EU has the largest share of luxury cars within personal mobility, USA will be the fastest growing markert for luxury sports cars

Key industry trends

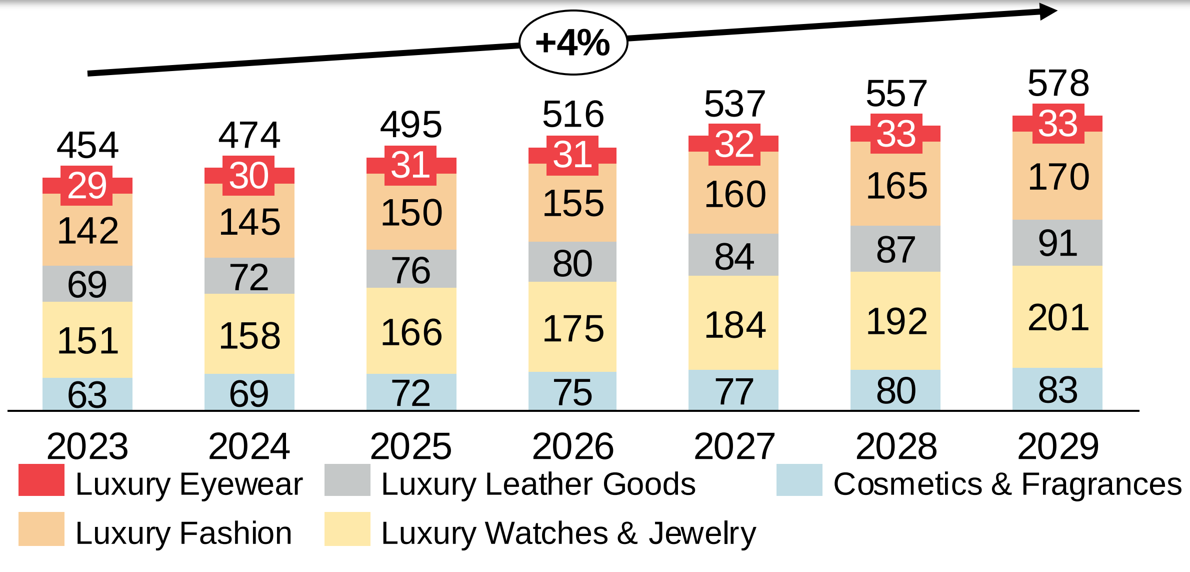


Share of electric sports has been steadily increasing in the segment, by year 2029,~24% of all sports cars sold will be electric

Sources : Mckinsey state of luxury cars, Statista

Luxury & lifestyle Industry Overview | asas

Luxury goods overview



Within the luxury goods market, Watches & Jewellery segment is growing the fastest

Market Growth: Luxury goods projected to **hit $577.8B by 2029**, growing at **4.04% CAGR.**
Geographical Trends: China leads **($95B in 2023)**, Asia-Pacific fastest-growing **(5.1% CAGR)**, while Europe & North America remain strong
Digital Shift: Omnichannel strategies & e-commerce boom, with online luxury sales **reaching 12.3% by 2024**

Amusement and theme parks overview

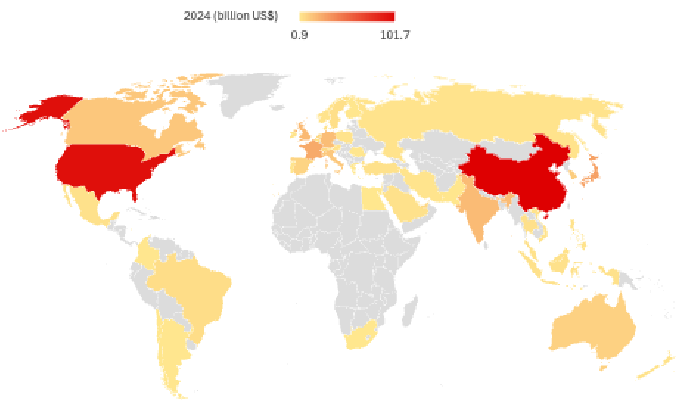
Market growth: The global amusement park industry, valued at **$102.67B in 2024**, is expected to reach **$149.32B by 2030**, growing at a **6.1% CAGR**
Visitor trends: In 2023, **global attendance hit 410.6M**, with **Asia-Pacific** (40.2%) and North America (39.2%) leading
Tech integration: Parks are adopting **AR, VR, and robotics** to enhance visitor experiences and stand out in the entertainment sector
IP integration: Movie and anime inspired theme parks are paving the way for new growth
Sustainability Focus: Parks are embracing **renewable energy, waste reduction, and water conservation** to meet eco-conscious consumer demands.

Segment Overview

LVMH MOËT HENNESSY• LOUIS VUITTON
Revenue: 86.20 B€

Dior
Revenue: 79.18 B€

RAJESH EXPORTS
Revenue: 31.37 B€



	CAGR '23-'29	Drivers of growth
Aisa	5.1%	
Europe	2.6%	
Americas	3.9%	

Luxury goods market has grown at considerable pace as compare to world GDP, with USA and China being the drivers of growth

Key players

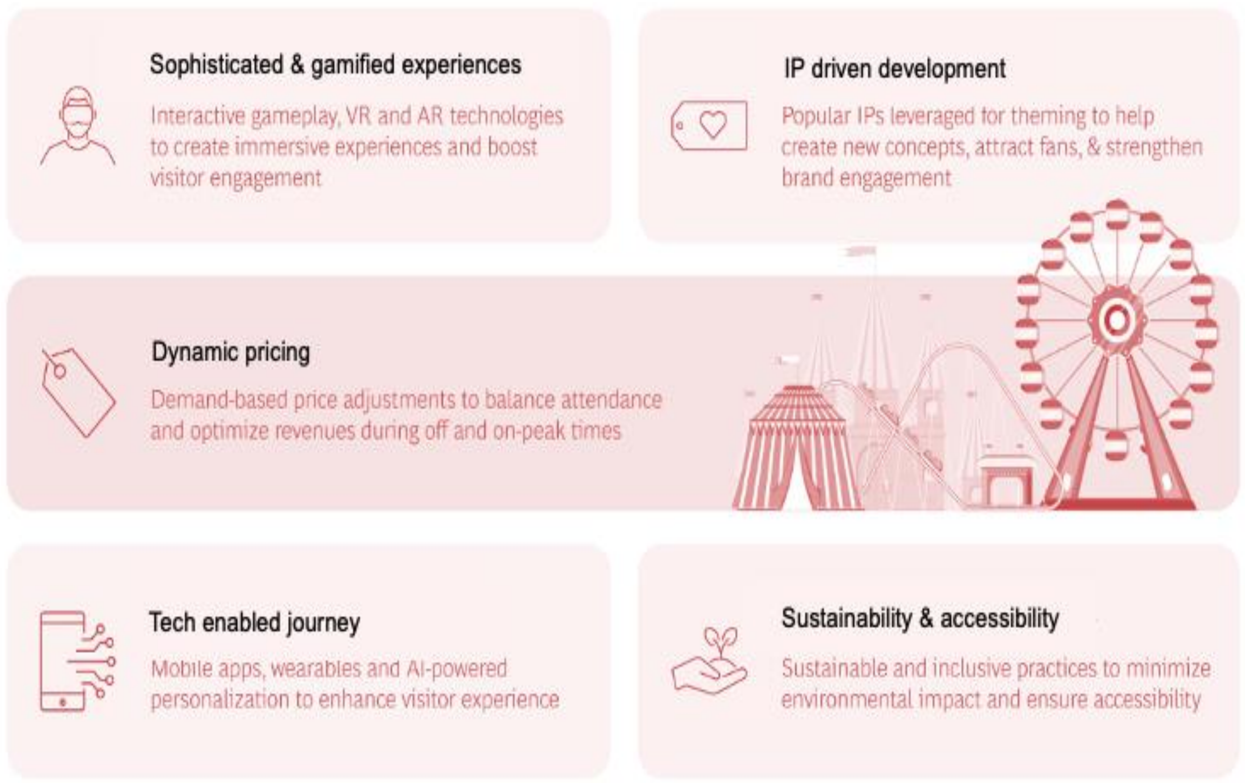
Disney
Revenue: 30.83 B€

UNIVERSAL DESTINATIONS & EXPERIENCES
Revenue: 8.26 B€

MERLIN ENTERTAINMENTS
Revenue: 2.71 B€

Cedar Fair
Revenue: 1.66 B€

Key trends for amusement parks



Sources: Mckinsey State of luxury Faishon, Statista, LVMH (2023), BCG,

Racing industry overview| Formula One holds pole position in the world of motorsport. A highly lucrative sport, with the revenue of more than 2.5 billion U.S. dollars in 2022

Segment Overview

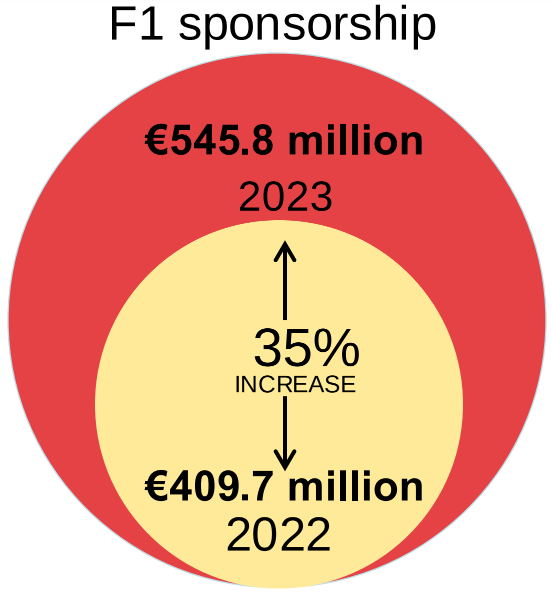
Market Growth: The motorsports industry boasts and annual turnover of **10.86 billion Euros**, growing at **2.72% CAGR**

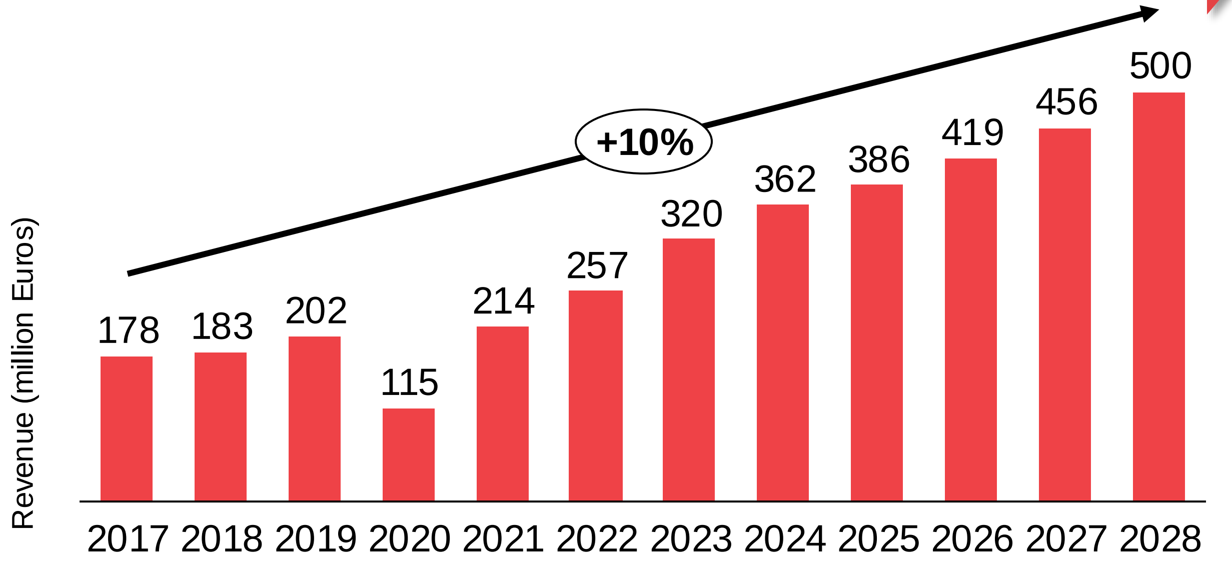
Geographical split: While Europe remains the dominant market, U.S.A., Qatar and Saudi Arabia are investing heavily in the the league

Innovation hub: Motorsports is central to innovation in the sports car and bike industry, e.g. Modern hybrid **regenerative braking systems** was invented for F1 cars

Prestige: Winning in motorsports events e.g. F1 enhances brand's global prestige, as winning directly translates into sales of luxury and sports cars

F1 sponsorship & revenue growth



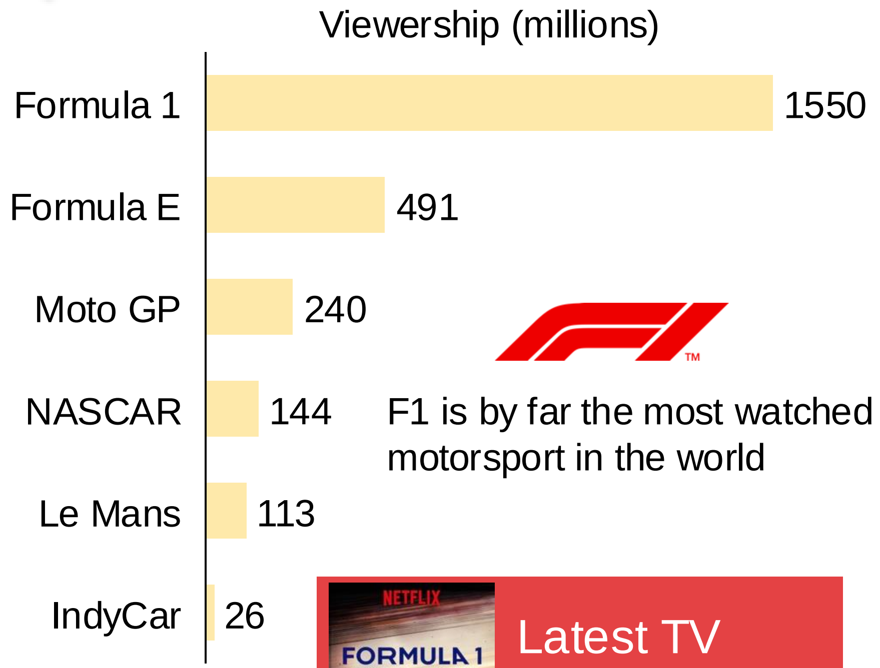


F1 revenues have increased sharply in the last few years

Most successful F1 teams

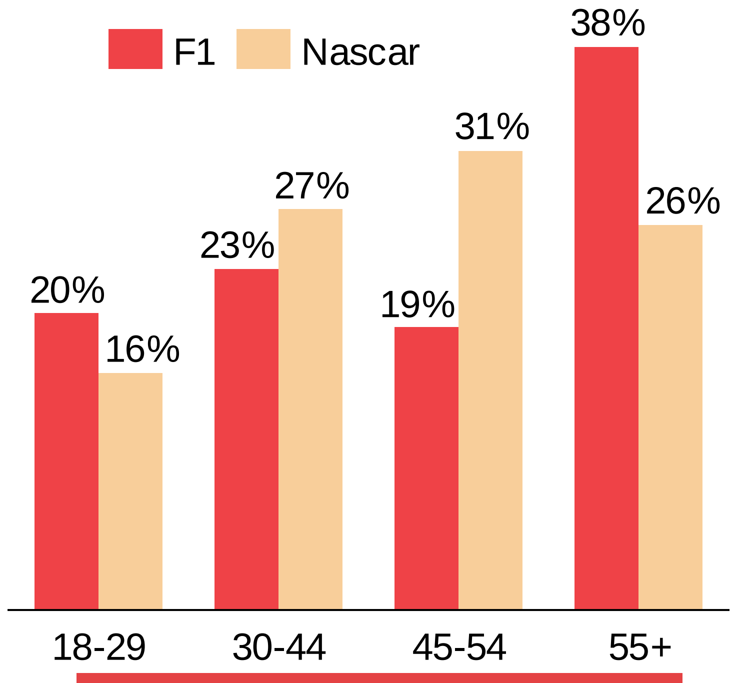
Ferrari is the most successful F1 team with 16 wins

Motorsports fans in numbers



F1 is by far the most watched motorsport in the world

Latest TV shows driving up viewership



>50% motorsports fans are aged above 45

Key industry trends

Motorsport is expanding globally, entering new markets like the U.S., Africa, Middle East, and Asia. Introducing street circuits to attract audiences.

All major races are now reaching new viewers on **streaming platforms**, with increasing viewership stipulated to overtake traditional TV broadcasts

Motorsport continues to be a **testing ground for automotive innovation**, influencing future road car technologies especially in **EV technology**

Motorsports are undergoing a **major shift toward sustainability**, with all major racing series committing to reducing their environmental impact

Sources : Motorsport.com, Ferrari annual report 2024, F1.com

Company Overview

1 & 2

Ferrari

Pirelli

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Strategy Fit

Ferrari Overview | Ferrari started out as a car manufacturer, however based on its legacy it has re-eshtablished as a luxury lifestyle brand

Ferrari Overview

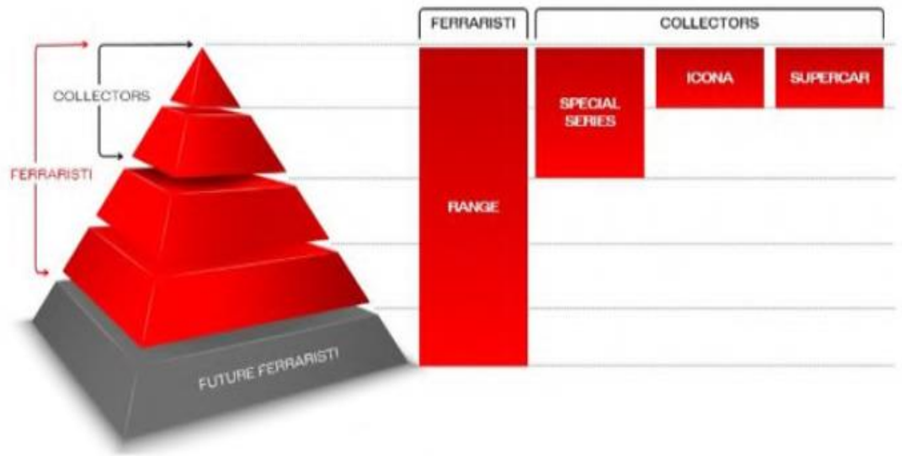
- Ferrari is the most exclusive luxury performance car brand, known for its **cutting-edge design, engineering, and innovation** in high-performance automobiles
- With **16 Formula 1 Constructors' Championships**, Ferrari holds the record as **the most successful team in F1 history**, solidifying its dominance in motorsport
- Ferrari **controls production volumes** to maintain its **elite status, desirability, and premium brand image**, ensuring continued high demand
- Ferrari extends its legacy through **fashion, collectibles, museums, theme parks, and motorsport programs**, making it a cultural and lifestyle brand
- Ferrari fosters a **loyal and passionate global community**, attracting customers who value **performance, heritage, and exclusivity** in their automotive experience

The F1 legacy

16 Constructors' Championship

15 Drivers' Championship

Loyal and passionate customers



48% of new Ferrari cars are sold to existing customers. With the range models being the most in demand

….not just an automaker, but a luxury lifestyle brand

Ferrari World

Abu Dhabi, UAE

First attraction of this kind in the world

34 Million visitors in 2024

Ferrari Land

Barcelona, Spain

Home to the world's fastest roller coaster

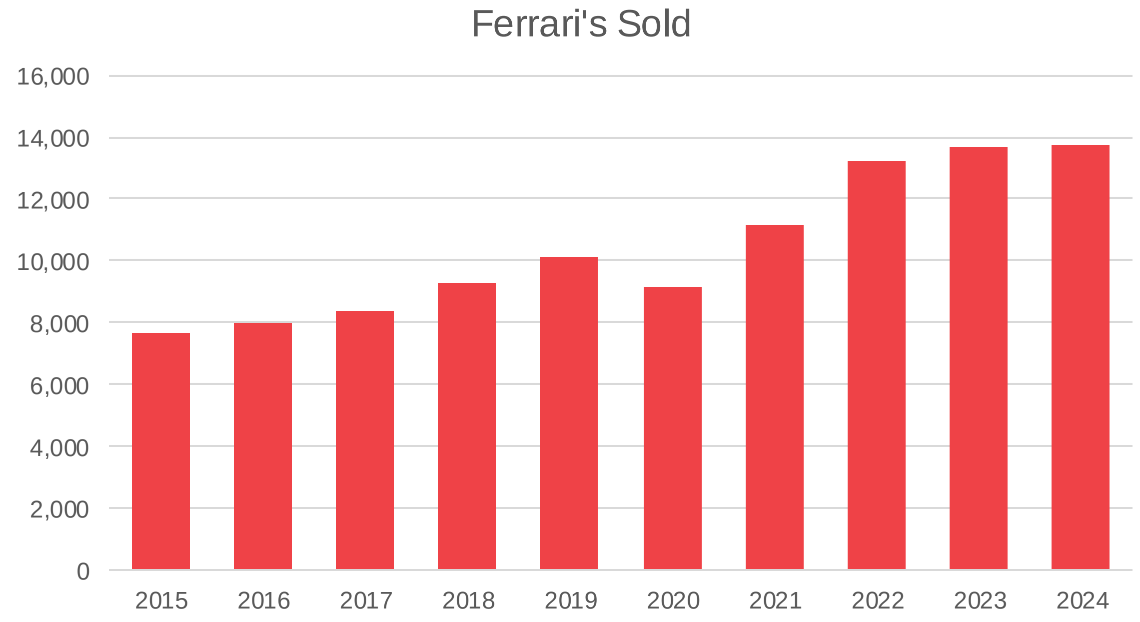
5.2 Million visitors in 2024

Ferrari luxury collections

Launched its luxury goods in 2002

"Cars are almost incidental to Ferrari, it sounds sacrilegious, but its truly a luxury brand."
-Sergio Marchionne

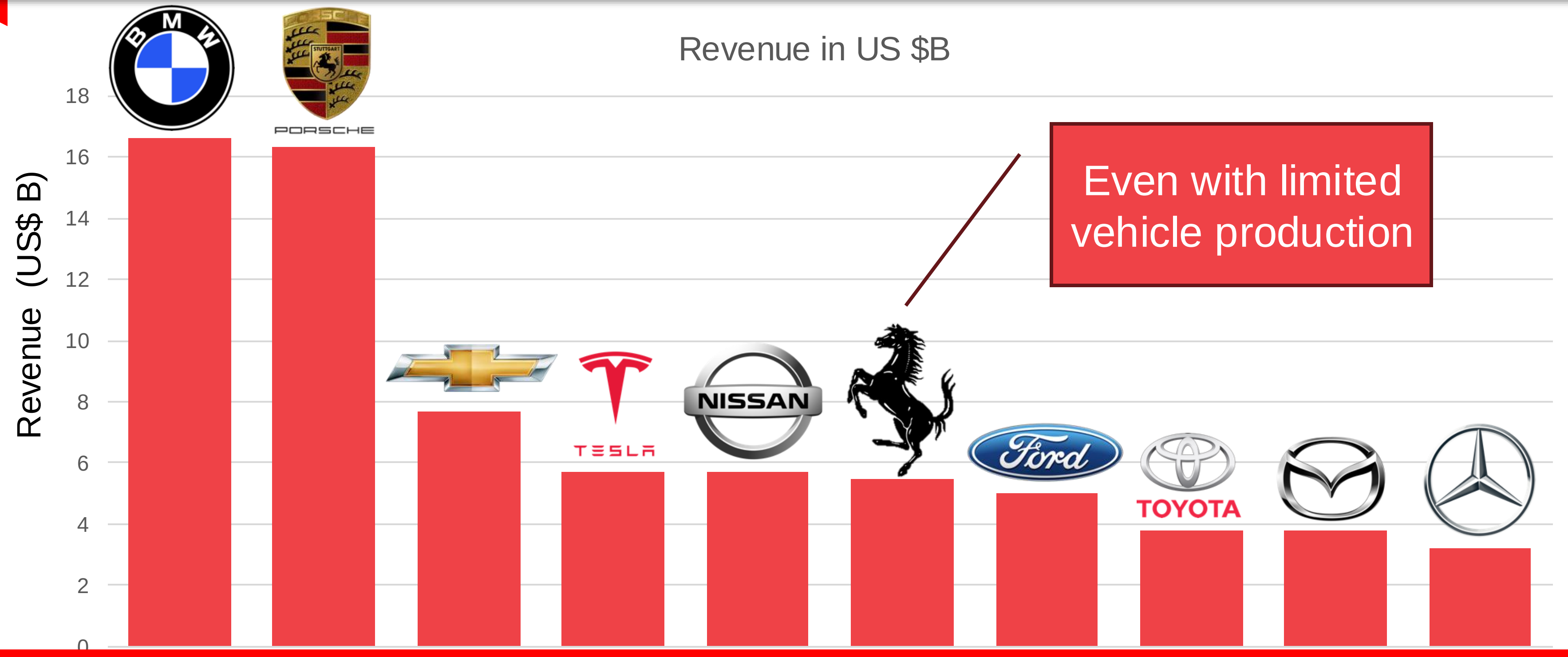
The number of units sold strictly controlled by Ferrari



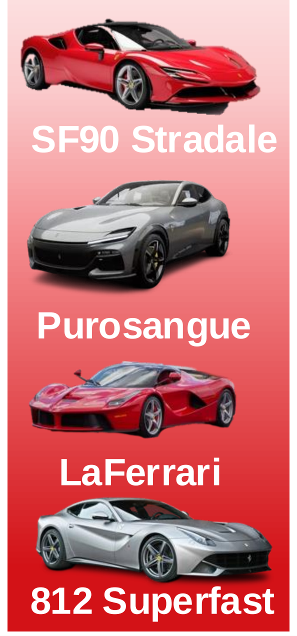
Sources : https://www.ferrari.com/en-EN/corporate/business-areas, Ferrari annual report 2024

Ferrari Overview | Strong financials with high profit margins sustained through innovation and luxury brand positioning

Ferrari is one of the largest luxury sports car manufacturer in the world



Key Models



…the Ferrari way, formula for industry leadership

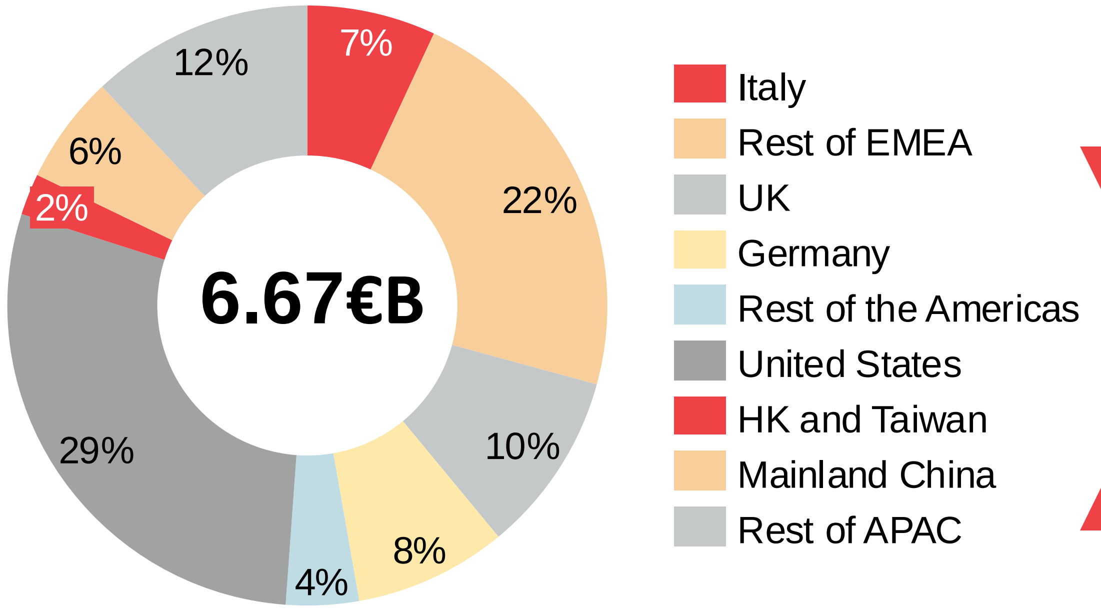
Performance & innovation
Ferrari integrates F1 technology into its road cars, ensuring cutting-edge aerodynamics and hybrid powertrains

Heritage & Exclusivity
Ferrari's DNA is rooted in motorsport dominance, particularly in Formula 1, shaping its cars' engineering excellence

Driving Emotion & Experience
Ferrari cars are designed to provide an unmatched driving experience, with precise handling, responsive steering, and exhilarating sound

Design & Craftsmanship
Every Ferrari is a blend of art and engineering, crafted with sleek aerodynamics, bold styling, and high-quality materials

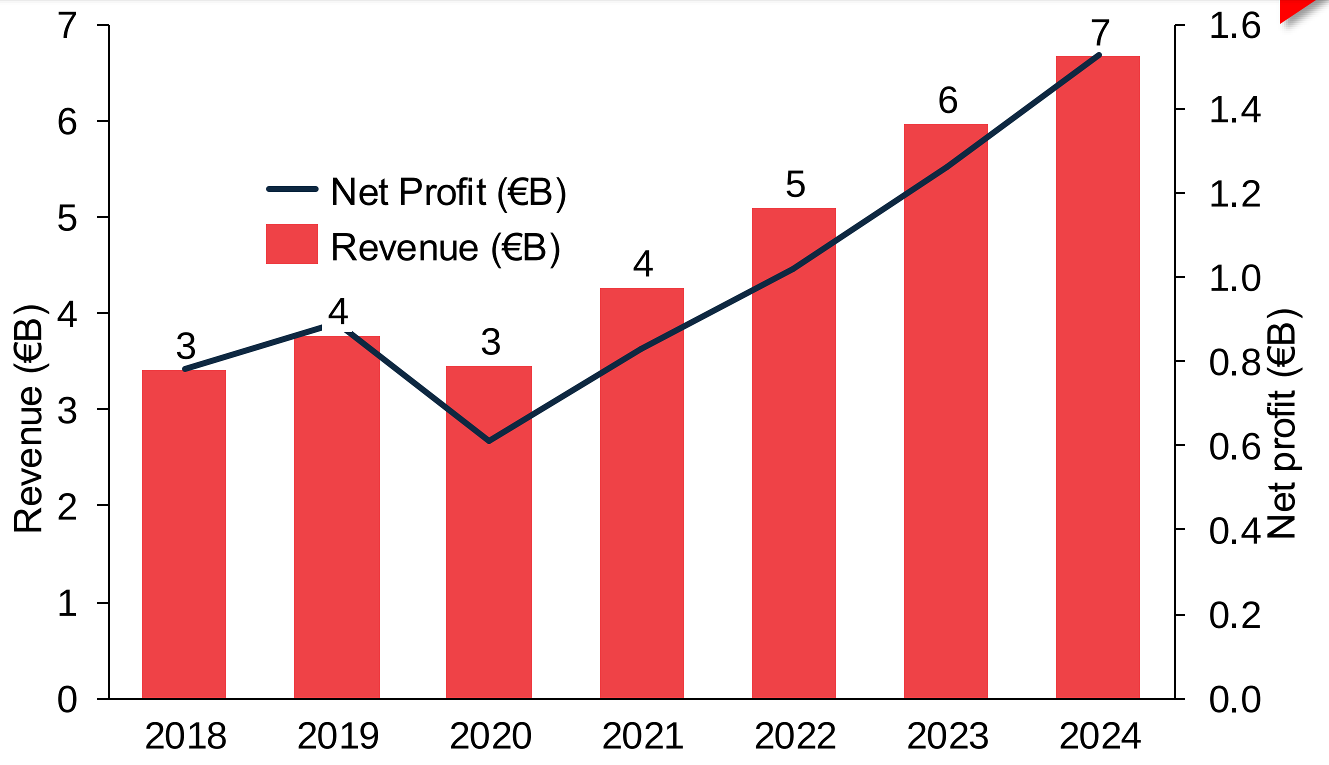
…increasing sales across geographies with USA, Europe and Taiwan leading growth



CAGR '22-24'	Drivers of growth
26.60%	USA
17.45%	Europe
30.34%	Taiwan

Even though USA is the largest market for Ferrari, it is also the revenue drivers due to the loyalty of existing customers towards the brand

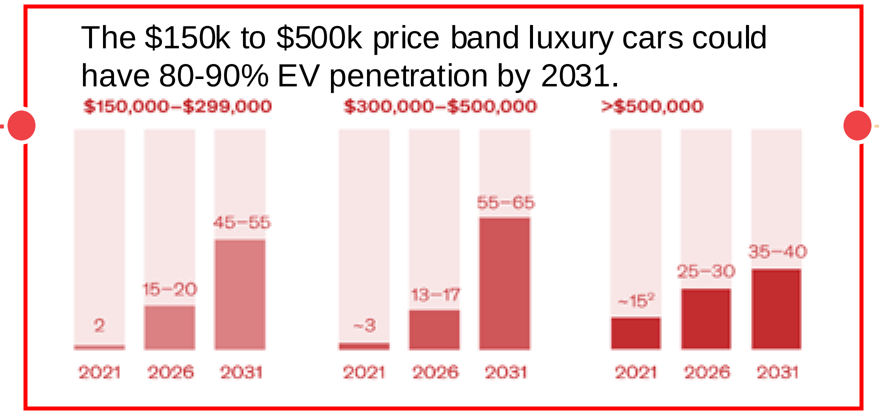
…financially sound company with increasing profits



Sources: Statista, Stock analysis, Ferrari annual reports (2018 -2024), Own analysis

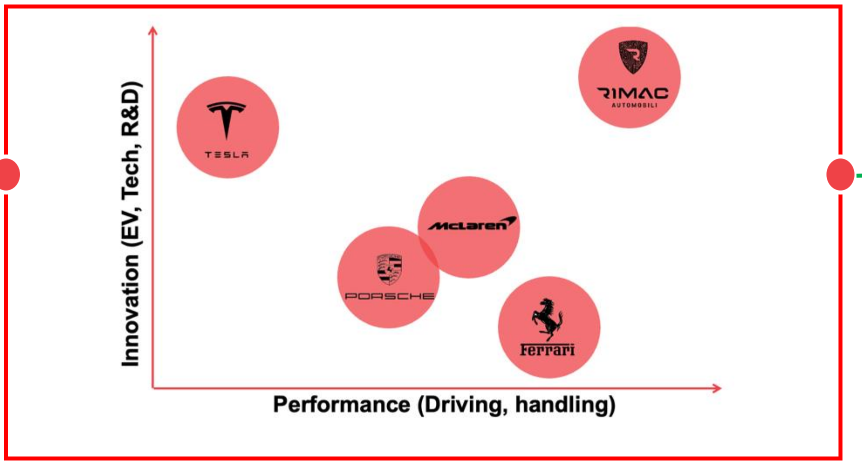
Ferrari at a crossroads | Navigating performance, innovation & market disruption and strategic initiatives required

EV transition & Performance Trade-offs
Ferrari's legendary engine sound, grip, and driving experience **are at risk with EVs**



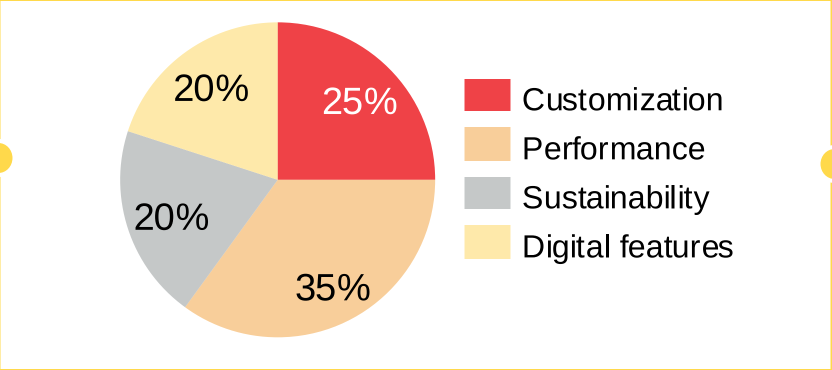
High-performance EV tyres will be critical to retain Ferrari's handling superiority

Increasing Competition in Performance & Innovation
New age players like Rimac, Lucid, and McLaren investing heavily in battery tech, aerodynamics, and LW materials.



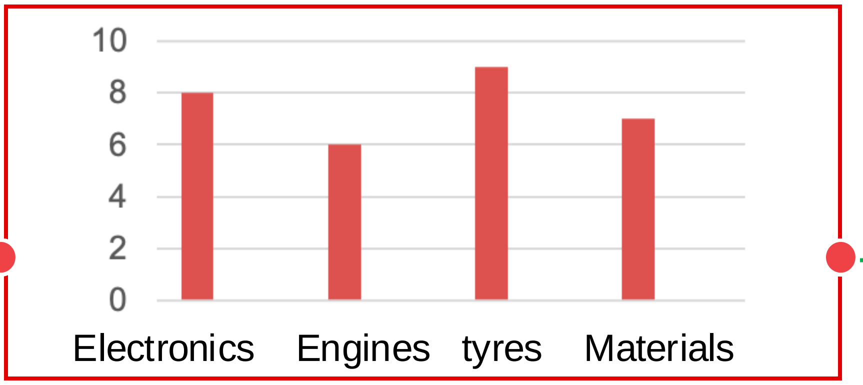
Owning cutting-edge R&D could give Ferrari a competitive edge in high-performance innovation

Shifting Consumer Preferences
Gen Z customers demand sustainable performance, smart vehicle tech, and customized driving experiences.



Owning a specialized brand can help Ferrari create exclusive, customizable solutions for EVs & hybrids (sustainability angle)

Rising Supply Chain Risks & Cost Pressures
Ferrari depends **on premium suppliers** for critical parts → High costs, potential bottlenecks



Reducing reliance on external suppliers can help Ferrari manage costs, quality, and consistency

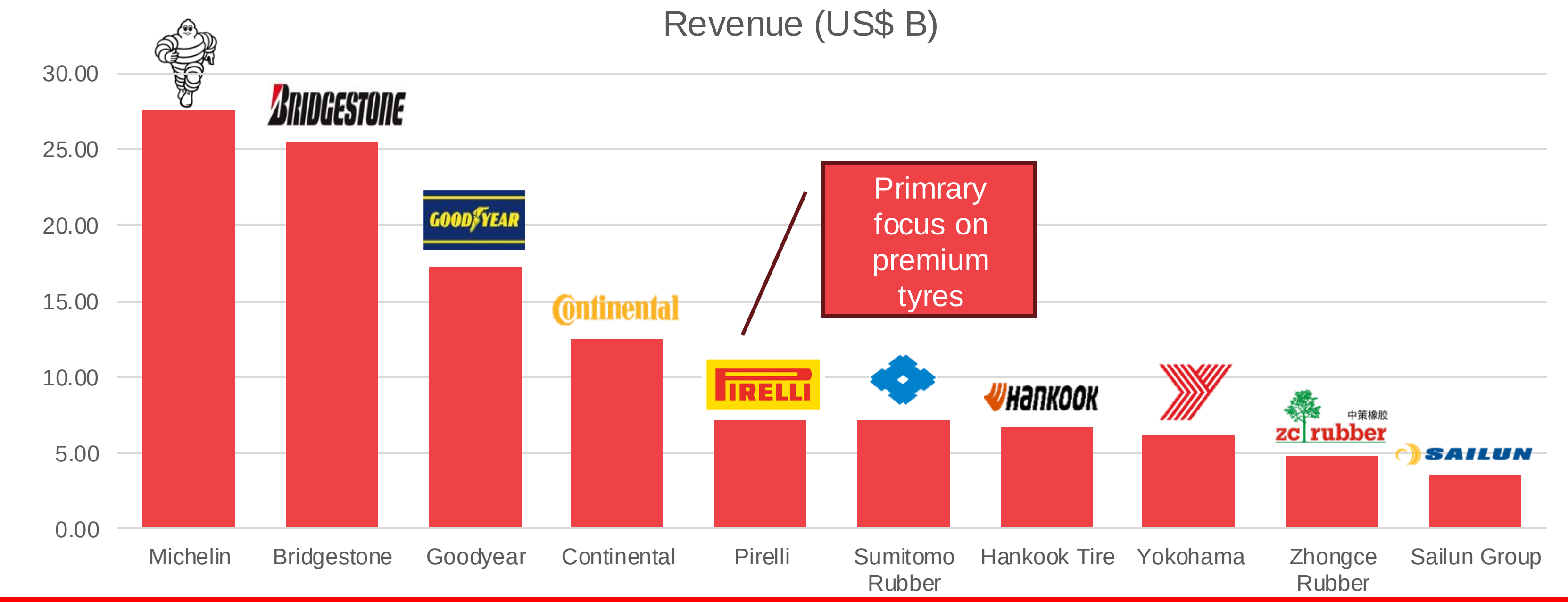
Sources : Mckinsey state of luxury cars, Own analysis

Pirelli Overview| An Italian legend in the tyre industry with primary focus on premium segment

Pirelli Overview

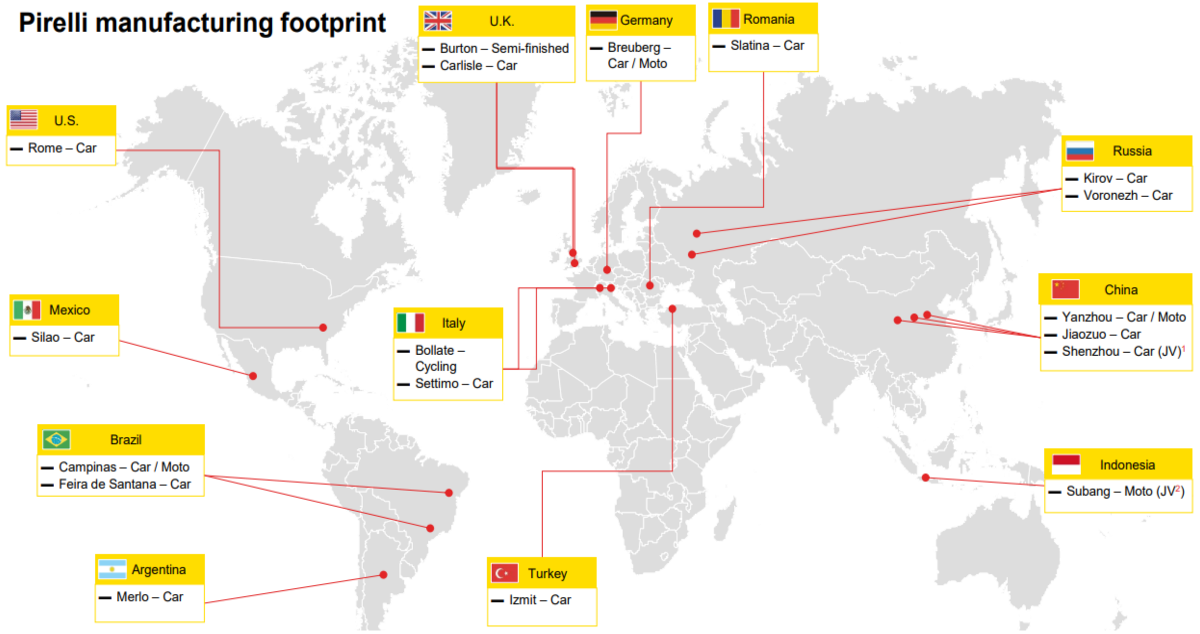
- A global leader in **high-performance tyres**, operating **18 plants across 12 countries** with a presence in **160+ markets**.
- in **2023, Pirelli generated €6.65 billion in revenue**, with a **15.1% EBIT margin**, among the **highest in the tyre industry**.
- **R&D Focus with investments reaching €288.5 million (4.3% of sales)**, developing **Cyber™ Technology, smart tyres, and sustainable materials**.
- Committed to **Net Zero by 2040**, Pirelli achieved **17% CO_2 reduction in 2023** and uses **100% renewable electricity in key regions**.
- Pirelli is the **official Formula 1 tyre supplier until 2027** and is pioneering **FSC-certified sustainable tyres** for motorsport.

5th largest tyre manufacturer by revenue



Market presence and key customers

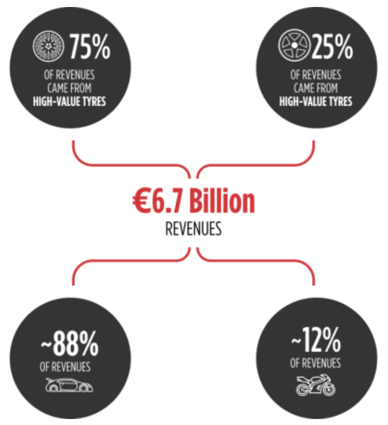
- **18 production plants** across 12 countries
- Sells in over **160 countries**
- **Key Manufacturing Locations:**



Key Customers

Niche production strategy with, focus on sustainability

- specializes in high-value and premium tyres
- follows a **"local for local" production strategy**, ensuring optimized logistics, cost efficiency, and sustainability in operations.
- growing emphasis on electric vehicle (EV) tyres and sustainable manufacturing.



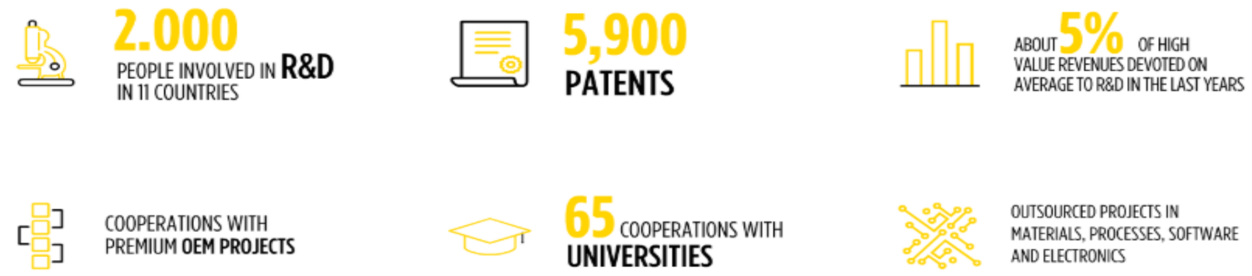
Pirelli is the exclusive Global Tyre Partner for Formula 1 and sole supplier for F2 and F3. It also supplies tyres for over 350 motorsport competitions worldwide

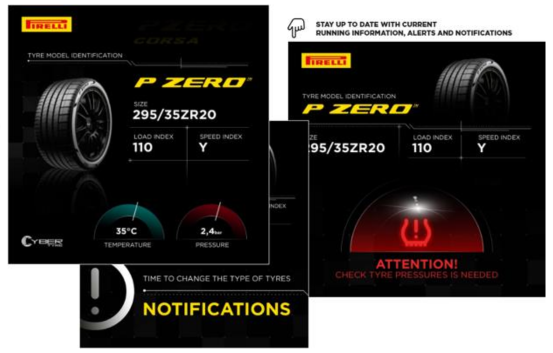
Sources: Pirelli Corporate website, Pirelli market watch, Statista

Pirelli Overview| Despite strong R&D leadership, Pirelli struggles to convert innovation into OE sales growth amid automotive market headwinds

Strong R&D focus

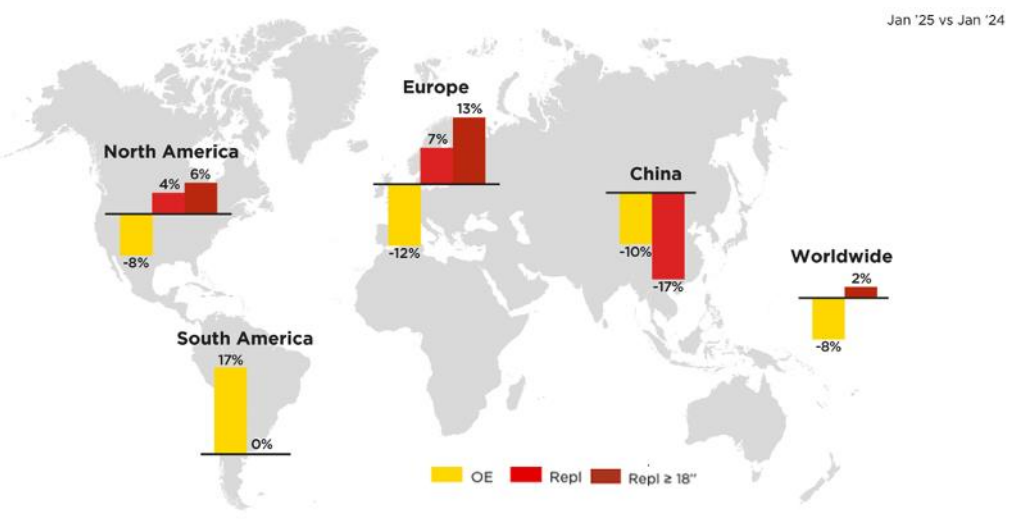
- Annual R&D Spend: **~6% of revenue (~€240-300M per year)**, one of the highest in the industry
- R&D Centers: **13 R&D facilities worldwide**, with headquarters in Milan, Italy
- Focus Areas: Performance, sustainability, connectivity, and motorsports





Pirelli tyre market watch: Global Car tyre Market Trends

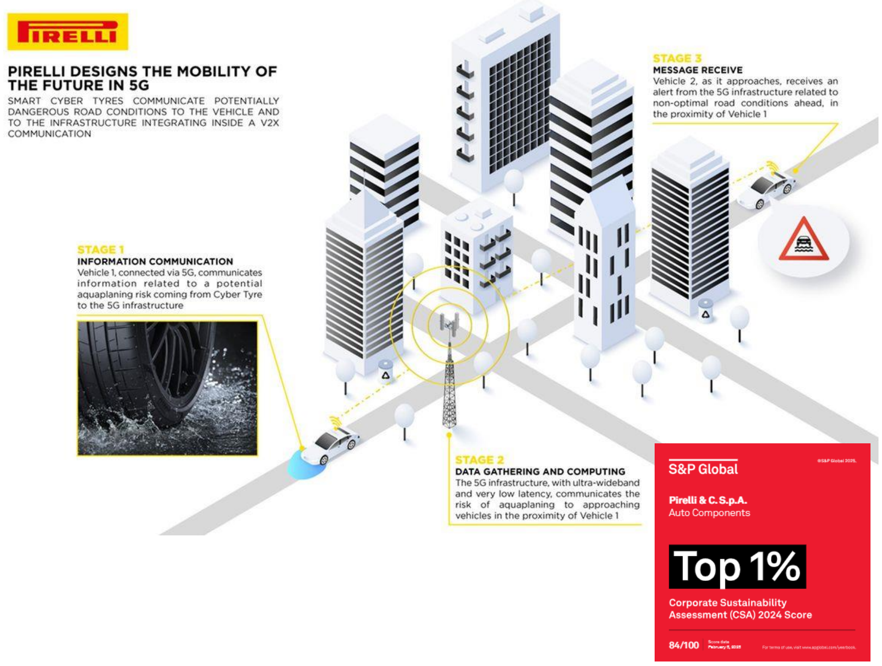
1.Original Equipment (OE) demand declined (-8% YoY) globally due to economic uncertainty, lower car production
2.The Replacement market grew slightly (+2% YoY), driven by High-Value (H.V.) tyres, with strong demand in Europe and North America but a sharp decline in China (-17% YoY)



Latest breakthroughs, a pioneering effort in industry

Smart & Connected tyres **Cyber Tyre™** – Pirelli's next-gen sensor-equipped tyres that communicate real-time road conditions and driving dynamics to the car's onboard system.

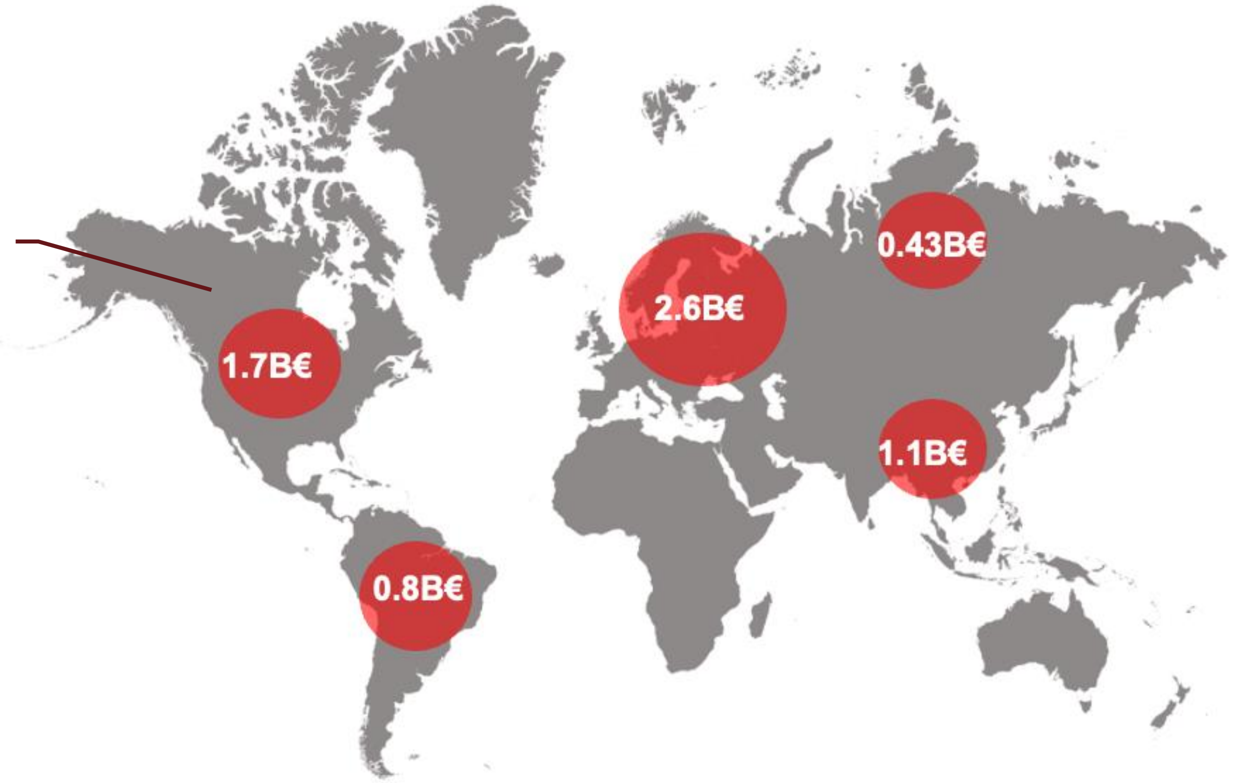
Key Benefits: Enhances safety, performance, and predictive maintenance.
Used in: High-performance vehicles, including Ferrari & Lamborghini.
Applications: Autonomous driving, fleet management, real-time traffic data exchange.



Pirelli P Zero E – First FSC-certified (Forest Stewardship Council) tyre, made with over 50% sustainable materials.

Niche production strategy with, focus on sustainability

Low penetration in the largest market (USA) due stiff competiton from local brands



Sources: Pirelli Annual report, Pirelli Corporate websire

Company Overview

1 & 2

Ferrari

Pirelli

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Strategy Fit

Strategic fit | Italian heritage, pursuit of performance, and commitment to craftsmanship. Their cultures are built on precision engineering, motorsport excellence, and brand exclusivity, making them long-term strategic fit

Italian heritage & brand prestige

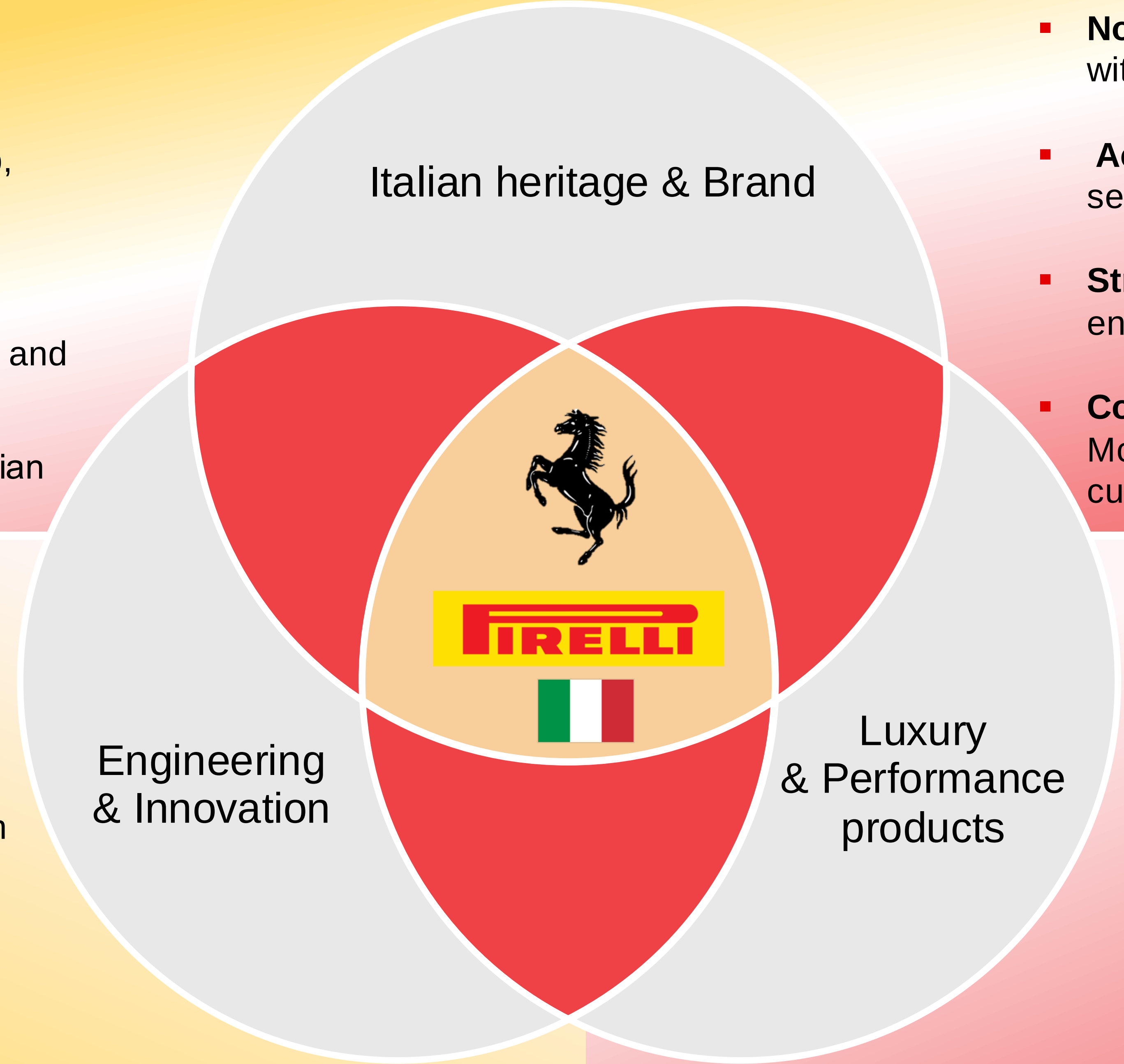
- Ferrari and Pirelli **are two of Italy's most iconic brands**, embodying luxury, performance, and heritage
- **Shared cultural values** of exclusivity, craftsmanship, and relentless innovation
- **Global recognition as luxury and performance leaders** strengthens the "Made in Italy" branding

"Ferrari will always stand for Italian excellence and innovation."

"Our DNA is performance, innovation, and Italian heritage."

The perfect strategic fit

- **No integration friction** – Ferrari and Pirelli already operate with aligned values and customer expectations
- **Accelerated innovation** – Shared R&D focus means seamless collaboration on next-gen EV and performance tyres
- **Stronger luxury positioning** – Ferrari and Pirelli together enhance the exclusivity and desirability of both brands
- **Competitive moat** – Competitors (Porsche, Lamborghini, McLaren) lack a fully integrated tyre partner with this level of cultural alignment



Precision engineering & Innovation

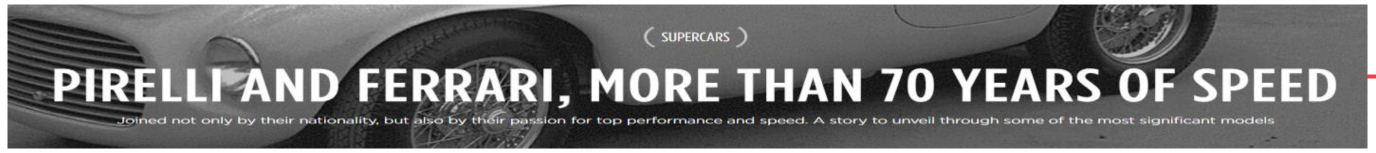
- **High-performance customization:** Both brands focus on tailor-made, performance-driven products—Ferrari for cars, Pirelli for tyres
- **Joint Innovation in EV Technologies:** Pirelli's next-gen "Cyber tyres" with embedded sensors align with Ferrari's AI-driven driving analytics
- **Sustainability leadership:** Shared investments in sustainable materials and eco-friendly manufacturing

Pirelli's investment in smart, AI-enhanced tyres aligns perfectly with Ferrari's push for high-tech, connected driving experiences.

Exclusivity, Luxury, & Customer alignment

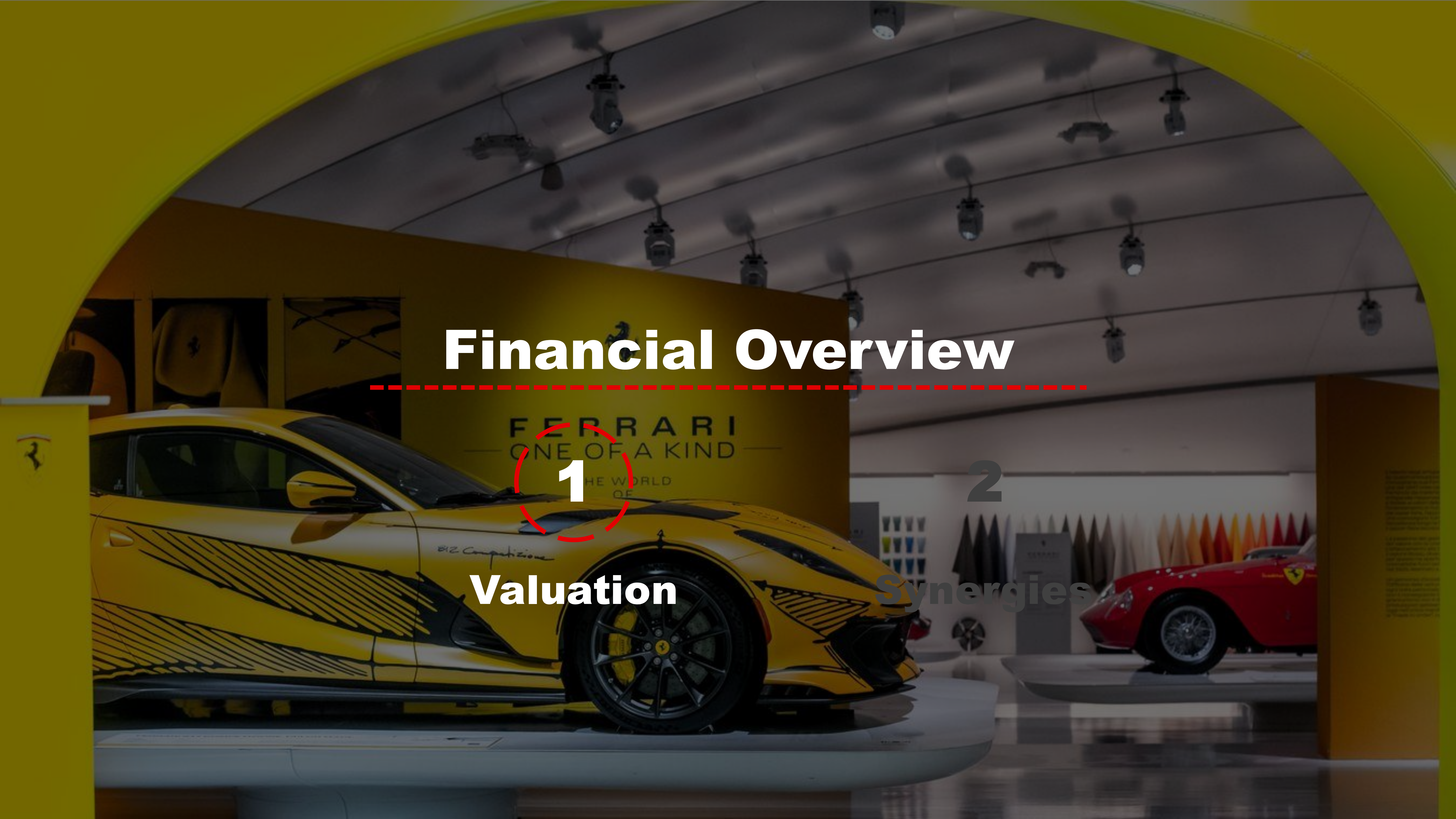
- **Target segment:** Both brands target UHNWIs (Ultra-High-Net-Worth Individuals) seeking the pinnacle of automotive performance
- **Limited production, high desirability:** Ferrari and Pirelli focus on controlled supply to maintain prestige
- **Co-branding potential:** Ferrari-exclusive Pirelli tyres could become a luxury statement, reinforcing brand loyalty

Ferrari-Pirelli collaboration has already produced exclusive, limited-edition high-performance tyre models such as P Zero DHE, Cinturato P7, etc.



Ferrari and Pirelli have already been strong collaborators for decades

Sources: Ferrari Annual report (2023), Pirelli Annual report (2023), Own analysis



Financial Overview

1 Valuation

2 Synergies

Potential Peer Groups | The tyre & rubber market is the main peer group due to close alignment in revenue & cost drivers, as well as higher brand relevance

Company and peer groups	Market size	Market CAGR	Brand relevance	Revenue drivers	Cost drivers	Comments	Retained
Pirelli	-	(2.0%)		✓ Premium & performance tyres ✓ Replacement tyres ✓ Electrical vehicle tyres ✓ Motorcycle & bike tyres	✓ Raw materials and inflation ✓ Labor costs ✓ R&D and patents ✓ Other costs	-	-
Automotive parts & equipment Autoliv, Forvia, Valeo, Sogefi Group, Schaeffler	**$701.6B** ('24)	**6.1%** ('24-'32)		✓ Premium & performance tyres × Replacement tyres ✓ Electrical vehicle tyres × Motorcycle & bike tyres	✓ Raw materials and inflation ✓ Labor costs × R&D and patents ✓ Other costs	Only part of the market is Pirelli's main revenue driver and less brand relevant	✗
tyres & rubbers Goodyear, Yokohama, Bridgestone, Michelin, Nokian Tyres	**$142.4B** ('22)	**4.6%** ('23-'31)		✓ Premium & performance tyres ✓ Replacement tyres ✓ Electrical vehicle tyres ✓ Motorcycle & bike tyres	✓ Raw materials and inflation ✓ Labor costs ✓ R&D and patents ✓ Other costs	There is a strong overlap in revenue drivers and cost drivers, as well as higher brand relevance	✓

Source: GlobalNewswire (2025). Business Research Insights (2025), S&P Capital IQ Pro

Peer Group Analysis | Through cost structure analysis and market capitalization, we ranked the relevance of each selected comparable in the industries selected

Company description & rationale		Revenue growth	Enterprise Value	EBITDA % (2025E)	EBIT % (2025E)
PIRELLI		6,901; 6,913; 6,773	8,448	20.76%	13.98%
GOODYEAR	A global leader in tyre manufacturing, Goodyear competes with Pirelli in terms of innovation, market share, and high-performance tyre solutions for various vehicles	19,792; 18,558; 17,454	9,864	8.51%	3.72%
YOKOHAMA	Known for producing high-performance and eco-friendly tyres, Yokohama is a strong competitor in the global tyre market, particularly in motorsport and passenger vehicles	6,243; 6,498; 6,687	5,373	16.93%	10.88%
BRIDGESTONE	One of the largest tyre manufacturers worldwide, Bridgestone is renowned for its premium tyres and advanced technologies, competing with Pirelli across various vehicle categories	29,820; 28,449; 27,061	7,728	17.86%	10.01%
MICHELIN	A top player in the global tyre industry, Michelin is a direct competitor to Pirelli, known for its high-quality tyres and focus on safety, sustainability, and innovation	28,590; 28,343; 27,193	29,092	16.15%	9.68%
nokian TYRES	Specializing in winter tyres, Nokian competes with Pirelli in regions with harsh weather conditions, offering high-performance tyres with a focus on safety and durability	1,776; 1,174; 1,290	1,498	6.23%	0.13%

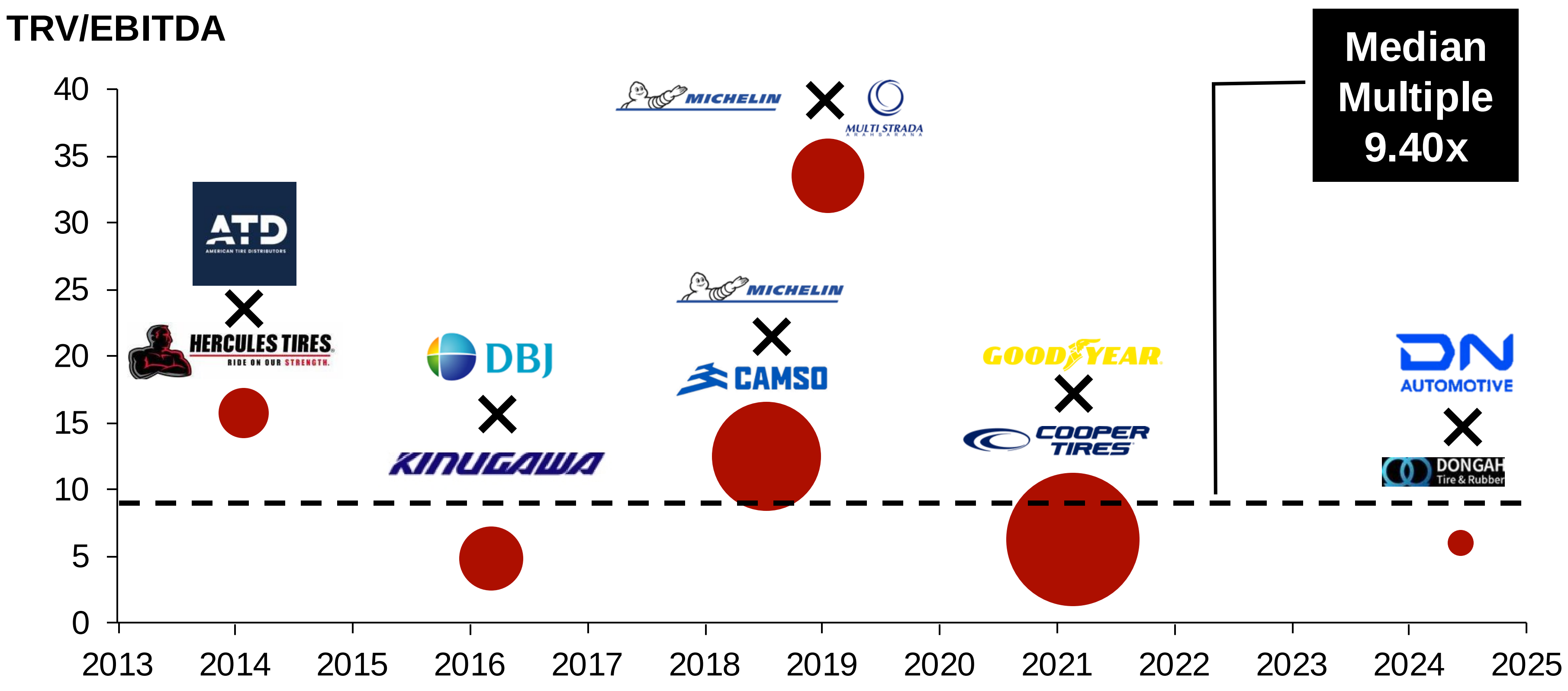
Peer Group Trading multiples | Comparative Valuation Against Industry Peers, Enterprise range between Euro 6.36 to 9.17 Billion

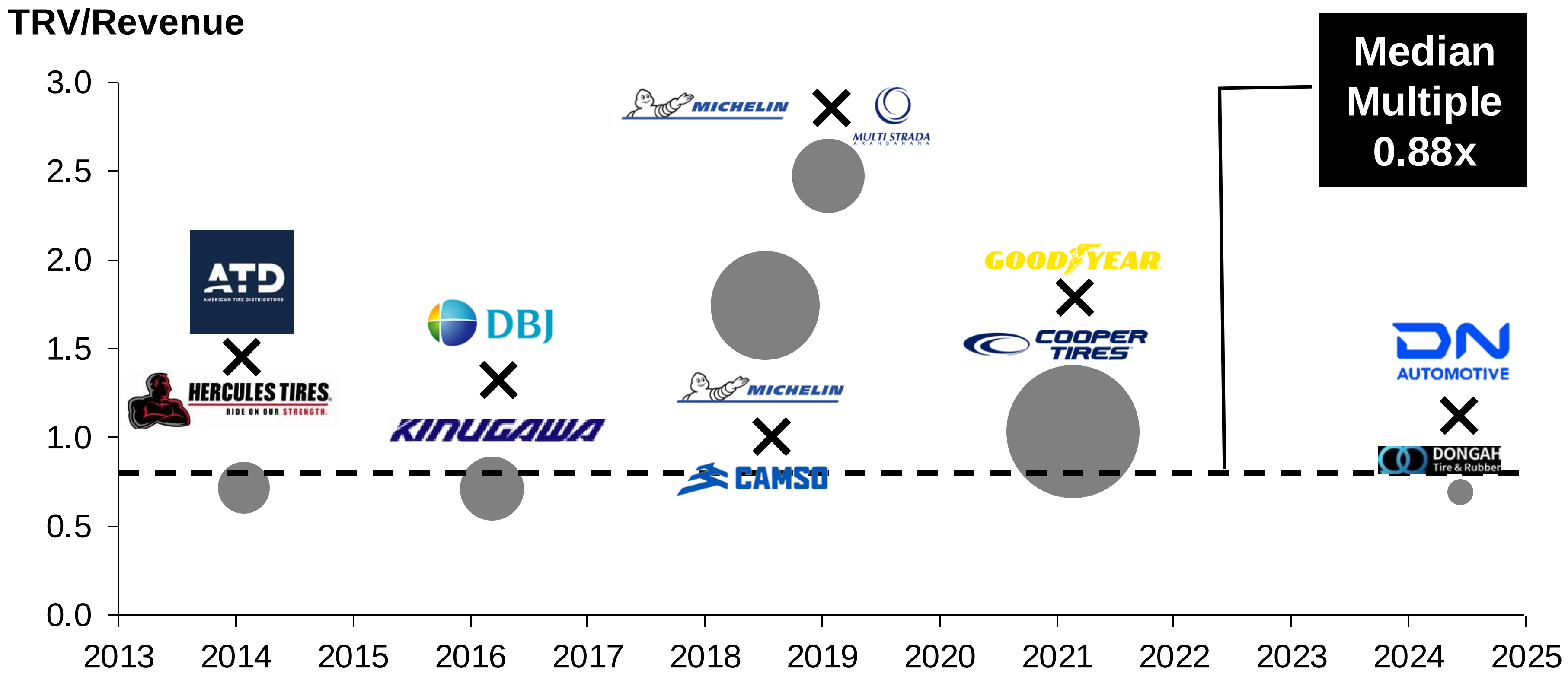
	Enterprise Value in m€	EV/Revenue LTM	EV/EBITDA LTM	EV/EBIT LTM
PIRELLI	7.728	1.14x	5.38x	7.90x
GOODYEAR	10.056	0.57x	4.92x	11.21x
YOKOHAMA	5.373	0.78x	4.84x	7.21x
BRIDGESTONE	26.223	0.94x	9.34x	14.30x
MICHELIN	29.092	1.01x	5.11x	8.17x
nokian TYRES	1.498	1.15x	11.75x	
Median		**0.94x**	**5.11x**	**9.69x**

- - - - Median

Source: S&P Capital IQ Pro

Transaction multiples | Assessing Transaction Multiples for Strategic Decision-Making





Sensitivity Analysis

TRV/EBITDA Multiple

	Min	Max
Enterprise Value*	€6807	€47076
Equity Value*	€4725	€44994
Price Range	€4.7	€45

TRV/Revenue Multiple

	Min	Max
Enterprise Value*	€4683	€16744
Equity Value*	€2601	€14662
Price Range	€2.6	€14.7

Comparable analysis can be easily manipulated, as the result is completely relative to the chosen peer group. Therefore, we will utilize an additional valuation methodology, Discounted Cash Flow Model (DCF), and allocate a weight to each Equity Value to come with a fair price

Source: S&P Capital IQ Pro

Pirelli Discounted Cash Flow (1/2) | Equity Assessment, Sensitivity Analysis & Implied Share Price of €6.37 for Strategic Investment Decisions

Euro In Thousands	Fiscal Year Ending December									
	2020	2021	2022	2023	2024	2025E	2026E	2027E	2028E	2029E
Total Revenue	4,546,217	5,594,215	6,901,163	6,913,467	6,773,300	6,635,975	6,501,434	6,369,621	6,240,480	6,113,957
Annual Growth		*23.05%*	*23.36%*	*0.18%*	*(2.03%)*	*(2.03%)*	*(2.03%)*	*(2.03%)*	*(2.03%)*	*(2.03%)*
EBITDA (Adjusted)	**728,948**	**1,081,079**	**1,339,181**	**1,374,078**	**1,406,000**	**1,377,494**	**1,349,566**	**1,322,204**	**1,295,397**	**1,269,134**
Annual Growth		*48.31%*	*23.87%*	*2.61%*	*2.32%*	*(2.03%)*	*(2.03%)*	*(2.03%)*	*(2.03%)*	*(2.03%)*
Margin	*16.03%*	*19.32%*	*19.41%*	*19.88%*	*20.76%*	*20.76%*	*20.76%*	*20.76%*	*20.76%*	*20.76%*
Less: Depreciation and Amortization	495,835	496,009	527,321	535,795	459,000	(-)	(-)	(-)	(-)	(-)
EBIT	**233,113**	**585,070**	**811,860**	**838,283**	**947,000**	**1,377,494**	**1,349,566**	**1,322,204**	**1,295,397**	**1,269,134**
Less: Income Taxes	(57,225)	(143,624)	(199,297)	(205,783)	(232,471)	(338,150)	(331,294)	(324,577)	(317,997)	(311,550)
Unlevered Net Income	**175,888**	**441,446**	**612,563**	**632,500**	**714,529**	**1,039,344**	**1,018,272**	**997,627**	**977,401**	**957,584**
Plus: Depreciation and Amortization	495,835	496,009	527,321	535,795	459,000	(-)	(-)	(-)	(-)	(-)
Less: Capital Expenditures	(149,272)	(287,229)	(285,190)	(371,101)	(-)	(-)	(-)	(-)	(-)	(-)
Less: Additions to Intangibles	(15,248)	(30,336)	(31,635)	(21,623)	0.00	(19,768)	(19,768)	(19,768)	(19,768)	(19,768)
Less: Increase in Working Capital	(39,889)	(11,891)	(193,810)	425,978	(70,293)	0.00	0.00	0.00	0.00	0.00
Margin	*(0.88%)*	*(0.21%)*	*(2.81%)*	*6.16%*	*(1.04%)*	*(1.04%)*	*(1.04%)*	*(1.04%)*	*(1.04%)*	*(1.04%)*
Unlevered Free Cash Flow	**467,314**	**607,999**	**629,249**	**1,201,549**	**1,103,236**	**1,019,576**	**998,504**	**977,859**	**957,632**	**937,816**
Annual Growth		*30.11%*	*3.50%*	*90.95%*	*(8.18%)*	*(7.58%)*	*(2.07%)*	*(2.07%)*	*(2.07%)*	*(2.07%)*
Discount Factor: - End-of-Period Convention						0.83	1.83	2.83	3.83	4.83
PV of Yearly Cash Flows						**777,680**	**834,282**	**740,518**	**657,287**	**583,405**

Present Value of Equity	
PV of 2025-2029 Free Cash Flows	3,593,172
*PV of Terminal Value	4,854,634
Enterprise Value	**8,447,806**
Less:	
Total Debt	(1,925,800)
Minority Interest	(156,200)
Plus:	
Cash and Equivalents	0
Equity Value	**6,365,806**
Shares Outstanding In Thousands	1,000,000
Implied Per Share Value	**6.37**

DCF Assumptions	
Cost of Capital (WACC%)	10.33%
Terminal EBITDA Multiple	6.15x
Tax Rate	24.55%
**Implied Perpetuity Growth Rate of Unlevered Free Cash Flow	(1.50%)

**Terminal value equals present value of 2029 EBITDA of Euro 1,269,134 * 6.1x Terminal Forward EBITDA Multiple.*

***Implied Perpetual Growth Rate of FCF = [(Terminal EBITDA)*(Terminal EBITDA Multiple)*(WACC) - (Terminal Year FCF)] / [(Terminal EBITDA)*(Terminal EBITDA Multiple) + (Terminal Year FCF)]*

Pirelli Sensitivity Analysis

Implied Per Share Value

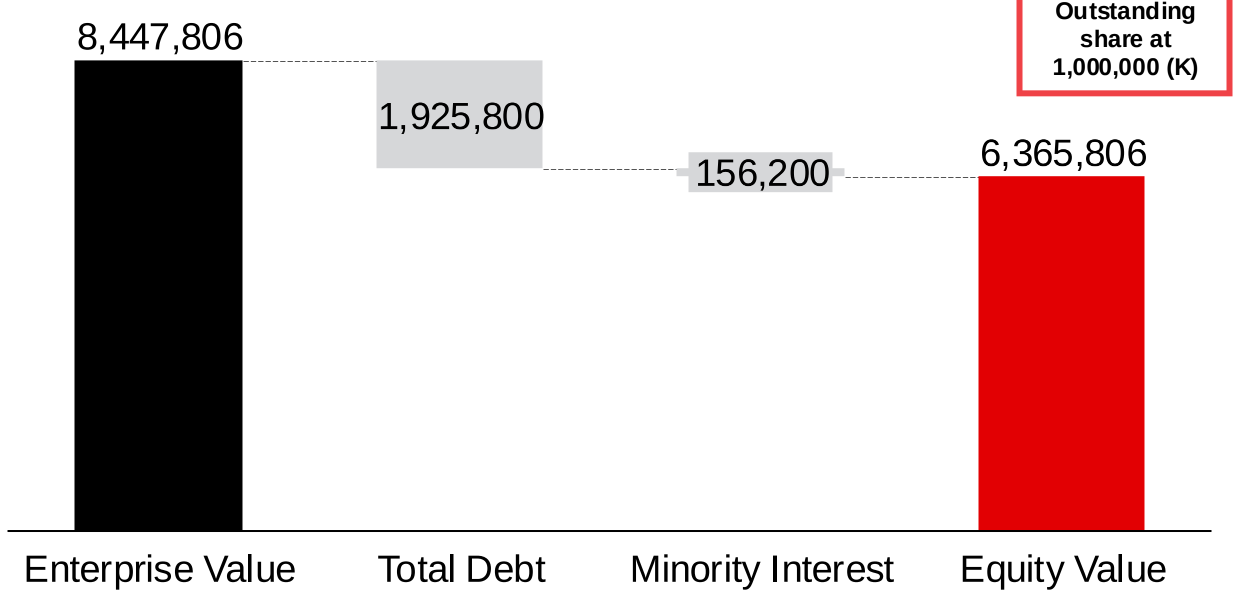
	Exit Multiple				
WACC	**4.1x**	**5.1x**	**6.1x**	**7.1x**	**8.1x**
8.33%	5.27	6.13	7.00	7.86	8.72
9.33%	5.02	5.85	6.67	7.50	8.32
10.33%	4.79	5.58	**6.37**	7.16	7.94
11.33%	4.56	5.32	6.07	6.83	7.59
12.33%	4.35	5.07	5.80	6.52	7.24

Present Value of Enterprise Value

	Exit Multiple				
WACC	**4.1x**	**5.1x**	**6.1x**	**7.1x**	**8.1x**
8.33%	7,352,264	8,214,670	9,077,077	9,939,484	10,801,890
9.33%	7,104,671	7,929,660	8,754,649	9,579,639	10,404,628
10.33%	6,868,777	7,658,291	**8,447,806**	9,237,320	10,026,834
11.33%	6,643,912	7,399,776	8,155,640	8,911,505	9,667,369
12.33%	6,429,448	7,153,378	7,877,309	8,601,239	9,325,169

Enterprise to Equity Value Bridge

Outstanding share at 1,000,000 (K)



Implied Share Price at € 6.37

Source: S&P Capital IQ Pro

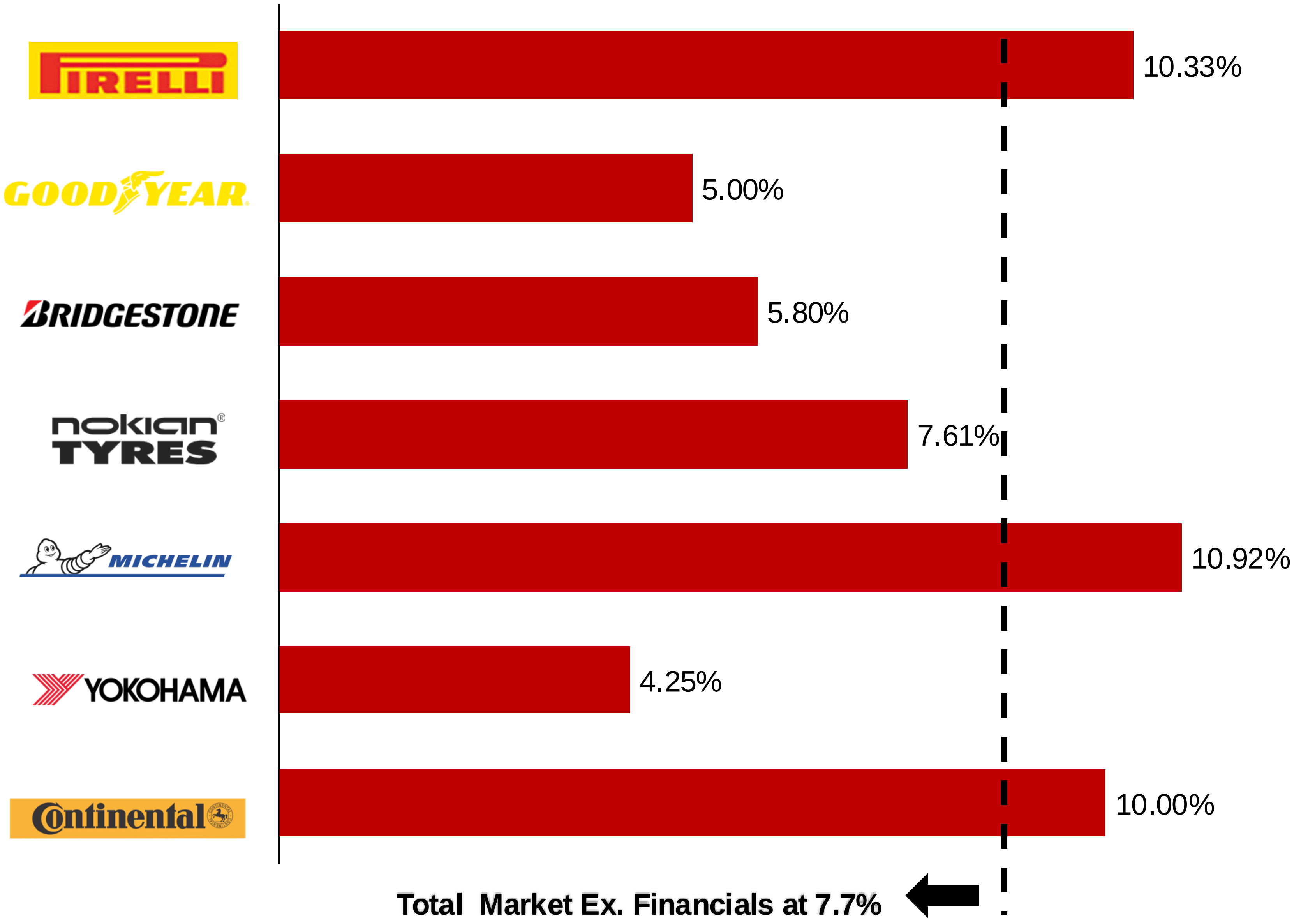
Pirelli Discounted Cash Flow (2/2) | WACC Assumptions, Risk Premium & Industry Benchmarking for Investment Valuation

WACC ASSUMPTIONS	
Tax Rate (5 Year Average)	24.55%
5Y US T-Note (Risk Free Rate)	4.01%
S&P 500 Market Return (Rm) - Yearly for Last 10 Years	11.14%
Debt/(Debt+Equity)	25.09%
Debt/Equity	33.49%
Cost of Debt (Rd) - Average of Last 5 Issued Bonds	2.71%

WACC	
Cost Of Equity Calculation	
Market Risk Premium (Rm - Rf)	7.13%
Multiplied by: Regression Beta	1.28
Adjusted Market Risk Premium	**9.10%**
Add: Risk-Free Rate of Return (Rf)	4.01%
Cost of Equity	**13.11%**
Multiplied by: Equity/(Debt+Equity)	74.91%
Cost of Equity Portion	**9.82%**
Cost Of Debt Calculation	
Cost of Debt (Rd) - Average of Last 5 Issued Bonds	2.71%
Tax Rate (5 Year Average)	24.55%
After-Tax Cost of Debt	**2.04%**
Multiplied by: Debt/(Debt+Equity)	25.09%
Cost of Debt Portion	**0.51%**
Cost of Capital (WACC %)	**10.33%**

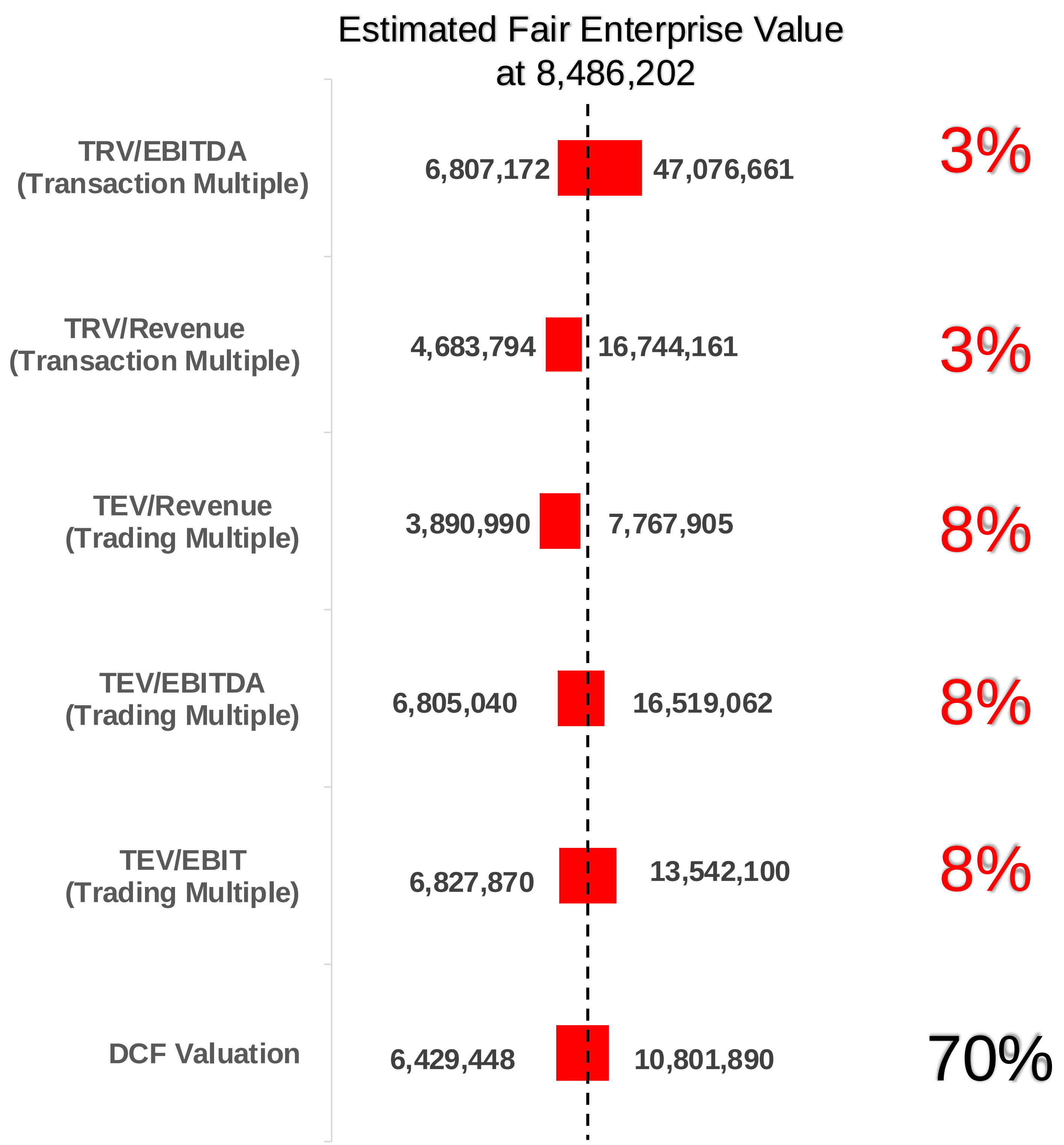
- **Higher Risk Premium:** Pirelli applies a **discount rate of 10.33%**, which includes a premium over its **WACC of 8.04%** for impairment testing. The pre-tax discount rate equivalent is **15.17%**, reflecting asset-specific risk adjustments
- **Rising Debt Costs:** The **cost of debt increased from 4.04% (2022) to 5.08% (2023)** due to higher interest rates, pushing up the overall WACC

Peer comparable companies' average cost of capital



Pirelli Valuation | €8.48B Enterprise Value Estimate with DCF & Comparable Weighting & Strategic Investment Insights

Pirelli & C. S.p.A. | Fair Enterprise Value (Euro K) – Football Field Analysis



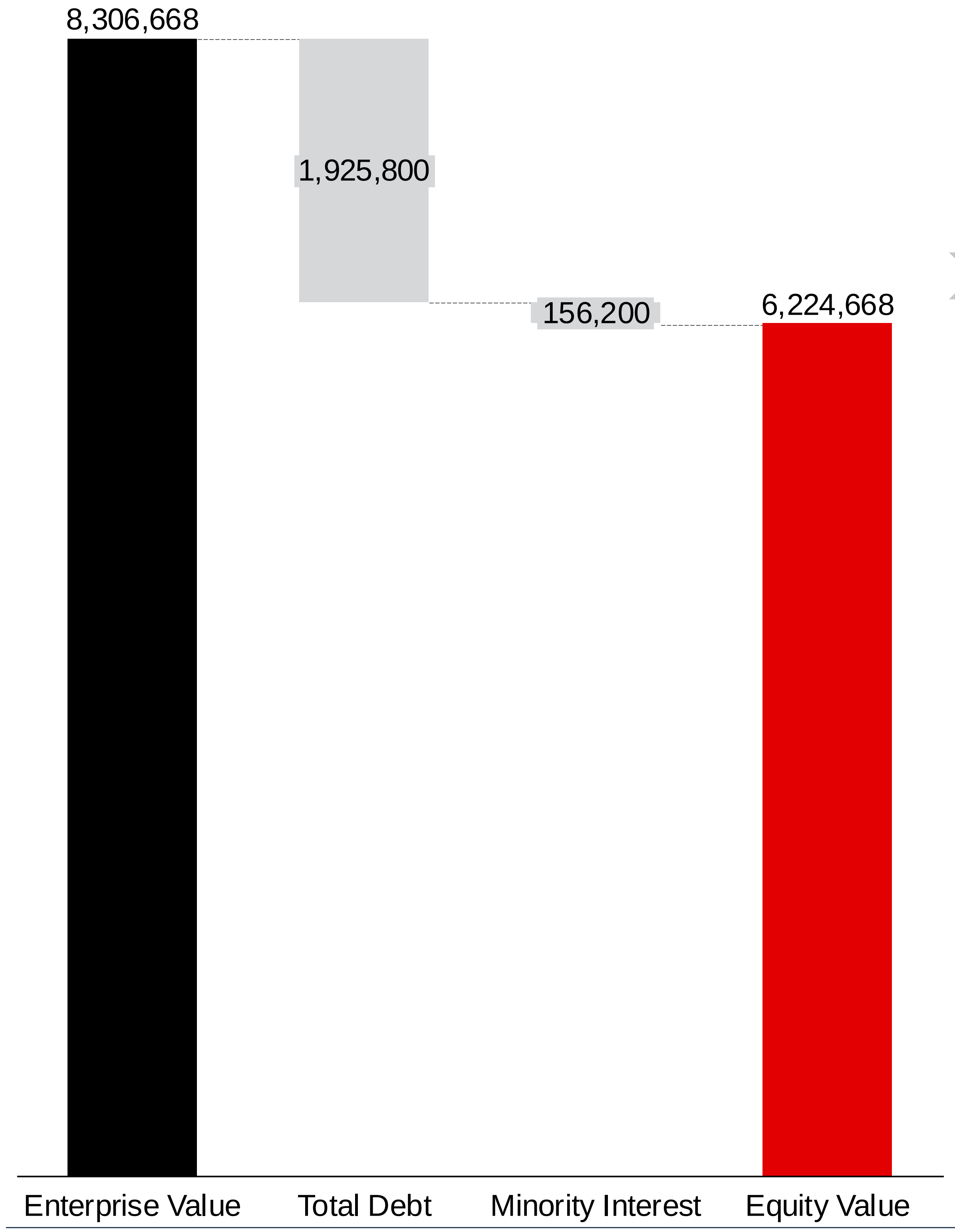
Pirelli & C. S.p.A. | Strategic Insights

- Our Football Field Valuation estimates Pirelli's enterprise value at **€8.48 billion**, with **70% weightage to DCF and 30% to Comparable Multiples**
- The DCF valuation range **(€6.43B - €10.80B)** highlights strong fundamentals, backed by robust cash flow potential and long-term financial stability
- Market-based valuation (Trading & Transaction Multiple) indicate a wider range (€3.89B - €47.07B), reflecting industry conditions, market sentiment, and sector-specific variations
- A lower 30% weight was given to Comparables, as market multiples can be volatile and may not fully capture Pirelli's strategic position, brand value, and operational strengths, which DCF better represents
- With a DCF-heavy approach, the market may be overlooking Pirelli's long-term cash flow stability, presenting a strategic M&A opportunity for investors eyeing financial strength and sector dominance

Source: S&P Capital IQ Pro

Pirelli Valuation | Implied Share Price at €6.20 vs. Market Price of €5.65 Indicating ~10% Undervaluation

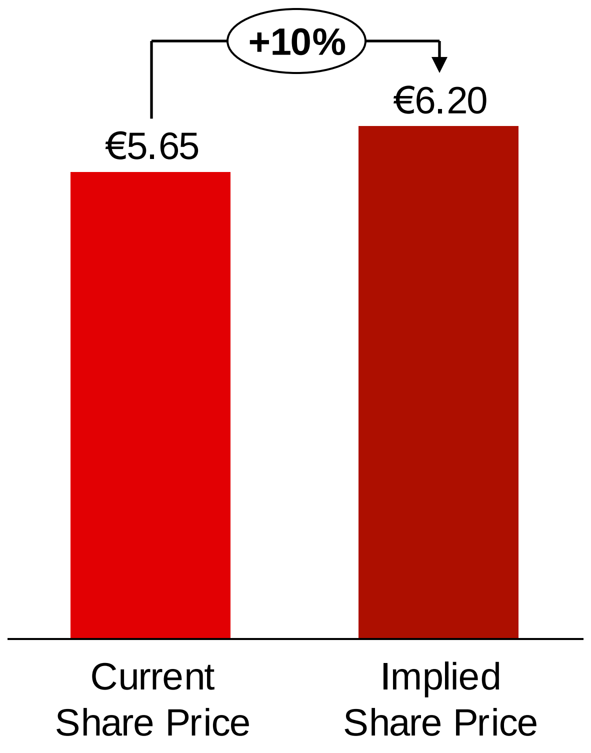
Pirelli & C. S.p.A. | Fair Enterprise Value to Equity Bridge



Outstanding share at 1,000,000 (K)

Implied Share Price at € 6.2

Pirelli & C. S.p.A. | Historic Stock Price | March 09, 2025



Based on our Analysis Pirelli & C. S.p. A, is currently undervalued by ~10%, which makes a possible acquisition bid very attractive, especially at current market levels and Pirelli & C. S.p. A stock performance in the last year

Source: S&P Capital IQ Pro

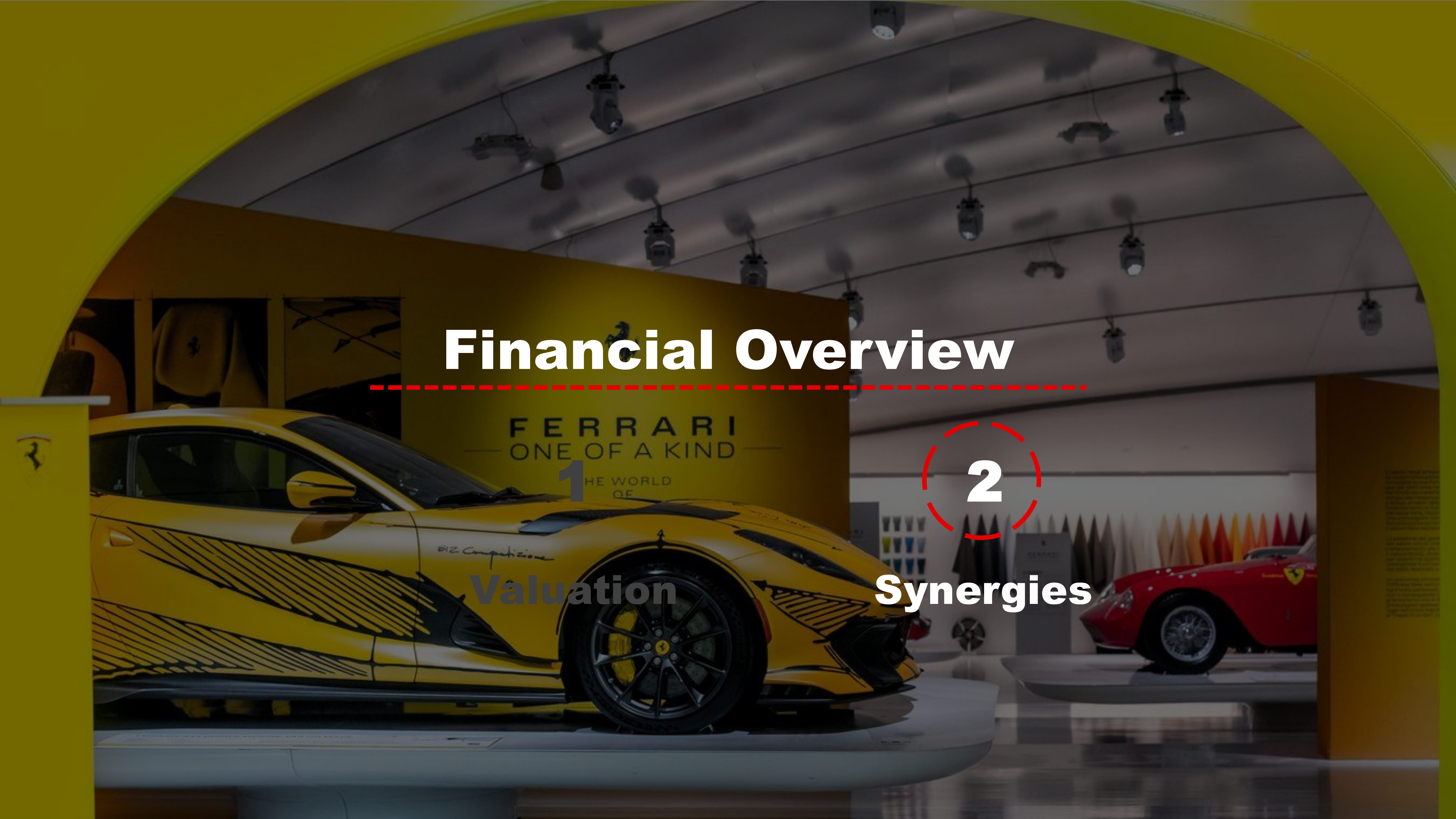
Financial Overview

1

Valuation

2

Synergies



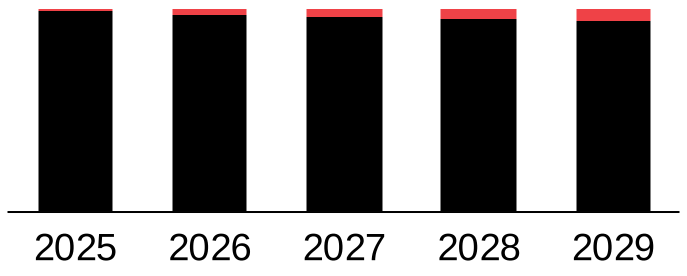
Potential Synergies Overview | Cost, Revenue, and R&D Advantages with Post-Acquisition Growth Potential

	Ferrari and Pirelli Possible Synergies	Duration
R&D	Ferrari and Pirelli share a strategic focus on tailored, performance-driven engineering. Pirelli's advanced "Cyber tyre" technology, embedded with sensors for real-time analytics, directly complements Ferrari's AI-powered vehicle performance systems. Their mutual commitment to sustainable materials further reinforces alignment in long-term R&D strategies and reduces its cost.	**3-5 years**
Cost Synergy	**Supply Chain Integration**: Streamlined procurement and logistics reduce overall tyre acquisition costs **Operational Efficiency**: Combined operations improve manufacturing productivity and reduce operational redundancies, leading to lower unit production costs. **Third-party Expenses**: Elimination of external tyre contracts and markups reduces direct costs substantially	**3-5 years**
Revenue Synergy	**New Product Offerings**: Launching exclusive "Ferrari-Pirelli" branded tyres in retail markets to create additional revenue streams by leveraging Pirelli's existing 50% premium market share in the prestige segment. **Motorsport Monetization**: Further monetizing motorsport collaborations through special edition vehicles, racing packages, and unique tyre/car bundles for high-end consumers and collectors.	**1-3 years**
Post Acquisition	**Accelerated Electrification Transition**: Direct collaboration accelerates development and rollout of EV-specific tyres. **Risk Management & Supply Chain Stability**: Direct control of tyre supply significantly reduces external risks, enhancing production reliability, cost stability, and product quality control.	**1-3 years**

Source: S&P Capital IQ Pro, Own Analysis

Potential Synergies Insights | €1.92B NPV from Revenue, Cost & R&D Efficiencies Driving Post-Merger Share Price to €8.32

Revenue Synergy

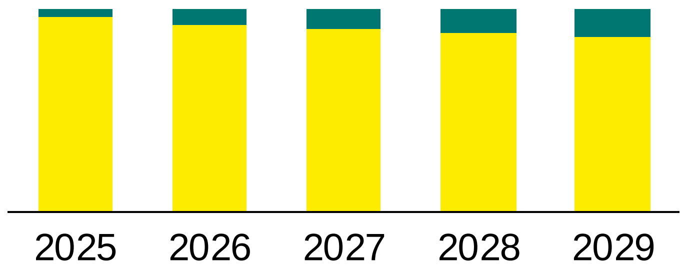


Areas
- Co-branded Premium Tyre Sales
- Motorsport Visibility & Sponsorship
- Aftermarket & Services Revenue
- Cross-selling & Customer Base Expansion

Strategic Rationale
- Enhanced product exclusivity with premium tyre offerings.
- Increased visibility leveraging Formula 1 partnership (Pirelli exclusive supplier).
- Boosted aftermarket sales leveraging combined dealer and service networks

NPV = €733.4 Million

Cost Synergy

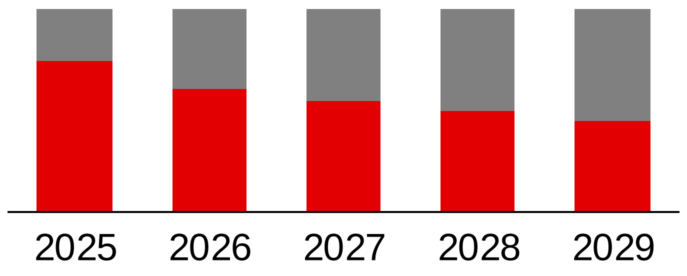


Areas
- Manufacturing & Supply Chain Optimization
- Administrative & IT Efficiency
- Procurement and Raw Material Savings
- Marketing & Advertising Consolidation

Strategic Rationale
- Significant cost reductions due to the economies of scale in procurement of raw materials and manufacturing optimization.
- Consolidation in corporate operations (administrative, IT infrastructure).
- Improved efficiency and savings in global distribution and marketing initiatives

NPV = €586.7 Million

R&D Synergy



Areas
- Collaborative EV & Hybrid Technology
- Sustainable Materials Innovation
- Joint Tyre-Performance Innovation
- Patents & Intellectual Property

Strategic Rationale
- Alignment of Ferrari's electrification goals (carbon-neutral by 2030) with Pirelli's leadership in sustainable tyre technologies.
- Reduction in duplicated R&D expenses through shared investments and collaborative innovation.
- Enhanced competitive advantage from leading-edge, jointly developed intellectual property.

NPV = €605.1 Million

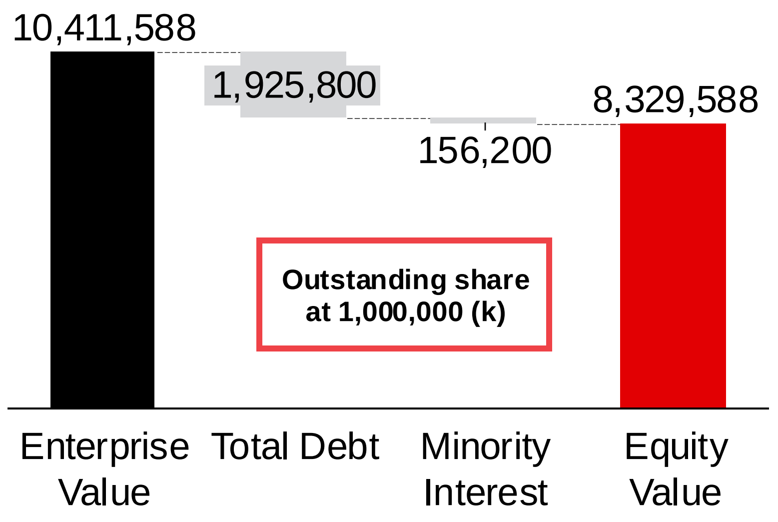
Total NPV of Synergy = €1.92 billion

+

Enterprise Value (Stand Alone) = € 8.48 Billion

=

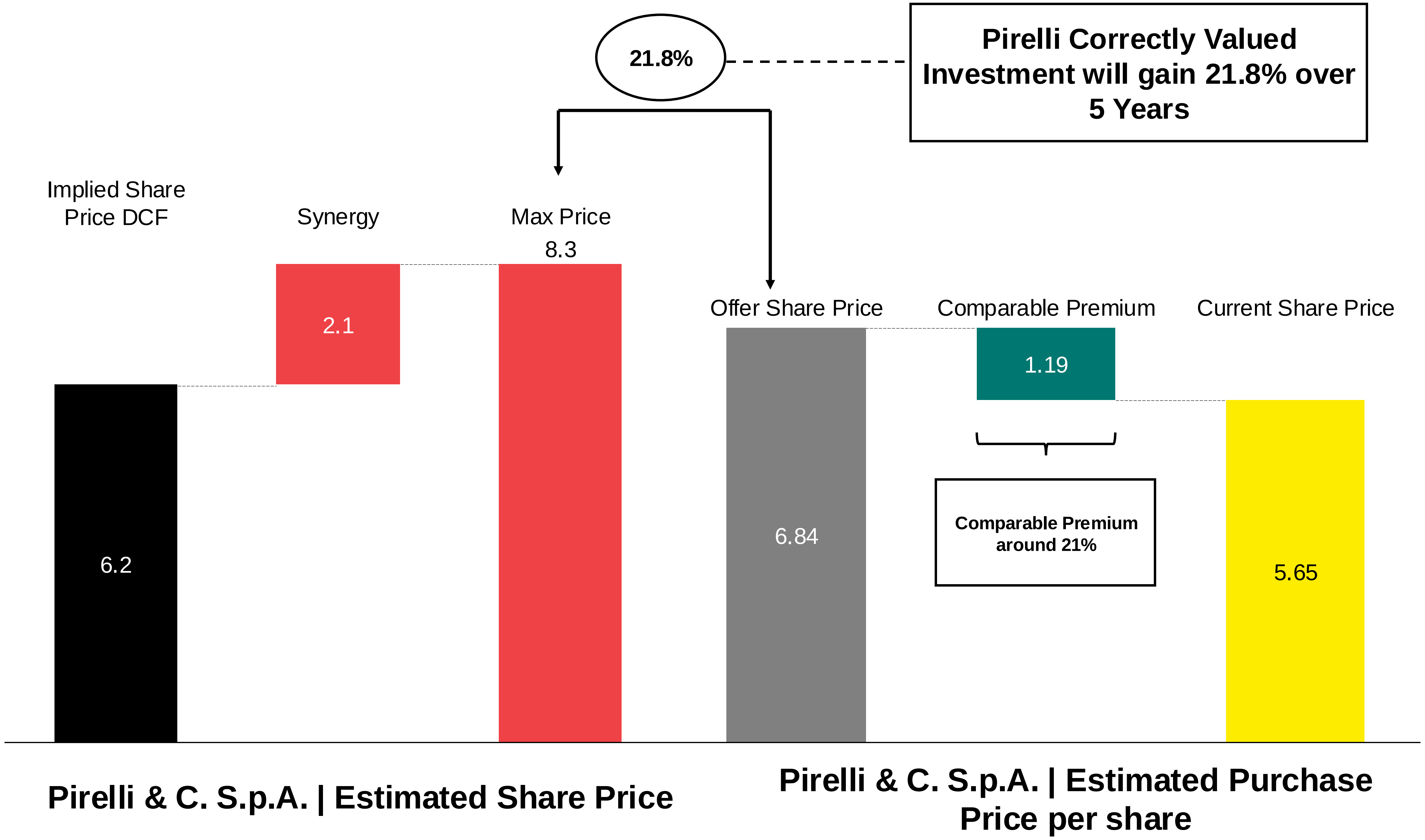
Enterprise Value (Merged Entity) = € 10.41 Billion



Implied Share Price Post Merger € 8.32

Source: S&P Capital IQ Pro, Own analysis, Annual reports Pirelli & Ferrari

Potential Synergies Price Comparison | 21.8% Synergy Premium Justifying €6.84 Offer Price for Strategic Growth



- Ferrari's Pirelli takeover is a strategically sound M&A deal. Ferrari's exhaustive valuation puts Pirelli's intrinsic worth at €6.20 a share with an added synergy benefit of €2.10 a share, €8.30 a share in total.
- Ferrari's bid of €6.84 a share, roughly a 21.8% premium over Pirelli's current market price (€5.65), is a good premium in such a transaction.
- The premium is justified, as Ferrari expects to generate roughly 21.8% returns in five years through combined cost savings, revenue growth, and shared innovation, which makes the transaction profitable as well as strategically rewarding

Source: S&P Capital IQ Pro, Own analysis, Annual reports Pirelli & Ferrari

Feasibility Analysis

Feasibility Analysis | Financial Strength, Operational Synergies & Risk Mitigation Strategy

Financial Feasibility

- **Strong financial standing** of Ferrari with net profits exceeding €1 billion and a high EBITDA margin (38.2%), along with high cash reserve ~ 1.75 Billion
- Acquisition premium of ~21% (€6.84/share) is fully justified by significant synergy-driven valuation upside (€8.30/share) over 5 years
- Optimal financing structure: combination of Cash (15%), stock (50%) and debt (35%), ensuring manageable leverage

Operational Feasibility

- **High complementarity** between Ferrari's luxury automotive focus and Pirelli's premium tire manufacturing.
- Proven operational cooperation in motorsports significantly reduces integration risk

Strategic Feasibility

- Direct alignment with Ferrari's **premium positioning and electrification strategy**.
- Complementary technological capabilities, especially in **EV-specific tire innovation and sustainability**

Integration Risk	Financial Risk	Market Risk
High Severity	Medium Severity	Medium Severity
Cultural misalignment between luxury automotive brand (Ferrari) and tire manufacturing operations (Pirelli).- Complexity of merging global operational processes, specially manufacturing and R&D departments	Increased debt financing costs in a volatile interest rate environment potentially impacting projected returns.- Economic downturn affecting premium market demand	Uncertain acceptance and potential resistance to co-branded products, affecting synergy realization.- Competitive reaction from major luxury automotive and tire industry competitors (e.g., Michelin, Bridgestone)

Mitigation Strategy

Integration Risk	Financial Risk	Market Risk
Formation of a dedicated Integration Committee with clear responsibilities and timelines.- Structured cultural integration workshops and leadership exchange programs	Leverage Ferrari's strong balance sheet (EBITDA margin 38.2%, net profit >€1B in 2023) to secure favorable financing terms.- Implement conservative financial assumptions and contingency buffers	Execute phased rollout and market testing leveraging Pirelli's strong motorsport reputation (Formula 1 partnership until 2027).- Early consumer engagement through pilot product launches and customer feedback

Source: S&P Capital IQ Pro, Own analysis, Annual reports Pirelli & Ferrari

Conclusion


UNITED STATES
AUSTIN
FIA Formula 1 World Championship
120
YEARS
Santander
VGW PLAY

Conclusion | Ferrari should acquire Pirelli

How are Ferrari and Pirelli a fit?

- Ferrari needs to launch a fully electric vehicle soon, Pirelli's R&D in the domain will be a significant competitive advantage for the auto maker
- Tyres being one of the most expensive element in the spare parts, having its own tyre manufacturer will result in significant cost saving for Ferrari in both OE and Repl markets
- Pirelli is also in need of a partner, through which it can generate a stable income and maximize it's potential in US market

How much is acquisition worth?

- Ferrari's acquisition of Pirelli, valued at ~€6.84 billion, aligns with its high-margin strategy, leveraging Pirelli's 15.1% EBIT margin and premium market positioning
- The deal unlocks cost efficiencies in R&D, manufacturing, and supply chain, driving higher EBITDA growth and margin expansion, with overall of ~ € 2.1 Billion synergy over the 5 years
- Securing Pirelli reduces supply chain risks, enhances pricing power, and strengthens Ferrari's long-term financial stability, reinforcing its dominance in luxury performance

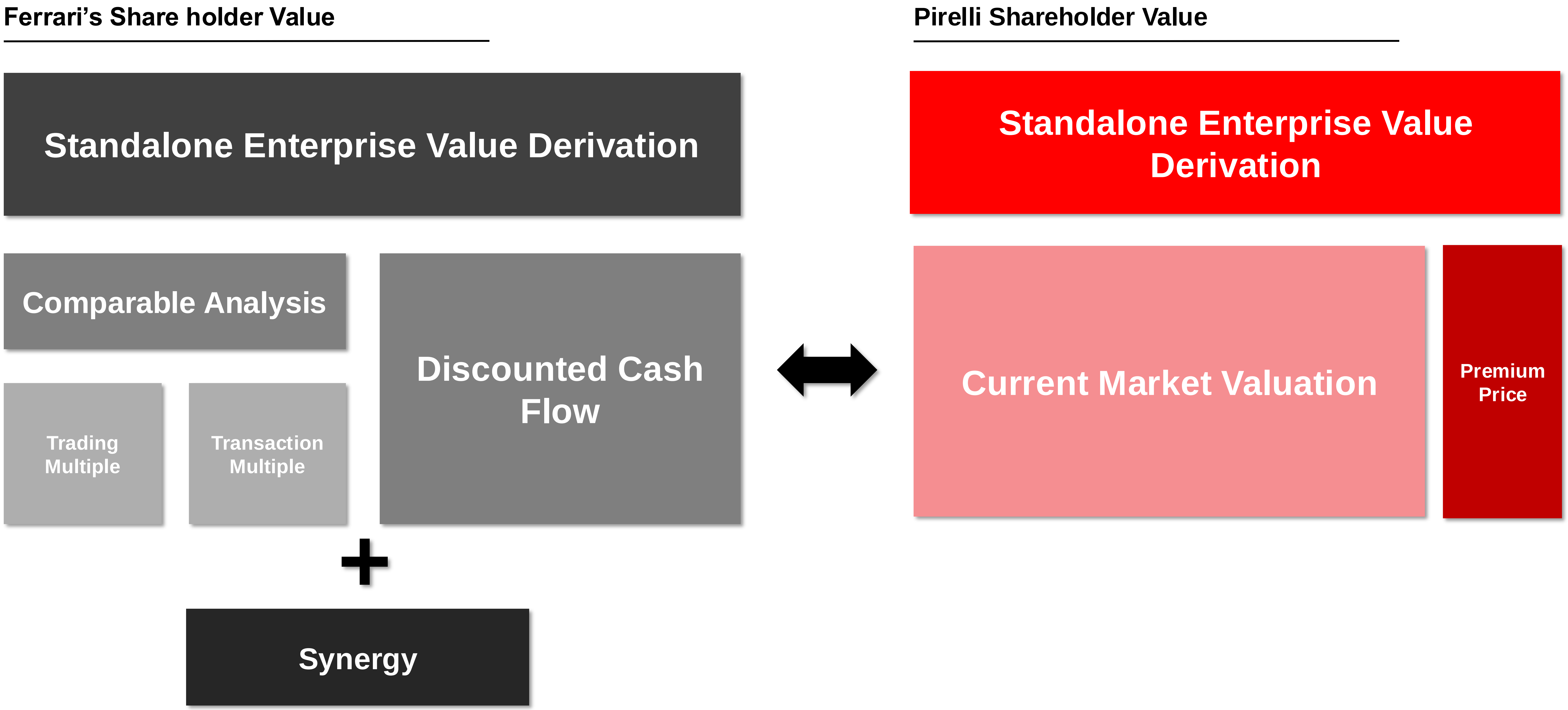
How feasible is an acquisition?

- A complete take over would ensure control while **optimizing idle cash reserve.**
- A cash-debt-equity combination will ensure stability while also leveraging Ferrari's high brand equity
- A negotiable **21% premium** which gives room for maneuver

Appendix

Appendix

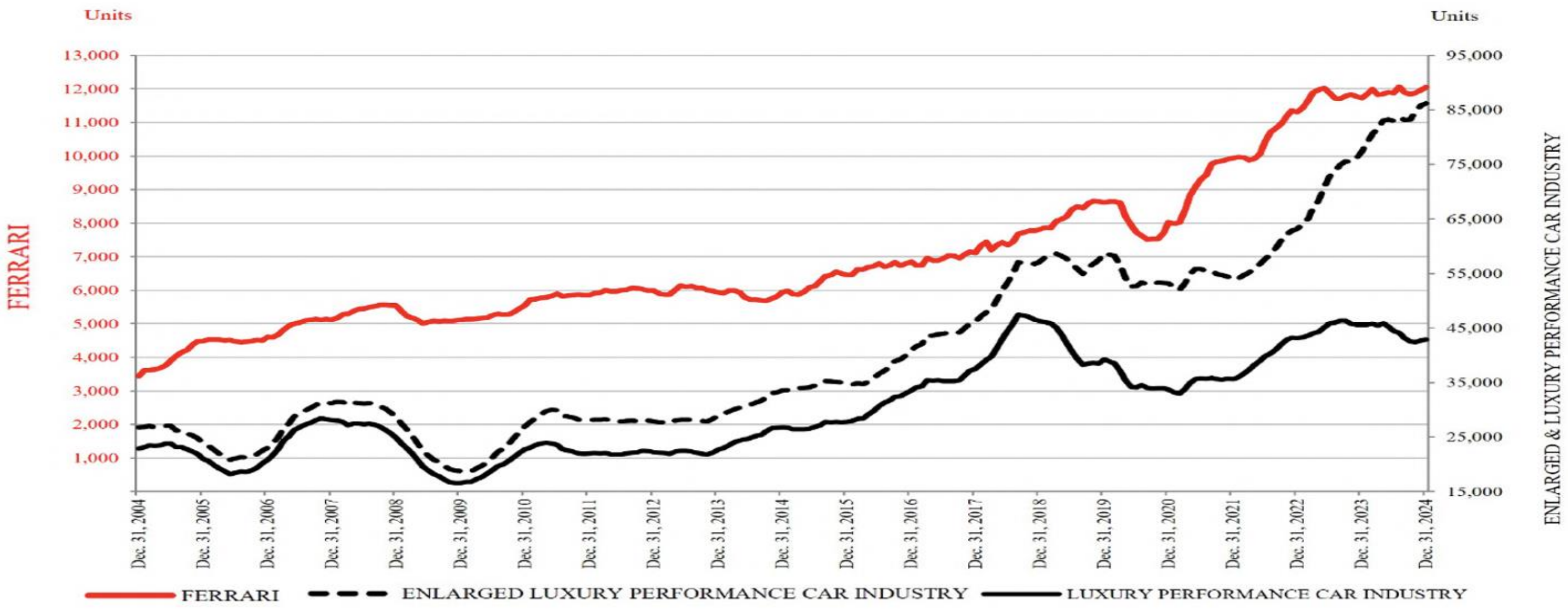
METHODOLOGY OF FINANCIAL ANALYSIS | To assess the financial attractiveness of Tesla, we derive its fair value based on multiple and DCF analyses, estimate synergies and compare them to the purchasing price



Source: Own Analysis & Approach

Appendix

Ferrari sales have proven to be resilient to market fluctutations



Brand equity through long history of success and heritage

1947

First car is produced

After it's inception in 1939, Ferrari produces it's first car, Ferrari 125 S and races at Piacenza.

1969

FIAT acquires 50% stake

Provided financial stability, enabling Ferrari to expand its road car division while continuing its motorsport dominance. This partnership ensured Ferrari's survival and growth

2004

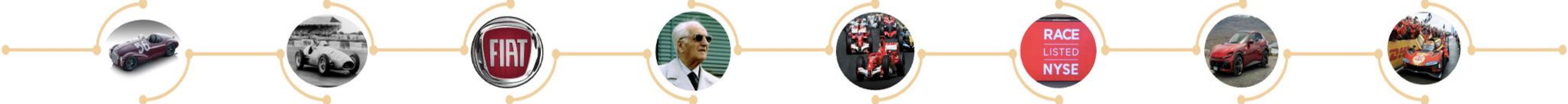
Five back to back F1 wins

Ferrari became an unmatched global brand in motorsports, driving record merchandise sales, high-value sponsorships and an increase in luxury car demand

2019

Introduction of SUV and Hybrids

Introduced models like the SF90 Stradale (hybrid) and Purosangue (SUV), tapping into high-margin segments while retaining exclusivity, expanding its customer base



First car is produced

An era is kicked off as Ferrari established itself as a dominant force in motorsport with Alberto Ascari's victory

1952

Enzo Ferrari passes away

Marked a shift from founder-driven leadership to corporate management. Fiat Starts Shaping Ferrari into a structured business

1988

Ferrari goes public

Separated from Fiat, Ferrari became a public company, significantly increasing its valuation and reinforcing its identity as a luxury business

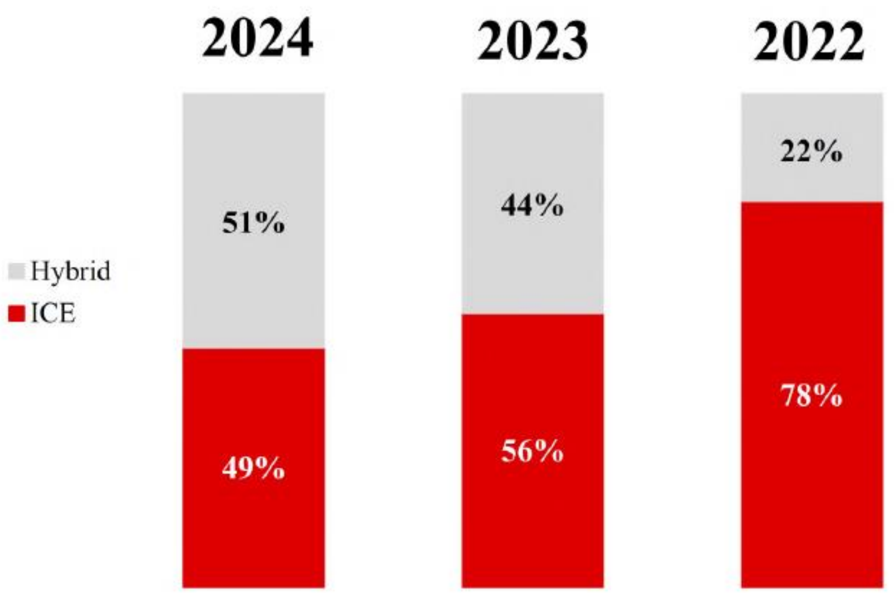
2015

First Le Mans win in 50 years

Strengthened Ferrari's racing heritage and justified its hypercar development, reinforcing brand prestige, attracting more customers and sponsorships.

2023

Capability in power train innovation



Ferrari has proved its ability to adapt and introduced hybrid engines which are demanded by its customers

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