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Ferrari Files Its First IPO

By Madisson Goorman, J.D. Candidate 2018 | November 2, 2015

Ferrari priced first initial public offering on October 20, 2015, at $52. 10% of Ferrari's shares are now being sold on the New York Stock Exchange. All of the shares are being sold by Fiat Chrysler Automobiles (FCA), which owns 90% of Ferrari, while Pieror Ferrari, the son of the company's founder, owns the other 10%. The stocks are being sold in order to separate Ferrari from FCA, which is planned to happen by the beginning of next year. The remaining 80% of FCA's stake in Ferrari will be transferred to their stockholders.

After its first trading day Ferrari closed at $55 and increased overnight to $56.75. The next important factor to be determined is if the company will be labeled a carmaker or luxury brand. If Ferrari is viewed as a carmaker its valuation greatly exceeds that of its rivals.

Part of the main argument for Ferrari being considered a luxury brand over a carmaker is visible in its limited production; it only produces 7,000 cars a year and is worth 10 billion. Selling such a limited number of cars per year has contributed to its perception of exclusivity. By 2019 the company plans to increase its production to 9,000 cars, which is still less than demand, the company is keeping this in mind in order to maintain the brand's exclusivity.

Another potential limit to Ferrari's growth relates to its reliance on sales in the emerging markets of China, Russia, Middle East and Latin America. From 2013 to last year Ferrari's sales in China dropped to almost half of its original amount. If this trend continues the company will need to evaluate how to maintain its exclusivity while reaching markets that will be able to provide costumers that can afford to purchase their cars.

One valuable asset of Ferrari is the brand's horse logo, 17.6% of their net revenue from the first few months of 2015 came from licensing agreements of their logo. This asset also pose a risk to the company as any bad publicity from their licensing and franchising partners will directly hurt the company.