

Italy ~ MB Conference



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RESEARCH

12 June 2024

Update

Guide for investors attending our conference

X Mediobanca CEO Conference on 18th-19th June

The top management of >50 Italian companies will attend the new edition of our 10th Italian CEO Conference to be held on the 18th-19th June 2024. This note is conceived as a working tool for investors attending the event. We present the key top-down themes which we expect to fuel the debate and an overview of our sectors' views. Company section concludes the document with Q&A suggestions and relevant stock specific topics that we consider worth discussing at the meetings. Looking forward to seeing you at our Conference!

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MEDIOBANCA 10th ITALIAN CEO CONFERENCE

18 - 19 JUNE 2024

LIVE EVENT @MEDIOBANCA
Headquarters Office
Via Filodrammatici 3
Milan

>50 ATTENDING COMPANIES

Key Speakers

18 JUNE
Alberto Nagel - CEO Mediobanca
President Enrico Letta - Former Italian Prime Minister
Giulio Terzariol - CEO Insurance Generali
Nathalie Tocci - Director Istituto Affari Internazionali
Andrea Orcel - CEO UniCredit

19 JUNE
Stefano Besseghini - Chairman ARERA
Renato Mazzoncini - CEO A2A
Claudio Descalzi - CEO ENI
Roberto Cingolani - CEO Leonardo
Marco Patuano - CEO Cellnex
Pietro Labriola - CEO Telecom Italia
Diego Galli - General Manager INWIT

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ATTENDING COMPANIES

18 June	19 June
AMPLIFON	AZA
ANIMA HOLDING	ACEA
BANCA GENERALI	ARISTON GROUP
BANCA IFIS	ASCOPIAVE
BANCA MEDIOLANUM	BUZZI
BANCA MONTE PASCHI SIENA	CELLNEX
BANCA POPOLARE DI SONDRIO	DE' LONGHI
BFF	DIASORIN
BPER	ENAV
CAREL	ENEL
CNHI	ENI
CREDEM	FINCANTIERI
DOVALUE	HERA
FINECO	INTERPUMP
GENERALI	INWIT
INTESA SANPAOLO	IREN
MEDIOBANCA	ITALGAS
MFE	IVECO GROUP
NEXI	LEONARDO
POSTE ITALIANE	MAIRE
SANLORENZO	NHOA
TECHNOGYM	PIRELLI
TECHNOPROBE	PRYSMIAN
TENARIS	RAI WAY
UNICREDIT	RECORDATI
UNIPOL	REPLY
WEBUILD	SNAM
	TELECOM ITALIA
	TERNA

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MEDIOBANCA
10th ITALIAN CEO CONFERENCE



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RESEARCH

AGENDA

18 JUNE
Focus on Banks, Insurance, Asset Gatherers & Specialty Finance

07.30 - 08.00	Registration - Welcome Coffee
08.00 - 08.15	Opening Speech - Alberto Nagel - CEO Mediobanca
08.15 - 09.00	President Enrico Letta - Former Italian Prime Minister
09.00 - 09.45	Giulio Terzariol - CEO Insurance Generali
09.45	Meeting
10.45	Meeting
11.45	Meeting
12.30 - 13.15	Nathalie Tocci - Director Istituto Affari Internazionali
13.15 - 14.00	Lunch Break
14.00 - 14.45	Andrea Orcel - CEO Unicredit
14.45	Meeting
15.45	Meeting
16.45	Meeting
17.30	Meeting
From 18.00	Cocktail

19 JUNE
Focus on Utilities, Infrastructure, Energy & Industrial Companies

07.30 - 08.00	Registration - Welcome Coffee
08.00 - 08.45	Stefano Besseghini - Chairman ARERA
08.45 - 09.30	Renato Mazzoncini - CEO A2A
09.45	Meeting
10.45	Meeting
11.45	Meeting
12.30 - 13.00	Claudio Descalzi - CEO ENI
13.00 - 13.30	Roberto Cingolani - CEO Leonardo
13.30 - 14.00	Lunch Break
14.00 - 14.45	Roundtable TMT: Exploring the future of EU Telcos & Digital Infra Marco Patuano - CEO Cellnex Pietro Labriola - CEO Telecom Italia Diego Galli - General Manager INWIT
14.45	Meeting
15.45	Meeting
16.45	Meeting
17.30	Meeting

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GLOBAL MACRO - EVIDENCE OF A RESTRICTIVE POLICY

Global economic activity remained resilient in the first months of 2024, which led major institutions to confirm ~0.5%-1.0% GDP growth for Europe and ~2.5% for USA in 2024-25E.

Key performance indicators in Europe remain subdued. Despite the elevated inflation of the past two years, deflated retail sales are not in negative territory supported by strong employment and rising wages (now at around 2X inflation). On the other hand, PMI and industrial production show manufacturing remains weak below sub-contraction level. With deflated retail sales growing ~0% YoY and given robust saving rates (~15%) bodes well for more support in the future, it is reasonable to assume consumption to contribute ~0% to 0.5% to GDP growth in 2024 (households consumption accounts for ~50% of Europe's GDP). Despite industrial production down ~1% in Mar-24, recovering PMIs (now just below 50 neutrality threshold) point to modest contribution of manufacturing activity in 2024 (~+0.2%), while economic growth cannot count on additional Government spending. Thus, growth as weak as ~+0.5% looks plausible in 2024.

The picture is different in USA. Consensus points to ~2.5% growth in 2024, but we would be more cautious on the magnitude of such growth and inclined to see it at ~1.5% (2% at best). Deflated retail sales growth (a proxy of consumption, accounting for 70% of GDP) are growing by <1%, manufacturing PMI are just recovering above 50 growth threshold and Government spending is not seen contributing. As a matter of facts, GDP growth suddenly slowed down in Q124 at +1.3%.

Thus, growth in Europe is progressing as weak as expected and data show a slow-down in USA (GDP growth, jobs opening, consumption at +0.3% in Apr-24 marking a major slowdown compared to previous +0.7%, falling home sales). Western World cannot count on a larger support from China, still embarked in rescuing a debt-stricken property sector.

In other words, a restrictive monetary policy is doing what it is supposed to do, i.e. dampening demand. Despite EU sluggish growth and sharp US deceleration, Central Banks are buying time in search of more evidence (and confidence) that inflation is converging to 2% in a sustainable manner. But Europe's real rates are now 3X the GDP growth (1.4% vs 0.4% in Q124) and inflation at 2.6% is close to 2.3% forecast by the ECB. In USA, real rates are now 2X GDP growth due to the sharp slow-down in Q124 (2.6% vs 1.3%), 1.3% GDP growth is largely below >2% projected by the FED and 2.8% Core PCE inflation is almost equal to 2.6% projected by the FED.

Data suggest such wait-and-see approach cannot last for long. A progressive approach to easing monetary policy is understandable at the beginning - in such context 50-75bps cuts in US/Europe by the end of Q125 embedded in market expectations are plausible - but rate cuts are likely to gain impetus in the coming months if growth does not accelerate beyond current anaemic levels.

Central case is much stronger growth in USA than in Europe in 2024-25

OECD projects ~3% global GDP growth in 2024-25E, driven by emerging markets and USA compensating Europe's softer growth. As main concerns regarding the current macro scenario the OECD flags: (1) inflation which may prove more persistent than projected, (2) financial markets which may remain vulnerable to sudden repricing, and (3) uncertainties in China. As supply and demand imbalances continue to ease, the OECD sees inflation moderating at 5% in 2024 (6.9% in 2023) and to 3.4% in 2025.

OECD - GDP Growth Projections (Economic Outlook, May 2024)

	2023A	2024E	2025E	Vs Feb-24 Projections (2024)	Vs Feb-24 Projections (2025)
United States	2.5%	2.6%	1.8%	0.5%	0.1%
Euro Area	0.5%	0.7%	1.5%	0.1%	0.2%
China	5.2%	4.9%	4.5%	0.2%	0.3%
World	3.1%	3.1%	3.2%	0.2%	0.2%

Source: OECD

EU Commission forecasts a modest pick-up in Europe's growth (real GDP up 0.8% in 2024 and +1.4% in 2025). EU economy looks having overcome the mild recession suffered in H223, with almost all Member States expected to return to growth in 2024. GDP growth should come with cooling inflation, as EU HICP is seen at 2.7% in 2024 (6.4% in 2023) and at 2.2% in 2025, close to 2% ECB's target.

European Commission - Spring 2024 Forecasts on GDP Growth and Inflation for main EU countries

May-24 Forecasts	Real GDP 2023	Real GDP 2024	Real GDP 2025	Inflation 2023	Inflation 2024	Inflation 2025
France	0.7%	0.7%	1.3%	5.7%	2.5%	2.0%
Germany	-0.3%	0.1%	1.0%	6.0%	2.4%	2.0%
Italy	0.9%	0.9%	1.0%	5.9%	1.6%	1.9%
Spain	2.5%	2.1%	1.9%	3.4%	3.1%	2.3%
Euro Area (20)	0.4%	0.8%	1.4%	5.4%	2.5%	2.1%

Source: Mediobanca Research, European Commission Spring 2024 Interim Forecasts

Europe and United States - Real Rates versus GDP Growth and Comparison

May-24 Forecasts	Euro Area	United States
Policy Rate	3.8%	5.4%
Policy-Relevant Inflation	2.6% (HICP May-24)	2.7% (PCE Apr-24)
Real Rates	1.2%	2.7%
Real GDP Growth (Q124 YoY)	0.4%	1.3%
Real Rates vs Real GDP Growth	2.9X	2.1X
GDP Growth in Central Bank Projections	0.9% (Jun-24 Projections)	2.1% (Mar-24 Projections)
Policy-Relevant Inflation in Central Bank Projections	2.5% (Jun-24 Projections)	2.4% (Mar-24 Projections)
Inflation as % of Inflation in Central Banks Projections	1.0X	1.1X
GDP Growth as % of GDP Growth in Central Banks Projections	0.4X	0.6X

Source: Mediobanca Research, European Commission Spring 2024 Interim Forecasts

US growth running well below expectations, Europe is as slow as expected

We break-down GDP growth in Western World (USA and Europe) in its three main components (households' consumption, manufacturing, Government spending) to gauge how GDP may progress in the coming quarters till the end of 2024.

USA and Europe - Breakdown of Contribution to GDP

	Households' Consumption	Manufacturing	Government Spending
USA	~70%	~10%	~15%
Euro Area	~50%	~20%	~20%

Source: Bureau of Labor Statistics, Eurostat, Mediobanca Research analysis

- **Low unemployment and wage inflation underpin resilient private consumption in Europe and USA, but recent data show a sharp slow-down in USA** - Unemployment rate shows no deterioration. EU unemployment at 6% remains below the average level of the last four years and US unemployment rate at 4% stands close to natural attrition since the end of 2021. Wage rise has filled the gap with inflation, as they stand above inflation in Europe and USA (close to 2X). Saving rate still represents a buffer in Europe, where it returned close to 15%. As a result, European retail sales stay resilient in Apr-24 (+0% YoY after +0.7% in Mar-24) after a gradual improvement in 4Q23.

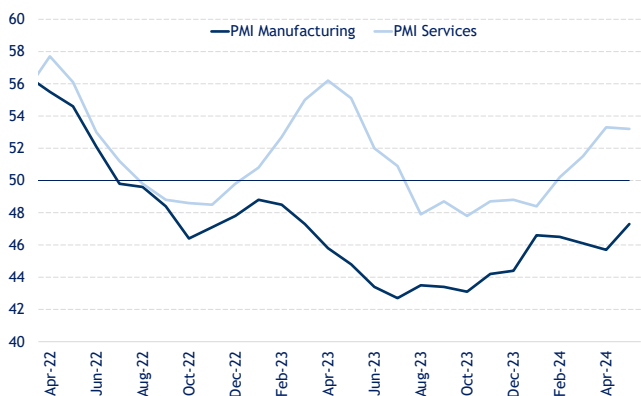
US saving rate remains low at -3.5% supporting spending. This is good for the economy (consumption is -70% of GDP) but suggests consumers might stretch themselves financially to keep the shopping going. At +0.3% US consumption in Apr-24 marked a major slowdown versus Mar-24 and Feb-24 (growth in personal expenditures at 0.7%).

USA and Europe - Progression in Deflated Retail Sales and Key Parameters Supporting Consumption				
	Unemployment	Wage Inflation	Saving Rate	Q124 Retail Sales (Deflated)
Europe	-6%	-5%	-15%	-0%
USA	-4%	-4%	-4%	<1%

Source: Eurostat, US Census Bureau, Bureau of Labor Statistics, Mediobanca Research

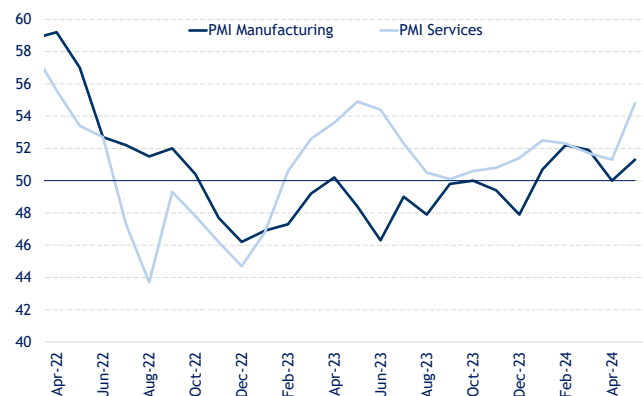
- Manufacturing on a recovery path but still a drag in Europe** - EU Service PMI came at 53.2 from 53.3 in Apr-24 and 51.1 in Mar-24, standing well above the neutrality threshold of 50.0. Manufacturing PMI remains below 50 sub-contraction level, but it has gradually increased to 47.3 versus 45.7 in Apr-24 and 45.7 in Mar-24. In the US Services were the main driver of PMI expansion at 54.8 from 51.3 in Apr-24 and 51.7 in Mar-24. Unlike Europe, the Manufacturing component showed an improvement hitting 51.3 versus 50.0 in Apr-24 and 51.9 in Mar-24.

Eurozone - Progression in Service and Manufacturing PMI, 2022-24



Source: S&P, Mediobanca Research

USA - Progression in Service and Manufacturing PMI, 2022-24



Source: S&P, Bureau of Labour Statistics, Mediobanca Research

- Government spending to provide only slightly lower contribution to GDP in 2024** - The most recent estimates from the European Commission show EU Government spending (Deficit to GDP Ratio) should not contribute to GDP (3.0% Deficit-GDP Ratio in 2024 versus 3.6% in 2023), largely attributable to Germany, set to reduce its deficit from 2.5% in 2023 to 1.6% in 2024. USA should also slightly trim its Deficit on GDP from 6.2% to 5.6%.

United States - Deficit to GDP Ratio, 2023-24		
	2023 Deficit/GDP	2024 Deficit/GDP
United States	6.2%	5.6%

Source: Mediobanca Research on Congressional Budget Office

Euro Area - Deficit to GDP Ratio According to European Commission Projections, 2023-24

	2023 Deficit/GDP	2024 Deficit/GDP
Belgium	-4.4%	-4.4%
Germany	-2.5%	-1.6%
Baltic (Estonia, Latvia, Lithuania)	-2.1%	-2.7%
Ireland	1.7%	1.3%
Greece	-1.6%	-1.2%
Spain	-3.6%	-3.0%
France	-5.5%	-5.3%
Croatia	-0.7%	-2.6%
Italy	-7.4%	-4.4%
Netherlands	-0.3%	-2.0%
Austria	-2.7%	-3.1%
Portugal	1.2%	0.4%
Slovakia	-4.9%	-5.9%
Finland	-2.7%	-3.4%
Weighted Average	-3.6%	-3.0%

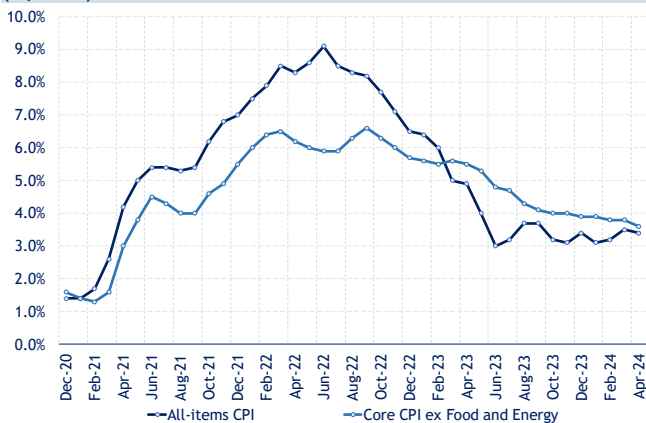
Source: Mediobanca Research on European Commission's estimates

Inflation: the road to cover the last mile is proving bumpy in Europe and USA

In EU and USA inflation is proving more difficult to eradicate, but if we isolate services, bumps in inflation can be ascribed to spiking energy prices (oil, gasoline, gas) due to geopolitical tensions. Moreover, inflation in Europe was affected by Germany where energy prices remain in negative territory but the positive contribution is fading (-1.1% YoY in May-24, -2.7% in Mar-24) also due to the discontinuation of the brake on energy prices and the introduction of a higher carbon price at the beginning of 2024, and the end of the temporary VAT reduction for gas and district heating in Apr-24.

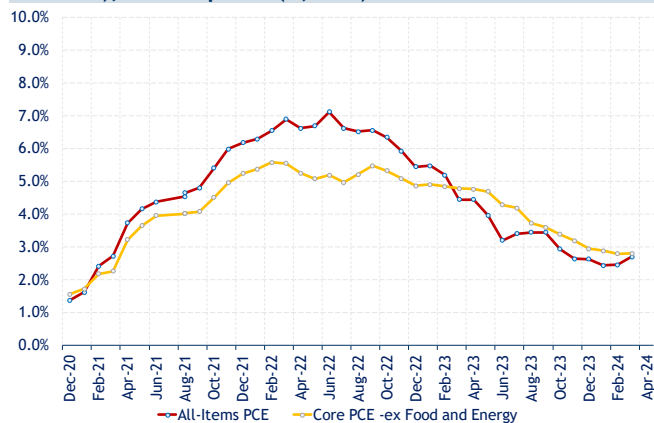
- USA: the time needed to hit 2% remains elusive due to energy price and sticky service inflation** - In Apr-24 Headline CPI stands at 3.4%, anchored at ~3% or above since the start of 2024. Despite declining after several months, Core CPI remains above 3.5% in Apr-24. PCE inflation (FED's preferred measure of inflation) stands just below 3% for Headline and Core in Apr-24. The descent coming to an halt in US inflation has a lot to do with energy which started adding pressure due to picking-up gasoline prices since early 2024 (USD3.5/gallon in May-24 vs USD2.95/gallon in Jan-24) and due to stubborn service inflation, kept elevated by strong employment and healthy consumer spending and low saving rate (~3.5%).

USA - Progression in Consumer Price Index, 2020-Apr-24 (% YoY)



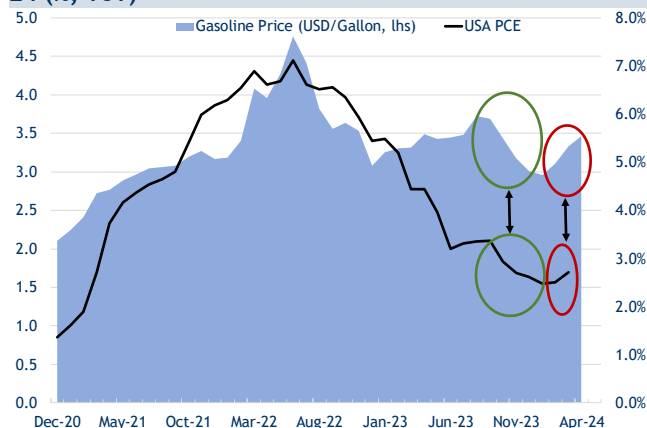
Source: Bureau of Labor Statistics, Mediobanca Research analysis

USA - Progression in PCE Inflation (FED's Preferred Inflation Measure), 2020-Apr-24 (% YoY)



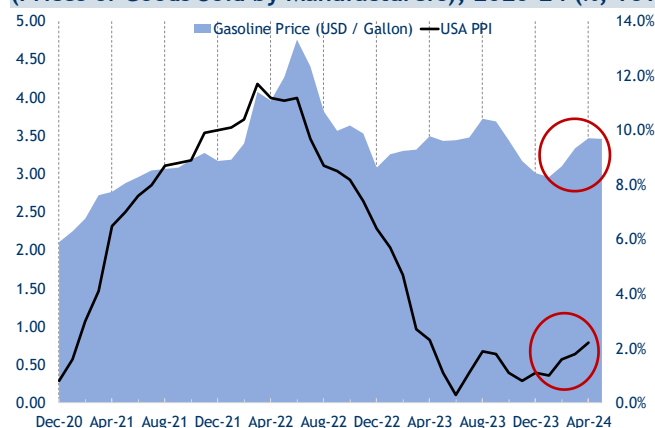
Source: Bureau of Economic Analysis, Mediobanca Research analysis

USA - Gasoline Price (USD/Gallon) and PCE Inflation, 2020-24 (% YoY)



Source: EIA, Bureau of Economic Analysis, Mediobanca Research analysis

USA - Gasoline Price (USD/Gallon) and Producer Price Index (Prices of Goods Sold by Manufacturers), 2020-24 (% YoY)



Source: EIA, Bureau of Labor Statistics, Mediobanca Research analysis

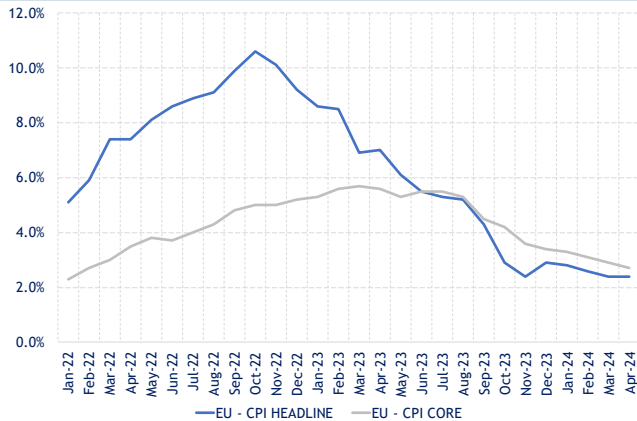
USA - Progression in CPI Inflation Including a Break-down of Service Categories, 2022-24

	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	Descent
All Items CPI	6.5%	5.0%	3.0%	3.7%	3.4%	3.1%	3.2%	3.5%	3.4%	Yes
Energy	7.3%	-6.4%	-16.7%	-0.5%	-2.0%	-4.6%	-1.9%	2.1%	2.6%	No
Core CPI-ex Food, Energy	5.7%	5.6%	4.8%	4.1%	3.9%	3.9%	3.8%	3.8%	3.6%	Yes
Shelter Services (Housing)	7.5%	8.2%	7.8%	7.2%	6.2%	6.0%	5.7%	5.7%	5.5%	Yes
Medical Care Services	4.1%	1.0%	-0.8%	-2.6%	-0.5%	0.6%	1.1%	2.1%	2.7%	No
Transportation Services	14.6%	13.9%	8.2%	9.1%	9.7%	9.5%	9.9%	10.7%	11.2%	No
Recreation Services	4.2%	5.9%	5.9%	6.4%	5.6%	5.3%	4.5%	4.5%	4.1%	Yes
Education Comm. Services	0.7%	1.4%	1.1%	1.0%	-0.1%	0.0%	0.4%	0.2%	0.4%	No
Other Personal Services	5.5%	5.3%	6.5%	6.8%	6.4%	6.8%	5.1%	5.4%	4.9%	Yes

Source: Bureau of Labor Statistics, Mediobanca Research analysis

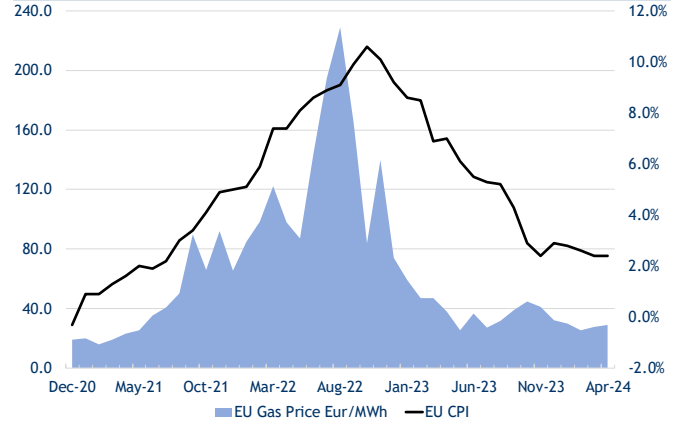
- Euro Area: inflation is closer to 3% than to 2%, but it should be just a bump** - Annual inflation in the Euro Area hit 2.6% in May-24 versus 2.4% in Apr-24 and back to Feb-24 level. Services show the highest annual rate (4.1%, 3.7% in Apr-24), followed by food-alcohol-tobacco (2.6%, 2.8% in Apr-24) and energy (+0.3%, -0.6% in Apr-24). Excluding food and energy Core Inflation hit 2.9%, up vs 2.7% in Apr-24 and aligned to 2.9% in Mar-24. The descent in Core inflation proves bumpy as it is now a bit distant from the range 2%-2.5% compatible with the ECB target. The support from lowering energy prices is fading, while the unwinding of government fiscal support schemes across the bloc generates fluctuations.

Euro Area - Progression in Harmonized Consumer Price Index, 2020-Apr-24 (% YoY)



Source: Eurostat, Mediobanca Research analysis

Euro Area - Gas Price (€/MWh) and Harmonized Inflation, 2020-24 (% YoY)



Source: EIA, Bureau of Labor Statistics, Mediobanca Research analysis

Euro Area - Progression in HICP Inflation Broken-down by Main Categories, 2022-24

	Jan-23	Mar-23	Jun-23	Sep-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Descent
HICP - Headline	8.6%	6.9%	5.5%	4.3%	2.9%	2.8%	2.6%	2.4%	2.4%	2.6%	No
HICP - Core	5.3%	5.7%	5.5%	4.5%	3.4%	3.3%	3.1%	2.9%	2.7%	2.9%	No
Energy	18.9%	-0.9%	-5.6%	-4.6%	-6.7%	-6.1%	-3.7%	-1.8%	-0.6%	+0.3%	No
Food	14.1%	15.5%	11.6%	8.8%	6.1%	5.6%	3.9%	2.7%	2.8%	2.6%	Yes
Services	4.4%	5.1%	5.4%	4.7%	4.0%	4.0%	4.0%	4.0%	3.7%	4.1%	No
Non-Energy Ind. Goods	6.7%	6.6%	5.5%	4.1%	2.5%	2.0%	1.6%	1.1%	0.9%	0.8%	Yes

Source: Eurostat, Mediobanca Research

Central Banks stay on the sidelines despite evidence policy is restrictive

Central Banks in USA and Euro Area are not comfortable in embarking in easing of monetary policy as policymakers claim the need to have better evidence inflation is converging to the target. Meanwhile, US economic growth is decelerating and that of the Euro Zone is stabilizing just above zero.

- FED rallies around higher-for-longer, but economic growth is weaker than projected and Core PCE is not far from FED's expectations** - In May the US FED made clear inflation is still high, too distant from target and its descent path uncertain. The signal the FED took from Q124 data is that it will take longer to gain confidence inflation is converging to 2%. The FED believes there is evidence that policy is restrictive enough (dampening demand, cooling labour market, reducing inflation) but it is prepared to maintain this level of rates for as long as appropriate. Minutes of May meeting showed officials coalesced around a desire to hold interest rates higher for longer. As FED sees no rush in cutting rates despite Q124 GDP 1pp weaker than FED's projections, expectations of rate cuts have fallen. A 25bps cut by Sept-24 is attached only ~45% chances (equal to those attached to stable rates). The market sees ~70%-75% probability to rates in the 475-525bps range in Dec-24, 25bps (max 50bps) cut.

USA - FOMC Summary of Economic Projections and Comparison with Most Recent Evidence

Mar-24	2024	2025	2026	Last
Change in Real GDP	+2.1%	+2.0%	+2.0%	+1.3% (Q124)
Unemployment	4.0%	4.1%	4.0%	3.9% (Apr-24)
PCE Inflation	2.4%	2.2%	2.0%	2.7% (Apr-24)
Core PCE Inflation	2.6%	2.2%	2.0%	2.8% (Apr-24)
FED Funds Rate	4.6%	3.9%	3.1%	5.4%

Source: Federal Reserve, Bureau of Economic Analysis, Bureau of Labor Statistics, Mediobanca Research

USA - Progression in Short-Term Rates Embedded in Forward Curves (7 June 2024, 50bps cut in 2024 and 50bps cut in 2025)

%	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25
3-Months	5.58	5.52	5.53	5.03	4.83	4.68	4.54	4.38
Implied Rate Cut	0bps	0bps	0bps	-50bps	-25bps		-25bps	

Source: Bloomberg, Mediobanca Research

- 25bps cut removes part of restriction but the ECB does not confirm a dialling back process is underway** - Despite upgrading GDP growth and inflation estimates in 2024, the ECB cut interest rates by 25bps but gave no indication about further moves (magnitude and timing of future cuts). ECB made no changes to the progressive phase-out of PEPP reinvestments, as the ECB still sees the termination of reinvestments at the end of 2024. During the press conference, C. Lagarde argued that the inflation decline will be bumpy and thus any decision will be data driven. Focus remains on wages as those remain elevated at 4.7% (although affected by one-offs in Germany), as wages drive service inflation and service is keeping inflation elevated. The 25bps cut is only removing part of the restrictive stance, but ECB is determined to ensure that inflation returns to its 2% medium-term target in a timely manner. Although the ECB hinted at the fact that rates today not close to the neutral rate, for the moment it will keep policy rates sufficiently restrictive for as long as necessary to achieve 2% inflation goal.

Euro Area - Summary of ECB Economic Projections and Comparison with Most Recent Evidence

Mar-24	2024	2025	2026	Last
HICP Inflation	2.5%	2.1%	1.9%	2.6% (May-24)
Change in Real GDP	+0.9%	+1.4%	+1.6%	+0.4% (Q124)

Source: ECB, Mediobanca Research

Markets have dialled back their expectations to bet on just one more cut this year for an aggregate cut in the 50bps region and an additional 25bps one in Q125.

Euro Area - Progression in Short-Term Rates Embedded in Forward Curves (7 June 2024, 50bps cut in 2024 and 50bps cut in 2025)

%	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25
3-Months	3.92	3.79	3.60	3.41	3.22	3.07	2.95	2.84
Implied Rate Cut	0bps	-25bps		-25bps	-25bps		-25bps	

Source: Bloomberg, Mediobanca Research

China's 5% growth aspiration affected by the debt-stricken property sector

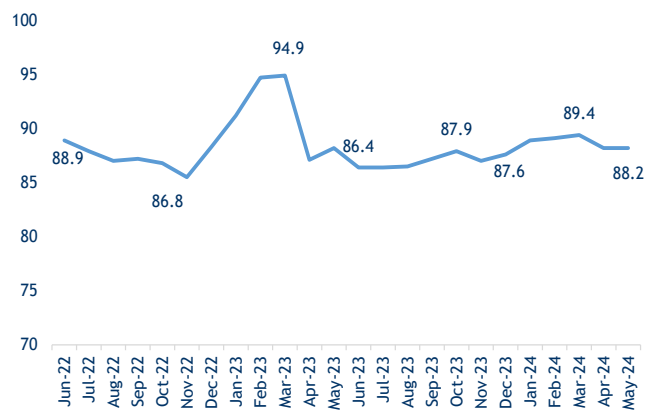
Chinese leadership has set a growth target of -5% for 2024, in line with the previous year, namely the lowest growth in decades. Q124 GDP growth came in at +5.3%, an overall solid performance despite softening retail sales in March and still negative trends in real estate.

Following last year's rebound upon reopening, the macro outlook has normalized, with consumer confidence stable since the start of 2024, but still well below 2023 levels. In May-24 the official NBS Manufacturing PMI declined to 49.5, from 50.4 a month earlier and retail sales growth slowed to low to mid-single digit in the first part of 2024 on a particularly challenging comparison base.

In May, Chinese leadership announced strong moves to revive its debt-stricken property sector, encouraging local governments to buy real estate and relaxing mortgage rules. Beijing gave the green light to local authorities to buy some residential projects and turn them into public housing and local authorities will also be able to purchase land from struggling developers.

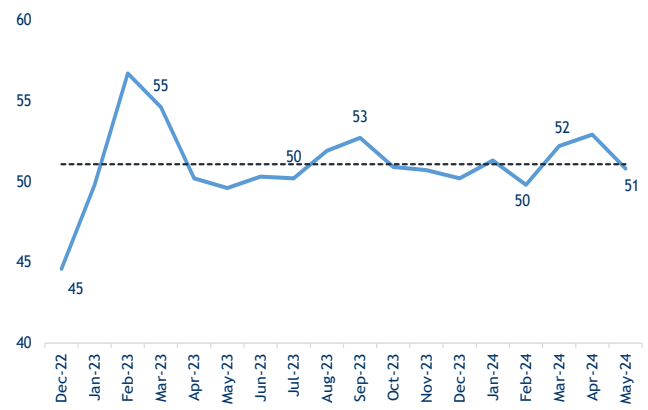
In addition, China's central bank unveiled a Rmb300bn (\$42bn) relending fund to support such purchases from local state-owned enterprises. Earlier the PBoC had lowered the minimum down-payment for first-time homebuyers from 20% to 15% and said it would scrap minimum interest rates on mortgages.

China - Consumer Confidence Index, 2022-24



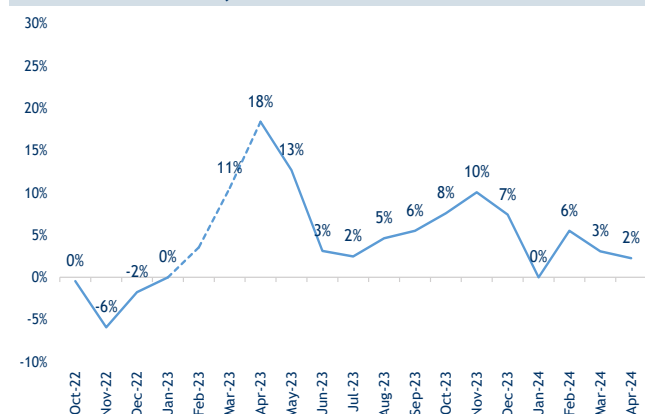
Source: Mediobanca Research, Thomson Reuters

China - Official Manufacturing PMI, 2022-24



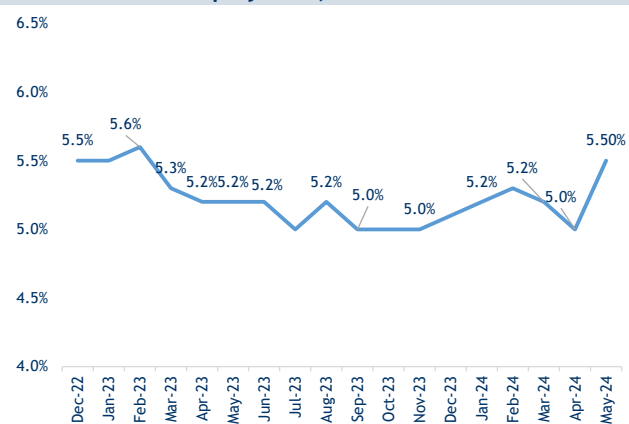
Source: Mediobanca Research, Thomson Reuters

China - Retail Sales, 2022-24



Source: Mediobanca Research, Thomson Reuters

China - Urban Unemployment, 2022-24



Source: Mediobanca Research, Thomson Reuters

ITALY - PRIORITY IS STAYING ON A GROWTH TRAJECTORY

Italy remains resilient to an uneasy external outlook in early 2024, with GDP growth in positive territory in Q124 and with carry-over GDP growth at +0.7% YoY, close to the recent projections of several international institutions (in turn just a bit lower than Government's ones).

The start of 2024 keeps Italy on track to approach the Government's target of +1% GDP growth, thanks to households' consumption (c60% of GDP), supported by a solid labour market with unemployment rate below 7%, its lowest level over the last decade.

Still, Italy's prospects are not immune to threats. After falling from 2022-23 peaks, inflation is among the lowest in Europe, but wage growth has never matched inflation so that Italy has likely suffered above average erosion of consumers' purchase power. Retail sales growth oscillate around zero and manufacturing PMI well below sub-50 contraction level (low 45.6) cast doubts around an already weak industrial production, as shown by soft business confidence.

Keeping GDP on a growth trajectory is a priority for the Government, supportive of the needed debt reduction. According to the new EU Stability Pact, Italy will have to submit a medium-term Fiscal-Structural Plan ("FSP"), committing to a minimum annual structural adjustment of 0.5% of GDP for the next 7 years. After EU elections, the launch of an excessive deficit procedure by the EC is expected, but this should not be a threat at least because Italy will likely be not alone.

ECB's tightening to curb inflation led to a sharp increase in the cost of new debt issuance (adding alone 0.6% of Deficit-to-GDP Ratio each year) and the base-case for Italy is to comply with new EU Budget rules. However, the economic slowdown is proving less severe than feared and complying with the Stability Pact should not come with draconian fiscal consolidation for now. Thus, we see no risk of resurfacing fears around Italy's sovereign debt sustainability. As a matter of facts, also thanks to expectations of a cut in ECB reference rates, Italy's yield curve has shifted lower YTD, with the 10-Years rate stabilising at -3.8%. The spread to the Bund remains amply under control at 130bps (down from 160bps in Dec-23).

Consensus on GDP growth coalescing around +1% for 2024-25

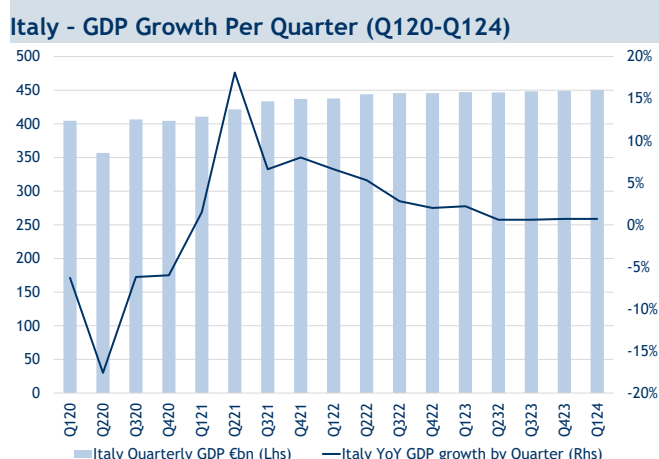
Italy showed resiliency in the first months of 2024, with GDP growth in positive territory mainly thanks to consumption. This led major institutions to confirm projections on GDP growth - now hovering over +1% in 2024-25 - close to Italy's Government's projections (+1.0% and +1.2% in 2024-25 respectively).

Italy - GDP Growth Projections, 2024-25E

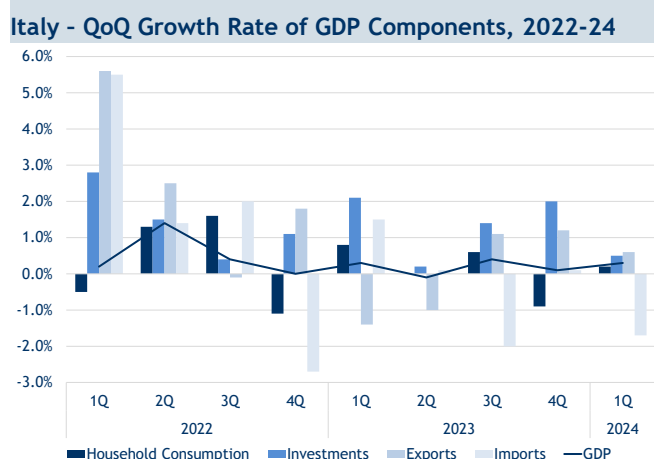
	Date	2024E		2025E	
		New	Old	New	Old
European Commission	May-24	0.9%	0.7%	1.1%	1.2%
Fitch	May-24	1.0%	1.0%	0.7%	1.3%
OECD	May-24	0.7%	0.7%	1.2%	1.2%
IMF	Apr-24	0.7%	0.7%	0.7%	1.1%
Confindustria	Apr-24	0.9%	0.5%	1.1%	
Bank of Italy	Apr-24	0.6%	0.6%	1.0%	1.1%
S&P	Mar-24	0.6%	0.6%	1.1%	1.2%
Prometeia	Mar-24	0.7%	0.5%	0.9%	
Average		0.8%	0.7%	1.0%	1.2%
Max		1.0%	1.1%	1.2%	1.3%
Min		0.6%	0.4%	0.7%	1.1%
DEF 2024	Apr-24	1.0%		1.2%	

Source: Mediobanca Research, several sources

Q124 figure on Italy's GDP growth point to +0.3% QoQ and to +0.7% YoY. The QoQ improvement was mainly driven by a positive contribution by households' consumption (-60% of GDP) and investments (-20% of GDP). In Q124 the carry-over effect on GDP growth for 2024 stands at +0.7% for 2024.



Source: ISTAT, Mediobanca Research analysis

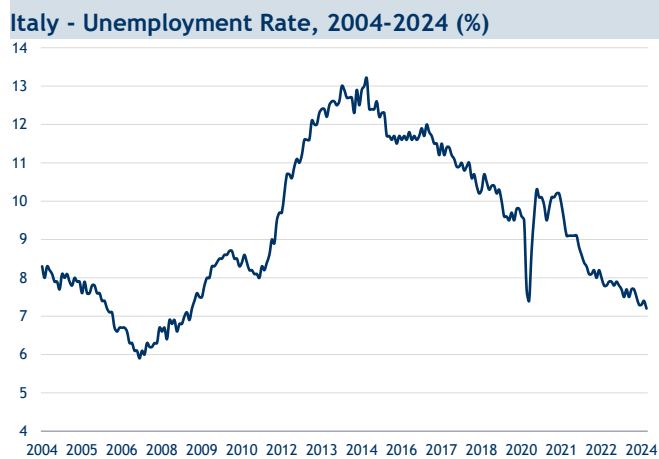


Source: ISTAT, Mediobanca Research analysis

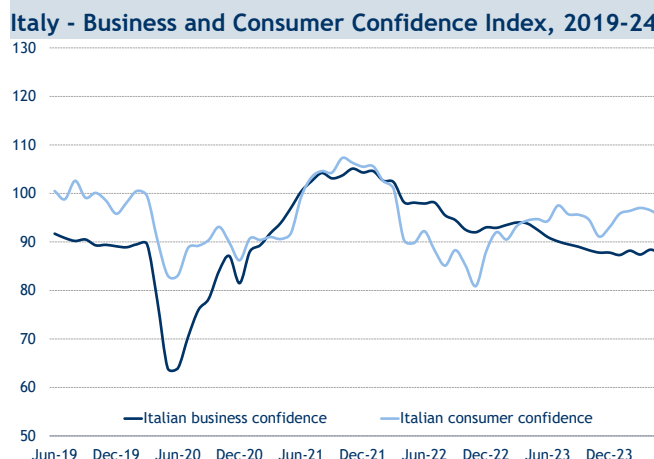
Leading indicators are compatible with subdued growth prospects in 2024

We show how key leading indicators for Italy are performing in early 2024:

- **Unemployment at its lowest level in more than a decade** - Since the end of the C-19 pandemic the labour market has steadily improved, with unemployment around 7% in Apr-24 driven by a rising employment rate (62%).
- **Inflation is sharply down but wage inflation has never matched the rampant cost of living** - ISTAT reported inflation stood at +0.8% on annual basis in May-24, a marked slowdown vs 2022-23 levels and one of the lowest levels in Europe. However, we note that wage inflation in Italy has been slower in adapting to inflationary pressures compared to the rest of EU, resulting in a larger erosion of consumers' purchase power.
- **Households' consumption flirting with the negative territory** - Despite a challenging context imposed by persisting high inflation, retail sales remained in positive territory in Q124, with +1.8% yoy growth. This was driven by the price component as the annual change in volumes measured by ISTAT was -0.4% in Q124, with signs of subdued trends confirmed in April (-1.9% yoy decline in values, or -3.3% in volumes).
- **Diverging signals from sentiment indicators, with glimmers of hope from consumers only** - After the peak hit in H221, business and consumer confidence have recorded diverging trends. On one hand, business sentiment steadily declined since then while consumer confidence partially recovered from the bottom seen during the energy crisis.



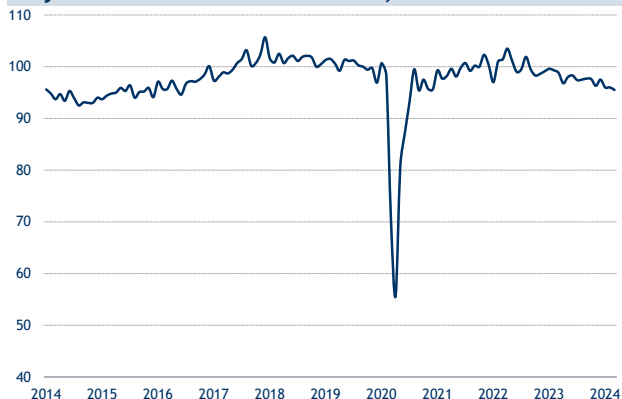
Source: ISTAT, Mediobanca Research



Source: Thomson Reuters, Mediobanca Research

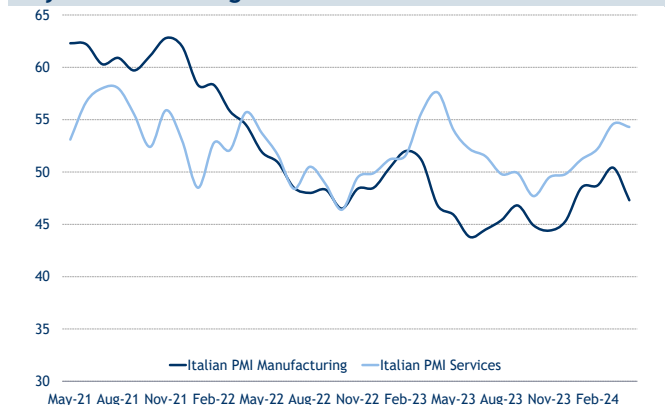
- **Industrial production remains weak, as in Europe’s first manufacturing superpower (Germany)** - Following the post-pandemic recovery in the first part of 2021, industrial production has progressively slowed down since 2H22 due to soft business sentiment.
- **Common to the rest of Europe, PMIs show strong service balancing weak manufacturing** - Italy’s manufacturing PMI is on contraction territory since Jan-23. The last reading on manufacturing PMI in May-24 stood at very low 45.6, marking the lowest print of 2024 and well below the sub-contraction area of 50. Weak manufacturing has so far been balanced or more than balanced by expanding service PMI.

Italy - Industrial Production Index, 2014-24



Source: Mediobanca Research; ISTAT

Italy - Manufacturing and Service PMI



Source: Mediobanca Research; ISTAT

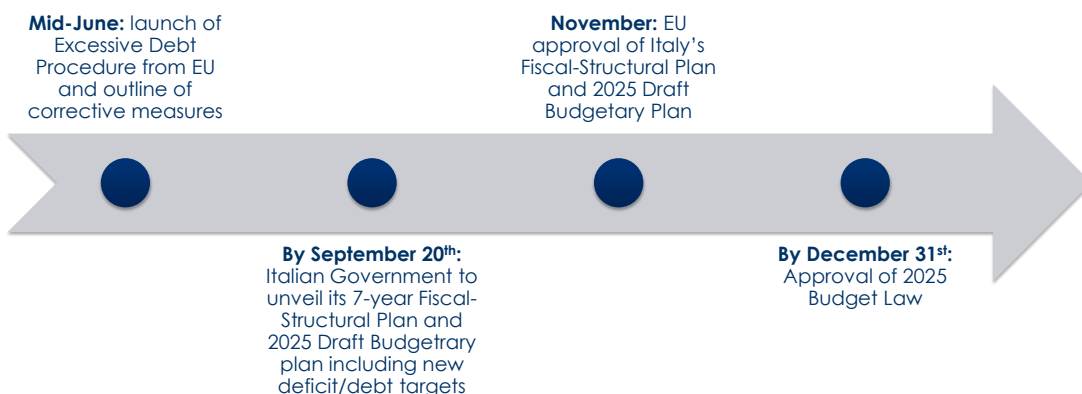
New EU budget rules leave little room for fiscal spending

The new EU Growth and Stability Pact marked the re-introduction of budget rules in Europe after the suspension related to the pandemic. Under the new framework, from 2024 Member States will have to submit their medium-term fiscal-structural plan (“FSP”), outlining their fiscal spending plans in compliance with debt/deficit reduction requirements.

As part of this process, by mid-June, the European Commission (EC) is expected to launch an infringement procedure for excessive deficit for Italy, where it is expected to outline a recommended debt reduction plan envisaging a minimum annual structural adjustment of 0.5% of GDP.

Italy is expected to unveil its 7-year fiscal-structural plan by September, together with the release of the 2025 Draft Budgetary Plan, which should include the update growth and deficit/debt targets. The final approval of the fiscal-structural plan from the EC is expected by the end of November.

Italy - Next key dates for Budget process



Source: Mediobanca Research

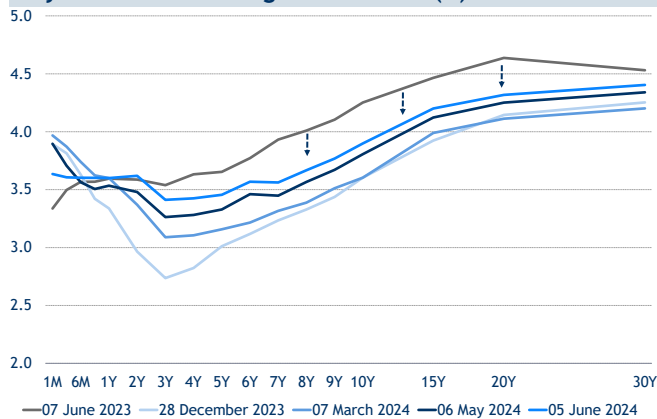
Higher cost of financing likely to cost 0.6% of GDP each year

After a steady decline from the >150% spike hit during the pandemic, the declining path of Italy's sovereign debt has flattened considerably (around 140% of GDP) due to excessive fiscal spending (including the impact of the so-called *superbonus* tax credit for real estate refurbishing).

Still, anticipation in future rate cuts have shifted Italy's yield curve lower, with the 10-Years rate stabilising at ~3.8% since Dec-23. The spread to the Bund has fallen to 130bps (vs 160bps in Dec-23) and the 10Y-2Y spread compressed to 30bps (from 85bps in Dec-23).

Italy's medium-long term debt stands at €2.4trn (7-years maturity, 76% fixed, 13% inflation-linked, 11% floating). With cost of sovereign debt expected to level-off at 3.5%, replacing expiring debt with new issuances at a higher cost would likely cost Italy around 0.6% of GDP each year.

Italy - Nominal Sovereign Yield Curve (%)



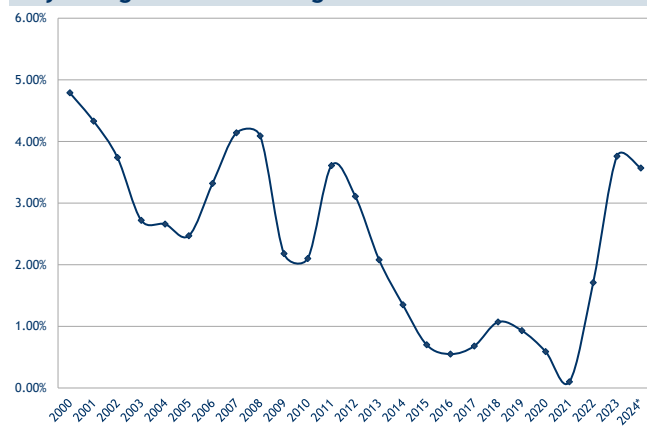
Source: Mediobanca Research, Thomson Reuters

Italy - Sovereign Spread vs 10-Yrs German Bund (bps)



Source: Mediobanca Research, Thomson Reuters

Italy - Progression in Average Cost of Debt Issued



Source: Mediobanca Research, Ministry of Economy

Italy - Interest expenses and average cost of debt



Source: Mediobanca Research, Ministry of Economy

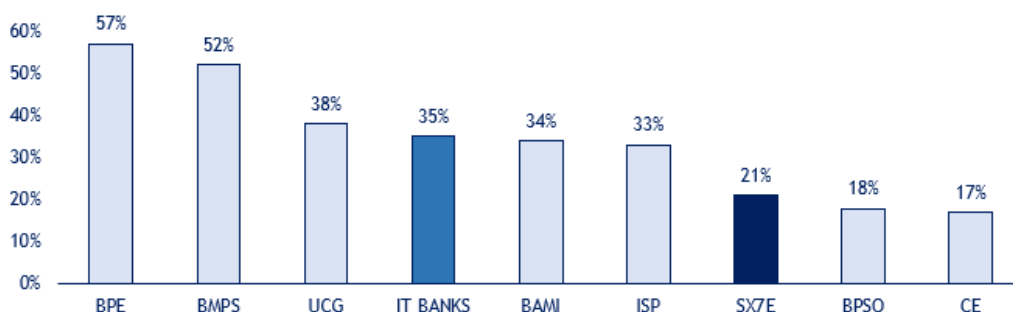
BANKS - RE-RATING ONGOING, STAY SELECTIVE

We have been constructive on EU banks, favouring visible cashback, less-rate sensitive, value plays over rate-sensitive names ([note](#)). Yet, rate expectations changed dramatically, driving outperformance of Italian banks. Now that rate cuts have started, we reiterate our positioning with UCG as Outperform; ISP, CE, BMPS, BPE as Neutral and BAMI and BPSO as Underperform. M&A is likely coming up, with BMPS the obvious target of many permutations (excluded from our ratings) and UCG to benefit from excess capital deployment.

Italian banks outperformed SX7E year-to-date thanks to higher-for-longer rates...

Since the start of the year, IT banks showed a strong performance (+35% YTD), outperforming by c15p.p. the SX7E. In our view, the performance was driven by higher-for-longer rates, a positive tailwind for Italian, rate-sensitive banks, along with resilient asset quality and recovering fee income.

Italian banks: YTD performance vs SX7E



Source: Mediobanca Research, Bloomberg as of 07/06/2024

... that triggered meaningful EPS upgrades post Q124 results...

Italian banks have delivered a strong set of numbers in Q124, underpinned by rates and fees. In our recent note ([Italian Banks - Selective positioning](#)), we have upgraded the adj. profit for all IT banks post Q124, where the main drivers were rates, tax credits, fee income and systemic charges.

Italian banks -Changes in estimates of Adj. Net profit after Q124

	UCG*	ISP*	BAMI	BPSO	BPE	BMPS	CE
2024	+9%	+8%	+11%	+15%	+14%	+10%	+7%
2025	+9%	+6%	+7%	+21%	+16%	+28%	+8%
2026	+6%	-1%	+3%	+17%	+8%	+8%	+2%

Source: Mediobanca Research, *Post Q124 results note

...while asset quality remains under control

Despite the tightening rate cycle, we note that asset quality remains under control among IT banks, with NPE ratio increasing to 2.8% (+10bp QoQ) and coverage at around 49.5%. Coverage ratio on performing loans remains at 0.7% on aggregate. Finally, among Italian banks, the best-in-class remains Credem, thanks to 2% NPE ratio 2% and NPE coverage c60%.

Italian Banks - 1Q24A Asset Quality Overview

	ISP	UCG	BAMI	CE	MPS	BPE	BPSO	Aggregate	Mid-sized banks
Gross NPE ratio	2.3%	2.7%	3.3%	2.0%	4.5%	2.6%	3.8%	2.8%	3.3%
Net NPE ratio	1.2%	1.5%	1.7%	0.8%	2.3%	1.2%	1.6%	1.4%	1.6%
Coverage NPE	50.7%	45.5%	50.5%	59.5%	49.5%	54.2%	60.0%	49.5%	52.5%
Coverage Performing Loans	0.6%	1.0%	0.4%	0.3%	n.a.	0.7%	0.7%	0.7%	0.4%

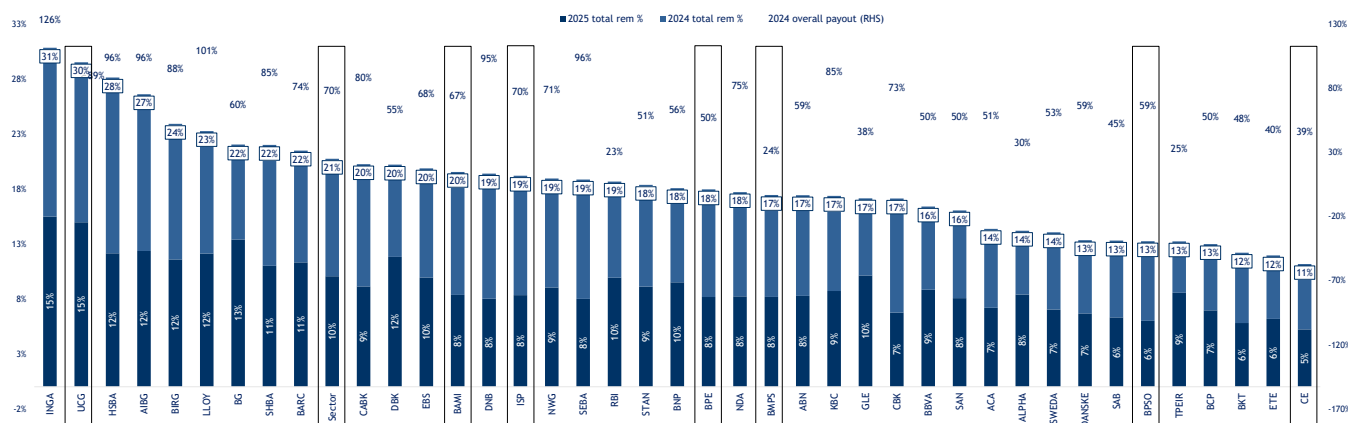
Source: Mediobanca Research, company data

Capital return: divergent yields. UCG remains best-in-class in Europe

The banking sector has become one of the most generous payers in the broader European market, post pandemic. We see 2023's 10% total yield (entailing SBB and cash dividends) replicable in the next three years at European banks. This is fostered by high payout ratio around 70%, where ordinary payout remains moderate at 45-50% and SBB foot the rest of the bill. We see Italian banks positioned differently vs. the European sector:

- ◆ UCG is expected to pay 15% total yield per year for the next three years, thanks to a payout close to 100%. UCG set the ordinary cash payout at 40%, and the rest via SBB. This is, together with INGA, the best shareholders' remuneration in the sector.
- ◆ CE and BPSO offer 5-6% annual yield, i.e. the lowest in the sector. Their capital return strategy is based on cash dividends only, worth c40% at CE and 55% at BPSO. The former stands on the lower side, while 55% ordinary payout sits above the highest quartile of cash payout in Europe.
- ◆ ISP, BAMl, BMPS and BPE offer 17-20% total return in 2024-25 but they are positioned differently. ISP has set a 70% cash payout and every year assesses extraordinary top ups: e.g. a €1.7bn SBB is ongoing. BAMl set its payout at 67% and the capital return target at €4bn during its plan horizon. BMPS and BPE have set a 50% payout and are due to update the market on their capital return strategies.

Picture 1: European banks - 2024-25 total yield (cash dividend + SBB) and 2024 overall payout



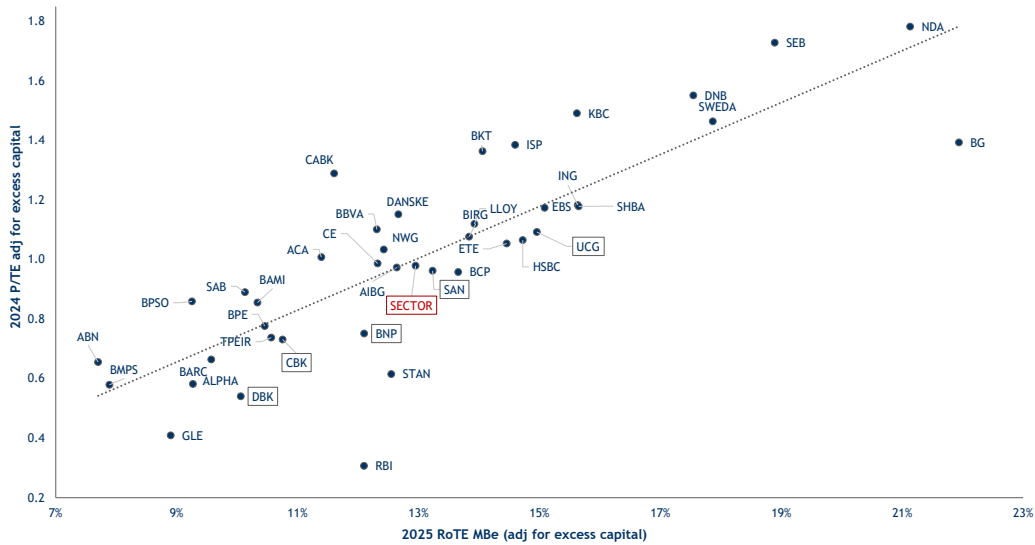
Source: Mediobanca Research, payout as % of reported earnings, Bloomberg priced 06/06/2024

Italian banks are scattered along the P/E distribution...

The recent sector's re-rating has meant EU banks P/E going to c7x from 6x, still undemanding in absolute and relative terms. We see the sector offering 13% 2025 RoTE (adjusted for excess capital) and 10% flat total yield in 2024-25-26, while trading on 0.95x P/E and c7x P/E. As per our report [The party has just started \(finally\)](#), we remain constructive on the banks sector, reflecting our expectation that resilient profitability and elevated capital return will continue to support a cyclical multiple expansion. As the turn in the rate cycle approaches, we maintain our preference for capital return visibility and long duration balance sheets trading at undemanding multiples: our top picks remain UCG, DBK, BNP, SAN & CBK.

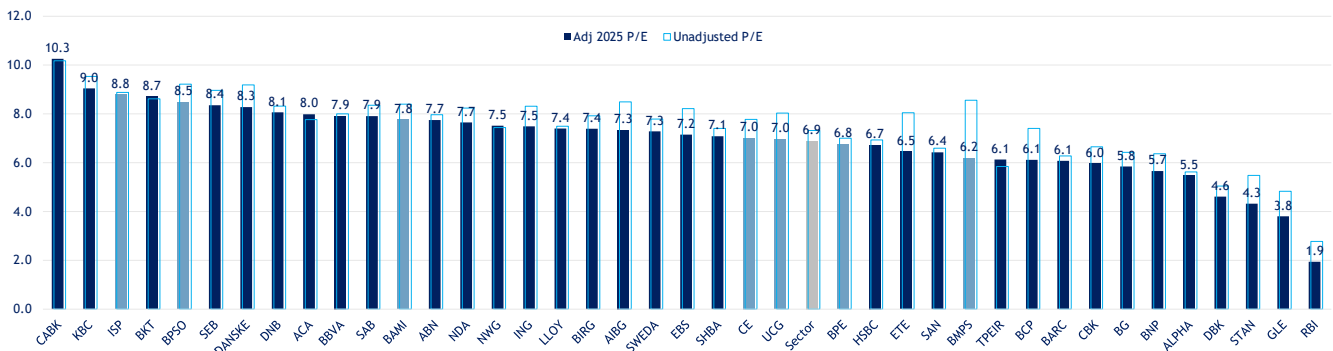
In this context, Italian banks are scattered along the P/E distribution. Italian banks appear across the P/E spectrum, with BMPS at c.6x 2025 adj. P/E, UCG, BPE and CE around the sector average, BAMl just below 8x and ISP and BPSO among the premium names, in the 8.5-9x region.

EU Banks - P/TE vs. adjusted 2024 RoTE - adjusted for excess capital



Source: Mediobanca Research, Bloomberg as of 06/06/2024

Picture 2: European banks - 2025 P/E adjusted and unadjusted for excess capital



Source: Mediobanca Research, Bloomberg priced 06/06/2024

...hence our differentiated stance: O/P on UCG, N on ISP/CE/BMPS/BPE, U/P on BAMI/BPSO

- Outperform on UCG, TP €42:** UCG is trading on 7x 2025 P/E and 1x P/TE for 15% RoTE (adjusted for excess capital) and 15% total yield in 2024 and 2025. We project UCG's CET1 ratio post Basel IV around 15%, which would allow further firepower to EPS growth via M&A in the future. We see valuation as undemanding and further upside from here.
- Neutral on ISP, TP €3.5:** ISP is trading on c9x 2025 P/E and 1.35x P/TE for 15% ROTE and 8.5% sustainable dividend yield supported by a €1.7bn ongoing SBB (2.5% of mkt cap). We see CET1 ratio at 13.5% in 2025 post Basel IV, which could at best leave room for another €1.6bn SBB program. We see the story as fairly priced.
- Neutral on BMPS, TP €5.1:** BMPS is trading on 0.55x P/TE and for c6x P/E for 7% sustainable ROTE and 8% yield in 2024-25. On a standalone basis, we see the stock as fairly valued, considering that excess capital deployment could be postponed to after 2024 for capital return and 2027 for insurance JVs, meanwhile we expect M&A to come into the picture soon, once the government has exited its shareholders' base.
- Neutral on CE, TP €9.9:** CE is trading on 0.95x P/TE and 7x P/E for 11-12% ROTE in 2025-26 and 5-6% annual yield. We believe CE is a high-quality bank able to offer sustainable double-

digit returns even in a lower rate environment. We see limited upside to capital return and to valuation.

- **Neutral on BPE, TP €4.9:** BPE is trading on 7x 2025 P/E in line with the sector and 0.75x P/E for 9.4% 2026 RoTE, or c8.7% excluding tax credits impact, which will fade in 2028. The current dividend yield stands at 18% cumulated for 2024-25, which could reach 20% should a 60% payout be announced.
- **Underperform on BAMI, TP €6.0:** BAMI is trading on 8x P/E and 0.8x P/TE for c10% RoTE (adjusted for excess capital) and 20% yield in 2024-25 with little upside risk during the plan horizon, in our view. We believe the bank is on the right track to deliver its capital return targets but with rate cut expectations at their minimum for 2024 and being one of the most rate sensitive banks in Italy, on valuation we prefer to remain Underperform. On M&A, BAMI would be either a target or an acquirer.
- **Underperform on BPSO, TP €6.4:** BPSO is trading on 8.5x P/E and 0.8x P/TE for 6% annual dividend yield and c9% RoTE (adjusted for excess capital), of which 40bp is underpinned by tax credit contribution fading in 2027/28. BPSO is trading on a >20% premium to the sector, despite a much lower yield and profitability. Underperform confirmed.

INSURANCE - PARTIALLY SHIELDED IN A LOWER RATES ENVIRONMENT

We see insurers as relatively well poised to absorb declining rates for various reasons. Unlike banks which enjoyed soaring returns on assets thanks to higher rates not balanced by an equal rise in the cost of deposits, insurers can offset lower expected returns via better technical margins.

In Motor, inflation affected the average cost of claims in 2023, and this coupled with stagnant average premiums after a decade of declining tariffs. The combination of these factors brought the entire sector in technical loss territory. Starting from the second half last year, and even more in 2024, most insurers raised tariffs by mid-high single digit so that top line is now expected growing more than the cost of claims. Hence, we expect 2024 to be the year in which Motor TPL regains technical profitability and this will be a key driver for the entire sector.

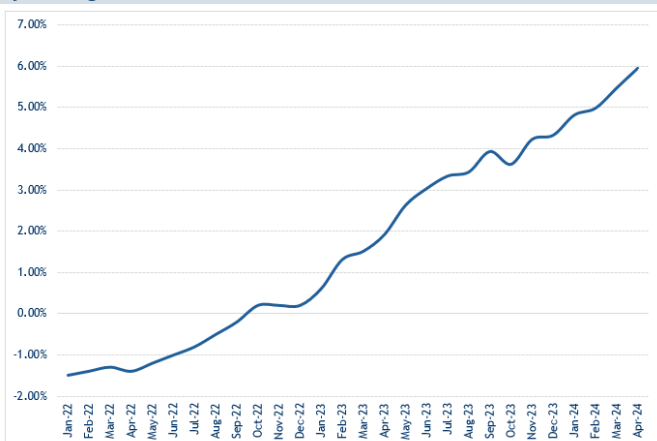
Other Motor and Non-Motor faced challenges last year, mainly related to the increased frequency and severity of natural catastrophes. Managerial actions on both pricing and reinsurance coverage are currently underway.

For Life, 2024 may be a mixed year. Lower interest rates in the coming months could negatively affect Solvency and Contractual Service Margin. Yet, rate cuts also bring a better development in terms of flows in wealth management products (traditional life insurance, unit linked and mutual funds) and, likely, lower lapses. This would be equally positive for the entire sector.

Motor: tariffs increase to keep up with inflation

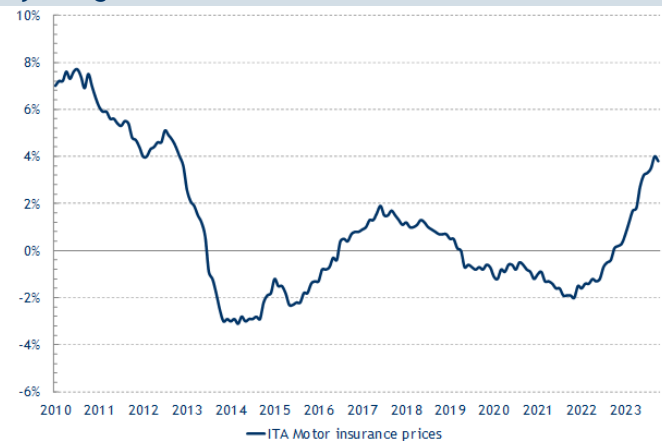
TPL motor tariffs saw an average increase of ~5.3% in the first four months of 2024, continuing the upward trend observed last year. Indeed, the average price growth in 2023 was 2.8%, from -0.7% the year before. This hike can primarily be attributed to insurers repricing with lag to keep up with the rising average cost of claims due to inflation.

Italy - Progression in Motor TPL Tariffs 2022-23



Source: Mediobanca Research, ANIA

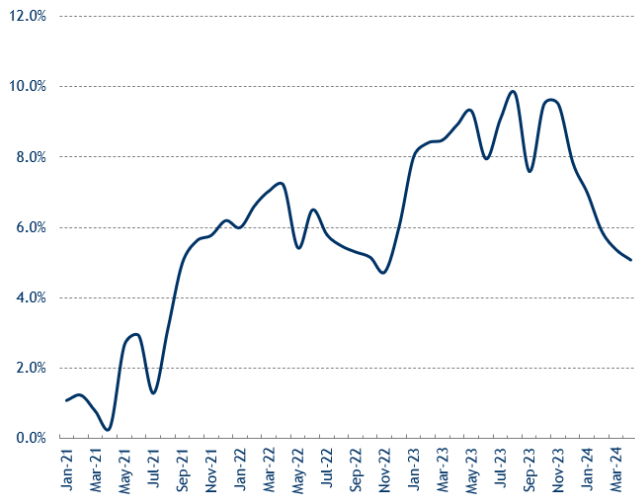
Italy - Progression in Motor Insurance Tariffs 2010-23



Source: Mediobanca Research, Eurostat

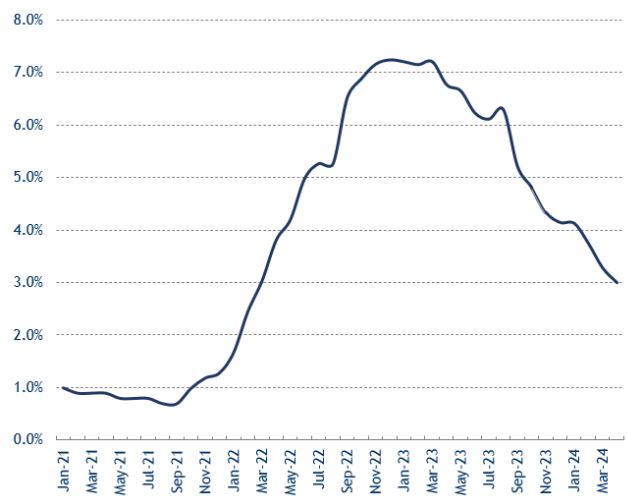
In particular, according to ANIA, the price index for both spare parts/accessories and maintenance for private vehicles peaked in 2023. Additionally, compensation for personal injury claims up to 9 points of disability was significantly adjusted upwards by 7.9% from April 2023, as mandated by law.

Trend variation of Italian CPI for Maintenance and Repair



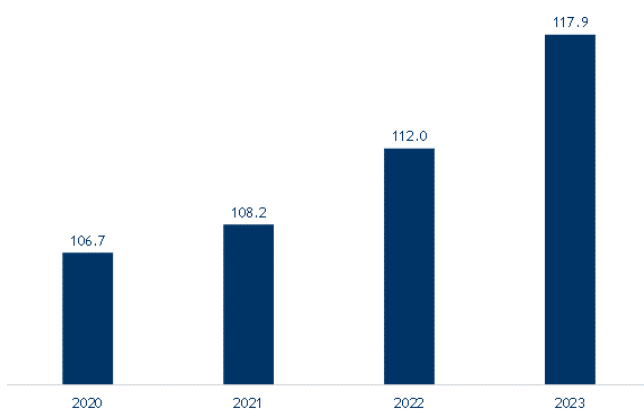
Source: Mediobanca Research, Datastream

Trend variation of Italian CPI for Spare Parts



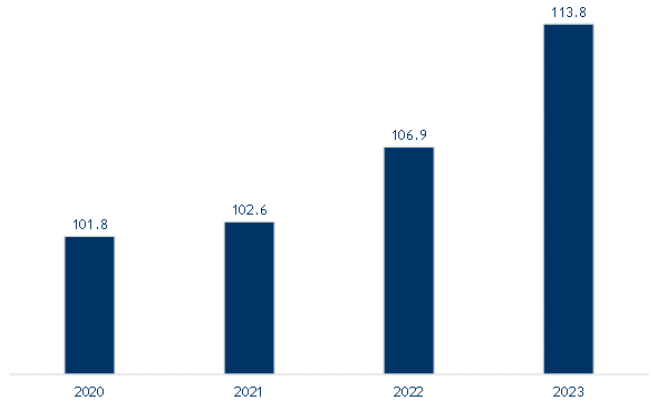
Source: Mediobanca Research, Datastream

Maintenance and repair of private means of transport



Source: Mediobanca Research, ISTAT

Spare parts and accessories for private means of transport



Source: Mediobanca Research, ISTAT

Moreover, car registrations have been positive over the last months. According to the European Automobile Manufacturers Association, motor vehicles sale volumes were 12.1% up in January, +10.1% in February, -5.2% in March, +13.7% in April.

We expect this - coupled with the increase in tariffs and the slowdown in the average cost of claims due to lower inflation - to have a significant impact in the dynamic of average premiums.

Life business: lower rates likely to favor new business

Looking at the Life insurance segment, new business premiums (NBP) in the first three months of the year were up by 9.6% yoy (turning positive compared to the -3.9% yoy reported in FY23), reflecting lighter lapses and a renewed appetite towards asset management products.

In absolute terms, NBP reached €22.0bn in 3M24, implying a net increase of €1.9bn over the €20bn reported in 3M23. The greatest contribution was received in March, where NBP of Life individual policies collected in Italy totalled €9.0bn, up by +9.1% yoy.

We may note January and February also reported supportive numbers, with NBP being equal to €6.9bn (+9.7% yoy) and €8.2bn (+13.5% yoy) respectively.

Class I premiums were €16.8bn YTD, +9.4% compared to 3M23. Class III new business premiums at €5.0bn from year start, +11.1% over the first three months of 2023.

LIFE BUSINESS: New Business Premium - Breakdown by Ministerial Class						
Eur mn	FY22	YoY	FY23	YoY	3M24	YoY
Class I	48,899	-3.1%	54,985	12.4%	16,819	9.4%
Class III	23,638	-30.5%	14,776	-37.5%	4,975	11.1%
Class IV	56	6.4%	78	40.0%	17	-0.7%
Class V	486	-5.0%	329	-32.3%	151	-6.9%
Class VI	158	0.7%	182	14.6%	33	1.1%
Total	73,237	-14.0%	70,350	-3.9%	21,994	9.6%

Source: Mediobanca Research

NBP of multisegment products stood at €5.6bn in 3M24, down by -21.1% yoy and representing c.26% of the total new business premiums.

LIFE BUSINESS: New Business Premium - Breakdown by Product						
Eur mn	FY22	YoY	FY23	YoY	3M24	YoY
Individual Retirement Plans	1,611	-4.3%	1,648	2.3%	319	-6.0%
- o/w multisegment Individual Retirement Plans	692	-2.4%	730	5.5%	147	-10.9%
Pure Risk Policies	858	23.7%	916	6.8%	260	14.2%
- o/w non-related to mortgage loans	367	15.8%	518	41.1%	191	49.4%
Multisegment products excl. pension products and Individual Savings Plans	38,334	-17.9%	22,119	-42.3%	5,603	-21.1%
- Class I	25,228	-15.1%	13,900	-44.9%	3,510	22.0%
- Class III	13,106	-22.8%	8,219	-37.3%	2,094	-19.5%
Individual Savings Plans	388	4.0%	136	-65.1%	51	21.0%
- o/w multisegment Individual Savings Plans	201	n.s.	81	-59.9%	28	17.7%
Other products	32,046	-10.4%	45,531	42.1%	15,761	27.5%
Total Life New Business	73,237	-14.0%	70,350	-3.9%	21,994	9.6%

Source: Mediobanca Research

With reference to sales channels, most of the bounce came from agents and financial advisors. Banks were almost flat reporting a 2% increase yoy and probably feeling more the competition of Italian Government bonds.

LIFE BUSINESS: New Business Premium - Breakdown by Sales channel						
Eur mn	FY22	YoY	FY23	YoY	3M24	YoY
Agents	9,725	-15.1%	8,857	-4.5%	2,489	23.8%
Head Office + Brokers	4,666	-14.6%	4,442	-4.8%	1,310	10.0%
Bank and Post Office branches	48,171	-9.3%	47,608	-1.2%	15,021	2.3%
Financial advisors	11,125	-29.2%	9,442	-15.1%	3,173	45.6%
Total Life New Business	73,237	-14.0%	70,350	-3.9%	21,994	9.6%
Cross border	10,805	-36.0%	7,755	-20.5%	2,354	39.3%
Total	84,042	-17.7%	78,104	-5.9%	24,347	11.9%

Source: Mediobanca Research

ASSET GATHERERS - IMPROVING FLOWS & DEPOSIT STABILIZATION

Last year's expectation of incapability of Italian FA networks to gather new money in asset management due to a combination of declining saving rates and comeback of bonds has largely materialized. As a reference, asset gatherers reported just €2.8bn net inflows in asset management products in FY23, down from €17bn in 2022 and far from the €43bn collected in FY21. At the same time, custody materially grew to €41bn inflows, from €28bn reported the year before. Specifically, deposits worsened from €977m inflows of 2022 to -€5.7bn outflows in 2023. Inflows in securities increased sharply from €27bn to €46bn.

In such environment, asset gatherers suffered from a derating as higher NII estimates generally coupled with flattish or negative share price performance. Forward curves are currently embedding a ~80bps decline in rates in the second part of the year, and this could corroborate the rebound of inflows already observed in the first months of 2024. The three, most obvious, consequences could be: (1) NII expected to decline in 2025, especially for those names where the cost of funding cannot be cut. Yet, this will be much milder than what expected at the beginning of the year, (2) Asset management inflows to keep improving, and (3) Deposit outflows and lapses on Life G/A savings expected to normalize.

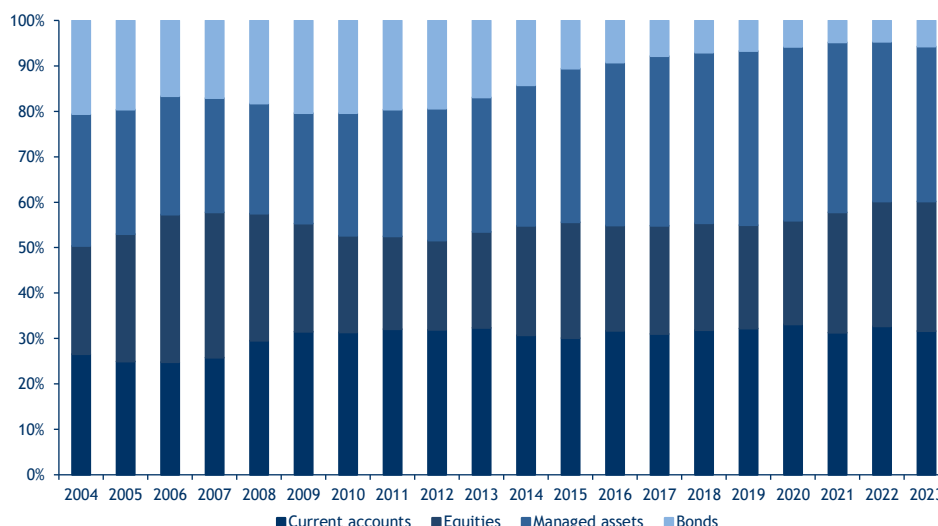
For the above-mentioned reasons, we became more constructive at the beginning of 2024, upgrading some names in the space. We are aware that lower NII in '25 could outpace the incremental positive revenues deriving from higher net commissions. Yet, higher revenue quality is expected to bring better valuations too.

Bonds gradually increasing at the expenses of non-transactional liquidity

Declining saving rates and an expected comeback of bonds resulted in the incapability of Italian FA networks to gather new money into managed assets for 2023. Thus, the sector consolidated the deteriorating trend seen in 2022, moving from €43bn collected by Italian asset gatherers into managed assets in 2021, to €17bn in 2022 and around €3bn last year.

With respect to the asset mix for Italian households, Asset management (defined as Life insurance and mutual funds) declined by c.0.5 percentage points yoy in 3Q23, from 33.7% in 3Q22 to 32.8%, mainly because of a much greater incidence of fixed income securities that jumped 2.1pp, from 4.4% to 6.7% of total wealth.

Italian households - Asset mix evolution



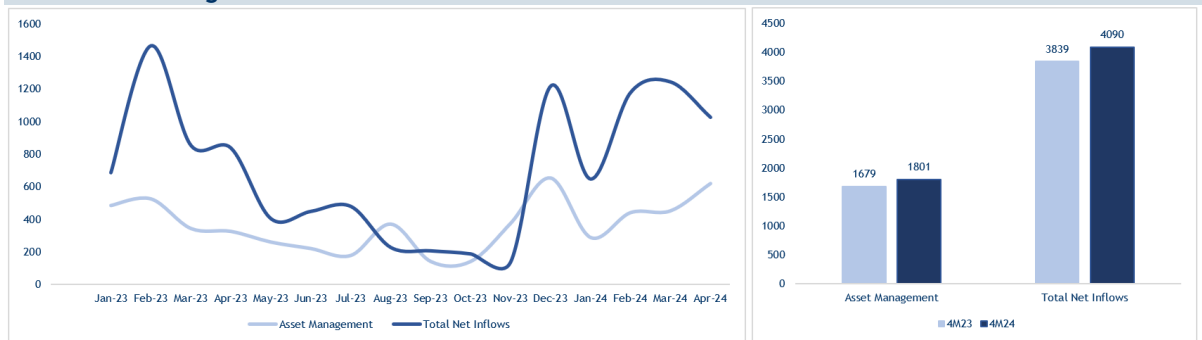
Source: Mediobanca Research, Bank of Italy

Signs of recovery in the first four months of 2024

Analyzing the commercial performance of the four listed asset gatherers, we see some signs of recovery especially at BMED and BGN.

As reported below, Banca Mediolanum reported an improving trend in both asset management and total flows compared to the second part of last year. Overall, asset management for the first four months of '24 was up 7% yoy, while total inflows grew by 6.5%.

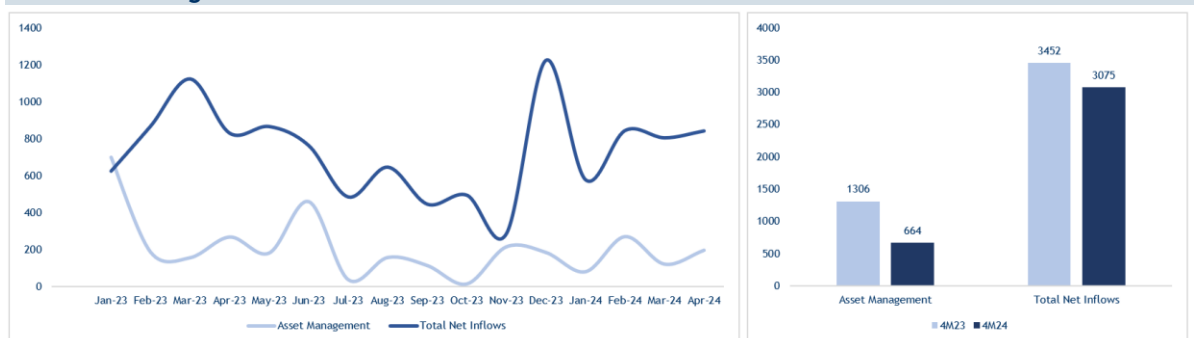
BMED: asset management and total inflows



Source: Mediobanca Research

Fineco Bank reported total net inflows of €3.1bn in 4M24, with asset management equal to €664m. The improvement quarter on quarter is there, though marking a slower performance yoy (-49% in 4M24 on asset management and -11% in total net inflows).

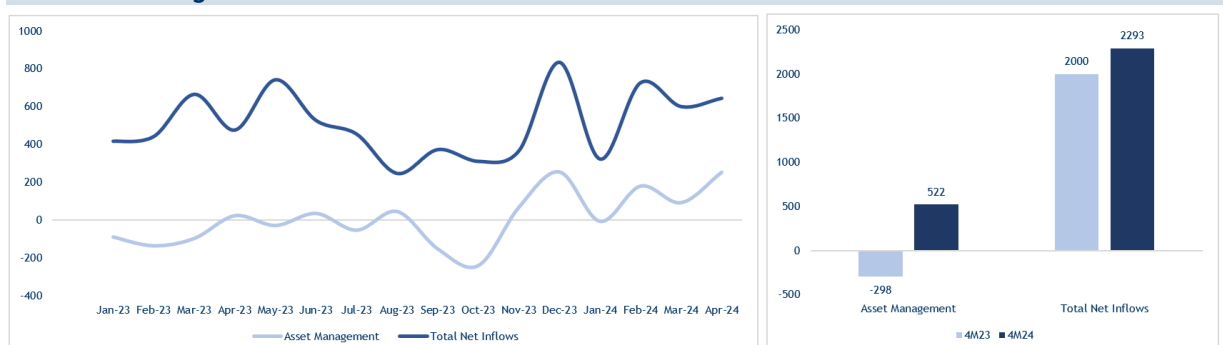
FBK: asset management and total inflows



Source: Mediobanca Research

Regarding Banca Generali, asset management products turned positive yoy, from €298m outflows in 4M23 to €522m in 4M24, mirroring a recovery of the lapsation issue that exacerbated last year. Total inflows showed an accelerating trend too, rising ca.15% in the same reference period.

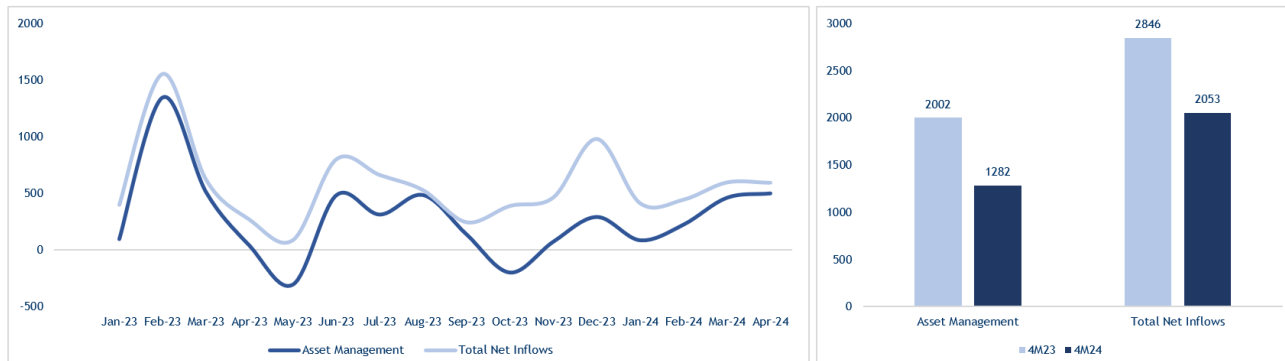
BGN: asset management and total inflows



Source: Mediobanca Research

Azimut reported €1.3bn inflows in managed solutions, a -36% drop yoy (from €2.0bn recorded in 4M23). Total net inflows were €2.1bn, -28% yoy.

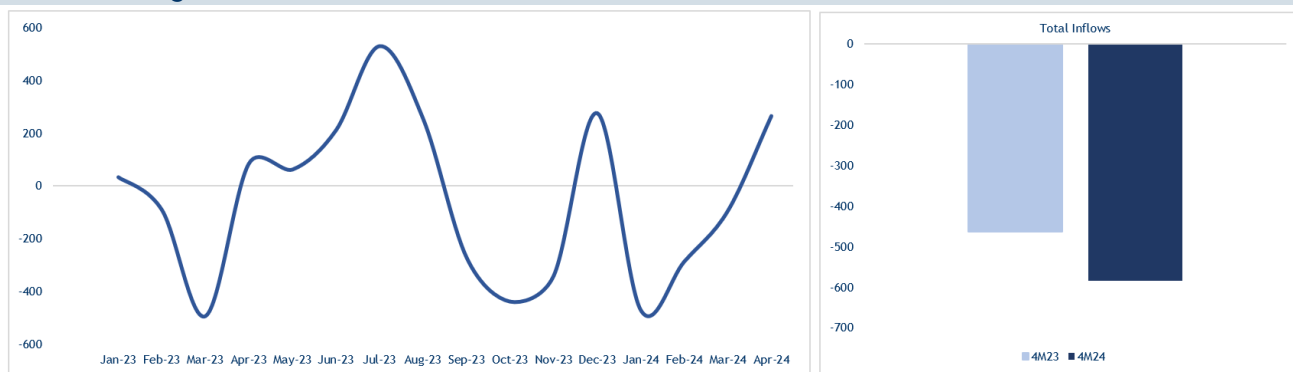
AZM: asset management and total inflows



Source: Mediobanca Research

Finally, Anima was the only asset gatherer reporting outflows: total net inflows reached -€584m, -26% vs 4M23. However, the headline data could be misleading due to the effect of the maturities of target date funds, as the company replaced them with new products having bonds as main underlying asset.

ANIM: asset management and total inflows



Source: Mediobanca Research

Declining BTPs demand reflects on stronger asset management

In the table below, we provide a comprehensive picture of what each individual network distributed in the first four months of 2024.

Azimut kept pushing its private markets offer and expanding its foreign operations via family offices and private banking advisory firms. In terms of flows, managed accounts are in negative territory while most of the flows came from mutual funds and private markets.

With regards to Banca Generali, mutual funds inflows stood at €9m in 4M24, hiding two opposite underlying trends. On one hand, in-house solutions were positive at €234m (vs. €170m in 4M23), while on the other, inflows related to third-party funds turned negative (from €83m gathered in the first four months of '23, to €225m outflows in the same period this year). Important to note, also, the improvement of flows on G/A savings and the strong focus on advanced advisory.

Banca Mediolanum emerged as the best performer in absolute terms and relative to its peers. Asset management flows were positive by ca. €1.8bn. Equally important is the performance of custody, €2.3bn inflows, with positive trends on deposits (also thanks to some tactical campaigns on term deposits).

Lastly, Fineco reported €3.1bn inflows in 4M24. More in detail, total administrated asset inflows were €2.4bn, also thanks to a strong performance of brokerage services which keeps showing a supportive trend. Asset management inflows stood at €664m.

Selected Italian financial advisors - Net inflows by product, 4M24

€m	Azimut	Banca Generali	Mediolanum	Fineco
Mutual funds	714	9		
Private markets	558			
Managed accounts	-249	421		
Advisory	186	383		
Life - Traditional		83		
Life - Unit Linked/multi-sector	-17	9		
Total Asset Management	1,282	905	1,801	664
Securities	771	1,362		3,139
Deposits		26		-728
Total Administered	771	1,388	2,289	2,411
Total Net Inflows	2,053	2,293	4,090	3,075

Source: Mediobanca Research

SPECIALTY FINANCE - PREFERENCE FOR PAYMENTS

Our specialty finance coverage includes names active in different segments: payments (Nexi), specialty lenders (BFF, Banca Ifis and Generalfinance) and NPL (doValue, Banca Ifis). We regard Nexi as the stronger name in the Italian specialty finance space, as it combines earning growth (supported mainly by better operating leverage) with depressed valuation.

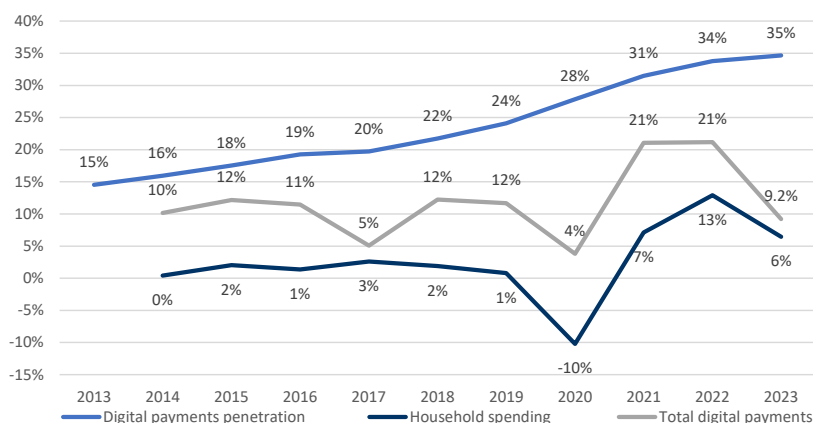
Among specialty lenders, after the compliance finding formalized by the Bank of Italy, BFF has entered a period of uncertainty that, we believe, is set to last a few months.

Payments sector: pressure on consumer spending mitigated by higher penetration in digital payments

The last decades have been driven by an increasing digitalization of every process and aspect of our economies. The payments sector has not been an exception, with digital payments increasing across the world in terms of value and number of transactions. New technologies are accelerating this trend, with customers demanding simpler, more secure, and rapid payments. Yet, cash remains the most frequently used method for payments at the POS in the euro area. Hence, while digital payments are quickly becoming a basic and social good, the increase in penetration of digital payments remains the main secular trend for future growth. This, coupled with new emerging technologies and services, makes the sector still characterised by high rates of growth and innovation, far from being a mature infrastructure, in our view.

Focus on Italy - penetration of digital payments remains low but increasing steadily - Based on Bank of Italy data, we see the penetration of digital payments to have reached c35% in 2023, up 1p.p. YoY and following 10p.p. increase in 2019-22 due to the COVID-19 outbreak. This also compares with an average 1.6p.p. increase in penetration in 2013-19. While in the 2020-22 period the increase in penetration has also been driven by the strong rebound of consumer spending post pandemic, we note that the increase in penetration is mainly driven by the switch of consumers from the use of cash to the use of digital payments. This is confirmed by the fact that while consumer spending was growing mid-single digit in 2023 (and low single digit in 2013-19), the value of digital payments has increase by high single digit in 2023 (double digit in 2013-19). Overall, the Italian penetration of digital payments is still well below the European average (at c47-49%).

Penetration of digital payments in Italy



Source: Mediobanca Research, Bol

Nexi is exposed to both low penetrated and well-developed market

Looking at Nexi geographic positioning, we see it well positioned to benefit from the increase in penetration of digital payments in markets where it is still low and it is increasing steadily year after year (i.e. Italy, Dutch countries and Central South Eastern countries). At the same time, it has already a leading position in the Nordics countries, characterised by an already high penetration of digital payments but still showing growing trends thanks to innovative solutions and solid economic growth.

Looking at Nexi's equity story (O, TP €10), we continue to believe that after several acquisitions, aiming to consolidate the Italian market and to expand its business across Europe, a period of ordinary quarters (like Q124) with improving margins and declining one-off costs could prove and show Nexi is achieving better economic scales and increasing operating leverage. Continued progresses on IT platforms rationalization and a lighter organization should support this process. Hence, more evidence on the effectiveness on the business model scalability, increasing cash flows and new initiatives to fuel future growth should suffice for the re-rating of the stock, which is still trading at depressed multiples. Finally, decreasing interest rates should represent another strong tailwind for the valuation of the payments sector due to the strong negative correlation observed in the last 2 years between payment players (including Nexi) and the evolution of rates expectations.

Specialty Lenders: BFF on the sidelines, GF on a positive path

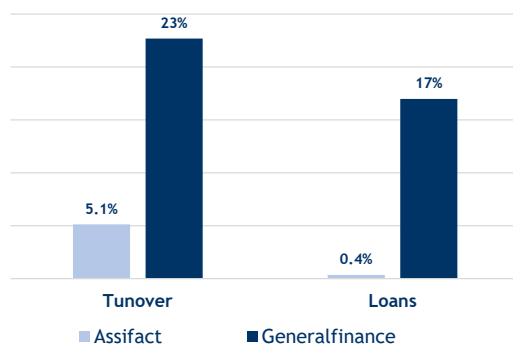
The dynamics underlying specialty lenders' segment are showing mixed trends. Factoring towards the PA is continuing its declining movement both in terms of volumes and of DSOs (payment days). In this relatively negative context, after outperforming its reference sector in 2H23, in 1Q 24 BFF reported a 10% decline in Italian new business, more than offset by the strong performance in foreign markets (leading to a total new business growth of +11.4%). Weakish volumes are visible also looking at broader factoring sector, which in April 2024 reported a 1.6% and 4.3% decline in Outstanding and Advances, respectively. This subdued context did not affect Generalfinance (GF) that, thanks to its strong specialization in distressed factoring, in 1Q 24 reported a 23% increase in new business and 9% in loans. As for Banca Ifis, the year started with modest but positive volume growth in its different segments with NPL benefitting of the acquisition of Revalea. In our view, high specialization and strong competitive positions in segments characterized by relatively low competition, make volume growth a structural characteristic for both BFF (which may offset temporary weakness in Italy with growth in foreign markets) and Generalfinance.

Italy - Factoring of Receivable Towards the Italian PA
Outstanding Loans (€bn) and DSO (Days)



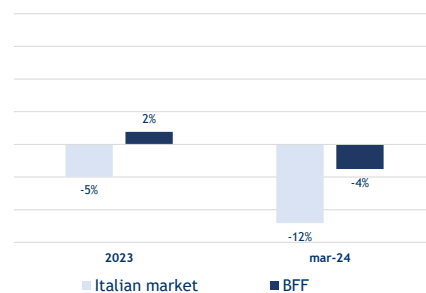
Source: Assifact, Mediobanca Research

Generalfinance- YoY loan and turnover growth vs. factoring market (1Q 24)



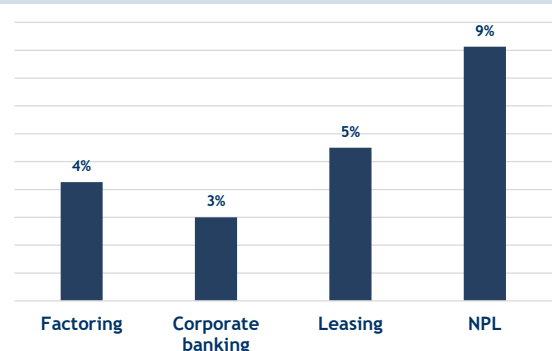
Source: Mediobanca Research

Factoring of Receivable Towards the Italian PA
YoY loan growth: BFF vs. Sector



Source: BFF, Mediobanca Research

Banca Ifis - YoY loan growth by segment (1Q 24)



Source: Mediobanca Research

Differently from traditional banks that benefitted of low deposit beta, specialty lenders have experienced increasing CoF, fully reflecting higher market rates. In 2024, we expect lower interest rates to affect both interest income (in some cases with a positive delay) and the Cost of Funding, leading to roughly stable NII margins. Driven by positive volume evolution in a context of resilient margins, we see specialty lenders to deliver growing profits in 2024-2026, with BFF and GF at +11% and 23% (2023-2026 CAGR) while we expect modest 2% average growth for IF.

BFF (N; TP €11.5) equity story took a sudden negative turn with the disclosure of the Bol compliance findings (see notes [link1](#) [link2](#)). In a worst-case scenario, this is due to determine a >50% RWA inflation leading to a c.€200m of potential capital shortfall with respect to the bank's CET1 target of 12%. While BFF has the possibility activate remedies that would allow to cover the capital shortfall and continue to remunerate shareholders (mainly increasing the accrual rate on LPs and Recovery Costs), we expect the ongoing uncertainty to cap the stock performance in the near future.

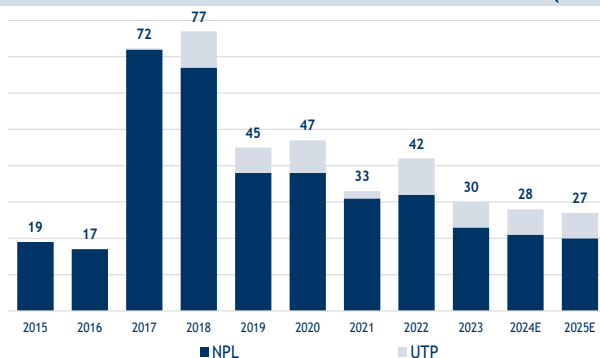
Among specialist lenders, we are positive on Generalfinance, (O; TP €11.5). High profitability (24% ROE and a net profit margin of around 40%), coupled with high growth potential (6% market share in a 35-40bn market by turnover) and structurally low cost of risk, summarise, in our view, GF's attractive equity story.

NPLs: healthy banks mean weak NPL market

The low liquidity that affected the NPL market in 2023 is expected to continue in 2024-25 with NPE transactions seen stabilizing at €25-30bn in 2023-25. Indeed, banks' high profitability (boosted by high interest rates), high coverage ratios and robust capital put banks in a comfortable position to manage their NPE stocks and future inflows. Furthermore, we note a less favourable environment due to subsiding regulatory pressure on banks to offload bad debts and to the GACS termination. This picture is not expected to change in the short-medium term as default rates in 2024-2025 are due to remain at historically low levels leading to low new NPE formation.

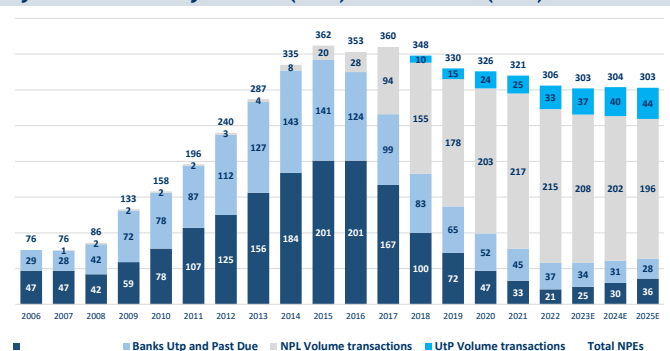
We are Restricted on doValue and have a Neutral recommendation on Banca Ifis (N; TP €20), the two stock in our coverage that are exposed to the NPL market.

Italy- Estimated NPL and UTP Transactions 2015-25E (€bn)



Source: Banca Ifis MNPL Market Watch

Italy - NPE Stock by owner (€bn) - 2006-25E (€bn)



Source: Scope Ratings, Banca Ifis NPL Market Watch

OIL SECTOR - RESILIENT DEMAND, AS OPEC+ UNWINDS PRODUCTION CUTS

We believe the outlook for oil prices in 2024 remains constructive, as demand is expected to remain resilient. Oil demand growth forecasts for 2024 range from a low of 0.9m bl/d (EIA), which we see as relatively robust, to 2.2m bl/d (OPEC), while IEA currently expects a growth of 1.4m bl/d vs. 2023.

Looking at the supply-side the situation for 2024 remains under-control. With its recent meeting on 2 Jun, OPEC+ announced the unwind of a set of voluntary cuts of 2.5m bl, which will be implemented between Oct-24 and Sept-25. We do not expect this to lead to an oversupply in '24. As such, our Brent assumption stand at US\$82/bl for 2024, which is broadly in-line with the YTD average, although currently somewhat higher than the prevailing spot price. We then see Brent reducing to US\$80/bl by '25, and further to US\$75/bl from 2026 and thereafter, which we believe is the level required to balance supply & demand in the long-run.

Our proprietary model continues to suggest the LNG imports are likely to reduce significantly during summer 2024 to avoid breaching the 100% storage level when the injection season ends (Sep/Oct). Therefore, we believe EU gas prices are likely to remain depressed in the short-term, with further downside possible in the event consumption remains well below pre-war levels, given the higher level of LNG supply expected in the coming years, in particular from US and Qatar. Having declined substantially from the record levels of 2022, we also believe that refining margins should continue to stabilise in 2024/25, while remaining at healthy levels.

Our macro assumptions, which include limited upside for geopolitical events, are supportive of the investment case for EU Integrated Oil. As such, our top-pick in the sector remains ENI (O), which we also see as an attractive relative vs. its EU peers-group, given the c10% share price underperformance YTD.

We have a more cautious stance on Oil Field Service (OFS), where we have Neutral ratings on SPM and TEN. We believe that International Oil Companies are likely to prioritise capital distributions over dividends, leading broadly to flat capex y/y for the group. In turn, this could be a negative for OFS providers more exposed to the offshore market such as Saipem. The slow-down in US drilling activities, the ongoing sector consolidation among US operators, and the falling prices the basket of for Oil Country Tubular Goods - the Pipelogix - could represent additional headwinds for TEN, as they are likely to translate into lower margins in H2 24.

We have Neutral rating on Maire (recently downgraded), after a >100% share price performance since Oct-24, which left limited upside to our TP. We are Restricted on Saras, as Mediobanca acts as financial advisor in the context of tender offer on share capital of the company.

Constructive outlook for oil prices in '24, as demand should remain resilient

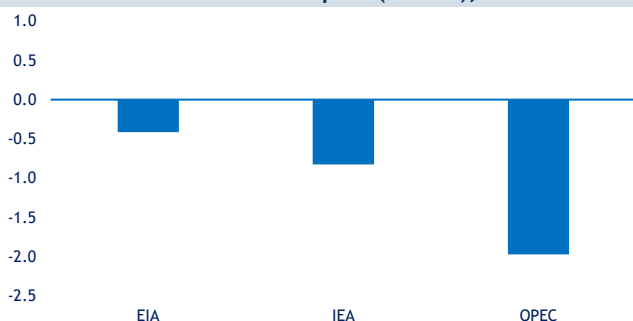
Oil demand growth forecasts for 2024 range from a low of 0.9m bl/d (EIA), which we see as relatively robust, to 2.2m bl/d (OPEC), while IEA currently expects a growth of 1.4m bl/d vs. 2023. Looking at 2025, oil demand growth estimates also remain supported by global GDP growth, and higher demand in the Petrochemicals sector. As a result, the three most-followed Energy institutions expects oil demand to grow between 1-2m bl/d in '25.

Looking at the supply-side the situation for 2024 remains under-control. With its recent meeting on 2 Jun, OPEC+ announced the unwind of a set of voluntary cuts of 2.5m bl, which will be implemented between Oct-24 and Sept-25. We do not expect this to lead to an oversupply in '24, as the seasonal pick-up in demand during the summer, combined with the y-y oil demand growth should lead to a broadly undersupplied market. Estimates for the Call on OPEC in '24 are between 27-28m bl/d. This is comfortably above OPEC's current production of 26.5m bl/d, pointing to a potential sizeable undersupply, even after the partial unwinding of OPEC+ production cuts.

The situation is different in '25, as Call on OPEC forecasts by EIA, and EIA range between 26.8-26.9m bl/d. OPEC's forecast is substantially higher at 29.0m bl/d, although we believe this is based on oil demand growth assumption of 1.9m bl/d, which we see as too bullish. This excludes additional production from non-OPEC countries, which signed the Declaration of Cooperation, and participated to the production cuts. It also considers that Iraq has been producing above its quota, and as such, the increase in production will be more limited. Overall, we estimate that the increase OPEC volumes could tilt the oil market into a sizeable oversupply by the end of '25, which could be in excess of 0.5m bl/d. This could represent a headwind for Brent. However, we are also mindful that a potential correction in oil prices could compel the Cartel to suspend, or roll-back the unwinding of Its voluntary production cuts.

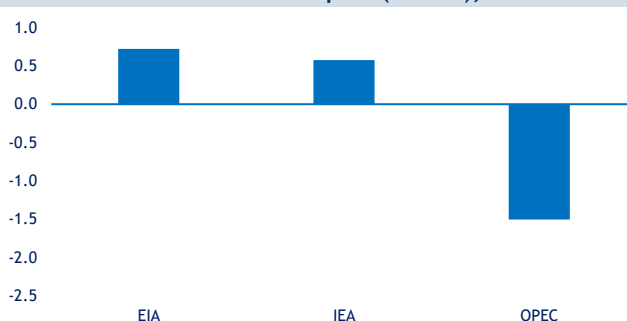
As such, our Brent assumption stand at US\$82/bl for 2024, which is broadly in-line with the YTD average, although currently somewhat higher than the prevailing spot price. We then see Brent reducing to US\$80/bl by '25, and further to US\$75/bl from 2026 and thereafter, which we believe is the level required to balance supply & demand in the long-run.

2024 oil market forecasts - Surplus/(Deficit), m bl/d



Source: EIA, IEA, OPEC

2025 oil market forecasts - Surplus/(Deficit), m bl/d



Source: EIA, IEA, OPEC

Our outlook for EU/Asia gas prices is more bearish

Our proprietary model continues to suggest the LNG imports are likely to reduce significantly during summer 2024 to avoid breaching the 100% storage level when the injection season ends (Sep/Oct). Although natural gas consumption in the EU in the 5 years before COVID19 increased steadily, this suddenly changed when TTF almost hit €350/MWh in 2022, or 20x the typical pre-COVID levels. As a result, EU gas consumption collapsed by more than we had expected. We believe this is due to a combination of persistently weak industrial consumption, behavioural changes and efficiencies. The latest data-points continue to suggest persistent weakness in demand, which is still running 15-20% below the 2019-21 average. Therefore, we believe EU gas prices are likely to remain depressed in the short-term, with further downside possible in the event consumption remains well below pre-war levels, given the higher level of LNG supply expected in coming years, in particular from US and Qatar.

Having declined substantially from the record levels of 2022, we also believe that refining margins should continue to stabilise in 2024/25, while remaining at healthy levels. In addition, the geopolitical tensions in the Middle East are forcing a re-routing of crude oil and oil product cargos away from the Suez Canal and around the Cape of Good Hope. In turn, this adds journey time, which translates into higher transport costs. As EU is reliant on imports to satisfy its diesel demand, this is also supporting refining margins for domestic operators. However, in the longer-term, we see capacity additions in Asia and Middle East as a key risk for the sector in Europe. In addition, there is considerable uncertainty on the pace of oil demand growth post 2030, and the increased competition from biofuels.

Stocks to Watch - Our top pick remains ENI

Our macro assumptions, which include limited upside for geopolitical events, are supportive of the investment case for EU Integrated Oil. As such, our top-pick in the sector remains ENI (O), which we also see as an attractive relative vs. its EU peers-group, given the c10% share price underperformance YTD. On our new numbers, ENI trades on FY24 6.6x PE, a 12% discount vs. its EU peers (BP, EQNR, SHELL, TTE); and on 0.87x P/BV, which is also a c15% discount vs. its 2015-2019 historical average of

1.02x. The share price also implies a FY24 dividend yield of 6.6% vs. (vs. 5.6% peers), and total distribution yield of 9.9% (vs. 11.3% peers). While it is true that ENI has one of highest gearing ratio of the peer group, we believe that the company's net debt should significantly decline from '26, also thanks to large disposal program of €8bn. We believe this could include the sale of minority stakes in key Upstream projects such as Ivory Coast, Indonesia and Mexico, as well as IPOs of non-Upstream operations (Plenitude, Enilive, CCS).

We have a more cautious stance on OFS, where we have Neutral ratings on SPM and TEN. We believe Upstream capex is likely to moderate in 2024, showing a 5% y-y growth, down from 14% y-y recorded in '23. We also believe that International Oil Companies are likely to prioritise capital distributions over dividends, leading broadly flat capex y/y for the group. In turn, this could be a negative for OFS providers more exposed to the offshore market such as Saipem, as IOCs are also typically more active in the higher-margin offshore deep-water environment. In addition, Saudi Arabia's announcement of a suspension of two key projects that were crucial to expand the Kingdom's potential capacity to 13m bl/d, from 12m bl/d represents a marginal negative for EPC contractors.

The slow-down in US drilling activities, the ongoing sector consolidation among US operators, and the falling prices the basket of for Oil Country Tubular Goods (OCTG) - the Pipelogix - could represent additional headwinds for TEN, as they are likely to translate into lower margins in H2 24. However, on the positive side, the ongoing SBB should underpin the share price in the longer term, as within 6 yrs, the company's free float could fall below 10%. This assumes a SBB >US\$1bn per annum, and it excludes the US3-4bn of net cash that we expect TEN to keep on its balance sheet. In addition, the set of economic reforms that Milei is trying to implement in Argentina could represent a meaningful opportunity for the group.

We also have Neutral rating on Maire (recently downgraded), after a >100% share price performance since Oct-24, which left limited upside to our TP. We continue to appreciate MAIRE's leading positioning as key enabler of energy transition and we also acknowledge the growth perspectives underpinned by its technological know-how. Yet, to us, the key question is now whether the group will be able to sustain (or increase) its top line after Hail&Ghasha (H&G) comes to an end in '28, while management points to large new potential orders in the Middle East, North Africa and Asia.

We are Restricted on Saras. As announced to the market on February 11, the members of the Moratti family have entered into an agreement to sell approximately 40% of Saras to Vitol. Upon the completion of this transaction, the entire stake held by the Moratti family in Saras will be transferred to Vitol. This operation will trigger a mandatory tender offer (MTO) for the remaining shares of Saras. Mediobanca acts as financial advisor in the context of tender offer on share capital of Saras.

UTILITIES & INFRAS - TAILWINDS FROM A MORE FAVORABLE ENERGY SCENARIO

The Italian energy sector experienced a good start of 2024, thanks to a mix of favourable weather conditions and positive regulatory updates on grids, water and waste activities. Renewable output benefitted from record-level hydrology, whose impact has been particularly pronounced especially in comparison to the previous years of droughts. The higher hydro availability contributed to further decrease wholesale energy prices, which are now far below the peaks observed during the energy crisis of 2022.

The reduction of energy procurement costs and the increase in renewable sources resulted in a supply margin expansion for integrated operators. Furthermore, in this segment, the long-awaited energy market liberalization took place in '24, after several delays. In July, c4.5m regulated clients will move to their respective new operators, and remain in a "semi-regulated" market for at most three years, unless they decide to autonomously move to the free market before this deadline. The multi-utilities awarded with the clients will strive to move this new customer base to the free market in the shortest time possible.

Contextually, the regulatory updates carried out by ARERA in '23 (networks & water) and '24 (waste), were certainly a positive catalyst for regulated operators. Now, the focus is on the mid-period review of the allowed return of energy networks by the end of this year. Assuming that the regulator maintains the current framework & the variables already fixed in the formula, we estimate a decrease of c-30/40bps in the allowed returns of regulated businesses.

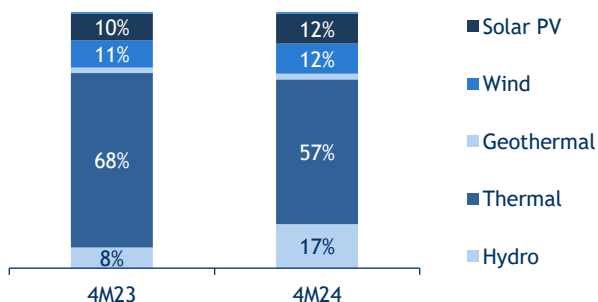
In this context, we reiterate our preference for integrated business models being long customers vs generation (Enel). In the regulated space, we prefer companies with cheap valuation with possible capex optionality from new businesses (Italgas). We also believe that the Multi Utilities space offers interesting value opportunities, due to the exposure to secular growth trends coming from on-going electrification, need to strengthen the water distribution network and waste management value chain due to more stringent environmental standards (Hera, Acea).

On Transport, in 2H24, we expect:(1) traffic to further improve sustained by economic growth in the Eurozone; (2) operating leverage to be sustained by traffic growth, inflation-linked tariffs, lower energy costs & cost saving initiatives; (3) capital allocation to remain a key theme. Among Italian names, our preference is on Enav (O) as we see the stock undervalued despite recovery of balance generated during the pandemic having started with the new 2023 tariffs. Closing of the regulatory review at year-end and new dividend policy in 1Q25 should be relevant catalysts.

Supply - Strong hydro production drives margins' expansion

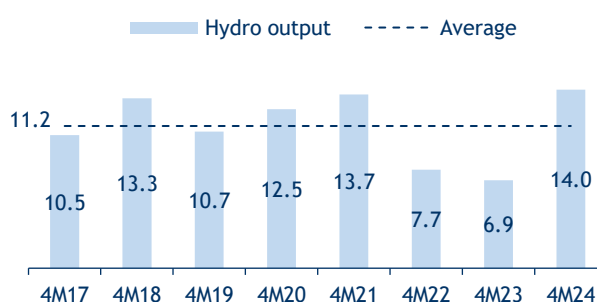
In the first four months of 2024, national electricity demand increased c1% to 101TWh. Imports accounted for 20% of total demand, while the remaining 80% was covered by domestic generation. Renewables posted an extremely positive contribution, with hydroelectric power being the primary renewable energy source in terms of production, more than doubling vs the levels observed in '23. Wind and solar generation also contributed with a +9% and +11% of output respectively.

Italy - Generation split, y/y comparison



Source: Mediobanca Research

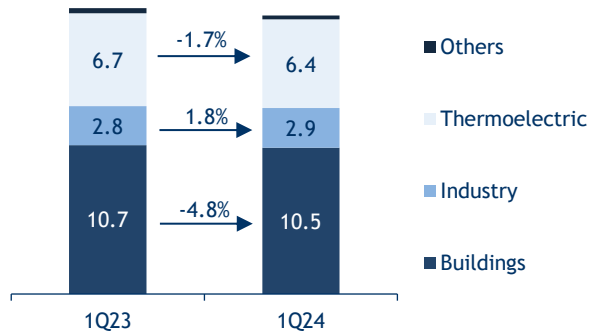
Italy - Evolution of hydro output (4M17-24)



Source: Mediobanca Research

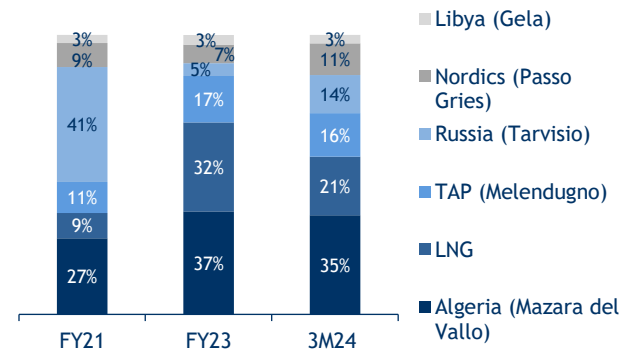
The positive performance of renewable sources allowed a lower employment of thermal generation plants, whose output decreased -19% in 4M24. This was clearly reflected in quarterly gas demand figures: gas demand from thermal sources in 1Q24 declined by -4.8%. Total gas demand in 1Q24 decreased -2.6% to c20bcm, and c20% was covered by LNG.

Italy - Natural gas consumption in 1Q24



Source: Mediobanca Research

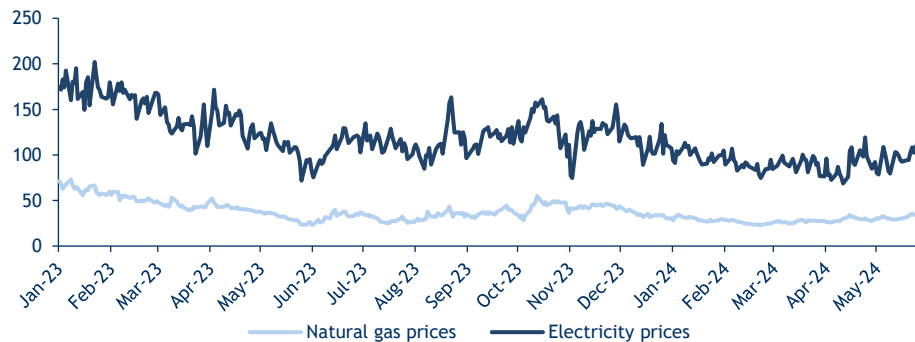
Italy - Gas imports split by entry point ('21, '23 & 3M24)



Source: Mediobanca Research

As a result, natural gas prices in the first months of '24 averaged c€25/MWh, which represents a -30% reduction vs '23 average levels, having jumped in the last weeks due to increased competition for LNG imports. Wholesale electricity prices in Italy in the first months of '24 averaged c€78/MWh, being almost -30% below the average levels of '23.

Evolution of Natural gas prices (TTF) & Italian wholesale electricity price (€/MWh)



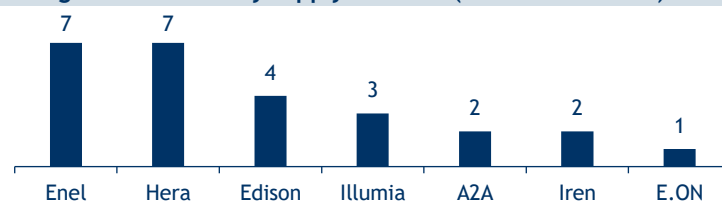
Source: Mediobanca Research

Market Liberalization benefits may come on top

The long-awaited energy market liberalization took place in '24, after several delays. In January '24, ARERA held the auctions to award 4.5m regulated electricity clients that still hadn't moved to the free market. The total amount of clients was split in 26 lots, based on their geographical area. Each operator was allowed to be awarded with a maximum of 7 lots.

The official outcome of the tenders was unveiled on 6 February '24, with Enel and Hera being the largest winners (with 7 lots each) followed by A2A (2 lots) and Iren (2 lots). Almost all lots were awarded with negative margins.

Final results of the regulated electricity supply auctions (# of lots awarded)



Source: Domestic press, Mediobanca Research

The awarded clients will move to their respective operators from 1 July '24 and remain in a “semi-regulated” market (“Servizio a tutele graduali”) for at most three years, unless they decide to autonomously move to the free market before this deadline. If the clients will remain in the “semi-regulated market” for all of the three years, the margin will be fixed over this period.

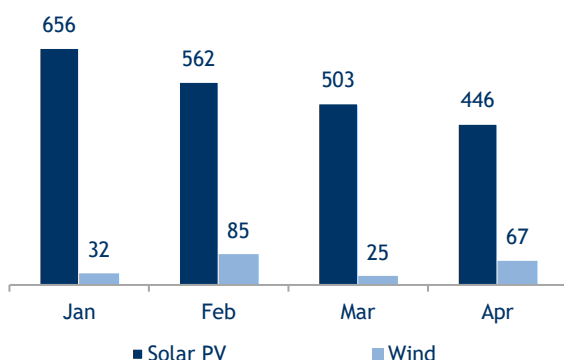
The multi-utilities awarded with the lots will strive to move this new customer base. On this matter, companies will also have the opportunity to extract synergies, in case the awarded clients are located in a geography where the multi-utility is already present with its supply services.

Now, companies will strive to move this new customer base to the free market in the shortest time possible, before the deadline of July '27, while offering them opportunities of cross-selling (energy efficiency solutions or dual fuel offers) proving their ability to extract synergies from the awarded clients. The successful implementation of this exercise is certainly a next key trigger for the sector.

Renewables - Improvements in capacity additions; Authorizations still a drag

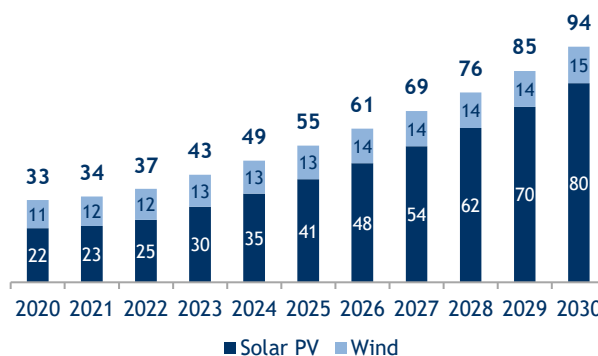
In the first four months of '24, approximately 2.4GW of additional renewable capacity started operating in the Italian system. Out of the total, c2.2GW capacity additions were solar PV while the remaining 0.2GW were wind. The trend of new installations has been clearly positive, but we highlight that: (1) acceleration was mainly driven by rooftop installations, which in 2022 and 2023 have been incentivised by the “110% superbonus” associated with restructuring of residential properties, (2) the installation pace is significantly lower than the 9GW/y that would be needed in '24/30 for achieving the 108GW target for solar PV & wind capacity set in the updated National Integrated Energy and Climate Plan.

Italy - Solar PV & Wind additions in 4M24 (MW)



Source: Terna, Mediobanca Research

Italy - Solar PV & Wind capacity 2020-2030E (GW)



Source: BNEF, Mediobanca Research

Difficult and lengthy authorization procedures continue to represent the main bottleneck for the ramp-up of renewable capacity in the country. In this context, in the latest months the Government has been working on some key measures to address this issue including the approval of the Fer X and the “Suitable Areas” decree. The former will set new rules for the development of renewable power plants using mature technologies (mainly onshore wind and solar PV). The latter will define the areas within each region where wind and solar power plants would be allowed to be installed.

Those measures are expected to increase the level of revenues to be recognized to wind and solar projects, to significantly ease authorization processes, and they would potentially reduce legal appeals against renewable projects therefore supporting the acceleration in renewable capacity additions in the country. The Italian government is still discussing details with the Regions on the Fer X decree, while an agreement has been reached related to the Suitable Areas decree.

Uncertainty on the potential development of solar PV capacity in Italian system has emerged from the recent approval by the Italian government of the “Agriculture” Decree, which will prevent the development of ground-mounted solar PV power plants in agricultural areas.

The current macro scenario, still characterized by high interest rates, continues to represent a headwind for value creation potential from new renewable projects. A visible declining trend of interest rates would create a more favourable outlook to the sector. Possible improvements in business and regulatory conditions in the Italian market may offer additional growth opportunities for ERG, after the company recently presented a wait-and-see business plan, where investments in European markets have been reduced versus the previous plan. In our opinion, visibility on a significant improvement in the market scenario which could trigger an acceleration in value-accretive investments by the company is still limited. We confirm our Neutral on the stock.

Networks - Mid-period WACC review in '25; Totex application starting this year

Networks remain a key piece of the puzzle to accelerate the green transition, and companies agree on the necessity to upgrade the grid, to move the economy towards a decarbonized and sustainable energy model. In this context, the current functioning of the electricity transmission grid will be most likely reshuffled by new trends arising in energy generation, consumption and energy efficiency.

The larger share of distributed generation will require the transmission grid to evolve, and to manage bi-directional flows. At the same time, energy efficiency solutions, the widespread adoption of electric vehicles, and - most importantly - the proliferation of datacentres, will reshape the electricity consumption curve. The remuneration of this infrastructure is a key variable to incentivize operators to carry out aforementioned improvements.

In this framework, the Italian energy regulator ARERA will carry out the mid-period review of the allowed return of energy networks by the end of this year. We mark-to-market our proprietary model to estimate the potential WACC update to be applied from '25. **Assuming that the regulator maintains the current framework and the variables already fixed in the formula, we estimate a decrease of c-30/40bps in the allowed returns of regulated businesses.**

In '24, the regulator ARERA started to implement the new Totex system (so called ROSS - Regolazione per Obiettivi di Spesa e di Servizio) to define the tariffs of electricity and gas transmission, and electricity distribution. In particular, the introduction of the ROSS-base for these sectors should take place from '24, while gas distribution activity should see the implementation of Totex from '26.

Electricity and gas regulated businesses - Regulatory periods

Electricity Transmission	Gas Transmission		Electricity Distribution & Metering		Gas distribution and metering	Gas storage	Regasification (LNG)
Terna	Snam	Other operators	Enel	Other operators	All operators	All operators	All operators
First application of ROSS-base	First application of ROSS-base	First application of ROSS-base	First application of ROSS-base	First application of ROSS-base			First application of ROSS-base
2024	2024	2024	2024	2024			2024
Sperimental application of ROSS-integrated	Sperimental application of ROSS-integrated		Possible Sperimental application of ROSS-integrated				
2024	2024		2024				
First application of ROSS-integrated	First application of ROSS-integrated	Sperimental application of ROSS-integrated	First application of ROSS-integrated	Application of ROSS-base	First application of ROSS-base	First application of ROSS-base	Application of ROSS-base
2026	2026	2026	2026	2026	2026	2026	2026

Source: ARERA, Mediobanca Research

Multi-Utilities - Significant infra-related growth in Water & Waste

The waste and water sectors remain two key areas for the country, especially in light of the infrastructure divide with respect to the rest of Europe.

In December '23, ARERA published the final ruling for definition of the water tariff system for the fourth regulatory period (MTI-4). The regulator significantly improved the remuneration of water distribution networks to 6.13%, which corresponds to a >130bp increase.

This new remuneration will apply to 6 years (vs 4 years), for the period 2024-29. We believe that this represents another tailwind to accelerate investments in the water distribution sector, which still show a significant level of underdevelopment.

In fact, in '22 & '23, the Italian water distribution sector was affected by extreme drought & flood emergencies. The climate crisis coupled with the vulnerability of national water infrastructure caused a water crisis, which put the spotlight on the significant need to invest in reinforcing & enhancing the resilience of water supply systems something in which multi-utilities can play a key role.

Furthermore, on 24 January '24, ARERA set the WACC levels for the years '24 & '25 for industrial waste business. In detail, the regulator increased the level of allowed returns by +60-70bp to 6.3% for Integrated Urban Waste Collection and to 6.6% for Urban Waste Treatment.

Overall, the Italian multi-utilities space offers interesting value opportunities for companies that are exposed to the secular growth trends coming from on-going electrification, need to strengthen the water distribution network and waste management value chain due to more stringent environmental standards.

These are all capital-intensive businesses that will certainly benefit from low rates. Furthermore, supply market may provide a growth opportunity to virtuous operators. In this context our preference goes for Hera (O) & Acea (O), that operate solid business models with limited exposure to generation business, while trading at depressed multiples.

Transport Infrastructure - Enav confirmed as an attractive value opportunity

Share prices of European transport infrastructures rose 6% YTD on average, underperforming the market (>8%) due to reduced expectations of interest rate cuts. Interest rates, traffic recovery, decreasing inflation and M&A were the key themes with motorways confirming their resilient business model and airports confirming solid underlying growth trends driven by strong leisure travel demand and a further recovery in business traffic.

Looking at 2H24, we expect: i) traffic to further improve sustained by economic growth in the Eurozone decelerating but remaining in positive territory with leisure airports well above 2019, motorways slightly above, large city airports slightly below and Eurotunnel lagging behind (-20%); ii) operating leverage to be sustained by traffic growth, inflation-linked tariffs, declining energy costs and cost saving initiatives introduced during Covid; iii) capital allocation to remain a key theme with most of sector players looking at potential acquisitions thanks to solid balance sheets.

Italy is no exception with GDP q/q growth averaging 0.2% in the past year and a consensus of 0.3% until the end of 2025. However, motorway traffic was up 1% y/y in 4M after 2023 was already 2% above 2019, airport traffic was up 10% (sustained by international travellers at +17%, 2023 +2% vs. 2019) and Enav's en-route traffic was also up 10% (2023 +6% vs. 2019). The only two listed stocks in the sector had different performance with Enav rising 11% thanks to the presentation of a new BP that increases the focus on shareholder value creation and remuneration (see our report on 22 March [Growth strategy to prioritize shareholder value creation](#)) and Bologna Airport declining 3%, negatively impacted by fears of traffic disruptions caused by the works in the pax terminal.

We confirm the Outperform rating on Enav as we continue to see the stock undervalued despite recovery of balance generated during the pandemic having started with the new 2023 tariffs. Closing of the regulatory review at the end of 2024 and the new dividend policy in 1Q25 should be relevant catalysts. We also remain Neutral on Bologna Airport on the cautious outlook provided by the company.

TMT - PREPARING THE GROUND FOR A HEALTHY FUTURE

On March 15, Swisscom confirmed it entered a binding agreement to acquire 100% of Vodafone Italy for €8bn with the aim of integrating it into Fastweb (implied multiple of 7.6x EV/EBITDA). The NewCo is reported to be generating high return for all stakeholders, benefiting from a more efficient cost structure, economies of scale and ability to sustain investment. The closing is expected for the first quarter of 2025. The Italian government has unconditionally approved the transaction.

On May 30, KKR has won early European Union approval for its €22bn bid for TI's NetCo, local and international press reported. The European Commission said on Thursday that the deal was cleared without conditions or the need for an in-depth probe after its initial review revealed no competition concerns. The commission said that KKR and TI also agreed on a master services agreement that will govern the relationship between the target and Telecom Italia post-transaction. Finance Minister Giancarlo Giorgetti argued the green light from the EU commission represent a success for the country.

Tower companies have had an extremely busy start of the year, demonstrating that M&A continues to be an integral part of the sector's DNA. In a successful bid to enhance its credit rating and streamline its business structure, Cellnex has been notably active in disposals. Shifting focus to Italy, the cabinet approved a new DPCM which enables Rai to sell a stake in Rai Way, provided the disposal is compatible with a tie-up with rival EI Towers. Local press confirms both companies have appointed advisors for the transaction. INW's equity story remains solid, as shareholders' remuneration increases.

The Italian advertising market has shown very positive market dynamics in the first quarter of 2024, and MFE unveiled a 5% yoy growth, that coupled with the 8% increased recorded in Spain resulted in above €200m cash flow generation in the first quarter, a record print.

In line with the semis sector resurface, Technoprobe has anticipated second quarter results will be very strong (while reaffirming full year expectations), and flagged AI-driven products are increasing their relevance.

Telecom Sector - Consolidation talks speeding up, market remains competitive

In our 2024 TMT sector outlook, Acting Together, we argued that the telecom space continues to demonstrate a strong need for consolidation, with M&A being the only effective solution to initiate a virtuous cycle of price increases. We also pointed out that the time has come for regulators to adopt a more supportive approach: at the EU level, a more favourable stance may emerge once the new commission is appointed. Just a couple of months later, Vodafone agreed to exit its Italian operations, accepting an €8bn offer on a debt-free and cash-free basis (around 7.6x consensus FY24 Adj. EBITDAaL, considering €0.3bn in one-offs and intra-company costs). The combined entity would generate annual revenues of approximately €7.3bn and Adj. EBITDAaL of €1.8bn, before considering synergies estimated at around €0.6bn. On May 21, the Presidency of the Italian Council of Ministers confirmed that the deal does not pose a threat to national interests and therefore, that the government has unconditionally approved the acquisition pursuant to the Golden Power legislation. Swisscom commented that the completion of the transaction is on track and remains subject to further regulatory and customary approvals: closing is expected in the first quarter of 2025. While we await more details once the deal is effectively closed, we believe it is fair to argue that this transaction represents a step in the right direction. We feel confident that other combinations may be explored in the future.

We would flag former Italian Prime Minister Mario Draghi, speaking at a conference in Belgium in April, confirmed the need to rationalize and further harmonize telecommunications regulation across EU member states to encourage greater investment in the sector, stressing that the European Market has 34 mobile networks often operating only on a national scale, versus three in the United States and four in China, and calling for sector consolidation. This corroborates former PM Enrico Letta's stance,

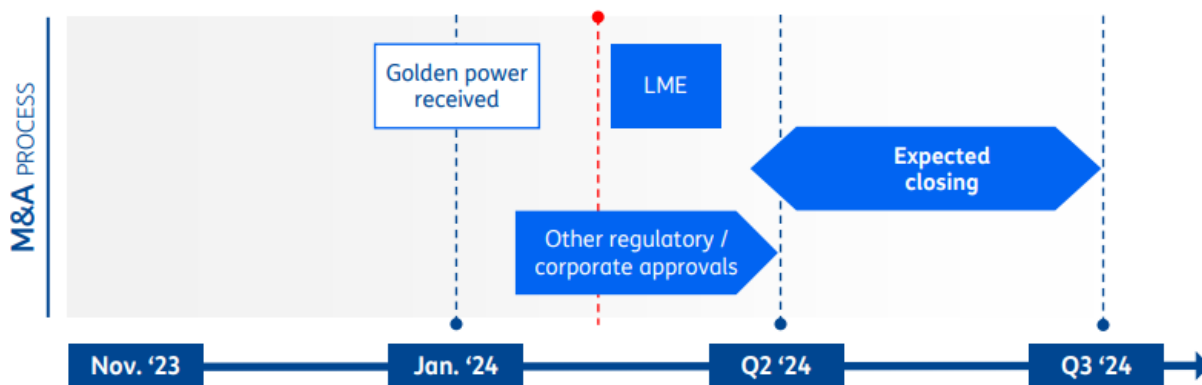
that in his paper “Much More Than A Market” urged Member States to support legislative action following the EC White Paper on digital infrastructure needs. Letta’s report emphasizes the necessity of addressing Europe’s €200bn shortfall in network investment to stay competitive globally. At European level, a market of 445m consumers, investment per capita is only half of that in the United States, and EU is lagging in 5G and fiber deployment.

Life after NetCo

KKR has won early European Union approval for its €22bn bid for TI’s NetCo, local and international press reported. The EU Commission said on May 30 that the deal was cleared without conditions or the need for an in-depth probe after its initial review revealed no competition concerns. The EU’s merger watchdog said it “investigated the impact of the transaction on the market for wholesale broadband access services in Italy and concluded that it would not significantly reduce the level of competition”. The DG Comp said that KKR and TI also agreed on a master services agreement that will govern the relationship between the target and Telecom Italia post-transaction. “Although the MSA does not fall under the scope of EU Merger Regulation, it remains however reviewable under EU or Italian antitrust rules as well as subject to regulatory oversight,” it added. *Bloomberg* reported that KKR made an informal offer to maintain about 15 wholesale dark fiber existing contracts with TI’s rivals at current prices, to assuage earlier EU concerns about the deal. Those concessions are, however, not legally binding. The regulator had also privately warned US private equity giant KKR and TI that a key condition for rubber stamping the acquisition is that wholesale prices for the Italian phone carrier’s rivals are kept down.

TI welcomed the positive assessment received from the European Commission regarding the transaction for the sale of NetCo to KKR and notified by the buyer on April 19. The Phase 1 decision confirms that the deal will be completed on schedule. Finance Minister Giancarlo Giorgetti flagged this green light from the EU commission represent a success for the county, adding now the closing should happen soon, *Corriere della Sera* reported. *la Repubblica* added that sale of Sparkle may take more time than initially expected, as now a deal with the Treasury (set to control 20% of NetCo) should be considered as a related party one.

NetCo transaction, scheduled timetable



Source: Mediobanca Research, TIM’s CMD presentation

Towers Space - A busy start of the year

On March 5, Cellnex hosted a capital markets day to outline its mid and long-term ambitions. The plan confirms a new mission to improve efficiency by simplifying its business portfolio. The strategy is focused on a lower leverage target too, paving the way for a renewed capital allocation framework and significantly increasing potential shareholder remuneration, as confirmed by the management. Moreover, Ireland was confirmed to be sold at 24x EBITDAaL (in our yearly outlook we flagged a 23x to 24x multiple range as the new normal), for an expected cash in of around €1bn. As reported by *Bloomberg*, the company is further accelerating with other disposals. Specifically, Global Infrastructure Partners, KKR and Macquarie would be among the bidders considering the purchase of

a stake in Cellnex's Polish operations. Alternative asset manager EQT and France's Antin Infrastructure Partners would also be vying for a minority stake in the business. According to the article, the Polish asset could be valued up to €4bn. Bloomberg also reported that Saudi Telecom Co.'s Tawal infrastructure arm and GD Towers are among companies in discussions to acquire Cellnex's Austrian mobile-phone towers. The two bidders are among companies seeking to make it to a short list. Blackstone's Phoenix Tower International has also signalled interest in the assets, which may be valued at about €800m.

On Rai Way, *Il Sole 24 Ore* reported that EI Towers would have selected Mediobanca, Intesa Sanpaolo and Unicredit as advisors for a potential tie up with Rai Way. The article recalled the Italian government is expected to approve a decree allowing Rai to cut its stake to below 30%, provided the disposal is compatible with a tie-up of Rai Way with rival EI Towers. Following up, *Il Messaggero* argued advisors are already at work, adding concrete discussions may start once the new Rai board will be appointed, after EU elections (early June). We continue to believe consolidation is key and in the best interest of all the parties involved.

INW's equity story remains solid, as shareholders' remuneration increases: its strategy update, the management has been able to broadly confirm the targets with a slightly different revenues' mix: as one of the reasons behind our downgrade last year was the weak momentum for new business, given the issues the TLC sector is facing, we appreciate this new, de-risked profile, which is relying more on new services. On the other hand, we think it is unlikely we may have a change in trajectory for OLOs demand in the short-term.

Media - A clear dawn for the Italian advertising market

On May 15, Nielsen unveiled data on the Italian advertising performance of March and of 1Q24. The overall market posted a 3.6% growth in the first quarter, versus the same period last year. When including OTTs contribution, the advertising market was up by 3.8% in 1Q24. More specifically, TV collection was up by 5.2% YoY in March. On the press side, we signal print collection for dailies was down 5.9% YoY. The radio segment was up by 5.5% YoY, while Nielsen estimates web collection was 3.2% up in the quarter. In terms of sectors, data shows Home Management (+29%), Trips (+39%) and Distribution (+14%) were the best performers, while Media/Publishing (-27%), Professional Services (-29%) and Telecommunications (-34%) recorded the weakest results. Nielsen's Country Leader for Italy Bordin highlighted that numbers confirmed a positive trend and that the important sports events that will happen later in the year represent a good environment to confirm growth. MFE unveiled a 5% yoy growth that, coupled with the 8% increased recorded in Spain resulted in above €200m cash flow generation in the first quarter, represents a record print. The company also anticipated very supportive numbers for 4M24, which imply a further acceleration in the month of April. Despite this, MFE reaffirmed FY guidance, flagging sport events may have an impact on advertising market in the coming months. While visibility remains low, we would argue that Nielsen data are confirming a strong start to the year for the Italian advertising market, highlighting the solid results of the traditional media. Well, supported by a better-than-expected trend in consumptions, the advertising market posted a very nice start to the year. The lack of sport events in the programming grid may affect the sound revenue growth in the coming months. The cross-media approach is proving to be successful, as digital business increases its relevance. Same applies for the multi-country scheme: we continue to think MFE remains the leading candidate among EU broadcasters to implement a Pan-European project, starting from German market (where the company holds 29% of PSM voting rights).

BRANDED GOODS - NORMALISATION IMPACTS 2024

Luxury sector fundamentals continued to show a sequential normalisation. The slowdown at the start of this year is reflecting a decline in Mainland China, mainly driven by lower traffic in the malls, whereas within the rest of Asia, Japan is a bright spot. EMEA on the other hand, has seen a slowdown of domestic customers, only partially offset by tourism growth. Finally, the North America remains soft, especially on the aspirational price points, and is not helped by 2024 being the election year. Regarding current trading, companies have commented that the start to Q2 has continued in the same trend as 1Q, with no material improvement in China, also due to a tough comparison base.

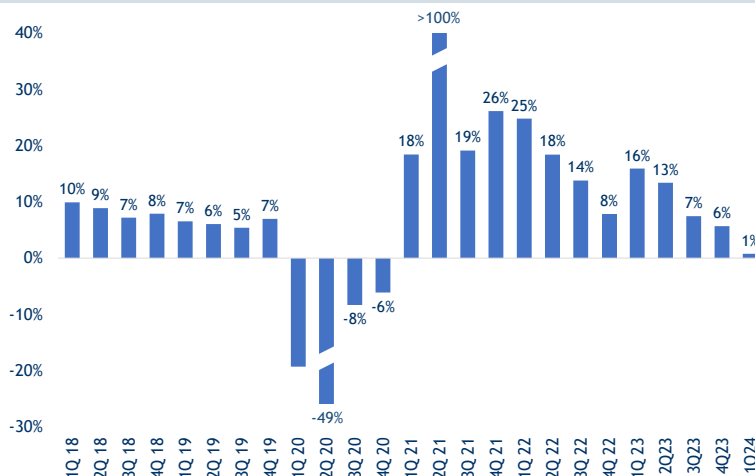
We maintain a selective approach on the Branded goods industry as the general soft traffic and tough comparison base drive a sequential normalisation of industry growth on average. This also aggravates the performance divergence between brands that have strong positioning and fashion momentum, and brands that are transitioning towards a new brand identity and thus disproportionately suffer in the current environment.

After a c.+2% performance YTD, the EU branded goods sector trades on c.30x PE 1Y forward, a c.15% premium to the historical average. The current valuation reflects temporary lower earnings related to top line slowdown, and relatively stable consensus earnings estimates for FY25. Within the Italian names we keep as top pick Sanlorenzo (Outperform, TP €53.5) as it offers strong visibility on growth potential thanks to its order backlog and strong fundamentals.

A soft start to 2024 reflects normalization and tough comparison base

The start to 2024 showed further top line slow-down in the branded goods industry, with an average growth of just +1% YoY at constant currency, the lowest growth since 2020. The performance has been extremely diversified within our universe. On average, the top-end brands outperformed, boosted by a sustained strong brand momentum, business resilience, and pricing power.

Picture 3: EU branded goods top line cFX growth YoY



Source: Mediobanca Research, Company data

On the other hand, brands that are in the middle of a repositioning and are showcasing a new brand identity disproportionately suffered as the commercial offering failed to attract new customers.

The highlights from the reporting season just ended are the following:

- US remained under pressure.** The performance polarized further in North America, with top-end brands continuing to grow, despite an increasingly challenging base of comparisons. Overall, after more than one year of slowdown, largely driven by weakness in the aspirational categories and price-points trends remain subdued. The wholesale channel remained particularly soft due to a combination of cautious buying in a soft retail environment and several brands implementing selective strategy rationalizing their wholesale presence.

- **Local slowing partially compensated by tourists.** EMEA faced tough comps at the start of 2024, due to robust local demand and strong tourist growth. This year, trends are more subdued with local demand slowing and for many brands in the negative territory, while the tourist contribution remains strong, but still lack the full recovery of Chinese tourist flows. For most brands, France and Italy outperformed, while the retail environment in the UK, Germany and the Nordics was more subdued.
- **APAC dragged down by China.** The sector performance in APAC was the weak spot in the quarter, with most players down double digits, impacted by negative trends in Mainland China. This is the result of soft consumer environment, a tough comparison base (last year it was the first quarter post reopening) and increasing spending abroad. Japan was the outlier posting high double digits performance that combines price actions to offset a weak Yen and robust tourist demand, as consumers take advantage of relatively lower prices.

Branded goods sector valuation at a premium to history

After a c.+2% performance YTD, the EU branded goods sector trades on c.30x PE 1Y forward, a double-digits premium to the historical average. The current valuation reflects temporary lower earnings related to top line slowdown, and relatively stable consensus earnings estimates for FY25. The premium to the broader market is approximately 115%, above the historical average of c.85%.

Picture 4: EU branded goods - PE 1Y forward



Source: Mediobanca Research, Refinitiv

Within our Italian coverage our top pick is **Sanlorenzo** (Outperform, TP €53.5), thanks to its exclusivity, top end positioning, made-to-measure offering, and selective distribution. Pricing power, customer loyalty over the years and the visibility provided by an order backlog surpassing €1bn add to a strong balance sheet with cash >10% of the market cap unlocks M&A optionality. Sanlorenzo also delivers best-in-class luxury ROCE >40%, despite mid-teen EBIT margin.

AUTO - NORMALIZING VOLUMES TRIGGERING PRICE PRESSURE

Despite the positive 1Q24 retail sales, the main OEMs in the car sector reported declining sell-in volumes, in order to reduce the inventory channel, translating in a lower global production. In this scenario, price/mix was stable in NAFTA while being under pressure in Europe and China, mainly in the EV segment. Therefore, the average EU car players reported a top-line declining by mid single-digit and the absolute margins reducing by double-digit in 1Q24.

In FY24 we foresee retail sales to increase by 2%, with a production that should be more flat (improving vs 1Q24), and some price pressure that should mainly affect Europe and China. Therefore, all in all we foresee 2H24 performance to improve compared to the first part of the year in the car segment.

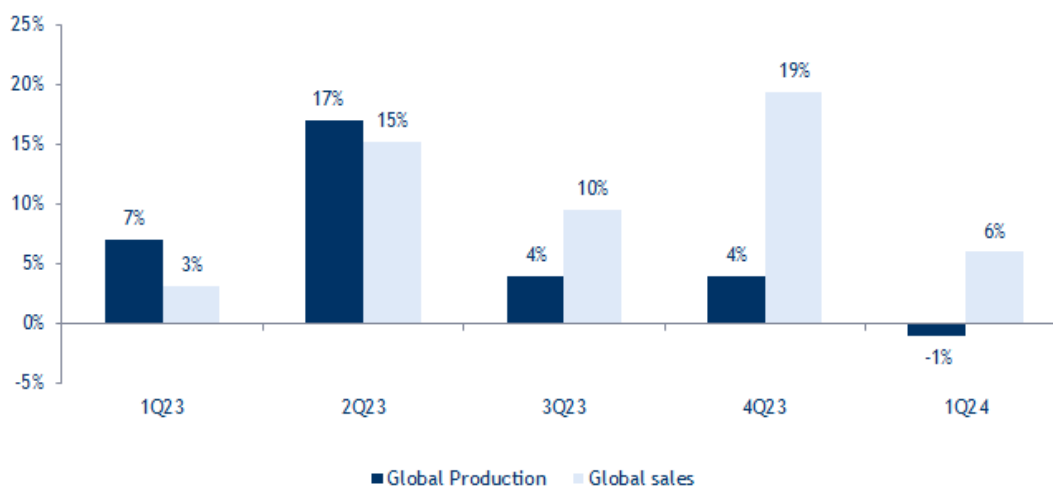
Reference market conditions are quite different for both Off/On-Highway vehicles compared to the passenger car trend. Indeed, Agriculture, Construction and Heavy-duty Trucks volumes are predicted to decline across the main regions by even double-digit in 2024.

Among our Italian coverage, we have a positive view on Brembo (Outperform, TP €14) that should outperform the reference market trend thanks to an increasing penetration in China and NAFTA. In the medium term, the launch of Sensify should be a trigger. On the other hand, we have a Neutral rating on Stellantis (TP €24) as we expect destocking to continue in 2Q24, Iveco (TP €15.1) that might be affected by the negative HD trend in 2H24E, Ferrari (TP €361) already trading at a demanding 49x 24E PE, and Pirelli (TP €5.9) that has a limited potential upside on the Consensus estimates.

1Q24 car sell-in declining despite positive retail trend

First part of the year the car sector highlighted a positive performance in the Passenger car registrations that increased by 6% YoY, mainly driven by a rebound in China (+12%, helped by easy comparison base), NAFTA (+7%) and Europe (+5%). Despite the trend in the sell-out, sell-in volumes declined by 1% at global level with a reduction in the car production that was impacted by 1) need to destock for some car makers ahead of the launch of many new models across several regions, and 2) tough comparison base.

1Q24 global sales still increasing vs slightly declining production



Source: Mediobanca Research

Price wise, the trend depended on the different regions and segments. Prices/mix was more stable (or only slightly declining) in NAFTA, while some pressure has been experienced in Europe due to some discounts put in place to accelerate the destocking. In China, price pressure was quite heavy for the EVs that suffered from the aggressive commercial policies of the main local car makers. In this scenario, overall, the main EU Auto players reported an average set of results with 1) top-line showing an YoY mid single-digit drop mainly due to lower volumes and negative FX, and 2) double-digit drop at margin levels.

Among our coverage, Stellantis sales were down 12% affected by both negative volumes and lower ARPU, while Renault top-line was up 2% with FinCo revenues offsetting a 1% decline in the Auto business (negative volumes offset by positive price/mix). Volumes trend was weaker YoY in the car luxury too. Indeed, Ferrari reported a flat performance while Porsche, impacted by both China and a temporary issue in the US, and Aston Martin, affected by the phase-out of some models, showed a drop in terms of units sold, although reporting an increasing ARPU. The performance in terms of volumes was more positive for Pirelli, that benefitted from a recovery of the reference market trend across the main regions mainly driven by High Value, and Brembo that has outperformed the reference market trend thanks to the increasing market share.

FY24 guidance factors in a more optimistic 2H24 sales trend

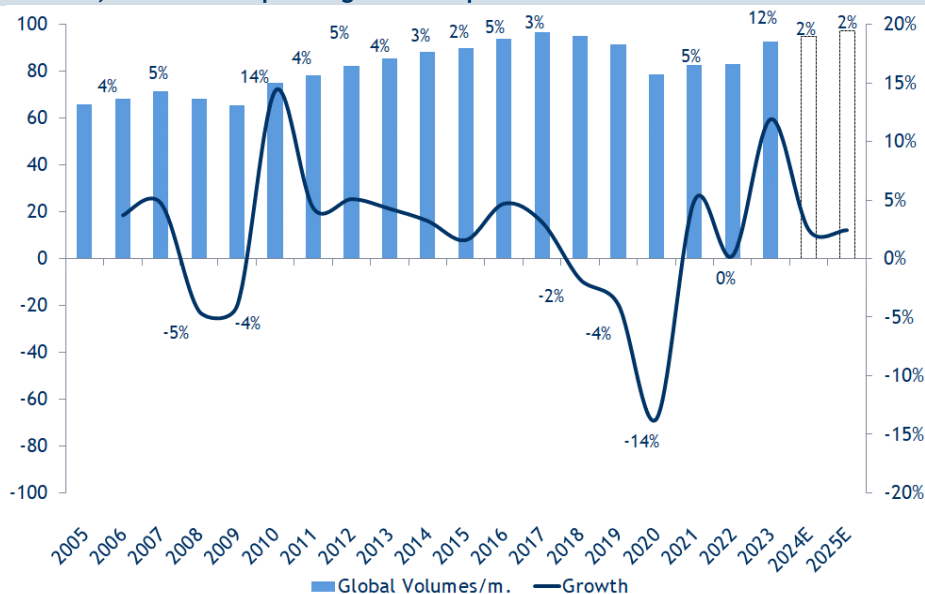
Main takeaway from the 1Q24 conference call are on FY24 registrations that should slightly increase at global level, although with a different geographical mix. Registrations should be improving in Europe, NAFTA, and China, although macro scenario might soften in Europe. In this scenario, 1) production should normalize ahead of the launch of many new models, with stabilizing channel inventories, 2) competition is foreseen to intensify leading to further potential price pressure, offset by positive mix effect, and 3) as a general comment, sales trend should improve.

That said, at margins level the picture is mixed. While current geopolitical scenario might have a negative impact on the supply chain leading to a shortage in some commodities, margins are predicted to improve compared to the performance reported in 1Q24 benefitting from the 1) reversal trend in some raw material costs, 2) recovery of production, and 3) positive mix effect.

MB forecasts: FY24 registrations expected up, macro EU may be a risk

In 2Q24, we expect car sector to experience a similar trend compared to 1Q24, i.e. 1) an increasing performance in the car registrations at global level, 2) an YoY flat-to-slightly declining production, and 3) some price pressure that should be mainly experienced in Europe and China. In FY24 we foresee retail sales to increase by 2%, while production should be more flat, translating in a 2H24 performance that is expected to improve compared to the first part of the year. This way, global light vehicle sales should exceed 94m units remaining still below the 96-97m volumes sold in 2017-2018. From a geographical standpoint, in FY24 Europe and China should be the best performers in terms of registrations. Main risk to our forecast is represented by the macro scenario in Europe that might deteriorate over the second half.

Global car sales, MB forecasts pointing to sales up 2% in 2024E



Source: Mediobanca Research

In the case of the special equipment players, we note that reference market conditions are quite different for both Off/On-Highway vehicles, compared to the passenger car trend. Indeed:

- Off-Highway equipment, a negative trend for both Agriculture and Construction. In the AG business macro conditions are pretty negative across the board, mainly reflecting the low soft commodity prices. All the main reference players are guiding a double-digit drop in terms of volumes (-10%/-20%) in EU, NAFTA and Lat.Am., while Asia should decline by mid-single digit. The picture is slightly better in the CE sector where the main market players provided a cautious outlook on volumes, although not across the board.
- Trucks: macro scenario remains uncertain in Europe mainly in the Heavy Duty Trucks segment where all the main players guided a FY24 drop in volumes in the range of 15%/20%. Eu market looks more stable in the case of the LCVs.

Among our coverage, we have a positive view on Brembo (Outperform, TP €14) that should outperform the reference market trend thanks to an increasing penetration mainly in China and NAFTA, while we have a Neutral rating on Stellantis (TP €24) as we expect destocking to continue, Iveco (TP €15.1) that might be affected by the negative HD trend, Ferrari (TP €361) already trading at demanding 49x 24E PE, and Pirelli (TP €5.9) that has a limited potential upside on the Consensus estimates.

INDUSTRIALS - ORDER INTAKE NORMALISING; CONSUMERS BURDENED BY LOW PURCHASING POWER

Latest data on manufacturing PMI highlighted a gradual improvement across the board, with only Eurozone remaining a touch below the neutrality threshold. This was mainly the result of normalising order intake which triggered a sequential increase in the level of production. Recovering demand also supports increasing confidence over the coming 12 months. On the inflation side, all the major geographies, excluding the Eurozone, experienced a further increase in input costs only partially reflected in selling prices.

Global PMIs pictures 2024 as a transitional year for Industrial companies with the expectation of a gradual sequential recovery in the second half. In this context, we keep a selective positioning in the Industrial cluster giving our preference to companies with a solid balance sheet, exposure to structural growth trends and a good pricing power like Prysmian (O), Buzzi (O), Leonardo (O), Interpump (O), and Danieli (O).

Despite concerns on risks of households' purchase power squeeze keep the Consumers sector under pressure, impacts on consumption proved to be limited throughout 2023-1Q24, with data available YTD confirming a trend of stabilisation in Europe, and more resilient trends in the US. In this context, we see few appealing risk-reward profiles among Consumers, with a Neutral rating on Campari, De' Longhi, Fila and Unieuro, and an Outperform rating on Marr, expected to exceed pre-pandemic EBITDA this year.

Finally, in the Pharma/Diagnostic space, we keep our positive stance on Recordati (O) as its solid growth prospects do not look priced into current valuation, while we maintain a Neutral stance on Diasorin mainly due to fair market valuation. In the Business Services & Tech, we reiterate the preference for Sesa (O) and Tinexta (O) backed by solid secular underlying trends and/or self-help factors.

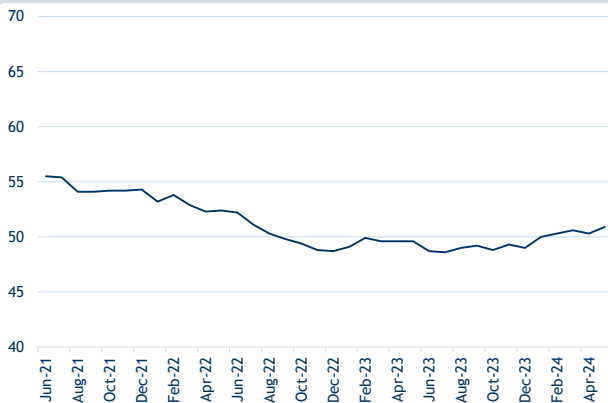
Looking at the projected earnings trajectory for the Industrial/Consumer cluster, our 2024E cumulated EPS estimates are seen growing by c.8% YoY also supported by inorganic factors such as M&A. This trend is chiefly supported by Defence, as growth would be +3% excluding Leonardo. For 2025-26E, we project a further 10% average growth. Mediobanca coverage in the cluster is set c.2% below 2024-26E consensus' EPS. By sub-segment, in 2024E, Digital enablers and Consumers are forecasted to release a superior EPS growth vs Industrials (seen down -1% yoy excluding Leonardo) while Healthcare should report a mid-single-digit increase.

Gradually recovering demand underpins growing optimism over 2H24/1H25

In May, Global manufacturing PMI improved from 50.3 to 50.9, highlighting the fourth successive month above neutrality and the highest value in almost two years. By sub-category, we see production increasing at the quickest pace since December 2021, underpinned by rising intakes of new businesses, completion of backlog of works and improved international trade flows. Looking at prices, pressures continued to rise, with rates of inflation accelerating for both input costs (15-month high) and selling prices (14-month high) with a steeper trend observed in developed vs emerging markets. Finally, business optimism improved and reached one of its highest levels during the past year.

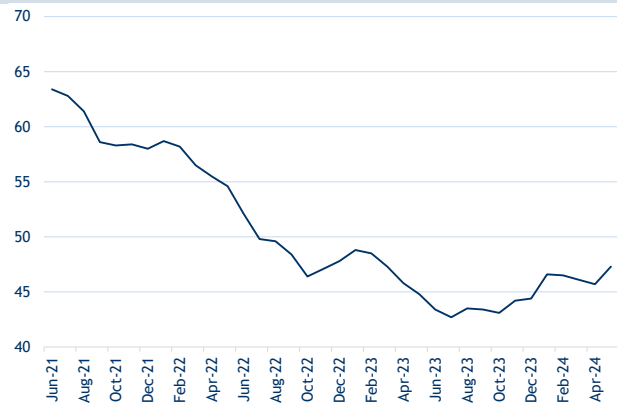
In the Eurozone, manufacturing PMI rose to 47.3 in May from 45.7 in April. Despite standing below the neutrality threshold, this marked the highest value since March 2023. The recorded improvement was the result of slower contractions in both new orders and production, with the former experiencing the mildest decline in over two years in both domestic demand and export. Backlog of works continued to reduce but the rate of depletion was the weakest since August 2022. On the inflation side, both input costs and selling prices further fell in May. Finally, manufacturers reported a strong level of optimism for the next 12 months, which stood above its series average and at the highest level since February 2022.

2021-2024 - Global Manufacturing PMI



Source: Mediobanca Research, Bloomberg

2021-2024 - EU Manufacturing PMI

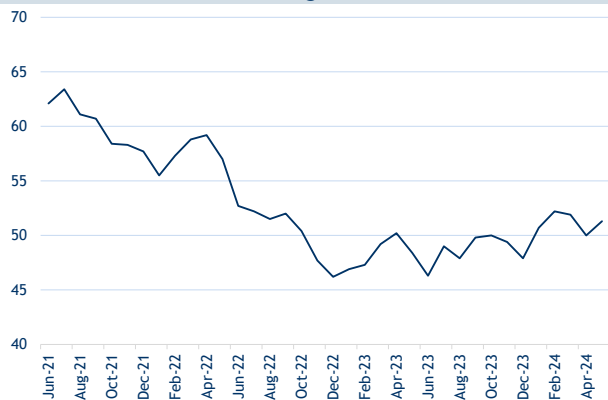


Source: Mediobanca Research, Bloomberg

In the **US**, manufacturing PMI grew to 51.3 from 50.0, thus indicating the fourth improvement in operating conditions in the last five months. This was the result of raising demand which, coupled with improved material availability, triggered a solid increase in production. Demand was boosted by both internal new orders and export, with the latter growing at the fastest pace in two years. Manufacturers experienced an acceleration in input costs inflation, which stood above pre-pandemic average, mainly driven by aluminium and copper. This was only partially mirrored in selling prices which marginally increased MoM. Finally, optimism over the next twelve months further improved.

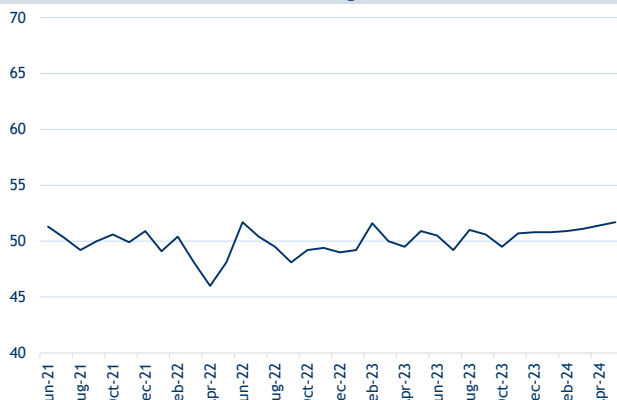
In **China**, PMI increased in May to 51.7 from 51.4 recorded in April. May was therefore the seventh successive month of improving operating conditions and stood at the highest value in almost two years. Production rose at the fastest pace since June 2022 supported by raising domestic orders and export. Looking at prices, average input costs continued to increase mainly driven by metals, plastics and energy. As for the US, this was only partially reflected in selling prices as manufacturers limited pass-through to support competitiveness. Finally, sentiment among Chinese manufacturers remained positive with the level of confidence improving from April.

2021-2024 - US Manufacturing PMI



Source: Mediobanca Research, Bloomberg

2021-2024 - China Manufacturing PMI

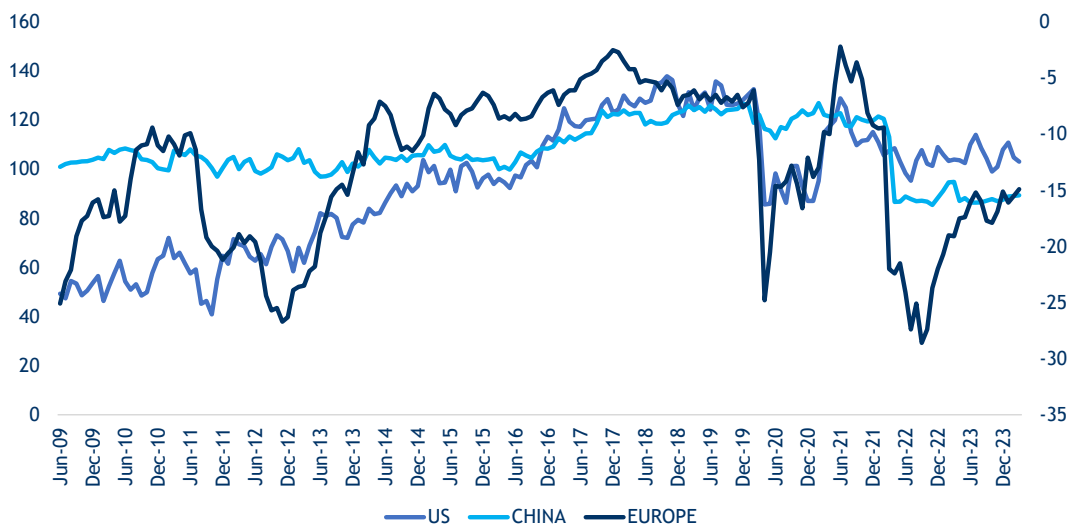


Source: Mediobanca Research, Bloomberg

Sticky inflation still affecting Consumers' spending mix

After suffering a clear hit in 2022, Consumer confidence stabilised during 2023 and the first part of 2024 as concerns on risks of households' purchase power squeeze stabilised. While in the US consumer confidence was fairly resilient, trends proved to be more volatile in Europe, with the confidence indicator still standing almost 15 points below 2H21 peak. That said, impacts on consumption proved to be overall limited in the first months of 2024, with strong labor markets supporting available income and therefore consumption, especially in the US.

EU/US/Chinese consumer confidence (EU data on the right axis)



Source: Mediobanca Research, Refinitiv

Looking at Italy, consumption (in volumes) stood in slightly positive territory in 1Q24 according to data gathered by Confcommercio. Transports (+7.3%), Telecommunication (+4.8%), Hotels & out-of-home consumptions (+1.5%), and Personal Care (+0.9%) grew on a YoY basis. On the other hand, Shoes & Apparel (-0.3%), Homecare (-1.0%), Leisure (-2.0%) and Food&Beverage and Tobacco (-3.8%) stood in negative territory. Interestingly, the confederation called out supportive data from tourist presence in the country, with solid growth of c.+8% in tourists' presence in 1Q, driven by international tourism (+14% YoY) and March sequentially accelerating.

It is also worth to note that while Confcommercio sees a steady reduction in inflationary pressures, YoY trends in prices remain in expansion mode, with CPI up by c.+4% in Jan-Apr for Out of Home consumption and anticipated up by c.3% in May. Data gathered by Confimprese-Jakala reflect a less buoyant picture on out-of-home consumption trends, with the report highlighting c.-0.8% YoY drop in Jan-Apr '24 in terms of Out-of-Home consumptions (in value terms).

Monthly evolution in Confcommercio consumer indicator by sector in Italy

% yoy	2024			
	Jan	Feb	Mar	Apr
Leisure	0%	-1%	-1%	-2%
Out-of-home food consumption	2%	4%	5%	2%
Transports	8%	11%	-3%	7%
Communication	1%	7%	11%	5%
Personal Care	1%	1%	-3%	1%
Shoes & Apparel	-2%	1%	0%	0%
Homecare	-1%	0%	-3%	-1%
Food&Beverage & Tobacco	-3%	0%	3%	-4%
TOTAL	0%	2%	1%	0%

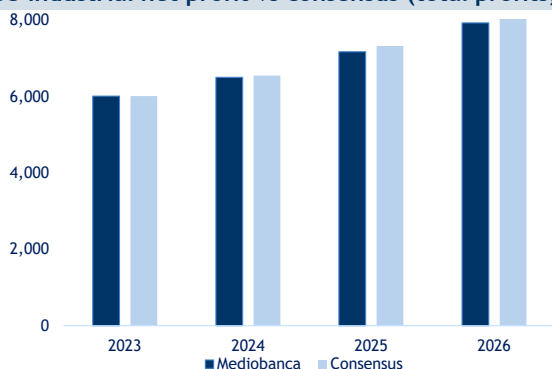
Source: Mediobanca Research, Confcommercio (Italian general confederation of enterprises, professions and self-employment)

Data by Confcommercio confirm an overall soft start to 2024, as the sector continues to deal with concerns about pressure on families' purchasing power. This is consistent with our prudent and selective stance on Consumers. Encouraging comments on tourism bode well for an improvement in underlying trends for the key Summer Season and support our preference for players more exposed to out-of-home consumption.

High-single-digit EPS CAGR in FY24-25E driven by Defence

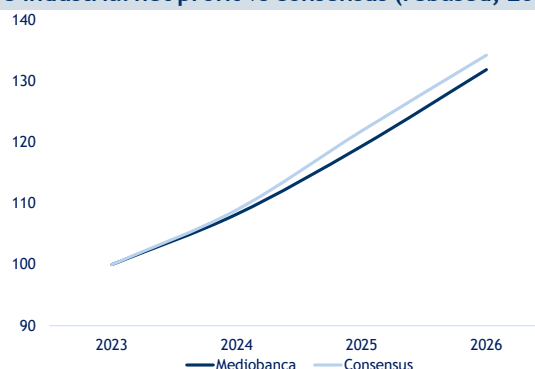
Looking at the earnings' trajectory, after the drop recorded in 2020 and the full recovery undertaken in 2021, the Italian Industrial/Consumer cluster accelerated with almost +20% average growth in 2022/23. Our cumulated EPS estimates are also seen increasing at c.+8% YoY in 2024E, with a further boost projected for 2025-26E (+10% on average). We note that our FY24E expectations mainly relies on the defence sector as, excluding Leonardo, EPS growth would be +3% YoY.

MBe industrial net profit vs consensus (total profits, €m)



Source: Mediobanca Research

MBe industrial net profit vs consensus (rebased, 2023=100)

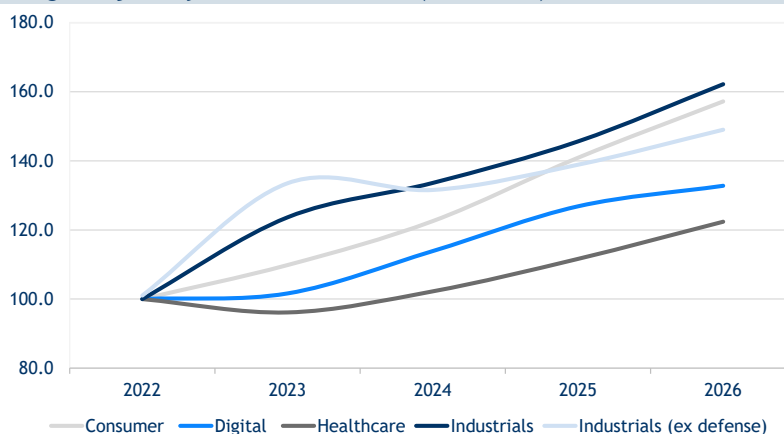


Source: Mediobanca Research

In the Industrial/Consumer space, MBe are currently positioned c2% below consensus on average over 2024-26E, with differentiated positioning among sub-clusters. Our EPS estimates are 2% above in Healthcare and overall in line for Consumers. On the former, our numbers project +6% and +9% growth in 2024E and 2025E respectively, after a -4% in 2023A reflecting a gradual post-pandemic normalization (mainly for Diasorin). In the consumer space, we forecast an average double-digit EPS increase in FY24-25E, which would follow an overall positive trend recorded last year. Worth highlighting that part of this growth assumption is driven by larger perimeters with Campari and De' Longhi having completed sizeable deals in the final part of 2023.

In the Digital space, we expect EPS up +12% on average over the next two years, after a soft FY23 (up +2% YoY). In this segment, rising penetration of most innovative technologies, as AI, IoT, Data, Cybersecurity and Cloud, continues to represent a valid support for future growth. Finally, we are close to consensus for Industrials (-1.5% on average) with +8% growth projected on FY24E, pending a solid acceleration in 2H after a weak first half. EPS is than expected to further increase by +10% on average in FY25-26E. However, excluding the defence sub-segment, our Industrial EPS projections would be -7% below consensus on average in FY24-26E, entailing a flattish EPS in FY24E and a mid-single-digit increase in FY25E.

2022-26E earnings' trajectory across sub-sectors (2022=100)



Source: Mediobanca Research



Company Section

**prices as of 7th June 2024*

12 June 2024

Utilities

Update

Price: € 1.93

Target price: € 1.90

Neutral

Benefits from a Favorable Scenario

Company in a Nutshell & SWOT Analysis

A2A operates in the North of Italy (mainly Lombardy) in: (1) Energy (c.55% '23 EBITDA), including generation & supply; (2) Smart infrastructures (c.26% EBITDA), which includes electricity, gas, some water distribution & District Heating; (3) Waste (c.18% EBITDA), both waste collection and treatment. SWOT Analysis: (1) **“Strengths”**: diversified business mix; (2) **“Weaknesses”**: exposure to generation business when macro environment is volatile, unsustainable contribution from MSD market; (3) **“Opportunities”**: consolidation in multi-utilities sector, expansion in renewables, and positive exposure to high power prices; (4) **“Threats”**: increase in competition in retail business and in M&A for renewables.

Exposure to current Macro & Geopolitics

In a context where geopolitical tensions do not seem to be over, the energy crisis has mostly normalized, and energy prices are now far from the spikes touched in the past few years. That said, the need to improve Europe's energy independence through upgraded interconnections and to ensure security of supply remain a key prerogative. This may represent an opportunity for companies exposed to the trends of electrification, circular economy and deployment of renewable capacity. On top of this, although the pace of the interest rate cuts will be a key element to trigger a possible sector re-rating, the context of progressively reducing interest rates should be more favourable to the utilities sector.

Valuation and next triggers

A2A updated its BP for '24/35 in March of this year. The company targets +4% EBITDA CAGR to '30 and +1% EPS CAGR to '30. Furthermore, with 1Q24 results, management increased guidance for '24 on the back of higher than expected hydroelectric production. In particular, details on EBITDA targets are: (1) '24's at €2.08-2.12bn; (2) '26's at €2.2bn; (3) '30's at €2.6bn; (4) '35's at >€3.2bn. Growth should be driven by all divisions, and mainly by networks & waste businesses. At Net Profit, A2A's targets are: (1) '24's at €0.65-0.67bn; (2) '26's at €0.6bn; (3) '30's at €0.7bn; (4) '35's at >€1bn.

Total investments are seen at €22bn in '24/35 (or c€1.8bn/year), and these will be mainly focused on Networks. The Net Debt/EBITDA ratio should stay below 2.8x in '26 and '30, decreasing to <2.4x by '35. This compares with 2.4x leverage ratio at end-23. Furthermore, A2A confirmed its dividend policy of minimum +3% DPS CAGR, while extending visibility to '35. While A2A's valuation is arguably compressed, we see a better risk/reward in other local multi-utilities less exposed to the implicit volatility of the generation business.

Key points to discuss at MB Conference

Points of discussion for A2A are: (1) Expected evolution of hydroelectric production during the rest of the year & in the following ones; (2) Main growth drivers both organic and inorganic; (3) Strategy to expand in the renewable energy business; (4) Energy prices and energy demand evolution & hedging strategies in the medium and long term; (5) M&A potential in the multi-utilities space in Italy, and potential expansion in Europe; (6) Update on expiring hydro concessions; (7) MSD market evolution for the following quarters/years; (8) Update on the acquisition of electricity distribution assets from Enel.

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	2023	2024E	2025E	2026E
EPS Adj (€)	0.14	0.21	0.16	0.16
DPS (€)	0.10	0.10	0.10	0.10
BVPS (€)	1.35	1.46	1.52	1.58
EV/Ebitda(x)	5.7	6.0	6.9	6.8
P/E adj (x)	11.4	9.3	12.2	11.8
Div.Yield(%)	5.9%	5.1%	5.3%	5.4%
OpFCF Yield(%)	14.5%	13.0%	11.5%	11.5%

Market Data

Market Cap (€m)	6,058
Shares Out (m)	3,133
Milan and Brescia Cityhalls (%)	50%
Free Float (%)	50%
52 week range (€)	2.03-1.62
Rel Perf vs STOXX EUROPE 600 UTILITIES E (%)	
-1m	3.1%
-3m	7.7%
-12m	21.1%
21dd Avg. Vol.	15,695,595
Reuters/Bloomberg	A2.MI / A2A IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Turnover	14,758	15,415	14,684	15,177
Turnover growth %	-36.3%	4.5%	-4.7%	3.4%
EBITDA	1,971	2,059	1,961	2,027
EBITDA margin (%)	13.4%	13.4%	13.4%	13.4%
EBITDA growth (%)	31.0%	4.5%	-4.7%	3.4%
Depreciation & Amortization	-954	-943	-994	-1,027
EBIT	1,017	1,116	967	1,000
EBIT margin (%)	6.9%	7.2%	6.6%	6.6%
EBIT growth (%)	48.0%	9.7%	-13.3%	3.4%
Net Fin.Income (charges)	-138	-151	-176	-183
Non-Operating Items				
Extraordinary Items	0	0	0	0
Pre-tax Profit	879	965	792	817
Tax	-199	-290	-237	-245
Tax rate (%)	22.6%	30.0%	30.0%	30.0%
Minorities	-21	-23	-56	-58
Net Profit	659	652	498	514
Net Profit growth (%)	64.3%	-1.0%	-23.7%	3.4%
Adjusted Net Profit	450	652	498	514
Adj. Net Profit growth (%)	18.4%	45.0%	-23.7%	3.4%

Multiples	2023	2024E	2025E	2026E
P/E Adj.	11.4	9.3	12.2	11.8
P/CEPS	3.1	3.7	3.9	3.8
P/BV	1.2	1.3	1.3	1.2
EV/ Sales	0.8	0.8	0.9	0.9
EV/EBITDA	5.7	6.0	6.9	6.8
EV/EBIT	11.1	11.1	14.0	13.9
EV/Cap. Employed	1.1	1.1	1.1	1.1
Yield (%)	5.9%	5.1%	5.3%	5.4%
OpFCF Yield (%)	nm	18.7%	9.3%	16.1%
FCF Yield (%)	nm	6.3%	-11.2%	4.0%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	0.21	0.21	0.16	0.16
EPS growth (%)	64.3%	-1.0%	-23.7%	3.4%
EPS Adj.	0.14	0.21	0.16	0.16
EPS Adj. growth (%)	18.4%	45.0%	-23.7%	3.4%
CEPS	0.52	0.52	0.49	0.51
BVPS	1.35	1.46	1.52	1.58
DPS Ord	0.10	0.10	0.10	0.10

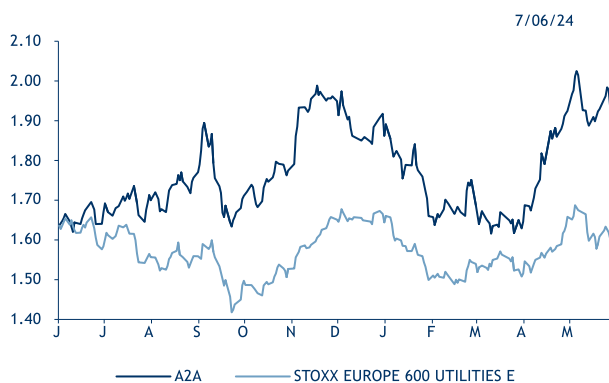
Balance Sheet (€ m)	2023	2024E	2025E	2026E
Working Capital	277	198	2	-67
Net Fixed Assets	10,273	10,913	12,244	12,876
Total Capital Employed	10,550	11,111	12,246	12,809
Shareholders' Funds	4,240	4,583	4,762	4,949
Minorities	562	585	642	699
Provisions	1,065	1,155	1,255	1,355
Net Debt (-) Cash (+)	-4,683	-4,788	-5,587	-5,806

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	3,133	3,133	3,133	3,133
EoP N° of Shares (m)	3,133	3,133	3,133	3,133
Avg. Market Cap. (m)	5,109	6,058	6,058	6,058
Enterprise Value (m)	11,243	12,409	13,502	13,856
Adjustments (m)	1,451	1,563	1,858	1,992
Labour Costs/Turnover	6%	6%	6%	6%
Depr.&Amort./Turnover	6%	6%	7%	7%
Turnover / Op.Costs	1.1	1.1	1.1	1.1

Cash Flow (€ m)	2023	2024E	2025E	2026E
Cash Earnings	1,634	1,619	1,548	1,599
Working Capital Needs	-2,338	256	-700	201
Capex (-)	-1,376	-1,493	-1,525	-1,559
Financial Investments (-)				
Dividends (-)	-300	-309	-318	-328
Other Sources / Uses	-4,760	143	-1,990	-174
Ch. in Net Debt (-) Cash (+)	2,380	-72	995	87

Gearing (Debt / Equity)	110%	104%	117%	117%
EBITDA / Fin. Charges	-14.3	-13.7	-11.2	-11.1
Net Debt / EBITDA	2.4	2.3	2.8	2.9
Cap.Employed/Turnover	71%	72%	83%	84%
Capex / Turnover	9%	10%	10%	10%
Pay out	46%	47%	64%	64%
ROE	16%	14%	10%	10%
ROCE (pre tax)	10%	10%	8%	8%
ROCE (after tax)	7%	7%	6%	5%

Source: Mediobanca Research



Source: Mediobanca Research

Evolving into an Infrastructural Player

Company in a Nutshell & SWOT Analysis

Acea is a multi-utility based in Rome that operates in the following activities: (1) Water (c.54% of '23 EBITDA), a fully regulated business; (2) Energy Infrastructure (c.27% EBITDA), that includes Networks (mainly electricity distribution and to a lesser extent gas distribution), and Public Lighting; (3) Commercial and Trading (c.8%), which includes supply activities; (4) Waste (c.6%), that includes waste treatment but not collection; and (5) Generation (c4%). The company's largest shareholder is the Municipality of Rome with a 51% stake. Acea is the first player in Italy in water distribution, with c10m clients served.

SWOT Analysis: (1) **"Strengths"**: significant exposure to regulated activities (water and networks) and low exposure to power generation; (2) **"Weaknesses"**: low liquidity of the stock; (3) **"Opportunities"**: consolidation and organic growth in water & waste business; (4) **"Threats"**: political interference from its major shareholder (Municipality of Rome), capacity to maintain NWC (water business related) under control.

Exposure to current Macro & Geopolitics

In a context where geopolitical tensions do not seem to be over, the energy crisis has mostly normalized, and energy prices are now far from the spikes touched in the past few years. That said, the need to improve Europe's energy independence through upgraded interconnections and to ensure security of supply remain a key prerogative. This may represent an opportunity for companies exposed to the trends of electrification, circular economy and deployment of renewable capacity. On top of this, although the pace of the interest rate cuts will be a key element to trigger a possible sector re-rating, the context of progressively reducing interest rates should be more favourable to the utilities sector.

Valuation & Next Triggers

Acea presented in March its new BP for the period '24/28. The company targets +5 CAGR at EBITDA & Net Income. In detail, Acea sees EBITDA reaching €1.63bn EBITDA by '26 and €1.8bn by '28. Net Income should reach €350m by '26 and €375m by '28. In '24, the company targets EBITDA to increase +3/5% vs '23's level, gross investments at €1.5bn (or €1.1bn net capex) and leverage ratio at c3.5x. Total RAB is seen at €10.5bn by '28 (+7% CAGR in '24/28). Also, total gross investments were increased to €7.6bn in '24/28, out of which 91% will be dedicated on regulated activities. On the dividend policy, Acea targets +4% DPS CAGR to '28.

Key Points to Discuss at MB Conference

Points of discussion for Acea are: (1) Potential interest in reducing exposure to the supply business, to focus on regulated activities; (2) Latest updates on the waste-to-energy plant in Rome and visibility on the project's returns; (3) Update on the ongoing discussions with local administrations to approve the increase in water tariffs; (4) Main issues that the regulator can still address to ramp up investments in the water distribution sector; (5) M&A potential in the water distribution and waste businesses; (6) Evolution of the working capital.

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	2023	2024E	2025E	2026E
EPS Adj (€)	1.38	1.45	1.53	1.60
DPS (€)	0.88	0.92	0.95	0.99
BVPS (€)	11.16	11.70	12.28	12.89
EV/Ebitda(x)	5.7	6.4	6.4	6.2
P/E adj (x)	9.0	11.6	11.0	10.6
Div.Yield(%)	7.1%	5.4%	5.6%	5.9%
OpFCF Yield(%)	13.9%	12.4%	12.4%	12.6%

Market Data

Market Cap (€m)	3,601
Shares Out (m)	213
City Hall of Rome (%)	51%
Free Float (%)	20%
52 week range (€)	17.50-10.09
Rel Perf vs STOXX EUROPE 600 UTILITIES E (%)	
-1m	3.3%
-3m	11.3%
-12m	24.4%
21dd Avg. Vol.	164,930
Reuters/Bloomberg	ACE.MI / ACE IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Turnover	4,430	4,649	4,796	4,969
Turnover growth %	-10.6%	5.0%	3.2%	3.6%
EBITDA	1,391	1,460	1,506	1,560
EBITDA margin (%)	31.4%	31.4%	31.4%	31.4%
EBITDA growth (%)	6.6%	5.0%	3.2%	3.6%
Depreciation & Amortization	-779	-816	-828	-850
EBIT	612	644	678	710
EBIT margin (%)	13.8%	13.8%	14.1%	14.3%
EBIT growth (%)	8.1%	5.2%	5.3%	4.8%
Net Fin.Income (charges)	-137	-144	-152	-161
Non-Operating Items				
Extraordinary Items	-1	0	0	0
Pre-tax Profit	474	499	526	550
Tax	-148	-156	-164	-172
Tax rate (%)	31.2%	31.2%	31.2%	31.2%
Minorities	-32	-34	-35	-37
Net Profit	294	310	326	341
Net Profit growth (%)	5.0%	5.4%	5.3%	4.5%
Adjusted Net Profit	294	310	326	341
Adj. Net Profit growth (%)	5.0%	5.4%	5.3%	4.5%

Multiples	2023	2024E	2025E	2026E
P/E Adj.	9.0	11.6	11.0	10.6
P/CEPS	2.4	3.1	3.0	2.9
P/BV	1.1	1.4	1.4	1.3
EV/ Sales	1.8	2.0	2.0	2.0
EV/EBITDA	5.7	6.4	6.4	6.2
EV/EBIT	13.0	14.5	14.1	13.7
EV/Cap. Employed	1.0	1.0	1.0	1.0
Yield (%)	7.1%	5.4%	5.6%	5.9%
OpFCF Yield (%)	15.2%	13.6%	15.2%	15.4%
FCF Yield (%)	-8.3%	-2.8%	1.7%	4.0%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	1.38	1.45	1.53	1.60
EPS growth (%)	5.0%	5.4%	5.3%	4.5%
EPS Adj.	1.38	1.45	1.53	1.60
EPS Adj. growth (%)	5.0%	5.4%	5.3%	4.5%
CEPS	5.19	5.44	5.59	5.77
BVPS	11.16	11.70	12.28	12.89
DPS Ord	0.88	0.92	0.95	0.99

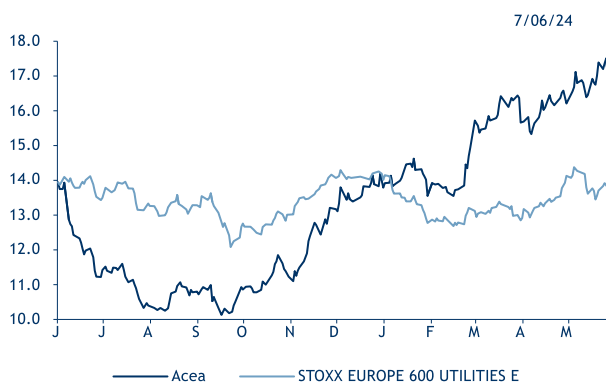
Balance Sheet (€ m)	2023	2024E	2025E	2026E
Working Capital	161	373	440	511
Net Fixed Assets	8,203	8,543	8,862	9,115
Total Capital Employed	8,364	8,916	9,302	9,626
Shareholders' Funds	2,377	2,492	2,615	2,746
Minorities	446	480	515	552
Provisions	334	424	499	574
Net Debt (-) Cash (+)	-4,847	-5,142	-5,283	-5,351

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	213	213	213	213
EoP N° of Shares (m)	213	213	213	213
Avg. Market Cap. (m)	2,649	3,601	3,601	3,601
Enterprise Value (m)	7,963	9,325	9,567	9,737
Adjustments (m)	467	582	683	785
Labour Costs/Turnover	8%	8%	8%	8%
Depr.&Amort./Turnover	18%	18%	17%	17%
Turnover / Op.Costs	1.2	1.2	1.2	1.2

Cash Flow (€ m)	2023	2024E	2025E	2026E
Cash Earnings	1,105	1,160	1,190	1,228
Working Capital Needs	-182	-194	-56	-56
Capex (-)	-1,143	-1,066	-1,072	-1,028
Financial Investments (-)	0	0	0	0
Dividends (-)	-187	-195	-203	-211
Other Sources / Uses	0	0	0	0
Ch. in Net Debt (-) Cash (+)	-407	-295	-141	-68

Gearing (Debt / Equity)	204%	206%	202%	195%
EBITDA / Fin. Charges	-10.2	-10.1	-9.9	-9.7
Net Debt / EBITDA	3.5	3.5	3.5	3.4
Cap. Employed / Turnover	189%	192%	194%	194%
Capex / Turnover	26%	23%	22%	21%
Pay out	64%	63%	62%	62%
ROE	12%	12%	12%	12%
ROCE (pre tax)	7%	7%	7%	7%
ROCE (after tax)	5%	5%	5%	5%

Source: Mediobanca Research



Source: Mediobanca Research

Bolt on M&A accelerates growth

Company in a Nutshell & SWOT Analysis

With a 13% market share worldwide, Amplifon is the leading global hearing aid retailer in a fragmented market. Long-term fundamentals of the hearing aid industry are attractive, with growth supported by demographics in both developed and emerging markets. SWOT analysis: **Strengths:** strong market fundamentals, significant scale economies, superior retail know-how, and digital capabilities; **Weaknesses:** still limited exposure to fast-growing emerging markets; **Opportunities:** potential acquisitions/takeover target, including conversion of franchising into retail operation and AHHC in the US, development in China; **Threats:** growing competition from vertically integrated manufacturers, regulatory changes in key markets.

Exposure to current Macro & Geopolitics

Amplifon is a global player and its business model has limited exposure to the macro cycle due to the non-discretionary and medical nature of its products and services. Fiscal policies may change disposable incomes and influence the spending of the elderly, whose income is typically stable across the cycle. Persistent inflationary pressures could temporarily impact spending power of Amplifon customers delaying growth opportunities, although the trends of the past two years confirm that demand remains resilient. From a geographical standpoint, the US has been the fastest growing market over the past years, driven by a strategy focused on increasing retail expansion at Miracle Ear, through the acquisition of franchisees.

Valuation & Next Triggers

Amplifon premium valuation multiples reflect the strong industry fundamentals, the untapped potential in terms of penetration and ageing population, and the relatively limited exposure to the macro cycle. In addition, Amplifon should preserve the long-term capability to generate cash while investing in marketing, growth capex and M&A, thus gaining market share. Our DCF-based target price of €33/share implies PE2025 multiple of 32x and EV/EBIT of 24x.

Suggested Key Points to Discuss at MB Conference

Points of discussion for Amplifon are: (1) price increases implemented this year and customers reaction in terms of footfall, conversion rate, and consumer credit; (2) marketing plans for the next two years; (3) cost and investments flexibility if demand does not bounce back; (4) M&A plans following the recent acceleration of bolt-on contribution to >2% (5) potential for market share increase in key European countries such as France and Germany; (6) Growth potential in China and latest investments there; (7) impact of the latest regulatory paper by the Italian Competition Authority, especially to expand retail operations at Miracle Ears; (8) Mid-term plans for growth in the U.S. and retail/wholesale revenue target.

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	2022	2023	2024E	2025E
EPS Adj (€)	0.82	0.74	0.85	1.02
DPS (€)	0.29	0.29	0.40	0.40
BVPS (€)	4.75	5.03	5.60	6.25
EV/Ebitda(x)	16.3	15.3	14.6	13.1
P/E adj (x)	39.0	40.7	40.0	33.3
Div.Yield(%)	0.9%	1.0%	1.2%	1.2%
OpFCF Yield(%)	4.3%	2.8%	4.4%	5.2%

Market Data

Market Cap (€m)	7,691
Shares Out (m)	226
Ampliter (%)	45%
Free Float (%)	55%
52 week range (€)	35.61-25.38
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	-0.8%
-3m	0.1%
-12m	-24.4%
21dd Avg. Vol.	602,892
Reuters/Bloomberg	AMP.MI / AMP IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2022	2023	2024E	2025E
Turnover	2,119	2,260	2,463	2,680
Turnover growth %	8.8%	6.6%	9.0%	8.8%
EBITDA	519	527	610	671
EBITDA margin (%)	24.5%	23.3%	24.8%	25.1%
EBITDA growth (%)	10.8%	1.6%	15.8%	10.0%
Depreciation & Amortization	-240	-268	-289	-310
EBIT	279	259	321	362
EBIT margin (%)	13.2%	11.5%	13.0%	13.5%
EBIT growth (%)	13.3%	-7.0%	23.7%	12.8%
Net Fin.Income (charges)	-35	-49	-55	-42
Non-Operating Items				
Extraordinary Items	0	0	0	0
Pre-tax Profit	244	210	265	320
Tax	-65	-55	-75	-91
Tax rate (%)	26.6%	26.1%	28.3%	28.3%
Minorities	-0	-0	0	-0
Net Profit	179	155	190	229
Net Profit growth (%)	13.2%	-13.3%	22.8%	20.5%
Adjusted Net Profit	183	166	191	229
Adj. Net Profit growth (%)	4.6%	-9.5%	15.2%	20.0%

Multiples	2022	2023	2024E	2025E
P/E Adj.	39.0	40.7	40.0	33.3
P/CEPS	22.3	26.2	19.5	16.9
P/BV	6.9	6.1	6.2	5.6
EV/ Sales	4.0	3.6	3.6	3.3
EV/EBITDA	16.3	15.3	14.6	13.1
EV/EBIT	30.3	31.2	27.8	24.4
EV/Cap. Employed	3.6	3.3	3.5	3.5
Yield (%)	0.9%	1.0%	1.2%	1.2%
OpFCF Yield(%)	4.3%	2.8%	4.4%	5.2%
FCF Yield (%)	5.0%	3.8%	4.7%	5.3%

Per Share Data (€)	2022	2023	2024E	2025E
EPS	0.81	0.71	0.87	1.05
EPS growth (%)	13.2%	-13.3%	22.8%	20.5%
EPS Adj.	0.82	0.74	0.85	1.02
EPS Adj. growth (%)	4.6%	-9.5%	15.2%	20.0%
CEPS	1.46	1.17	1.79	2.06
BVPS	4.75	5.03	5.60	6.25
DPS Ord	0.29	0.29	0.40	0.40

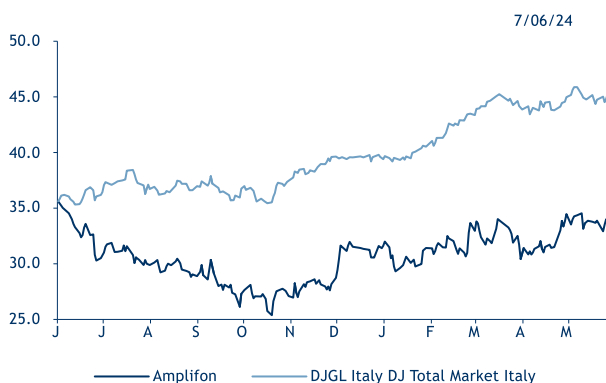
Balance Sheet (€ m)	2022	2023	2024E	2025E
Working Capital	-342	-313	-316	-320
Net Fixed Assets	2,988	2,976	3,060	3,096
Total Capital Employed	2,341	2,435	2,515	2,548
Shareholders' Funds	1,042	1,102	1,228	1,369
Minorities	2	1	1	1
Provisions	-2	-1	-1	-1
Net Debt (-) Cash (+)	-1,299	-1,333	-1,288	-1,178

Key Figures & Ratios	2022	2023	2024E	2025E
Avg. N° of Shares (m)	225	225	225	225
EOp N° of Shares (m)	225	225	225	225
Avg. Market Cap. (m)	7,145	6,747	7,636	7,636
Enterprise Value (m)	8,444	8,080	8,924	8,815
Adjustments (m)	0	0	0	0
Labour Costs/Turnover	31%	31%	31%	31%
Depr.&Amort./Turnover	11%	12%	12%	12%
Turnover / Op.Costs	1.3	1.3	1.3	1.3

Cash Flow (€ m)	2022	2023	2024E	2025E
Cash Earnings	320	257	392	451
Working Capital Needs	46	-29	4	4
Capex (-)	-111	-140	-125	-138
Financial Investments (-)	-100	-108	-160	-120
Dividends (-)	99	65	65	88
Other Sources / Uses				
Ch. in Net Debt (-) Cash (+)	-38	5	-45	-109

Gearing (Debt / Equity)	124%	121%	105%	86%
EBITDA / Fin. Charges	-14.9	-10.7	-11.0	-16.0
Net Debt / EBITDA	2.5	2.5	2.1	1.8
Cap.Employed/Turnover	110%	108%	102%	95%
Capex / Turnover	5%	6%	5%	5%
Pay out	36%	42%	47%	39%
ROE	17%	14%	15%	17%
ROCE (pre tax)	12%	11%	13%	14%
ROCE (after tax)	9%	8%	9%	10%

Source: Mediobanca Research



Source: Mediobanca Research

12 June 2024

Asset Gatherers

Update

Price: € 4.88

Target price: € 5.00

Neutral

Distributing half of the market cap by 2028

Company in a nutshell and SWOT analysis

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ANIMA is a reference player in the asset management industry, being the largest independent asset management group in Italy, with total assets under management of over €192bn and more than one million customers. Anima is the result of the aggregation of several companies with different and complementary specialisations and, today, it can count on more than 300 professionals. It creates and manages forward-looking, flexible investment solutions built around the specific needs of clients, including institutional investors (insurance and financial groups, as well as pension funds), companies and individuals. Thanks to the diversified and complementary backgrounds and know-how of its pre-merger companies, Anima's products and services are among the most widely distributed in the Italian market. It offers Italian mutual funds, open-ended umbrella funds domiciled in Ireland and Luxembourg, and pension funds. The range of products includes wealth management services for both retail and institutional clients.

SWOT analysis: **Strengths:** talented portfolio managers and comprehensive product ranges, support services, marketing and training. **Weaknesses:** no control over sales and volatility in terms of asset management product sales. **Opportunities:** exploiting the benefits of increased scale; potential distribution expansion thanks to M&A in the banking space. **Threats:** having partners involved in potential M&A may impact inflows; sector's regulation.

Exposure to current Macro & Geopolitics

Demand remains focused on fixed income, while appetite for equity solutions has not picked up yet. From a profitability standpoint, the outflows related to funds underlying other funds (especially target-date funds) and replaced by a "simple" fund is not bringing any significant impact to the P&L (the excess fee of the underlying fund compared to the mother fund is zero, in most cases). In terms of outlook, a recovery on the retail side is possible as competition of BTPs should ease in due course.

Valuation & Next Triggers

Anima represents a nice alternative way to play banks consolidation in Italy given its exposure to second order effects. Hence, stock remains exposed to news flow on potential banking M&A. Equally relevant are the recently announced acquisition of Kairos and Castello, the latest being part of Anima Alternative. Kairos and Anima Alternative will address upper affluent, private and UNHWI, with family offices also in target. Overall, Anima expects to double AuM of Alternative/Castello/Kairos by 2028, with EBITDA growing more than four times.

Key points to discuss at the MB conference

(1) update on June inflows, (2) update on funds' performance, (3) update on commercial performance of historical partnerships, and (4) potential M&A opportunities.

	2023	2024E	2025E	2026E
EPS Adj. (€)	0.58	0.59	0.57	0.58
DPS (€)	0.25	0.27	0.27	0.28
BVPS (€)	4.75	4.72	4.71	4.73
EV/Ebitda(x)	4.3	5.5	5.2	4.6
P/E adj (x)	8.4	8.2	8.5	8.4
P/FCF	8.2	8.0	8.2	8.0
Yield(%)	5.1%	5.5%	5.5%	5.7%

Market Data

Market Cap (€m)	1,514
Shares Out (m)	310
PMI (%)	15%
Free Float (%)	70%
52 week range (€)	4.94-3.20
Rel Perf vs STOXX EUROPE 600 BANKS E (%)	
-1m	3.1%
-3m	2.6%
-12m	8.0%
21dd Avg. Vol.	692,217
Reuters/Bloomberg	ANIM.MI / ANIM IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Net Interest Income	na	na	na	na
Net fee and commission income	368.0	402.4	405.7	417.1
Net trading income	na	na	na	na
Other income	na	na	na	na
Total Income	368.0	402.4	405.7	417.1
Growth (%)	7.3%	9.3%	0.8%	2.8%
Total Costs	-147.0	-169.4	-174.6	-180.1
Growth (%)	7.3%	9.3%	0.8%	2.8%
of which Personnel Costs	-59.6	-77.4	-81.3	-85.4
Net Operating Income	214.5	225.4	225.5	232.4
Growth (%)	7.3%	9.3%	0.8%	2.8%
Provisions & Write-downs	na	na	na	na
EBITDA	266.0	278.3	275.4	280.3
EBITDA margin (%)	72.3%	69.2%	67.9%	67.2%
EBITDA growth (%)	4.2%	4.6%	-1.1%	1.8%
Depreciation & Amortization	1.0	2.0	3.0	4.0
EBIT	214.5	225.4	225.5	232.4
Exceptional Items	na	na	na	na
Tax	-70.5	-72.4	-70.9	-73.3
Tax rate(%)	32.1%	33.0%	33.0%	33.0%
Minorities	na	na	na	na
Discontinued businesses	na	na	na	na
Net profit	149.2	147.0	143.9	148.8
Growth (%)	23.5%	-1.5%	-2.1%	3.4%
Adjusted net profit	184.7	183.5	177.4	180.3
Growth (%)	18.6%	-0.6%	-3.3%	1.6%

Multiples	2023	2024E	2025E	2026E
P/E Adj.	8.4	8.2	8.5	8.4
P/E	10.4	10.3	10.5	10.2
P/CEPS	na	na	na	na
P/TBV	-13.1	-11.7	-11.5	-12.0
P/FCF	8.2	8.0	8.2	8.0
P/Total Deposits (%)	na	na	na	na
P/AUM (%)	0.8%	0.8%	0.8%	0.7%
EV/Revenues	3.1	3.8	3.5	3.1
EV/EBITDA	4.3	5.5	5.2	4.6
EV/EBIT	5.3	6.8	6.3	5.6
EV/Cap. Employed	na	na	na	na
Yield (%)	5.1%	5.5%	5.5%	5.7%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS Adj.	0.58	0.59	0.57	0.58
EPS Adj. growth (%)	21.4%	2.2%	-3.3%	1.6%
EPS	0.47	0.47	0.46	0.48
EPS growth (%)	26.4%	1.3%	-2.1%	3.4%
TBVPS	-0.37	-0.42	-0.42	-0.41
DPS Ord	0.25	0.27	0.27	0.28

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	319	310	310	310
EoP N° of Shares (m)	na	na	na	na
Avg. Market Cap. (m)	1,206	1,514	1,514	1,514

Balance Sheet (€ m)	2023	2024E	2025E	2026E
Customer Loans net	na	na	na	na
Growth(%)	na	na	na	na
Customer Deposits	na	na	na	na
Growth(%)	na	na	na	na
Shareholders' Funds	1,474.6	1,463.9	1,461.8	1,467.7
Intangibles	1,593.7	1,593.7	1,593.7	1,593.7
Minorities	na	na	na	na
Total Assets	2,352.3	2,352.3	2,352.3	2,352.3

NII/Total Income (%)	na	na	na	na
Fees/Total Income (%)	na	na	na	na
Trading/Total Income (%)	na	na	na	na

Cost Income ratio	39.9%	42.1%	43.0%	43.2%
Compensation ratio	16.2%	19.2%	20.0%	20.5%

NPLs ratio	na	na	na	na
Provisions/Loans	na	na	na	na

Customer Funds (€ m)	2023	2024E	2025E	2026E
Assets Under Management	191,500	198,260	201,768	205,336
Growth(%)	8.1%	3.5%	1.8%	1.8%
Total Net New Money	-0	1	2	2
CRMs	na	na	na	na
AuM/CRMs	na	na	na	na
Total Assets Under Custody	191,500	198,260	201,768	205,336

Dividend Payout (%)	43.2%	45.7%	47.2%	48.1%
ROE (%)	10.1%	10.0%	9.8%	10.1%
ROTE (%)	-125.3%	-113.3%	-109.2%	-118.1%
ROA (%)	6.34%	6.25%	6.12%	6.32%
Basel III Core Tier 1 ratio	na	na	na	na
Tier I ratio (%)	na	na	na	na

Source: Mediobanca Research



Source: Mediobanca Research

Weak Heating demand needs Cost Reduction

Company in a Nutshell & SWOT Analysis

Ariston Group is a global provider of Thermal Comfort energy efficient solutions in the Heating and Hot Water markets. The group offers a full range of products (boilers, heat pumps, water heaters, heating components and burners) and services under the global brands Ariston, ELCO and Wolf, and leading national brands such as Brink, Chaffoteaux, ATAG, Racold, Calorex, NTI and HTP. The company leverages a global footprint of 29 production sites and 29 R&D centres, with an international presence across Europe (c.75% of 2023 turnover), Americas (c.9%) and Asia-Pacific/EMEA (c.17% of turnover).

SWOT Analysis: (1) **“Strengths”**: wide product platform with a focus on renewable and high-efficiency solutions, global presence, solid M&A track record; (2) **“Weaknesses”**: exposure to fluctuations of raw materials’ prices, limited degree of vertical integration, weak Heating market in Europe (mainly Heat Pumps and Germany); (3) **“Opportunities”**: growing penetration of high-efficiency solutions, increasing penetration in the US market; (4) **“Threats”**: weakening of demand in more mature markets such as Hot Water in Europe and North America and Asian HVAC players entering heat pump segment starting a price competition.

Exposure to current Macro & Geopolitics

Based on its strategy to provide a comprehensive range of sustainable thermal comfort solutions, the group’s offer includes highly efficient solutions supported by the secular trend of Energy Efficiency, as well as legacy businesses whose demand trends are driven by the economic cycle. Wolf & Brink deal improved ARIS offer mix and made Germany the first market of the group (26% of 2023 sales). The combination of the delayed approval of the new incentive scheme with tougher macro conditions has triggered a strong correction of the German Heating market after a record 2023. The exposure to Hot Water and Services segments helps moderating the decline of Space Heating. Evolution in the geopolitical context remains a relevant theme as it may influence the speed of the Energy Transition in Europe and US. We note that on April 26, Ariston’s Russian business was temporarily transferred to Gazprom subsidiary by a Presidential decree.

Valuation & Next Triggers

We have an Outperform rating on Ariston with a TP of €7.5 which takes the average of: (1) DCF analysis, based on a 7.6% WACC and 2.0% perpetual growth; (2) EVA based on the same assumptions as DCF and on avg. ROCE post tax of 9%; and (3) a peer multiple comparison, based on EV/EBITDA, P/E and FCF yield metrics. Current multiples (10x P/E, 6.5x EBITDA, 9% FCF yield) factor in a structural organic sales deceleration in Space Heating with no help coming from replacement trend. Signs of a bottoming-out in demand of High-efficiency Heating solutions across Europe remain the key catalyst for a multiples’ re-rating.

Key Points to Discuss at MB Conference

Key points to discuss for Ariston Group at our Conference are: (1) Current trading, in particular in key EU countries such as Germany, Italy and France; (2) Update on cost efficiency actions; (3) Pricing trend in the European Heating market; (4) NWC/sales trend for 2024-26; and (5) M&A strategy.

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	2023	2024E	2025E	2026E
EPS Adj (€)	0.57	0.45	0.50	0.54
DPS (€)	0.17	0.13	0.14	0.15
BVPS (€)	4.03	4.23	4.52	4.84
EV/Ebitda(x)	9.0	6.5	5.7	5.0
P/E adj (x)	14.6	10.2	9.2	8.5
Div.Yield(%)	2.1%	2.8%	3.0%	3.2%
OpFCF Yield(%)	-14.9%	7.0%	11.6%	10.5%

Market Data

Market Cap (€m)	1,721
Shares Out (m)	373
Merloni Holding S.p.A and Amaranta Srl (%)	66%
Free Float (%)	33%
52 week range (€)	10.66-4.58
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	-12.2%
-3m	-21.6%
-12m	-65.3%
21dd Avg. Vol.	565,206
Reuters/Bloomberg	ARIS.MI / ARIS IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Turnover	3,092	2,900	2,976	3,076
Turnover growth %	30.0%	-6.2%	2.6%	3.4%
EBITDA	417	362	384	406
EBITDA margin (%)	13.5%	12.5%	12.9%	13.2%
EBITDA growth (%)	47.2%	-13.2%	6.0%	5.9%
Depreciation & Amortization	-131	-139	-145	-151
EBIT	286	223	239	256
EBIT margin (%)	9.2%	7.7%	8.0%	8.3%
EBIT growth (%)	53.2%	-21.9%	7.1%	7.0%
Net Fin.Income (charges)	-32	-40	-32	-26
Non-Operating Items	0	0	0	0
Extraordinary Items	0	0	0	0
Pre-tax Profit	254	183	207	230
Tax	-62	-44	-51	-59
Tax rate (%)	24.6%	24.3%	24.5%	25.5%
Minorities	0	0	0	0
Net Profit	191	139	156	171
Net Profit growth (%)	43.6%	-27.5%	12.7%	9.6%
Adjusted Net Profit	212	169	186	202
Adj. Net Profit growth (%)	36.3%	-20.3%	10.4%	8.3%

Multiples	2023	2024E	2025E	2026E
P/E Adj.	14.6	10.2	9.2	8.5
P/CEPS	8.5	6.2	5.7	5.3
P/BV	2.1	1.1	1.0	1.0
EV/ Sales	1.2	0.8	0.7	0.7
EV/EBITDA	9.0	6.5	5.7	5.0
EV/EBIT	13.2	10.5	9.1	8.0
EV/Cap. Employed	1.6	1.0	1.0	0.9
Yield (%)	2.1%	2.8%	3.0%	3.2%
OpFCF Yield(%)	-14.9%	7.0%	11.6%	10.5%
FCF Yield (%)	-19.5%	9.4%	14.5%	12.2%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	0.51	0.37	0.42	0.46
EPS growth (%)	27.6%	-27.5%	12.7%	9.6%
EPS Adj.	0.57	0.45	0.50	0.54
EPS Adj. growth (%)	21.1%	-20.3%	10.4%	8.3%
CEPS	0.97	0.75	0.82	0.87
BVPS	4.03	4.23	4.52	4.84
DPS Ord	0.17	0.13	0.14	0.15

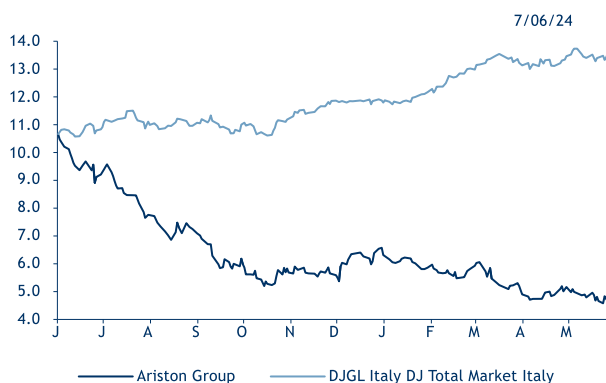
Balance Sheet (€ m)	2023	2024E	2025E	2026E
Working Capital	201	169	117	120
Net Fixed Assets	2,142	2,182	2,171	2,157
Total Capital Employed	2,343	2,350	2,287	2,278
Shareholders' Funds	1,503	1,578	1,686	1,804
Minorities	-0	-0	-0	-0
Provisions	230	220	220	220
Net Debt (-) Cash (+)	-611	-552	-381	-253

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	373	373	373	373
EoP N° of Shares (m)	373	373	373	373
Avg. Market Cap. (m)	3,086	1,721	1,721	1,721
Enterprise Value (m)	3,774	2,350	2,179	2,050
Adjustments (m)	77	77	77	77
Labour Costs/Turnover	22%	23%	23%	23%
Depr.&Amort./Turnover	4%	5%	5%	5%
Turnover / Op.Costs	1.2	1.1	1.1	1.2

Cash Flow (€ m)	2023	2024E	2025E	2026E
Cash Earnings	362	280	304	326
Working Capital Needs	-64	32	52	-4
Capex (-)	-862	-149	-104	-108
Financial Investments (-)	0	0	0	0
Dividends (-)	-43	-63	-48	-52
Other Sources / Uses	-64	-41	-33	-34
Ch. in Net Debt (-) Cash (+)	-671	59	171	128

Gearing (Debt / Equity)	41%	35%	23%	14%
EBITDA / Fin. Charges	-12.9	-9.1	-12.0	-15.6
Net Debt / EBITDA	1.5	1.5	1.0	0.6
Cap.Employed/Turnover	76%	81%	77%	74%
Capex / Turnover	28%	5%	4%	3%
Pay out	33%	35%	33%	33%
ROE	13%	9%	9%	9%
ROCE (pre tax)	12%	9%	10%	11%
ROCE (after tax)	9%	7%	8%	8%

Source: Mediobanca Research



Source: Mediobanca Research

Focus on Organic Growth; Undemanding Valuation

Company in a Nutshell & SWOT Analysis

Ascopiave is the fifth largest gas distribution company in Italy. It was established in 1956 from a consortium of municipalities operating in Veneto region. The company's gas distribution assets are mainly located in North-East Italy (Veneto & Friuli-Venezia Giulia regions) with a grid extension of c14,500km. The company mainly focuses on gas distribution, but it is expanding in other businesses such as renewable power generation, green gases, energy efficiency & water services. Among the key milestones we highlight that: (1) in 2019, Ascopiave transferred its energy supply business to EstEnergy, a strategic JV with Hera; (2) in 2021, it entered the renewable power generation business, and its installed capacity currently amounts to 84.1MW. **SWOT Analysis:** (1) **"Strengths"**: Almost full exposure to regulated gas distribution; (2) **"Weaknesses"**: Potential expansion in gas distribution is limited by delays in the concession tender process; (3) **"Opportunities"**: Expansion in renewable power generation, green hydrogen & biogas, potential M&A deals; (4) **"Threats"**: Administrative/political constraints related to gas concession auctions and potential regulatory changes.

Exposure to current Macro & Geopolitics

The ongoing geopolitical scenario continues to highlight that the acceleration in renewables & the need for new hydrogen-related infrastructures remain crucial to enhance Europe's energy independence and to reach decarbonization targets. Ascopiave is well positioned to benefit from such context, thanks to its business diversification through investments in renewable power generation, green gases including hydrogen & biomethane and energy efficiency services.

Valuation & Next Triggers

In March, Ascopiave presented its new 2024-27 business plan. Medium-term growth will continue to be mainly based on organic capex, driven by investments in the current gas distribution concession portfolio, and in new renewable capacity. In the base-case scenario (not including the acquisition of new gas distribution concessions through the tender process), in 2027 EBITDA is targeted to reach €139m and net profit is forecast at €42m. Also, net debt at end 2027 is expected to reach €435m, after €617m investments and the €294m cash-in deriving from fully exercising the put options on the stakes in EstEnergy and HeraComm. Dividend policy based on €0.01/share yearly increase in DPS has been confirmed.

We continue to believe that Ascopiave offers a low-risk equity story, almost fully exposed to regulated gas distribution, and this couples with the high visibility on the value of its stakes in EstEnergy and HeraComm. We highlight that the current share price implies a 25% discount to the company's RAB value of the gas distribution business, which we consider an undemanding valuation.

Key Points to Discuss at MB Conference

Key points of discussion for Ascopiave are: (1) Considerations on tenders for new gas distribution concessions & timing; (2) Update on ongoing renewable, hydrogen & biomass projects; (3) M&A targets and update on potential expansion in other businesses; (4) Expectations on gas demand evolution; (5) Totex regulation & main impacts from its implementation; (6) Latest indications on WACC review from '25; (7) Expected contribution from EstEnergy in the coming quarters.

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	2023	2024E	2025E	2026E
EPS Adj (€)	0.17	0.17	0.15	0.16
DPS (€)	0.14	0.15	0.16	0.17
BVPS (€)	3.60	3.63	3.63	3.63
EV/Ebitda(x)	7.8	7.8	8.6	8.3
P/E adj (x)	21.1	19.4	22.5	20.8
Div.Yield(%)	5.8%	6.6%	7.0%	7.4%
OpFCF Yield(%)	11.6%	11.5%	10.0%	10.2%

Market Data

Market Cap (€m)	537
Shares Out (m)	234
Asco Holding (%)	61%
Free Float (%)	21%
52 week range (€)	2.52-1.95
Rel Perf vs STOXX EUROPE 600 UTILITIES E (%)	
-1m	1.3%
-3m	-11.9%
-12m	-4.4%
21dd Avg. Vol.	194,586
Reuters/Bloomberg	ASCI.MI / ASC IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Turnover	181	186	191	201
Turnover growth %	10.5%	2.7%	2.8%	5.4%
EBITDA	95	101	104	114
EBITDA margin (%)	52.3%	54.3%	54.5%	56.4%
EBITDA growth (%)	21.3%	6.8%	3.2%	9.1%
Depreciation & Amortization	-49	-52	-56	-60
EBIT	46	49	48	54
EBIT margin (%)	25.4%	26.4%	25.3%	26.8%
EBIT growth (%)	44.2%	6.7%	-1.6%	11.9%
Net Fin.Income (charges)	-8	-8	-8	-9
Non-Operating Items				
Extraordinary Items	4	6	3	2
Pre-tax Profit	42	47	43	47
Tax	-5	-9	-9	-11
Tax rate (%)	14.5%	19.5%	21.5%	24.0%
Minorities	-0	-2	-1	-1
Net Profit	37	37	33	35
Net Profit growth (%)	12.4%	-0.2%	-10.4%	5.9%
Adjusted Net Profit	27	28	24	26
Adj. Net Profit growth (%)	10.3%	4.1%	-13.8%	8.2%

Multiples	2023	2024E	2025E	2026E
P/E Adj.	21.1	19.4	22.5	20.8
P/CEPS	6.6	6.0	6.0	5.6
P/BV	0.7	0.6	0.6	0.6
EV/ Sales	4.1	4.2	4.7	4.7
EV/EBITDA	7.8	7.8	8.6	8.3
EV/EBIT	16.1	16.0	18.5	17.4
EV/Cap. Employed	0.6	0.6	0.7	0.8
Yield (%)	5.8%	6.6%	7.0%	7.4%
OpFCF Yield (%)	21.8%	16.7%	11.6%	12.1%
FCF Yield (%)	10.7%	4.5%	-5.8%	-1.2%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	0.17	0.17	0.15	0.16
EPS growth (%)	12.4%	-0.2%	-10.4%	5.9%
EPS Adj.	0.17	0.17	0.15	0.16
EPS Adj. growth (%)	12.4%	-0.2%	-10.4%	5.9%
CEPS	0.37	0.38	0.38	0.41
BVPS	3.60	3.63	3.63	3.63
DPS Ord	0.14	0.15	0.16	0.17

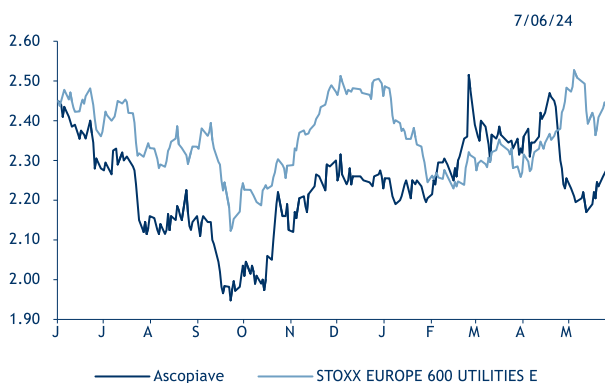
Balance Sheet (€ m)	2023	2024E	2025E	2026E
Working Capital	33	63	63	63
Net Fixed Assets	861	811	912	1,021
Total Capital Employed	1,234	1,212	1,225	1,245
Shareholders' Funds	845	851	851	851
Minorities	10	11	12	13
Provisions	6	7	7	7
Net Debt (-) Cash (+)	-389	-361	-373	-393

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	234	234	234	234
EoP N° of Shares (m)	234	234	234	234
Avg. Market Cap. (m)	561	537	537	537
Enterprise Value (m)	739	784	894	939
Adjustments (m)	-212	-114	-16	9
Labour Costs/Turnover	11%	10%	10%	10%
Depr.&Amort./Turnover	27%	28%	29%	30%
Turnover / Op.Costs	1.3	1.4	1.3	1.4

Cash Flow (€ m)	2023	2024E	2025E	2026E
Cash Earnings	86	90	90	95
Working Capital Needs	66	30	0	0
Capex (-)	-88	-89	-118	-100
Financial Investments (-)	-14	28	48	20
Dividends (-)	-28	-30	-33	-35
Other Sources / Uses	0	0	0	0
Ch. in Net Debt (-) Cash (+)	23	28	-12	-20

Gearing (Debt / Equity)	46%	42%	44%	46%
EBITDA / Fin. Charges	-11.8	-12.3	-12.6	-13.3
Net Debt / EBITDA	4.1	3.6	3.6	3.5
Cap.Employed/Turnover	683%	653%	641%	618%
Capex / Turnover	48%	48%	62%	50%
Pay out	88%	89%	106%	106%
ROE	4%	4%	4%	4%
ROCE (pre tax)	4%	4%	4%	4%
ROCE (after tax)	3%	3%	3%	3%

Source: Mediobanca Research



Source: Mediobanca Research

Increasing signs of normalisation

Company in a nutshell and SWOT analysis

Banca Generali (BGN) offers a good combination of value and growth. Value is represented by its solid capital position (CET1 ratio of 20.0% and 21.2% TCR in 1Q24) and a generous payout policy (70-80% on recurring profits and 50-100% on variable net profit), which makes it a good dividend play (we expect a €2.46 DPS in 2024E, implying a c.6.5% yield at current prices). Growth is driven by the bank's ability to generate new inflows, through recruitment and organically. BGN distributes asset management products via a network of c.2k FAs and the current recruiting strategy entails adding around 150 new FAs for year-end 2024. The flagship asset management product is wrapper solutions (asset management or life insurance), with investments in own and third-party funds, SICAVs and ETFs.

SWOT analysis: *Strengths:* sustainability, dividend yield, know-how and talented management. *Weaknesses:* recent outflows on Life G/A savings and exposure to regulatory changes. *Opportunities:* expansion of the services portfolio and increasing demand of Italian households for advice. *Threats:* financial market trends and spreads volatility.

Exposure to current Macro & Geopolitics

Lower interest rates are likely to impact the top line. The company still sees 2024E NII at (or above) €280m, based on the following assumptions: 1) Euribor 3M at 3.1%; 2) €500m-1.0bn reduction in deposits; 3) Increase in retail cost of funding. Such guidance looks too conservative to us, considering current forward curves and the dynamics of deposits (+€26m since the beginning of the year). Cost of funding is growing (84bps in 1Q24 vs 72bps in 4Q23), but believe not enough to dent BGN's NII too much this year. Rate cuts could further boost the recovery in inflows.

Valuation & Next Triggers

On flows, the target of inflows above €6bn and the mix (40-60% of total in Aul) were recently reiterated by management. It was also flagged that €5.2bn of bonds are due to expire within 1 year (potential upside could arise if maturities are converted into asset management). With reference to product development, management underlines the importance of financial wrappers and advanced advisory solutions. The second one is seen as a structural trend the industry needs to follow and in which BGN is leader with €10.1bn. In-house funds are also showing good momentum and growing their share (46.6% on total retail fund assets vs 43.8% in 1Q23). Renewed focus on LUX IM in a drive to maximize in-house solutions via the launch of new sub-funds is also something to be expected near term.

Key points to discuss at the MB conference

(1) inflows update, (2) view on any pressure on margins, (3) drivers of the NII trajectory for 2024-25E, (4) updates on the Swiss initiative, (5) growth perspectives.

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	2023	2024E	2025E	2026E
EPS Adj. (€)	2.81	3.29	3.29	3.34
DPS (€)	2.15	2.46	2.45	2.49
BVPS (€)	10.40	11.54	12.37	13.27
EV/Ebitda(x)	8.9	8.1	7.2	7.3
P/E adj (x)	13.7	11.7	11.7	11.5
P/FCF	10.9	9.5	9.4	15.7
Yield(%)	5.6%	6.4%	6.4%	6.5%

Market Data	
Market Cap (€m)	4,286
Shares Out (m)	111
Generali (%)	51%
Free Float (%)	49%
52 week range (€)	40.60-30.18
Rel Perf vs STOXX EUROPE 600 BANKS E (%)	
-1m	1.9%
-3m	-2.8%
-12m	-5.4%
21dd Avg. Vol.	273,739
Reuters/Bloomberg	BGN.MI / BGN IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Net Interest Income	304.4	303.1	281.4	263.4
Net fee and commission income	466.8	550.7	577.1	607.3
Net trading income	16.9	20.0	20.0	20.0
Other income	10.3	10.3	10.3	10.3
Total Income	798.5	884.1	888.8	901.0
Growth (%)	22.6%	10.7%	0.5%	1.4%
Total Costs	-287.0	-300.9	-315.2	-329.4
Growth (%)	22.6%	10.7%	0.5%	1.4%
of which Personnel Costs	-124.4	-131.2	-138.4	-146.0
Net Operating Income	511.5	583.2	573.5	571.6
Growth (%)	22.6%	10.7%	0.5%	1.4%
Provisions & Write-downs	-0.5	-10.0	-10.0	-10.0
EBITDA	419.9	551.2	623.2	613.5
EBITDA margin (%)	52.6%	62.3%	70.1%	68.1%
EBITDA growth (%)	-26.7%	31.3%	13.1%	-1.6%
Depreciation & Amortization	0.0	0.0	0.0	0.0
EBIT	330.2	443.8	514.2	514.5
Exceptional Items	na	na	na	na
Tax	-117.8	-130.7	-130.8	-132.9
Tax rate(%)	26.5%	25.4%	25.4%	25.4%
Minorities	0.0	0.0	0.0	0.0
Discontinued businesses	na	na	na	na
Net profit	327.2	383.5	383.8	390.7
Growth (%)	53.6%	17.2%	0.1%	1.8%
Adjusted net profit	327.2	383.5	383.8	389.7
Growth (%)	53.6%	17.2%	0.1%	1.6%

Balance Sheet (€ m)	2023	2024E	2025E	2026E
Customer Loans net	10,626.8	10,209.9	10,516.2	10,831.7
Growth(%)	2.0%	-3.9%	3.0%	3.0%
Customer Deposits	13,271.3	13,934.9	14,631.6	15,363.2
Growth(%)	-11.3%	5.0%	5.0%	5.0%
Shareholders' Funds	1,140.9	1,279.6	1,394.7	1,495.8
Intangibles	293.7	272.6	233.6	195.1
Minorities	0.0	0.0	0.0	0.0
Total Assets	16,392.4	15,733.3	16,174.2	16,632.9

Customer Funds (€ m)	2023	2024E	2025E	2026E
Assets Under Management	57,427	60,339	63,984	67,735
Growth(%)	3.5%	5.1%	6.0%	5.9%
Total Net New Money	5,855	4,850	5,500	5,500
CRMs	2,235	2,285	2,335	2,385
AuM/CRMs	25.7	26.4	27.4	28.4
Total Assets Under Custody	92,823	99,235	106,380	113,631

Source: Mediobanca Research



Source: Mediobanca Research

Multiples	2023	2024E	2025E	2026E
P/E Adj.	13.7	11.7	11.7	11.5
P/E	13.7	11.7	11.7	11.5
P/CEPS	13.8	11.7	11.7	11.5
P/TBV	4.9	4.1	3.7	3.3
P/FCF	10.9	9.5	9.4	15.7
P/Total Deposits (%)	31.8%	33.3%	32.4%	31.6%
P/AUM (%)	7.8%	7.4%	7.0%	6.6%
EV/Revenues	4.7	5.1	5.1	5.0
EV/EBITDA	8.9	8.1	7.2	7.3
EV/EBIT	11.3	10.1	8.7	8.7
EV/Cap. Employed	2.0	2.2	2.1	2.0
Yield (%)	5.6%	6.4%	6.4%	6.5%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS Adj.	2.81	3.29	3.29	3.34
EPS Adj. growth (%)	53.6%	17.2%	0.1%	1.6%
EPS	2.81	3.29	3.29	3.35
EPS growth (%)	53.6%	17.2%	0.1%	1.8%
TBVPS	7.90	9.37	10.54	11.76
DPS Ord	2.15	2.46	2.45	2.49

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	117	117	117	117
EoP N° of Shares (m)	117	117	117	117
Avg. Market Cap. (m)	3,733	4,491	4,491	4,491

NII/Total Income (%)	38.1%	34.3%	31.7%	29.2%
Fees/Total Income (%)	58.5%	62.3%	64.9%	67.4%
Trading/Total Income (%)	2.1%	2.3%	2.3%	2.2%

Cost Income ratio	35.9%	34.0%	35.5%	36.6%
Compensation ratio	15.6%	14.8%	15.6%	16.2%

NPLs ratio	na	na	na	na
Provisions/Loans	na	na	na	na

Dividend Payout (%)	76.6%	74.7%	74.5%	74.4%
ROE (%)	28.7%	30.0%	27.5%	26.1%
ROTE (%)	38.6%	38.1%	33.1%	30.0%
ROA (%)	2.00%	2.44%	2.37%	2.35%
Basel III Core Tier 1 ratio	17.6%	20.3%	22.1%	23.9%
Tier I ratio (%)	18.8%	21.5%	23.2%	25.0%

Solid profitability, but subdued growth

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Company in a nutshell and SWOT analysis

Banca Ifis operates in four main businesses: 1) factoring of trade receivables (20% of 2023 revenues), with a unique business model targeted to micro and small companies; 2) NPL purchase and management (42%), focused on the consumer unsecured segment where, with a c.€20bn portfolio, Banca Ifis is by far Italy's largest player; 3) leasing (10%): auto leasing and tech/equipment rental; 4) lending and corporate banking (19%). Banca Ifis ongoing business plan is based on digitization and open platform to control costs (automation of low-value-added manual tasks and digital credit workflow, digitalization of debtor contacts and analytics in the NPL segment), and boost growth (opening the bank to commercial and strategic partnerships). Due to current market conditions, the focus on the NPL segment is expected to decline in the coming years.

SWOT Analysis: (1) **“Strengths”**: unique business model in factoring of trade receivables, focused on SMEs; low cost of risk; solid capital position (2) **“Weaknesses”**: lending activity fragmented in several business lines with still low cross selling; (3) **“Opportunities”**: potential for cost cutting; partnerships in the NPL segment (4) **“Threats”**: low NPL market liquidity; higher cost of funding in the short term despite declining market rates.

Exposure to current Macro & Geopolitics

Looking at Banca Ifis corporate banking activities, the trend in interest rates and the structure of the bank's funding mix will lead to a peak in the cost of funding in the current year. Together with a modest increase in volumes, this is expected to determine flat NII in corporate banking and lending. On the other hand, the modest but positive economic growth will support the ongoing good credit quality, in our view.

As for the NPL segment, the low liquidity that affected the NPL market in 2023 is expected to continue in 2024-25, curbing portfolio expansion and leading to a gradual reduction in NPL contribution to the banks revenues.

Valuation & next triggers

We have a Neutral recommendation on Banca Ifis with a target price of €20.0. The stock is trading at 6.6x 2024E adjusted earnings with 0.7x P/TE multiple. Strong management, a solid balance sheet and a double-digit dividend yield currently represent Banca Ifis strengths. However, the subdued outlook for NPLs somewhat dampens the bank's equity story and limits its growth potential.

Key points to discuss at the MB conference

(1) Risks on capital from the activity in factoring towards PA (read across from BFF compliance finding); (2) New proposal of EU Late Payment regulation: possible risks for the factoring business; (3) Long term strategic view in a context of continuing limited liquidity in the NPL market; (4) Management view on the consumer unsecured NPL market and trend in collection rates; (5) update on the exposure of bank's customer base to macro scenario.

	2023E	2024E	2025E	2026E
EPS Adj (€)	2.97	3.07	3.13	3.19
DPS (€)	2.10	2.17	2.24	2.30
TBVPS (€)	30.44	30.19	31.14	32.10
Avg. RoTE Adj (%)	10.0%	10.1%	10.2%	10.1%
P/E Adj (x)	6.8	6.6	6.4	6.3
Div.Yield(%)	10.4%	10.8%	11.1%	11.4%
P/TBV (x)	0.7	0.7	0.6	0.6

Market Data

Market Cap (€m)	1,086
Shares Out (m)	54
S. E. FURSTENBERG (%)	50%
Free Float (%)	50%
52 week range (€)	21.52-14.05
Rel Perf vs STOXX EUROPE 600 BANKS E (%)	
-1m	-6.2%
-3m	4.4%
-12m	6.1%
21dd Avg. Vol.	203,091
Reuters/Bloomberg	/ IF IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss Acc(€ m)	2023	2024E	2025E	2026E
Net Interest Income	566	570	567	567
Growth (%)	3.3%	0.7%	-0.5%	0.0%
Non-Interest Income	139	134	143	149
Growth (%)	4.9%	-3.1%	6.5%	3.8%
of which Fee Income	98	107	117	124
of which Financial Income	na	na	na	na
Total Income	705	705	710	716
Growth (%)	3.6%	-0.1%	0.8%	0.8%
Total Costs	-413	-405	-404	-402
Growth (%)	5.4%	-1.8%	-0.4%	-0.4%
of which Personnel Costs	-164	-159	-161	-163
Net Operating Income	292	299	307	314
Growth (%)	1.0%	2.5%	2.5%	2.3%
Provisions&Write-downs	-52	-56	-58	-60
Extraordinary Items	na	na	na	na
Pre-tax profit	238	243	249	254
Tax	-76	-78	-80	-82
Tax rate(%)	31.8%	32.2%	32.3%	32.4%
Minorities and others	na	na	na	na
Net profit	160	164	167	170
Growth (%)	13.4%	2.4%	2.1%	1.9%
Adjusted net profit	156	161	164	167
Growth (%)	17.2%	3.1%	2.1%	2.0%

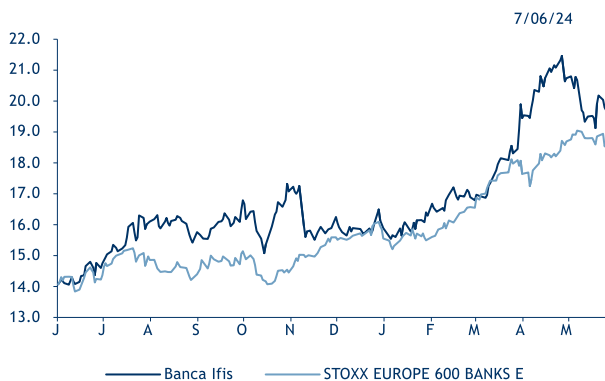
Multiples	2023	2024E	2025E	2026E
P/E	6.6	6.5	6.3	6.2
P/E Adj.	6.8	6.6	6.4	6.3
P/Net Op.Income	3.6	3.5	3.5	3.4
P/Revenues	1.5	1.5	1.5	1.5
P/TBV	0.7	0.7	0.6	0.6
P/Total Deposits (%)	18.2%	16.1%	13.0%	10.5%
Yield (%)	10.4%	10.8%	11.1%	11.4%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	3.05	3.13	3.19	3.25
EPS growth (%)	13.5%	2.4%	2.1%	1.9%
EPS Adj.	2.97	3.07	3.13	3.19
EPS Adj. growth (%)	17.2%	3.1%	2.1%	2.0%
TBVPS	30.44	30.19	31.14	32.10
DPS Ord	2.10	2.17	2.24	2.30

Balance Sheet (€ m)	2023	2024E	2025E	2026E
Customer Loans	10,622	9,983	10,019	10,068
Growth(%)	4.3%	-6.0%	0.4%	0.5%
Customer Deposits	5,815	6,570	8,152	10,113
Growth(%)	13.9%	13.0%	24.1%	24.1%
Shareholders' Funds	1,719	1,799	1,852	1,906
Minorities	0	0	0	0
Total Assets	14,051	13,261	13,177	13,108

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	52	52	52	52
EoP N° of Shares (m)	54	54	54	54
Avg. Market Cap. (m)	1,058	1,058	1,058	1,058
NII/Total Income (%)	80.3%	80.9%	79.8%	79.2%
Fees/Total Income (%)	13.9%	15.2%	16.5%	17.3%
Trading/Total Income (%)	na	na	na	na
Cost Income ratio	58.5%	57.5%	56.8%	56.2%
Personnel costs/Total costs	39.7%	39.3%	39.9%	40.5%
Impairment/Average Loans	0.5%	0.5%	0.5%	0.5%
NPLs ratio	na	na	na	na
Provisions/Loans	na	na	na	na
Avg. RoTE Adj. (%)	10.0%	10.1%	10.2%	10.1%
ROA (%)	1.14%	1.18%	1.24%	1.27%
Tier 1 ratio	14.9%	14.6%	14.7%	14.8%
Basel III Core Tier 1 ratio	14.9%	14.6%	14.7%	14.8%

Source: Mediobanca Research



Source: Mediobanca Research

12 June 2024

Asset Gatherers

Update

Price: € 10.83

Target price: € 12.00

Outperform

Steady as she goes

Company in a nutshell and SWOT Analysis

Banca Mediolanum is an accessible and user-friendly bank that offers products and services built around the real needs of individuals and households, which are its target market. In addition to the products and services it offers, the bank provides customers with asset management and investment advice through its FAs. With a large client base of 1.8m customers, the company registered €4.1bn total net inflows YTD, up 6.5% compared to the €3.8bn collected in 4M23. Moreover, the company recently shared some results of “Next”, aiming at pairing high potential new graduates (working as Banker Consultants) with Senior Private Bankers. After less than a year since its launch, the PBs involved in the project obtained 60% better flows compared to the peer group and doubled clients acquisition *vis-à-vis* their base group.

SWOT analysis: *Strengths:* sustainability, dividend yield, know-how and talented management. *Weaknesses:* financial markets volatility and exposure to regulatory changes. *Opportunities:* need for advice from Italian savers. *Threats:* financial market trends and interest rates/spreads volatility.

Exposure to current Macro & Geopolitics

During the 1Q24 conference call, CEO Doris raised the 2024E NII guidance to +11% yoy mainly due to the following three items: i) share of fixed-rate securities vs floaters; ii) higher volumes; iii) cost of funding. On the last one, despite an uptick to 91bps in the retail cost of funding in the first quarter (compared to 85bps in 4Q23), the overall cost is seen at 96bps throughout the year. Hence, fairly stable over the next three quarters. As far as 2025E is concerned, the management sees a flat trend in NII as lower expected rates will be paired by a 15bps decline in retail funding cost and mitigated by volume effect.

Valuation & Next Triggers

The management looks confident to meet the guidance of €5.0bn inflows in asset management products for the year and flagged that most of the flows are currently catalyzed by fixed-income solutions (and confirmed the feedback of some competitors of a softer demand for BTPs). Yet, the above average equity market exposure (63% of AuM at end 1Q24) and the good market performance helped at growing the overall asset base and fees. Management quantified in c.€100m the performance fees currently outstanding, including the €29m cashed-in in the first quarter. Hence, 2024E is set to be the best year ever in Mediolanum’s history.

Key points to discuss at the MB conference

1) update on inflows and mix; 2) new offer-side projects and their implementation; 3) internal growth perspectives and innovations; 4) update on conversions of BOT and BTPs maturing.

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	2023	2024E	2025E	2026E
EPS Adj. (€)	1.12	1.25	1.24	1.26
DPS (€)	0.70	0.74	0.78	0.82
BVPS (€)	4.71	5.16	5.56	5.93
EV/Ebitda(x)	5.8	6.6	6.7	6.6
P/E adj (x)	9.7	8.7	8.7	8.6
P/FCF				
Yield(%)	6.5%	6.8%	7.2%	7.6%

Market Data

Market Cap (€m)	7,947
Shares Out (m)	734
Fam.Doris (%)	43%
Free Float (%)	27%
52 week range (€)	10.93-7.59
Rel Perf vs STOXX EUROPE 600 BANKS E (%)	
-1m	3.4%
-3m	-3.5%
-12m	-0.5%
21dd Avg. Vol.	1,463,274
Reuters/Bloomberg	BMED.MI / BMED IM

Source: Mediobanca Research

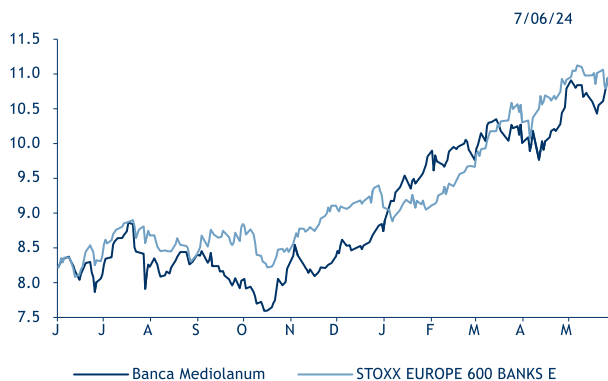
Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Net Interest Income	811.6	961.3	989.3	1,004.3
Net fee and commission income	704.5	787.8	796.1	844.4
Net trading income	0.0	0.0	0.0	0.0
Other income	na	na	na	na
Total Income	2,220.6	2,537.0	2,581.5	2,693.0
Growth (%)	10.8%	14.2%	1.8%	4.3%
Total Costs	-709.0	-775.8	-825.0	-877.7
Growth (%)	10.8%	14.2%	1.8%	4.3%
of which Personnel Costs	na	na	na	na
Net Operating Income	965.5	1,131.6	1,118.7	1,129.2
Growth (%)	10.8%	14.2%	1.8%	4.3%
Provisions & Write-downs	na	na	na	na
EBITDA	1,049.9	1,196.2	1,183.3	1,194.8
EBITDA margin (%)	47.3%	47.2%	45.8%	44.4%
EBITDA growth (%)	57.7%	13.9%	-1.1%	1.0%
Depreciation & Amortization	na	na	na	na
EBIT	984.3	1,126.2	1,113.3	1,124.8
Exceptional Items	na	na	na	na
Tax	-226.4	-281.6	-278.3	-281.2
Tax rate(%)	23.0%	25.0%	25.0%	25.0%
Minorities	0.0	0.0	0.0	0.0
Discontinued businesses	na	na	na	na
Net profit	820.9	916.0	911.5	924.6
Growth (%)	58.3%	11.6%	-0.5%	1.4%
Adjusted net profit	820.9	916.0	911.5	924.6
Growth (%)	58.3%	11.6%	-0.5%	1.4%

Balance Sheet (€ m)	2023	2024E	2025E	2026E
Customer Loans net	4,388.0	4,388.0	4,388.0	4,388.0
Growth(%)	0.0%	0.0%	0.0%	0.0%
Customer Deposits	23,522.0	25,874.2	26,391.7	26,919.5
Growth(%)	0.8%	10.0%	2.0%	2.0%
Shareholders' Funds	3,454.7	3,785.8	4,077.8	4,349.1
Intangibles	206.9	206.9	206.9	206.9
Minorities	0.0	0.0	0.0	0.0
Total Assets	77,830.9	74,698.3	74,367.4	74,037.4

Customer Funds (€ m)	2023	2024E	2025E	2026E
Assets Under Management	84,109	89,045	94,594	100,171
Growth(%)	13.4%	5.9%	6.2%	5.9%
Total Net New Money	6,316	8,097	5,517	5,528
CRMs	5,923	6,100	6,283	6,472
AuM/CRMs	14.2	14.6	15.1	15.5
Total Assets Under Custody	118,071	126,104	132,171	138,276

Source: Mediobanca Research



Source: Mediobanca Research

Multiples	2023	2024E	2025E	2026E
P/E Adj.	9.7	8.7	8.7	8.6
P/E	9.7	8.7	8.7	8.6
P/CEPS	9.7	8.7	8.7	8.6
P/TBV	2.4	2.2	2.1	1.9
P/FCF	na	na	na	na
P/Total Deposits (%)	33.8%	30.7%	30.1%	29.5%
P/AUM (%)	9.4%	8.9%	8.4%	7.9%
EV/Revenues	2.8	3.1	3.1	2.9
EV/EBITDA	5.8	6.6	6.7	6.6
EV/EBIT	6.2	7.1	7.1	7.1
EV/Cap. Employed	3.2	4.2	4.2	4.2
Yield (%)	6.5%	6.8%	7.2%	7.6%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS Adj.	1.12	1.25	1.24	1.26
EPS Adj. growth (%)	58.3%	11.6%	-0.5%	1.4%
EPS	1.12	1.25	1.24	1.26
EPS growth (%)	58.3%	11.6%	-0.5%	1.4%
TBVPS	4.43	4.88	5.28	5.65
DPS Ord	0.70	0.74	0.78	0.82

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	734	734	734	734
EoP N° of Shares (m)	734	734	734	734
Avg. Market Cap. (m)	6,119	7,947	7,947	7,947

NII/Total Income (%)	53.5%	55.0%	55.4%	54.3%
Fees/Total Income (%)	46.5%	45.0%	44.6%	45.7%
Trading/Total Income (%)	0.0%	0.0%	0.0%	0.0%

Cost Income ratio	31.9%	30.6%	32.0%	32.6%
Compensation ratio	na	na	na	na

NPLs ratio	na	na	na	na
Provisions/Loans	na	na	na	na

Dividend Payout (%)	62.6%	59.3%	62.8%	65.1%
ROE (%)	23.8%	24.2%	22.4%	21.3%
ROTE (%)	25.3%	25.6%	23.5%	22.3%
ROA (%)	1.05%	1.23%	1.23%	1.25%
Basel III Core Tier 1 ratio	24.3%	25.6%	26.4%	26.9%
Tier I ratio (%)	24.3%	25.6%	26.4%	26.9%

Next leg up from M&A

Company in a Nutshell and SWOT analysis

BMPS is a commercial bank operating in Italy through 1,305 branches with a 4.4% market share. The Group is also active in asset management via the agreement with ANIM and insurance with the strategic partnership with AXA. Loans to SMEs and large corporates account respectively for 45% and 9% of the total while retail loans stand at 46%. The Italian Ministry of Economy and Finance holds a 26.7% stake in BMPS, but commitments taken with the European Union at the time of the bank's bailout in 2017 and 2022 bind the government to eventually sell its stake, along with other constraints in the management of the bank.

SWOT Analysis: (1) **“Strengths”**: positively impacted by high-for-longer interest rate environment, DTA usage, improved CET1 ratio above 18%; (2) **“Weaknesses”**: asset quality, as above-peers gross NPE ratio (4.5% in Q124) combines with sub-peer NPE coverage ratios (49.5% in Q124); (3) **“Opportunities”**: M&A, government open to reduce its stake with further placements; buy-back of insurance JVs; shareholders remuneration upside; (4) **“Threats”**: lack of M&A interest by 2024, NII pressure amid rate cuts, increase in deposit beta as BMPS has an active strategy on deposits; exposure to macro deterioration in Italy; legal risk developments.

Exposure to current Macro & Geopolitics

BMPS has benefitted from the monetary policy tightening implemented by the ECB, while having a CRE exposure below EU average. However, the high rate environment has started to impair the demand for corporate and home loans in Italy and in general across Europe. Additionally, higher interest rates have not yet impaired asset quality, but risks could be tilted toward the upside, should rates remain high for a prolonged period of time. Finally, we believe the current BTP-BUND spread is already hovering around the bottom of range toughed thus far.

Valuation & Next Triggers

We see BMPS, which is trading on 0.6x P/TE or 6x P/E for 7% RoTE (adjusted for excess capital), heading in the right direction and with upside risk to dividends, but still offering a sustainable sub-par profitability. With Q224 results, we expect BMPS to update its business plan target. As the main next catalysts for the stock we see i) the business plan update with Q2 results, ii) the potential additional placement by the government after the expiry of the lock-up period in early July and the possible final deadline to exit BMPS completely by end of 2024, and iii) banking consolidation in Italy that would see BMPS as a target, in our view. We are Neutral on BMPS, €5.1 Target Price.

Key Points to Discuss at MB Conference

Points of discussion for BMPS are: (1) View on macro scenario and its corollary for Italy; (2) Strategy on customer deposits, amid rate cuts; (3) Asset quality evolution and buffers needed in the mid-term; (4) View on loan growth; (5) Sustainable level of NII after rate cuts; (6) Strategy on digital investments; (7) Potential reshuffle of the insurance partnership; (8) View on the legal risk developments; (9) Capital return strategy and ECB's stand point; (10) DTA usage and upside to CET1 ratio in coming years; (11) impacts from tax credits given the recent decree.

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Equity Research: Main valuation indicators

	2023	2024E	2025E	2026E
EPS Adj (€)	0.94	0.66	0.58	0.55
DPS (€)	0.25	0.46	0.41	0.39
TBVPS (€)	7.53	8.14	8.71	9.11
Avg. RoTE Adj (%)	13.9%	8.5%	6.9%	6.2%
P/E Adj (x)	5.2	7.4	8.5	8.9
Div.Yield(%)	5.1%	9.4%	8.3%	7.8%
P/TBV (x)	0.7	0.6	0.6	0.5

Market Data

Market Cap (€m)	6,180
Shares Out (m)	1,260
Reuters/Bloomberg	BMPS.MI / BMPS IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss Acc(€ m)	2023	2024E	2025E	2026E
Net Interest Income	2,292	2,208	2,048	2,007
Growth (%)	49.0%	-3.7%	-7.2%	-2.0%
Non-Interest Income	1,505	1,539	1,542	1,557
Growth (%)	-2.9%	2.3%	0.2%	1.0%
of which Fee Income	1,322	1,368	1,370	1,387
of which Financial Income	63	56	57	56
Total Income	3,797	3,747	3,590	3,564
Growth (%)	22.9%	-1.3%	-4.2%	-0.7%
Total Costs	-1,843	-1,890	-1,948	-1,983
Growth (%)	-12.2%	2.5%	3.1%	1.8%
of which Personnel Costs	-1,180	-1,224	-1,262	-1,285
Net Operating Income	1,954	1,857	1,642	1,582
Growth (%)	97.5%	-4.9%	-11.6%	-3.7%
Provisions&Write-downs	-440	-454	-459	-449
Extraordinary Items	0	0	0	0
Pre-tax profit	1,706	1,170	1,021	972
Tax	345	149	197	14
Tax rate(%)	-20.2%	-12.7%	-19.3%	-1.4%
Minorities and others	0	0	0	0
Net profit	2,052	1,318	1,219	985
Growth (%)	nm	-35.7%	-7.6%	-19.1%
Adjusted net profit	1,187	834	729	696
Growth (%)	413.9%	-29.7%	-12.6%	-4.5%

Multiples	2023	2024E	2025E	2026E
P/E	3.0	4.7	5.1	6.3
P/E Adj.	5.2	7.4	8.5	8.9
P/Net Op.Income	3.2	3.3	3.8	3.9
P/Revenues	1.6	1.6	1.7	1.7
P/TBV	0.7	0.6	0.6	0.5
P/Total Deposits (%)	3.3%	3.1%	3.1%	3.1%
Yield (%)	5.1%	9.4%	8.3%	7.8%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	1.63	1.05	0.97	0.78
EPS growth (%)	nm	-35.7%	-7.6%	-19.1%
EPS Adj.	0.94	0.66	0.58	0.55
EPS Adj. growth (%)	361.4%	-29.7%	-12.6%	-4.5%
TBVPS	7.53	8.14	8.71	9.11
DPS Ord	0.25	0.46	0.41	0.39

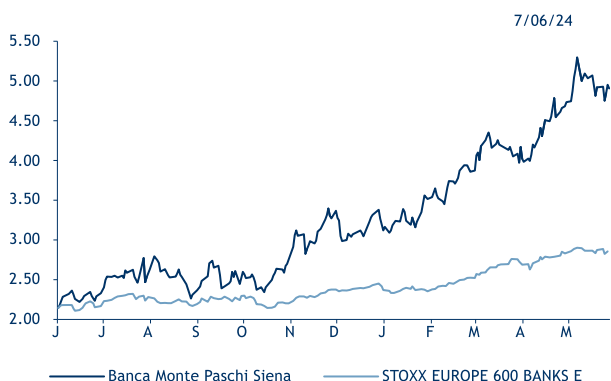
Balance Sheet (€ m)	2023	2024E	2025E	2026E
Customer Loans	76,692	76,461	76,473	77,294
Growth(%)	0.7%	-0.3%	0.0%	1.1%
Customer Deposits	187,373	197,620	198,808	200,667
Growth(%)	7.5%	5.5%	0.6%	0.9%
Shareholders' Funds	9,978	10,982	11,623	12,100
Minorities	1	1	1	1
Total Assets	122,614	117,125	116,149	116,510

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	1,260	1,260	1,260	1,260
EoP N° of Shares (m)	1,260	1,260	1,260	1,260
Avg. Market Cap. (m)	3,074	6,180	6,180	6,180
NII/Total Income (%)	60.4%	58.9%	57.1%	56.3%
Fees/Total Income (%)	34.8%	36.5%	38.2%	38.9%
Trading/Total Income (%)	1.7%	1.5%	1.6%	1.6%

Cost Income ratio	48.5%	50.4%	54.3%	55.6%
Personnel costs/Total costs	64.0%	64.8%	64.8%	64.8%
Impairment/Average Loans	0.6%	0.6%	0.6%	0.6%
NPLs ratio	1.8%	1.9%	2.2%	2.5%
Provisions/Loans	na	na	na	na

Avg. RoTE Adj. (%)	13.9%	8.5%	6.9%	6.2%
ROA (%)	0.98%	0.70%	0.63%	0.60%
Tier 1 ratio	18.1%	18.1%	18.0%	17.8%
Basel III Core Tier 1 ratio	18.1%	18.1%	18.0%	17.8%

Source: Mediobanca Research



Source: Mediobanca Research

Price: € 7.08

Target price: € 6.40

Underperform

Full valuation

Company in a Nutshell and SWOT analysis

BPSO is a retail and commercial bank, whose loan book accounts for 54% on corporate loans, 36% on loans to households, 9% on loans to financial institutions and for 1% on loans to the public administration. The bank operates with around 377 branches mainly in Lombardy, Lazio and, to a lower extent, Piedmont. The main shareholder of BPSO is Unipol Group with a 19.7% stake.

SWOT Analysis: (1) **“Strengths”**: sound track record of efficient underwriting policies leading to lower default rate vs peers, ample MDA buffer, strategic positioning on Italy’s wealthiest geographies, positively impacted by higher-for-longer interest rate environment; (2) **“Weaknesses”**: one of the highest rate sensitive NII in Europe, deterioration in retail segment more evident than peers (1.1% default rate in Q124), despite best-in-class NPE coverage at 60%, management less prone to higher capital return; (3) **“Opportunities”**: M&A at a later stage, upside risk potential on fee income from wealth management push; (4) **“Threats”**: M&A, market volatility on the trading line, exposure to macro deterioration in Eurozone and in Italy.

Exposure to current Macro & Geopolitics

BPSO has benefitted from the monetary policy tightening implemented by the ECB, while having a CRE exposure below European average. However, the high rate environment has started to impair the demand for corporate and home loans in Italy and in general across Europe. Additionally, higher interest rates have not yet impaired asset quality, but risks could be tilted toward the upside, should rates remain high for a prolonged period of time. Finally, we believe the current BTP-BUND spread is already hovering around the bottom of range toughed thus far.

Valuation & Next Triggers

We see BPSO trading on 0.8x P/TE and 9x P/E for c9% RoTE (40bp from tax credits) and 6% sustainable yield p.a. - one of the lowest in the sector. We see limited upside to capital return, as management priorities are focused elsewhere, in our view. We flag that Unipol owns c20% stake in BPSO and in BPE, therefore we think that a merger between the two could be likely scenario sometime down the line, but not yet in the short term. We see the bank trading at full valuation, with better opportunities (capital return and M&A) elsewhere in the sector. We are Underperform on BPSO, €6.4 Target Price.

Key Points to Discuss at MB Conference

Points of discussion for BPSO are: (1) View on macro scenario and its corollary for Italy; (2) The criteria the BoD will apply to assess M&A opportunities; (3) Deployment of capital buffers; (4) Strategy for addressing deposit outflows; (5) View on loan growth evolution; (6) Asset quality evolution and buffers needed in the mid-term; (7) Strategies to increase fees via the asset management and insurance business; (8) Sustainable NII level in light of future rates cuts; (9) How digital investments will shape the cost base and its business model; and (10) impacts from tax credits given the recent decree.

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Equity Research: Main valuation indicators

	2023	2024E	2025E	2026E
EPS Adj (€)	1.02	0.94	0.77	0.81
DPS (€)	0.56	0.52	0.43	0.45
TBVPS (€)	8.39	8.72	8.98	9.36
Avg. RoTE Adj (%)	12.8%	11.0%	8.7%	8.8%
P/E Adj (x)	7.0	7.5	9.2	8.8
Div.Yield(%)	7.9%	7.3%	6.1%	6.4%
P/TBV (x)	0.8	0.8	0.8	0.8

Market Data

Market Cap (€m)	3,210
Shares Out (m)	453
Reuters/Bloomberg	BPSI.MI / BPSO IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss Acc(€ m)	2023	2024E	2025E	2026E
Net Interest Income	937	932	842	870
Growth (%)	37.6%	-0.5%	-9.7%	3.3%
Non-Interest Income	662	630	623	631
Growth (%)	33.6%	-4.8%	-1.1%	1.3%
of which Fee Income	403	422	428	433
of which Financial Income	121	90	79	83
Total Income	1,599	1,562	1,465	1,501
Growth (%)	35.9%	-2.3%	-6.2%	2.5%
Total Costs	-649	-694	-732	-764
Growth (%)	8.9%	7.0%	5.5%	4.4%
of which Personnel Costs	-293	-317	-328	-334
Net Operating Income	950	868	733	737
Growth (%)	63.7%	-8.7%	-15.5%	0.6%
Provisions&Write-downs	-225	-191	-194	-176
Extraordinary Items	0	0	0	0
Pre-tax profit	660	629	512	536
Tax	-199	-200	-162	-170
Tax rate(%)	30.2%	31.9%	31.7%	31.8%
Minorities and others	0	0	0	0
Net profit	461	428	350	366
Growth (%)	83.5%	-7.1%	-18.3%	4.6%
Adjusted net profit	461	428	350	366
Growth (%)	83.4%	-7.1%	-18.3%	4.6%

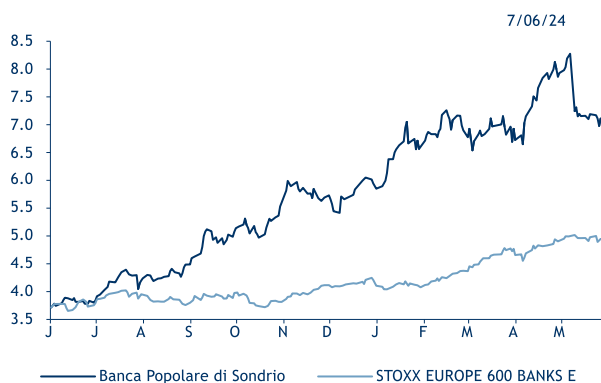
Multiples	2023	2024E	2025E	2026E
P/E	6.9	7.4	9.1	8.7
P/E Adj.	7.0	7.5	9.2	8.8
P/Net Op.Income	3.4	3.7	4.4	4.4
P/Revenues	2.0	2.1	2.2	2.1
P/TBV	0.8	0.8	0.8	0.8
P/Total Deposits (%)	3.5%	3.4%	3.4%	3.3%
Yield (%)	7.9%	7.3%	6.1%	6.4%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	1.03	0.95	0.78	0.81
EPS growth (%)	83.5%	-7.1%	-18.3%	4.6%
EPS Adj.	1.02	0.94	0.77	0.81
EPS Adj. growth (%)	83.4%	-7.1%	-18.3%	4.6%
TBVPS	8.39	8.72	8.98	9.36
DPS Ord	0.56	0.52	0.43	0.45

Balance Sheet (€ m)	2023	2024E	2025E	2026E
Customer Loans	33,053	32,838	33,018	33,567
Growth(%)	4.1%	-0.6%	0.5%	1.7%
Customer Deposits	90,779	93,462	95,738	97,567
Growth(%)	9.7%	3.0%	2.4%	1.9%
Shareholders' Funds	3,809	3,958	4,074	4,246
Minorities	0	0	0	0
Total Assets	57,722	54,310	53,625	52,577

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	453	453	453	453
EoP N° of Shares (m)	453	453	453	453
Avg. Market Cap. (m)	2,043	3,210	3,210	3,210
NII/Total Income (%)	58.6%	59.7%	57.5%	58.0%
Fees/Total Income (%)	25.2%	27.0%	29.2%	28.8%
Trading/Total Income (%)	7.5%	5.8%	5.4%	5.6%
Cost Income ratio	40.6%	44.4%	50.0%	50.9%
Personnel costs/Total costs	45.2%	45.7%	44.8%	43.7%
Impairment/Average Loans	0.7%	0.6%	0.6%	0.5%
NPLs ratio	1.0%	1.0%	1.3%	1.5%
Provisions/Loans	na	na	na	na
Avg. RoTE Adj. (%)	12.8%	11.0%	8.7%	8.8%
ROA (%)	0.80%	0.76%	0.65%	0.69%
Tier 1 ratio	15.1%	15.5%	15.4%	15.6%
Basel III Core Tier 1 ratio	15.1%	15.5%	15.4%	15.6%

Source: Mediobanca Research



Source: Mediobanca Research

On the side-lines

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Company in a nutshell and SWOT analysis

BFF is the European leader in the non-recourse factoring of receivables towards the Public Administration and NHS sectors, operating the only pan-European platform able to serve national and multinational clients in Italy, Spain, Portugal, Greece, Croatia and France. In Eastern Europe, BFF operates in Poland, where it is the leader in alternative financing of the NHS, as well as in Slovakia and in the Czech Republic. Out of €5.5bn of loans in March 2024, Italy accounts for almost 60%, Iberia 15%, Greece for 4% and Eastern Europe 21%. With the acquisition of DepoBank, BFF entered in security and payment services and opened a new funding channel, now accounting for c.60% of total funding.

SWOT analysis: (1) **Strengths:** High returns and low cost of risk; long-standing relationship with both clients and debtors; unique proprietary database of NHS debtor behavior; (2) **Weaknesses:** uncertainty on capital absorption following Bol compliance finding; lumpy evolution of interest income vs. immediate liability repricing; volatility in revenues from over-collection of LPIs; customer concentration in security services; (3) **Opportunities:** Increase in recovery costs following LPD revision; still low penetration of non-recourse factoring in most markets; (4) **Threats:** Further tightening in capital requirements; structural government intervention to reduce delays in payments on a long-term basis.

Exposure to current Macro & Geopolitics

Thanks to its almost exclusive focus on PA and NHS, BFF is not exposed to the risks of asset quality deterioration while being positively geared to a worsening of public finances. Increasing perception of political risk would have a positive impact on volumes, triggering a stronger demand of factoring services and lower price sensitivity, while worsening public finances are reflected in higher payment times with a positive impact on profitability. Finally, the bank may offset the negative impact of declining interest rates on LPIs with lower cost of funding. After a modest 3% increase in loans in 2023, volume growth accelerated in 1Q 24 to +8.5%, sustained by the positive performance in foreign markets.

Valuation and next triggers

We have a NEUTRAL rating on BFF, with a TP of €11.5. BFF equity story took a sudden negative turn with the disclosure of the Bol compliance findings (notes [link1](#) [link2](#)). In a worst-case scenario, this is due to determine a >50% RWA inflation leading to a c.€200m of potential capital shortfall with respect to the bank's CET1 target of 12%. While BFF has the possibility activate remedies that would allow to cover such capital shortfall and continue to remunerate shareholders (mainly increasing the accrual rate on LPIs and Recovery Costs), we expect the ongoing uncertainty to cap the stock performance in the near future.

Key points to discuss at the MB conference

(1) Timing of settlement of Bol compliance findings; (2) Risks of higher RWA density going forward; (3) Impacts on the business of the recent turbulence; (4) trends on the Italian market (after subdued evolution in 1Q); (4) prospect in security services; (5) long term prospects in core business and possible M&A.

	2023	2024E	2025E	2026E
EPS Adj (€)	0.98	1.09	1.25	1.35
DPS (€)	0.98	1.04	0.94	0.98
TBVPS (€)	2.97	2.82	2.99	3.22
Avg. RoTE Adj (%)	31.4%	37.7%	42.9%	43.6%
P/E Adj (x)	9.3	8.4	7.3	6.7
Div.Yield(%)	10.7%	11.4%	10.3%	10.7%
P/TBV (x)	3.1	3.2	3.0	2.8

Market Data	
Market Cap (€m)	1,706
Shares Out (m)	187
(%)	
Free Float (%)	94%
52 week range (€)	12.86-8.08
Rel Perf vs STOXX EUROPE 600 BANKS E (%)	
-1m	-26.0%
-3m	-29.0%
-12m	-29.4%
21dd Avg. Vol.	873,403
Reuters/Bloomberg	/ BFF IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss Acc(€ m)	2023	2024E	2025E	2026E
Net Interest Income	284	342	380	401
Growth (%)	22.2%	20.3%	11.2%	5.6%
Non-Interest Income	108	85	91	98
Growth (%)	7.4%	-21.7%	7.9%	7.1%
of which Fee Income	75	83	88	94
of which Financial Income	33	2	3	4
Total Income	392	427	471	499
Growth (%)	17.7%	8.7%	10.5%	5.9%
Total Costs	-133	-140	-143	-143
Growth (%)	-2.6%	4.7%	2.6%	-0.3%
of which Personnel Costs	-74	-81	-82	-84
Net Operating Income	259	296	337	365
Growth (%)	22.4%	14.3%	13.9%	8.4%
Provisions&Write-downs	-5	-6	-7	-7
Extraordinary Items	-12	-11	-8	-8
Pre-tax profit	250	287	328	357
Tax	-67	-83	-95	-104
Tax rate(%)	26.7%	29.0%	29.0%	29.0%
Minorities and others	na	na	na	na
Net profit	172	193	225	245
Growth (%)	-26.0%	12.5%	16.4%	9.1%
Adjusted net profit	183	204	233	254
Growth (%)	25.6%	11.4%	14.3%	8.8%

Multiples	2023	2024E	2025E	2026E
P/E	9.9	8.8	7.6	7.0
P/E Adj.	9.3	8.4	7.3	6.7
P/Net Op.Income	6.6	5.8	5.1	4.7
P/Revenues	4.3	4.0	3.6	3.4
P/TBV	3.1	3.2	3.0	2.8
P/Total Deposits (%)	18.7%	18.5%	17.8%	17.9%
Yield (%)	10.7%	11.4%	10.3%	10.7%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	0.92	1.03	1.20	1.31
EPS growth (%)	-26.7%	12.5%	16.4%	9.1%
EPS Adj.	0.98	1.09	1.25	1.35
EPS Adj. growth (%)	24.5%	11.4%	14.3%	8.8%
TBVPS	2.97	2.82	2.99	3.22
DPS Ord	0.98	1.04	0.94	0.98

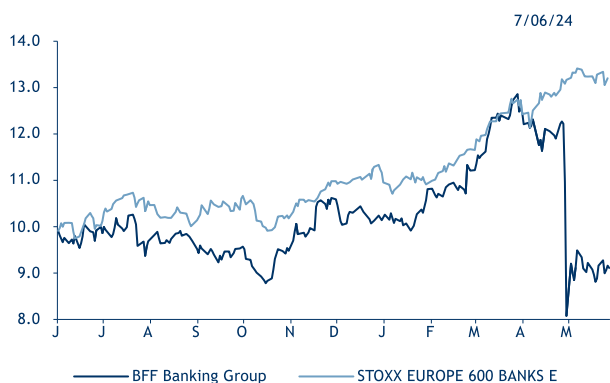
Balance Sheet (€ m)	2023	2024E	2025E	2026E
Customer Loans	5,617	6,284	6,796	7,496
Growth(%)	3.2%	11.9%	8.1%	10.3%
Customer Deposits	9,125	9,214	9,596	9,528
Growth(%)	26.8%	1.0%	4.1%	-0.7%
Shareholders' Funds	759	797	810	862
Minorities	0	0	0	0
Total Assets	12,292	12,670	13,112	13,767

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	187	187	187	187
EoP N° of Shares (m)	187	187	187	187
Avg. Market Cap. (m)	1,764	1,706	1,706	1,706
NII/Total Income (%)	72.4%	80.2%	80.6%	80.4%
Fees/Total Income (%)	19.2%	19.4%	18.7%	18.8%
Trading/Total Income (%)	8.4%	0.5%	0.6%	0.8%

Cost Income ratio	34.0%	32.8%	30.4%	28.6%
Personnel costs/Total costs	55.4%	57.6%	57.3%	58.6%
Impairment/Average Loans	0.1%	0.2%	nm	nm
NPLs ratio	na	na	na	na
Provisions/Loans	0.0%	nm	nm	nm

Avg. RoTE Adj. (%)	31.4%	37.7%	42.9%	43.6%
ROA (%)	1.43%	1.63%	1.81%	1.89%
Tier 1 ratio	14.2%	12.0%	12.0%	12.0%
Basel III Core Tier 1 ratio	14.2%	12.0%	12.0%	12.0%

Source: Mediobanca Research



Source: Mediobanca Research

Eyes on the new business plan and M&A

Company in a Nutshell and SWOT analysis

BPE is a retail and commercial bank, originally with a strong presence in Emilia Romagna, in Sardegna and in the South of Italy. With the integration of c450 UBI branches and Banca Carige, the bank has increased its national market share in terms of branches to 9% and its presence in the Northern regions of Lombardia, Piemonte and Liguria. The composition of the loan book is split among non-financial corporations (accounting for 44% of total loans), households (47%) and financial businesses (9%). BPE's main shareholders are Unipol Group (19.9%), Fondazione di Sardegna (10.2%) and Norges Bank (5.2%).

SWOT Analysis: (1) **"Strengths"**: excellent asset quality (best in class for coverage on NPEs), more and more focus on Italy's wealthiest geographies, positively impacted by the high-interest rate environment, strong capital adequacy; (2) **"Weaknesses"**: governance, track record on cost control; (3) **"Opportunities"**: M&A, upside risk to dividend policy, savings from cost measures, synthetic securitisations; (4) **"Threats"**: M&A, NII pressure from rate cuts, exposure to macro deterioration in Eurozone and in Italy, and increase in deposit beta.

Exposure to current Macro & Geopolitics

BPE has benefited from the monetary policy tightening implemented by the ECB, while it has a CRE exposure among the smaller in Europe. However, the high rate environment has started to impair the demand for corporate and home loans in Italy and in general across Europe. Additionally, higher interest rates have not yet impaired asset quality, but risks could be tilted toward the upside, should rates remain high for a prolonged period of time. Finally, we believe the current BTP-BUND spread is already hovering around the bottom of range toughed thus far.

Valuation & Next Triggers

We see BPE trading on 0.75x P/TE, c7x P/E (adj for excess k) for 9.4% RoTE in 2026, of which 70bp underpinned by tax credit due to disappear in 2028. We see CET1 at 15.4% post Basel IV with 55% payout; yet we see upside to capital return likely to involve a higher payout but hardly large SBBs, given its historic growth-oriented strategy. BPE will announce a new business plan for 2024-27 in October, in which the bank will assess the possibility of accepting 600 requests from employees to early retire. On M&A, we see BPE solely as an acquirer, where BMPS and BPSO could be potential targets. We have a Neutral trading on BPE, recently upgraded from Underperform.

Key Points to Discuss at MB Conference

Points of discussion for BPE are: (1) View on macro scenario and its corollary for Italy; (2) Strategy on deposits and deposit beta evolution; (3) Sustainable NII level, amid rate cuts; (4) Conditions under which it would be possible to increase the payout ratio beyond 50%; (5) Loan growth evolution; (6) M&A strategy; (7) Possible intention to optimise RWAs (8) impacts from tax credits given the recent decree; (9) impact coming from retirement program; (10) DTA absorption through time and (11) Strategy on digital investments.

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Equity Research: Main valuation indicators

	2023	2024E	2025E	2026E
EPS Adj (€)	0.96	0.84	0.70	0.65
DPS (€)	0.30	0.48	0.40	0.37
TBVPS (€)	6.05	6.67	6.85	7.09
Avg. RoTE Adj (%)	17.2%	13.2%	10.3%	9.3%
P/E Adj (x)	5.1	5.8	7.0	7.6
Div.Yield(%)	6.1%	9.8%	8.1%	7.4%
P/TBV (x)	0.8	0.7	0.7	0.7

Source: Mediobanca Research

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Mediobanca AT1 absolute view and key risks			
AT1	Extension	MDA Buffer	Supply
	Low	High	Low

Mediobanca Credit View on European Banks: [here](#)

Market Data

Market Cap (€m)	6,955
Shares Out (m)	1,414
Reuters/Bloomberg	BPE.MI / BPE IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss Acc(€ m)	2023	2024E	2025E	2026E
Net Interest Income	3,252	3,217	2,909	2,789
Growth (%)	78.1%	-1.1%	-9.6%	-4.1%
Non-Interest Income	2,242	2,112	2,152	2,194
Growth (%)	-7.8%	-5.8%	1.9%	2.0%
of which Fee Income	2,010	2,025	2,054	2,081
of which Financial Income	100	47	44	59
Total Income	5,494	5,329	5,061	4,983
Growth (%)	29.0%	-3.0%	-5.0%	-1.5%
Total Costs	-3,077	-2,855	-2,881	-2,913
Growth (%)	10.4%	-7.2%	0.9%	1.1%
of which Personnel Costs	-1,981	-1,727	-1,727	-1,739
Net Operating Income	2,417	2,474	2,179	2,070
Growth (%)	64.3%	2.4%	-11.9%	-5.0%
Provisions&Write-downs	-433	-442	-524	-534
Extraordinary Items	0	0	0	0
Pre-tax profit	1,725	1,991	1,563	1,460
Tax	-173	-585	-501	-467
Tax rate(%)	10.0%	29.4%	32.0%	32.0%
Minorities and others	-32	-37	-37	-37
Net profit	1,519	1,370	1,026	957
Growth (%)	4.9%	-9.9%	-25.1%	-6.7%
Adjusted net profit	1,361	1,191	988	919
Growth (%)	304.3%	-12.5%	-17.0%	-7.0%

Multiples	2023	2024E	2025E	2026E
P/E	4.6	5.1	6.8	7.3
P/E Adj.	5.1	5.8	7.0	7.6
P/Net Op.Income	2.9	2.8	3.2	3.4
P/Revenues	1.3	1.3	1.4	1.4
P/TBV	0.8	0.7	0.7	0.7
P/Total Deposits (%)	2.4%	2.3%	2.3%	2.2%
Yield (%)	6.1%	9.8%	8.1%	7.4%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	1.07	0.97	0.72	0.68
EPS growth (%)	4.8%	-9.9%	-25.1%	-6.7%
EPS Adj.	0.96	0.84	0.70	0.65
EPS Adj. growth (%)	304.0%	-12.5%	-17.0%	-7.0%
TBVPS	6.05	6.67	6.85	7.09
DPS Ord	0.30	0.48	0.40	0.37

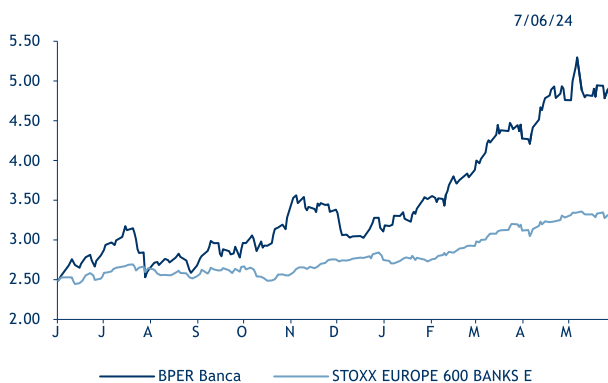
Balance Sheet (€ m)	2023	2024E	2025E	2026E
Customer Loans	88,224	86,864	87,338	88,788
Growth(%)	-3.2%	-1.5%	0.5%	1.7%
Customer Deposits	288,257	304,995	308,718	312,666
Growth(%)	4.0%	5.8%	1.2%	1.3%
Shareholders' Funds	9,216	10,096	10,406	10,760
Minorities	199	199	191	184
Total Assets	142,128	135,497	134,469	135,867

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	1,416	1,416	1,416	1,416
EoP N° of Shares (m)	1,416	1,416	1,416	1,416
Avg. Market Cap. (m)	3,889	6,963	6,963	6,963
NII/Total Income (%)	59.2%	60.4%	57.5%	56.0%
Fees/Total Income (%)	36.6%	38.0%	40.6%	41.8%
Trading/Total Income (%)	1.8%	0.9%	0.9%	1.2%

Cost Income ratio	56.0%	53.6%	56.9%	58.5%
Personnel costs/Total costs	64.4%	60.5%	59.9%	59.7%
Impairment/Average Loans	0.4%	0.5%	0.6%	0.6%
NPLs ratio	0.7%	0.8%	1.1%	1.4%
Provisions/Loans	1.5%	0.0%	0.0%	0.0%

Avg. RoTE Adj. (%)	17.2%	13.2%	10.3%	9.3%
ROA (%)	0.92%	0.86%	0.73%	0.68%
Tier 1 ratio	14.7%	16.7%	16.6%	17.0%
Basel III Core Tier 1 ratio	14.5%	15.5%	15.4%	15.9%

Source: Mediobanca Research



Source: Mediobanca Research

Sticky Pricing amid weak Volumes

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Company in a nutshell & SWOT Analysis

Buzzi is a cement and ready-mix concrete producer. It operates directly and through its subsidiaries in Europe (Italy, Germany, the Benelux, Ukraine, Poland, Russia, Czech Republic) and the Americas (the US, Mexico and Brasil). The US accounts for c50% of group recurring EBITDA, with a balanced contribution from Central and Eastern Europe. Italy reported c21% EBITDA margin in FY23. The company has 44 production plants (including Mexico and Brazil).

SWOT Analysis: (1) **“Strengths”**: efficient production footprint, solid balance sheet and balanced exposure between US and Europe; (2) **“Weaknesses”**: negative impact of phase 4 EU ETS implementation, high interest rates affecting cement demand for residential and exposure to Russia; (3) **“Opportunities”**: M&A outside Europe, incremental infra spending in Europe and the US. Gradual capex allocation to low-carbon technologies; (4) **“Threats”**: reduction of allocated free allowances and CBAM functioning, incremental opex related to CCS technology.

Exposure to current Macro & Geopolitics

The Ukrainian conflict has had a direct impact on Buzzi considering its exposure to Russia and Ukraine accounting a combined 8% of 2023 group EBITDA. The company has kept operating in Ukraine, while in 2022 took the decision to cease any operational involvement in the activities carried out by the subsidiary SLK Cement in Russia. The material increases in energy and fuel prices experienced in 2022, led all cement manufactures to apply several price increases to protect their profitability. In 2023 and the first part of 2024, the company reported a positive price trend despite a negative trend in volumes across all the main regions. The implementation of infrastructural plans in the US and Europe remains key to moderate the decline of residential and non-residential segments.

Valuation & Next Triggers

The possibility for the group to experience a solid demand from infrastructure spending in EU (driven by NRRPs) and in the US remains a valid support for the cement volume outlook in the medium term. Based on the current regulation, the CBAM will be phased in from 2026 until 2034 at the same speed as the free allowances in the EU ETS are being phased out. On this front, Buzzi unveiled in 2022 its CO2 Roadmap targeting a 20% reduction of CO2 emissions (vs. 2021 level) by 2030 and carbon neutrality by 2050. In a context of higher interest rates and a stringent regulation, we believe current multiples do not fairly reflect an industry pricing power which proved to be strong so far and the healthy balance sheet granting a wide optionality (eg, recent announcement to take control of Brazilian JV). Outperform rating with a TP of €41.7.

Key points to discuss at the MB Conference

Points of discussion for Buzzi are, in our view: (1) Actions on capex/opex/price to partly temper the higher production costs deriving from the phase 4 (2021-2030) of the EU ETS; (2) Updated status of CCU/S technologies in semi-commercial and pilot phase; (3) YTD volume and price trends in the major markets, with a focus also on cost inflation trend; (4) M&A strategy in a CO2 regulated environment; (5) Strategic view on the Russian assets and 6) Growth potential of the Brazilian cement market.

	2023	2024E	2025E	2026E
EPS Adj (€)	4.72	4.34	4.01	3.77
DPS (€)	0.60	0.60	0.60	0.60
BVPS (€)	29.21	32.95	36.36	39.53
EV/Ebitda(x)	2.0	4.0	3.7	3.4
P/E adj (x)	5.1	8.8	9.6	10.2
Div.Yield(%)	2.5%	1.6%	1.6%	1.6%
OpFCF Yield(%)	29.2%	12.9%	14.5%	14.8%

Market Data

Market Cap (€m)	7,393
Shares Out (m)	193
Buzzi Family (%)	52%
Free Float (%)	48%
52 week range (€)	39.98-21.88
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	8.2%
-3m	14.5%
-12m	35.5%
21dd Avg. Vol.	321,163
Reuters/Bloomberg	BZU.MI / BZU IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Turnover	4,317	4,234	4,238	4,196
Turnover growth %	8.1%	-1.9%	0.1%	-1.0%
EBITDA	1,243	1,170	1,130	1,110
EBITDA margin (%)	28.8%	27.6%	26.7%	26.5%
EBITDA growth (%)	40.7%	-5.9%	-3.4%	-1.8%
Depreciation & Amortization	-258	-266	-285	-306
EBIT	985	904	845	804
EBIT margin (%)	22.8%	21.3%	19.9%	19.2%
EBIT growth (%)	99.1%	-8.2%	-6.5%	-4.9%
Net Fin.Income (charges)	-5	5	10	15
Non-Operating Items	161	150	130	125
Extraordinary Items	0	0	0	0
Pre-tax Profit	1,141	1,059	985	944
Tax	-174	-222	-212	-217
Tax rate (%)	15.3%	21.0%	21.5%	23.0%
Minorities	-0	-0	-0	-0
Net Profit	966	836	773	727
Net Profit growth (%)	nm	-13.5%	-7.6%	-6.0%
Adjusted Net Profit	910	836	773	727
Adj. Net Profit growth (%)	54.7%	-8.1%	-7.6%	-6.0%

Multiples	2023	2024E	2025E	2026E
P/E Adj.	5.1	8.8	9.6	10.2
P/CEPS	3.8	6.9	7.1	7.3
P/BV	0.8	1.2	1.1	1.0
EV/ Sales	0.6	1.1	1.0	0.9
EV/EBITDA	2.0	4.0	3.7	3.4
EV/EBIT	2.5	5.2	5.0	4.7
EV/Cap. Employed	0.4	0.8	0.7	0.6
Yield (%)	2.5%	1.6%	1.6%	1.6%
OpFCF Yield(%)	29.2%	12.9%	14.5%	14.8%
FCF Yield (%)	12.5%	6.5%	6.9%	6.2%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	5.02	4.34	4.01	3.77
EPS growth (%)	nm	-13.5%	-7.6%	-6.0%
EPS Adj.	4.72	4.34	4.01	3.77
EPS Adj. growth (%)	54.7%	-8.1%	-7.6%	-6.0%
CEPS	6.23	5.60	5.37	5.24
BVPS	29.21	32.95	36.36	39.53
DPS Ord	0.60	0.60	0.60	0.60

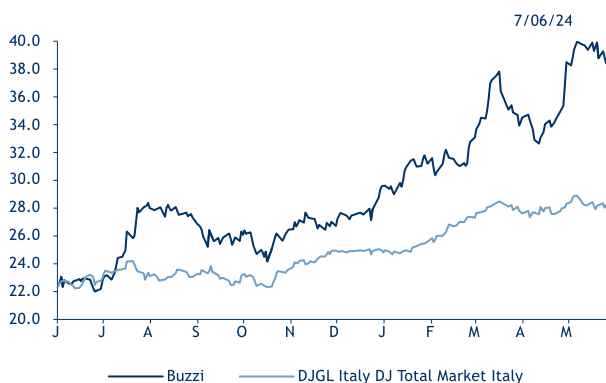
Balance Sheet (€ m)	2023	2024E	2025E	2026E
Working Capital	1,059	1,129	1,110	1,099
Net Fixed Assets	4,537	4,695	4,874	5,052
Total Capital Employed	5,596	5,824	5,984	6,151
Shareholders' Funds	5,626	6,347	7,004	7,615
Minorities	6	6	6	6
Provisions	762	764	773	768
Net Debt (-) Cash (+)	798	1,293	1,800	2,239

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	193	193	193	193
EO P N° of Shares (m)	193	193	193	193
Avg. Market Cap. (m)	4,608	7,393	7,393	7,393
Enterprise Value (m)	2,440	4,728	4,222	3,782
Adjustments (m)	-1,371	-1,371	-1,371	-1,372
Labour Costs/Turnover	14%	15%	15%	15%
Depr.&Amort./Turnover	6%	6%	7%	7%
Turnover / Op.Costs	1.4	1.4	1.4	1.4

Cash Flow (€ m)	2023	2024E	2025E	2026E
Cash Earnings	1,201	1,078	1,034	1,009
Working Capital Needs	-177	-70	19	11
Capex (-)	-311	-400	-440	-460
Financial Investments (-)	0	0	0	0
Dividends (-)	-87	-116	-116	-116
Other Sources / Uses	-116	2	9	-5
Ch. in Net Debt (-) Cash (+)	510	496	506	439

Gearing (Debt / Equity)	-14%	-20%	-26%	-29%
EBITDA / Fin. Charges	-230.3	>10	>10	>10
Net Debt / EBITDA	-0.6	-1.1	-1.6	-2.0
Cap.Employed/Turnover	130%	138%	141%	147%
Capex / Turnover	7%	9%	10%	11%
Pay out	12%	13%	15%	15%
ROE	17%	13%	11%	10%
ROCE (pre tax)	18%	16%	14%	13%
ROCE (after tax)	15%	12%	11%	10%

Source: Mediobanca Research



Source: Mediobanca Research

12 June 2024

Industrials

Update

Price: € 17.30

Target price: € 22.60

Neutral

Organic Growth burdened by EU Heat Pumps

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Company in a nutshell & SWOT Analysis

CAREL is a leading Italian company specialised in the design and manufacture of innovative control solutions for the HVAC/R industry. The group operates globally into two main markets, HVAC (73% of sales) and Refrigeration (27% of sales), leveraging on fifteen production facilities across the Americas, Europe and China. The company is expected to reach c€650m sales in FY24E (MBe). Around 70% of group revenues comes from Europe, while North America and APAC account for 15% and 14% respectively. The company currently employs around 2,600 people and has OEMs as main client category.

SWOT Analysis: (1) **“Strengths”**: Leading positioning in niche markets, longstanding relationships with OEMs, Local-for-Local strategy; exposure to high-growth applications (eg, Data Center); (2) **“Weaknesses”**: Temporary slowdown in Refrigeration business and Commercial HVAC, steep decline in High Efficiency Heat Pumps and low contribution from service revenues; (3) **“Opportunities”**: Further diversification by region/end-market, IoT/AI & digitalization, synergies from Kiona integration; (4) **“Threats”**: In-sourcing made by OEMs of some products made by CAREL.

Exposure to current Macro & Geopolitics

In terms of medium-term growth outlook, the REPowerEU plan and the transition to low GWP refrigerants (gaining traction also outside Europe) still represent two important drivers leading to an incremental focus on more energy efficient solutions. Having said that, the short-term outlook reflects a European HVAC/REF market burdened by the high interest rates' environment with North America being in a stronger shape in both REF and HVAC segments.

Valuation & Next Triggers

In terms of 2Q24 outlook, Carel expects revenues close to those of the first quarter of this year. As far as the remainder of the year is concerned, expectations are for a gradual growth, mainly in EMEA, linked to: 1) the recovery of the capex cycle in the Refrigeration sector (the first slight signs of which are already present), and 2) the disposal of accumulated inventories in the heat pump sector. 2024 is set to be a transitional year for the group burdened by the heat pumps' decline and a very gradual sequential recovery for REF and Commercial HVAC. However, CAREL's growth drivers (e.g., energy efficiency, sustainable refrigeration) are, in our view, still alive and able to grant a solid medium-term business visibility. Our TP, based on a WACC of 6.7%, applied to DCF and EVA and multiples of the peer Belimo, points at €22.6/sh. The stock trades at c.17x 2024E EV/EBITDA and c.27x 2024E PE. The weak short-term earnings momentum and the uncertain extent/timing of the sequential organic recovery are the main reasons behind our Neutral rating. Larger size M&A deal remains a potential catalyst of the story.

Key points to discuss at the MB Conference

Points to discuss for CAREL are, in our view: (1) Possible deceleration of long-term growth trends in HVAC prospects; (2) Update on Kiona Integration; (3) M&A strategy by end market/region with a focus on the US; (4) Pricing strategy vs. cost deflation; (5) Short-term order intake trend by sector/region; (6) Medium-term prospects for Heat Pump market; and (7) R&D pipeline.

	2023	2024E	2025E	2026E
EPS Adj (€)	0.71	0.65	0.77	0.88
DPS (€)	0.19	0.21	0.24	0.27
BVPS (€)	4.63	4.59	5.08	5.66
EV/Ebitda(x)	20.8	16.6	14.0	12.2
P/E adj (x)	33.5	26.6	22.4	19.7
Div.Yield(%)	0.8%	1.2%	1.4%	1.6%
OpFCF Yield(%)	9.9%	0.9%	2.6%	4.2%

Market Data

Market Cap (€m)	1,946
Shares Out (m)	112
Luigi Rossi Luciani S.a.p.a. (%)	34%
Free Float (%)	47%
52 week range (€)	27.33-17.06
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	-11.1%
-3m	-16.9%
-12m	-50.5%
21dd Avg. Vol.	71,485
Reuters/Bloomberg	CRLI.MI / CRL IM

Source: Mediobanca Research

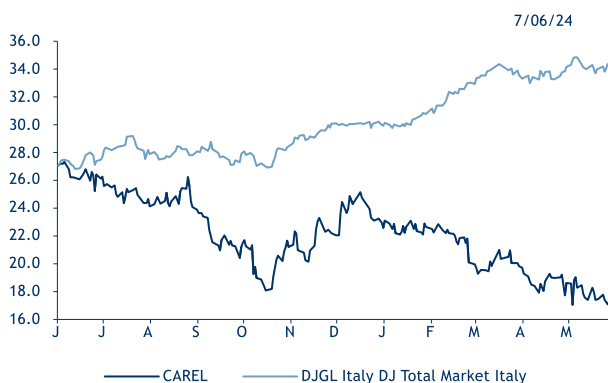
Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E	Multiples	2023	2024E	2025E	2026E
Turnover	650	652	725	794	P/E Adj.	33.5	26.6	22.4	19.7
Turnover growth %	19.3%	0.2%	11.3%	9.5%	P/CEPS	26.4	19.4	17.1	15.3
EBITDA	137	126	148	164	P/BV	5.1	3.8	3.4	3.1
EBITDA margin (%)	21.1%	19.3%	20.4%	20.7%	EV/ Sales	4.4	3.2	2.8	2.5
EBITDA growth (%)	22.8%	-8.2%	17.3%	11.2%	EV/EBITDA	20.8	16.6	14.0	12.2
Depreciation & Amortization	-33	-39	-40	-39	EV/EBIT	27.3	24.0	19.1	16.0
EBIT	104	87	108	125	EV/Cap. Employed	4.9	3.6	3.4	3.2
EBIT margin (%)	16.1%	13.4%	14.9%	15.8%	Yield (%)	0.8%	1.2%	1.4%	1.6%
EBIT growth (%)	19.6%	-16.6%	23.9%	16.2%	OpFCF Yield(%)	9.9%	0.9%	2.6%	4.2%
Net Fin.Income (charges)	-11	-1	-5	-2	FCF Yield (%)	3.5%	1.3%	3.0%	4.7%
Non-Operating Items	0	0	0	0					
Extraordinary Items	0	0	0	0					
Pre-tax Profit	93	86	103	123	Per Share Data (€)	2023	2024E	2025E	2026E
Tax	-19	-18	-23	-29	EPS	0.63	0.59	0.69	0.82
Tax rate (%)	20.1%	21.0%	22.0%	23.5%	EPS growth (%)	1.5%	-6.4%	17.7%	17.7%
Minorities	-4	-2	-2	-2	EPS Adj.	0.71	0.65	0.77	0.88
Net Profit	71	66	78	92	EPS Adj. growth (%)	7.3%	-7.8%	18.5%	13.7%
Net Profit growth (%)	14.2%	-6.4%	17.7%	17.7%	CEPS	0.90	0.89	1.01	1.13
Adjusted Net Profit	79	73	87	99	BVPS	4.63	4.59	5.08	5.66
Adj. Net Profit growth (%)	20.7%	-7.8%	18.5%	13.7%	DPS Ord	0.19	0.21	0.24	0.27

Balance Sheet (€ m)	2023	2024E	2025E	2026E	Key Figures & Ratios	2023	2024E	2025E	2026E
Working Capital	75	82	108	115	Avg. N° of Shares (m)	112	112	112	112
Net Fixed Assets	127	133	146	158	EoP N° of Shares (m)	112	112	112	112
Total Capital Employed	585	586	613	623	Avg. Market Cap. (m)	2,664	1,946	1,946	1,946
Shareholders' Funds	521	517	571	636	Enterprise Value (m)	2,853	2,089	2,061	2,004
Minorities	20	21	22	23	Adjustments (m)	152	103	104	105
Provisions	8	8	9	10	Labour Costs/Turnover				
Net Debt (-) Cash (+)	-36	-40	-11	47	Depr.&Amort./Turnover	5%	6%	5%	5%
					Turnover / Op.Costs	1.3	1.2	1.3	1.3

Cash Flow (€ m)	2023	2024E	2025E	2026E	Gearing (Debt / Equity)	7%	7%	2%	-7%
Cash Earnings	101	100	114	127	EBITDA / Fin. Charges	-12.3	-148.9	-27.9	-68.4
Working Capital Needs	15	-7	-26	-7	Net Debt / EBITDA	0.3	0.3	0.1	-0.3
Capex (-)	-27	-75	-35	-35	Cap. Employed / Turnover	90%	90%	85%	78%
Financial Investments (-)	-184	0	0	0	Capex / Turnover	4%	12%	5%	4%
Dividends (-)	-18	-21	-24	-27	Pay out	30%	36%	35%	33%
Other Sources / Uses	174	-1	-1	-1	ROE	14%	13%	14%	14%
Ch. in Net Debt (-) Cash (+)	60	-4	29	57	ROCE (pre tax)	18%	15%	18%	20%
					ROCE (after tax)	14%	12%	14%	15%

Source: Mediobanca Research



Source: Mediobanca Research

A New Chapter relying on solid pillars

Company in a nutshell and SWOT analysis

Cellnex is the leading tower company in Europe, managing a portfolio of c.113k sites across Spain, Italy, France and other countries. By 2030, it will handle around 138k sites, according to the current forecasted rollouts. Cellnex serves c.250m citizens throughout the continent with telephone, data, radio and TV services, employing 2.8k people. **SWOT Analysis:** (1) **“Strength”**: visibility on financials, strong profitability and FCF generation, wide geographical footprint, long-sighted shareholders, talented management. (2) **“Weaknesses”**: sensitivity to interest rates, capex intensity. (3) **“Opportunities”**: digital transition, 5G and related technologies, new organic opportunities. (4) **“Threats”**: inorganic growth could become more expensive.

Exposure to the current macro & geopolitics

Due to its highly leveraged capital structure, Cellnex had to cope with the high interest rates environment of the last months. The management is on a good starting point in addressing the issue: we note that in March, the company was upgraded by S&P to investment grade, setting the medium-long term new target leverage between 5 and 6x Net Debt / EBITDA to be achieved by 2025 or 2026 latest. In a further effort to simplify business structure and reduce the debt burden, Cellnex is also being active on disposals. On March 5, it has announced the sale of its Irish operations for €971m (24x EV / EBITDAaL). Additionally, the company is assessing offers for the Austrian subsidiary and consolidation options in Poland.

Valuation and next triggers

A very good set of numbers was released by Cellnex in 1Q24. This, together with the confirmation of short and medium-term guidance, will increase investors' confidence on the equity story, paving the way for nice surprises on shareholders' remuneration. We may remind the management has recently committed to make available more than €10bn cash resources by 2030, setting €3bn as the minimum amount of dividends to be distributed starting in 2026 at the latest. The remaining >€7bn are devoted to buybacks, extraordinary dividends and industrial business opportunities. Disposals are expected to speed up potential SBB and/or industrial growth. We reiterate our Outperform rating on Cellnex, with €55/share TP. CLNX is one of our top picks for 2024: it offers the highest upside to fundamentals among EU Tower Co names listed and trades at significant discount vs US peers. We see both Cellnex & INWIT as potential take-over candidates.

Key points to discuss at MB conference

In our view, the key topics to be discussed with the management are: i) updates on non-binding offers for Austria, ii) evolution of Polish operations and options to consolidate, iii) status on efficiencies implementation iv) update on the initiative on lease costs, v) updates on shareholders remuneration, vi) the effects from TLC sector consolidation, vii) option to enter adjacent businesses.

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	2023	2024E	2025E	2026E
EPS Adj (€)	-0.42	-0.26	0.13	0.42
DPS (€)	0.07	0.08	0.08	0.70
BVPS (€)	19.73	19.40	19.44	19.78
EV/Ebitda(x)	14.6	13.5	12.4	11.5
P/E adj (x)	nm	nm	nm	80.0
Div.Yield(%)	0.2%	0.2%	0.2%	2.1%
OpFCF Yield(%)	4.6%	5.1%	5.8%	6.4%

Market Data

Market Cap (€m)	23,753
Shares Out (m)	706
Edizione (%)	9%
Free Float (%)	91%
52 week range (€)	38.40-26.26
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	1.1%
-3m	-6.0%
-12m	-30.9%
21dd Avg. Vol.	1,373,484
Reuters/Bloomberg	E:CLNX / CLNX SM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Turnover	4,053	4,250	4,450	4,690
Turnover growth %	15.9%	4.9%	4.7%	5.4%
EBITDA	3,009	3,194	3,442	3,655
EBITDA margin (%)	74.2%	75.2%	77.3%	77.9%
EBITDA growth (%)	14.4%	6.2%	7.8%	6.2%
Depreciation & Amortization	-2,553	-2,603	-2,603	-2,573
EBIT	374	572	820	1,063
EBIT margin (%)	9.2%	13.4%	18.4%	22.7%
EBIT growth (%)	62.5%	52.7%	43.4%	29.6%
Net Fin.Income (charges)	-808	-824	-725	-707
Non-Operating Items	-3	0	0	0
Extraordinary Items	0	0	0	0
Pre-tax Profit	-436	-253	94	356
Tax	121	51	-19	-71
Tax rate (%)	27.6%	20.0%	20.0%	20.0%
Minorities	19	17	15	13
Net Profit	-297	-186	90	297
Net Profit growth (%)	0.0%	37.5%	nm	nm
Adjusted Net Profit	-297	-186	90	297
Adj. Net Profit growth (%)	0.0%	37.5%	nm	nm

Multiples	2023	2024E	2025E	2026E
P/E Adj.	nm	nm	nm	80.0
P/CEPS	nm	nm	nm	nm
P/BV	1.7	1.7	1.7	1.7
EV/ Sales	10.8	10.1	9.6	9.0
EV/EBITDA	14.6	13.5	12.4	11.5
EV/EBIT	nm	75.4	52.0	39.7
EV/Cap. Employed	1.2	1.3	1.3	1.3
Yield (%)	0.2%	0.2%	0.2%	2.1%
OpFCF Yield(%)	4.6%	5.1%	5.8%	6.4%
FCF Yield (%)	-0.5%	4.0%	1.6%	4.2%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	-0.42	-0.26	0.13	0.42
EPS growth (%)	0.0%	37.5%	nm	nm
EPS Adj.	-0.42	-0.26	0.13	0.42
EPS Adj. growth (%)	0.0%	37.5%	nm	nm
CEPS	-4.01	-3.92	-3.54	-3.20
BVPS	19.73	19.40	19.44	19.78
DPS Ord	0.07	0.08	0.08	0.70

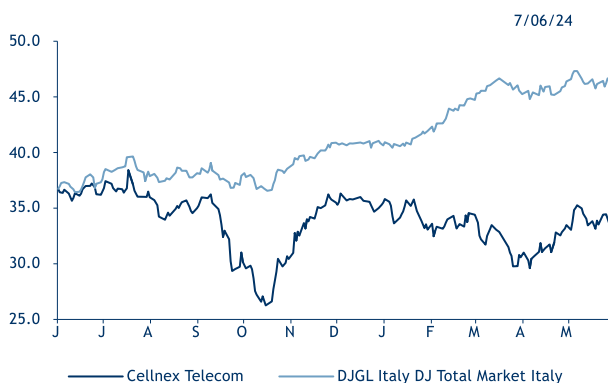
Balance Sheet (€ m)	2023	2024E	2025E	2026E
Working Capital	-4,365	-4,303	-4,312	-4,636
Net Fixed Assets	40,623	39,955	40,201	40,354
Total Capital Employed	35,249	34,232	33,768	33,598
Shareholders' Funds	13,937	13,700	13,734	13,969
Minorities	1,210	1,193	1,179	1,166
Provisions	0	0	0	0
Net Debt (-) Cash (+)	-20,102	-19,338	-18,855	-18,463

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	706	706	706	706
EoP N° of Shares (m)	706	706	706	706
Avg. Market Cap. (m)	23,753	23,753	23,753	23,753
Enterprise Value (m)	43,855	43,092	42,608	42,216
Adjustments (m)	0	0	0	0
Labour Costs/Turnover	7%	2%	2%	2%
Depr.&Amort./Turnover	63%	61%	58%	55%
Turnover / Op.Costs	3.9	4.0	4.4	4.5

Cash Flow (€ m)	2023	2024E	2025E	2026E
Cash Earnings	-2,831	-2,772	-2,498	-2,263
Working Capital Needs	-201	-63	10	323
Capex (-)	-2,230	-1,415	-2,328	-2,212
Financial Investments (-)	0	0	0	0
Dividends (-)	-49	-54	-59	-494
Other Sources / Uses	3,766	2,639	2,864	2,600
Ch. in Net Debt (-) Cash (+)	-1,546	-1,663	-2,011	-2,045

Gearing (Debt / Equity)	133%	130%	126%	122%
EBITDA / Fin. Charges	-3.7	-3.9	-4.7	-5.2
Net Debt / EBITDA	6.7	6.1	5.5	5.1
Cap. Employed / Turnover	870%	805%	759%	716%
Capex / Turnover	55%	33%	52%	47%
Pay out	nm	nm	66%	166%
ROE	nm	nm	1%	2%
ROCE (pre tax)	1%	2%	2%	3%
ROCE (after tax)	1%	1%	2%	3%

Source: Mediobanca Research



Source: Mediobanca Research

Destocking in the AG. under the spotlight

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Company in a Nutshell & SWOT Analysis

CNHI is an equipment supplier, operating in the Agriculture (82% of Industrial Sales) and Construction (18% of Industrial sales). EMEA and NAFTA are the main geographical markets, representing respectively 30% and 42% of Group sales. The Agriculture (AG) business is a kind of oligopoly, where CNHI is one of the 4 main players, along with Deere, Agco and Kubota, providing a wide range of products such as combines, small to large tractors and precision farming equipment. CNHI's main competitive advantages in the AG business are 1) global presence which enables Co. to achieve a material scale, 2) wide-spread distribution/service network, a key strength for farmers and 3) leading technological solutions. In the AG segment, Company is accelerating the penetration in the precision farming business, which has higher than average Group margins. Moreover, at margin level CNHI should also benefit from some synergies and cross selling coming from the merger with Raven, on top of a restructuring activity that has been announced at the end of 2023.

Exposure to current Macro & Geopolitics

CNHI is exposed to both the Agriculture (AG) and Construction (CE) markets with a distribution spread at global level. In the AG business macro conditions are pretty negative across the board, mainly reflecting the low soft commodity prices. All the main reference players are guiding a double-digit drop in terms of volumes (-10%/-20%) in EU, NAFTA and Lat.Am., while Asia should decline by mid-single digit. Prices in the segment should be stable or slightly increasing. The picture is slightly better in the CE sector where the main market players provided a cautious outlook on volumes, although not across the board. Indeed, construction equipment are predicted to decrease by c.-10%/-15% in EMEA, -5%/0% in NAFTA and are predicted to have a positive trend in Lat.Am..

Valuation & Next Triggers

CNHI is trading at 6.7x-6.6x 24E-25E PE based on Consensus est., below Deere's 14.6x-14.7x and Agco 8.3x-8.4x. The stock is down 17% YTD, vs Deere -8% and Agco -14%. All the AG sector is impacted by the negative volume expectations for the reference market in the short term: both smallest tractors and Combines/Large equipment are expected to decline almost across the board, while the trend should be less penalizing in the Construction segment. As of today, the Company outlook is gloomy on FY24 (sales are predicted down 12% in the mid-point) although 2H24 should show an improving trend reflecting 1) easy comparison base, and 2) positive impact from efficiencies/savings.

Key points to discuss at the MB Conference

Investors' focus should be put on the destocking activity put in place in 1H24 that has already triggered an underproduction in 1Q24, affecting Company margins. CNHI is expected to underproduce also in 2Q24E and a slower AG market trend may force the Company to destock also in 3Q24. Also efficiencies and savings from the restructuring should be put under the investors' radar as Company is expected to report \$500m cost reduction this year, of which \$70m reported in 1Q24.

	2023	2024E	2025E	2026E
EPS Adj (\$)	1.76	1.51	1.52	1.62
DPS (\$)	0	0.38	0.40	0.43
BVPS (\$)	6.21	7.63	8.74	9.95
EV/Ebitda(x)	5.9	4.7	4.2	3.6
P/E adj (x)	7.9	6.8	6.8	6.4
Div.Yield(%)	0.0%	3.7%	3.9%	4.2%
OpFCF Yield(%)	-0.1%	-3.2%	1.5%	3.5%

Market Data

Market Cap (\$m)	14,004
Shares Out (m)	1,358
Exor (%)	27%
Free Float (%)	73%
52 week range (\$)	15.69-9.80
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	-14.5%
-3m	-15.7%
-12m	-41.3%
21dd Avg. Vol.	9,532,110
Reuters/Bloomberg	/ CNH US

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (\$ m)	2023	2024E	2025E	2026E
Turnover	24,687	22,438	22,378	22,928
Turnover growth %	4.8%	-9.1%	-0.3%	2.5%
EBITDA	3,107	2,623	2,670	2,811
EBITDA margin (%)	12.6%	11.7%	11.9%	12.3%
EBITDA growth (%)	12.4%	-15.6%	1.8%	5.3%
Depreciation & Amortization	-377	-396	-416	-436
EBIT	2,730	2,227	2,255	2,375
EBIT margin (%)	11.1%	9.9%	10.1%	10.4%
EBIT growth (%)	12.2%	-18.4%	1.3%	5.3%
Net Fin. Income (charges)	-76	-100	-100	-50
Non-Operating Items	0	0	0	0
Extraordinary Items	323	386	486	516
Pre-tax Profit	2,977	2,513	2,641	2,841
Tax	-594	-628	-660	-710
Tax rate (%)	20.0%	25.0%	25.0%	25.0%
Minorities	-12	-13	-13	-14
Net Profit	2,371	1,872	1,967	2,117
Net Profit growth (%)	17.1%	-21.0%	5.1%	7.6%
Adjusted Net Profit	2,313	1,985	2,005	2,132
Adj. Net Profit growth (%)	15.4%	-14.2%	1.0%	6.3%

Multiples	2023	2024E	2025E	2026E
P/E Adj.	7.9	6.8	6.8	6.4
P/CEPS	12.4	25.8	13.7	11.1
P/BV	2.2	1.4	1.2	1.0
EV/ Sales	0.7	0.5	0.5	0.4
EV/EBITDA	5.9	4.7	4.2	3.6
EV/EBIT	6.7	5.5	5.0	4.3
EV/Cap. Employed	2.3	1.5	1.3	1.1
Yield (%)	0.0%	3.7%	3.9%	4.2%
OpFCF Yield(%)	-0.1%	-3.2%	1.5%	3.5%
FCF Yield (%)	4.9%	6.6%	7.4%	8.5%

Per Share Data (\$)	2023	2024E	2025E	2026E
EPS	1.80	1.42	1.49	1.61
EPS growth (%)	19.5%	-21.0%	5.1%	7.6%
EPS Adj.	1.76	1.51	1.52	1.62
EPS Adj. growth (%)	17.8%	-14.2%	1.0%	6.3%
CEPS	2.09	1.72	1.81	1.94
BVPS	6.21	7.63	8.74	9.95
DPS Ord	0	0.38	0.40	0.43

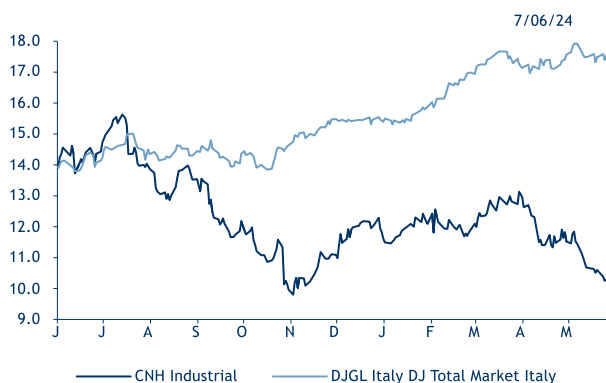
Balance Sheet (\$ m)	2023	2024E	2025E	2026E
Working Capital	2,094	1,839	1,833	1,885
Net Fixed Assets	7,847	6,951	6,036	5,099
Total Capital Employed	7,804	8,408	8,893	9,356
Shareholders' Funds	8,180	10,052	11,514	13,099
Minorities	54	67	80	94
Provisions	-446	-446	-446	-446
Net Debt (-) Cash (+)	-16	1,265	2,255	3,391

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	1,317	1,317	1,317	1,317
EoP N° of Shares (m)	1,317	1,317	1,317	1,317
Avg. Market Cap. (m)	18,175	13,578	13,578	13,578
Enterprise Value (m)	18,191	12,314	11,323	10,187
Adjustments (m)	0	0	0	0
Labour Costs/Turnover	20%	19%	18%	17%
Depr.&Amort./Turnover	2%	2%	2%	2%
Turnover / Op.Costs	1.1	1.1	1.1	1.1

Cash Flow (\$ m)	2023	2024E	2025E	2026E
Cash Earnings	1,461	525	991	1,218
Working Capital Needs	-907	-500	-400	-400
Capex (-)	-637	-500	-500	-500
Financial Investments (-)	0	0	0	0
Dividends (-)	-538	0	-505	-531
Other Sources / Uses	-1,056	0	0	0
Ch. in Net Debt (-) Cash (+)	-1,677	-475	-415	-213

Gearing (Debt / Equity)	0%	-12%	-19%	-26%
EBITDA / Fin. Charges	-40.9	-26.2	-26.7	-56.2
Net Debt / EBITDA	0.0	-0.5	-0.8	-1.2
Cap. Employed / Turnover	32%	37%	40%	41%
Capex / Turnover	3%	2%	2%	2%
Pay out	0%	27%	27%	27%
ROE	29%	19%	17%	16%
ROCE (pre tax)	35%	26%	25%	25%
ROCE (after tax)	28%	20%	19%	19%

Source: Mediobanca Research



Source: Mediobanca Research

High-quality bank fairly priced

Company in a Nutshell and SWOT analysis

CREDEM (CE) is a retail and commercial bank with c490 branches across Italy and a large presence in Emilia Romagna. Loans to NFC account for c50% of CREDEM's loan book, loans to households for 46% and the remaining 4% is almost equally split among loans to Financial Institutions and to the Public Administration. The main shareholder of CREDEM is Credito Emiliano Holding with a c79% stake.

SWOT Analysis: (1) **“Strengths”**: business diversification; positively impacted by the higher-for-longer interest rate environment; best-in-class asset quality (lowest gross NPE ratio in Italy at 2.0%) and capital position (CET1 at 16.4% in Q124), growth-oriented strategy; (2) **“Weaknesses”**: regulation at CREDEM Holding level, a conservative attitude towards capital return; (3) **“Opportunities”**: market share increase, minor M&A deals, banking supervisor transfer to CREDEM bank from holding, higher fees from wealth management lower rates; (4) **“Threats”**: digitalization/compliance costs to be shared on a relatively small size, exposure to macro deterioration in Italy, NII evolution I the short term on more active deposit strategy.

Exposure to current Macro & Geopolitics

CE has benefitted from the monetary policy tightening implemented by the ECB, while showing a limited exposure to CRE. However, the high rate environment has started to impair the demand for corporate and home loans in Italy and in general across Europe. Additionally, higher interest rates have not yet impaired asset quality, but risks could be tilted toward the upside, should rates remain high for a prolonged period of time. Finally, we believe the current BTP-BUND spread is already hovering around the bottom of range toughed thus far.

Valuation & Next Triggers

CE is trading on 0.95x P/TE for 11.5% sustainable RoTE and 7x P/E (adjusted for excess capital). We see CREDEM as a high-quality bank able to deliver sustainable double-digit profitability, even in a much lower rates environment, thanks to its diversified business model. We see CET1 ratio around 16% post Basel IV, which could become the regulatory ratio, should the ECB grant the transfer in regulatory perimeter. Yet, dividend yields in the mid-single digits with a 40% payout are still significantly below the European sector average. We believe the 2023 headline payout of 39% could become the new standard, although it is uncertain whether there is upside risk following such regulatory change. We are Neutral on CE.

Key Points to Discuss at MB Conference

Points of discussion for CE are: (1) View on macro scenario and its corollary for Italy; (2) Strategy to acquire deposit market share, amid rate cuts; (3) Sustainable NII level in light of future rate cuts; (4) Update on retail deposit beta evolution and view on loan growth; (5) Updates on M&A strategy; (6) Conditions under which dividend payout ratio could remain at 39% or increase; (7) View on preference between organic over inorganic growth; (8) impacts from tax credits given the recent decree, and (9) Strategy on digital investments.

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Equity Research: Main valuation indicators

	2023	2024E	2025E	2026E
EPS Adj (€)	1.60	1.40	1.23	1.23
DPS (€)	0.65	0.57	0.50	0.51
TBVPS (€)	9.25	10.15	10.92	11.70
Avg. RoTE Adj (%)	18.9%	14.4%	11.7%	10.9%
P/E Adj (x)	6.0	6.8	7.8	7.8
Div.Yield(%)	6.8%	5.9%	5.2%	5.3%
P/TBV (x)	1.0	0.9	0.9	0.8

Market Data

Market Cap (€m)	3,270
Shares Out (m)	341
Reuters/Bloomberg	EMBI.MI / CE IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss Acc(€ m)	2023	2024E	2025E	2026E
Net Interest Income	1,091	1,039	964	981
Growth (%)	64.7%	-4.8%	-7.2%	1.8%
Non-Interest Income	832	825	814	839
Growth (%)	2.7%	-0.8%	-1.4%	3.2%
of which Fee Income	670	697	689	703
of which Financial Income	51	28	23	29
Total Income	1,923	1,864	1,777	1,820
Growth (%)	30.6%	-3.1%	-4.7%	2.4%
Total Costs	-951	-992	-1,032	-1,075
Growth (%)	5.6%	4.3%	4.0%	4.2%
of which Personnel Costs	-593	-599	-623	-644
Net Operating Income	972	872	745	745
Growth (%)	69.8%	-10.3%	-14.6%	0.0%
Provisions&Write-downs	-52	-66	-72	-74
Extraordinary Items	na	na	na	na
Pre-tax profit	825	737	636	639
Tax	-263	-237	-204	-204
Tax rate(%)	31.9%	32.2%	32.1%	31.9%
Minorities and others	0	0	0	0
Net profit	562	500	432	435
Growth (%)	77.4%	-11.1%	-13.6%	0.6%
Adjusted net profit	545	478	420	420
Growth (%)	81.1%	-12.3%	-12.1%	-0.1%

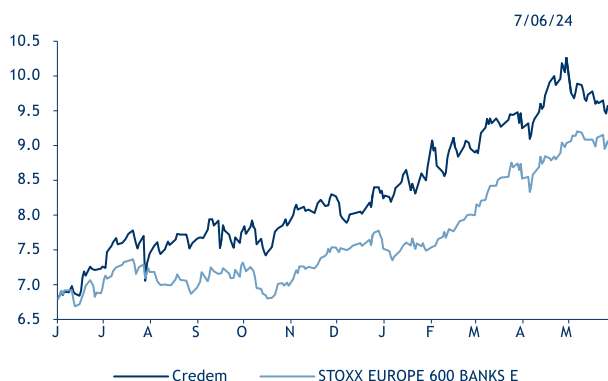
Multiples	2023	2024E	2025E	2026E
P/E	5.8	6.5	7.6	7.5
P/E Adj.	6.0	6.8	7.8	7.8
P/Net Op.Income	3.4	3.7	4.4	4.4
P/Revenues	1.7	1.8	1.8	1.8
P/TBV	1.0	0.9	0.9	0.8
P/Total Deposits (%)	3.1%	2.9%	2.8%	2.8%
Yield (%)	6.8%	5.9%	5.2%	5.3%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	1.65	1.46	1.27	1.27
EPS growth (%)	77.3%	-11.1%	-13.6%	0.6%
EPS Adj.	1.60	1.40	1.23	1.23
EPS Adj. growth (%)	81.1%	-12.3%	-12.1%	-0.1%
TBVPS	9.25	10.15	10.92	11.70
DPS Ord	0.65	0.57	0.50	0.51

Balance Sheet (€ m)	2023	2024E	2025E	2026E
Customer Loans	35,724	35,798	36,441	37,306
Growth(%)	3.6%	0.2%	1.8%	2.4%
Customer Deposits	106,353	112,370	115,279	117,398
Growth(%)	14.3%	5.7%	2.6%	1.8%
Shareholders' Funds	3,871	4,123	4,405	4,506
Minorities	0	0	0	0
Total Assets	68,018	66,721	67,517	68,450

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	341	341	341	341
EoP N° of Shares (m)	341	341	341	341
Avg. Market Cap. (m)	2,552	3,270	3,270	3,270
NII/Total Income (%)	56.7%	55.7%	54.2%	53.9%
Fees/Total Income (%)	34.8%	37.4%	38.8%	38.6%
Trading/Total Income (%)	2.6%	1.5%	1.3%	1.6%
Cost Income ratio	49.5%	53.2%	58.1%	59.1%
Personnel costs/Total costs	62.4%	60.4%	60.4%	59.9%
Impairment/Average Loans	0.1%	0.2%	0.2%	0.2%
NPLs ratio	0.8%	0.9%	1.0%	1.0%
Provisions/Loans	na	na	na	na
Avg. RoTE Adj. (%)	18.9%	14.4%	11.7%	10.9%
ROA (%)	0.82%	0.71%	0.63%	0.62%
Tier 1 ratio	15.5%	16.2%	15.9%	16.2%
Basel III Core Tier 1 ratio	15.5%	16.2%	15.9%	16.2%

Source: Mediobanca Research



Source: Mediobanca Research

12 June 2024

Consumer Goods

Update

Price: € 32.24

Target price: € 31.00

Neutral

Leading supplier of B2C and B2B Coffee Makers

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Company in a nutshell & SWOT Analysis

De' Longhi is a global manufacturer of small domestic appliances (SDA). Historically, a major producer of portable heaters and air conditioners, De' Longhi has expanded into multiple categories of the SDA, and now boasts a prime spot in the global SDA panorama, owing to leading market shares in B2C/B2B espresso coffee makers, kitchen machines, hand and personal blenders. On top of De' Longhi, the brand portfolio includes *Kenwood*, *Nutribullet*, *Braun*, *La Marzocco*, *Eversys* and *Ariete*. **SWOT analysis:** **Strengths:** leading positioning in kitchen and coffee machines, portfolio of global premium brands, and strong product innovation capability; **Weaknesses:** limited visibility on the underlying business, whose demand is not immune from economic cycle; **Opportunities:** Growing penetration of espresso coffee in North America and Asia-Pacific, potential M&A deals and expansion in adjacent segments; **Threats:** high level of competition, A&P investments required to sustain brand momentum.

Exposure to current Macro & Geopolitics

De' Longhi is a global player, with a diversified geographical exposure between Europe (main reference region accounting for c.62% of 2023 sales), Americas (18%) and Asia-Pacific (14%). While this reduces exposure to volatility in single markets, we note that demand for SDA remains linked to the economic cycle and to the evolution of pressures on households' purchase power. As a reminder, both Eastern Europe and MEIA represent non-negligible markets for DLG, accounting for c.7% and 6% of 2023 turnover respectively, with commercial presence in MEIA region mainly related to Egypt, Saudi Arabia, Emirates and South Africa.

Valuation & Next Triggers

We calculate our €31.0 TP for De' Longhi via a standard DCF model (wacc 7.7%, g 1.5%, 15% exit EBITDA margin). Together with 1Q24 results, which reflected an overall positive start to 2024, the company stated that it expects: (1) +9%/+11% yoy sales growth (incl. La Marzocco), and (2) adj. EBITDA between €500m-€530m (adj. EBITDA margin between 15/15.5%). De' Longhi is currently trading at a 1Y-FWD PE of c.17x and 1Y-FWD EV/EBITDA of c.9x, and the next triggers for the stock may be: i) 1H24 results to be announced at the end of July, and ii) a potential continuation of the M&A campaign.

Key Points to Discuss at MB Conference

Key points to discuss for De' Longhi at our Conference are: (1) update on underlying market trends in 2Q and outlook for the remainder of the year; (2) key levers to sustain top-line growth heading to the seasonally relevant 4Q; (3) strategy for pricing and A&P for the rest of 2024; (4) update on the performance of La Marzocco and outlook for Professional Coffee; (5) update on opportunities for potential M&A deals and key areas of interest for future expansion in terms of product categories and geographies, and (6) main pillars of the medium-term guidance targeting mid-single-digit sales organic growth and cumulated adj. EBITDA margin expansion between +130bps and +230bps in 2024-26.

	2023	2024E	2025E	2026E
EPS Adj (€)	1.69	1.85	1.92	1.94
DPS (€)	0.67	0.73	0.76	0.77
BVPS (€)	12.00	13.16	14.32	15.48
EV/Ebitda(x)	6.8	9.1	8.2	7.6
P/E adj (x)	13.2	17.4	16.8	16.6
Div.Yield(%)	3.0%	2.3%	2.4%	2.4%
OpFCF Yield(%)	15.4%	3.7%	6.2%	6.7%

Market Data

Market Cap (€m)	4,865
Shares Out (m)	151
DL Industrial (%)	54%
Free Float (%)	46%
52 week range (€)	33.46-18.00
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	-3.7%
-3m	0.7%
-12m	39.2%
21dd Avg. Vol.	114,381
Reuters/Bloomberg	DLG.MI / DLG IM

Source: Mediobanca Research

Immunodiagnostic should be the 2024's driver

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Company in a Nutshell & SWOT Analysis

Diasorin is one of the main reference players in the Diagnostic arena, operating in 1) Immunodiagnostic, 63% of 23 sales, 2) Molecular divisions, 17%, and 3) Life-science, 15% (remaining 5% are sales related to Covid). 24E sales of €1.19bn are foreseen to increase by 3%, including a reduction in the Covid sales that should have an irrelevant weight by the end of this year. The driver of the 2024E sales growth should be the Immunodiagnostic division as Diasorin is still focused on the specialty tests, supplying >120 assay, this representing the broadest CLIA menu in the market. Molecular division is the result of the integration of the Diasorin business unit with Luminex, the US Company bought in 2021 and fully consolidated from 2022. Molecular should increase by low/mid-single digit in 2024, while accelerating from the next year. In December 2023 Company presented an updated business plan pointing to a 24E-27E sales growth of high single-digit/low double-digit and an EBITDA margin of 36%/37% in 27E from the 32%/33% expected in 24E. Main drivers of the sales growth should be 1) the increasing penetration of the Plex machine, the new recently approved multi-testing equipment, 2) MeMed test deployment, and 3) introduction of the Nes machine.

Exposure to current Macro & Geopolitics

Company operates in the largest US, EMEA and Chinese laboratories/hospitals. Diasorin geographical exposure is rather skewed to the NAFTA region that represents c.47% of the 2023 sales, far above Europe 34% and RoW 19%. Over the next years Company's growth should be mainly driven by the US market where the company has recently obtained the FDA's greenlight to install its new Molecular multi-testing machine Plex that should gain some market share thanks its cost advantage for the patients. Moreover, in US Company is also investing in terms of marketing/education activities in the MeMed test that is expected to be drivers over the next years. We expect a more stable growth in Europe where the Company has a consolidated market share mainly in the Immuno business, while sales trend might be more uncertain in China as a consequence of a local price pressure put in place by the Government against the foreign diagnostic players.

Valuation & Next Triggers

Diasorin is trading at 25x-22x 24E-25E PE based on Cons., above Biomerieux 23.0x-20.4x, exceeding its historical average before Covid of 25x. The stock is up 7% YTD, underperforming the market up 14%. We expect 2024 to be transitional for Diasorin with the top-line growth still impacted by the reduction in the Covid test and not driven yet by the new Plex/MeMed tests. That said, a better than expected trend in the EBITDA margin compared to the 32%/33% FY24 guidance, as seen in 1Q24, may trigger a rerating in the short-terms. We would also expect any update on Plex and MeMed penetration to be a catalyst for the stock.

Key suggested points to discuss at the MB Conference

Among the traditional business, Investor's focus should be put on the positive Immunodiagnostic trend (+9% YoY in 1Q24) and on its main drivers. Quantiferon trend and the future launches should be under the spotlight, in our view. Among the new launches, Investors' questions should mainly regard 1) penetration trend of Plex machine in the US, and 2) the results of the marketing/education related to the MeMed assay.

	2023	2024E	2025E	2026E
EPS Adj (€)	2.89	3.20	3.72	4.38
DPS (€)	0.87	0.96	1.11	1.31
BVPS (€)	29.57	31.91	34.67	37.93
EV/Ebitda(x)	16.4	15.5	13.4	11.6
P/E adj (x)	24.0	25.1	22.3	19.5
Div.Yield(%)	0.9%	0.9%	1.1%	1.3%
OpFCF Yield(%)	3.4%	3.8%	4.5%	5.3%

Market Data

Market Cap (€m)	5,664
Shares Out (m)	56
IP Investimenti (%)	44%
Free Float (%)	44%
52 week range (€)	103.20-82.00
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	6.8%
-3m	2.9%
-12m	-18.8%
21dd Avg. Vol.	182,971
Reuters/Bloomberg	DIA.MI / DIA IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Turnover	1,148	1,187	1,292	1,404
Turnover growth %	-15.7%	3.4%	8.9%	8.6%
EBITDA	375	393	441	491
EBITDA margin (%)	32.7%	33.1%	34.1%	35.0%
EBITDA growth (%)	-27.1%	4.8%	12.2%	11.4%
Depreciation & Amortization	-92	-95	-98	-100
EBIT	283	298	343	391
EBIT margin (%)	24.7%	25.1%	26.5%	27.9%
EBIT growth (%)	-32.1%	5.3%	15.1%	14.1%
Net Fin.Income (charges)	-15	-11	-11	-11
Non-Operating Items				
Extraordinary Items	-67	-46	-46	-46
Pre-tax Profit	201	241	286	334
Tax	-43	-66	-83	-95
Tax rate (%)	21.4%	27.4%	29.0%	28.4%
Minorities	0	0	0	0
Net Profit	158	175	203	239
Net Profit growth (%)	-34.2%	10.8%	16.0%	17.8%
Adjusted Net Profit	225	221	249	285
Adj. Net Profit growth (%)	-26.4%	-1.7%	12.7%	14.5%

Multiples	2023	2024E	2025E	2026E
P/E Adj.	24.0	25.1	22.3	19.5
P/CEPS	21.6	20.5	18.4	16.4
P/BV	3.3	3.2	2.9	2.7
EV/ Sales	5.4	5.2	4.6	4.0
EV/EBITDA	16.4	15.5	13.4	11.6
EV/EBIT	21.7	20.5	17.2	14.5
EV/Cap. Employed	2.5	2.5	2.5	2.5
Yield (%)	0.9%	0.9%	1.1%	1.3%
OpFCF Yield(%)	3.4%	3.8%	4.5%	5.3%
FCF Yield (%)	3.9%	4.0%	4.6%	5.2%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	2.89	3.20	3.72	4.38
EPS growth (%)	-34.2%	10.8%	16.0%	17.8%
EPS Adj.	2.89	3.20	3.72	4.38
EPS Adj. growth (%)	-34.2%	10.8%	16.0%	17.8%
CEPS	4.57	4.94	5.51	6.21
BVPS	29.57	31.91	34.67	37.93
DPS Ord	0.87	0.96	1.11	1.31

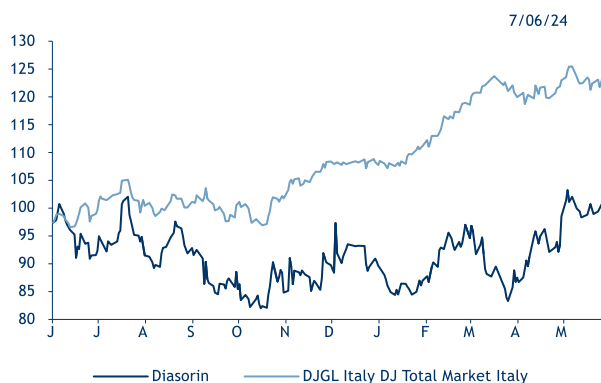
Balance Sheet (€ m)	2023	2024E	2025E	2026E
Working Capital	393	398	413	439
Net Fixed Assets	2,181	2,140	2,096	2,050
Total Capital Employed	2,455	2,408	2,355	2,304
Shareholders' Funds	1,617	1,745	1,895	2,074
Minorities	1	1	1	1
Provisions	61	61	61	61
Net Debt (-) Cash (+)	-776	-601	-397	-168

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	55	55	55	55
EoP N° of Shares (m)	55	55	55	55
Avg. Market Cap. (m)	5,409	5,550	5,550	5,550
Enterprise Value (m)	6,146	6,112	5,908	5,679
Adjustments (m)	-39	-39	-39	-39
Labour Costs/Turnover				
Depr.&Amort./Turnover	8%	8%	8%	7%
Turnover / Op.Costs	1.5	1.5	1.5	1.5

Cash Flow (€ m)	2023	2024E	2025E	2026E
Cash Earnings	250	270	301	339
Working Capital Needs	-48	6	9	5
Capex (-)	-56	-100	-100	-100
Financial Investments (-)	0	0	0	0
Dividends (-)	-60	-47	-53	-61
Other Sources / Uses	0	0	0	0
Ch. in Net Debt (-) Cash (+)	131	174	204	229

Gearing (Debt / Equity)	48%	34%	21%	8%
EBITDA / Fin. Charges	-25.0	-35.7	-40.1	-44.7
Net Debt / EBITDA	2.1	1.5	0.9	0.3
Cap. Employed / Turnover	214%	203%	182%	164%
Capex / Turnover	5%	8%	8%	7%
Pay out	30%	30%	30%	30%
ROE	10%	10%	11%	12%
ROCE (pre tax)	12%	12%	15%	17%
ROCE (after tax)	9%	9%	10%	12%

Source: Mediobanca Research



Source: Mediobanca Research

Focus on Gardant acquisitions

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Company in a nutshell and SWOT analysis

Focused on managing NPEs for investors and banks, DOV operates through a capital-light business model in three regions - Italy (59% of €117bn GBV at March 2024 /19% of EBITDA), Hellenic Region (32% GBV/87% EBITDA) and Iberia (9% GBV/6% negative contribution to EBITDA). DOV offers the full spectrum of services, with an increasing focus on UTPs and Early Arrears to a diversified customer base of investors while Eurobank and Santander are the group's core bank partners. Fortress and Bain are key strategic partners and the main shareholders (28.3% and 13.6% stakes, respectively). DOV is the leader in the Southern European servicing market with dominant positions in Italy, Greece, and Cyprus and top 7 ranking in Spain.

On 7 June 2024, DOV announced to have entered a binding agreement for the acquisition of 100% of Gardant.

SWOT analysis: (1) **Strengths:** leading position in Greece; complete product offering; wide and diversified customer base (2) **Weaknesses:** forward flow contracts with Unicredit and Santander expiring in 2025; declining AuM in Spain after the termination of the Sareb contract; (3) **Opportunities:** growth in UtP/Early arrears; cost optimization; (4) **Threats:** Low NPE market liquidity in the current context of high interest rates; strong competition.

Exposure to current Macro & Geopolitics

The low liquidity that affected the NPL market in 2023 is expected to continue in 2024-25. Indeed, solid profitability in the bank sector (even assuming a gradual decline in rates), high coverage ratios and robust capital put banks in a comfortable position to manage their NPE stocks and future inflows. Subsiding regulatory pressure on banks to offload bad debts and to the GACS termination are further negative drivers.

Valuation and next triggers

We are restricted on doValue. Mediobanca acts as Joint Global Coordinator in the rights issue of doValue in the context of the acquisition of Gardant

Key points to discuss at the MB conference

(1) update on timing of Gardant acquisition; (2) prospects in Spain; (3) Management's view on the NPE market with particular focus on the expected liquidity in the coming months.

Valuation Matrix - Restricted

Profit & Loss account (€ m)

Turnover
Turnover growth %
EBITDA
EBITDA margin (%)
EBITDA growth (%)
Depreciation & Amortization
EBIT
EBIT margin (%)
EBIT growth (%)
Net Fin.Income (charges)
Non-Operating Items
Extraordinary Items
Pre-tax Profit
Tax
Tax rate (%)
Minorities
Net Profit
Net Profit growth (%)
Adjusted Net Profit
Adj. Net Profit growth (%)

Balance Sheet (€ m)

Working Capital
Net Fixed Assets
Total Capital Employed
Shareholders' Funds
Minorities
Provisions
Net Debt (-) Cash (+)

Cash Flow (€ m)

Cash Earnings
Working Capital Needs
Capex (-)
Financial Investments (-)
Dividends (-)
Other Sources / Uses
Ch. in Net Debt (-) Cash (+)

Multiples

P/E Adj.
P/CEPS
P/BV
EV/ Sales
EV/EBITDA
EV/EBIT
EV/Cap. Employed
Yield (%)
OpFCF Yield(%)
FCF Yield (%)

Per Share Data (€)

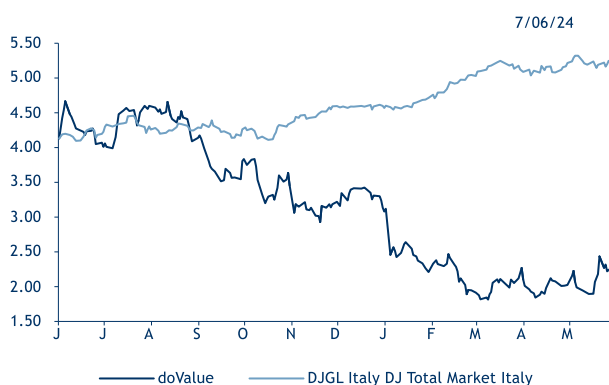
EPS
EPS growth (%)
EPS Adj.
EPS Adj. growth (%)
CEPS
BVPS
DPS Ord

Key Figures & Ratios

Avg. N° of Shares (m)
EoP N° of Shares (m)
Avg. Market Cap. (m)
Enterprise Value (m)
Adjustments (m)
Labour Costs/Turnover
Depr.&Amort./Turnover
Turnover / Op.Costs

Gearing (Debt / Equity)
EBITDA / Fin. Charges
Net Debt / EBITDA
Cap. Employed/Turnover
Capex / Turnover
Pay out
ROE
ROCE (pre tax)
ROCE (after tax)

Source: Mediobanca Research



Source: Mediobanca Research

Focus remains on M&A and dividends

Company in a nutshell & SWOT Analysis

Enav is the Italian air navigation service provider (ANSP). It operates under a no-time-limit entrustment by the Italian State. With a daily average in 2023 of ~5,400 flights, assisted via four control centres and 45 control towers, Enav is the fourth largest service provider in Europe (~7% of en-route traffic) and the best performer in terms of quality of service provided (0.01min/flight en-route delay, 80% below the target). **SWOT analysis:** **“Strengths”**: favourable legal and regulatory framework including protection from traffic risk, economic relevance of low delays for airlines, high visibility of cash flows, mid-term dividend potential, top-notch service quality; **“Weaknesses”**: complex regulation, delta of Enav’s charges vs. other ANSPs; **“Opportunities”**: growth in the non-regulated business, dividends from Aireon satellite-based navigation services; **“Threats”**: increasing automation of ANS, internal opposition to cost efficiencies.

Exposure to Current Macro and Geopolitical Situation

With traffic to/from Russia, Ukraine and Near East having negligible overall relevance, implications for Enav from the current geopolitical tensions are mainly indirect. Traffic recovery has been robust since Covid restrictions were removed in 2022 and well above the 2019 level since 2023, sustained by overflights (+13%). By a macro standpoint, the low economic growth in Europe expected for 2024 should be in principle unresponsive; however, demand for air travel remains robust (IATA forecasts a 12% growth y/y for the planned capacity). In 2023, en-route traffic was 2% above the regulatory estimates, therefore generating no balance compensation and allowing for an accelerated cash-in of the credit cumulated in FY20-21.

Valuation & Next Triggers

We calculate our €5.4 TP for Enav exclusively through a standard DCF model. Our current 2024 estimates on traffic are 1% above those included in the Performance Plan and in line with Eurocontrol’s latest traffic outlook released in February. Over the 2025-29 period, we are aligned with Eurocontrol. We estimate the en-route tariff to increase from €68.8/SU to €80 in FY25 and to remain stable during RP4 2025-29 in order to cash-in the >€700m credit cumulated in 2020-23 mainly due to the lower traffic and higher inflation. As a result, Enav will pay down the €303m net debt caused by the rise of the working capital and be again cash positive in 2027. We also assume the DPS to be increased to €24.2c in 2024 and to maintain a mid-single digit growth rate thereafter. Next triggers include: i) finalization of new Performance Plan by year end; ii) the release of traffic figures that should confirm an acceleration in the recovery trend; iii) the new dividend policy to be announced in 1Q25.

Key Suggested Points to Discuss at the MB Conference

Critical points to discuss for Enav are: i) M&A strategy in the non-regulated businesses, potentially including airports; ii) dividend policy and long-term optimisation of the capital structure once NWC has been cashed-in; iii) opex outlook with labour costs rising 7% in 1Q24, arising from a strong growth of traffic that may drive to an increase of the variable remuneration; iv) timing of the cash-in of the balance revenues generated in 2020-22; v) rollout of new technologies, such as the free routing and the remote control tower.

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	2023	2024E	2025E	2026E
EPS Adj (€)	0.21	0.23	0.26	0.28
DPS (€)	0.23	0.24	0.27	0.29
BVPS (€)	2.22	2.21	2.23	2.25
EV/Ebitda(x)	7.9	7.5	6.7	6.0
P/E adj (x)	18.2	16.9	15.0	13.7
Div.Yield(%)	6.1%	6.3%	6.9%	7.6%
OpFCF Yield(%)	11.8%	12.1%	17.2%	19.4%

Market Data

Market Cap (€m)	2,075
Shares Out (m)	542
Ministry of Economy and Finance (%)	53%
Free Float (%)	47%
52 week range (€)	4.07-2.98
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	-5.2%
-3m	12.1%
-12m	-24.6%
21dd Avg. Vol.	857,109
Reuters/Bloomberg	/ ENAV IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Turnover	1,000	1,047	1,090	1,117
Turnover growth %	5.9%	4.7%	4.2%	2.4%
EBITDA	300	316	334	351
EBITDA margin (%)	30.0%	30.2%	30.6%	31.4%
EBITDA growth (%)	10.2%	5.3%	5.8%	5.0%
Depreciation & Amortization	-127	-132	-131	-130
EBIT	173	184	203	220
EBIT margin (%)	17.3%	17.6%	18.6%	19.7%
EBIT growth (%)	16.4%	6.7%	10.3%	8.4%
Net Fin.Income (charges)	-11	-9	-5	-3
Non-Operating Items				
Extraordinary Items	0	0	4	4
Pre-tax Profit	161	175	202	221
Tax	-49	-53	-61	-67
Tax rate (%)	30.2%	30.2%	30.2%	30.2%
Minorities	0	0	0	0
Net Profit	113	122	141	154
Net Profit growth (%)	7.5%	8.4%	15.2%	9.5%
Adjusted Net Profit	113	122	138	152
Adj. Net Profit growth (%)	7.5%	8.4%	13.1%	9.7%

Multiples	2023	2024E	2025E	2026E
P/E Adj.	18.2	16.9	15.0	13.7
P/CEPS	8.6	8.2	7.6	7.3
P/BV	1.7	1.7	1.7	1.7
EV/ Sales	2.4	2.2	2.0	1.9
EV/EBITDA	7.9	7.5	6.7	6.0
EV/EBIT	13.8	12.8	10.9	9.5
EV/Cap. Employed	1.4	1.4	1.4	1.5
Yield (%)	6.1%	6.3%	6.9%	7.6%
OpFCF Yield(%)	11.8%	12.1%	17.2%	19.4%
FCF Yield (%)	8.3%	8.0%	12.5%	13.3%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	0.21	0.23	0.26	0.29
EPS growth (%)	7.5%	8.4%	15.2%	9.5%
EPS Adj.	0.21	0.23	0.26	0.28
EPS Adj. growth (%)	7.5%	8.4%	13.1%	9.7%
CEPS	0.44	0.47	0.50	0.53
BVPS	2.22	2.21	2.23	2.25
DPS Ord	0.23	0.24	0.27	0.29

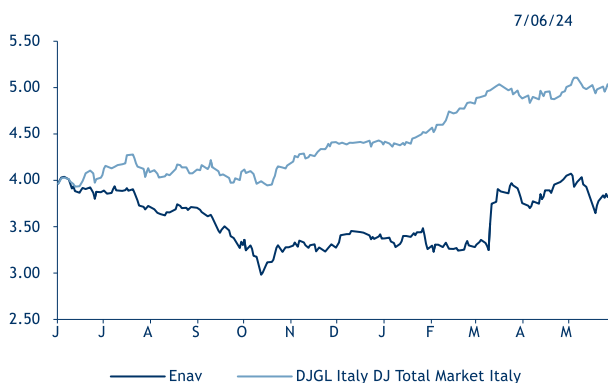
Balance Sheet (€ m)	2023	2024E	2025E	2026E
Working Capital	745	713	602	482
Net Fixed Assets	921	911	903	900
Total Capital Employed	1,719	1,677	1,558	1,435
Shareholders' Funds	1,201	1,199	1,209	1,220
Minorities	1	1	1	1
Provisions	237	238	240	242
Net Debt (-) Cash (+)	-280	-239	-108	28

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	541	541	541	541
EoP N° of Shares (m)	542	542	542	542
Avg. Market Cap. (m)	2,055	2,073	2,073	2,073
Enterprise Value (m)	2,378	2,354	2,223	2,087
Adjustments (m)	42	42	42	42
Labour Costs/Turnover	57%	57%	57%	56%
Depr.&Amort./Turnover	13%	13%	12%	12%
Turnover / Op.Costs	1.4	1.4	1.4	1.5

Cash Flow (€ m)	2023	2024E	2025E	2026E
Cash Earnings	240	254	272	285
Working Capital Needs	41	32	111	120
Capex (-)	-110	-120	-121	-125
Financial Investments (-)	0	0	0	0
Dividends (-)	-106	-125	-131	-144
Other Sources / Uses	-12	0	0	0
Ch. in Net Debt (-) Cash (+)	-53	-41	-131	-136

Gearing (Debt / Equity)	23%	20%	9%	-2%
EBITDA / Fin. Charges	-26.8	-35.3	-67.9	-121.7
Net Debt / EBITDA	0.9	0.8	0.3	-0.1
Cap.Employed/Turnover	172%	160%	143%	129%
Capex / Turnover	11%	11%	11%	11%
Pay out	110%	107%	102%	102%
ROE	9%	10%	12%	13%
ROCE (pre tax)	10%	11%	13%	15%
ROCE (after tax)	7%	8%	9%	11%

Source: Mediobanca Research



Source: Mediobanca Research

Towards a Less Capital-Intensive Growth Model

Company in a Nutshell & SWOT Analysis

Enel is a highly diversified utility that operates mainly in Italy, Spain, Latam and North America. As an integrated utility, it operates in all segments of the supply chain: generation, distribution and supply, with established focus on the renewable energy business (previous Enel Green Power) and innovation services through its subsidiary Enel-X. In Spain, Enel operates through Endesa, and in Latam through Enel Americas and Enel Chile. SWOT Analysis: (1) **“Strengths”**: Strong Renewable platform & extensive project pipeline, long exposure to clients vs generation; (2) **“Weaknesses”**: Exposure to volatility of Latin American currencies, high financial leverage; (3) **“Opportunities”**: Accelerating investments in networks, ongoing corporate simplification; (4) **“Threats”**: unfavourable hydro conditions & Government interventions.

Exposure to current Macro & Geopolitics

In a context where geopolitical tensions do not seem to be over, the energy crisis has mostly normalized, and energy prices are now far from the spikes touched in the past few years. That said, the need to improve Europe’s energy independence through upgraded interconnections and to ensure security of supply remain a key prerogative. Overall, we believe that integrated business models, particularly those long customers vs generation, are better prepared to deal with progressively lower energy prices, due to the natural hedging position offered by the client base. Enel is well positioned to benefit from this scenario.

Valuation & Next Triggers

In November ‘23, Enel unveiled its BP update for ‘24/26, confirming its dividend policy while extending visibility to ‘26. This includes a minimum DPS of €0.43 in ‘24/26. Furthermore, the company added that it may increase the payout to 70% of Adjusted Net Income if cash flow neutrality is achieved. In the new BP, Enel targets +5% EBITDA CAGR to ‘26 and +7% Net Income CAGR to ‘26. In detail, EBITDA targets include: ‘24’s at €22.45bn & ‘26 at €24bn. At Net Income, targets include: ‘24’s at €6.7bn & 26’s at €7.2bn. Total investments were set at €35.8bn in ‘24/26, corresponding to c€11.9bn/year. Out of the total, €18.6bn cumulative gross capex will be invested in Networks. Enel expects Net Debt/EBITDA ratio at 2.3x by ‘26, vs pro forma leverage ratio of 2.4x at end-23. Delivery on the asset rotation program, which targets corporate simplification remains the key next trigger. The stock is trading at depressed multiples, and we see value. Outperform.

Key Points to Discuss at MB Conference

Points of discussion for Enel are: (1) Update on ‘24 guidance & main growth drivers; (2) Latest expectations on the evolution of hydro production & potential upside from it; (3) Update on the asset rotation plan included in the latest BP; (3) Update on the hedging strategy; (4) Energy price assumptions for the following years; (5) Update on expired/expiring hydroelectric concessions; (6) Evolution of supply margins for the following quarters/years; (7) Rationale behind the disposal of electricity distribution assets to A2A; (8) Latest expectations on WACC review for Italy from ‘25; (9) On Spain, update on the ongoing discussions about the regulatory framework for electricity distribution; (10) Also on Spain, possible impact from the so-called cannibalization effect on wholesale prices.

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	2023	2024E	2025E	2026E
EPS Adj (€)	0.64	0.64	0.66	0.69
DPS (€)	0.43	0.43	0.43	0.43
BVPS (€)	3.12	3.34	3.57	3.82
EV/Ebitda(x)	6.3	6.5	6.5	6.3
P/E adj (x)	9.3	10.4	10.2	9.7
Div.Yield(%)	7.3%	6.4%	6.4%	6.4%
OpFCF Yield(%)	11.3%	10.9%	11.3%	11.6%

Market Data

Market Cap (€m)	68,218
Shares Out (m)	10,167
Italian Treasury (%)	25%
Free Float (%)	69%
52 week range (€)	6.84-5.52
Rel Perf vs STOXX EUROPE 600 UTILITIES E (%)	
-1m	6.0%
-3m	5.7%
-12m	12.9%
21dd Avg. Vol.	27,294,567
Reuters/Bloomberg	ENEI.MI / ENEL IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Turnover	95,565	98,223	98,396	98,824
Turnover growth %	-32.0%	2.8%	0.2%	0.4%
EBITDA	21,969	21,954	22,385	23,007
EBITDA margin (%)	23.0%	22.4%	22.7%	23.3%
EBITDA growth (%)	11.6%	-0.1%	2.0%	2.8%
Depreciation & Amortization	-7,927	-7,590	-7,727	-7,860
EBIT	14,042	14,364	14,658	15,146
EBIT margin (%)	14.7%	14.6%	14.9%	15.3%
EBIT growth (%)	15.8%	2.3%	2.0%	3.3%
Net Fin.Income (charges)	-3,378	-2,876	-2,646	-2,594
Non-Operating Items				
Extraordinary Items	226	33	36	40
Pre-tax Profit	10,890	11,521	12,049	12,592
Tax	-3,211	-3,456	-3,374	-3,526
Tax rate (%)	33.0%	33.0%	33.0%	33.0%
Minorities	-1,171	-1,528	-1,969	-2,067
Net Profit	6,508	6,536	6,706	7,000
Net Profit growth (%)	20.7%	0.4%	2.6%	4.4%
Adjusted Net Profit	6,508	6,536	6,706	7,000
Adj. Net Profit growth (%)	20.7%	0.4%	2.6%	4.4%

Multiples	2023	2024E	2025E	2026E
P/E Adj.	9.3	10.4	10.2	9.7
P/CEPS	3.9	4.4	4.2	4.0
P/BV	1.9	2.0	1.9	1.8
EV/ Sales	1.4	1.5	1.5	1.5
EV/EBITDA	6.3	6.5	6.5	6.3
EV/EBIT	9.9	10.0	9.9	9.6
EV/Cap. Employed	1.2	1.3	1.3	1.3
Yield (%)	7.3%	6.4%	6.4%	6.4%
OpFCF Yield (%)	16.9%	18.3%	14.6%	14.3%
FCF Yield (%)	6.7%	15.4%	8.6%	7.7%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	0.64	0.64	0.66	0.69
EPS growth (%)	20.7%	0.4%	2.6%	4.4%
EPS Adj.	0.64	0.64	0.66	0.69
EPS Adj. growth (%)	20.7%	0.4%	2.6%	4.4%
CEPS	1.54	1.54	1.61	1.66
BVPS	3.12	3.34	3.57	3.82
DPS Ord	0.43	0.43	0.43	0.43

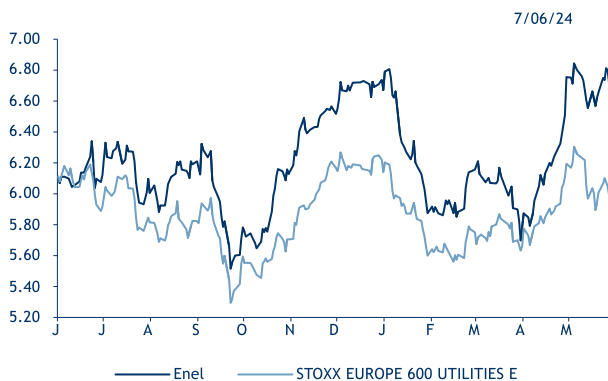
Balance Sheet (€ m)	2023	2024E	2025E	2026E
Working Capital	14,494	15,504	15,571	16,612
Net Fixed Assets	99,116	94,871	96,583	98,255
Total Capital Employed	113,610	110,375	112,154	114,867
Shareholders' Funds	31,755	33,920	36,255	38,883
Minorities	13,354	14,118	15,102	16,136
Provisions	8,338	8,338	8,338	8,338
Net Debt (-) Cash (+)	-60,163	-53,999	-52,459	-51,511

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	10,167	10,167	10,167	10,167
EoP N° of Shares (m)	10,167	10,167	10,167	10,167
Avg. Market Cap. (m)	60,290	68,218	68,218	68,218
Enterprise Value (m)	138,568	143,394	145,651	145,953
Adjustments (m)	18,116	21,176	24,973	26,223
Labour Costs/Turnover	5%	5%	5%	5%
Depr.&Amort./Turnover	8%	8%	8%	8%
Turnover / Op.Costs	1.2	1.2	1.2	1.2

Cash Flow (€ m)	2023	2024E	2025E	2026E
Cash Earnings	15,606	15,654	16,402	16,927
Working Capital Needs	1,385	4,226	-1,052	-2,074
Capex (-)	-12,714	-9,345	-9,438	-9,533
Financial Investments (-)	0	0	0	0
Dividends (-)	-4,372	-4,372	-4,372	-4,372
Other Sources / Uses	0	0	0	0
Ch. in Net Debt (-) Cash (+)	-95	6,164	1,540	948

Gearing (Debt / Equity)	189%	159%	145%	132%
EBITDA / Fin. Charges	-6.5	-7.6	-8.5	-8.9
Net Debt / EBITDA	2.7	2.5	2.3	2.2
Cap. Employed / Turnover	119%	112%	114%	116%
Capex / Turnover	13%	10%	10%	10%
Pay out	67%	67%	65%	62%
ROE	20%	19%	18%	18%
ROCE (pre tax)	12%	13%	13%	13%
ROCE (after tax)	8%	9%	9%	9%

Source: Mediobanca Research



Source: Mediobanca Research

Favorable outlook

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Company in a nutshell & SWOT Analysis

ENI operates across the Oil&Gas value chain spanning from exploration and production of hydrocarbons to the supply and marketing of gas, and the refining and marketing of petroleum products. The group's operations are mainly concentrated in the Upstream division, which currently makes over 80% of the group's capital employed. The group recently re-organised its divisions as E&P, Global Gas & LNG portfolio, Enilive & Plenitude, Refining, Chemicals, & Power, and Corporate, other activities and Consolidation adjustments. **SWOT Analysis:** (1) **Strengths:** superior exploration track record, low cost production, faster time to market, strong liquidity position; (2) **Weaknesses:** smaller size of anti-cyclical downstream division vs. other Oil Majors; (3) **Opportunities:** exploration drilling could represent additional upside through high-impact exploration wells in Mozambique and Indonesia; diversification towards Renewables and adoption of increasingly customer-centric model; (4) **Threats:** higher oil could lead push governments maintain windfall taxes, or modify their fiscal regimes; the record high gas price may have caused an excess supply response, which could keep prices depressed in the short-term; the record gas prices of 2022 may have led to structural changes in consumer's behaviour.

Exposure to current geopolitical situation

ENI froze its JV with Rosneft after the previous round of sanctions in 2014. The company is currently only involved in a JV with Gazprom in Blue Stream gas pipeline (between Russia to Turkey), which the group announced it intends to sell. Moreover, ENI significantly reduced gas purchases from Russia, which after the significant decline in 2022, have remained stable in recent months. The heightened geopolitical situations have resulted in record prices for natural gas and diesel crack spreads in 2022, which have now normalised.

Valuation & Next Triggers

Our TP stands at €20/sh, which is a Sum-Of-The-Parts (SOTP) of the group company's four main divisions E&P, GGP, Downstream and Plenitude&Power. On our new numbers, ENI trades on FY24 6.2x PE, which is now a >10% discount vs its EU peers (BP, EQNR, SHELL, TTE); and on 0.87x P/BV, which represents a c.15% discount to its 2015-2019 average of 1.02x. The group will report its Q2 24 results on 26 July. The company also has a large disposal program, which is targeting net proceeds of €8b during 2024-27. Management indicated this is likely to be front-loaded (2024-25), and it may include the IPO of Plenitude, Enilive and CCS operation, as well minority stake in large Upstream projects (Ivory Coast, Indonesia). In turn, this should allow the group to reduce its gearing ratio (ND/E pre-IFRS16), which at 23% in Q1 24, is one of the highest across the sector.

Key suggested points to discuss at the MB Conference

(1) Can you provide additional colour on the timing of the next disposals? Are you planning to launch IPOs of Plenitude and Enilive in 2025? (2) Can you provide an update on arbitrage opportunities across various gas hubs for the summer, and whether they could support higher earnings in GGP? How do you see gas storage levels across Europe? (3) Can you indicate when you expect net debt to start reducing? (4) Can you provide an update on receivables outstanding in Egypt? (5) how are margins expected to evolve in the biorefining business for the rest of 2024? (6) OPEC+ has recently announced a large increase in production, do you expect this to represent a meaningful headwind for oil prices? (7) can you provide an update on potential development in Cyprus and Nigeria (OPL245)?

	2023	2024E	2025E	2026E
EPS Adj (€)	2.49	2.30	2.16	1.89
DPS (€)	0.94	1.00	1.04	1.06
BVPS (€)	16.23	17.76	18.60	18.16
EV/Ebitda(x)	2.7	3.0	2.8	2.9
P/E adj (x)	5.6	6.1	6.5	7.4
Div.Yield(%)	6.7%	7.1%	7.4%	7.6%
OpFCF Yield(%)	12.4%	12.6%	11.5%	9.5%

Market Data

Market Cap (€m)	45,054
Shares Out (m)	3,220
Italian gov. (%)	30%
Free Float (%)	70%
52 week range (€)	15.73-12.75
Rel Perf vs STOXX EUROPE 600 OIL & GAS E (%)	
-1m	-3.0%
-3m	-9.0%
-12m	-1.6%
21dd Avg. Vol.	10,383,403
Reuters/Bloomberg	ENI.MI / ENI IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Turnover	94,867	113,203	105,593	101,506
Turnover growth %	-28.9%	19.3%	-6.7%	-3.9%
EBITDA	23,530	20,454	21,200	19,909
EBITDA margin (%)	24.8%	18.1%	20.1%	19.6%
EBITDA growth (%)	-19.6%	-13.1%	3.7%	-6.1%
Depreciation & Amortization	-7,479	-7,864	-8,052	-8,276
EBIT	8,257	12,590	13,148	11,633
EBIT margin (%)	8.7%	11.1%	12.5%	11.5%
EBIT growth (%)	-52.8%	52.5%	4.4%	-11.5%
Net Fin.Income (charges)	-473	-390	-665	-485
Non-Operating Items	2,422	1,779	883	883
Extraordinary Items	0	0	0	0
Pre-tax Profit	10,206	13,979	13,367	12,032
Tax	-5,370	-6,641	-6,593	-5,791
Tax rate (%)	52.6%	47.5%	49.3%	48.1%
Minorities	89	39	29	26
Net Profit	4,747	7,299	6,745	6,214
Net Profit growth (%)	-65.6%	53.8%	-7.6%	-7.9%
Adjusted Net Profit	8,298	7,299	6,745	6,214
Adj. Net Profit growth (%)	-37.7%	-12.0%	-7.6%	-7.9%

Multiples	2023	2024E	2025E	2026E
P/E Adj.	5.6	6.1	6.5	7.4
P/CEPS	3.5	3.2	3.1	3.4
P/BV	0.9	0.9	0.8	0.8
EV/ Sales	0.7	0.5	0.6	0.6
EV/EBITDA	2.7	3.0	2.8	2.9
EV/EBIT	7.6	4.8	4.4	5.0
EV/Cap. Employed	0.9	0.9	0.8	0.8
Yield (%)	6.7%	7.1%	7.4%	7.6%
OpFCF Yield(%)	12.4%	12.6%	11.5%	9.5%
FCF Yield (%)	22.1%	12.3%	11.3%	10.1%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	1.44	2.31	2.16	1.89
EPS growth (%)	-63.8%	60.7%	-6.4%	-12.4%
EPS Adj.	2.49	2.30	2.16	1.89
EPS Adj. growth (%)	-34.6%	-7.6%	-6.4%	-12.4%
CEPS	4.00	4.34	4.53	4.09
BVPS	16.23	17.76	18.60	18.16
DPS Ord	0.94	1.00	1.04	1.06

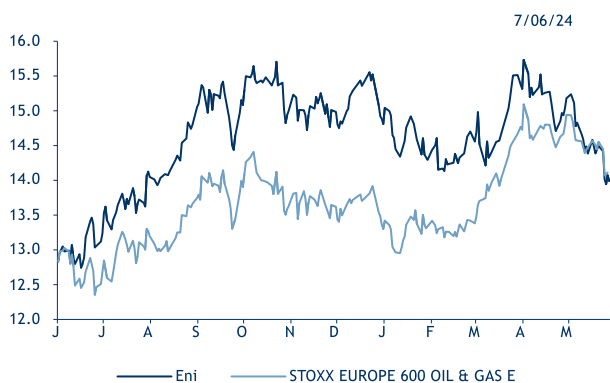
Balance Sheet (€ m)	2023	2024E	2025E	2026E
Working Capital	-13,407	-13,407	-13,407	-13,407
Net Fixed Assets	82,631	83,396	83,597	84,322
Total Capital Employed	69,853	69,242	70,190	70,915
Shareholders' Funds	53,157	51,546	54,189	57,053
Minorities	460	499	528	554
Provisions	1	748	748	748
Net Debt (-) Cash (+)	-16,235	-16,450	-14,726	-12,559

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	3,304	3,161	3,121	3,281
EoP N° of Shares (m)	3,304	3,161	3,121	3,281
Avg. Market Cap. (m)	46,446	44,232	43,673	45,912
Enterprise Value (m)	62,681	60,682	58,398	58,471
Adjustments (m)	0	0	0	0
Labour Costs/Turnover	3%	3%	3%	3%
Depr.&Amort./Turnover	8%	7%	8%	8%
Turnover / Op.Costs	1.3	1.2	1.3	1.2

Cash Flow (€ m)	2023	2024E	2025E	2026E
Cash Earnings	13,308	13,741	14,170	13,445
Working Capital Needs	1,811	0	0	0
Capex (-)	-9,215	-8,000	-9,000	-9,000
Financial Investments (-)	-2,344	406	3,000	3,600
Dividends (-)	-3,046	-3,161	-3,246	-3,478
Other Sources / Uses	-4,772	-3,200	-3,200	-2,400
Ch. in Net Debt (-) Cash (+)	-4,258	-215	1,724	2,167

Gearing (Debt / Equity)	30%	32%	27%	22%
EBITDA / Fin. Charges	-49.7	-52.4	-31.9	-41.0
Net Debt / EBITDA	0.7	0.8	0.7	0.6
Cap.Employed/Turnover	74%	61%	66%	70%
Capex / Turnover	10%	7%	9%	9%
Pay out	38%	43%	48%	56%
ROE	9%	14%	12%	11%
ROCE (pre tax)	12%	18%	19%	16%
ROCE (after tax)	6%	10%	9%	9%

Source: Mediobanca Research



Source: Mediobanca Research

Naval, Offshore ESS drive earnings recovery

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Company in a nutshell & SWOT Analysis

Fincantieri is one of the world's largest shipbuilding groups and number one for diversification and innovation. It is a leader in Cruise and Naval ship design and construction, as well as a reference player in high-tech shipbuilding industry sectors, from naval to offshore vessels, from high-complexity special vessels and ferries to mega yachts. Over its 230 years of history, the group built more than 7,000 vessels. **SWOT Analysis:** (1) **Strengths:** world leader in cruise segment which is dominated by only three players, absent competition from Asian shipyards; large investments sustained in recent years to increase productivity, and lower production costs; (2) **Weaknesses:** the group has a limited ability to hedge the volatility of its input costs; given the fixed-price nature of its backlog, it may also be exposed to the recent inflation trends; despite the strong growth leverage is expected to remain high only reducing to 4.5-5.5x by YE25 (3) **Opportunities:** heightened geopolitical risk is likely to drive a further increase in Defence budgets in particular for Naval; and from Mediterranean and Gulf; large acquisitions program expected from the Italian Navy in the coming years; EU's push for common Defence platforms could also provide further upside; (4) **Threats:** the higher inflation and increase in labour cost could represent headwinds for the group's margins in 23/24; the company continues to have several projects in the Infrastructure backlog, which are non-core and where we believe carry a higher executive risk.

Exposure to current geopolitical situation

The ongoing conflict in Ukraine is having profound implications for the security of the EU, as member States are significantly boosting their defenses against potential new existential threats. Importantly, we expect a larger share of Defence budgets to be allocated to the Navy, given the relative underinvestment in prior years to the benefit to Air Forces. Geopolitical tensions in the Middle East are also supporting Export opportunities towards secondaries Navies, such as Indonesia and Saudi Arabia. In addition, since Russia's invasion of Ukraine, we believe there is a growing awareness across EU of the need to protect strategic assets, such as underwater gas pipelines, and telecommunication and power cables, which also calls for a boost in Naval defences. In turn, this should support FCT's order intake.

Valuation & Next Triggers

We are **RESTRICTED** on FCT. Mediobanca acts as Joint Global Coordinator in the capital increase of Fincantieri.

Key suggested points to discuss at MB Conference

(1) How do you see the underwater system acquisition from Leonardo affecting EBITDA growth and potential synergies with Fincantieri? (2) can you provide guidance for WASS in 2024, including EBITDA margins and top-line growth? (3) can you elaborate on the full-year net debt guidance of €2.9bn and potential to meet targets with current performance and new orders? (4) what is the outlook for new export/Naval orders? (5) what are the margins on new cruise orders compared to pre-COVID levels? (6) can you provide an update the loss-making Infrastructure, and in particularly on the Miami project? (7) the US Government Accountability Office (GAO) has been very critical on how the US Navy has mishandled the US Constellation program, where FCT is Prime Contractor. Is there a risk for revenues and margins going forward? (8) can you provide an update on the upcoming rights issues, and on the deleveraging path of the group?

Valuation Matrix - Restricted

Profit & Loss account (€ m)

Turnover
Turnover growth %
EBITDA
EBITDA margin (%)
EBITDA growth (%)
Depreciation & Amortization
EBIT
EBIT margin (%)
EBIT growth (%)
Net Fin.Income (charges)
Non-Operating Items
Extraordinary Items
Pre-tax Profit
Tax
Tax rate (%)
Minorities
Net Profit
Net Profit growth (%)
Adjusted Net Profit
Adj. Net Profit growth (%)

Balance Sheet (€ m)

Working Capital
Net Fixed Assets
Total Capital Employed
Shareholders' Funds
Minorities
Provisions
Net Debt (-) Cash (+)

Cash Flow (€ m)

Cash Earnings
Working Capital Needs
Capex (-)
Financial Investments (-)
Dividends (-)
Other Sources / Uses
Ch. in Net Debt (-) Cash (+)

Multiples

P/E Adj.
P/CEPS
P/BV
EV/ Sales
EV/EBITDA
EV/EBIT
EV/Cap. Employed
Yield (%)
OpFCF Yield(%)
FCF Yield (%)

Per Share Data (€)

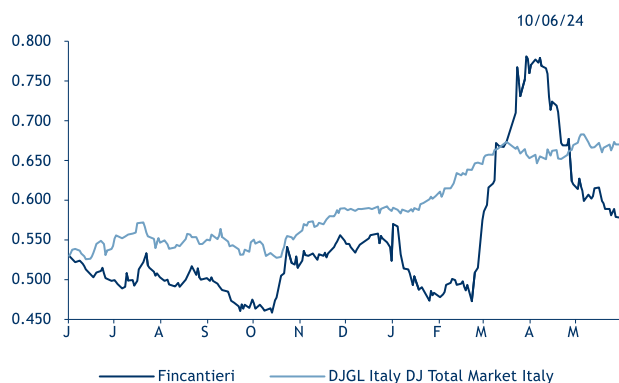
EPS
EPS growth (%)
EPS Adj.
EPS Adj. growth (%)
CEPS
BVPS
DPS Ord

Key Figures & Ratios

Avg. N° of Shares (m)
EoP N° of Shares (m)
Avg. Market Cap. (m)
Enterprise Value (m)
Adjustments (m)
Labour Costs/Turnover
Depr.&Amort./Turnover
Turnover / Op.Costs

Gearing (Debt / Equity)
EBITDA / Fin. Charges
Net Debt / EBITDA
Cap. Employed/Turnover
Capex / Turnover
Pay out
ROE
ROCE (pre tax)
ROCE (after tax)

Source: Mediobanca Research



Source: Mediobanca Research

Waiting for capital return

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Company in a nutshell and SWOT analysis

Unlike other online banks, Fineco's competitive advantage lies in its state-of-the-art banking and trading platforms, which generate low-cost "transactional liquidity" (c.€27.7bn in deposits in 1Q24) and relevant brokerage fees. Fineco can also cross-sell investment products, leveraging on its 2,969 financial advisors. It differentiates itself from competitors in this area by not charging performance fees. Fineco Asset Management is also expanding and launching new products to allow for an optimization of retained margins.

SWOT analysis – Strengths: sustainability, low P&L volatility, know-how and customer experience, and talented management. **Weaknesses:** exposure to financial markets and, above all, high sensitivity to interest rates.

Opportunities: potential to expand its services portfolio, well positioned to comply with regulatory changes. **Threats:** financial market trends and volatility may affect inflows and P&L, deposit beta.

Exposure to current Macro & Geopolitics

In the current rates environment, custody remains the preferred line for clients. In April 2024, net sales amounted to €844m, of which €610m were inflows into custody. Despite sharp outflows from insurance products (-€215m), asset management reported €195m inflows. Deposits outflows were the most important issue for Fineco last year. With this respect, management recently stated that clients with TFAs >€100k reached a 90% penetration of transactional liquidity, and this should represent a floor for any further reduction in the deposits base. The accumulation of Government bonds made by clients last year is an opportunity going forward. Fineco is sitting on c.€5bn BTPs maturing this year, and management expects to convert a significant part of them into asset management or advisory solutions. In general, appetite of affluent/private clients for BTPs has sharply reduced, and this explains why deposits have likely reached a floor.

Valuation & Next Triggers

With reference to the 2024 outlook, revenues are now expected to reach a record level this year, marking an improvement compared to former guidance. The qualitative indication of an improvement of the mix in favour of commissions was confirmed, and thanks to the reiterated low-double digit increase in investing revenues. The marginal improvement compared to former guidance is therefore coming from better net interest income at the margin, entailing a more benign decline in rates in the second part of the year. As far as next triggers are concerned, we expect management to update on its capital management policy in the second part of the year, with the announcement of SBB as the most likelihood option.

Key points to discuss at the MB conference

(1) trends observed so far in brokerage; (2) update on inflows and mix; (3) any margin pressure visible in the sector; (4) updates on FAM products and new launches; (5) capital management actions.

	2023	2024E	2025E	2026E
EPS Adj. (€)	0.97	0.95	0.96	0.99
DPS (€)	0.69	0.70	0.72	0.73
BVPS (€)	3.60	3.91	4.20	4.52
EV/Ebitda(x)	8.4	9.3	9.6	9.2
P/E adj (x)	15.2	15.5	15.4	14.8
P/FCF	15.0	15.0	15.0	15.0
Yield(%)	4.7%	4.8%	4.9%	4.9%

Market Data

Market Cap (€m)	8,933
Shares Out (m)	606
Shareholders' capital (%) (%)	100%
Free Float (%)	100%
52 week range (€)	15.68-10.66
Rel Perf vs STOXX EUROPE 600 BANKS E (%)	
-1m	-3.1%
-3m	-1.8%
-12m	-11.3%
21dd Avg. Vol.	2,582,023
Reuters/Bloomberg	FBK.MI / FBK.IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)					Multiples				
	2023	2024E	2025E	2026E		2023	2024E	2025E	2026E
Net Interest Income	687.7	661.9	603.8	610.5	P/E Adj.	15.2	15.5	15.4	14.8
Net fee and commission income	489.9	513.2	554.3	601.2	P/E	14.7	14.8	14.8	14.2
Net trading income	59.8	80.0	85.0	90.0	P/CEPS	14.7	14.8	14.8	14.2
Other income	na	na	na	na	P/TBV	4.3	3.9	3.6	3.4
Total Income	1,237.5	1,255.1	1,243.1	1,301.7	P/FCF	15.0	15.0	15.0	15.0
Growth (%)	37.8%	1.4%	-1.0%	4.7%	P/Total Deposits (%)	29.7%	31.2%	31.2%	31.2%
Total Costs	-298.3	-317.8	-338.4	-360.2	P/AUM (%)	15.5%	14.5%	13.2%	12.1%
Growth (%)	37.8%	1.4%	-1.0%	4.7%	EV/Revenues	6.6	7.2	7.2	6.9
of which Personnel Costs	-126.9	-134.5	-142.5	-151.1	EV/EBITDA	8.4	9.3	9.6	9.2
Net Operating Income	939.2	937.3	904.7	941.6	EV/EBIT	13.5	10.3	10.2	10.2
Growth (%)	37.8%	1.4%	-1.0%	4.7%	EV/Cap. Employed	2.9	3.1	2.0	2.0
Provisions & Write-downs	-3.6	-3.0	-3.0	-3.0	Yield (%)	4.7%	4.8%	4.9%	4.9%
EBITDA	966.5	965.8	934.6	973.0					
EBITDA margin (%)	78.1%	77.0%	75.2%	74.7%	Per Share Data (€)				
EBITDA growth (%)	39.3%	-0.1%	-3.2%	4.1%	EPS Adj.	0.97	0.95	0.96	0.99
Depreciation & Amortization	0.0	0.0	0.0	0.0	EPS Adj. growth (%)	43.6%	-1.6%	0.3%	4.1%
EBIT	604.4	872.3	879.3	881.7	EPS	1.00	1.00	1.00	1.04
Exceptional Items	na	na	na	na	EPS growth (%)	60.6%	-0.4%	0.3%	4.0%
Tax	-263.1	-272.6	-273.3	-284.1	TBVPS	3.45	3.76	4.06	4.37
Tax rate(%)	30.2%	31.0%	31.0%	31.0%	DPS Ord	0.69	0.70	0.72	0.73
Minorities	0.0	0.0	0.0	0.0	Key Figures & Ratios				
Discontinued businesses	na	na	na	na	Avg. N° of Shares (m)	610	610	610	610
Net profit	609.2	606.7	608.4	632.4	EoP N° of Shares (m)	610	610	610	610
Growth (%)	42.2%	-0.4%	0.3%	4.0%	Avg. Market Cap. (m)	8,164	8,982	8,982	8,982
Adjusted net profit	590.1	580.5	582.1	606.2					
Growth (%)	44.1%	-1.6%	0.3%	4.1%	NII/Total Income (%)	55.6%	52.7%	48.6%	46.9%
Balance Sheet (€ m)					Fees/Total Income (%)	39.6%	40.9%	44.6%	46.2%
	2023	2024E	2025E	2026E	Trading/Total Income (%)	4.8%	6.4%	6.8%	6.9%
Customer Loans net	6,322.1	6,508.5	7,159.3	7,875.2	Cost Income ratio	24.1%	25.3%	27.2%	27.7%
Growth(%)	1.6%	2.9%	10.0%	10.0%	Compensation ratio	10.3%	10.7%	11.5%	11.6%
Customer Deposits	28,757.6	28,757.6	28,757.6	28,757.6	NPLs ratio	na	na	na	na
Growth(%)	-9.3%	0.0%	0.0%	0.0%	Provisions/Loans	na	na	na	na
Shareholders' Funds	2,052.5	2,287.8	2,471.7	2,659.3	Dividend Payout (%)	69.1%	70.3%	72.1%	70.0%
Intangibles	89.6	89.6	89.6	89.6	ROE (%)	29.7%	26.5%	24.6%	23.8%
Minorities	0.0	0.0	0.0	0.0	ROTE (%)	31.0%	27.6%	25.5%	24.6%
Total Assets	34,792.3	33,621.9	34,265.3	34,973.9	ROA (%)	1.75%	1.80%	1.78%	1.81%
					Basel III Core Tier 1 ratio	23.9%	27.2%	30.1%	33.4%
Customer Funds (€ m)					Tier I ratio (%)	34.6%	37.7%	40.4%	43.5%
	2023	2024E	2025E	2026E					
Assets Under Management	58,016	62,016	68,016	74,016					
Growth(%)	11.4%	6.9%	9.7%	8.8%					
Total Net New Money	8,792	10,000	10,000	10,000					
CRMs	2,962	3,062	3,162	3,262					
AuM/CRMs	19.6	20.3	21.5	22.7					
Total Assets Under Custody	122,557	132,557	142,557	152,557					

Source: Mediobanca Research



Source: Mediobanca Research

Benefiting from momentum on personal lines

Company in a nutshell & SWOT analysis

Generali is a multinational group with a presence 50 countries, with 400 companies and 75,000 employees. It has undergone a major strategic reorganisation in recent years, enabling more focus on its core business, greater discipline in asset management and simpler, more transparent governance. This has led Generali into a new phase, based on more efficient business models, innovative commercial strategies and a stronger, more global brand.

SWOT analysis – Strengths: market leadership in terms of capital generation; strong retail focus, with a high level of technological infrastructure; best insurance operations in CEE. **Weaknesses:** highly exposed to Italy and life insurance. **Opportunities:** strong capital generation offers optionality; higher interest rates environment. **Threats:** higher spreads on Italian sovereign debt.

Exposure to current Macro & Geopolitics

We see Generali as relatively well poised to navigate in the current interest rates (and inflation) environment. In Motor, inflation greatly affected the average cost of claims last year and this was coupled with stagnant premiums. However, after a tough 2023, the operating result of P&C in 1Q24 showed signs of recovery thanks to sound technical performance, well represented by a 91.0% discounted CoR. Aside a low Nat Cat burden, most of the improvement came from higher Motor tariffs, which are likely to show further benefits in the second part of the year. For Life, the months ahead may be mixed: lower rates could negatively affect Solvency and Contractual Service Margin. Yet, interest rate cuts should also bring a better development in terms of flows in wealth management products (traditional life insurance, unit linked and mutual funds) and, likely, lower lapses.

Valuation & Next Triggers

During the 1Q24 conference call, the c.180bps decline in the margin on new business catalyzed most of the attention. The management broke-down the figure into three components (accounting, business mix and market effects), explaining a normalization is expected over the next quarters. As mentioned, P&C is showing signs of recovery thanks to sound technical performance, and this is likely to be confirmed over the next quarters (though a normalization in Nat Cats is also expected). With reference to Life, €2.3bn net inflows reported in the first quarter showed an improvement in the lapse rate in both France and FA networks in Italy. And this is promising data, in our view.

Key points to discuss at the MB conference

(1) capital management and share buybacks, (2) priorities in terms of business growth and increasing geographical reach, (3) how the company is positioned in terms of digital innovation and digital transformation, (4) updates on competition in the market and premiums going forward, (5) expectations regarding slowing claims inflation.

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	2023	2024E	2025E	2026E
EPS (€)	2.43	2.55	2.70	2.87
DPS (€)	1.28	1.40	1.50	1.60
P/BV ex URG (x)	1.3	1.2	1.1	1.0
P/E (x)	9.7	9.3	8.7	8.2
Div.Yield (%)	5.4	5.9	6.3	6.8
ROE ex URG (%)	13.6	13.1	13.1	13.0

Market Data

Market Cap (€m)	36,799
Shares Out (m)	1,557
Free Float (%)	77%
52 week range (€)	24.88-18.15
Rel Perf vs STOXX EUROPE 600 INSURANCE E (%)	
-1m	-3.2%
-3m	4.7%
-12m	9.9%
21dd Avg. Vol.	3,572,507
Reuters/Bloomberg	GASI.MI / G IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Insurance Revenue	na	na	na	na
Insurance Service Result	5,178	5,846	6,236	6,542
Investment Result	2,698	2,774	2,889	3,010
Operating earnings	6,879	7,528	8,008	8,409
Pre-Tax profit	5,617	6,173	6,553	6,954
Tax	-1,579	-1,852	-1,966	-2,086
Tax rate	28%	30%	30%	30%
Consolidated result	4,038	4,321	4,587	4,868
Minorities	-375	-393	-417	-443
Other incl coupons and pref	na	na	na	na
Net profit	3,747	3,928	4,170	4,425
Incidental items	-172	0	0	0
Adjusted net profit	3,610	3,966	4,211	4,469

Balance Sheet (€ m)	2023	2024E	2025E	2026E
Traditional life reserves	301,167	307,191	313,334	319,601
Unit-linked life reserves	98,109	101,052	104,083	107,206
P&C reserves	35,369	37,491	39,741	42,125
Total investments	466,046	466,046	466,046	466,046
Third-party AuM	176,266	185,079	194,333	204,049
Total AuM	642,312	651,125	660,379	670,095
Debt	8,740	9,177	9,636	10,118
CSM Life	30,911	32,499	34,153	35,886
Risk Adjustment Life	na	na	na	na
Common shrs equity	28,968	30,903	32,893	34,982
IFRS Leverage	21.98%	21.20%	20.45%	19.71%

Business split (operating result)	2023	2024E	2025E	2026E
By activity				
Life	54.3%	52.8%	51.9%	51.6%
Non-Life	42.2%	44.4%	45.0%	45.0%
Asset management	14.6%	14.2%	14.0%	14.0%
Other	-11.0%	-11.4%	-10.9%	-10.6%
By region				
Europe	90.0%	90.0%	90.0%	90.0%
US	0.0%	0.0%	0.0%	0.0%
Asia	10.0%	10.0%	10.0%	10.0%
UK	0.0%	0.0%	0.0%	0.0%

Holdco cash (€ m)	2023	2024E	2025E	2026E
Free cash flow	2,958	3,017	3,078	3,139
Dividends	-1,993	-2,180	-2,335	-2,491
Buyback	0	0	0	0
Other	0	0	0	0
Holding company cash	2,118	3,142	4,040	4,843
Free cash flow yield	8.0%	8.2%	8.4%	8.5%

Operational KPIs	2023	2024E	2025E	2026E
Op. Life profit/reserves	na	na	na	na
Non-Life COR	94.0%	93.1%	92.8%	92.8%
COR, undiscounted	96.7%	95.8%	95.5%	95.5%
Life CSM amortisation	3,035	3,151	3,311	3,479
AM margin(bps)	0	0	0	0
ROE	13.5%	13.1%	13.1%	13.0%

SII metrics (€ m)	2023	2024E	2025E	2026E
Prevailing Solvency	220%	214%	222%	230%
Eligible Capital	46,200	44,940	46,620	48,300
Required Capital	21,000	21,000	21,000	21,000
Unrestricted tier 1 capital	40,818	42,753	44,743	46,832
Restricted tier 1 capital	2,142	2,142	2,142	2,142
Tier 2 capital	6,142	6,142	6,142	6,142
Tier 3 capital	95	95	95	95
RT1 as % of T1 capital	5.0%	4.8%	4.6%	4.4%
T2+T3 as % of SCR	29.7%	29.7%	29.7%	29.7%

Multiples (x)	2023	2024E	2025E	2026E
P/E	9.7	9.3	8.7	8.2
P/E Adj.	10.2	9.3	8.7	8.2
P/BV	1.3	1.2	1.1	1.0
P/BV Adj.	na	na	na	na
P/UT1	0.9	0.9	0.8	0.8
Div.Yield	5.4%	5.9%	6.3%	6.8%
Pay out	53%	55%	55%	56%

Per Share Data (€)	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	1,557	1,557	1,557	1,557
EoP N° of Shares (m)	1,557	1,557	1,557	1,557
Avg. Market Cap. (m)	28,995	36,791	36,791	36,791
EPS	2.43	2.55	2.70	2.87
Adj. EPS	2.32	2.55	2.70	2.87
Adjusted EPS growth	16.2%	9.9%	6.2%	6.1%
DPS Ord	1.28	1.40	1.50	1.60

Source: Mediobanca Research



Source: Mediobanca Research

12 June 2024

Utilities

Update

Price: € 3.43

Target price: € 4.30

Outperform

Consistent Growth

Company in a Nutshell & SWOT Analysis

Hera is a multi-utility which has been created from the aggregation of 11 main utilities located in Northeastern Italy. It operates in the following four main businesses: (1) Waste (c.25% of '23 EBITDA) - including treatment & collection of both urban and industrial waste; (2) Water (c.18% of EBITDA) - A fully regulated business; (3) Gas (c.30% of EBITDA) - which includes regulated gas distribution, supply, district heating and heat management services; and (4) Electricity (c.28% of EBITDA) - which includes regulated distribution, supply and power generation. **SWOT Analysis:** (1) **“Strengths”**: well diversified governance structure, solid business model with exposure to secular trends; (2) **“Weaknesses”**: exposure to wholesale power & gas prices and to volatility of electricity & gas demand; (3) **“Opportunities”**: consolidation in the sector and in waste business. Significant investments opportunities in water and waste activities; (4) **“Threats”**: Increasing competition in electricity and gas supply business, delay in gas auctions.

Exposure to current Macro & Geopolitics

In a context where geopolitical tensions do not seem to be over, the energy crisis has mostly normalized, and energy prices are now far from the spikes touched in the past few years. That said, the need to improve Europe's energy independence through upgraded interconnections and to ensure security of supply remain a key prerogative. This may represent an opportunity for companies exposed to the trends of electrification, circular economy, waste and water businesses such as Hera. On top of this, although the pace of the interest rate cuts will be a key element to trigger a possible sector re-rating, the context of progressively reducing interest rates should be more favourable to the utilities sector.

Valuation & Next Triggers

In January, Hera presented its new BP for the period '23/27. The company targets to reach €1.65bn EBITDA by '27, from €1.295bn recorded at the end of '22. EPS should be at €0.31 by the end of the BP, and this corresponds to >+7% EPS CAGR in '22/27. Hera increased total investments in '23/27 by +7% pointing to €4.4bn (or €880m per year), more than 50% on the Networks business and mainly in the Water activity. The new DPS guidance is: €0.145 in '24, €0.150 in '25 and €0.155 in '26. Net Debt/EBITDA ratio should reach 2.7x by '27.

The successful extraction of synergies from the >1m regulated electricity clients awarded through the market liberalization is a next trigger. Trading at cheap multiples, we see value for a company exposed to secular trends as the ones of green & circular economy and sustainable models in waste & water businesses. Outperform.

Key points to discuss at MB Conference

Points of discussion for Hera are: (1) Expectations on the main underlying growth drivers for '24; (2) Update on the strategy adopted to move awarded clients to the free market; (3) Supply margin evolution for the following quarters; (4) Hedging strategy & expected trend of energy prices; (5) Update on the working capital evolution for the coming quarters; (6) M&A opportunities, with particular focus on the waste business; (7) Latest expectations on the WACC review applying from '25.

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	2023	2024E	2025E	2026E
EPS Adj (€)	0.25	0.28	0.29	0.30
DPS (€)	0.14	0.15	0.15	0.16
BVPS (€)	2.31	2.47	2.61	2.75
EV/Ebitda(x)	6.0	6.8	6.9	6.8
P/E adj (x)	10.8	12.4	12.0	11.4
Div.Yield(%)	5.1%	4.2%	4.4%	4.5%
OpFCF Yield(%)	13.0%	12.4%	12.5%	12.7%

Market Data

Market Cap (€m)	5,103
Shares Out (m)	1,489
City Halls of Romagna (%)	22%
Free Float (%)	34%
52 week range (€)	3.56-2.48
Rel Perf vs STOXX EUROPE 600 UTILITIES E (%)	
-1m	1.3%
-3m	-1.3%
-12m	21.2%
21dd Avg. Vol.	2,661,092
Reuters/Bloomberg	HRA.MI / HER IM

Source: Mediobanca Research

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Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Turnover	14,897	15,198	15,370	15,840
Turnover growth %	-25.8%	2.0%	1.1%	3.1%
EBITDA	1,495	1,525	1,543	1,590
EBITDA margin (%)	10.0%	10.0%	10.0%	10.0%
EBITDA growth (%)	15.4%	2.0%	1.1%	3.1%
Depreciation & Amortization	-754	-729	-731	-748
EBIT	741	796	812	842
EBIT margin (%)	5.0%	5.2%	5.3%	5.3%
EBIT growth (%)	18.0%	7.4%	2.0%	3.7%
Net Fin.Income (charges)	-178	-163	-157	-156
Non-Operating Items				
Extraordinary Items	0	0	0	0
Pre-tax Profit	563	633	655	686
Tax	-146	-180	-187	-195
Tax rate (%)	25.9%	28.5%	28.5%	28.5%
Minorities	-42	-42	-42	-43
Net Profit	375	411	426	448
Net Profit growth (%)	16.5%	9.5%	3.7%	5.2%
Adjusted Net Profit	375	411	426	448
Adj. Net Profit growth (%)	16.5%	9.5%	3.7%	5.2%

Multiples	2023	2024E	2025E	2026E
P/E Adj.	10.8	12.4	12.0	11.4
P/CEPS	3.5	4.3	4.3	4.1
P/BV	1.2	1.4	1.3	1.2
EV/ Sales	0.6	0.7	0.7	0.7
EV/EBITDA	6.0	6.8	6.9	6.8
EV/EBIT	12.1	13.1	13.1	12.8
EV/Cap. Employed	1.1	1.2	1.1	1.1
Yield (%)	5.1%	4.2%	4.4%	4.5%
OpFCF Yield (%)	13.0%	12.4%	12.5%	12.7%
FCF Yield (%)	0.5%	1.3%	3.8%	5.7%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	0.25	0.28	0.29	0.30
EPS growth (%)	16.5%	9.5%	3.7%	5.2%
EPS Adj.	0.25	0.28	0.29	0.30
EPS Adj. growth (%)	16.5%	9.5%	3.7%	5.2%
CEPS	0.79	0.79	0.80	0.83
BVPS	2.31	2.47	2.61	2.75
DPS Ord	0.14	0.15	0.15	0.16

Balance Sheet (€ m)	2023	2024E	2025E	2026E
Working Capital	1,415	1,720	1,955	2,212
Net Fixed Assets	6,870	7,208	7,430	7,587
Total Capital Employed	8,285	8,929	9,385	9,799
Shareholders' Funds	3,438	3,679	3,881	4,098
Minorities	313	355	398	440
Provisions	706	891	1,060	1,235
Net Debt (-) Cash (+)	-3,828	-4,004	-4,046	-4,027

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	1,489	1,489	1,489	1,489
EoP N° of Shares (m)	1,489	1,489	1,489	1,489
Avg. Market Cap. (m)	4,056	5,109	5,109	5,109
Enterprise Value (m)	8,957	10,392	10,626	10,803
Adjustments (m)	1,073	1,279	1,471	1,668
Labour Costs/Turnover	4%	4%	4%	4%
Depr.&Amort./Turnover	5%	5%	5%	5%
Turnover / Op.Costs	1.1	1.1	1.1	1.1

Cash Flow (€ m)	2023	2024E	2025E	2026E
Cash Earnings	1,171	1,182	1,199	1,238
Working Capital Needs	-333	-232	-219	-216
Capex (-)	-816	-883	-783	-730
Financial Investments (-)	0	0	0	0
Dividends (-)	-209	-216	-223	-231
Other Sources / Uses	0	0	0	0
Ch. in Net Debt (-) Cash (+)	-187	-149	-27	61

Gearing (Debt / Equity)	111%	109%	104%	98%
EBITDA / Fin. Charges	-8.4	-9.4	-9.8	-10.2
Net Debt / EBITDA	2.6	2.6	2.6	2.5
Cap.Employed/Turnover	56%	59%	61%	62%
Capex / Turnover	5%	6%	5%	5%
Pay out	56%	53%	52%	52%
ROE	11%	11%	11%	11%
ROCE (pre tax)	9%	9%	9%	9%
ROCE (after tax)	7%	6%	6%	6%

Source: Mediobanca Research



Source: Mediobanca Research

Protecting margins in a bumpy 2024

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Company in a nutshell & SWOT Analysis

Interpump Group is the largest manufacturer of professional high-pressure plunger piston pumps for water (27% of 2023 sales, including fluid handling) in the world, and one of the leading groups operating on an international basis in the hydraulic sector (73% of 2023 sales). The company is expected reach less than €2.2bn sales in FY24E (MBe). More than half of group revenues comes from Europe (52%), while North America accounts for 28%. Interpump has a global production footprint with 9,291 employees (as of 31 March 2024).

SWOT Analysis: (1) **“Strengths”**: Leading positioning in niche markets granting superior pricing power, strong track record in M&A and post-deal integration, Local-for-Local strategy; (2) **“Weaknesses”**: GDP related order intake trend, above all in Hydraulics unit; (3) **“Opportunities”**: further diversification into less cyclical reference markets, product innovation and incremental cross-selling; (4) **“Threats”**: increasing competition from big players in the hydraulics business and macro tensions from global trade disputes.

Exposure to current Macro & Geopolitics

The Ukrainian conflict has had a limited direct impact on Interpump considering its very low exposure to Russia and Ukraine. On the other side, the conflict generated tensions, now eased, to the global supply chains which brought Interpump to find alternative sourcing for some key raw materials. The current macro-outlook has led to a backlog normalization for the Hydraulics division (mainly visible for AG and Construction), while the positive trend of the Water Jetting backlog reflects its late-cyclical nature combined with new applications.

Valuation & Next Triggers

After 1Q24, the FY outlook was revised downwards with the group now expecting, based on the current scope, that 2024 will close in a range between +1% and -5% yoy in terms of sales with an EBITDA margin of around 23.5%. The main assumptions are: 1) a postponed recovery for some segments of Hydraulics (AG, Construction, Lifting) which have currently sequentially stabilized at bottom levels; 2) Backlog in the Water Jetting business has been gradually increasing with the expectation of a positive organic growth in FY24. Despite the high-single-digit organic sales' decline, the good profitability/cash generation achieved in 1Q confirmed that business diversification and a flexible cost structure are two effective and distinctive tolls amid a challenging macro context. The stock currently trades at c.10x 2024E EV/EBITDA and c.17x 2024E P/E. We confirm the Outperform rating seeing the M&A strategy as a key catalyst in 2024, possibly chasing large-size targets.

Key points to discuss at the MB Conference

Key points to discuss for Interpump Group are, in our view: (1) Short-term order intake trend by sector/region; (2) FCF 2024 outlook based on a capex & WC normalisation; (3) Main actions to protect 2024 EBITDA margin; (4) Potential M&A pipeline across the two business lines; (5) New products to be launched in the market and 6) Strategy in China and India.

	2023	2024E	2025E	2026E
EPS Adj (€)	2.51	2.52	2.71	2.89
DPS (€)	0.32	0.33	0.35	0.36
BVPS (€)	16.48	18.64	20.97	23.46
EV/Ebitda(x)	10.5	9.8	8.9	8.0
P/E adj (x)	19.3	17.6	16.4	15.3
Div.Yield(%)	0.7%	0.8%	0.8%	0.8%
OpFCF Yield(%)	2.3%	5.0%	6.2%	6.6%

Market Data

Market Cap (€m)	4,740
Shares Out (m)	109
IPG Holding (%)	25%
Free Float (%)	75%
52 week range (€)	53.30-38.79
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	2.3%
-3m	-4.5%
-12m	-34.5%
21dd Avg. Vol.	234,396
Reuters/Bloomberg	ITPG.MI / IP IM

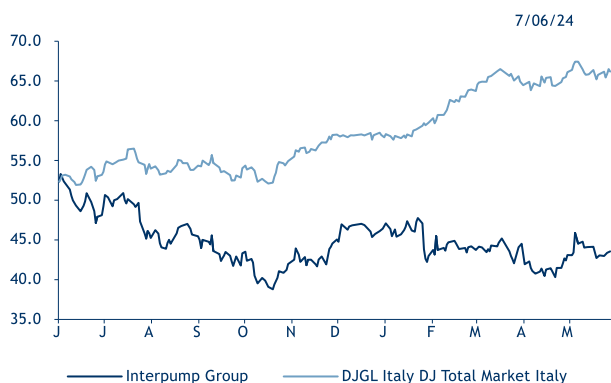
Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E	Multiples	2023	2024E	2025E	2026E
Turnover	2,240	2,186	2,249	2,335	P/E Adj.	19.3	17.6	16.4	15.3
Turnover growth %	7.8%	-2.4%	2.9%	3.8%	P/CEPS	14.0	12.9	12.1	11.4
EBITDA	537	514	534	559	P/BV	2.9	2.3	2.1	1.9
EBITDA margin (%)	24.0%	23.5%	23.8%	23.9%	EV/ Sales	2.5	2.3	2.1	1.9
EBITDA growth (%)	9.0%	-4.3%	4.0%	4.6%	EV/EBITDA	10.5	9.8	8.9	8.0
Depreciation & Amortization	-108	-113	-118	-122	EV/EBIT	13.2	12.5	11.4	10.3
EBIT	429	400	416	437	EV/Cap. Employed	2.2	2.0	1.9	1.8
EBIT margin (%)	19.1%	18.3%	18.5%	18.7%	Yield (%)	0.7%	0.8%	0.8%	0.8%
EBIT growth (%)	11.7%	-6.6%	4.0%	4.9%	OpFCF Yield(%)	2.3%	5.0%	6.2%	6.6%
Net Fin.Income (charges)	-52	-34	-23	-17	FCF Yield (%)	2.8%	5.6%	6.5%	6.6%
Non-Operating Items	1	0	0	0					
Extraordinary Items	0	0	0	0					
Pre-tax Profit	378	367	393	420	Per Share Data (€)	2023	2024E	2025E	2026E
Tax	-100	-96	-102	-109	EPS	2.52	2.47	2.66	2.84
Tax rate (%)	26.5%	26.2%	26.0%	26.0%	EPS growth (%)	3.0%	-1.9%	7.5%	6.8%
Minorities	-3	-1	-2	-2	EPS Adj.	2.51	2.52	2.71	2.89
Net Profit	274	269	289	309	EPS Adj. growth (%)	-1.5%	0.5%	7.5%	6.8%
Net Profit growth (%)	3.0%	-1.9%	7.5%	6.8%	CEPS	3.40	3.38	3.61	3.83
Adjusted Net Profit	268	269	289	309	BVPS	16.48	18.64	20.97	23.46
Adj. Net Profit growth (%)	0.4%	0.5%	7.5%	6.8%	DPS Ord	0.32	0.33	0.35	0.36

Balance Sheet (€ m)	2023	2024E	2025E	2026E	Key Figures & Ratios	2023	2024E	2025E	2026E
Working Capital	724	714	716	740	Avg. N° of Shares (m)	109	109	109	109
Net Fixed Assets	1,805	1,836	1,830	1,822	EoP N° of Shares (m)	109	109	109	109
Total Capital Employed	2,529	2,549	2,546	2,563	Avg. Market Cap. (m)	5,172	4,740	4,740	4,740
Shareholders' Funds	1,794	2,028	2,282	2,553	Enterprise Value (m)	5,661	5,017	4,756	4,495
Minorities	9	9	10	10	Adjustments (m)	-78	-78	-78	-78
Provisions	159	156	161	167	Labour Costs/Turnover	21%	22%	22%	22%
Net Debt (-) Cash (+)	-568	-356	-94	167	Depr.&Amort./Turnover	5%	5%	5%	5%
					Turnover / Op.Costs	1.3	1.3	1.3	1.3
					Gearing (Debt / Equity)	31%	17%	4%	-7%
					EBITDA / Fin. Charges	-10.4	-15.0	-23.2	-32.9
					Net Debt / EBITDA	1.1	0.7	0.2	-0.3
					Cap. Employed/Turnover	113%	117%	113%	110%
					Capex / Turnover	10%	6%	4%	4%
					Pay out	12%	13%	13%	12%
					ROE	15%	13%	13%	12%
					ROCE (pre tax)	17%	16%	16%	17%
					ROCE (after tax)	12%	12%	12%	13%

Source: Mediobanca Research



Source: Mediobanca Research

Fees back to centre stage

Company in a Nutshell and SWOT analysis

ISP is the leading Italian bank, with a market share of 18% in terms of loans and almost 22% for deposits. The loan book is well diversified, as loans to NFC account for 42% of the total, loans to households for c34%, loans to financial institutions for 8% and 5% is represented by loans to the Public Administration. Italy and CEE account respectively for c75% and c10% of total loans, respectively, while the rest is mainly international CIB lending.

SWOT Analysis: (1) **“Strengths”**: leading position in Italy, likely a price market in several segments; long track record of stable and high-single digit dividend yield; well diversified bank both in terms of loan book and business model; positively impacted by the high-interest rate environment; gross NPE ratio below Italian average at 2.3%; (2) **“Weaknesses”**: strong use of synthetic securitisations to optimise capital ratios, antitrust limitations for M&A in Italy; (3) **“Opportunities”**: strong capacity to generate fee income; annual review of shareholder’s remuneration; (4) **“Threats”**: pressure on NII income amid rate cuts, exposure to macro deterioration in Eurozone and Italy.

Exposure to current Macro & Geopolitics

ISP has benefited from the monetary policy tightening implemented by the ECB, has reduced its exposure to Russia to 0.1% of group customer loans and its CRE exposure is almost half the European average. However, the high rate environment has started to impair the demand for corporate and home loans in Italy and in general across Europe. Additionally, higher interest rates have not yet impaired asset quality, but risks could be tilted toward the upside, should rates remain high for a prolonged period of time. Finally, we believe the current BTP-BUND spread is already hovering around the bottom of range toughed thus far.

Valuation & Next Triggers

ISP is trading on c8x 2025 P/E and 1.35x P/TE for 15% ROTE and 8.5% sustainable dividend yield supported by a €1.7bn ongoing SBB (2.5% of mkt cap). We estimate ISP to land around 13.5% CET1 ratio in 2025, post Basel, which is in line with guidance. Despite the formal 12% CET1 target, we see ISP happy to defend the 13% threshold, leaving room a similar one (€1.6bn SBB, 2.5% of mkt cap) at best, or for growth. We see the story as fairly priced. We have Neutral rating on ISP, €3.5 Target Price.

Key Points to Discuss at MB Conference

Points of discussion for ISP are: (1) View on macro scenario and its corollary for Italy; (2) View on returning further excess capital to the market: possible timing and form; (3) Strategy on domestic and international loan growth; (4) Strategy on Wealth Management business and sustainability of Q124 fee income; (5) View on deposit beta evolution and competitive landscape; (6) Sustainable NII level in light of future low rates environment; (7) Asset quality evolution amid banks tightening lending criteria; (8) impacts from tax credits given the recent decree; (9) M&A opportunities; and (10) updates on Isybank and timing of related cost savings.

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Equity Research: Main valuation indicators

	2023	2024E	2025E	2026E
EPS Adj (€)	0.41	0.44	0.44	0.45
DPS (€)	0.30	0.31	0.31	0.32
TBVPS (€)	2.73	2.78	2.89	3.01
Avg. RoTE Adj (%)	16.3%	15.9%	15.6%	15.3%
P/E Adj (x)	8.8	8.2	8.2	8.0
Div.Yield(%)	8.2%	8.6%	8.6%	8.8%
P/TBV (x)	1.3	1.3	1.2	1.2

Source: Mediobanca Research

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Mediobanca AT1 absolute view and key risks			
AT1	Extension	MDA Buffer	Supply
	Low	High	Medium

Mediobanca Credit View on European Banks: [here](#)

Market Data

Market Cap (€m)	65,836
Shares Out (m)	18,283
Reuters/Bloomberg	ISP.MI / ISP IM

Valuation Matrix

Profit & Loss Acc(€ m)	2023	2024E	2025E	2026E
Net Interest Income	14,646	14,744	14,427	14,539
Growth (%)	54.2%	0.7%	-2.1%	0.8%
Non-Interest Income	10,492	10,661	11,177	11,671
Growth (%)	-12.1%	1.6%	4.8%	4.4%
of which Fee Income	8,558	8,848	9,027	9,268
of which Financial Income	298	128	462	717
Total Income	25,138	25,404	25,604	26,210
Growth (%)	17.2%	1.1%	0.8%	2.4%
Total Costs	-11,329	-11,313	-11,621	-11,905
Growth (%)	3.6%	-0.1%	2.7%	2.4%
of which Personnel Costs	-6,981	-6,800	-6,905	-7,024
Net Operating Income	13,809	14,091	13,983	14,304
Growth (%)	31.4%	2.0%	-0.8%	2.3%
Provisions&Write-downs	-1,529	-1,618	-1,818	-1,909
Extraordinary Items	-868	-654	-421	-379
Pre-tax profit	12,058	12,234	11,877	12,109
Tax	-3,438	-3,701	-3,592	-3,657
Tax rate(%)	28.5%	30.2%	30.2%	30.2%
Minorities and others	-28	-21	-17	-17
Net profit	7,724	7,858	7,847	8,056
Growth (%)	76.4%	1.7%	-0.1%	2.7%
Adjusted net profit	7,646	7,877	7,843	8,040
Growth (%)	77.0%	3.0%	-0.4%	2.5%

Multiples	2023	2024E	2025E	2026E
P/E	8.6	8.2	8.1	7.9
P/E Adj.	8.7	8.2	8.1	7.9
P/Net Op.Income	4.7	4.5	4.6	4.5
P/Revenues	2.6	2.5	2.5	2.4
P/TBV	1.3	1.3	1.2	1.2
P/Total Deposits (%)	12.0%	11.5%	11.2%	11.0%
Yield (%)	8.3%	8.6%	8.6%	8.8%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	0.42	0.44	0.44	0.45
EPS growth (%)	82.1%	5.1%	1.2%	2.7%
EPS Adj.	0.41	0.44	0.44	0.45
EPS Adj. growth (%)	82.7%	6.4%	0.9%	2.5%
TBVPS	2.73	2.78	2.89	3.01
DPS Ord	0.30	0.31	0.31	0.32

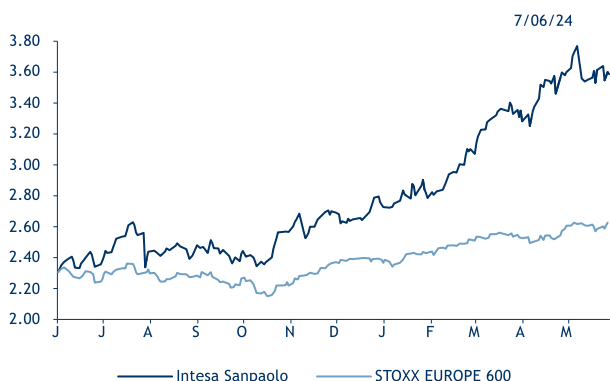
Balance Sheet (€ m)	2023	2024E	2025E	2026E
Customer Loans	429,540	423,939	425,980	433,296
Growth(%)	-3.9%	-1.3%	0.5%	1.7%
Customer Deposits	546,206	556,311	566,716	577,363
Growth(%)	3.3%	1.9%	1.9%	1.9%
Shareholders' Funds	66,592	65,924	67,928	70,073
Minorities	164	131	131	131
Total Assets	966,109	975,513	987,922	1,000,714

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	18,259	17,771	17,771	17,771
EoP N° of Shares (m)	18,612	18,015	17,771	17,771
Avg. Market Cap. (m)	44,516	63,743	63,743	63,743
NII/Total Income (%)	58.3%	58.0%	56.3%	55.5%
Fees/Total Income (%)	34.0%	34.8%	35.3%	35.4%
Trading/Total Income (%)	1.2%	0.5%	1.8%	2.7%

Cost Income ratio	45.1%	44.5%	45.4%	45.4%
Personnel costs/Total costs	61.6%	60.1%	59.4%	59.0%
Impairment/Average Loans	0.3%	0.3%	0.3%	0.3%
NPLs ratio	1.2%	1.9%	1.8%	1.7%
Provisions/Loans	22.8%	23.0%	22.9%	22.6%

Avg. RoTE Adj. (%)	16.3%	15.9%	15.6%	15.3%
ROA (%)	0.79%	0.81%	0.80%	0.81%
Tier 1 ratio	15.8%	16.0%	15.7%	15.9%
Basel III Core Tier 1 ratio	13.2%	13.6%	13.5%	13.7%

Source: Mediobanca Research



Source: Mediobanca Research

To benefit from better market conditions in 2025

Company in a Nutshell & SWOT analysis

INWIT is currently Italy's major tower operator providing widespread coverage throughout the country, hosting the transmission equipment for all main national operators. It manages a portfolio of more than 24k sites, historically owned by TIM and Vodafone. TIM's assets were conferred to INWIT in March 2015, while VOD ones were secured in March 2020. Daphne 3 (a vehicle where Ardian led consortium has increased its stake to 90% from 49%, with TIM moving to 10%) and Vantage Towers (Vodafone) are the two main shareholders of INW, with 29.9% and 33.2% stake respectively. Above 80% of revenues come from TIM & VOD. Commitment for new PoPs, OLO growth, increased demand for FWA, Backhauling, Small Cells, 5G will be driver for future growth in coming years. **SWOT analysis:** (1) **"Strengths"**: visibility on revenues, strong profitability, sound FCF generation, network capillarity, high know-how quality, talented management; (2) **"Weaknesses"**: pure exposure to the Italian economy; (3) **"Opportunities"**: digital transition and NRRP, 5G and related technologies, international expansion; (4) **"Threats"**: regulatory risk, higher competition by strengthening players.

Exposure to current macro & geopolitical situation

As confirmed by General Manager Diego Galli, the market is expanding as clients are asking for turnkey solutions for managed infrastructure services with different connectivity technologies involved. The Italian telecom industry continues to be under pressure with limited returns and budget constraints for operators. However, demand for digital infrastructure is confirmed as structurally solid. New EMF limits were set at 15 volts per meter, from 6: a significant increase, that may facilitate INW business, although this is not seen as a game changer. Mr. Galli also pointed out changes in TLC industry (sector consolidation, FWAs redefining their strategy) are something which goes into the right direction. Finally, we note that 23% of debt is floating, so a decrease in interest rate should result in lower financial charges over the next months.

Valuation & Next Triggers

INWIT's business model remains solid, the management has been able to broadly confirm the targets with a slightly different revenues' mix: we appreciate this new, de-risked profile, which is more reliant on new services. On the other hand, we think it is unlikely we may have a change in trajectory for OLOs demand in the short-term. We continue to believe the capital allocation is very smart and that appetite from PE firms remains high, seeing both Cellnex & INWIT as potential take-over candidates.

Key points to discuss at MB conference

i) the effects from TLC sector consolidation, ii) an update on the expected acceleration in organic growth, iii) option to enter adjacent businesses, iv) how the EU competitive landscape has changed, v) how concrete could be the option of managing the active equipment for MNOs, vi) how relevant is the relaxation of the EMF limitations.

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	2023E	2024E	2025E	2026E
EPS Adj (€)	0.35	0.40	0.45	0.49
DPS (€)	0.48	0.51	0.54	0.57
BVPS (€)	4.52	4.44	4.38	4.34
EV/Ebitda(x)	15.5	14.6	13.7	12.7
P/E adj (x)	27.9	24.5	21.7	19.9
Div.Yield(%)	4.9%	5.2%	5.5%	5.8%
OpFCF Yield(%)	6.6%	6.7%	7.2%	7.7%

Market Data

Market Cap (€m)	9,458
Shares Out (m)	960
Vantage Towers (%)	33%
Free Float (%)	67%
52 week range (€)	12.10-9.75
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	-5.1%
-3m	-8.9%
-12m	-33.8%
21dd Avg. Vol.	1,277,598
Reuters/Bloomberg	/ INW IM

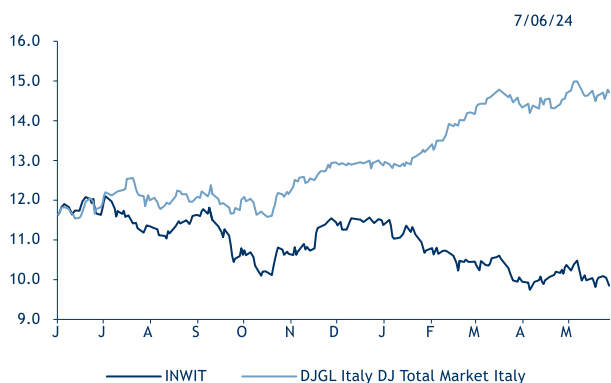
Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023E	2024E	2025E	2026E	Multiples	2023E	2024E	2025E	2026E
Turnover	960	1,046	1,127	1,195	P/E Adj.	27.9	24.5	21.7	19.9
Turnover growth %	12.6%	8.9%	7.7%	6.1%	P/CEPS	14.7	11.8	11.0	10.6
EBITDA	879	956	1,033	1,097	P/BV	2.2	2.2	2.2	2.3
EBITDA margin (%)	91.6%	91.4%	91.7%	91.8%	EV/ Sales	14.2	13.4	12.5	11.7
EBITDA growth (%)	12.8%	8.7%	8.1%	6.3%	EV/EBITDA	15.5	14.6	13.7	12.7
Depreciation & Amortization	-371	-381	-386	-391	EV/EBIT	26.9	24.3	21.8	19.8
EBIT	509	575	647	706	EV/Cap. Employed	11.7	9.8	9.1	10.0
EBIT margin (%)	53.0%	55.0%	57.4%	59.1%	Yield (%)	4.9%	5.2%	5.5%	5.8%
EBIT growth (%)	22.4%	13.0%	12.5%	9.2%	OpFCF Yield(%)	6.6%	6.7%	7.2%	7.7%
Net Fin.Income (charges)	-113	-121	-127	-127	FCF Yield (%)	6.4%	2.9%	5.0%	9.1%
Non-Operating Items	-2	-3	-4	-5					
Extraordinary Items	2	3	4	5					
Pre-tax Profit	396	454	520	580	Per Share Data (€)	2023E	2024E	2025E	2026E
Tax	-56	-68	-83	-104	EPS	0.35	0.40	0.45	0.49
Tax rate (%)	14.2%	15.0%	16.0%	18.0%	EPS growth (%)	15.7%	13.7%	13.2%	8.8%
Minorities	0	0	0	0	EPS Adj.	0.35	0.40	0.45	0.49
Net Profit	339	386	437	475	EPS Adj. growth (%)	15.7%	13.7%	13.2%	8.8%
Net Profit growth (%)	15.7%	13.7%	13.2%	8.8%	CEPS	0.67	0.84	0.89	0.93
Adjusted Net Profit	339	386	437	475	BVPS	4.52	4.44	4.38	4.34
Adj. Net Profit growth (%)	15.7%	13.7%	13.2%	8.8%	DPS Ord	0.48	0.51	0.54	0.57

Balance Sheet (€ m)	2023E	2024E	2025E	2026E	Key Figures & Ratios	2023E	2024E	2025E	2026E
Working Capital	57	320	447	283	Avg. N° of Shares (m)	960	960	960	960
Net Fixed Assets	1,110	1,110	1,110	1,110	EoP N° of Shares (m)	960	960	960	960
Total Capital Employed	1,166	1,430	1,557	1,393	Avg. Market Cap. (m)	9,458	9,458	9,458	9,458
Shareholders' Funds	4,336	4,261	4,210	4,167	Enterprise Value (m)	13,665	13,969	14,113	13,963
Minorities	0	0	0	0	Adjustments (m)	0	0	0	0
Provisions	-7,378	-7,342	-7,308	-7,280	Labour Costs/Turnover	2%	2%	2%	2%
Net Debt (-) Cash (+)	-4,207	-4,511	-4,655	-4,506	Depr.&Amort./Turnover	39%	36%	34%	33%
					Turnover / Op.Costs	11.9	11.6	12.0	12.2
					Gearing (Debt / Equity)	97%	106%	111%	108%
					EBITDA / Fin. Charges	-7.8	-7.9	-8.1	-8.6
					Net Debt / EBITDA	4.8	4.7	4.5	4.1
					Cap.Employed/Turnover	121%	137%	138%	117%
					Capex / Turnover	27%	22%	20%	14%
					Pay out	136%	127%	119%	116%
					ROE	8%	9%	10%	11%
					ROCE (pre tax)	44%	40%	42%	51%
					ROCE (after tax)	37%	34%	35%	42%

Source: Mediobanca Research



Source: Mediobanca Research

12 June 2024

Utilities

Update

Price: € 1.92

Target price: € 2.70

Neutral

Governance remains a legitimate concern

Company in a Nutshell & SWOT Analysis

Iren is a multi-utility which mainly operates in the North-West of Italy. It focuses on the following businesses: (1) Energy (c.30% of EBITDA) - this includes power generation, district heating, and smart solutions (mainly energy efficiency and e-mobility). Most of Iren's thermal power generation plants are integrated with district heating; (2) Networks (c.15% of EBITDA) - electricity and gas distribution; (3) Water (c.20% of EBITDA) - fully regulated business; (4) Waste (c.20% of EBITDA) - which includes collection and treatment of urban & industrial waste; (5) Markets (c.15% of EBITDA) - supply of electricity and gas to final clients. **SWOT Analysis:** (1) **Strengths:** low-risk business based on the sustainable models of networks and waste; (2) **Weaknesses:** exposure to power prices volatility; (3) **Opportunities:** consolidation in the multi-utilities space and investment opportunities in waste & water; (4) **Threats:** Political interference from controlling shareholders.

Exposure to current Macro & Geopolitics

In a context where geopolitical tensions do not seem to be over, the energy crisis has mostly normalized, and energy prices are now far from the spikes touched in the past few years. That said, the need to deliver on Europe's emissions and circular economy targets remains key. This may represent an opportunity for Iren, which has a strong exposure the circular activities of waste and water. On top of this, a context of progressively reducing interest rates should be more favourable to the utilities sector, although the timing of the cut in rates will be an important variable to trigger the re-rating of the sector.

Valuation & Next Triggers

Iren presented its latest BP update to '30 in March '23, and a new update will be unveiled next June 25. In March '23, Iren confirmed its c.+7% EBITDA CAGR for '22-30, targeting to reach €1.45bn EBITDA by '26 & €1.87bn by '30. Net Income CAGR was set at 9%, implying lower Net Income targets at €330m by '26 & at €460m by '30. Capex to '30 was set at €10.5bn, and Net Debt/EBITDA ratio was seen at 3.2x by '26. At FY23 results, Iren announced a DPS of €0.1188/share for the year. This implied a +8% YoY growth, vs +10% DPS CAGR included in the latest BP update. The company anticipated that the Dividend Policy from '24 will be updated in the new BP of June 25. Next trigger: update on the corporate governance structure and presentation of the new strategy. While the stock continues to trade at undemanding multiples, we need clarity on the strategic path of the company.

Key Points to Discuss at MB Conference

Points of discussion for Iren are: (1) Update on corporate governance and visibility on the strategic path; (2) Latest updates regarding the extension of expired hydro concessions; (3) Update on M&A opportunities and potential for sector consolidation; (3) Strategy to move regulated clients to the free market before the 2027 deadline; (4) Update on the evolution of supply margins & energy prices; (5) View on client base evolution & update on your commercial strategy; (6) Update on the timing for gas tenders; (7) View on the expected evolution of energy efficiency services following the interruption in Government subsidies (Superbonus 110); (8) View on exceptional hydro conditions observed in 1H24, (9) opportunity to fill the gap existing in the national water infrastructure.

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	2023	2024E	2025E	2026E
EPS Adj (€)	0.20	0.20	0.21	0.22
DPS (€)	0.12	0.12	0.13	0.13
BVPS (€)	2.12	2.20	2.29	2.37
EV/Ebitda(x)	6.1	6.4	6.3	6.3
P/E adj (x)	9.2	9.4	9.1	8.8
Div.Yield(%)	6.6%	6.4%	6.6%	6.8%
OpFCF Yield(%)	14.0%	12.9%	13.0%	12.8%

Market Data

Market Cap (€m)	2,495
Shares Out (m)	1,301
Finanziaria Sviluppo Utilities (%)	36%
Free Float (%)	31%
52 week range (€)	2.11-1.63
Rel Perf vs STOXX EUROPE 600 UTILITIES E (%)	
-1m	10.2%
-3m	-3.1%
-12m	5.9%
21dd Avg. Vol.	3,296,174
Reuters/Bloomberg	IREE.MI / IRE IM

Source: Mediobanca Research

12 June 2024

Utilities

Update

Price: € 4.93

Target price: € 6.60

Outperform

Resilient Growth Path

Company in a Nutshell & SWOT Analysis

Italgas is operating in the gas distribution business, being the largest operator in Italy with c35% market share. The company is the result of the spin-off from Snam and it was re-listed in the stock market in 2H16. Gas distribution is a fully regulated business. Italgas' regulatory asset base (RAB) at end '23 was at c€9bn. The company's growth strategy is mainly based on RAB growth, driven by investments in its current network, M&A and acquisition of new gas distribution concessions through auctions. Furthermore, the company is expanding into other businesses including the water distribution sector and energy efficiency activity.

SWOT Analysis: (1) **"Strengths"**: Leading position in gas distribution, delivery on cost-cutting and network's digitalization; (2) **"Weaknesses"**: Uncertainty on actual ramp-up of the auction process for the renewal of gas distribution concessions in Italy; (3) **"Opportunities"**: Gas auctions, potential consolidation in the sector, green hydrogen; (4) **"Threats"**: Administrative/political issues related to gas auctions & regulatory changes.

Exposure to current Macro & Geopolitics

In a context where geopolitical tensions do not seem to be over, the energy crisis has mostly normalized, and energy prices are now far from the spikes touched in the past few years. That said, the need to improve Europe's energy independence through upgraded interconnections and to accelerate on a hydrogen-related infrastructure remain crucial. This scenario offers growth potential for Italgas, thanks to its leading role as national gas distributor.

Valuation & Next Triggers

Italgas presented its BP for 2023-29 on 15 June '23, with total capex at €7.8bn, and organic capex at €4.6bn. On top of this, the capex related to gas tenders was quantified at €1.5bn. Without tenders, '29 RAB should increase to €11.1bn, implying +3.1% CAGR. Leverage is seen at c60% by '29. Revenues should be >€2.7bn in '29, with EBITDA at >€1.8bn. Italgas confirmed & extended its dividend policy to '26, that provides for a DPS equal to the greater of: (a) The amount resulting from the 2022 DPS (€0.317) increased by +4% per year & (b) 65% pay-out on Adj. EPS. Guidance for '24 mainly includes: (1) Adj EBITDA: €1.32-1.35bn (+13%), (2) Net Debt: c6.6bn, and (3) Technical Capex: c€900m. The company postponed the presentation of its BP update after the shareholders of 2i Rete Gas, F2i (63.9% stake) and Finavias (36.1%), granted the company an exclusivity period to perform due diligence to submit a binding offer for the acquisition of 100% of 2i Rete Gas. Current valuation is attractive for a stock that is highly regulated and very limited counterparty risk.

Key Points to Discuss at MB Conference

Points of discussion for Italgas are: (1) Latest expectations on the WACC review from '25; (2) Implementation of the Totex regulation & potential impacts from its application; (3) Update on the potential acquisition of 2i Rete Gas; (4) View on tenders for new gas distribution concessions & expectations on the timing; (5) Update on network's repurposing & digitization; (6) Update on the company's strategy in water distribution business, after the acquisition of Veolia's stakes in three companies operating in the sector; (7) Update on the Greek business and progression on the network's expansion and repurposing.

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	2023	2024E	2025E	2026E
EPS Adj (€)	0.54	0.57	0.59	0.64
DPS (€)	0.35	0.37	0.38	0.42
BVPS (€)	2.81	3.01	3.22	3.44
EV/Ebitda(x)	9.3	8.2	7.9	7.5
P/E adj (x)	9.8	8.7	8.4	7.7
Div.Yield(%)	6.6%	7.5%	7.8%	8.4%
OpFCF Yield(%)	8.6%	9.2%	9.6%	10.0%

Market Data

Market Cap (€m)	3,995
Shares Out (m)	810
CDP (%)	26%
Free Float (%)	61%
52 week range (€)	5.62-4.71
Rel Perf vs STOXX EUROPE 600 UTILITIES E (%)	
-1m	-5.2%
-3m	-9.8%
-12m	-9.9%
21dd Avg. Vol.	3,038,771
Reuters/Bloomberg	IG.MI / IG IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Turnover	1,775	1,863	1,931	2,106
Turnover growth %	15.5%	4.9%	3.7%	9.0%
EBITDA	1,184	1,300	1,365	1,469
EBITDA margin (%)	66.7%	69.8%	70.7%	69.8%
EBITDA growth (%)	9.4%	9.8%	5.0%	7.7%
Depreciation & Amortization	-502	-521	-557	-595
EBIT	682	778	808	874
EBIT margin (%)	38.4%	41.8%	41.8%	41.5%
EBIT growth (%)	9.5%	14.1%	3.7%	8.2%
Net Fin.Income (charges)	-99	-109	-117	-128
Non-Operating Items				
Extraordinary Items	3	3	3	3
Pre-tax Profit	586	673	694	749
Tax	-119	-184	-186	-201
Tax rate (%)	20.3%	27.4%	26.9%	26.9%
Minorities	-28	-29	-29	-30
Net Profit	439	460	478	518
Net Profit growth (%)	10.9%	4.8%	3.9%	8.4%
Adjusted Net Profit	439	460	478	518
Adj. Net Profit growth (%)	10.9%	4.8%	3.9%	8.4%

Multiples	2023	2024E	2025E	2026E
P/E Adj.	9.8	8.7	8.4	7.7
P/CEPS	4.6	4.1	3.9	3.6
P/BV	1.9	1.6	1.5	1.4
EV/ Sales	6.2	5.7	5.6	5.3
EV/EBITDA	9.3	8.2	7.9	7.5
EV/EBIT	16.1	13.7	13.4	12.7
EV/Cap. Employed	1.2	1.1	1.1	1.1
Yield (%)	6.6%	7.5%	7.8%	8.4%
OpFCF Yield (%)	7.3%	13.5%	14.1%	14.9%
FCF Yield (%)	-7.5%	8.1%	3.8%	2.4%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	0.54	0.57	0.59	0.64
EPS growth (%)	10.7%	4.8%	3.9%	8.4%
EPS Adj.	0.54	0.57	0.59	0.64
EPS Adj. growth (%)	10.7%	4.8%	3.9%	8.4%
CEPS	1.16	1.21	1.28	1.37
BVPS	2.81	3.01	3.22	3.44
DPS Ord	0.35	0.37	0.38	0.42

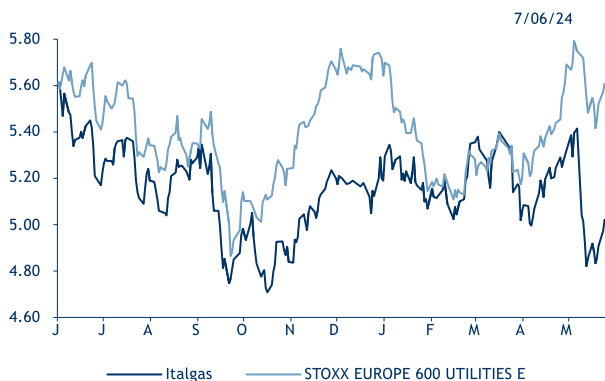
Balance Sheet (€ m)	2023	2024E	2025E	2026E
Working Capital	879	754	604	440
Net Fixed Assets	8,421	8,723	9,240	9,869
Total Capital Employed	9,300	9,477	9,844	10,309
Shareholders' Funds	2,280	2,441	2,608	2,790
Minorities	321	335	350	365
Provisions	65	65	65	65
Net Debt (-) Cash (+)	-6,634	-6,636	-6,821	-7,090

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	811	811	811	811
EoP N° of Shares (m)	811	811	811	811
Avg. Market Cap. (m)	4,320	4,000	4,000	4,000
Enterprise Value (m)	10,954	10,636	10,821	11,090
Adjustments (m)	0	0	0	0
Labour Costs/Turnover	0%	0%	0%	0%
Depr.&Amort./Turnover	28%	28%	29%	28%
Turnover / Op.Costs	1.6	1.7	1.7	1.7

Cash Flow (€ m)	2023	2024E	2025E	2026E
Cash Earnings	941	981	1,035	1,113
Working Capital Needs	-383	139	165	179
Capex (-)	-907	-823	-1,074	-1,224
Financial Investments (-)	0	0	0	0
Dividends (-)	-285	-299	-311	-337
Other Sources / Uses	0	0	0	0
Ch. in Net Debt (-) Cash (+)	-634	-2	-185	-269

Gearing (Debt / Equity)	291%	272%	262%	254%
EBITDA / Fin. Charges	-12.0	-11.9	-11.6	-11.5
Net Debt / EBITDA	5.6	5.1	5.0	4.8
Cap.Employed/Turnover	524%	509%	510%	490%
Capex / Turnover	51%	44%	56%	58%
Pay out	65%	65%	65%	65%
ROE	19%	19%	18%	19%
ROCE (pre tax)	7%	8%	8%	8%
ROCE (after tax)	6%	6%	6%	6%

Source: Mediobanca Research



Source: Mediobanca Research

Special vehicles offsetting weak HD Trucks

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Company in a Nutshell & SWOT Analysis

Iveco has a focus on five business lines that are strictly interconnected between each-others, 1) Trucks, 58% of Gross Industrial sales, 2) Powertrain, 24%, 3) Buses, 13%, 4) Defence, 5%, on top of 5) the Financial division. Iveco designs, manufactures and distributes approximately 3,700 different models including full range of light, medium, and heavy-duty vehicles, buses, mining and other equipment for civil defense. In the Powertrain business, Iveco manufactures a range of combustion engines, alternative propulsion systems, transmission systems and axles for on- and off-road applications, as well as for marine and power generation, sold to both internal division and third parties. Around 75% of Group sales is generated in Europe, where the Company has c.10% market share in Trucks, with a strong position in the LCV. Spread distribution/after sales network in some key regions and the investment in new alternative engines are among the main Company's strengths. Indeed, Iveco has an historical truck-record in the utilization of gas systems and offers a wide range of alternative solutions including BEVs and fuel cell vehicles. Among the cyclical Truck business, the exposure to Buses, Defence and LCV segments gives Iveco a less risky profile.

Exposure to current Macro & Geopolitics

75% of 2023 Iveco Truck sales were generated in Europe, while the remaining part is almost equally spread between Lat.Am. and Apac. Macro scenario remains uncertain in Europe mainly in the Haeavy Duty Trucks segment where all the main reference market players guided a FY24 drop in volumes in the range of 15%/20%. In 1Q24 Iveco reported an orders intake down 42% while volumes declined by 25%. Eu market looks more stable in the case of the LCVs that reported improving volumes in 1Q24 (+34%) although with a negative orders intake (28%). Anyway, any potential truck weakness in Europe should be at least partially offset by the positive trend in both Buses (new contracts coming from the main geographies) and Defence that is benefitting from the current geopolitical turmoil.

Valuation & Next Triggers

On 2024E, Iveco is trading at a quite undemanding valuation of 9.4x PE based on our estimates, vs 9x average peers, or 7.0x when adjusted by the extraordinary costs related to the disposal of the firefighting segment. FCF yield to equity is >14%. Stock is up 43% YTD, declining by 11% since the CMD presentation, being penalized by 1) change in the top-management, 2) lack of catalyst, and 3) adverse market conditions in the HD Truck segment. Volumes and price trend in the HD Truck are relevant catalysts for the stock and any potential recovery in the orders intake should be seen as a positive for the Company that, in any case, should partially offset any weakness thanks to the resilient Buses and Military segments.

Key suggested points to discuss at the MB Conference

A weak volumes trend in the HD Truck market in Europe may put some pressure on prices and, consequently, on Iveco margins. The trend in the orders intake in this segment should be put under the investor's radar in order to understand if the market might further deteriorate over the rest of the year. That said, the performance of the Iveco's defense, bus and LCV divisions should be monitored as well, as they are expected to outperform the other businesses and drive an improving trend in the Group Adj Industrial EBIT.

	2023	2024E	2025E	2026E
EPS Adj (€)	1.30	1.67	1.99	2.58
DPS (€)	0.22	0.37	0.60	0.73
BVPS (€)	8.81	9.92	11.63	13.57
EV/Ebitda(x)	nm	0.4	0.2	nm
P/E adj (x)	6.3	6.9	5.8	4.5
Div.Yield(%)	2.7%	3.2%	5.2%	6.4%
OpFCF Yield(%)		105.8%	189.0%	-508.6%

Market Data

Market Cap (€m)	3,115
Shares Out (m)	271
Exor (%)	27%
Free Float (%)	73%
52 week range (€)	14.58-6.98
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	-1.8%
-3m	-7.2%
-12m	22.8%
21dd Avg. Vol.	2,177,149
Reuters/Bloomberg	IVG.MI / IVG.IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Turnover	16,213	15,441	16,070	16,853
Turnover growth %	12.9%	-4.8%	4.1%	4.9%
EBITDA	1,417	1,500	1,665	1,886
EBITDA margin (%)	8.7%	9.7%	10.4%	11.2%
EBITDA growth (%)	33.4%	5.9%	11.0%	13.2%
Depreciation & Amortization	-599	-656	-709	-762
EBIT	818	844	956	1,124
EBIT margin (%)	5.0%	5.5%	6.0%	6.7%
EBIT growth (%)	62.3%	3.2%	13.3%	17.6%
Net Fin.Income (charges)	-450	-300	-250	-250
Non-Operating Items	0	0	0	0
Extraordinary Items	19	-45	76	81
Pre-tax Profit	387	499	782	955
Tax	-153	-140	-219	-267
Tax rate (%)	39.6%	28.0%	28.0%	28.0%
Minorities	-16	-25	-25	-25
Net Profit	218	335	539	663
Net Profit growth (%)	-3.9%	53.6%	61.0%	23.1%
Adjusted Net Profit	352	453	539	699
Adj. Net Profit growth (%)	56.4%	28.8%	18.8%	29.8%

Multiples	2023	2024E	2025E	2026E
P/E Adj.	6.3	6.9	5.8	4.5
P/CEPS	2.6	3.1	2.4	2.1
P/BV	0.9	1.2	1.0	0.8
EV/ Sales	0.0	0.0	0.0	0.0
EV/EBITDA	nm	0.4	0.2	nm
EV/EBIT	nm	0.7	0.3	nm
EV/Cap. Employed	nm	0.6	0.3	nm
Yield (%)	2.7%	3.2%	5.2%	6.4%
OpFCF Yield(%)		105.8%	189.0%	-508.6%
FCF Yield (%)	18.6%	15.5%	10.7%	17.7%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	0.80	1.23	1.99	2.45
EPS growth (%)	-3.9%	53.6%	61.0%	23.1%
EPS Adj.	1.30	1.67	1.99	2.58
EPS Adj. growth (%)	56.4%	28.8%	18.8%	29.8%
CEPS	3.01	3.65	4.60	5.25
BVPS	8.81	9.92	11.63	13.57
DPS Ord	0.22	0.37	0.60	0.73

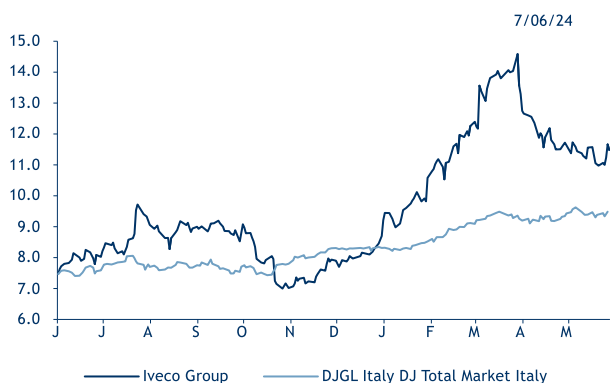
Balance Sheet (€ m)	2023	2024E	2025E	2026E
Working Capital	-733	-1,030	-1,150	-1,207
Net Fixed Assets	5,312	5,656	6,146	6,485
Total Capital Employed	1,082	1,003	1,158	1,213
Shareholders' Funds	2,390	2,690	3,153	3,679
Minorities	0	0	0	0
Provisions	544	544	544	544
Net Debt (-) Cash (+)	1,852	2,232	2,539	3,010

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	271	271	271	271
EoP N° of Shares (m)	271	271	271	271
Avg. Market Cap. (m)	2,201	3,115	3,115	3,115
Enterprise Value (m)	-1	619	311	-160
Adjustments (m)	-350	-264	-264	-264
Labour Costs/Turnover				
Depr.&Amort./Turnover	4%	4%	4%	5%
Turnover / Op.Costs	1.1	1.1	1.1	1.1

Cash Flow (€ m)	2023	2024E	2025E	2026E
Cash Earnings	833	1,016	1,272	1,449
Working Capital Needs	522	423	336	283
Capex (-)	-926	-1,000	-1,200	-1,100
Financial Investments (-)	0	0	0	0
Dividends (-)	0	-59	-100	-162
Other Sources / Uses	-304	0	0	0
Ch. in Net Debt (-) Cash (+)	125	380	308	471

Gearing (Debt / Equity)	-77%	-83%	-81%	-82%
EBITDA / Fin. Charges	-3.1	-5.0	-6.7	-7.5
Net Debt / EBITDA	-1.3	-1.5	-1.5	-1.6
Cap.Employed/Turnover	7%	6%	7%	7%
Capex / Turnover	6%	6%	7%	7%
Pay out	27%	30%	30%	30%
ROE	9%	12%	17%	18%
ROCE (pre tax)	76%	84%	83%	93%
ROCE (after tax)	46%	61%	59%	67%

Source: Mediobanca Research



Source: Mediobanca Research

EU Defence spending is set to grow

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Company in a nutshell & SWOT Analysis

Leonardo operates in the civil and military Aerospace and Defence sector. Within the civil/governmental arena, Leonardo is present in 1) helicopters market, where we believe the group has a differentiated product portfolio; 2) the regional turbo-prop market through its 50/50 JV with Airbus (ATR). Across the military segment, Leonardo has a wide range of electronics devices, and it also has a c40% work-share on the Eurofighter program. **SWOT Analysis:** (1) **Strengths:** resilience in military and governmental sectors, balanced debt profile, high-quality product portfolio; (2) **Weaknesses:** large industrial footprint in aerostructures, over-stretched product portfolio, delayed deliveries translated into an increase in leverage levels (3) **Opportunities:** recent geopolitical events are likely to lead to an increase in defense spending; EU is working on a set of measures to cover its investment gaps in the Defence sector; F-35 maintenance hub in Med; ongoing growth in DRS; favourable oil price environment could support a recovery in helicopter sales; (4) **Threats:** ongoing production issue with the Boeing 787 program could lead to incremental costs, and uncertainty around the timing of breakeven in Aerostructures; workshare on GCAP program (6th-gen jet fighter) has yet to be defined, and it is unclear whether it will match the 60% workshare LDO has in the Eurofighter's Avionics (36% including airframe).

Exposure to current geopolitical situation

The ongoing conflict in Ukraine and in the Middle East is having profound implications for the security of the EU, as member States are significantly boosting their defenses against potential new existential threats. Importantly, there is a growing awareness that Europe is too reliant on weapons systems acquired from 3rd parties, without a sufficient focus on its domestic industry. This could lead to a higher share of procurement from within EU's border in the coming years. In turn, this could support LDO's order intake in its key markets.

Valuation & Next Triggers

Our Target Price stands at €24.5/sh which is based on a weighted average of a DCF (0.7x) and a multiple-based valuation (0.3x). Leonardo trades on FY24 13.9x PE, a substantial c.50% discount vs. EU peers; and on 10x PE on ex-DRS basis. The company will report its Q2 24 results on 30 July. This is likely to be a key date for the shares, the group is likely to provide an update on the B787 program, and better quantify the impact on EBITA in 2024/25, which is currently estimated at €50m cumulatively. During 2024, we believe the group may also announce, or provide an update, on the workshare of new strategic JVs (GCAP, Leopard 2) that are likely to represent a meaningful revenue stream in the coming years.

Key suggested points to discuss at the MB Conference

(1) Can you provide an update on the additional costs in Aerostructures, following the delayed ramp-up of the B787 program? Are you planning to temporarily close the Grottaglie facility in Puglia, given the build-up in fuselage inventories? (3) what assumptions have you made for the €2bn net debt guidance by YE24? How much are you allocating towards M&A in 2024/25? How are you planning to use the €0.4bn proceeds from the disposal of WASS? (5) how important is R&D and technology innovation in supporting higher-margin revenues? (6) Can you elaborate how you are planning to expand the Space and Cyber segments?

	2023	2024E	2025E	2026E
EPS Adj (€)	1.14	1.74	2.08	2.54
DPS (€)	0.14	0.28	0.32	0.36
BVPS (€)	14.88	16.72	18.24	20.18
EV/Ebitda(x)	4.9	7.7	6.8	5.8
P/E adj (x)	10.4	13.9	11.6	9.5
Div.Yield(%)	1.2%	1.2%	1.3%	1.5%
OpFCF Yield(%)	6.2%	0.6%	0.5%	0.4%

Market Data	
Market Cap (€m)	13,975
Shares Out (m)	578
Italian Treasury (%)	30%
Free Float (%)	70%
52 week range (€)	24.17-10.16
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	11.2%
-3m	12.4%
-12m	88.4%
21dd Avg. Vol.	3,793,784
Reuters/Bloomberg	LDOF.MI / LDO IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Turnover	15,291	16,801	17,732	18,837
Turnover growth %	3.9%	9.9%	5.5%	6.2%
EBITDA	1,883	2,079	2,316	2,662
EBITDA margin (%)	12.3%	12.4%	13.1%	14.1%
EBITDA growth (%)	6.4%	10.4%	11.4%	14.9%
Depreciation & Amortization	-594	-638	-674	-716
EBIT	1,085	1,386	1,588	1,891
EBIT margin (%)	7.1%	8.2%	9.0%	10.0%
EBIT growth (%)	12.9%	27.7%	14.6%	19.1%
Net Fin.Income (charges)	-213	-214	-180	-140
Non-Operating Items	0	0	0	0
Extraordinary Items	0	0	0	0
Pre-tax Profit	871	1,206	1,448	1,791
Tax	-129	-205	-239	-314
Tax rate (%)	14.8%	17.0%	16.5%	17.5%
Minorities	37	10	12	15
Net Profit	658	1,357	1,197	1,463
Net Profit growth (%)	-4.9%	nm	-11.8%	22.2%
Adjusted Net Profit	658	1,003	1,197	1,463
Adj. Net Profit growth (%)	-4.9%	52.4%	19.3%	22.2%

Multiples	2023	2024E	2025E	2026E
P/E Adj.	10.4	13.9	11.6	9.5
P/CEPS	3.8	7.5	6.6	5.8
P/BV	0.8	1.4	1.3	1.2
EV/ Sales	0.6	0.9	0.9	0.8
EV/EBITDA	4.9	7.7	6.8	5.8
EV/EBIT	8.4	11.5	9.9	8.2
EV/Cap. Employed	0.7	1.1	1.0	1.0
Yield (%)	1.2%	1.2%	1.3%	1.5%
OpFCF Yield(%)	6.2%	0.6%	0.5%	0.4%
FCF Yield (%)	5.3%	4.1%	4.9%	6.2%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	1.14	2.36	2.08	2.54
EPS growth (%)	-4.9%	nm	-11.8%	22.2%
EPS Adj.	1.14	1.74	2.08	2.54
EPS Adj. growth (%)	-4.9%	52.4%	19.3%	22.2%
CEPS	2.83	2.95	3.31	3.81
BVPS	14.88	16.72	18.24	20.18
DPS Ord	0.14	0.28	0.32	0.36

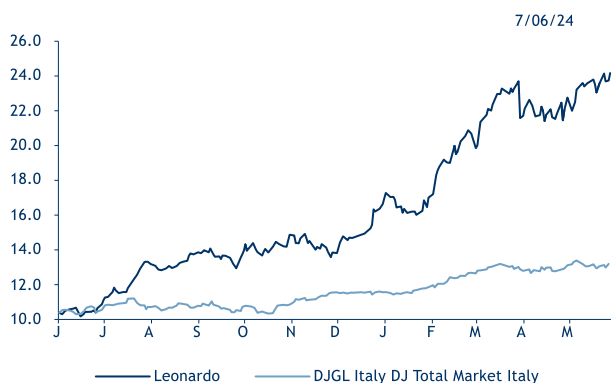
Balance Sheet (€ m)	2023	2024E	2025E	2026E
Working Capital	-1,123	-963	-863	-663
Net Fixed Assets	14,904	15,500	16,031	16,770
Total Capital Employed	13,781	14,537	15,168	16,107
Shareholders' Funds	8,561	9,617	10,491	11,612
Minorities	761	771	783	798
Provisions	2,136	2,136	2,136	2,136
Net Debt (-) Cash (+)	-2,323	-2,014	-1,758	-1,561

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	575	575	575	575
EoP N° of Shares (m)	575	575	575	575
Avg. Market Cap. (m)	6,829	13,905	13,905	13,905
Enterprise Value (m)	9,153	15,920	15,664	15,467
Adjustments (m)	1	1	1	1
Labour Costs/Turnover	28%	26%	25%	24%
Depr.&Amort./Turnover	4%	4%	4%	4%
Turnover / Op.Costs	1.1	1.1	1.2	1.2

Cash Flow (€ m)	2023	2024E	2025E	2026E
Cash Earnings	1,813	1,865	2,106	2,404
Working Capital Needs	-421	-300	-400	-500
Capex (-)	-757	-794	-816	-850
Financial Investments (-)	352	-150	-300	-500
Dividends (-)	-83	-161	-184	-207
Other Sources / Uses	-211	-150	-150	-150
Ch. in Net Debt (-) Cash (+)	693	309	256	197

Gearing (Debt / Equity)	25%	19%	16%	13%
EBITDA / Fin. Charges	-8.8	-9.7	-12.9	-19.0
Net Debt / EBITDA	1.2	1.0	0.8	0.6
Cap. Employed / Turnover	90%	87%	86%	86%
Capex / Turnover	5%	5%	5%	5%
Pay out	12%	12%	15%	14%
ROE	8%	14%	11%	13%
ROCE (pre tax)	8%	10%	10%	12%
ROCE (after tax)	7%	8%	9%	10%

Source: Mediobanca Research



Source: Mediobanca Research

12 June 2024

SE Oil & Gas

Update

Price: € 7.31

Target price: € 8.00

Neutral

A key Enabler of Energy Transition solutions

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Company in a Nutshell & SWOT Analysis

Maire is an engineering company mainly focused on Nitrogen, Hydrogen & Circular Carbon, Fuels/Chemicals and Polymers. The company grounds its operations on an organizational structure centred on its Technology division (STS), which will increasingly act as a feeder of new opportunities for its Construction operations (IE&CS). **SWOT Analysis:** (1) **“Strengths”**: Wide and advanced technological portfolio and extensive track-record, integrated approach to cope with evolving customers’ needs; (2) **“Weaknesses”**: exposure to risks embedded in EPC projects, limited protection from inflation provided by lump-sum contracts; (3) **“Opportunities”**: increasing demand for energy transition technologies, R&D and M&A to further develop technological offer; (4) **“Threats”**: fast-evolving markets with no dominant technologies, volatility in petchem margins.

Exposure to current Macro & Geopolitics

Maire is well positioned to benefit from the acceleration of demand for new green transition technologies in the coming years, including for example projects for green ammonia and hydrogen. Company’s commercial pipeline shows sizeable business opportunities in Europe and Caspian area (34% of total pipeline), Asia (30%) and Middle East (24%). By cluster, the commercial pipeline is broken down as follows: 44% related to Fuels and chemicals, 19% to Hydrogen and circular carbon, 17% to Nitrogen and 20% to Polymers. As for geopolitical tensions, we flag that, in Middle East, Maire has no relevant exposure to countries directly involved in the conflicts, and that in 2022 the company halted its Russian operations and subsequently removed all the related projects from the backlog.

Valuation & Next Triggers

We calculate our TP of €8.00/sh. through the weighted average of a DCF model and multiple-based approach. We ascribe a 70% weight to our DCF, where we made explicit assumptions to group’s revenues and EBITDA margin until 2033. Instead, we apply a 30% weight factor to our multiple-based approach, which is the simple average of EV/EBITDA, EV/EBIT, PE and P/BV multiples. Next triggers for the company should be (1) 1H24 results to be released on July 31, (2) new awards to support expectations for book-to-bill-ratio of c.1.0x in FY24, (3) new M&A operations to strengthen the company’s technological portfolio.

Key Points to Discuss at MB Conference

Points of discussion for Maire are (1) Timetable for the Hail & Gasha project in terms of both revenues evolution and cash cycle; (2) Update on the M&A strategy to strengthen the proprietary technological portfolio; (3) Expectations over evolution of the competitive arena in a context of raising demand in the reference markets; (4) Expectations for order intake in the coming months, given the trend observed in 1Q24 and the recent awards; (5) Details on the planned increase in investments, with cumulated capex seen at €1.0-1.2bn in 2024-33; (6) Potential equity investments in the short-term.

	2023	2024E	2025E	2026E
EPS Adj (€)	0.38	0.64	0.80	0.87
DPS (€)	0.20	0.35	0.53	0.57
BVPS (€)	1.76	2.23	2.72	3.09
EV/Ebitda(x)	4.4	5.8	4.6	4.2
P/E adj (x)	10.1	11.5	9.1	8.4
Div.Yield(%)	5.1%	4.8%	7.3%	7.8%
OpFCF Yield(%)	22.3%	3.2%	5.7%	9.0%

Market Data

Market Cap (€m)	2,401
Shares Out (m)	329
GLV Capital (%)	51%
Free Float (%)	44%
52 week range (€)	8.13-3.27
Rel Perf vs STOXX EUROPE 600 OIL & GAS E (%)	
-1m	-1.1%
-3m	2.9%
-12m	99.6%
21dd Avg. Vol.	1,150,045
Reuters/Bloomberg	MTCM.MI / MAIRE IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Turnover	4,260	6,050	7,453	7,986
Turnover growth %	23.0%	42.0%	23.2%	7.2%
EBITDA	274	398	497	533
EBITDA margin (%)	6.4%	6.6%	6.7%	6.7%
EBITDA growth (%)	31.1%	45.2%	24.7%	7.3%
Depreciation & Amortization	-57	-67	-75	-82
EBIT	217	332	422	451
EBIT margin (%)	5.1%	5.5%	5.7%	5.7%
EBIT growth (%)	37.1%	53.2%	27.3%	6.9%
Net Fin.Income (charges)	-30	-18	-26	-25
Non-Operating Items	0	0	0	0
Extraordinary Items	0	0	0	0
Pre-tax Profit	186	314	396	426
Tax	-57	-95	-121	-130
Tax rate (%)	30.5%	30.5%	30.5%	30.5%
Minorities	4	9	11	12
Net Profit	125	209	264	284
Net Profit growth (%)	39.5%	66.8%	26.3%	7.6%
Adjusted Net Profit	125	209	264	284
Adj. Net Profit growth (%)	39.5%	66.8%	26.3%	7.6%

Multiples	2023	2024E	2025E	2026E
P/E Adj.	10.1	11.5	9.1	8.4
P/CEPS	7.9	8.8	7.4	6.8
P/BV	2.4	3.6	2.9	2.6
EV/ Sales	0.3	0.4	0.3	0.3
EV/EBITDA	4.4	5.8	4.6	4.2
EV/EBIT	5.5	7.0	5.4	5.0
EV/Cap. Employed	2.5	3.7	3.0	2.7
Yield (%)	5.1%	4.8%	7.3%	7.8%
OpFCF Yield(%)	22.3%	3.2%	5.7%	9.0%
FCF Yield (%)	26.9%	3.8%	6.9%	10.2%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	0.38	0.64	0.80	0.87
EPS growth (%)	39.5%	66.8%	26.3%	7.6%
EPS Adj.	0.38	0.64	0.80	0.87
EPS Adj. growth (%)	39.5%	66.8%	26.3%	7.6%
CEPS	0.49	0.83	0.98	1.07
BVPS	1.76	2.23	2.72	3.09
DPS Ord	0.20	0.35	0.53	0.57

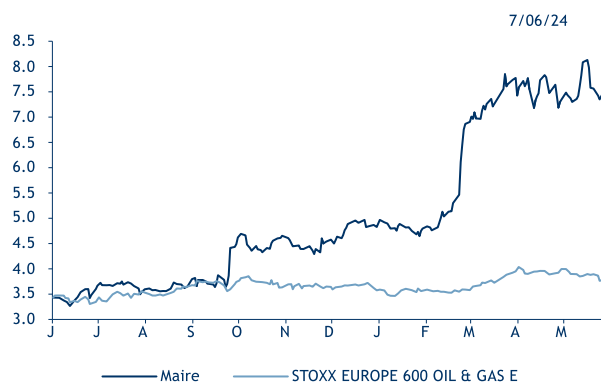
Balance Sheet (€ m)	2023	2024E	2025E	2026E
Working Capital	-324	-280	-255	-282
Net Fixed Assets	797	908	1,020	1,125
Total Capital Employed	473	628	765	844
Shareholders' Funds	527	671	820	930
Minorities	53	62	73	85
Provisions	78	93	93	93
Net Debt (-) Cash (+)	185	198	222	265

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	329	329	329	329
EOp N° of Shares (m)	329	329	329	329
Avg. Market Cap. (m)	1,264	2,400	2,400	2,400
Enterprise Value (m)	1,200	2,322	2,299	2,256
Adjustments (m)	121	121	121	121
Labour Costs/Turnover	15%	15%	15%	14%
Depr.&Amort./Turnover	1%	1%	1%	1%
Turnover / Op.Costs	1.1	1.1	1.1	1.1

Cash Flow (€ m)	2023	2024E	2025E	2026E
Cash Earnings	160	272	323	351
Working Capital Needs	229	-44	-25	26
Capex (-)	-77	-150	-160	-160
Financial Investments (-)	1	0	0	0
Dividends (-)	-41	-65	-115	-174
Other Sources / Uses	-23	0	0	0
Ch. in Net Debt (-) Cash (+)	249	14	23	43

Gearing (Debt / Equity)	-32%	-27%	-25%	-26%
EBITDA / Fin. Charges	-9.0	-21.8	-18.9	-21.1
Net Debt / EBITDA	-0.7	-0.5	-0.4	-0.5
Cap.Employed/Turnover	11%	10%	10%	11%
Capex / Turnover	2%	2%	2%	2%
Pay out	52%	55%	66%	66%
ROE	24%	31%	32%	31%
ROCE (pre tax)	46%	53%	55%	53%
ROCE (after tax)	32%	37%	38%	37%

Source: Mediobanca Research



Source: Mediobanca Research

Impressive cash flow generation

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Company in a nutshell and SWOT analysis

MFE is a media company operating in Italy (70% of group sales in FY23) and in Spain through its subsidiary TL5 (Mediaset España). The main source of revenues is represented by the advertising collection, followed by content distribution. The group is the leading player in commercial TV, radio and digital in our country: leveraging on that it has managed to confirm leadership in the advertising market. MFE currently holds 29.8% of the voting share of German broadcaster ProSiebenSat1. **SWOT Analysis:** (1) **“Strengths”**: in-house content production, market leader in TV and Radio, multi-platform approach with strong digital DNA (2) **“Weaknesses”**: mainly concentrated on TV advertising business and high exposure to the Italian economy; regulation advantaging OTT players; (3) **“Opportunities”**: exploit market consolidation outside Italy, expand portfolio of services; (4) **“Threats”**: regulatory issues, deteriorating macro picture, competitive landscape more aggressive.

Exposure to current macro & geopolitical situation

Since MFE derives most of its revenues from advertising collection, it is strongly exposed to the Italian macro with reference to consumer confidence and consumptions. After a strong performance in 4M24, with advertising revenue growing +6.3% in Italy and 9.3% in Spain, in the next months the trend may be affected by major sport events (European Football Championships and the Olympics) that are not broadcasted by the group. We would also point that from 4Q24 UCL will not be part of MFE’s offer anymore.

Valuation & next triggers

For the full year, the Group’s objective is to consolidate its market shares, leveraging on the solid positioning of its publishing activities, both linear and digital. Regarding the investment in ProSiebenSat1, as a long-term shareholder, MFE reiterated support in the implementation of its strategy to focus on its core business and to increase the value of its non-strategic assets. A progressive improvement in the advertising environment in the DACH region (Germany, Austria and Switzerland) and the efficiency measures implemented, lead MFE to expect better financials for ProSieben this year. On this we flag 1Q24 results met expectations, showing nice advertising growth. Additionally, Italy has approved a decree enabling state broadcaster Rai to sell a stake in Rai Way, provided the disposal is compatible with a tie-up EI Towers (40% owned by MFE). The decree states that for “the purpose of the way to sell the stake, options that may favour sector consolidation have to be privileged”.

Key Suggested Points to Discuss at the MB conference

Critical points are: i) update on the Pan-European project, rationale of the position in PSM, savings and eventual next steps to be implemented; ii) advertising outlook, iii) key measures to contrast competition from OTT players, iv) potential next steps to be implemented in other EU countries and v) towers consolidation update.

	2023	2024E	2025E	2026E
EPS Adj (€)	0.40	0.65	0.67	0.70
DPS (€)	0.25	0.25	0.28	0.28
BVPS (€)	4.49	4.69	4.91	5.24
EV/Ebitda(x)	4.1	3.5	3.3	3.2
P/E adj (x)	11.0	6.7	6.5	6.2
Div.Yield(%)	5.7%	5.7%	6.4%	6.4%
OpFCF Yield(%)	7.5%	16.0%	14.3%	17.1%

Market Data

Market Cap (€m)	2,111
Shares Out (m)	568
Fininvest (%)	49%
Free Float (%)	51%
52 week range (€)	4.36-2.43
Rel Perf vs STOXX EUROPE 600 MEDIA E (%)	
-1m	15.6%
-3m	39.2%
-12m	2.2%
21dd Avg. Vol.	1,546,897
Reuters/Bloomberg	MFEB.MI / MFEB IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Turnover	2,810	2,945	2,970	2,996
Turnover growth %	0.3%	4.8%	0.9%	0.9%
EBITDA	782	877	892	907
EBITDA margin (%)	27.8%	29.8%	30.0%	30.3%
EBITDA growth (%)	-2.7%	12.1%	1.7%	1.7%
Depreciation & Amortization	-480	-480	-480	-480
EBIT	302	397	412	427
EBIT margin (%)	10.8%	13.5%	13.9%	14.3%
EBIT growth (%)	7.9%	31.2%	3.9%	3.8%
Net Fin.Income (charges)	-27	-25	-25	-25
Non-Operating Items	0	0	0	0
Extraordinary Items	4	72	75	79
Pre-tax Profit	280	444	462	481
Tax	-63	-102	-106	-111
Tax rate (%)	22.5%	23.0%	23.0%	23.0%
Minorities	-8	0	0	0
Net Profit	209	342	356	370
Net Profit growth (%)	-3.5%	63.2%	4.1%	4.1%
Adjusted Net Profit	209	342	356	370
Adj. Net Profit growth (%)	-3.5%	63.2%	4.1%	4.1%

Multiples	2023	2024E	2025E	2026E
P/E Adj.	11.0	6.7	6.5	6.2
P/CEPS	3.3	2.8	2.8	2.7
P/BV	1.0	0.9	0.9	0.8
EV/ Sales	1.1	1.0	1.0	1.0
EV/EBITDA	4.1	3.5	3.3	3.2
EV/EBIT	10.6	7.7	7.2	6.7
EV/Cap. Employed	0.8	0.8	0.7	0.7
Yield (%)	5.7%	5.7%	6.4%	6.4%
OpFCF Yield(%)	7.5%	16.0%	14.3%	17.1%
FCF Yield (%)	6.5%	15.7%	12.7%	15.5%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	0.40	0.65	0.67	0.70
EPS growth (%)	nm	63.2%	4.1%	4.1%
EPS Adj.	0.40	0.65	0.67	0.70
EPS Adj. growth (%)	nm	63.2%	4.1%	4.1%
CEPS	1.32	1.56	1.58	1.61
BVPS	4.49	4.69	4.91	5.24
DPS Ord	0.25	0.25	0.28	0.28

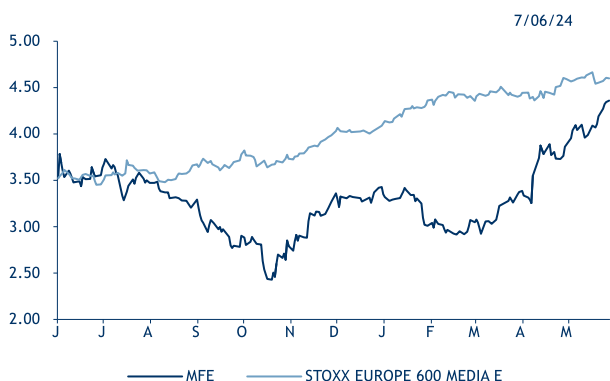
Balance Sheet (€ m)	2023	2024E	2025E	2026E
Working Capital	137	75	92	155
Net Fixed Assets	3,952	3,963	3,984	4,015
Total Capital Employed	4,089	4,037	4,077	4,170
Shareholders' Funds	2,370	2,476	2,593	2,764
Minorities	744	743	750	756
Provisions	72	72	72	72
Net Debt (-) Cash (+)	-903	-745	-662	-577

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	528	528	528	528
EoP N° of Shares (m)	1,109	1,109	1,109	528
Avg. Market Cap. (m)	2,300	2,300	2,300	2,300
Enterprise Value (m)	3,203	3,045	2,962	2,877
Adjustments (m)	0	0	0	0
Labour Costs/Turnover	17%	16%	16%	16%
Depr.&Amort./Turnover	17%	16%	16%	16%
Turnover / Op.Costs	1.4	1.4	1.4	1.4

Cash Flow (€ m)	2023	2024E	2025E	2026E
Cash Earnings	697	822	836	850
Working Capital Needs	-91	62	-18	-63
Capex (-)	-452	-452	-452	-352
Financial Investments (-)	-17	-17	-17	0
Dividends (-)	-231	-217	-233	-159
Other Sources / Uses	64	-40	-33	-192
Ch. in Net Debt (-) Cash (+)	-29	157	84	84

Gearing (Debt / Equity)	29%	23%	20%	16%
EBITDA / Fin. Charges	-29.5	-35.1	-35.7	-36.3
Net Debt / EBITDA	1.2	0.9	0.7	0.6
Cap. Employed / Turnover	145%	137%	137%	139%
Capex / Turnover	16%	15%	15%	12%
Pay out	58%	36%	38%	37%
ROE	9%	14%	14%	13%
ROCE (pre tax)	7%	10%	10%	10%
ROCE (after tax)	6%	8%	8%	8%

Source: Mediobanca Research



Source: Mediobanca Research

Unlocking the value of EU payments

Company in a nutshell and SWOT analysis

Nexi is the leading European PayTech company by number of merchants served, of cards issued and by value of acquiring transactions. The group is present in more than 25 countries (representing almost 60% of the European consumption) with a mix of leader positions (Italy, 58% of revenues and Nordics excl. Sweden - 19%), and established challenger positions in DACH and Poland (13% of revenues) and SE Europe (10%). Nexi's competitive strengths comes from being a player at scale operating with a strong local presence and a fully integrated business model in its different markets. Strong local entrenchment is essential in the European market that sees the presence of more than 150 local payment methods, significant local regulations and, on the customer side, a dominant presence of local SMEs and medium-sized domestic financial institutions. Leveraging on customer proximity and scale, Nexi strategy appears largely focused on SMEs and national/regional LAKA, both instore and in eCommerce.

SWOT analysis: (1) **Strengths:** leading position in Italian merchant acquiring and card issuing business; long-term relationships with c.150 partner banks, which represent a relevant barrier for potential entrants; Growth potential across geographies from combining secular market growth and market share gain; consistent profitable organic growth and high operating leverage (52% EBITDA margin in 2023); (2) **Weaknesses:** high leverage and non-recurring costs; still higher capex than EU peers; ownership structure with high presence of PE funds (3) **Opportunities:** relatively low penetration of digital payments in Italy and Germany; growth in e-commerce with focus on its core customer base of SMEs; leveraging its scale to offer new innovative products; key role in the consolidation process; (4) **Threats:** impact of macro deceleration on nominal consumption levels; increasing competitions from new paytech players; entry of big tech companies in the payments' value chain; bank consolidation.

Exposure to current Macro & Geopolitics

Nexi appears well positioned in the current macro environment. The group is positively exposed to inflation thanks to 40% of revenues increasing immediately (and 60% based on negotiations) with a positive impact at the EBITDA level and a neutral effect on margins in the long term (positive in the short term). The impact of declining consumer spending is mitigated by the continuing shift from cards to digital payments thanks to Nexi's presence in markets with still relatively low and growing card penetration as Italy and DACH.

Valuation and next triggers

Nexi (Outperform, TP €10) trades at 7x 24 EBITDA vs. sector peers' (US merchant acquirers) >10x. We expect that more evidence on the effectiveness on the business model scalability, increasing cash flows and new initiatives to fuel future growth should suffice for the re-rating of the stock. Finally, decreasing interest rates should represent another strong tailwind for the valuation of the payments sector.

Key points to discuss at the MB conference

1) evolution of the FCF and leverage ratio in the coming quarters and years; 2) evolution of capex and non-recurring costs; 3) update on transaction volumes in Italy and the evolution of its market share in Germany; 4) changes in the competitive environment; 5) update on new strategic initiatives to leverage its scale; 6) impacts from the potential introduction of a d€; 7) implications of BBVA bid on SAB; 8) banks' merchant book on sale; 9) update on the disposal of non-core assets; 10) update on future shareholder remuneration.

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	2023	2024E	2025E	2026E
EPS Adj (€)	0.54	0.63	0.75	0.81
DPS (€)	0	0	0	0.59
BVPS (€)	8.60	9.04	9.81	10.34
EV/Ebitda(x)	8.4	7.0	6.0	5.4
P/E adj (x)	13.2	9.8	8.3	7.6
Div.Yield(%)	0.0%	0.0%	0.0%	9.6%
OpFCF Yield(%)	8.6%	11.1%	13.4%	15.0%

Market Data

Market Cap (€m)	8,114
Shares Out (m)	1,312
(%)	
Free Float (%)	37%
52 week range (€)	7.87-5.37
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	7.5%
-3m	-7.8%
-12m	-35.2%
21dd Avg. Vol.	4,958,467
Reuters/Bloomberg	NEXII.MI / NEXI IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Turnover	3,362	3,549	3,755	3,952
Turnover growth %	7.0%	5.6%	5.8%	5.3%
EBITDA	1,752	1,890	2,060	2,220
EBITDA margin (%)	52.1%	53.3%	54.9%	56.2%
EBITDA growth (%)	10.0%	7.9%	9.0%	7.7%
Depreciation & Amortization	-447	-474	-502	-533
EBIT	1,305	1,416	1,557	1,687
EBIT margin (%)	38.8%	39.9%	41.5%	42.7%
EBIT growth (%)	11.4%	8.6%	10.0%	8.3%
Net Fin.Income (charges)	-244	-225	-188	-200
Non-Operating Items				
Extraordinary Items	-1,718	-481	-357	-354
Pre-tax Profit	-657	710	1,012	1,134
Tax	-344	-381	-438	-476
Tax rate (%)	-52.4%	53.7%	43.3%	42.0%
Minorities	-3	-3	-3	-3
Net Profit	-1,005	326	571	654
Net Profit growth (%)	nm	nm	75.3%	14.7%
Adjusted Net Profit	712	809	930	1,010
Adj. Net Profit growth (%)	4.9%	13.6%	14.9%	8.6%

Multiples	2023	2024E	2025E	2026E
P/E Adj.	13.2	9.8	8.3	7.6
P/CEPS	8.6	6.1	5.2	4.8
P/BV	0.8	0.7	0.6	0.6
EV/ Sales	4.4	3.7	3.3	3.1
EV/EBITDA	8.4	7.0	6.0	5.4
EV/EBIT	11.2	9.3	7.9	7.2
EV/Cap. Employed	0.7	0.7	0.6	0.6
Yield (%)	0.0%	0.0%	0.0%	9.6%
OpFCF Yield(%)	8.6%	11.1%	13.4%	15.0%
FCF Yield (%)	6.7%	9.4%	12.0%	13.4%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	-0.77	0.25	0.46	0.53
EPS growth (%)	nm	nm	81.3%	14.7%
EPS Adj.	0.54	0.63	0.75	0.81
EPS Adj. growth (%)	5.0%	16.2%	18.9%	8.6%
CEPS	0.31	-0.24	0.05	0.19
BVPS	8.60	9.04	9.81	10.34
DPS Ord	0	0	0	0.59

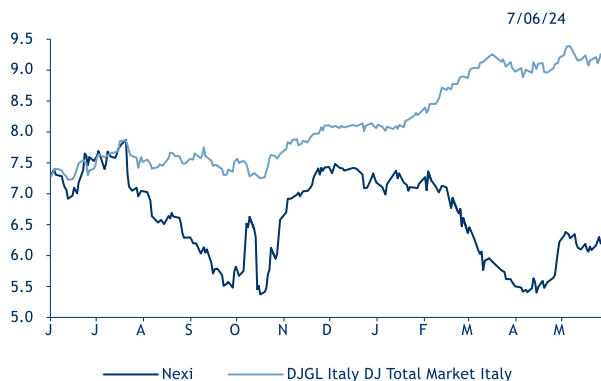
Balance Sheet (€ m)	2023	2024E	2025E	2026E
Working Capital	-50	-50	-46	-41
Net Fixed Assets	16,938	17,104	17,271	17,441
Total Capital Employed	19,589	19,776	19,971	20,162
Shareholders' Funds	11,274	11,600	12,171	12,825
Minorities	23	23	23	23
Provisions	3,029	2,940	3,130	2,908
Net Debt (-) Cash (+)	-5,262	-5,213	-4,648	-4,406

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	1,312	1,283	1,240	1,240
EoP N° of Shares (m)	1,312	1,283	1,240	1,240
Avg. Market Cap. (m)	9,393	7,937	7,672	7,672
Enterprise Value (m)	14,655	13,150	12,319	12,078
Adjustments (m)	0	0	0	0
Labour Costs/Turnover	22%	21%	21%	20%
Depr.&Amort./Turnover	13%	13%	13%	13%
Turnover / Op.Costs	2.1	2.1	2.2	2.3

Cash Flow (€ m)	2023	2024E	2025E	2026E
Cash Earnings	1,091	1,311	1,489	1,598
Working Capital Needs	-70	-99	-105	-111
Capex (-)	-465	-435	-404	-404
Financial Investments (-)	-177	-221	-55	-52
Dividends (-)	-3	-200	-300	-736
Other Sources / Uses	-45	-60	-60	-60
Ch. in Net Debt (-) Cash (+)	-332	-295	-565	-235

Gearing (Debt / Equity)	47%	45%	38%	34%
EBITDA / Fin. Charges	-7.2	-8.4	-10.9	-11.1
Net Debt / EBITDA	3.0	2.8	2.3	2.0
Cap.Employed/Turnover	583%	557%	532%	510%
Capex / Turnover	14%	12%	11%	10%
Pay out	0%	0%	0%	112%
ROE	nm	3%	5%	5%
ROCE (pre tax)	7%	7%	8%	8%
ROCE (after tax)	10%	3%	4%	5%

Source: Mediobanca Research



Source: Mediobanca Research

On the cusp of a transformational growth

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Company in a nutshell & SWOT Analysis

NHOA acts as a systems integrator in the energy storage market, it also operates as a vertically-integrated provider in e-Mobility, with a range of products (wallboxes, B2B, public and fast-charger hardware) and leveraging on a JV with Stellantis. NHOA has also entered the EV infrastructure market with the Atlante project, through which it aims to own and operate 35k fast-recharging stations by 2030 in Italy, France, Spain and Portugal. This will be Stellantis preferred fast-charging network. **SWOT Analysis:** (1) **Strengths:** technological know-how in electrical engineering, key partnership with Stellantis; potential additional financial support by NHOA's main shareholder, Taiwan Cement Corporation (TCC), which could also support NHOA's presence in Asia. (2) **Weaknesses:** limited historical financial performance and small financial firepower compared to competitors in both energy storage and EV charging; (3) **Opportunities:** large increase in investments is forecast by BNEF in the coming years to stabilize power grids and to address the issue of intermittency, due to the increasing share of power generation from renewable sources (4) **Threats:** slow-down in BEV sales could lead to lower growth rates in NHOA's eMobility and Atlante.

Exposure to current geopolitical situation

NHOA does not have direct exposure to Russia or Ukraine, but it could be affected by supply chain disruptions and the general economic uncertainty. However, we also believe that the higher power prices, and their increased volatility due to geopolitical events, should support the ongoing trend energy independence, and in the installation of renewable energy power sources. In turn, this should benefit NHOA's energy storage division.

Valuation & Next Triggers

Our Target Price stands at Price at €1.20/sh which is based on a SOTP of the three main business lines, including the Energy Storage and eMobility, using EV/Sales multiple derived from a peer-group, and Atlante, which is we value, using a EV/Capital multiple inferred from its closest peer Fastned. As such, we value Atlante at €0.7/sh; Battery Storage at €0.6/sh, and eMobility at €0.1/sh. In our SOTP, we also include the YE24 net cash position (€0.1/sh), and corporate costs (neg. €0.3/sh) The company will report its Q2 24 results on 25 July. We expect the group to announce new battery storage awards in H2 24; and additional update on the rollout of the Atlante EV charging infrastructure.

Key suggested points to discuss at MB Conference

(1) Can you provide some qualitative indication on revenue progression in 2024 in the energy storage business, also vis-à-vis the reduction in prices? how will that translate into EBITDA in 2024? (2) What is the outlook for EV sales in the four countries? Is the slowdown in BEV penetration leading to potential capex reallocation to Atlante in 2024 and 2025? (3) Please provide more colour on the market opportunities in Battery Storage? (4) Do you expect the new Italian decree (MACSE) to lead spur new investments? (5) can you provide and update on your funding requirement in 2024/25, and how do you expect your net financial position to change?

	2023	2024E	2025E	2026E
EPS Adj (€)	-0.39	-0.44	-0.46	-0.25
DPS (€)	0	0	0	0
BVPS (€)	2.42	1.98	1.52	1.27
EV/Ebitda(x)	nm	nm	41.7	5.1
P/E adj (x)	nm	nm	nm	nm
Div.Yield(%)	0.0%	0.0%	0.0%	0.0%
OpFCF Yield(%)	-58.2%	#####	# -71.9%	-22.6%

Market Data

Market Cap (€m)	163
Shares Out (m)	275
TCC (%)	88%
Free Float (%)	12%
52 week range (€)	3.26-0.53
Rel Perf vs STOXX EUROPE 600	
INDS GDS & SVS E (%)	
-1m	0.0%
-3m	-12.6%
-12m	-84.3%
21dd Avg. Vol.	80,575
Reuters/Bloomberg	/ NHOA FP

Source: Mediobanca Research

Volumes recovery driving the FY24 growth

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Company in a Nutshell & SWOT Analysis

Pirelli is one of the leading players in the tyre business, with a focus on the niche of the High Value segment for Passenger cars, serving both OEMs (c.25% of sales) and Replacement (c.75%) market segments. Company has a global presence with a spread production capacity and a market shares of 20% or above in some key countries such as Europe and China. Pirelli generates 39% of Group sales in Emea, 26% in NAFTA, 17% in APAC, 12% in Lat.Am. and the rest in Nordics&Russia. Pirelli's strategy in the last six year was focused on switching from Standard to High-value tyres (higher inches, better performance, focus on premium/prestige vehicles and, more recently, on BEVs), with a positive impact in terms of mix effect. Indeed, the incidence of sales generated by High Value moved from around 50% in 2016 to last year's 75%. The high number of new technical homologation (~300 ≥18" homologations per year) awarded to Pirelli by the main OE premium brands every year is a clear strength enabling to increase Company market share also in the Replacement business (80% pull through effect). The strong positioning in the Electric Vehicles should be a driver to increase the Group market share in the premium business in the next years, also leading to an improving profitability.

Exposure to current geopolitical situation

Volumes wise, Pirelli should increase by >2% in 1H24E (+2.3% reported in 1Q24) and a positive trend is expected also in FY24. High Value (HV) tyres, predicted up mid-single digit, should more than offset a flat trend in the mass market. From a geographical standpoint, NAFTA and Asia should report a positive trend, both in OE and replacement, while European performance should be more uncertain, mainly in the mass-market segment. Current geopolitical scenario might imply some risk for Pirelli that has still a direct exposure to Russia that generates c.7% of the Group sales. Moreover, the conflict in the Red Sea might lead to some pressure on the cost related to raw materials coming from Asia.

Valuation & Next Triggers

Pirelli is trading at 10.6x-9.3x 24E-25E PE based on MBe, in line with Michelin 10.5x-9.8x, above Conti 7.5x-5.8x, and is up 23% YTD. After the 1Q24 release Company reiterated the FY24 guidance pointing to €0.99-1.05bn Adj EBIT. Consensus that factors in €1.05bn is already set close to the top range. Pirelli sales and margins should benefit from positive mix (+2%) and volumes (+1.5%/+2.0%) foreseen to offset a negative FX effect. Any changes in the macro scenario would be considered a trigger for the stock. While we expect the picture might worsen in Europe over the next months, we see some potential upside from China where consumptions may positively surprise, and replacement volumes may be better than expected by the Company.

Key suggested points to discuss at the MB Conference

Investor's focus should be put on the main drivers of the FY24 Pirelli's growth. Volumes trend in Europe should be investigated by the investors, mainly over 2H24 when macro scenario might deteriorate in this region. Also, the OEM performance in China is a key driver for Pirelli in light of the declining penetration of the European car makers and the increasing market share of the local players. Indeed, an increasing penetration with local car makers might lead to an acceleration in the replacement business in China over the next years. Last, but not least, also the trend of mix should be put under the spotlight, in our view.

	2023	2024E	2025E	2026E
EPS Adj (€)	0.60	0.57	0.65	0.69
DPS (€)	0.20	0.24	0.28	0.24
BVPS (€)	5.62	5.91	6.23	6.56
EV/Ebitda(x)	5.2	5.6	5.0	4.6
P/E adj (x)	7.8	10.6	9.3	8.7
Div.Yield(%)	4.3%	4.0%	4.7%	4.0%
OpFCF Yield(%)	11.4%	8.2%	9.6%	10.9%

Market Data

Market Cap (€m)	6,050
Shares Out (m)	1,000
CNCC (%)	46%
Free Float (%)	54%
52 week range (€)	6.23-4.07
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	-3.3%
-3m	7.9%
-12m	4.9%
21dd Avg. Vol.	2,028,175
Reuters/Bloomberg	PECI.MI / PIRC IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Turnover	6,650	6,737	6,953	7,138
Turnover growth %	0.5%	1.3%	3.2%	2.7%
EBITDA	1,366	1,458	1,555	1,618
EBITDA margin (%)	20.5%	21.6%	22.4%	22.7%
EBITDA growth (%)	2.3%	6.8%	6.6%	4.1%
Depreciation & Amortization	-558	-578	-598	-618
EBIT	808	880	957	1,000
EBIT margin (%)	12.2%	13.1%	13.8%	14.0%
EBIT growth (%)	2.1%	8.9%	8.7%	4.5%
Net Fin.Income (charges)	-194	-215	-170	-150
Non-Operating Items				
Extraordinary Items	16	0	0	0
Pre-tax Profit	630	665	787	850
Tax	-134	-180	-220	-238
Tax rate (%)	21.3%	27.0%	28.0%	28.0%
Minorities	0	0	0	0
Net Profit	496	486	566	612
Net Profit growth (%)	13.8%	-2.1%	16.6%	8.0%
Adjusted Net Profit	595	569	648	694
Adj. Net Profit growth (%)	4.3%	-4.4%	14.0%	7.0%

Multiples	2023	2024E	2025E	2026E
P/E Adj.	7.8	10.6	9.3	8.7
P/CEPS	4.4	5.7	5.2	4.9
P/BV	0.8	1.0	1.0	0.9
EV/ Sales	1.1	1.2	1.1	1.0
EV/EBITDA	5.2	5.6	5.0	4.6
EV/EBIT	8.8	9.3	8.2	7.4
EV/Cap. Employed	0.9	1.0	1.0	0.9
Yield (%)	4.3%	4.0%	4.7%	4.0%
OpFCF Yield(%)	11.4%	8.2%	9.6%	10.9%
FCF Yield (%)	14.1%	8.6%	10.4%	11.6%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	0.50	0.49	0.57	0.61
EPS growth (%)	13.8%	-2.1%	16.6%	8.0%
EPS Adj.	0.60	0.57	0.65	0.69
EPS Adj. growth (%)	4.3%	-4.4%	14.0%	7.0%
CEPS	1.05	1.06	1.16	1.23
BVPS	5.62	5.91	6.23	6.56
DPS Ord	0.20	0.24	0.28	0.24

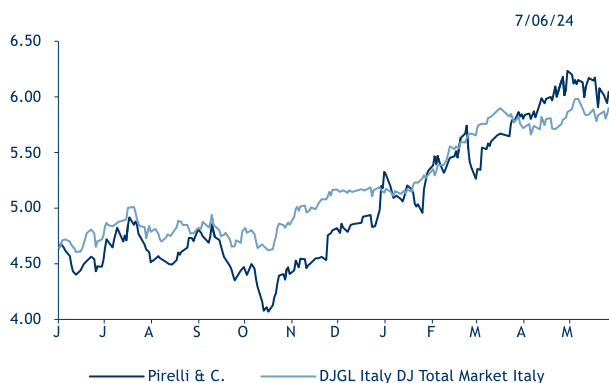
Balance Sheet (€ m)	2023	2024E	2025E	2026E
Working Capital	21	139	143	147
Net Fixed Assets	8,372	8,198	8,017	7,828
Total Capital Employed	8,062	8,028	7,964	7,874
Shareholders' Funds	5,494	5,782	6,106	6,434
Minorities	125	125	125	125
Provisions	180	180	180	180
Net Debt (-) Cash (+)	-2,262	-1,941	-1,553	-1,134

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	1,000	1,000	1,000	1,000
EoP N° of Shares (m)	1,000	1,000	1,000	1,000
Avg. Market Cap. (m)	4,618	6,050	6,050	6,050
Enterprise Value (m)	7,098	8,210	7,822	7,403
Adjustments (m)	219	219	219	219
Labour Costs/Turnover				
Depr.&Amort./Turnover	8%	9%	9%	9%
Turnover / Op.Costs	1.3	1.3	1.3	1.3

Cash Flow (€ m)	2023	2024E	2025E	2026E
Cash Earnings	1,054	1,064	1,164	1,230
Working Capital Needs	27	-140	-117	-99
Capex (-)	-412	-404	-417	-428
Financial Investments (-)	0	0	0	0
Dividends (-)	-218	-198	-243	-283
Other Sources / Uses				
Ch. in Net Debt (-) Cash (+)	291	321	388	419

Gearing (Debt / Equity)	40%	33%	25%	17%
EBITDA / Fin. Charges	-7.0	-6.8	-9.1	-10.8
Net Debt / EBITDA	1.7	1.3	1.0	0.7
Cap.Employed/Turnover	121%	119%	115%	110%
Capex / Turnover	6%	6%	6%	6%
Pay out	40%	50%	50%	40%
ROE	9%	8%	9%	10%
ROCE (pre tax)	10%	11%	12%	13%
ROCE (after tax)	8%	8%	9%	9%

Source: Mediobanca Research



Source: Mediobanca Research

Momentum in parcels and asset management

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Company in a nutshell and SWOT analysis

Poste Italiane combines the traditional mail sector with the new frontiers of digitalisation through innovation in financial and insurance services and mobile communications. The company is also progressing on the offer of new services, from energy to fiber. Poste Energia has crossed the milestone of 500,000 contracts. With c.12,800 post offices and over 30,000 postmen and women, Poste Italiane is an integral part of the country's social and productive system, unparalleled in Italy in terms of its size, recognisability, reach and the trust accorded by its customers. The company is positively exposed to several businesses benefiting from secular trends (namely e-commerce, digital payments, asset gathering, protection and lending).

SWOT analysis – Strengths: very powerful distribution network; opportunities in payment systems; solid capital base, with a high RoAE; solid profitability and strong cash flow generation. **Weaknesses:** structural decline in mail volumes. **Opportunities:** unique gearing towards the strong savings rate of Italian households and Italians' financial wealth; high-profile management team; upside potential in the SME segment, loans and mortgages, P&C, mutual funds and parcels (B2C). **Threats:** increasing competition from convenience payment operators; relevant exposure to Italian sovereign debt.

Exposure to current Macro & Geopolitics

Among the data we appreciated most in 1Q24, the 4% increase QoQ in NII (+8% yoy) puts Poste on a comfortable trajectory to meet (and to exceed) the €2.3bn revenue target for the entire year (which includes active portfolio management too). Equally relevant is the 21% increase yoy in parcels volumes, of which 38% delivered by postal network (from 30% in 1Q23). Most of the increase is attributable to international inbound and China that posted a +132% yoy. On the other hand, the €228m new business CSM was 21% lower than last year, and we put this down to the 22% decline in GWP. At the same time, outflows increased from less than €4.0bn a year ago (3.9% lapse) to €4.2bn this quarter (5.5% lapse rate). More in general, we see a decline in retail flows (-€1.9bn in the quarter) and in net investments flows (-€1.6bn), as positive flows in asset management, Life and retail deposits did not offset sizeable outflows from postal savings.

Valuation & Next Triggers

PST currently trades at implied multiples of 8.4x 2024E PE and 7.2% dividend yield, cheap multiples for a company exposed to promising businesses (B2C parcels, asset gathering and paytech), with significant upside from existing initiatives or new ones (energy, fiber). As next catalysts, we flag the upcoming sale of a 14% stake from the MEF, with a public offering that should include retail investors and employees.

Key points to discuss at the MB conference

(1) net interest income trajectory, (2) updates on solvency sensitivities, (3) updates on ongoing cost efficiencies, (4) CSM trajectory.

	2023	2024E	2025E	2026E
EPS Adj (€)	1.49	1.50	1.50	1.64
DPS (€)	0.80	0.90	0.95	1.03
TBVPS (€)	6.47	6.57	6.71	6.91
Avg. RoTE Adj (%)	22.7%	23.0%	22.6%	24.1%
P/E Adj (x)	8.6	8.5	8.5	7.8
Div.Yield(%)	6.3%	7.0%	7.4%	8.1%
P/TBV (x)	2.0	1.9	1.9	1.9

Market Data

Market Cap (€m)	16,712
Shares Out (m)	1,306
Italian Ministry of Economy and Finance (%)	65%
Free Float (%)	35%
52 week range (€)	12.96-9.10
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	2.2%
-3m	7.8%
-12m	-0.2%
21dd Avg. Vol.	2,532,392
Reuters/Bloomberg	PST.MI / PST IM

Source: Mediobanca Research

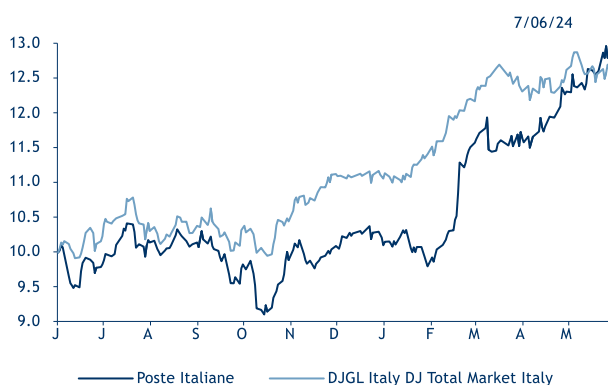
Valuation Matrix

Profit & Loss Acc(€ m)	2023	2024E	2025E	2026E	Multiples	2023	2024E	2025E	2026E
Net Interest Income	2,244	2,392	2,341	2,412	P/E	8.6	8.8	8.5	7.8
Growth (%)	17.5%	6.6%	-2.1%	3.0%	P/E Adj.	8.6	8.5	8.5	7.8
Non-Interest Income	na	na	na	na	P/Net Op.Income	6.4	6.5	6.3	5.8
Growth (%)	na	na	na	na	P/Revenues	1.4	1.4	1.3	1.3
of which Fee Income	2,985	2,887	2,989	3,099	P/TBV	2.0	1.9	1.9	1.9
of which Financial Income	158	0	0	0	P/Total Deposits (%)	na	na	na	na
Total Income	na	na	na	na	Yield (%)	6.3%	7.0%	7.4%	8.1%
Growth (%)	na	na	na	na					
Total Costs	9,369	9,665	9,834	10,102					
Growth (%)	nm	nm	nm	nm					
of which Personnel Costs	5,170	5,317	5,319	5,424					
Net Operating Income	2,620	2,559	2,662	2,897					
Growth (%)	37.5%	-2.3%	4.0%	8.8%					
Provisions&Write-downs	na	na	na	na					
Extraordinary Items	na	na	na	na					
Pre-tax profit	2,727	2,666	2,769	3,004					
Tax	794	777	805	863					
Tax rate(%)	-29.1%	-29.2%	-29.1%	-28.7%					
Minorities and others	na	na	na	na					
Net profit	1,933	1,889	1,964	2,140					
Growth (%)	76.9%	-2.3%	4.0%	9.0%					
Adjusted net profit	1,933	1,889	1,964	2,140					
Growth (%)	76.9%	-2.3%	4.0%	9.0%					

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	1.48	1.45	1.50	1.64
EPS growth (%)	76.9%	-2.3%	4.0%	9.0%
EPS Adj.	1.49	1.50	1.50	1.64
EPS Adj. growth (%)	116.6%	1.0%	0.2%	9.0%
TBVPS	6.47	6.57	6.71	6.91
DPS Ord	0.80	0.90	0.95	1.03

Balance Sheet (€ m)	2023	2024E	2025E	2026E	Key Figures & Ratios	2023	2024E	2025E	2026E
Customer Loans	na	na	na	na	Avg. N° of Shares (m)	1,306	1,306	1,306	1,306
Growth(%)	na	na	na	na	EoP N° of Shares (m)	1,306	1,306	1,306	1,306
Customer Deposits	na	na	na	na	Avg. Market Cap. (m)	12,834	16,712	16,712	16,712
Growth(%)	na	na	na	na					
Shareholders' Funds	10,518	10,639	10,829	11,091	NII/Total Income (%)	na	na	na	na
Minorities	na	na	na	na	Fees/Total Income (%)	na	na	na	na
Total Assets	292,021	298,514	303,936	309,458	Trading/Total Income (%)	na	na	na	na
					Cost Income ratio	na	na	na	na
					Personnel costs/Total costs	55.2%	55.0%	54.1%	53.7%
					Impairment/Average Loans	na	na	na	na
					NPLs ratio	na	na	na	na
					Provisions/Loans	na	na	na	na
					Avg. RoTE Adj. (%)	22.7%	23.0%	22.6%	24.1%
					ROA (%)	0.69%	0.67%	0.65%	0.69%
					Tier 1 ratio	nm	nm	nm	nm
					Basel III Core Tier 1 ratio	nm	nm	nm	nm

Source: Mediobanca Research



Source: Mediobanca Research

On track to achieve CMD targets

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Company in a nutshell & SWOT Analysis

A worldwide leader in the cable industry, Prysmian focuses on high-technology cables and systems for the energy and telecom sectors. The group has subsidiaries in over 50 countries with 108 plants, 26 R&D centres and around 30,000 employees. EMEA remains the major market accounting for around 52% of group sales, followed by North America representing 32% of total sales. Prysmian operates in the following businesses: 1) Transmission including mainly Submarine energy and High Voltage cables; 2) Power Grid and Electrification including Industrial cables; and 3) Telecom cables.

SWOT Analysis: (1) **“Strengths”**: global leading positioning in high voltage and telecom cables owing to innovative products, among major operators in the Wind Offshore and Interconnectors market, diversified mix of cable solutions by region/end market granting stable cash conversion; (2) **“Weaknesses”**: competition in the low value-added segments, execution risks in the projects division; price volatility in the Industrial & Construction division and Commodities’ price fluctuations (excluding Copper); Price pressure in the EU telecom cables market; (3) **“Opportunities”**: Faster green energy transition in the US, 5G development in Europe, in the US and China, EU wind offshore floating market and grid hardening driven by rising power consumption; (4) **“Threats”**: Price competition in high-margin segments (Transmission) and Patent protection.

Exposure to current Macro & Geopolitics

Green and Digital transition remain two top-priorities across Europe and the solid intake trend over the last quarters confirms that Prysmian is a major beneficiary of incremental resources allocated in these two fields. Across its energy products’ portfolio, the company has been also benefitting from investments to develop solar and onshore wind energy and to upgrade power distribution grids and data centers. These long-term trends are currently lowering the cyclicity linked to Industrial & construction power cables (both residential and non-residential).

Valuation & Next Triggers

After 1Q24, the company confirmed its FY24 outlook now targeting the upper part of the range: 1) adj. EBITDA between €1,575m-1,675m. FCF between €675m-€775m. Our 2024E adj. EBITDA points to €1,660m, close to the high-end of the guidance. Beyond 2024, the solid performance of the whole product portfolio brings a higher visibility on CMD targets (2025-27). Next key catalyst is the special meeting of Encore Wire on June 26 where is needed the approval of shareholders representing at least a majority of the outstanding shares. On top of the projected EPS accretion (above 20% - MBe), we see WIRE transaction potentially improving the risk-return profile of the story. Outperform rating and €64.3 TP.

Key points to discuss at the MB Conference

Key points to discuss for Prysmian are: (1) Transmission’ pipeline in and outside Europe; (2) Trend of demand (prices & volumes) for Industrial & Construction and Digital Solutions’ division; (3) Update of the ongoing capacity expansion plan (both production and installation); (4) R&D pipeline in both energy and telecom cables; (5) Deleveraging path after WIRE transaction; and (6) Update on the ongoing execution of major projects.

	2023	2024E	2025E	2026E
EPS Adj (€)	2.69	2.88	3.09	3.22
DPS (€)	0.70	0.75	0.80	0.90
BVPS (€)	13.67	15.55	17.69	19.99
EV/Ebitda(x)	8.0	11.3	10.2	9.2
P/E adj (x)	13.8	20.6	19.2	18.1
Div.Yield(%)	1.9%	1.3%	1.4%	1.5%
OpFCF Yield(%)	4.6%	3.3%	3.4%	4.5%

Market Data

Market Cap (€m)	16,183
Shares Out (m)	277
Blackrock (%)	5%
Free Float (%)	95%
52 week range (€)	60.94-33.78
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	9.3%
-3m	20.3%
-12m	28.3%
21dd Avg. Vol.	860,945
Reuters/Bloomberg	PRY.MI / PRY IM

Source: Mediobanca Research

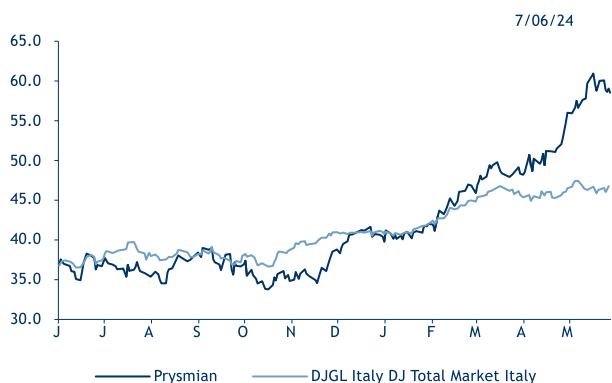
Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E	Multiples	2023	2024E	2025E	2026E
Turnover	15,355	14,849	15,435	16,193	P/E Adj.	13.8	20.6	19.2	18.1
Turnover growth %	-4.4%	-3.3%	3.9%	4.9%	P/CEPS	9.5	15.0	13.5	12.7
EBITDA	1,485	1,560	1,689	1,800	P/BV	2.7	3.8	3.3	2.9
EBITDA margin (%)	9.7%	10.5%	10.9%	11.1%	EV/ Sales	0.8	1.2	1.1	1.0
EBITDA growth (%)	7.0%	5.1%	8.3%	6.6%	EV/EBITDA	8.0	11.3	10.2	9.2
Depreciation & Amortization	-625	-426	-434	-446	EV/EBIT	13.8	15.5	13.7	12.3
EBIT	860	1,134	1,255	1,354	EV/Cap. Employed	1.9	2.8	2.6	2.5
EBIT margin (%)	5.6%	7.6%	8.1%	8.4%	Yield (%)	1.9%	1.3%	1.4%	1.5%
EBIT growth (%)	1.3%	31.9%	10.7%	7.9%	OpFCF Yield(%)	4.6%	3.3%	3.4%	4.5%
Net Fin.Income (charges)	-96	-115	-100	-90	FCF Yield (%)	6.3%	4.0%	4.0%	4.9%
Non-Operating Items	0	0	0	0					
Extraordinary Items	0	0	0	0					
Pre-tax Profit	764	1,019	1,155	1,264	Per Share Data (€)	2023	2024E	2025E	2026E
Tax	-217	-290	-341	-392	EPS	1.91	2.58	2.89	3.10
Tax rate (%)	28.4%	28.5%	29.5%	31.0%	EPS growth (%)	1.7%	35.0%	12.1%	7.2%
Minorities	-18	-15	-15	-15	EPS Adj.	2.69	2.88	3.09	3.22
Net Profit	529	713	799	857	EPS Adj. growth (%)	23.3%	7.1%	7.2%	4.5%
Net Profit growth (%)	4.9%	35.0%	12.1%	7.2%	CEPS	3.88	3.91	4.33	4.60
Adjusted Net Profit	733	785	842	892	BVPS	13.67	15.55	17.69	19.99
Adj. Net Profit growth (%)	27.7%	7.1%	7.2%	5.9%	DPS Ord	0.70	0.75	0.80	0.90

Balance Sheet (€ m)	2023	2024E	2025E	2026E	Key Figures & Ratios	2023	2024E	2025E	2026E
Working Capital	518	391	446	518	Avg. N° of Shares (m)	277	277	277	277
Net Fixed Assets	5,709	5,985	6,153	6,214	EoP N° of Shares (m)	277	277	277	277
Total Capital Employed	6,227	6,376	6,599	6,732	Avg. Market Cap. (m)	10,147	16,183	16,183	16,183
Shareholders' Funds	3,781	4,301	4,893	5,529	Enterprise Value (m)	11,859	17,548	17,151	16,612
Minorities	191	195	200	204	Adjustments (m)	524	535	546	557
Provisions	1,067	1,049	1,084	1,127	Labour Costs/Turnover	12%	12%	12%	12%
Net Debt (-) Cash (+)	-1,188	-830	-423	128	Depr.&Amort./Turnover	4%	3%	3%	3%
					Turnover / Op.Costs	1.1	1.1	1.1	1.1

Cash Flow (€ m)	2023	2024E	2025E	2026E	Gearing (Debt / Equity)	30%	18%	8%	-2%
Cash Earnings	1,074	1,082	1,196	1,271	EBITDA / Fin. Charges	-15.5	-13.6	-16.9	-20.0
Working Capital Needs	96	127	-55	-72	Net Debt / EBITDA	0.8	0.5	0.3	-0.1
Capex (-)	-624	-630	-550	-460	Cap.Employed/Turnover	41%	43%	43%	42%
Financial Investments (-)	0	0	0	0	Capex / Turnover	4%	4%	4%	3%
Dividends (-)	-161	-194	-207	-221	Pay out	36%	29%	27%	29%
Other Sources / Uses	-156	-28	24	33	ROE	14%	17%	16%	16%
Ch. in Net Debt (-) Cash (+)	229	358	408	551	ROCE (pre tax)	14%	18%	19%	20%
					ROCE (after tax)	10%	13%	13%	14%

Source: Mediobanca Research



Source: Mediobanca Research

So many arrows in its bow

Company in a nutshell & SWOT analysis

Rai Way's business consists of managing the infrastructure used to host equipment for TV broadcasters (through DTT, the leading TV platform in Italy), radio operators and mobile telecommunication companies. Tower hosting and network services - which involve delivering signals to end users (broadcasting & transmission) - represent the main source of revenue. Rai Way has a very strong competitive position in the industry thanks to its leading broadcasting tower network, featuring over 2.3k sites across the country. In addition, the two leading operators (EI Towers and Rai Way) control c.80% of the Italian broadcasting infrastructure market sector (40% each). **SWOT Analysis:** (1) **"Strengths"**: visibility on revenues, strong profitability, sound FCF generation, network capillarity, high know-how quality, talented management; (2) **"Weaknesses"**: mainly concentrated on TV business and pure exposure to the Italian economy; (3) **"Opportunities"**: exploit market consolidation in Italy, expand portfolio of services (Edge and Hyper scaler data centers, CDN), leverage the financial structure; (4) **"Threats"**: regulatory issues, FTA television possible loss of market share.

Exposure to current macro & geopolitical situation

With reference to the risk of increases in energy prices, the company benefits from a natural hedge, having almost all its turnover indexed to inflation. We also remind the company is pursuing opportunities in the cloud business, which is experiencing a spiking demand throughout Europe. Rai Way's current development investments mainly concern the implementation of the first edge data centers, which are part of a larger infrastructure being built and distributed nationwide (five edge data centers will come into service as early as second half of 2024).

Valuation & Next Triggers

On May 27, local press reported Italy has approved a decree enabling state broadcaster Rai to sell a stake in Rai Way, provided the disposal is compatible with a tie-up with rival EI Towers (60% F2i, 40% MFE). Rai is required to keep a stake of at least 30% in its tower business, as the government intends to keep control over an infrastructure deemed of strategic importance for the country. The decree states that in selling the stake, "options that may favor sector consolidation must be privileged". The merged entity should remain listed. On the matter, *Il Messaggero* argues advisors (Citigroup for Rai Way, Lazard for Rai and Mediobanca, Intesa and Unicredit for EI Towers) are already at work, adding concrete discussions may start once the new Rai board will be appointed, after EU elections.

Key points to discuss at MB conference

- i) an update on potential sector consolidation, with focus on timing, governance and value creation, ii) update on data centers and cloud: permissions, client base, some KPIs or details on eventual MSAs, iii) external growth options.

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	2023	2024E	2025E	2026E
EPS Adj (€)	0.32	0.33	0.32	0.32
DPS (€)	0.32	0.33	0.32	0.32
BVPS (€)	0.69	0.70	0.69	0.70
EV/Ebitda(x)	8.8	8.6	8.7	8.6
P/E adj (x)	16.6	15.8	16.3	16.2
Div.Yield(%)	6.0%	6.3%	6.1%	6.2%
OpFCF Yield(%)	8.3%	5.3%	5.7%	4.4%

Market Data

Market Cap (€m)	1,409
Shares Out (m)	272
Rai (%)	65%
Free Float (%)	35%
52 week range (€)	5.67-4.63
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	-5.0%
-3m	4.2%
-12m	-25.2%
21dd Avg. Vol.	461,116
Reuters/Bloomberg	RWAY.MI / RWAY IM

Source: Mediobanca Research

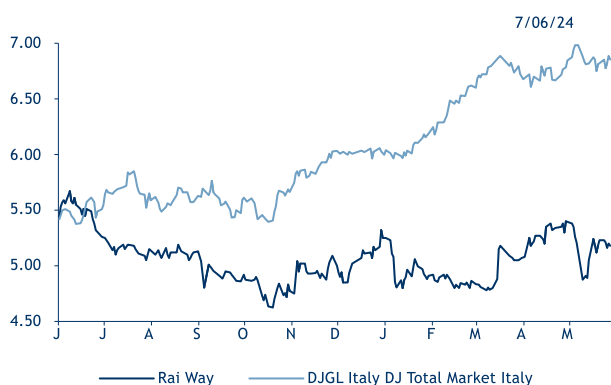
Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E	Multiples	2023	2024E	2025E	2026E
Turnover	274	276	286	299	P/E Adj.	16.6	15.8	16.3	16.2
Turnover growth %	10.3%	0.6%	3.8%	4.4%	P/CEPS	nm	nm	nm	nm
EBITDA	175	182	184	193	P/BV	7.6	7.4	7.5	7.4
EBITDA margin (%)	63.8%	65.9%	64.5%	64.5%	EV/ Sales	5.6	5.7	5.6	5.5
EBITDA growth (%)	15.8%	3.8%	1.6%	4.4%	EV/EBITDA	8.8	8.6	8.7	8.6
Depreciation & Amortization	-47	-52	-57	-62	EV/EBIT	12.3	12.1	12.6	12.7
EBIT	126	129	127	130	EV/Cap. Employed	4.8	4.3	4.0	3.6
EBIT margin (%)	45.9%	46.9%	44.4%	43.6%	Yield (%)	6.0%	6.3%	6.1%	6.2%
EBIT growth (%)	21.3%	2.7%	-1.7%	2.5%	OpFCF Yield(%)	8.3%	5.3%	5.7%	4.4%
Net Fin.Income (charges)	-5	-7	-8	-10	FCF Yield (%)	5.7%	3.1%	3.5%	2.0%
Non-Operating Items	5	0	0	0					
Extraordinary Items	-5	0	0	0					
Pre-tax Profit	121	123	119	120	Per Share Data (€)	2023	2024E	2025E	2026E
Tax	-35	-34	-33	-33	EPS	0.32	0.33	0.32	0.32
Tax rate (%)	28.7%	27.5%	27.5%	27.5%	EPS growth (%)	17.6%	2.7%	-3.0%	1.0%
Minorities	0	0	0	0	EPS Adj.	0.32	0.33	0.32	0.32
Net Profit	87	89	86	87	EPS Adj. growth (%)	17.6%	2.7%	-3.0%	1.0%
Net Profit growth (%)	17.6%	2.7%	-3.0%	1.0%	CEPS	nm	nm	nm	nm
Adjusted Net Profit	87	89	86	87	BVPS	0.69	0.70	0.69	0.70
Adj. Net Profit growth (%)	17.6%	2.7%	-3.0%	1.0%	DPS Ord	0.32	0.33	0.32	0.32

Balance Sheet (€ m)	2023	2024E	2025E	2026E	Key Figures & Ratios	2023	2024E	2025E	2026E
Working Capital	-39	-26	-17	-0	Avg. N° of Shares (m)	272	272	272	272
Net Fixed Assets	359	392	419	462	EoP N° of Shares (m)	272	272	272	272
Total Capital Employed	320	366	403	462	Avg. Market Cap. (m)	1,438	1,409	1,409	1,409
Shareholders' Funds	189	191	188	189	Enterprise Value (m)	1,544	1,559	1,597	1,654
Minorities	0	0	0	0	Adjustments (m)	1	1	1	1
Provisions	27	26	27	28	Labour Costs/Turnover	19%	17%	18%	17%
Net Debt (-) Cash (+)	-105	-149	-187	-244	Depr.&Amort./Turnover	17%	19%	20%	21%
					Turnover / Op.Costs	2.8	2.9	2.8	2.8

Cash Flow (€ m)	2023	2024E	2025E	2026E	Gearing (Debt / Equity)	56%	78%	99%	129%
Cash Earnings	0	0	0	0	EBITDA / Fin. Charges	-38.9	-27.9	-23.1	-19.3
Working Capital Needs	8	-13	-9	-17	Net Debt / EBITDA	0.6	0.8	1.0	1.3
Capex (-)	-62	-85	-85	-105	Cap. Employed / Turnover	117%	133%	141%	155%
Financial Investments (-)	0	0	0	0	Capex / Turnover	23%	31%	30%	35%
Dividends (-)	-75	-87	-89	-86	Pay out	100%	100%	100%	100%
Other Sources / Uses	49	135	124	169	ROE	46%	47%	46%	46%
Ch. in Net Debt (-) Cash (+)	-79	-49	-59	-39	ROCE (pre tax)	39%	35%	32%	28%
					ROCE (after tax)	28%	26%	23%	20%

Source: Mediobanca Research



Source: Mediobanca Research

Sustained and Resilient Growth Prospects

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Company in a Nutshell & SWOT Analysis

Recordati is an international pharmaceutical group operating in the Specialty & Primary Care, Rare Diseases and self-medication segments. REC sells its products approximately 150 countries worldwide, either marketing proprietary drugs or distributing third-party products under license agreements. The group is mainly exposed to Europe (c. 70% of group's sales), while it also operates in North America (direct presence via Recordati Rare Diseases), Latin America, North Africa and Asian markets. **SWOT analysis:** **Strengths:** Well diversified product portfolio with a growing focus on treatments for Rare Diseases; **Weaknesses:** Exposure to potential price pressure on products whose exclusivity rights expired, and exposure to volatile EM currencies (Turkish Lira and Russian Rouble); **Opportunities:** Further expansion of product portfolio, especially in the Rare Disease space and strengthening of the direct distribution network; **Threats:** adverse changes in regulation/ governments' healthcare spending.

Exposure to current Macro & Geopolitics

Recordati's portfolio is mainly based on treatments for chronic diseases, with a relatively limited portion of turnover related to discretionary products. As such, demand is generally uncorrelated with the economic cycle and with trends in disposable income. At the same time, we highlight that the group gets c.7% of its annual turnover from Russia and Ukraine, mainly S&PC/OTC products associated with flu illnesses and anti-infection purposes. Following the outbreak of conflict between Russia and Ukraine, REC secured the logistics chain and delivery of medicines of its branches in full compliance with all regulations and continued therefore to operate in full compliance with regulations (revenues in the region grew by more than 15% yoy in local currency both in 2022 and 2023).

Valuation & Next Triggers

REC is a solid equity story, operating in protected market niches of the pharma industry. Its positioning allows REC to deliver sustained EPS growth (+8% CAGR envisaged in 2023-26E), coupled with sound cash flow generation (>60% cash conversion). The group's resiliency supports trading multiples of c. 18x 1Y-FWD PE, at slight discount to REC's historical average. Such valuation does not reflect the improving risk-return profile of the story, on the back of solid growth momentum and de-risked growth path with: (1) no major LoE risks in the coming years; (2) limited need to rely on M&A to meet FY25 targets, & (3) ample flexibility to support growing R&D efforts. In the short-term, a restart of the M&A activity may represent a key catalyst for the story, especially in case of an acquisition in the appealing segment of treatments for rare diseases. Outperform, €58.5 TP.

Key Points to Discuss at MB Conference

We believe that the key points of discussions with Recordati are the following: (1) main areas of interest for future acquisitions; (2) competitive environment for Isturisa and update on EUSA Pharma; (3) update on timeline/revenue opportunity for indication extensions in Endocrinology and Oncology franchises; (4) main products in the current pipeline, in terms of peak sales to be potentially reached, and (5) main areas of interest for future geographical expansion in Rare Diseases.

	2023	2024E	2025E	2026E
EPS Adj (€)	2.51	2.73	2.94	3.17
DPS (€)	1.20	1.28	1.35	1.45
BVPS (€)	8.06	9.08	10.38	11.83
EV/Ebitda(x)	14.8	13.9	12.3	11.4
P/E adj (x)	17.2	18.2	16.9	15.7
Div.Yield(%)	2.8%	2.6%	2.7%	2.9%
OpFCF Yield(%)	3.0%	4.4%	4.9%	5.6%

Market Data

Market Cap (€m)	10,394
Shares Out (m)	209
CVC Capital Partners (%)	52%
Free Float (%)	48%
52 week range (€)	53.08-41.96
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	-2.8%
-3m	-8.7%
-12m	-13.1%
21dd Avg. Vol.	240,774
Reuters/Bloomberg	RECI.MI / REC IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Turnover	2,082	2,301	2,422	2,538
Turnover growth %	12.4%	10.5%	5.3%	4.8%
EBITDA	701	825	907	957
EBITDA margin (%)	33.7%	35.8%	37.4%	37.7%
EBITDA growth (%)	22.1%	17.6%	10.0%	5.5%
Depreciation & Amortization	-143	-160	-163	-165
EBIT	558	665	744	792
EBIT margin (%)	26.8%	28.9%	30.7%	31.2%
EBIT growth (%)	27.6%	19.1%	11.9%	6.5%
Net Fin.Income (charges)	-67	-67	-46	-31
Non-Operating Items				
Extraordinary Items				
Pre-tax Profit	491	598	697	761
Tax	-102	-135	-159	-174
Tax rate (%)	20.7%	22.6%	22.8%	22.9%
Minorities	0	0	0	0
Net Profit	389	462	539	587
Net Profit growth (%)	24.6%	18.8%	16.4%	8.9%
Adjusted Net Profit	525	571	616	664
Adj. Net Profit growth (%)	10.8%	8.9%	7.8%	7.8%

Multiples	2023	2024E	2025E	2026E
P/E Adj.	17.2	18.2	16.9	15.7
P/CEPS	16.2	16.1	15.0	14.0
P/BV	5.3	5.5	4.8	4.2
EV/ Sales	5.0	5.0	4.6	4.3
EV/EBITDA	14.8	13.9	12.3	11.4
EV/EBIT	18.6	17.3	15.1	13.7
EV/Cap. Employed	3.2	3.6	3.5	3.4
Yield (%)	2.8%	2.6%	2.7%	2.9%
OpFCF Yield(%)	3.0%	4.4%	4.9%	5.6%
FCF Yield (%)	3.1%	4.7%	5.4%	5.9%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	1.86	2.21	2.58	2.81
EPS growth (%)	24.6%	18.8%	16.4%	8.9%
EPS Adj.	2.51	2.73	2.94	3.17
EPS Adj. growth (%)	10.8%	8.9%	7.8%	7.8%
CEPS	2.67	3.09	3.32	3.56
BVPS	8.06	9.08	10.38	11.83
DPS Ord	1.20	1.28	1.35	1.45

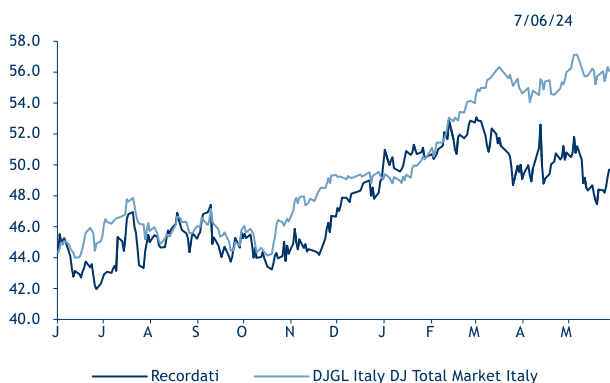
Balance Sheet (€ m)	2023	2024E	2025E	2026E
Working Capital	442	483	506	518
Net Fixed Assets	3,006	2,948	2,904	2,865
Total Capital Employed	3,266	3,225	3,211	3,190
Shareholders' Funds	1,686	1,898	2,170	2,474
Minorities	0	0	0	0
Provisions	0	0	0	0
Net Debt (-) Cash (+)	-1,579	-1,327	-1,041	-716

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	209	209	209	209
EoP N° of Shares (m)	209	209	209	209
Avg. Market Cap. (m)	9,021	10,394	10,394	10,394
Enterprise Value (m)	10,361	11,481	11,195	10,870
Adjustments (m)	-239	-239	-239	-239
Labour Costs/Turnover	-18%	-17%	-17%	-16%
Depr.&Amort./Turnover	7%	7%	7%	6%
Turnover / Op.Costs	1.5	1.6	1.6	1.6

Cash Flow (€ m)	2023	2024E	2025E	2026E
Cash Earnings	557	647	695	745
Working Capital Needs	-111	-41	-23	-12
Capex (-)	-138	-95	-120	-125
Financial Investments (-)	-244	0	0	0
Dividends (-)	-246	-251	-267	-282
Other Sources / Uses	23	-7	0	0
Ch. in Net Debt (-) Cash (+)	-160	253	286	325

Gearing (Debt / Equity)	94%	70%	48%	29%
EBITDA / Fin. Charges	-10.5	-12.3	-19.5	-30.6
Net Debt / EBITDA	2.3	1.6	1.1	0.7
Cap.Employed/Turnover	157%	140%	133%	126%
Capex / Turnover	7%	4%	5%	5%
Pay out	nm	nm	nm	nm
ROE	23%	24%	25%	24%
ROCE (pre tax)	17%	21%	23%	25%
ROCE (after tax)	14%	16%	18%	19%

Source: Mediobanca Research



Source: Mediobanca Research

12 June 2024

Technology Services

Update

Price: € 136.60

Target price: € 133.00

Neutral

Pioneering Enabler of Digital Evolution

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Company in a Nutshell & SWOT Analysis

Reply is a provider of innovative IT services, with turnover above €2bn and a clear focus on innovative consulting and systems integration activities. The group aims at fostering innovation and help its clients improve efficiency through a digital offer including *Artificial Intelligence*, *cloud computing*, *Digital Media* and the *Internet of Things*. The group operates through a network of almost 15k consultants, organised in >150 highly specialised boutiques. **SWOT Analysis:** **Strengths:** front-runner on industry innovation, comprehensive offer thanks to the “digital boutiques” network, leading position in Italy and Germany; **Weaknesses:** relatively small size in a sector in which also large global players compete; **Opportunities:** growing penetration of the UK and US markets, organically or through acquisitions, acceleration in Digital Transformation in Italy driven by implementation of NRRP; **Threats:** normalisation in LFL top-line growth in an uncertain macro context, slower-than-expected margin expansion for companies acquired in 2022 (chiefly FINCON and Wemanity).

Exposure to current Macro & Geopolitics

REY operates across Europe and North America, with Region 1 accounting for 62% of 2023 turnover (Italy, the US, Brazil, Poland, Romania, New Zealand), Region 2 providing c.20% (chiefly Germany, Switzerland, China) and the remaining 18% from Region 3 (chiefly UK, Benelux, France and Belarus). Reply does not have a direct presence in Russia, Ukraine or other areas impacted by geopolitical tensions, neither a material exposure to clients operating in those markets. On the other hand, we note that growing concerns on risks related to cyber attacks may support demand for cybersecurity projects and sustain momentum of digital enablers such as Reply.

Valuation & Next Triggers

We calculate our €133.0/share TP for Reply as the simple average of: (1) DCF valuation (€141.0 TP, with 7.2% WACC and g 2.5%), and (2) peers' multiples (€124.0 TP) based on FY24-25E EV/EBITDA, EV/EBIT and PE multiples of a panel of EU and US peers. REY's strengths remain well appreciated by the market as the stock trades at a c.25x PE24, in line with the US peer Accenture (Not Covered), and we find this as an overall fair valuation on fundamentals. Visible acceleration in the group's organic growth, or in the consolidation campaign may represent positive catalysts for the equity story.

Key Points to Discuss at MB Conference

Key points to discuss for Reply at our Conference are: (1) outlook for top-line organic growth across the group's three key regions; (2) strategy to strengthen presence in key markets in Region 3, as France and the UK; (3) priorities in terms of penetration of the US market; (4) M&A strategy in terms of geography and size of acquired companies, as well as priorities in terms of capital allocation; (5) profitability outlook and update on workforce scarcity, and (6) potential tailwinds from deployment of NRRP projects in Italy and, more generally, from growing penetration of AI tools in business processes.

	2023	2024E	2025E	2026E
EPS Adj (€)	4.99	5.52	5.93	6.30
DPS (€)	1.00	1.10	1.21	1.27
BVPS (€)	29.80	34.32	39.15	44.23
EV/Ebitda(x)	10.6	13.0	11.9	11.0
P/E adj (x)	20.9	24.8	23.0	21.7
Div.Yield(%)	1.0%	0.8%	0.9%	0.9%
OpFCF Yield(%)	4.1%	3.6%	3.3%	3.6%

Market Data

Market Cap (€m)	5,110
Shares Out (m)	37
Alika (%)	40%
Free Float (%)	60%
52 week range (€)	137.60-82.40
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	6.3%
-3m	4.3%
-12m	2.5%
21dd Avg. Vol.	46,428
Reuters/Bloomberg	/ REY IM

Source: Mediobanca Research

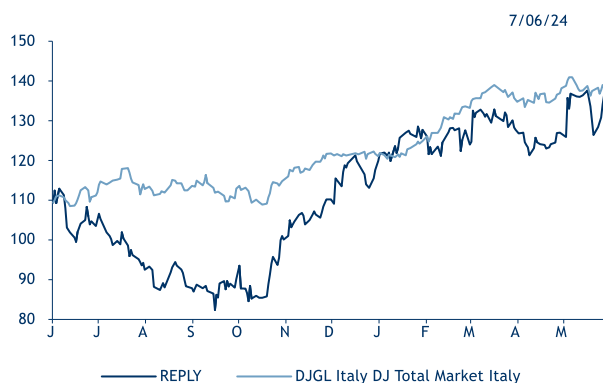
Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E	Multiples	2023	2024E	2025E	2026E
Turnover	2,118	2,324	2,544	2,727	P/E Adj.	20.9	24.8	23.0	21.7
Turnover growth %	12.0%	9.7%	9.5%	7.2%	P/CEPS	18.7	19.8	18.5	17.6
EBITDA	352	369	393	414	P/BV	3.5	4.0	3.5	3.1
EBITDA margin (%)	16.6%	15.9%	15.4%	15.2%	EV/ Sales	1.8	2.1	1.8	1.7
EBITDA growth (%)	3.5%	4.8%	6.5%	5.3%	EV/EBITDA	10.6	13.0	11.9	11.0
Depreciation & Amortization	-59	-76	-78	-80	EV/EBIT	12.7	16.4	14.9	13.7
EBIT	293	293	315	334	EV/Cap. Employed	3.5	4.3	4.0	3.6
EBIT margin (%)	13.8%	12.6%	12.4%	12.2%	Yield (%)	1.0%	0.8%	0.9%	0.9%
EBIT growth (%)	2.5%	0.1%	7.4%	6.1%	OpFCF Yield(%)	4.1%	3.6%	3.3%	3.6%
Net Fin.Income (charges)	-21	-4	-4	-3	FCF Yield (%)	5.0%	3.9%	3.5%	3.7%
Non-Operating Items	0	0	0	0					
Extraordinary Items	0	0	0	0					
Pre-tax Profit	272	289	311	330	Per Share Data (€)	2023	2024E	2025E	2026E
Tax	-83	-81	-87	-92	EPS	4.99	5.52	5.93	6.30
Tax rate (%)	30.6%	28.0%	28.0%	28.0%	EPS growth (%)	-2.3%	10.6%	7.4%	6.2%
Minorities	-2	-2	-2	-2	EPS Adj.	4.99	5.52	5.93	6.30
Net Profit	187	206	222	236	EPS Adj. growth (%)	-2.3%	10.6%	7.4%	6.2%
Net Profit growth (%)	-2.3%	10.6%	7.4%	6.2%	CEPS	5.58	6.90	7.39	7.77
Adjusted Net Profit	187	206	222	236	BVPS	29.80	34.32	39.15	44.23
Adj. Net Profit growth (%)	-2.3%	10.6%	7.4%	6.2%	DPS Ord	1.00	1.10	1.21	1.27

Balance Sheet (€ m)	2023	2024E	2025E	2026E	Key Figures & Ratios	2023	2024E	2025E	2026E
Working Capital	90	79	99	114	Avg. N° of Shares (m)	37	37	37	37
Net Fixed Assets	980	1,028	1,083	1,144	EoP N° of Shares (m)	37	37	37	37
Total Capital Employed	1,069	1,107	1,182	1,259	Avg. Market Cap. (m)	3,901	5,110	5,110	5,110
Shareholders' Funds	1,115	1,284	1,465	1,655	Enterprise Value (m)	3,721	4,793	4,681	4,563
Minorities	2	4	6	8	Adjustments (m)	25	25	25	25
Provisions	158	161	165	168	Labour Costs/Turnover	54%	54%	53%	53%
Net Debt (-) Cash (+)	205	342	454	573	Depr.&Amort./Turnover	3%	3%	3%	3%
					Turnover / Op.Costs	1.2	1.2	1.2	1.2

Cash Flow (€ m)	2023	2024E	2025E	2026E	Gearing (Debt / Equity)	-18%	-27%	-31%	-34%
Cash Earnings	209	258	276	291	EBITDA / Fin. Charges	-16.6	-105.4	-112.3	-119.4
Working Capital Needs	-14	11	-20	-15	Net Debt / EBITDA	-0.6	-0.9	-1.2	-1.4
Capex (-)	-40	-95	-103	-112	Cap. Employed / Turnover	50%	48%	46%	46%
Financial Investments (-)	-1	0	0	0	Capex / Turnover	2%	4%	4%	4%
Dividends (-)	-38	-37	-41	-45	Pay out	20%	20%	20%	20%
Other Sources / Uses	19	0	0	0	ROE	17%	16%	15%	14%
Ch. in Net Debt (-) Cash (+)	134	137	112	119	ROCE (pre tax)	27%	26%	27%	27%
					ROCE (after tax)	19%	19%	19%	19%

Source: Mediobanca Research



Source: Mediobanca Research

12 June 2024

Branded Goods

Update

Price: € 44.10

Target price: € 53.50

Outperform

A safe harbour amidst macro uncertainty

Company in a nutshell and SWOT analysis

Sanlorenzo is a leading player in the global luxury yachts, and it ranks first in terms of number of 30-40mt units delivered in 2009-19. Its supremacy is built on the following: (i) manufacturing excellence, combining state-of-the-art industrial platform with craftsmanship, (ii) strong relationship with customers thanks to a direct distribution network, (iii) technological leadership pioneering the green transition in the yacht industry. Over the past 15 years it outperformed the yachting sector, proving more resilient than peers and consistently delivering results above guidance since listing in 2019. As luxury yachts' demand is peaking after post-pandemic rebound, order intake is normalizing but SL's backlog remains robust. FY24 guidance has been confirmed i.e. net revenues at €880-910m (+7% YoY), EBITDA of €168-176m (+9% YoY) with a margin on sales up 50bps (19.1%-19.3%), and NP at €99-101m (+8% YoY). FY25 targets have been confirmed or high single-digit revenues CAGR and EBITDA margin in excess of 19.5%. **STRENGTHS:** strong brand equity and industrial footprint, highly regarded management team, low capital intensity. **WEAKNESSES:** limited recognition in the >50mt segment; **OPPORTUNITIES:** M&A, Asia, ancillary services; **THREATS:** highly competitive landscape, faster than expected regulatory requirement on green transition and emission reduction, shortage of high-quality suppliers and artisanal skills.

Exposure to current Macro & Geopolitics

1Q24 results were healthy overall with net revenues new yachts +6%, Adj.EBITDA +9.2% YoY with a margin on sales of 17.5% (+50bps), and a net profit at c.€20m. APAC and MEA were the growth drivers (+30% and +25% resp.) whereas the growth in Europe normalized on tough comps, and it was +2.8% YoY in Americas, reverting the negative trend seen in previous quarters. At the end of March net backlog was >€1bn or 1.2x LTM backlog cover. Out of €1.2bn of gross backlog more than half is related to 2024 revenues representing 72% of mid-point FY24 sales guidance. €561m orders are related to deliveries up to 2026 for the yachts and up to 2028 for Superyachts. Sanlorenzo customer base includes UHNWI which are note sensitive macro and geopolitical environment and therefore resilient in macro downturns. It has showed proven resilience over the cycle.

Valuation & Next triggers

Thanks to a capital-light business model, Sanlorenzo delivers ROCE of >40%, despite the mid-teen EBIT margin. As the significant capex plan of c.€50m/year comes to an end in FY25, cashflow generation should also improve supporting shareholders' return. The attractiveness of the equity story is not reflected in market multiples which are at double digit discount to luxury sector's peers.

Key points to Discuss at MB Conference

Points of discussion for Sanlorenzo are the following in our view: (1) update on order intake; (2) growth opportunities in Asia following the acquisition of Simpson Marine; (3) update on Swan Nautor acquisition and (4) green transition in the yachting industry: prospects and latest actions.

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	2022	2023	2024E	2025E
EPS Adj (€)	2.13	2.67	2.97	3.30
DPS (€)	0.66	1.00	1.11	1.24
BVPS (€)	8.29	10.34	12.31	14.49
EV/Ebitda(x)	8.4	7.6	7.9	7.1
P/E adj (x)	16.1	14.4	14.9	13.4
Div.Yield(%)	1.9%	2.6%	2.5%	2.8%
OpFCF Yield(%)	7.9%	6.2%	5.9%	4.1%

Market Data

Market Cap (€m)	1,534
Shares Out (m)	35
Holding Happy life Srl (%)	61%
Free Float (%)	39%
52 week range (€)	45.75-33.10
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	2.6%
-3m	5.5%
-12m	-7.0%
21dd Avg. Vol.	28,524
Reuters/Bloomberg	SNL.MI / SL IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2022	2023	2024E	2025E
Turnover	741	840	910	983
Turnover growth %	26.4%	13.4%	8.3%	8.0%
EBITDA	130	157	173	191
EBITDA margin (%)	17.5%	18.7%	19.1%	19.5%
EBITDA growth (%)	37.0%	21.5%	10.1%	10.4%
Depreciation & Amortization	-27	-32	-35	-38
EBIT	103	126	139	154
EBIT margin (%)	13.9%	15.0%	15.3%	15.7%
EBIT growth (%)	42.3%	22.5%	10.3%	10.8%
Net Fin.Income (charges)	-1	4	6	7
Non-Operating Items	0	0	0	0
Extraordinary Items	0	0	0	0
Pre-tax Profit	102	130	145	161
Tax	-28	-36	-41	-46
Tax rate (%)	26.9%	28.1%	28.5%	28.5%
Minorities	-1	-0	-0	-0
Net Profit	74	93	103	115
Net Profit growth (%)	45.4%	25.2%	11.3%	11.0%
Adjusted Net Profit	74	93	103	115
Adj. Net Profit growth (%)	45.4%	25.2%	11.3%	11.0%

Multiples	2022	2023	2024E	2025E
P/E Adj.	16.1	14.4	14.9	13.4
P/CEPS	11.7	10.7	11.1	13.4
P/BV	4.1	3.7	3.6	3.0
EV/ Sales	1.5	1.4	1.5	1.4
EV/EBITDA	8.4	7.6	7.9	7.1
EV/EBIT	10.6	9.5	9.9	8.8
EV/Cap. Employed	5.4	5.0	4.9	4.0
Yield (%)	1.9%	2.6%	2.5%	2.8%
OpFCF Yield(%)	7.9%	6.2%	5.9%	4.1%
FCF Yield (%)	7.2%	5.6%	5.3%	3.6%

Per Share Data (€)	2022	2023	2024E	2025E
EPS	2.13	2.67	2.97	3.30
EPS growth (%)	45.4%	25.1%	11.3%	11.0%
EPS Adj.	2.13	2.67	2.97	3.30
EPS Adj. growth (%)	45.4%	25.1%	11.3%	11.0%
CEPS	2.92	3.59	3.97	3.30
BVPS	8.29	10.34	12.31	14.49
DPS Ord	0.66	1.00	1.11	1.24

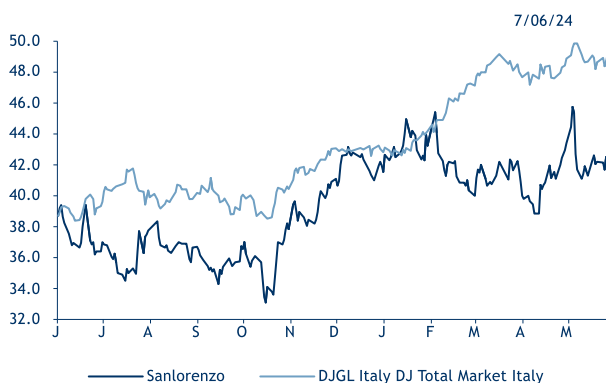
Balance Sheet (€ m)	2022	2023	2024E	2025E
Working Capital	-37	-31	-24	23
Net Fixed Assets	238	269	305	317
Total Capital Employed	201	238	280	340
Shareholders' Funds	289	360	428	504
Minorities	2	2	2	2
Provisions	11	17	17	17
Net Debt (-) Cash (+)	100	140	167	183

Key Figures & Ratios	2022	2023	2024E	2025E
Avg. N° of Shares (m)	35	35	35	35
EoP N° of Shares (m)	35	35	35	35
Avg. Market Cap. (m)	1,192	1,340	1,535	1,535
Enterprise Value (m)	1,092	1,199	1,368	1,352
Adjustments (m)	0	0	0	0
Labour Costs/Turnover	0%	0%	0%	0%
Depr.&Amort./Turnover	4%	4%	4%	4%
Turnover / Op.Costs	1.2	1.2	1.2	1.2

Cash Flow (€ m)	2022	2023	2024E	2025E
Cash Earnings	102	125	138	115
Working Capital Needs	34	-6	-7	-47
Capex (-)	-50	-45	-50	-50
Financial Investments (-)	0	-11	-20	0
Dividends (-)	-21	-23	-35	-39
Other Sources / Uses	-4	0	0	0
Ch. in Net Debt (-) Cash (+)	61	40	26	17

Gearing (Debt / Equity)	-35%	-39%	-39%	-36%
EBITDA / Fin. Charges	-237.9	>10	>10	>10
Net Debt / EBITDA	-0.8	-0.9	-1.0	-1.0
Cap. Employed / Turnover	27%	28%	31%	35%
Capex / Turnover	7%	5%	5%	5%
Pay out	31%	37%	37%	37%
ROE	26%	26%	24%	23%
ROCE (pre tax)	51%	53%	50%	45%
ROCE (after tax)	37%	38%	35%	32%

Source: Mediobanca Research



Source: Mediobanca Research

12 June 2024

Utilities

Update

Price: € 4.38

Target price: € 5.50

Neutral

Key Role to enable the Green Transition

Company in a Nutshell & SWOT Analysis

Snam operates most of gas transmission and gas storage assets in Italy. Its business is fully regulated. RAB reached €22bn in '23: (1) Gas transmission (high pressure gas pipelines) represents c80% of total RAB, and (2) gas storage the remaining 20%. Snam operates four regassification plants in Italy and owns minority stakes in several gas infrastructures outside Italy. **SWOT Analysis:** (1) **“Strengths”**: Snam operates in fully regulated businesses, expected to play a key role in energy transition & diversification of energy supply in Italy; (2) **“Weaknesses”**: limited visibility on large-scale development of hydrogen industry, missing ad-hoc hydrogen regulatory framework; (3) **“Opportunities”**: key role in developing infrastructures for hydrogen and to diversify gas sources in Italy; (4) **“Threats”**: delays in the development of hydrogen industry & regulatory changes.

Exposure to current Macro & Geopolitics

In a context where geopolitical tensions do not seem to be over, the energy crisis has mostly normalized, and energy prices are now far from the spikes touched in the past few years. That said, the need to improve Europe's energy independence through upgraded interconnections and to ensure security of supply remain a key prerogative. Furthermore, we continue to believe that the current geopolitical situation still highlights the importance of Southern European gas infrastructure to diversify energy sources, something in which Snam plays a key role.

Valuation & next triggers

Snam updated its BP for '23/27 in January, targeting +7.4% EBITDA CAGR to '27 and +4% Net Income CAGR to '27. Investments for '23/27 were increased to €11.5bn, from €10bn in the previous plan. The company points to >+6% RAB CAGR in '23/27. Also, Snam updated its dividend policy increasing it to a minimum DPS CAGR of +3% to '27, envisaging a dividend at €0.3174 by end of the plan.

The company also increased its '24 guidance following the publication of the first quarter results for this year. New targets now include: (1) EBITDA at >€2.75bn, (2) Net Income at €1.23bn, (3) tariff RAB at €23.8bn, (4) Net Debt at €17.5bn, (5) Capex at €3.0bn. Management explained that the upward revision in '24 guidance was mainly due to higher expectations for output-based incentives. On 4th June, the company announced to have submitted a binding offer to acquire Edison's gas storage unit, Edison Stocaggio. Next triggers: Mid-period review of WACC from '25. All that said, the stock is trading at c12x EV/EBITDA and c10% EV/RAB premium, which we see as full multiples. Neutral.

Key Points to Discuss at MB Conference

Main points of discussion with Snam are: (1) Details on its role to support green investments and energy transition; (2) Update on the realization of the Adriatic Line project; (3) Feedback on the implementation of Totex regulation; (4) Latest expectations on the WACC review from '25; (5) Expectation on the evolution of the negotiations with Edison for its storage assets; (6) Opportunities for infrastructure development linked to green gases, and in particular, to hydrogen; (7) Possible outlook for the development of green hydrogen markets & regulation; (8) Further international M&A opportunities; (9) Chances & possible timing for the construction of a gas pipeline linking Italy and Spain.

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	2023	2024E	2025E	2026E
EPS Adj (€)	0.35	0.37	0.37	0.38
DPS (€)	0.28	0.29	0.30	0.31
BVPS (€)	2.29	2.36	2.44	2.51
EV/Ebitda(x)	12.9	11.7	11.9	11.8
P/E adj (x)	13.6	12.0	11.7	11.5
Div.Yield(%)	6.0%	6.6%	6.8%	7.0%
OpFCF Yield(%)	6.8%	6.8%	6.8%	6.8%

Market Data

Market Cap (€m)	14,731
Shares Out (m)	3,361
CDP (%)	30%
Free Float (%)	61%
52 week range (€)	5.05-4.20
Rel Perf vs STOXX EUROPE 600 UTILITIES E (%)	
-1m	1.1%
-3m	-5.3%
-12m	-10.4%
21dd Avg. Vol.	8,397,785
Reuters/Bloomberg	SRG.MI / SRG IM

Source: Mediobanca Research

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Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Turnover	4,288	3,929	3,912	3,918
Turnover growth %	22.0%	-8.4%	-0.4%	0.2%
EBITDA	2,417	2,753	2,795	2,857
EBITDA margin (%)	56.4%	70.1%	71.5%	72.9%
EBITDA growth (%)	8.0%	13.9%	1.5%	2.2%
Depreciation & Amortization	-940	-972	-1,019	-1,024
EBIT	1,477	1,781	1,776	1,833
EBIT margin (%)	34.4%	45.3%	45.4%	46.8%
EBIT growth (%)	8.3%	20.6%	-0.3%	3.2%
Net Fin.Income (charges)	-221	-369	-406	-441
Non-Operating Items				
Extraordinary Items	315	256	311	322
Pre-tax Profit	1,571	1,668	1,681	1,714
Tax	-403	-437	-426	-433
Tax rate (%)	25.7%	26.2%	25.3%	25.2%
Minorities	0	0	0	0
Net Profit	1,168	1,231	1,256	1,282
Net Profit growth (%)	0.3%	5.4%	2.0%	2.1%
Adjusted Net Profit	1,168	1,231	1,256	1,282
Adj. Net Profit growth (%)	0.3%	5.4%	2.0%	2.1%

Multiples	2023	2024E	2025E	2026E
P/E Adj.	13.6	12.0	11.7	11.5
P/CEPS	7.5	6.7	6.5	6.4
P/BV	2.1	1.9	1.8	1.7
EV/ Sales	7.3	8.2	8.5	8.6
EV/EBITDA	12.9	11.7	11.9	11.8
EV/EBIT	21.1	18.1	18.7	18.4
EV/Cap. Employed	1.3	1.2	1.2	1.2
Yield (%)	6.0%	6.6%	6.8%	7.0%
OpFCF Yield (%)	0.3%	6.5%	9.6%	9.3%
FCF Yield (%)	-17.1%	-10.9%	-1.8%	1.8%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	0.35	0.37	0.37	0.38
EPS growth (%)	0.3%	5.4%	2.0%	2.1%
EPS Adj.	0.35	0.37	0.37	0.38
EPS Adj. growth (%)	0.3%	5.4%	2.0%	2.1%
CEPS	0.63	0.66	0.68	0.69
BVPS	2.29	2.36	2.44	2.51
DPS Ord	0.28	0.29	0.30	0.31

Balance Sheet (€ m)	2023	2024E	2025E	2026E
Working Capital	-86	551	168	-126
Net Fixed Assets	23,772	25,710	27,301	28,287
Total Capital Employed	23,686	26,261	27,469	28,161
Shareholders' Funds	7,680	7,935	8,185	8,431
Minorities	0	0	0	0
Provisions	736	736	736	736
Net Debt (-) Cash (+)	-15,270	-17,590	-18,548	-18,994

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	3,361	3,361	3,361	3,361
EoP N° of Shares (m)	3,361	3,361	3,361	3,361
Avg. Market Cap. (m)	15,899	14,731	14,731	14,731
Enterprise Value (m)	31,169	32,321	33,279	33,725
Adjustments (m)	0	0	0	0
Labour Costs/Turnover	0%	0%	0%	0%
Depr.&Amort./Turnover	22%	25%	26%	26%
Turnover / Op.Costs	1.5	1.8	1.8	1.9

Cash Flow (€ m)	2023	2024E	2025E	2026E
Cash Earnings	2,108	2,203	2,274	2,306
Working Capital Needs	-2,313	-637	383	294
Capex (-)	-2,194	-2,910	-2,610	-2,010
Financial Investments (-)	0	0	0	0
Dividends (-)	-948	-976	-1,005	-1,036
Other Sources / Uses	0	0	0	0
Ch. in Net Debt (-) Cash (+)	-3,347	-2,320	-958	-446

Gearing (Debt / Equity)	199%	222%	227%	225%
EBITDA / Fin. Charges	-10.9	-7.5	-6.9	-6.5
Net Debt / EBITDA	6.3	6.4	6.6	6.6
Cap. Employed / Turnover	552%	668%	702%	719%
Capex / Turnover	51%	74%	67%	51%
Pay out	81%	79%	80%	81%
ROE	15%	16%	15%	15%
ROCE (pre tax)	6%	7%	6%	7%
ROCE (after tax)	5%	5%	5%	5%

Source: Mediobanca Research



Source: Mediobanca Research

Healthy growth path ahead

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Company in a nutshell and SWOT analysis

Technogym is a leading player in the wellness industry, providing a unique integrated offering which includes fitness products, contents, services and devices for end-consumers. Its strategy is based on a few pillars to deliver a sustainable and profitable growth path. Specifically, Technogym aims at expanding its global market share by 3 p.p. from 5% to 8% with Asia and US as the markets with untapped growth opportunities. While for Asia the group targets residential and hospitality segments in the key mega cities, in the US the aim is to expand further the premium clubs' segment together while keeping focus on hospitality and residential. Moreover, the retail footprint should expand from the 40 DOS to 50 in the medium term and 70 in the long term. Innovation will keep playing a key role as it happened over the last 40 years. Based on company targets, the top-line is projected to grow at a 10% CAGR putting FY25 sales at €1bn. The EBITDA margin is expected to be up 40-70bps per year and to exceed 20% by 2025. Cash conversion should exceed 60% with annual capex in the region of 4-5% of sales. **STRENGTHS:** International leadership in the premium fitness equipment market; strong brand image; direct control over distribution; strong and long-standing relationships with key suppliers and accounts. **WEAKNESSES:** High exposure to the more mature markets, competition on the entry price offer. **OPPORTUNITIES:** deeper penetration into premium clubs and hospitality in North America; M&A opportunities. **THREATS:** pressure on margins from higher transportation costs.

Exposure to current Macro & Geopolitics

For 1Q24 Technogym reported revenues €187.5m (+7.4% YoY) with both B2B and B2C reporting a positive growth, +7% YoY and +8.8% respectively. All regions reported a nice performance with the only exception of APAC (-1.5% YoY) impacted by some delayed deliveries for c.€2m. Europe was +6.3% YoY driven by Spain and Benelux, and North America was +7.4% YoY. We also flag the double-digit increase in the domestic market (+14.5% YoY) and high single-digit growth in Middle-East, which normalized after three years of strong double-digit growth. LATAM at +40% YoY reflects healthy business development with new partners, across all segments.

Valuation & Next triggers

The stock is flat YTD and trades at <22x 1YFRW PE or at a high single-digit discount to its historical average. The business has limited exposure to the domestic market which accounts for 10% of group revenues.

Key Points to Discuss at MB Conference

Points of discussion for Technogym are the following in our view: (1) current trading in key geographies, especially in Europe and US in B2B; (2) visibility on the B2B order intake; (3) M&A opportunities.

	2022	2023	2024E	2025E
EPS Adj (€)	0.33	0.39	0.43	0.52
DPS (€)	0.25	0.25	0.27	0.33
BVPS (€)	1.71	1.76	1.94	2.19
EV/Ebitda(x)	9.7	9.9	10.4	9.1
P/E adj (x)	21.3	20.9	21.9	18.1
Div.Yield(%)	3.6%	3.1%	2.9%	3.5%
OpFCF Yield(%)	6.7%	5.7%	4.6%	5.0%

Market Data

Market Cap (€m)	
Shares Out (m)	
Wellness Holding S.r.l. (%)	34%
Free Float (%)	66%
52 week range (€)	9.74-6.90
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	-0.3%
-3m	-1.5%
-12m	-15.6%
21dd Avg. Vol.	297,790
Reuters/Bloomberg	TGYM.MI / TGYM.IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2022	2023	2024E	2025E
Turnover	721	808	877	956
Turnover growth %	18.0%	12.0%	8.6%	9.0%
EBITDA	132	152	168	190
EBITDA margin (%)	18.3%	18.8%	19.2%	19.9%
EBITDA growth (%)	23.3%	15.2%	10.8%	12.9%
Depreciation & Amortization	-49	-51	-53	-53
EBIT	83	101	115	137
EBIT margin (%)	11.5%	12.5%	13.1%	14.3%
EBIT growth (%)	4.9%	22.3%	14.0%	18.5%
Net Fin.Income (charges)	0	3	2	2
Non-Operating Items	0	0	0	0
Extraordinary Items	0	0	0	0
Pre-tax Profit	83	104	117	140
Tax	-19	-23	-30	-35
Tax rate (%)	23.3%	22.3%	26.0%	25.0%
Minorities	-0	-4	-0	-0
Net Profit	64	77	86	105
Net Profit growth (%)	0.8%	21.8%	11.6%	21.0%
Adjusted Net Profit	66	78	86	105
Adj. Net Profit growth (%)	29.1%	18.1%	10.8%	21.0%

Multiples	2022	2023	2024E	2025E
P/E Adj.	21.3	20.9	21.9	18.1
P/CEPS	11.5	11.9	12.8	11.4
P/BV	4.1	4.6	4.8	4.3
EV/ Sales	1.8	1.9	2.0	1.8
EV/EBITDA	9.7	9.9	10.4	9.1
EV/EBIT	15.5	14.9	15.2	12.7
EV/Cap. Employed	5.4	6.0	6.3	5.7
Yield (%)	3.6%	3.1%	2.9%	3.5%
OpFCF Yield(%)	6.7%	5.7%	4.6%	5.0%
FCF Yield (%)	6.1%	5.2%	4.2%	4.6%

Per Share Data (€)	2022	2023	2024E	2025E
EPS	0.32	0.39	0.43	0.52
EPS growth (%)	0.8%	21.8%	11.6%	21.0%
EPS Adj.	0.33	0.39	0.43	0.52
EPS Adj. growth (%)	29.1%	18.1%	10.8%	21.0%
CEPS	0.61	0.68	0.73	0.83
BVPS	1.71	1.76	1.94	2.19
DPS Ord	0.25	0.25	0.27	0.33

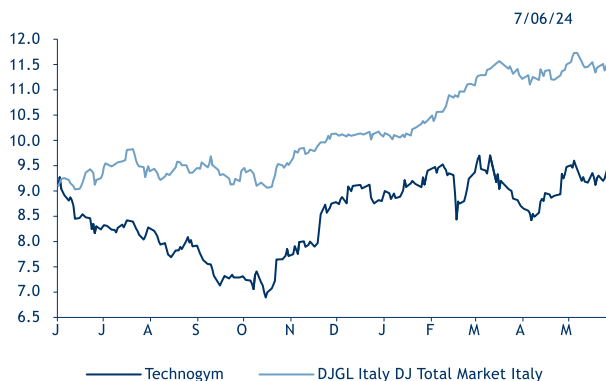
Balance Sheet (€ m)	2022	2023	2024E	2025E
Working Capital	12	23	39	62
Net Fixed Assets	224	229	241	244
Total Capital Employed	236	253	280	306
Shareholders' Funds	344	355	391	441
Minorities	2	9	9	9
Provisions	12	16	16	16
Net Debt (-) Cash (+)	122	127	136	160

Key Figures & Ratios	2022	2023	2024E	2025E
Avg. N° of Shares (m)	201	201	201	201
EoP N° of Shares (m)	201	201	201	201
Avg. Market Cap. (m)	1,406	1,631	1,894	1,894
Enterprise Value (m)	1,284	1,504	1,759	1,734
Adjustments (m)	0	0	0	0
Labour Costs/Turnover	21%	21%	20%	19%
Depr.&Amort./Turnover	7%	6%	6%	6%
Turnover / Op.Costs	1.2	1.2	1.2	1.2

Cash Flow (€ m)	2022	2023	2024E	2025E
Cash Earnings	122	137	148	166
Working Capital Needs	7	-11	-16	-23
Capex (-)	-34	-35	-44	-48
Financial Investments (-)	0	0	-13	0
Dividends (-)	-32	-50	-50	-54
Other Sources / Uses	-28	-30	-8	-8
Ch. in Net Debt (-) Cash (+)	25	5	9	25

Gearing (Debt / Equity)	-35%	-35%	-34%	-36%
EBITDA / Fin. Charges	>10	>10	>10	>10
Net Debt / EBITDA	-0.9	-0.8	-0.8	-0.8
Cap.Employed/Turnover	33%	31%	32%	32%
Capex / Turnover	5%	4%	5%	5%
Pay out	79%	65%	63%	63%
ROE	18%	22%	22%	24%
ROCE (pre tax)	35%	40%	41%	45%
ROCE (after tax)	27%	31%	30%	33%

Source: Mediobanca Research



Source: Mediobanca Research

An Essence of Silicon Valley on near Milan

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Company in a Nutshell & SWOT Analysis

Listed on the Euronext Milan, with c.25% free float, Technoprobe is one of the leading global suppliers of probe cards which are complex electromechanical interfaces produced for the testing phase of the semiconductor manufacturing process. In the fast growing and highly profitable niche of MEMS and Vertical solutions for non-Memory applications, TPRO has a >33% market share well defended by vertical integration, product customization and know-how developed over a long-time period. M&A is a potential driver for further growth, with the company currently struggling to identify proper targets in memory, provided it looks for asset where technology DNA remains strong. New opportunities may arise from the differentiation in other market segments close to current business, leveraging on the launch of new products.

Exposure to current Macro & Geopolitics

Technoprobe is a player directly exposed to the chip space and its sales trend is driven by 1) production of semiconductors, 2) launch of new families of chip, and 3) increasing of the installed capacity. Therefore, as a second derivative, TPRO's probe cards are impacted by the trend in the main chip reference markets including Consumers (PC, mobile-phone, gaming), Auto, Telecom/Infrastructure, and A.I. Although we reckon that Technoprobe is mainly exposed to the more resilient MEMS and vertical solutions for non-memory applications, the company is subject to potential seasonal drops in production. We also note tensions between the US and China may represent a negative for the sector and that TPRO has recently acquired DIS, a business branch from Teradyne, increasing his exposure to Taiwan. Teradyne now holds a 10% stake in TPRO.

Valuation & Next Triggers

The second quarter guidance is reassuring, as it confirms the company is benefiting from the industry recovery; despite a better-than-expected guidance on 2Q, the overall outlook provided is aligned with previous expectations. As a reminder, our valuation is based on an average calculation between a DCF and Peer analysis, on top of which we have summed up the net cash the Group has in portfolio assuming they will invest it in M&A. We have a Neutral rating on the name: while guidance confirmed sector rebound is in place, visibility on the reference market remains low. We note supportive underlying trends will be eventually boosted by the AI take-up (expected to support semis' top-line growth from 2025), and welcome the agreement signed with Teradyne, although we recall that DIS consolidation might trigger an initial dilution in margins.

Key points to discuss at MB Conference

i) follow-ups on the integration of DIS and Harbour, and ii) updates on M&A targets identification in memory, iii) more granularity on the shareholders' agreement signed with Teradyne, iv) update on the increased relevance of the Artificial Intelligence, v) update on the competitive landscape.

	2023	2024E	2025E	2026E
EPS Adj (€)	0.16	0.15	0.23	0.35
DPS (€)	0.03	0.03	0.03	0.05
BVPS (€)	1.39	1.85	2.06	2.38
EV/Ebitda(x)	32.4	33.0	22.4	15.5
P/E adj (x)	44.4	64.9	41.4	27.6
Div.Yield(%)	0.5%	0.3%	0.4%	0.5%
OpFCF Yield(%)	-1.4%	1.4%	1.3%	2.1%

Market Data

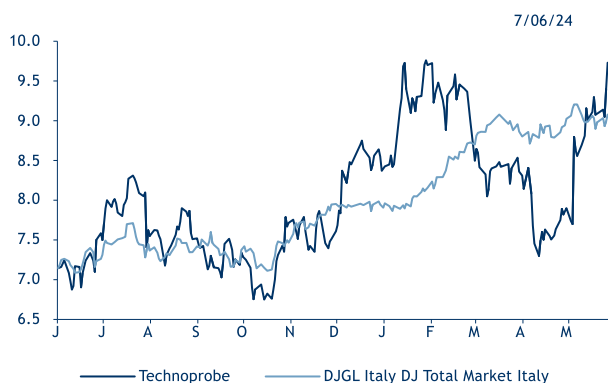
Market Cap (€m)	5,830
Shares Out (m)	601
Crippa Family (%)	75%
Free Float (%)	25%
52 week range (€)	9.76-6.74
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	21.4%
-3m	0.2%
-12m	3.9%
21dd Avg. Vol.	343,534
Reuters/Bloomberg	TPRO.MI / TPRO IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E	Multiples	2023	2024E	2025E	2026E
Turnover	409	554	654	818	P/E Adj.	44.4	64.9	41.4	27.6
Turnover growth %	-25.4%	35.4%	18.1%	25.0%	P/CEPS	31.5	44.6	31.0	22.1
EBITDA	123	171	250	355	P/BV	5.2	5.2	4.7	4.1
EBITDA margin (%)	29.9%	30.9%	38.2%	43.4%	EV/ Sales	9.7	10.2	8.5	6.7
EBITDA growth (%)	-50.0%	39.8%	46.1%	42.0%	EV/EBITDA	32.4	33.0	22.4	15.5
Depreciation & Amortization	-40	-45	-52	-57	EV/EBIT	48.0	44.6	28.2	18.5
EBIT	83	127	199	298	EV/Cap. Employed	7.9	10.7	9.2	7.6
EBIT margin (%)	20.2%	22.9%	30.4%	36.4%	Yield (%)	0.5%	0.3%	0.4%	0.5%
EBIT growth (%)	-60.2%	53.0%	56.7%	50.0%	OpFCF Yield(%)	-1.4%	1.4%	1.3%	2.1%
Net Fin.Income (charges)	2	0	0	0	FCF Yield (%)	nm	1.2%	1.2%	1.9%
Non-Operating Items					Per Share Data (€)				
Extraordinary Items	0	0	0	0	EPS	0.16	0.15	0.23	0.35
Pre-tax Profit	85	127	199	298	EPS growth (%)	-34.5%	-7.3%	56.7%	50.0%
Tax	12	-29	-46	-69	EPS Adj.	0.16	0.15	0.23	0.35
Tax rate (%)	-14.3%	23.0%	23.0%	23.0%	EPS Adj. growth (%)	-34.5%	-7.3%	56.7%	50.0%
Minorities	0	0	0	0	CEPS	0.23	0.22	0.31	0.44
Net Profit	97	98	153	229	BVPS	1.39	1.85	2.06	2.38
Net Profit growth (%)	-34.5%	0.7%	56.7%	50.0%	DPS Ord	0.03	0.03	0.03	0.05
Adjusted Net Profit	97	98	153	229	Key Figures & Ratios				
Adj. Net Profit growth (%)	-34.5%	0.7%	56.7%	50.0%	Avg. N° of Shares (m)	601	653	653	653
Balance Sheet (€ m)					EoP N° of Shares (m)	601	653	653	653
Working Capital	283	243	291	356	Avg. Market Cap. (m)	4,306	6,337	6,337	6,337
Net Fixed Assets	235	291	317	358	Enterprise Value (m)	3,974	5,649	5,593	5,500
Total Capital Employed	504	526	606	719	Adjustments (m)	19	20	21	22
Shareholders' Funds	833	1,210	1,346	1,553	Labour Costs/Turnover				
Minorities	1	1	1	1	Depr.&Amort./Turnover	10%	8%	8%	7%
Provisions	21	22	24	25	Turnover / Op.Costs	1.4	1.4	1.6	1.8
Net Debt (-) Cash (+)	351	708	765	859	Gearing (Debt / Equity)	-42%	-58%	-57%	-55%
Cash Flow (€ m)					EBITDA / Fin. Charges	>10	>10	>10	>10
Cash Earnings	137	142	205	287	Net Debt / EBITDA	-2.9	-4.1	-3.1	-2.4
Working Capital Needs	-147	35	-52	-71	Cap.Employed/Turnover	123%	95%	93%	88%
Capex (-)	-41	-100	-79	-98	Capex / Turnover	10%	18%	12%	12%
Financial Investments (-)	0	0	0	0	Pay out	21%	17%	15%	13%
Dividends (-)	0	-20	-17	-23	ROE	12%	8%	11%	15%
Other Sources / Uses	0	300	0	0	ROCE (pre tax)	16%	24%	33%	41%
Ch. in Net Debt (-) Cash (+)	52	-357	-57	-95	ROCE (after tax)	19%	19%	25%	32%

Source: Mediobanca Research



Source: Mediobanca Research

Price: € 0.24

Restricted

Life after NetCo

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Company in a nutshell & SWOT analysis

Telecom Italia is an Italy-based company engaged in the telecommunications sector. It operates both nationally and in Brazil in the fixed and mobile segments. In Italy, it is market leader in both the fixed and mobile sectors, both in terms of residential and business clients. The Brazilian unit offers mainly mobile services.

SWOT Analysis: “*Strengths*”: leadership in the Italian market (c.50% market share in fixed-line, c.30% in mobile), technology advantages, high know-how quality, talented management team, exposure to growing businesses (Brazil market, NGN, 5G, cloud); “*Weaknesses*”: ongoing fierce competition of the domestic market (Iliad, Fastweb, Sky, Vodafone, Wind Tre); “*Opportunities*”: digital transition, Cloud & IoT, technology innovation, 5G and fiber take-up; “*Threats*”: regulatory issues, high competition, high leverage.

Exposure to current macro & geopolitical situation

On May 30, KKR has won early European Union approval on its €22bn bid for TI's fixed network, local and international press reported. The EU Commission said that the deal was cleared without conditions or the need for an in-depth probe after its initial review revealed no competition concerns. The regulator added that KKR and TI also agreed on a master services agreement that will govern the relationship between the target and Telecom Italia post-transaction. Finance Minister Giancarlo Giorgetti flagged this green light represent a success for the country, adding now the closing should happen soon, *Corriere della Sera* reported. *la Repubblica* added that sale of Sparkle may take more time than initially expected, as now a deal with the Treasury (set to control 20% of NetCo) should be considered as a related party one. On June 3, in an interview with a podcast by *Bloomberg*, TI's CEO elaborated on the fact that slashing the debt pile will allow the company to “play an active role in Italy's market consolidation process which will certainly take place in the coming years”.

Valuation & next triggers

We are restricted on TIM. Mediobanca acts as financial advisor to the company.

Key points to discuss at MB conference

The key topics to be discussed with the management in our view are: i) updates on NetCo sale, ii) wholesale and retail pricing evolution, iii) sector consolidation, iv) prospects of the Enterprise division, v) updates on market trends, vi) Fair share and other remedies needed for the industry, vi) expectations from new EU commission, vii) update on business trends in Brazil.

Valuation Matrix - Restricted

Profit & Loss account (€ m)

Turnover
Turnover growth %
EBITDA
EBITDA margin (%)
EBITDA growth (%)
Depreciation & Amortization
EBIT
EBIT margin (%)
EBIT growth (%)
Net Fin.Income (charges)
Non-Operating Items
Extraordinary Items
Pre-tax Profit
Tax
Tax rate (%)
Minorities
Net Profit
Net Profit growth (%)
Adjusted Net Profit
Adj. Net Profit growth (%)

Balance Sheet (€ m)

Working Capital
Net Fixed Assets
Total Capital Employed
Shareholders' Funds
Minorities
Provisions
Net Debt (-) Cash (+)

Cash Flow (€ m)

Cash Earnings
Working Capital Needs
Capex (-)
Financial Investments (-)
Dividends (-)
Other Sources / Uses
Ch. in Net Debt (-) Cash (+)

Multiples

P/E Adj.
P/CEPS
P/BV
EV/ Sales
EV/EBITDA
EV/EBIT
EV/Cap. Employed
Yield (%)
OpFCF Yield(%)
FCF Yield (%)

Per Share Data (€)

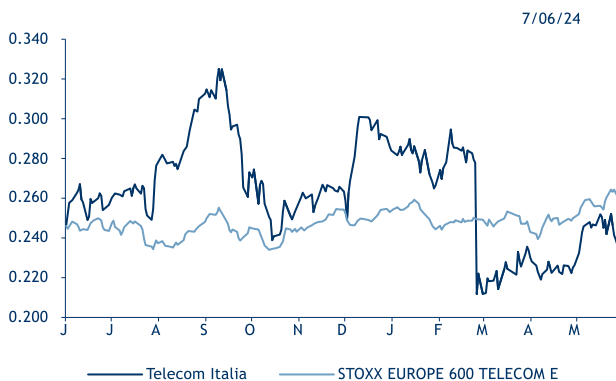
EPS
EPS growth (%)
EPS Adj.
EPS Adj. growth (%)
CEPS
BVPS
DPS Ord

Key Figures & Ratios

Avg. N° of Shares (m)
EoP N° of Shares (m)
Avg. Market Cap. (m)
Enterprise Value (m)
Adjustments (m)
Labour Costs/Turnover
Depr.&Amort./Turnover
Turnover / Op.Costs

Gearing (Debt / Equity)
EBITDA / Fin. Charges
Net Debt / EBITDA
Cap. Employed/Turnover
Capex / Turnover
Pay out
ROE
ROCE (pre tax)
ROCE (after tax)

Source: Mediobanca Research



Source: Mediobanca Research

International should offset weak US Rig Count

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Company in a nutshell & SWOT Analysis

Tenaris is a world leader in the supply and manufacturing of premium connections including casing and tubing with a steel grade designed for harsher oil&gas conditions, which are referred to as Oil Country Tubular Goods (OCTG). Together with its products, the company also sells a range of services including technical consulting, pipe management and field services. **SWOT Analysis:** (1) **Strengths:** leading position in high-quality premium connections, worldwide network of seamless and welded manufacturing facilities, solid balance sheet and cash flow generation; the group also benefits from a unique just-in-time logistical offering “Rig Direct” that should allow Tenaris to win market share as the US OCTG recovers; significant net cash position; (2) **Weaknesses:** being the largest player in OCTG means that inorganic growth opportunities might be limited, in a particular in US; capital redistribution policy suboptimal due to absence of SBB; (3) **Opportunities:** ongoing recovery in international and deep-water could support revenues in and profitability in 2024; (4) **Threats:** declining US rig count and Pipelogix could represent a drag on margins during H2 24;

Exposure to current Macro & Geopolitics

The robust oil price and Europe’s effort to increase its energy independence should benefit Tenaris, as it should translate into higher Upstream capex. Although the ongoing conflicts in Ukraine and in the Middle East do not have an impact on oil supply, a potential further escalation should raise geopolitical risk premium for commodities, which positive benefits the Oil sector, including Tenaris. The company has no exposure to Russia. As a response to the war, Tenaris halted its sale and purchases from Russia.

Valuation & Next Triggers

We believe that the weaker pricing environment in US is likely to remain a headwind for Tenaris, despite relatively positive outlook for international sales. Our Target Price stands at Price at €16.50/sh, which is based on a weighted average of a DCF (0.7x) and a multiple-based valuation (0.3x). On our numbers, the shares trade on FY24 4.5x EV/EBITDA. Tenaris will report its Q2 24 results on 31 July. Weekly and monthly rig count data will also be key to understand the market dynamics in US, the depth of the recovery in offshore drilling activities.

Key Points to Discuss at MB Conference

(1) What is the pricing evolution, impact of US pricing trends on Tenaris’ average selling price, margin’s outlook for the coming quarters, given a declining Pipelogix index? what is the impact of Pipelogix index on Tenaris’ international pricing power? (2) How much room does Tenaris have to improve the cost structure given the lower margins ahead? (3) What is the impact of maintenance activities scheduled for H2 24 on the volumes and EBITA margins? (4) What is the normalised revenue contribution from the new Shawcor pipeline business going forward? (5) What is the outlook for activity levels and rig count in US for the rest of 2024? (6) What is the impact of political and economic volatility in South America on activity levels in 2024? (7) What is the level of sales and volumes expected from Middle East in 2025 and beyond?

	2023	2024E	2025E	2026E
EPS Adj (\$)	3.30	1.95	2.29	2.63
DPS (\$)	0.60	0.66	0.72	0.78
BVPS (\$)	14.27	15.65	19.67	22.48
EV/Ebitda(x)	3.1	4.6	3.6	2.8
P/E adj (x)	4.8	8.3	7.0	5.8
Div.Yield(%)	3.8%	4.1%	4.5%	4.8%
OpFCF Yield(%)	22.2%	12.9%	12.5%	16.0%

Market Data

Market Cap (€m)	17,596
Shares Out (m)	1,181
San Faustin (%)	60%
Free Float (%)	40%
52 week range (€)	18.64-12.52
Rel Perf vs STOXX EUROPE 600 OIL & GAS E (%)	
-1m	-2.5%
-3m	-17.8%
-12m	7.1%
21dd Avg. Vol.	2,446,854
Reuters/Bloomberg	TENR.MI / TEN IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (\$ m)	2023	2024E	2025E	2026E
Turnover	14,869	12,600	12,910	13,510
Turnover growth %	26.4%	-15.3%	2.5%	4.6%
EBITDA	4,865	3,089	3,029	3,264
EBITDA margin (%)	32.7%	24.5%	23.5%	24.2%
EBITDA growth (%)	33.4%	-36.5%	-1.9%	7.8%
Depreciation & Amortization	-549	-642	-660	-600
EBIT	4,316	2,447	2,369	2,664
EBIT margin (%)	29.0%	19.4%	18.4%	19.7%
EBIT growth (%)	45.7%	-43.3%	-3.2%	12.5%
Net Fin.Income (charges)	107	160	160	20
Non-Operating Items	210	100	100	80
Extraordinary Items	210	100	100	80
Pre-tax Profit	4,633	2,707	2,629	2,764
Tax	-675	-541	-552	-608
Tax rate (%)	14.6%	20.0%	21.0%	22.0%
Minorities	40	0	0	0
Net Profit	3,918	2,166	2,077	2,156
Net Profit growth (%)	53.5%	-44.7%	-4.1%	3.8%
Adjusted Net Profit	3,889	2,166	2,077	2,156
Adj. Net Profit growth (%)	51.9%	-44.3%	-4.1%	3.8%

Multiples	2023	2024E	2025E	2026E
P/E Adj.	4.8	8.3	7.0	5.8
P/CEPS	4.4	6.9	5.8	4.9
P/BV	1.1	1.0	0.8	0.7
EV/ Sales	1.0	1.1	0.9	0.7
EV/EBITDA	3.1	4.6	3.6	2.8
EV/EBIT	3.5	5.8	4.7	3.4
EV/Cap. Employed	1.1	1.0	0.8	0.6
Yield (%)	3.8%	4.1%	4.5%	4.8%
OpFCF Yield(%)	22.2%	12.9%	12.5%	16.0%
FCF Yield (%)	20.7%	13.3%	12.9%	15.5%

Per Share Data (\$)	2023	2024E	2025E	2026E
EPS	3.32	1.95	2.29	2.63
EPS growth (%)	53.7%	-41.3%	17.5%	14.7%
EPS Adj.	3.30	1.95	2.29	2.63
EPS Adj. growth (%)	52.1%	-40.9%	17.5%	14.7%
CEPS	3.57	2.35	2.80	3.11
BVPS	14.27	15.65	19.67	22.48
DPS Ord	0.60	0.66	0.72	0.78

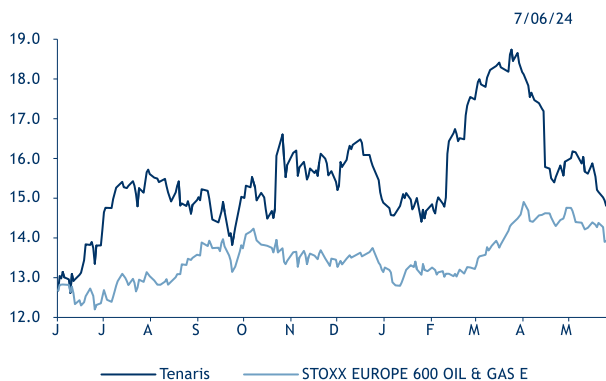
Balance Sheet (\$ m)	2023	2024E	2025E	2026E
Working Capital	5,028	4,628	4,628	4,628
Net Fixed Assets	8,563	9,193	9,835	10,593
Total Capital Employed	13,591	13,820	14,463	15,221
Shareholders' Funds	16,826	17,384	17,839	18,453
Minorities	187	187	187	187
Provisions	0	0	0	0
Net Debt (-) Cash (+)	3,422	3,751	3,563	3,419

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	1,179	1,111	907	773
EoP N° of Shares (m)	1,179	983	849	907
Avg. Market Cap. (m)	18,664	17,901	14,614	12,464
Enterprise Value (m)	15,242	14,150	11,051	9,044
Adjustments (m)	0	0	0	0
Labour Costs/Turnover	9%	12%	12%	13%
Depr.&Amort./Turnover	4%	5%	5%	4%
Turnover / Op.Costs	1.5	1.3	1.3	1.3

Cash Flow (\$ m)	2023	2024E	2025E	2026E
Cash Earnings	4,213	2,608	2,537	2,556
Working Capital Needs	182	400	0	0
Capex (-)	-619	-730	-750	-750
Financial Investments (-)	-254	0	0	0
Dividends (-)	-637	-699	-574	-550
Other Sources / Uses	-384	-1,250	-1,400	-1,400
Ch. in Net Debt (-) Cash (+)	2,501	328	-187	-144

Gearing (Debt / Equity)	-20%	-21%	-20%	-18%
EBITDA / Fin. Charges	>10	>10	>10	>10
Net Debt / EBITDA	-0.7	-1.2	-1.2	-1.0
Cap.Employed/Turnover	91%	110%	112%	113%
Capex / Turnover	4%	6%	6%	6%
Pay out	18%	34%	31%	30%
ROE	23%	12%	12%	12%
ROCE (pre tax)	32%	18%	16%	18%
ROCE (after tax)	27%	14%	13%	14%

Source: Mediobanca Research



Source: Mediobanca Research

12 June 2024

Utilities

Update

Price: € 7.73

Target price: € 8.00

Neutral

Capex Execution remains the Focus

Company in a Nutshell & SWOT Analysis

Terna is the Italian electricity transmission network operator. Electricity transmission is a fully regulated business. In 2023, this activity accounted for c85% of Terna's revenues. RAB reached €20.4bn at end 2023. The remaining c15% of revenues derived from other businesses, including Brugg Cables (manufacturer of power cables), Tamini (producer of power substations), other services and international transmission assets (mainly Peru, Uruguay & Brazil). SWOT Analysis: (1) **"Strengths"**: stable and visible regulation, natural monopoly, superior RAB growth potential; (2) **"Weaknesses"**: limited upside potential for additional cost efficiencies; (3) **"Opportunities"**: upside potential on investments arising from development of new renewable capacity driven by energy transition; (4) **"Threats"**: possible regulatory changes.

Exposure to current Macro & Geopolitics

In a context where geopolitical tensions do not seem to be over, the energy crisis has mostly normalized, and energy prices are now far from the spikes touched in the past few years. That said, the need to improve Europe's energy independence through upgraded interconnections and to ensure security of supply remain a key prerogative. We appreciate the effort put by Terna on the need to strengthen the national transmission network and we continue to believe that the focus remains on capex execution.

Valuation & Next Triggers

In March '24, Terna unveiled its business plan for 2024-28. The company significantly increased its five-year investment plan in the Italian transmission network to €15.5bn, split as follows: (1) €10.8bn in grid development, (2) €2.9bn in asset renewal and efficiency, and (3) €1.7bn in defence & other. RAB is expected to grow on average by 8% per year in 2023-28, from €20.4bn at end 2023 to €22.5bn by 2024 and €30.6bn by 2028. FFO/Net Debt ratio is forecast at around 11% by the end of the plan period. Furthermore, Terna set a new dividend policy which provides for a minimum +4% DPS CAGR to '28. Next trigger: mid-period WACC review from '25. Terna is a high-quality company, but we think that the stock trades at full multiples (c25% EV/RAB premium). Neutral.

Key Points to Discuss at MB Conference

The main points of discussion with Terna are: (1) Details on the role Terna is going to play in supporting green investments and energy transition; (2) Outlook for integration of renewable capacity in the Italian electricity system; (3) Expected role of energy storage in the electricity system and opportunities in this business for the company; (4) Latest expectations on the WACC review from '25; (5) Feedback from the company on the implementation of Totex regulation; (6) Update on the 10Y development plan for the electricity transmission grid; (7) Update on the realization of the Tyrrhenian Link and Adriatic link projects; (8) Update on the company's M&A strategy, with particular reference to the high voltage distribution assets owned by Enel and Acea; (9) Update on the simplification of renewables permitting process; (10) Strategy to maintain financial equilibrium after the increase in capex and dividends.

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	2023	2024E	2025E	2026E
EPS Adj (€)	0.44	0.49	0.45	0.48
DPS (€)	0.34	0.37	0.37	0.38
BVPS (€)	3.15	3.66	3.71	3.77
EV/Ebitda(x)	11.8	10.9	12.0	12.1
P/E adj (x)	17.1	15.7	17.3	16.2
Div.Yield(%)	4.5%	4.8%	4.7%	4.9%
OpFCF Yield(%)	-7.5%	-3.7%	-7.0%	-7.7%

Market Data

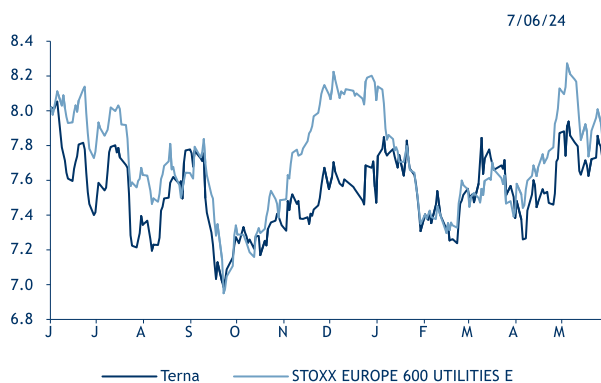
Market Cap (€m)	15,545
Shares Out (m)	2,010
CDP (%)	30%
Free Float (%)	70%
52 week range (€)	8.05-6.99
Rel Perf vs STOXX EUROPE 600 UTILITIES E (%)	
-1m	3.7%
-3m	-0.1%
-12m	-1.1%
21dd Avg. Vol.	4,781,802
Reuters/Bloomberg	TRN.MI / TRN IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E	Multiples	2023	2024E	2025E	2026E
Turnover	3,187	3,510	3,512	3,731	P/E Adj.	17.1	15.7	17.3	16.2
Turnover growth %	7.5%	10.1%	0.0%	6.2%	P/CEPS	8.9	8.4	8.7	8.2
EBITDA	2,169	2,479	2,424	2,592	P/BV	2.4	2.1	2.1	2.1
EBITDA margin (%)	68.1%	70.6%	69.0%	69.5%	EV/ Sales	8.0	7.7	8.3	8.4
EBITDA growth (%)	5.3%	14.3%	-2.2%	6.9%	EV/EBITDA	11.8	10.9	12.0	12.1
Depreciation & Amortization	-806	-856	-883	-931	EV/EBIT	18.8	16.7	18.9	19.0
EBIT	1,363	1,622	1,542	1,661	EV/Cap. Employed	1.5	1.4	1.4	1.3
EBIT margin (%)	42.8%	46.2%	43.9%	44.5%	Yield (%)	4.5%	4.8%	4.7%	4.9%
EBIT growth (%)	2.3%	19.0%	-5.0%	7.7%	OpFCF Yield (%)	6.0%	11.4%	9.3%	7.3%
Net Fin.Income (charges)	-118	-214	-270	-320	FCF Yield (%)	-8.2%	-1.7%	-8.3%	-10.6%
Non-Operating Items									
Extraordinary Items	0	0	0	0					
Pre-tax Profit	1,245	1,408	1,272	1,341	Per Share Data (€)	2023	2024E	2025E	2026E
Tax	-364	-415	-375	-382	EPS	0.44	0.49	0.45	0.48
Tax rate (%)	29.2%	29.5%	29.5%	28.5%	EPS growth (%)	3.3%	12.2%	-9.7%	6.9%
Minorities	2	0	0	0	EPS Adj.	0.44	0.49	0.45	0.48
Net Profit	885	993	897	959	EPS Adj. growth (%)	3.3%	12.2%	-9.7%	6.9%
Net Profit growth (%)	3.3%	12.2%	-9.7%	6.9%	CEPS	0.84	0.92	0.89	0.94
Adjusted Net Profit	885	993	897	959	BVPS	3.15	3.66	3.71	3.77
Adj. Net Profit growth (%)	3.3%	12.2%	-9.7%	6.9%	DPS Ord	0.34	0.37	0.37	0.38
Balance Sheet (€ m)	2023	2024E	2025E	2026E	Key Figures & Ratios	2023	2024E	2025E	2026E
Working Capital	-1,051	-878	-1,225	-1,013	Avg. N° of Shares (m)	2,010	2,010	2,010	2,010
Net Fixed Assets	18,098	19,962	22,429	24,753	EoP N° of Shares (m)	2,010	2,010	2,010	2,010
Total Capital Employed	17,047	19,084	21,204	23,740	Avg. Market Cap. (m)	15,098	15,545	15,545	15,545
Shareholders' Funds	6,324	7,356	7,449	7,575	Enterprise Value (m)	25,592	27,044	29,071	31,482
Minorities	19	19	19	19	Adjustments (m)	0	0	0	0
Provisions	210	210	210	210	Labour Costs/Turnover	12%	11%	11%	10%
Net Debt (-) Cash (+)	-10,494	-11,498	-13,526	-15,937	Depr.&Amort./Turnover	25%	24%	25%	25%
					Turnover / Op.Costs	1.7	1.9	1.8	1.8
					Gearing (Debt / Equity)	166%	156%	182%	210%
Cash Flow (€ m)	2023	2024E	2025E	2026E	EBITDA / Fin. Charges	-18.4	-11.6	-9.0	-8.1
Cash Earnings	1,691	1,849	1,779	1,890	Net Debt / EBITDA	4.8	4.6	5.6	6.1
Working Capital Needs	-637	611	281	-278	Cap.Employed/Turnover	535%	544%	604%	636%
Capex (-)	-2,290	-2,720	-3,350	-3,255	Capex / Turnover	72%	77%	95%	87%
Financial Investments (-)	0	0	0	0	Pay out	77%	75%	82%	80%
Dividends (-)	-682	-745	-738	-768	ROE	14%	13%	12%	13%
Other Sources / Uses	0	0	0	0	ROCE (pre tax)	8%	9%	7%	7%
Ch. in Net Debt (-) Cash (+)	-1,918	-1,004	-2,028	-2,411	ROCE (after tax)	6%	6%	5%	5%

Source: Mediobanca Research



Source: Mediobanca Research

Price: € 36.57

Target price: € 42.00

Outperform

TOP pick among European banks

Company in a nutshell and SWOT analysis

UCG is a Pan-European bank with a strong focus on commercial banking and CIB in Italy, Germany, Central Europe and Eastern Europe, which account, respectively, for 38%, 29%, 24% and 9% of customers loans in Q124.

SWOT Analysis: (1) **“Strengths”**: well diversified revenues both in terms of geographies and product mix; positively impacted by the high-interest rate environment; track record and commitment in deploying excess capital efficiently, track record on cost control, €1.8bn overlay provisions; (2) **“Weaknesses”**: reduced but still outstanding exposure to Russia, mounting pressure in Austrian deposit market; (3) **“Opportunities”**: M&A, restructuring of the asset management arm, differentiating payment business strategy; strategic options on insurance business with the Danish Compromise (4) **“Threats”**: exposure to macro deterioration in Italy and Eurozone, NII pressure maid rate cuts, possible increase of deposit remuneration, slow exit from Russia exposure.

Exposure to current Macro & Geopolitics

UCG has benefitted from the monetary policy tightening implemented by the ECB, whereas it has suffered little from CRE, despite being one of the one most exposed among European banks (c14% of total loans). UCG remains exposed to Russia, even if it has reduced cross-border loans by c90% since the March 2022. We note the high rate environment has started to impair the demand for corporate and home loans in Western Europe. Additionally, higher interest rates have not yet impaired asset quality, but risks could be tilted toward the upside, should rates remain high for a prolonged period of time, in our view.

Valuation & Next Triggers

UCG, trading on 1x P/TE for 15% 2024 RoTE and 7x PE (adjusted for excess capital), is among our TOP 5 picks within our pan-European banks coverage as: 1) is the #1 payer among EU banks; 2) offers vast upside potential with a solid downside protection in rate cuts environment, and 3) reported a Q124 with beats across the board both on all core P&L lines and capital, leading to a possible multiple re-rating. We see the market not recognising the premium quality status to UCG, despite higher RoTE and sustainable, visible capital distribution (15% market cap per year). Yet, we see UCG in need of a key efficient way of use of excess capital, with M&A that could further support its equity story. We envisage the current CET1 ratio >15%, post Basel IV, would give the bank the strategic flexibility on both organic (AM, insurance and payments) and inorganic growth (M&A).

Key Points to Discuss at MB Conference

Points of discussion for UCG are: (1) View on macro scenario and its corollary for Europe; (2) M&A rationale and criteria; (3) Strategy on deposits in Italy, Germany and Austria; (4) View on loan growth; (5) Strategy on Russia exit; (6) Asset quality of CRE portfolio vs. overlays; (7) DTA absorption through time and (8) Strategy on digital investments vs. costs envisaged down in coming years; (9) Use of excess capital for consolidation, organic growth and/or capital return, and (10) Impacts from tax credits given the recent decree.

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Equity Research: Main valuation indicators

	2023	2024E	2025E	2026E
EPS Adj (€)	5.03	5.17	5.39	5.98
DPS (€)	1.78	2.23	2.62	3.22
TBVPS (€)	33.81	37.59	40.89	44.62
Avg. RoTE Adj (%)	16.4%	14.6%	13.9%	14.1%
P/E Adj (x)	7.1	6.9	6.6	6.0
Div.Yield(%)	5.0%	6.3%	7.3%	9.0%
P/TBV (x)	1.1	0.9	0.9	0.8

Source: Mediobanca Research

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Mediobanca AT1 absolute view and key risks

AT1	Extension	MDA Buffer	Supply
●	Medium	High	Low

Mediobanca Credit View on European Banks: [here](#)

Market Data

Market Cap (€m)	60,609
Shares Out (m)	1,703
Reuters/Bloomberg	CRDI.MI / UCG IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss Acc(€ m)	2023	2024E	2025E	2026E
Net Interest Income	14,005	13,406	12,779	13,006
Growth (%)	31.3%	-4.3%	-4.7%	1.8%
Non-Interest Income	9,821	9,649	10,139	10,612
Growth (%)	1.7%	-1.7%	5.1%	4.7%
of which Fee Income	7,565	7,783	8,189	8,625
of which Financial Income	1,743	1,561	1,624	1,661
Total Income	23,826	23,055	22,919	23,617
Growth (%)	17.2%	-3.2%	-0.6%	3.0%
Total Costs	-9,460	-9,412	-9,539	-9,680
Growth (%)	-0.9%	-0.5%	1.4%	1.5%
of which Personnel Costs	-5,861	-5,804	-5,899	-6,041
Net Operating Income	14,366	13,643	13,379	13,938
Growth (%)	33.2%	-5.0%	-1.9%	4.2%
Provisions&Write-downs	-560	-782	-1,082	-1,139
Extraordinary Items	-4	-5	-5	-5
Pre-tax profit	11,451	12,178	11,931	12,445
Tax	-1,914	-2,486	-3,248	-3,429
Tax rate(%)	16.7%	20.4%	27.2%	27.6%
Minorities and others	-27	-40	-45	-47
Net profit	9,507	9,647	8,633	8,964
Growth (%)	47.2%	1.5%	-10.5%	3.8%
Adjusted net profit	9,207	8,575	8,355	8,693
Growth (%)	43.9%	-6.9%	-2.6%	4.0%

Multiples	2023	2024E	2025E	2026E
P/E	7.0	6.2	6.5	5.9
P/E Adj.	7.3	7.1	6.8	6.1
P/Net Op.Income	4.3	4.3	4.1	3.7
P/Revenues	2.6	2.5	2.4	2.2
P/TBV	1.1	1.0	0.9	0.8
P/Total Deposits (%)	9.8%	9.3%	8.5%	7.9%
Yield (%)	4.9%	6.1%	7.2%	8.8%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	5.24	5.86	5.62	6.23
EPS growth (%)	66.4%	12.0%	-4.2%	10.8%
EPS Adj.	5.03	5.17	5.39	5.98
EPS Adj. growth (%)	62.5%	2.7%	4.3%	11.0%
TBVPS	33.81	37.59	40.89	44.62
DPS Ord	1.78	2.23	2.62	3.22

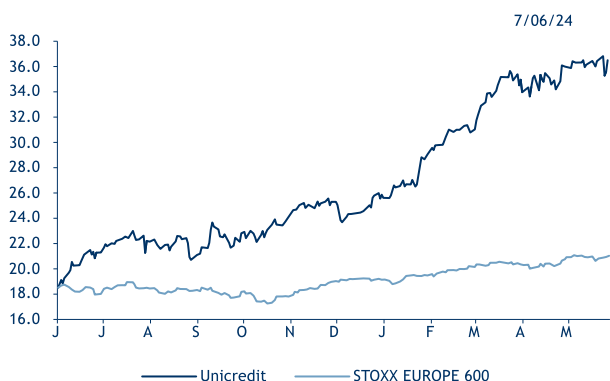
Balance Sheet (€ m)	2023	2024E	2025E	2026E
Customer Loans	439,648	433,292	438,281	444,336
Growth(%)	-5.9%	-1.4%	1.2%	1.4%
Customer Deposits	637,334	624,454	635,862	647,525
Growth(%)	-3.1%	-2.0%	1.8%	1.8%
Shareholders' Funds	64,079	66,183	67,288	68,733
Minorities	164	164	164	164
Total Assets	784,974	774,060	774,365	775,905

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	1,703	1,587	1,485	1,393
EoP N° of Shares (m)	1,703	1,587	1,485	1,393
Avg. Market Cap. (m)	34,843	58,034	54,315	50,947
NII/Total Income (%)	58.8%	58.1%	55.8%	55.1%
Fees/Total Income (%)	31.8%	33.8%	35.7%	36.5%
Trading/Total Income (%)	7.3%	6.8%	7.1%	7.0%

Cost Income ratio	39.7%	40.8%	41.6%	41.0%
Personnel costs/Total costs	62.0%	61.7%	61.8%	62.4%
Impairment/Average Loans	0.1%	0.2%	0.2%	0.2%
NPLs ratio	0.7%	0.6%	0.6%	0.6%
Provisions/Loans	na	na	na	na

Avg. RoTE Adj. (%)	16.4%	14.6%	13.9%	14.1%
ROA (%)	1.12%	1.10%	1.08%	1.12%
Tier 1 ratio	17.5%	17.9%	16.9%	17.1%
Basel III Core Tier 1 ratio	15.8%	16.2%	15.3%	15.5%

Source: Mediobanca Research



Source: Mediobanca Research

Price: € 9.15

Restricted

Market leader in Italian Motor

Company in a nutshell & SWOT analysis

Unipol is the holding company that controls Unipol-SAI, the major Italian P&C insurer. It is also among the market leaders in life and pension funds. The group has ca. 15.9m clients and manages more than €67bn in investments (excluding D-class). The distribution leverages on approximately 2,200 agencies in Italy and 100 agencies in Serbia. Bancassurance agreements allow Unipol to distribute its products via around 5,000 bank branches (namely BPER, BPS, UCG). Finally, the company is active in the direct channel (phone and internet) and is one of the market leaders in health via UniSalute.

SWOT analysis: (1) **“Strengths”**: market leader in Italian motor and one of the leading insurers globally for number of black boxes installed; leader in the health business; (2) **“Weaknesses”**: investment portfolio exposed to Italian government bonds by ca. 30%; low returns from its c.€3bn real estate portfolio (excluding €1.3bn of own use); (3) **“Opportunities”**: leading position in the telematics business could produce significant benefits in the mid-long term; (4) **“Threats”**: high competition in Motor from some small new players.

Exposure to current Macro & Geopolitics

As per other insurance companies, Unipol started raising Motor tariffs in the second part of last year, in a move to defend margins in a context of high inflation. Some promising results materialized in the first quarter, as a slowdown of CPI for maintenance, repair and spare parts, led CoR improving by ca. 2.6 percentage points yoy to 99.6%. In Life, we may note a positive trend for CSM, mainly driven by new business and economic variances, marking an improvement by ca. 5.2% as of the end of March vs. FY23, reaching €2.4bn.

Valuation & Next Triggers

We are restricted on Unipol, Mediobanca acts as financial advisor to UnipolSai in the transaction with Gruppo Unipol.

Key points to discuss at the MB conference

(1) Updates on delisting and arising advantages; (2) The fundamentals of the motor business (i.e., frequency, tariffs, cost of claims); and (3) possible implications of higher volatility in Italian Government bonds spreads, representing 30.1% of the investment portfolio.

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Valuation Matrix - Restricted

Profit & Loss account (€ m)

Insurance Revenue
Insurance Service Result
Investment Result
Operating earnings
Pre-Tax profit
Tax
Tax rate
Consolidated result
Minorities
Other incl coupons and pref
Net profit
Incidental items
Adjusted net profit

Balance Sheet (€ m)

Traditional life reserves
Unit-linked life reserves
P&C reserves
Total investments
Third-party AuM
Total AuM
Debt
CSM Life
Risk Adjustment Life
Common shrs equity
IFRS leverage

Business split (operating result)

By activity
Life
Non-Life
Asset management
Other
By region
Europe
US
Asia
UK

Holdco cash (€ m)

Free cash flow
Dividends
Buyback
Other
Holding company cash
Free cash flow yield

Operational KPIs

Op. Life profit/reserves
Non-Life COR
COR, undiscounted
Life CSM amortisation
AM margin(bps)
ROE

SII metrics (€ m)

Prevailing Solvency
Eligible Capital
Required Capital
Unrestricted tier 1 capital
Restricted tier 1 capital
Tier 2 capital
Tier 3 capital
RT1 as % of T1 capital
T2+T3 as % of SCR

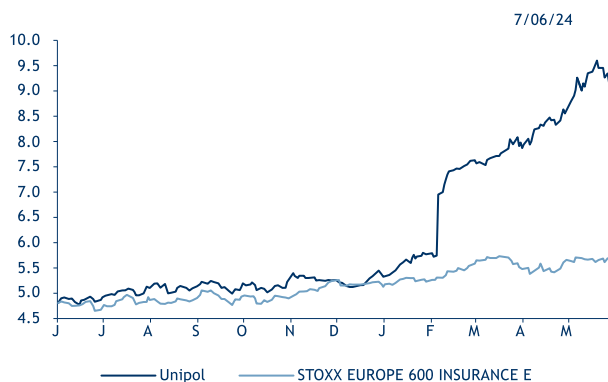
Multiples (x)

P/E
P/E Adj.
P/BV
P/BV Adj.
P/UT1
Div.Yield
Pay out

Per Share Data (€)

Avg. N° of Shares (m)
EoP N° of Shares (m)
Avg. Market Cap. (m)
EPS
Adj. EPS
Adjusted EPS growth
DPS Ord

Source: Mediobanca Research



Source: Mediobanca Research

Increasing confidence on FY24 targets

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Company in a Nutshell & SWOT Analysis

Webuild is a global pure construction player focused on heavy civil projects with subsidiaries in >50 countries. The group had a construction backlog of €54.9bn in FY23, with c.38,000 employees (or c.87,000 including indirect resources). Regarding its backlog mix by geography/business: (1) Italy accounts for 48%, followed by Australia (19%), Europe (8%), North America (5%) and (2) Sustainable mobility projects are c75% of the construction backlog.

SWOT Analysis: (1) **“Strengths”**: High backlog level covering 2023-25 BP targets with a leading positioning in Italy, focus on projects with contractual advances, backlog mix with an increasing focus on large projects in the US, Australia and Italy where a price adjustment mechanism is present; (2) **“Weaknesses”**: high execution risks, cost inflation (not fully covered by contractual mechanisms), limited cash conversion (net of advances); (3) **“Opportunities”**: Development of infrastructure plans in Europe, US and Australia, capex & opex savings over the BP, asset rotation/disposal to reduce gross debt and start of mega projects; (4) **“Threats”**: order cancellation, overrun costs & claims, projects' postponement.

Exposure to current Macro & Geopolitics

NRRPs in EU and major infrastructure plans outside Europe gave a significant boost over the past years to the backlog of Webuild which reached a record level of c.€55bn last year granting a full visibility for 2024-25. Webuild disclosed on March 2023 its 2023-25 Business Plan targeting 10% yearly sales growth, c.€1bn EBITDA (from €572m in 2022) and a net cash position in 2025. The multi-year backlog shields the company from negatives phases of the economic cycle but working capital control (linked to a regular collection of projects' instalments) and an efficient backlog execution remain two key pillars of Webuild strategy.

Valuation & Next Triggers

Our TP of €3.0/sh. is based on 2024 estimates which are consistent with the company guidance (Sales above €11bn; adj. EBITDA above €900m and net cash above €400m). Compared to 2025 EBITDA guidance range, our estimate is 2% below the mid-point assuming a more modest net impact from the cost efficiency program. The major upside risk we see in the medium term is a more balanced geographical mix keeping the execution risk under control. On the other side, we continue to strictly monitor any eventual major issue on projects' execution, cost and NWC control. Short-term catalysts are 1H24 results with the CEO recently highlighting to several press agencies (on May 27) a better-than expected start of the year plus the extension of existing debt maturities (€281m bond in October 2024 and €519m bond expiring in December 2025). Our Outperform rating is based on a high visibility on a profitable 2024.

Key Points to Discuss at the MB Conference

Key points to discuss for Webuild are, in our view: (1) Status of project execution in Italy with many contracts linked to NRRP EU plan; (2) Integration and execution of Clough's backlog in Australia; (3) WC management and trend in contractual advances in Italy and abroad; (4) Project pipeline in Italy and abroad and; (5) Status of major projects under execution, ongoing claims and possible ongoing contracts' management.

	2023	2024E	2025E	2026E
EPS Adj (€)	0.23	0.23	0.26	0.27
DPS (€)	0.07	0.06	0.06	0.06
BVPS (€)	1.49	1.60	1.77	1.94
EV/Ebitda(x)	1.0	2.4	2.3	2.4
P/E adj (x)	7.7	9.0	7.9	7.6
Div.Yield(%)	4.0%	2.8%	2.8%	2.8%
OpFCF Yield(%)	179.5%	-44.4%	-4.9%	-3.9%

Market Data

Market Cap (€m)	2,108
Shares Out (m)	1,019
Salini Costruttori (%)	40%
Free Float (%)	44%
52 week range (€)	2.49-1.61
Rel Perf vs DJGL Italy DJ Total Market Italy (%)	
-1m	-14.0%
-3m	-12.4%
-12m	-13.6%
21dd Avg. Vol.	8,508,175
Reuters/Bloomberg	WBD.MI / WBD IM

Source: Mediobanca Research

Valuation Matrix

Profit & Loss account (€ m)	2023	2024E	2025E	2026E
Turnover	9,951	11,099	11,832	12,092
Turnover growth %	23.0%	11.5%	6.6%	2.2%
EBITDA	864	922	995	1,021
EBITDA margin (%)	8.7%	8.3%	8.4%	8.4%
EBITDA growth (%)	48.2%	6.7%	8.0%	2.6%
Depreciation & Amortization	-413	-425	-447	-461
EBIT	451	496	548	560
EBIT margin (%)	4.5%	4.5%	4.6%	4.6%
EBIT growth (%)	nm	10.1%	10.4%	2.2%
Net Fin.Income (charges)	-187	-160	-159	-153
Non-Operating Items	0	0	0	0
Extraordinary Items	0	0	0	0
Pre-tax Profit	264	336	389	407
Tax	-125	-131	-152	-159
Tax rate (%)	47.5%	39.0%	39.0%	39.0%
Minorities	-14	-10	-10	-10
Net Profit	124	195	227	238
Net Profit growth (%)	nm	57.3%	16.5%	4.8%
Adjusted Net Profit	236	233	265	276
Adj. Net Profit growth (%)	99.6%	-1.2%	13.8%	4.2%

Multiples	2023	2024E	2025E	2026E
P/E Adj.	7.7	9.0	7.9	7.6
P/CEPS	3.4	3.3	3.1	3.0
P/BV	1.2	1.3	1.2	1.1
EV/ Sales	0.1	0.2	0.2	0.2
EV/EBITDA	1.0	2.4	2.3	2.4
EV/EBIT	2.0	4.4	4.2	4.4
EV/Cap. Employed	1.6	1.3	1.1	1.0
Yield (%)	4.0%	2.8%	2.8%	2.8%
OpFCF Yield(%)	179.5%	-44.4%	-4.9%	-3.9%
FCF Yield (%)	87.5%	nm	-5.4%	-4.6%

Per Share Data (€)	2023	2024E	2025E	2026E
EPS	0.12	0.19	0.22	0.23
EPS growth (%)	nm	56.8%	16.5%	4.8%
EPS Adj.	0.23	0.23	0.26	0.27
EPS Adj. growth (%)	96.9%	-1.6%	13.8%	4.2%
CEPS	0.53	0.62	0.67	0.70
BVPS	1.49	1.60	1.77	1.94
DPS Ord	0.07	0.06	0.06	0.06

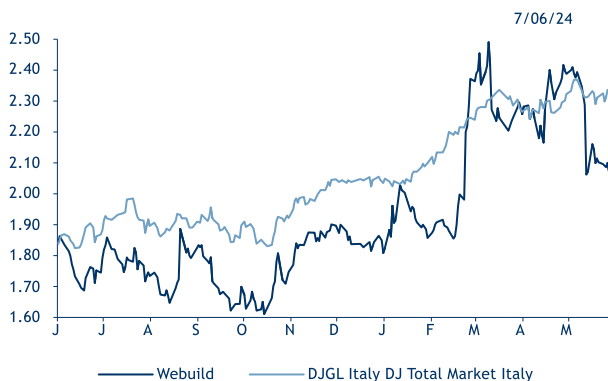
Balance Sheet (€ m)	2023	2024E	2025E	2026E
Working Capital	-1,599	-605	-177	279
Net Fixed Assets	2,162	2,331	2,254	2,143
Total Capital Employed	563	1,726	2,077	2,422
Shareholders' Funds	1,512	1,634	1,802	1,981
Minorities	178	186	194	202
Provisions	303	337	361	375
Net Debt (-) Cash (+)	1,431	430	280	136

Key Figures & Ratios	2023	2024E	2025E	2026E
Avg. N° of Shares (m)	1,016	1,019	1,019	1,019
EoP N° of Shares (m)	1,016	1,019	1,019	1,019
Avg. Market Cap. (m)	1,816	2,108	2,108	2,108
Enterprise Value (m)	880	2,172	2,323	2,467
Adjustments (m)	495	495	495	495
Labour Costs/Turnover	12%	12%	12%	13%
Depr.&Amort./Turnover	4%	4%	4%	4%
Turnover / Op.Costs	1.1	1.1	1.1	1.1

Cash Flow (€ m)	2023	2024E	2025E	2026E
Cash Earnings	542	630	684	709
Working Capital Needs	1,461	-994	-428	-455
Capex (-)	-423	-600	-370	-350
Financial Investments (-)	0	0	0	0
Dividends (-)	-57	-73	-59	-59
Other Sources / Uses	-357	36	22	11
Ch. in Net Debt (-) Cash (+)	1,166	-1,000	-151	-144

Gearing (Debt / Equity)	-85%	-24%	-14%	-6%
EBITDA / Fin. Charges	-4.6	-5.8	-6.3	-6.7
Net Debt / EBITDA	-1.7	-0.5	-0.3	-0.1
Cap.Employed/Turnover	6%	16%	18%	20%
Capex / Turnover	4%	5%	3%	3%
Pay out	58%	30%	26%	24%
ROE	8%	12%	13%	12%
ROCE (pre tax)	80%	29%	26%	23%
ROCE (after tax)	42%	18%	16%	14%

Source: Mediobanca Research



Source: Mediobanca Research

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Coverage suspended (CS). The coverage is temporarily suspended due to endogenous events related to the Equity Research department (reallocation of coverage within the team, analyst resignation, etc.)

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Proportion of all recommendations relating to the last quarter					
Outperform	Neutral	Underperform	Not Rated	Restricted	Coverage suspended
37.71%	50.61%	10.46%	0.24%	0.97%	0.00%

Proportion of issuers to which Mediobanca S.p.A. has supplied material investment banking services relating to the last quarter:					
Outperform	Neutral	Underperform	Not Rated	Restricted	Coverage suspended
38.96%	50.98%	38.10%	100.00%	100.00%	0.00%

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MEDIOBANCA REPRESENTATION ON GOVERNING BODIES

Mediobanca S.p.A. or one or more of the companies belonging to its group have a representative on one of the governing bodies of the following companies: Generali.

MEDIOBANCA SIGNIFICANT FINANCIAL INTERESTS

As of the date of publication of this research report, Mediobanca or one or more of the companies belonging to its group hold a net long position (above 0,5%) of the total issued share capital in the following companies: Generali.

As of the date of publication of this research report, Mediobanca Securities USA LLC's parent company, Mediobanca S.p.A. beneficially owns 1% or more of any class of common equity securities of the securities of the following companies: .

Mediobanca S.p.A. or one or more of the companies belonging to its group hold material open positions in financial instruments, or derivatives whose underlying financial instruments are materially represented by financial instrument, issued by the following companies: .

ISSUER REPRESENTATION ON MEDIOBANCA GOVERNING BODIES

Certain members of the governing bodies of the following companies are also members of the governing bodies of Mediobanca S.p.A. or one or more of the companies belonging to its group: .

ISSUER SIGNIFICANT FINANCIAL INTERESTS ON MEDIOBANCA S.P.A.

The following companies own 3% or more of common equity securities of the securities in Mediobanca S.p.A.: Banca Mediolanum. Please consult the Consob website for details.

LENDING RELATIONSHIP

Mediobanca S.p.A. or one or more of the companies belonging to its group have a significant lending relationship with the following companies or one or more of the companies belonging to their group: CNH Industrial, Enel, Eni, Fincantieri, Intesa Sanpaolo, Italgas, Snam, Terna.

LEAD MANAGER OR CO-LEAD MANAGER OR SIMILAR ROLES

Mediobanca S.p.A. is currently acting as lead manager, co-lead manager, bookrunner or in similar roles in the context of a public offering of financial instruments of following companies: . Mediobanca Securities USA LLC does not act as lead manager, co-lead manager, bookrunner or in similar roles in the context of a public offering of financial instruments of the following companies: .

In the past 12 months, Mediobanca S.p.A. has acted as lead manager, co-lead manager, bookrunner or in similar roles in the context of a public offering of financial instruments of the following companies: Pirelli & C., Technogym, Technoprobe. In the past 12 months, Mediobanca Securities USA LLC has not acted as lead manager, co-lead manager, bookrunner or in similar roles in the context of a public offering of financial instruments of the following companies: Pirelli & C., Technogym, Technoprobe.

INVESTMENT AND ANCILLARY SERVICES

In the last 12 months, Mediobanca S.p.A. or one or more of the companies belonging to its group has entered into agreements to deliver investment and ancillary services to the following companies A2A, Acea, Amplifon, Anima Holding, Ariston Group, Ascopiave, Banca Generali, Banca Ifis, Banca Monte Paschi Siena, Banca Popolare di Sondrio, BFF Banking Group, BPER Banca, Buzzi, CAREL, CNH Industrial, Credem, Diasorin, doValue, Enel, Eni, Fincantieri, Fineco Bank, Generali, Hera, Intesa Sanpaolo, INWIT, Italgas, Leonardo, MFE, Nexi, Pirelli & C., Poste Italiane, Prysmian, Rai Way, Recordati, Snam, Technogym, Technoprobe, Telecom Italia, Terna, Unicredit, Unipol or one or more of the companies belonging to their group.

UNDERWRITING

Mediobanca S.p.A. is committed to purchase financial instruments remaining unsubscribed in the context of financial instruments offering of the following companies: Banca Monte Paschi Siena, CAREL, Fincantieri, NHOA.

RATING

The present rating in regard to A2A has not been changed since '30/01/2019. The present rating in regard to Acea has not been changed since '07/03/2024. In the past 12 months, the rating on Acea has been changed. The previous rating, issued on 09/03/2023, was Neutral. The present rating in regard to Amplifon has not been changed since '28/05/2018. The present rating in regard to Anima Holding has not been changed since '15/09/2022. The present rating in regard to Ariston Group has not been changed since '04/01/2022. The present rating in regard to Ascopiave has not been changed since '26/04/2022. The present rating in regard to Banca Generali has not been changed since '15/01/2024. In the past 12 months, the rating on Banca Generali has been changed. The previous rating, issued on 15/09/2022, was Underperform. The

present rating in regard to Banca Ifis has not been changed since '07/11/2017. The present rating in regard to Banca Mediolanum has not been changed since '15/01/2024. In the past 12 months, the rating on Banca Mediolanum has been changed. The previous rating, issued on 15/09/2022, was Neutral. The present rating in regard to Banca Monte Paschi Siena has not been changed since '16/01/2023. The present rating in regard to Banca Popolare di Sondrio has not been changed since '15/01/2024. In the past 12 months, the rating on Banca Popolare di Sondrio has been changed. The previous rating, issued on 15/01/2024, was Neutral. The present rating in regard to BFF Banking Group has not been changed since '10/05/2024. In the past 12 months, the rating on BFF Banking Group has been changed. The previous rating, issued on 10/05/2024, was Outperform. The present rating in regard to BPER Banca has not been changed since '10/06/2024. In the past 12 months, the rating on BPER Banca has been changed. The previous rating, issued on 15/01/2024, was Underperform. The present rating in regard to Buzzi has not been changed since '13/01/2023. The present rating in regard to CAREL has not been changed since '17/07/2018. The present rating in regard to Cellnex Telecom has not been changed since '23/04/2021. The present rating in regard to CNH Industrial has not been changed since '13/01/2023. The present rating in regard to Credem has not been changed since '24/03/2022. The present rating in regard to De' Longhi has not been changed since '13/04/2020. The present rating in regard to Diasorin has not been changed since '13/01/2023. The present rating in regard to doValue has not been changed since '07/06/2024. In the past 12 months, the rating on doValue has been changed. The previous rating, issued on 02/11/2023, was Neutral. The present rating in regard to Enav has not been changed since '16/03/2020. The present rating in regard to Enel has not been changed since '21/11/2018. The present rating in regard to Eni has not been changed since '15/01/2024. In the past 12 months, the rating on Eni has been changed. The previous rating, issued on 13/01/2023, was Neutral. The present rating in regard to Fincantieri has not been changed since '10/06/2024. In the past 12 months, the rating on Fincantieri has been changed. The previous rating, issued on 09/01/2020, was Neutral. The present rating in regard to Fineco Bank has not been changed since '15/01/2024. In the past 12 months, the rating on Fineco Bank has been changed. The previous rating, issued on 09/11/2022, was Neutral. The present rating in regard to Generali has not been changed since '17/05/2017. The present rating in regard to Hera has not been changed since '26/03/2020. The present rating in regard to Interpump Group has not been changed since '15/01/2024. In the past 12 months, the rating on Interpump Group has been changed. The previous rating, issued on 16/02/2023, was Neutral. The present rating in regard to Intesa Sanpaolo has not been changed since '09/05/2023. The present rating in regard to INWIT has not been changed since '10/05/2023. The present rating in regard to Italgas has not been changed since '12/03/2020. The present rating in regard to Iveco Group has not been changed since '24/03/2022. The present rating in regard to Leonardo has not been changed since '09/03/2022. The present rating in regard to Maire has not been changed since '08/05/2024. In the past 12 months, the rating on Maire has been changed. The previous rating, issued on 06/10/2023, was Outperform. The present rating in regard to MFE has not been changed since '24/03/2022. The present rating in regard to Nexi has not been changed since '28/06/2021. The present rating in regard to NHOA has not been changed since '27/03/2022. The present rating in regard to Pirelli & C. has not been changed since '11/10/2022. The present rating in regard to Poste Italiane has not been changed since '23/01/2019. The present rating in regard to Prysmian has not been changed since '06/10/2023. In the past 12 months, the rating on Prysmian has been changed. The previous rating, issued on 11/11/2022, was Neutral. The present rating in regard to Rai Way has not been changed since '08/03/2022. The present rating in regard to Recordati has not been changed since '11/10/2022. The present rating in regard to REPLY has not been changed since '18/10/2021. The present rating in regard to Sanlorenzo has not been changed since '27/10/2023. The present rating in regard to Snam has not been changed since '05/11/2021. The present rating in regard to Technogym has not been changed since '07/06/2016. The present rating in regard to Technoprobe has not been changed since '28/02/2023. The present rating in regard to Telecom Italia has not been changed since '05/01/2022. The present rating in regard to Tenaris has not been changed since '26/09/2023. In the past 12 months, the rating on Tenaris has been changed. The previous rating, issued on 30/01/2023, was Outperform. The present rating in regard to Terna has not been changed since '12/03/2020. The present rating in regard to Unicredit has not been changed since '14/10/2022. The present rating in regard to Unipol has not been changed since '16/02/2024. In the past 12 months, the rating on Unipol has been changed. The previous rating, issued on 13/02/2023, was Neutral. The present rating in regard to Webuild has not been changed since '20/03/2023.

INITIAL COVERAGE

A2A initial coverage as of 21/03/2003. Acea initial coverage as of 03/02/2004. Amplifon initial coverage as of 05/07/2006. Anima Holding initial coverage as of 25/03/2015. Ariston Group initial coverage as of 04/01/2022. Ascopiave initial coverage as of 26/04/2022. Banca Generali initial coverage as of 17/01/2007. Banca Ifis initial coverage as of 24/11/2015. Banca Mediolanum initial coverage as of 19/03/2003. Banca Monte Paschi Siena initial coverage as of 12/02/2004. Banca Popolare di Sondrio initial coverage as of 27/04/2015. BFF Banking Group initial coverage as of 16/05/2017. BPER Banca initial coverage as of 06/06/2012. Buzzi initial coverage as of 21/03/2003. CAREL initial coverage as of 18/07/2018. Cellnex Telecom initial coverage as of 24/07/2018. CNH Industrial initial coverage as of 04/01/2011. Credem initial coverage as of 21/03/2003. De' Longhi initial coverage as of 28/01/2003. Diasorin initial coverage as of 11/09/2007. doValue initial coverage as of 19/07/2022. Enav initial coverage as of 31/08/2016. Enel initial coverage as of 09/05/2003. Eni initial coverage as of 25/02/2004. Fincantieri initial coverage as of 13/08/2014. Fineco Bank initial coverage as of 06/08/2014. Generali initial coverage as of 23/01/2003. Hera initial coverage as of 30/07/2003. Interpump Group initial coverage as of 25/10/2004. Intesa Sanpaolo initial coverage as of 16/04/2007. INWIT initial coverage as of 17/07/2015. Italgas initial coverage as of 08/11/2016. Iveco Group initial coverage as of 05/01/2022. Leonardo initial coverage as of 28/03/2003. Maire initial coverage as of 15/09/2008. MFE initial coverage as of 19/03/2003. Nexi initial coverage as of 23/05/2019. NHOA initial coverage as of 00/00/0000. Pirelli & C. initial coverage as of 12/05/2004. Poste Italiane initial coverage as of 02/12/2015. Prysmian initial coverage as of 26/06/2007. Rai Way initial coverage as of 30/12/2014. Recordati initial coverage as of 12/03/2003. REPLY initial coverage as of 30/11/2017. Sanlorenzo initial coverage as of 30/10/2023. Snam initial coverage as of 21/02/2003. Technogym initial coverage as of 08/06/2016. Technoprobe initial coverage as of 29/12/2022. Telecom Italia initial coverage as of 12/02/2003. Tenaris initial coverage as of 15/04/2003. Terna initial coverage as of 27/08/2004. Unicredit initial coverage as of 30/06/2003. Unipol initial coverage as of 21/07/2003. Webuild initial coverage as of 24/06/2005.

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