EQUITA

November 12th, 2020

# EQUITA GROUP

## INVESTOR PRESENTATION – FIRST NINE MONTHS 2020 RESULTS

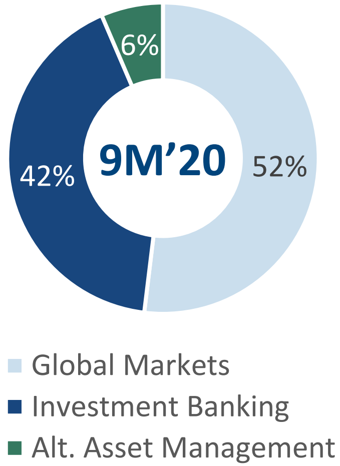
# FIRST NINE MONTHS 2020 CONSOLIDATED RESULTS

## KEY CONSOLIDATED HIGHLIGHTS

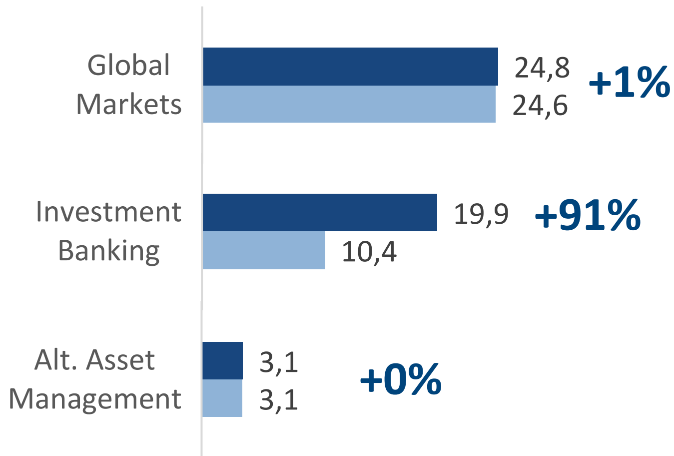
| €47.7m | €8.8m | 19% | 27% | €1.0bn |
|---|---|---|---|---|
| *(+25% vs 9M'19)* | *(+56% vs 9M'19)* | *(as of 30 September 2020)* | *(as of 30 September 2020)* | *(+8% vs H1'20/ -5% vs FY'19)* |
| **Net Revenues** | **Net Profits (post minorities)** | **Total Capital Ratio** | **Return on Tangible Equity[1]** | **Assets under Management** |

## DIVISIONAL PERFORMANCE

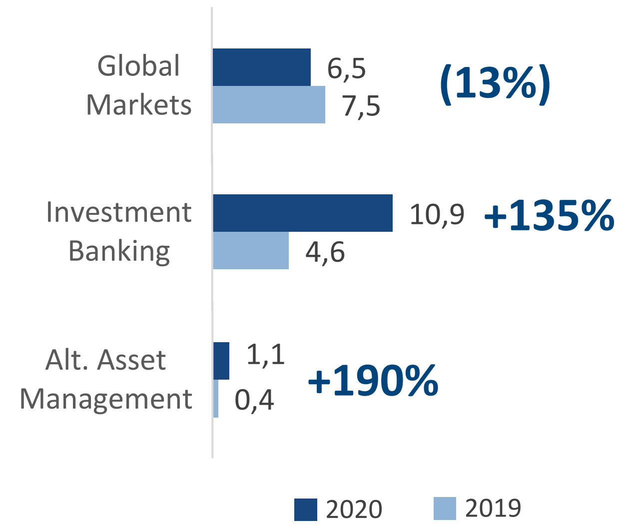
### Revenues Breakdown (%)




### First Nine Months Net Revenues (€m)



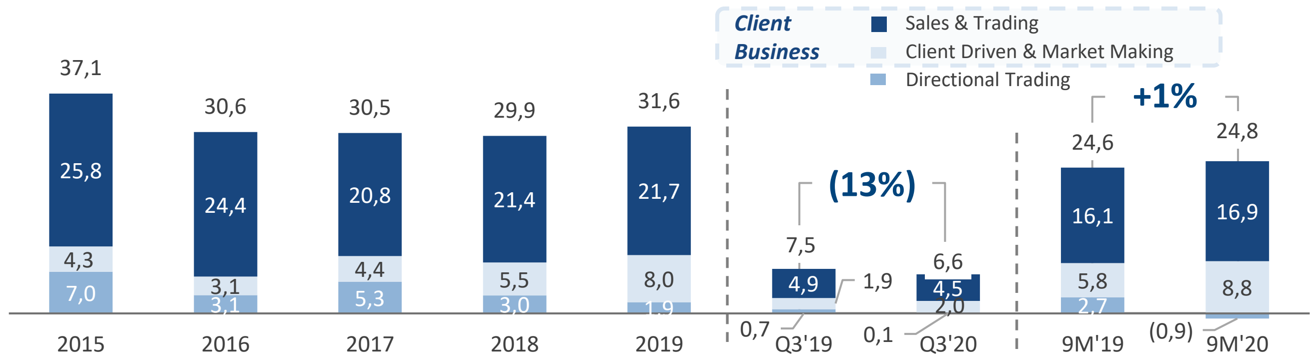

### Third Quarter Net Revenues (€m)




(1) Calculated excluding Annual Net Profit from Tangible Equity

# DIVISIONAL PERFORMANCE

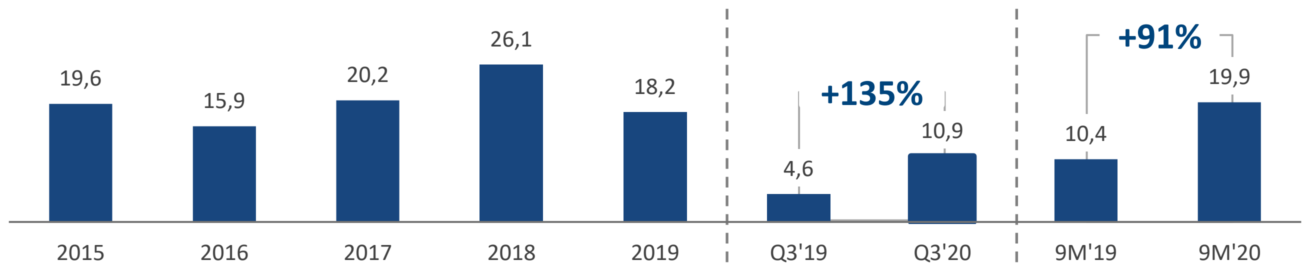
## Global Markets Net Revenues (€m)




## Market Shares (%)[1]

| | Equities | Bonds | Equity Options |
|---|---|---|---|
| Q3'19 | 9.4% | 6.8% | 6.6% |
| Q4'19 | 8.4% | 5.6% | 6.2% |
| Q1'20 | 8.2% | 6.3% | 6.0% |
| Q2'20 | 8.1% | 6.2% | 2.6% |
| Q3'20 | 7.9% | 7.4% | 3.0% |

## Investment Banking Net Revenues (€m)



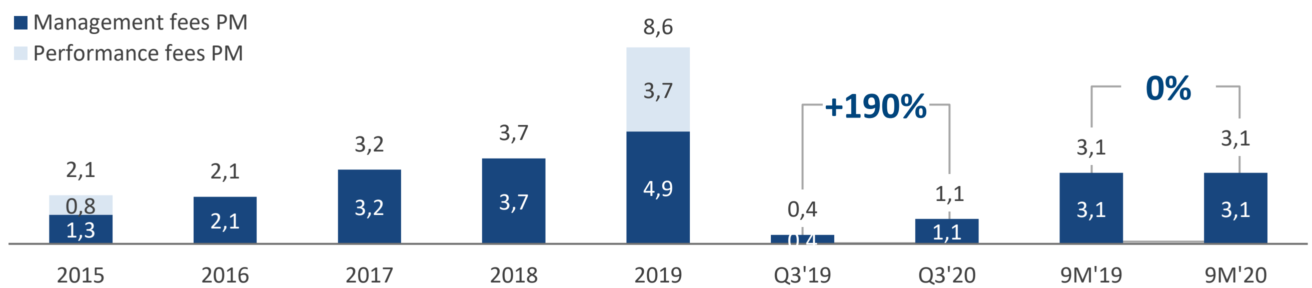

## Market Statistics (9M'20 vs 9M'19)[2]

**ECM**
€5.5bn (+6%)
28 Deals (-28%)

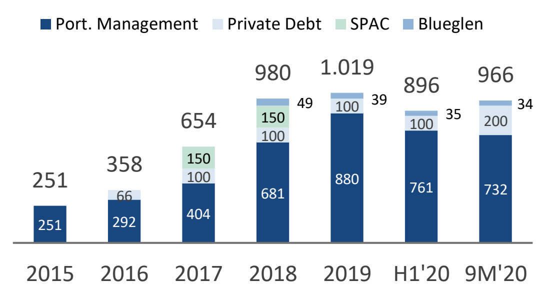
**DCM**
€16.6bn (-12%)
27 deals (-4%)

**M&A**
€29bn (-19%)
537 deals (-34%)

## Alternative Asset Management Net Revenues (€m)




## Assets under Management (€m)

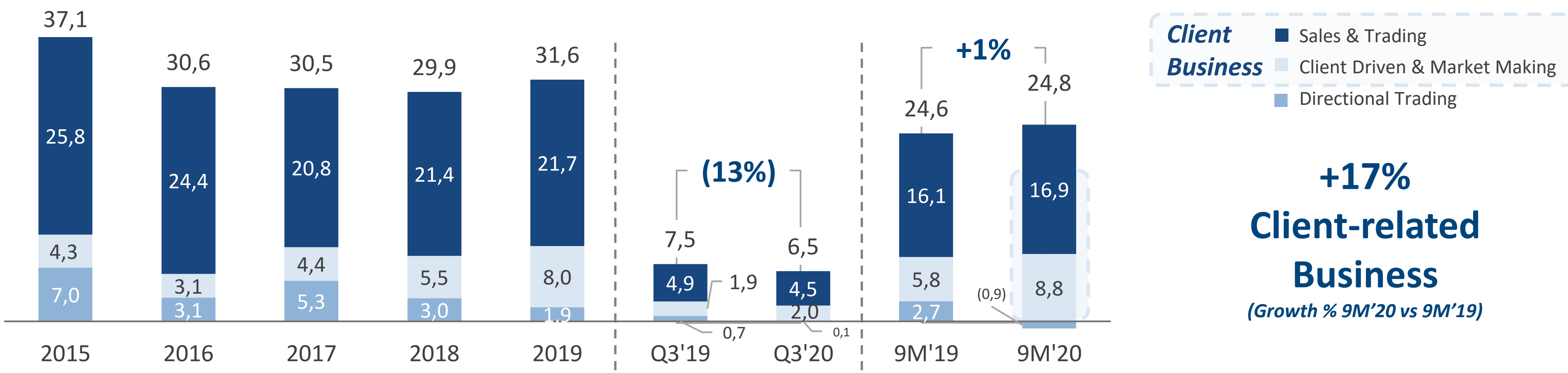





(1) Source: ASSOSIM; market shares' figures based on quarterly volumes for third parties; "Equities" referred to equities brokered on MTA segment, "Bonds" referred to bonds brokered on DomesticMOT, EuroMOT and ExtraMOT segments; "Equity Options" referred to IDEM segment. (2) ECM figures include IPOs, Convertibles and Follow-on deals. Source: Equita analysis on Borsa Italiana and Dealogic data. DCM figures excluding banks/insurances. Source: Bondradar. M&A figures from KPMG report. Page note: 2015 figures referred to Equita SIM; 2016 and onward figures referred to Equita Group; roundings in Client Driven & Market Making and Directional Trading could occur due to minor reclassifications

# GLOBAL MARKETS

## NET REVENUES (€M)




## Performance drivers

- **Sales & Trading and Client-Driven & Market Making** benefitted from **significantly higher third parties brokered volumes on markets in Q1 and Q2, then back to weak levels in Q3** (+47% in Q1'20, +16% in Q2'20 and -8% in Q3'20 on equities and +49% in Q1'20, +54% in Q2'20 and -39% in Q3'20 on fixed income) [1]
- **Directional Trading** results negatively impacted by the sharp markets' downturn in the first part of the year, generating a loss in Q1 which was only partially offset by small gains in Q2 and Q3
- **In August 2020 Equita topped the Institutional Inverstor's rankings for its sales and corporate access activities, as well as for the quality of its research and deep knowledge of mid-small caps**

## Market Shares [1]

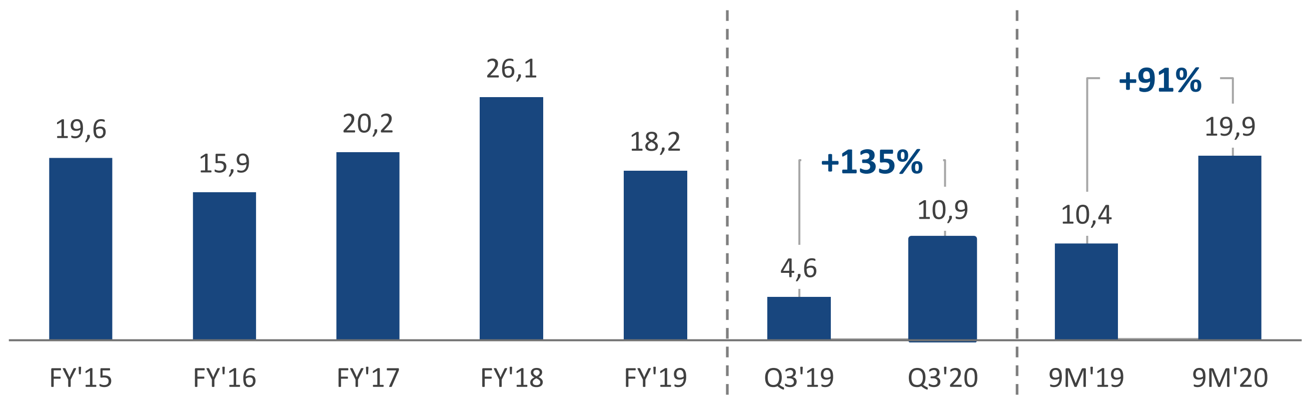
## (third parties brokered volumes)

| EQUITA | Equities | Bonds | Equity Options |
|---|---|---|---|
| Q3'19 | 9.4% | 6.8% | 6.6% |
| Q4'19 | 8.4% | 5.6% | 6.2% |
| Q1'20 | 8.2% | 6.3% | 6.0% |
| Q2'20 | 8.1% | 6.2% | 2.6% |
| Q3'20 | 7.9% | 7.4% | 3.0% |

(1) Source: ASSOSIM; market shares' figures based on quarterly volumes for third parties; "Equities" referred to equities brokered on MTA segment, "Bonds" referred to bonds brokered on DomesticMOT, EuroMOT and ExtraMOT segments; "Equity Options" referred to IDEM segment.
2015 figures referred to Equita SIM; 2016 and onward figures referred to Equita Group; roundings in Client Driven & Market Making and Directional Trading could occur due to minor reclassifications

# INVESTMENT BANKING

## NET REVENUES (€M)




## Performance drivers

- Capital markets activities negatively affected by strong uncertainty: in 9M'20 **ECM in Italy declined significantly** (28 deals – mostly ABBs – in 9M'20 vs 39 in 9M'19, raising €5.5bn vs €5.2bn in 9M'19), **as well as DCM transactions** (27 deals in 9M'20 vs 28 in 9M'19, raising €16.6bn vs €18.9bn in 9M'19). **M&A transactions declined too**, with number of deals down to 537 in 9M'20 from 810 in 9M'19 (and volumes down from €35bn to €29bn respectively)
- Despite tough markets, **the investment banking team executed a relevant number of ECM and DCM deals** in 9M'20, as well as **M&A deals**.
- Q3'20 results benefitted from the **first-time consolidation of Equita K Finance** (acquired on July 14th, 2020) and **several high-profile mandates**, including the assistance to Intesa Sanpaolo in the takeover of UBI Banca

## ITALIAN LEAGUE TABLES (9M'20) (1)

**ECM**

| # | IPO / Listing (1) | # deals |
|---|---|---|
| 1. | Banca IMI | 8 |
| **2.** | **EQUITA** | **7** |
| 3. | Integrae SIM | 7 |
| 4. | Mediobanca | 6 |
| 5. | Intermonte | 4 |
| 6. | Unicredit | 4 |
| 7. | Goldman Sachs | 4 |
| 8. | UBI Banca | 3 |
| 9. | Banca Akros | 3 |
| 10. | Credit Suisse | 3 |

**DCM**

| # | HY and NR Bonds (2) | # deals |
|---|---|---|
| 1. | Unicredit Group | 17 |
| 2. | BNP Paribas | 14 |
| 3. | Goldman Sachs | 11 |
| 4. | HSBC | 11 |
| 5. | JP Morgan | 8 |
| **6.** | **EQUITA** | **7** |
| 7. | Mediobanca | 7 |
| 8. | Credit Suisse | 6 |
| 9. | Banca IMI | 5 |
| 10. | UBI Banca | 5 |

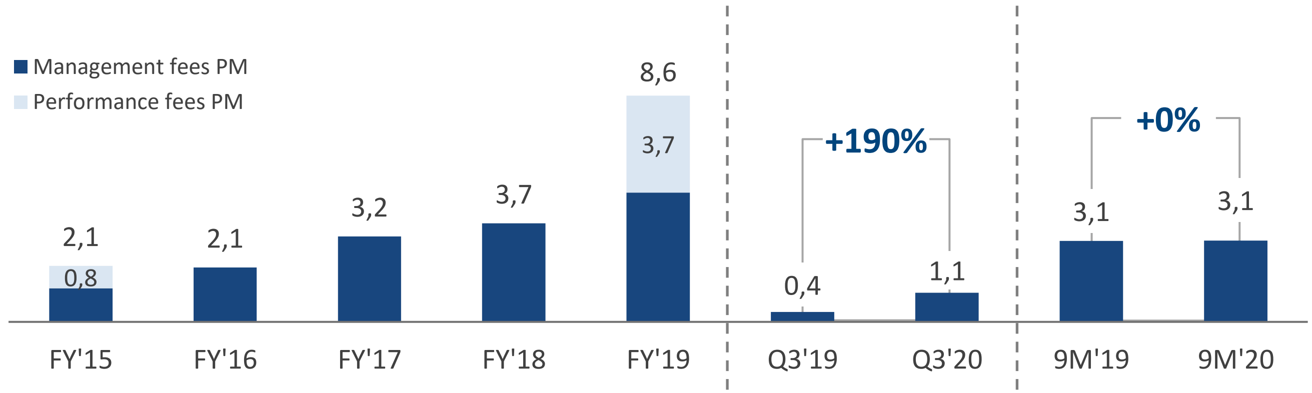
**M&A**

| # | M&A Advisor (3) | # deals |
|---|---|---|
| 1. | KPMG | 37 |
| 2. | Deloitte | 28 |
| 3. | EY | 23 |
| 4. | PwC | 22 |
| **5.** | **EQUITA K** | **15** |
| 6. | Mediobanca | 12 |
| 7. | Vitale & Co | 12 |
| 8. | Fineurop Soditic | 11 |
| 9. | Goldman Sachs & Co | 8 |
| 10. | Rothschild & Co | 8 |

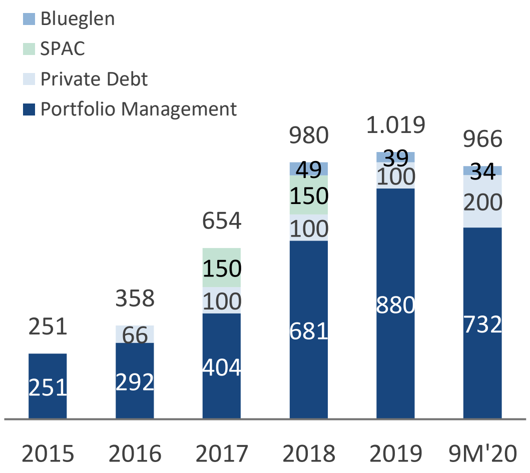
(1) ECM rankings includes IPO and listings on the Italian market. The ranking includes the following roles: Global Coordinator, Sponsor, Advisor of the issuer and/or selling shareholders, NOMAD. Excludes deals <€10m and market cap <€10m. Source: Equita elaboration on Borsa Italiana and Dealogic figures; (2) DCM ranking includes only high yield and not rated bonds. Source: Bondradar; (3) Source: Mergermarket; 2015 figures referred to Equita SIM; 2016 and onward figures referred to Equita Group

# ALTERNATIVE ASSET MANAGEMENT

**NET REVENUES (€M)**




**ASSETS UNDER MANAGEMENT (€M)**




## Performance drivers

- **Portfolio Management** recorded lower AM fees in 9M'20 (-12% vs 9M'19) due to the declining average value of AuMs, **negatively impacted by market performance and minor drawdowns**
- On September 14th, 2020, **Private Debt completed the First Closing of its second fund EPD II raising €100m** (final target €200m). In parallel, the team continued its scouting activities to find new investment opportunities and speed up the investment process of EPD II
- **Private Equity team currently working on launching** – jointly with a tier 1 partner – **its ELTIF focused on private equity** (Equita Smart Capital), with a target of €140m

2015 figures referred to Equita SIM; 2016 and onward figures referred to Equita Group

# PROFIT & LOSS AND FOCUS ON COSTS

## DISCIPLINED APPROACH ON COSTS AND STRONG PROFITABILITY CONFIRMED

### SUMMARY OF CONSOLIDATED FIGURES

| Profit & Loss<br>*€ m* | 9M<br>2020 | 9M<br>2019 | Var<br>% | FY<br>2019 |
|---|---|---|---|---|
| **Net Revenues** | **47,7** | **38,0** | **25%** | **58,3** |
| Personnel costs [1] | (22,6) | (17,4) | 30% | (27,1) |
| *Comps/Revenues ratio* | *(47%)* | *(46%)* | | *(46%)* |
| Operating costs | (12,7) | (12,5) | 2% | (17,5) |
| **Total Costs** | **(21,9)** | **(19,7)** | **11%** | **(44,7)** |
| *Cost/Income ratio* | *(74%)* | *(77%)* | | *(77%)* |
| **Profit before taxes** | **12,4** | **8,2** | **52%** | **13,7** |
| Income taxes | (2,1) | (1,8) | 29% | (4,2) |
| **Net Profit** | **9,2** | **5,6** | **63%** | **9,5** |
| **Net Profit (post-minorities)** | **8,8** | **5,6** | **56%** | **9,5** |
| *Margin %* | *18%* | *16%* | | *16%* |
| *Dividend Payout %* | | | | *91%* |

***≈ 90% dividend payout in the last 3 years***

## Focus on Costs

| *Equita Group (Consolidated)*<br>*€ m* | 9M<br>2020 | 9M<br>2019 | Var. % |
|---|---|---|---|
| **Personnel costs [1]** | **(22,6)** | **(17,4)** | **30%** |
| *o/w Fixed component* | *(12,6)* | *(13,1)* | *(4%)* |
| *o/w Variable component* | *(10,0)* | *(4,3)* | *134%* |
| **FTEs [2]** | **161** | **150** | **7%** |
| *Comps / Revenues* | *47%* | *46%* | |
| *Fix Comp / Total Comp* | *56%* | *75%* | |

***12 FTEs from Equita K Finance***

| *Equita Group (Consolidated)*<br>*€ m* | 9M<br>2020 | 9M<br>2019 | Var. % |
|---|---|---|---|
| **Operating Costs** | **(12,7)** | **(12,5)** | **2%** |
| *o/w Information Technologies* | *(4,2)* | *(4,6)* | *(9%)* |
| *o/w Trading Fees* | *(2,4)* | *(2,5)* | *(2%)* |
| *o/w Non-Recurring* | *-* | *-* | *n.a.* |
| *o/w Other (marketing, SGR, EKF)* | *(6,1)* | *(5,4)* | *12%* |

***Increase in Other expenses driven by the enlarged perimeter (SGR governance and outsourcing contracts, Equita K Finance) compared to 9M'19, as well as non-recurring initiatives in Q2'20 (M&A, MLT financing, Charity Day, etc).***

(1) Net of compensation to directors and statutory auditors. (2) Number of FTEs at the end of period

# BALANCE SHEET AND TCR

## LIGHT BALANCE SHEET AND HEALTY CAPITAL STRUCTURE, WITH TOTAL CAPITAL RATIO WELL ABOVE REQUIREMENTS

| *Equita Group (Consolidated)* *€ m* | 9M'20 | H1'20 | Q1'20 | FY'19 | 9M'19 |
|---|---|---|---|---|---|
| Cash & cash equivalents | 0,0 | 0,0 | 0,0 | 0,0 | 0,0 |
| Assets at FV to P&L & Equity investments | 76,1 | 84,2 | 80,9 | 75,3 | 81,5 |
| Receivables | 182,4 | 196,4 | 237,6 | 184,2 | 174,4 |
| Tangibles assets | 6,5 | 6,7 | 7,2 | 7,3 | 7,6 |
| Intangible assets | 24,9 | 15,1 | 15,1 | 15,1 | 15,0 |
| Tax assets | 2,8 | 2,2 | 4,2 | 5,0 | 2,6 |
| Other assets | 2,5 | 2,7 | 2,9 | 1,5 | 1,6 |
| **Total assets** | **295,2** | **307,3** | **347,9** | **288,3** | **282,7** |
| Debt | 182,0 | 205,7 | 227,2 | 172,9 | 173,7 |
| Financial liabilities held for trading | 10,5 | 8,3 | 13,4 | 12,3 | 17,5 |
| Tax liabilities | 1,8 | 1,9 | 2,7 | 2,3 | 0,9 |
| Other liabilities | 15,3 | 10,8 | 16,5 | 14,2 | 8,9 |
| Employee termination indemnities | 2,2 | 1,9 | 1,9 | 2,5 | 2,6 |
| Provisions for risks and charges | 1,9 | 1,8 | 3,9 | 3,9 | 3,4 |
| **Total liabilities** | **213,8** | **230,4** | **265,7** | **208,2** | **207,1** |
| Share capital | 11,4 | 11,4 | 11,4 | 11,4 | 11,4 |
| Treasury shares | (4,1) | (4,5) | (4,5) | (4,5) | (4,5) |
| Share premium reserve | 18,2 | 18,2 | 18,2 | 18,2 | 18,2 |
| Reserves | 46,8 | 46,7 | 55,3 | 45,6 | 44,9 |
| Valuation reserves | (0,0) | (0,0) | (0,0) | (0,0) | (0,0) |
| Profit /(Loss) for the financial year | 9,2 | 5,1 | 1,9 | 9,5 | 5,6 |
| Third parties' equity & Profit /(Loss) | (0,1) | 0,1 | - | - | - |
| **Total shareholders' equity** | **81,4** | **76,9** | **82,2** | **80,1** | **75,6** |
| **Total shareholders' equity and liabilities** | **295,2** | **307,3** | **347,9** | **288,3** | **282,7** |

***Total Capital Ratio 19%***

# OUTLOOK 2020 AND CLOSING REMARKS

# OUTLOOK 2020

**POSITIVE EXPECTATIONS ON FY'20 RESULTS LED THE BOARD OF DIRECTORS TO CONSIDER A POTENTIAL DIVIDEND DISTRIBUTION OF €0.18-€0.20 PER SHARE**

| EVIDENCES | EXPECTATIONS |
|---|---|

## EVIDENCES

**1 Positive 9M'20 results**

- Net Revenues +25% YoY
- Net Profits +56% YoY

**2 Weak brokerage volumes in the months following Q3'20**

**3 Positive contribution in Q4'20 from:**

- **M&A**
  Equita K Finance (July 2020)
- **New AAM products**
  Equita Private Debt Fund II (September 2020)

## EXPECTATIONS

**Positive view on 2020 full year results**

**€8.8m** (9M'20 Net Profits) + **?** (Q4'20 Net Profits) + **€3.9m** (Retained Earnings in the last 3 years)

**Expected dividend per share – absent significant market changes – between €0.18 and €0.20**

# NEXT STEPS

**MANY INITIATIVES TO SUPPORT FURTHER FUTURE GROWTH IN ALL AREAS**

| AREA | INITIATIVES |
|---|---|
| **Global Markets & Research** | ≡ Further **coordination of Global Markets area as a whole**, with clear strategy and allocation of resources<br>≡ Further **diversification** of **product offering** as well as **client base**, increasing **resiliency**<br>≡ **Cross-selling initiatives** supporting growth in market shares<br>≡ **Discipline** on costs / technology. Review of profitability by area and client<br>≡ **Strengthening** of our market position in the **fixed income** domain |
| **Investment Banking** | ≡ **Close gap** with larger international independent players<br>≡ Additional **focus on advisory** (M&A and debt advisory/restructuring)<br>≡ **Further integration** of Equita K Finance<br>≡ **Cross-selling** with Asset Management |
| **Alternative Asset Management** | ≡ Final Closing of **Equita Private Debt Fund II** (€200m final target, with €100m funds already committed in September 2020)<br>≡ Other **private capital initiatives**, with focus on **private equity** and exploiting investment structures like **ELTIFs** |
| **M&A & Partnerships** | ≡ **Bolt-on M&A** on selected opportunities in areas of potential growth<br>≡ Potential **high-level partnerships** contributing synergies to Equita's businesses |
| **P&L Balance Sheet** | ≡ Compensation / Revenues ratio < 50%<br>≡ **Cost-disciplined approach** keeping general costs stable and looking for potential savings<br>≡ Highly selective approach on hirings (only necessary replacements and/or revenue-generating new hires)<br>≡ Implementation of a new state-of-the-art customer relationship management tool (CRM) |

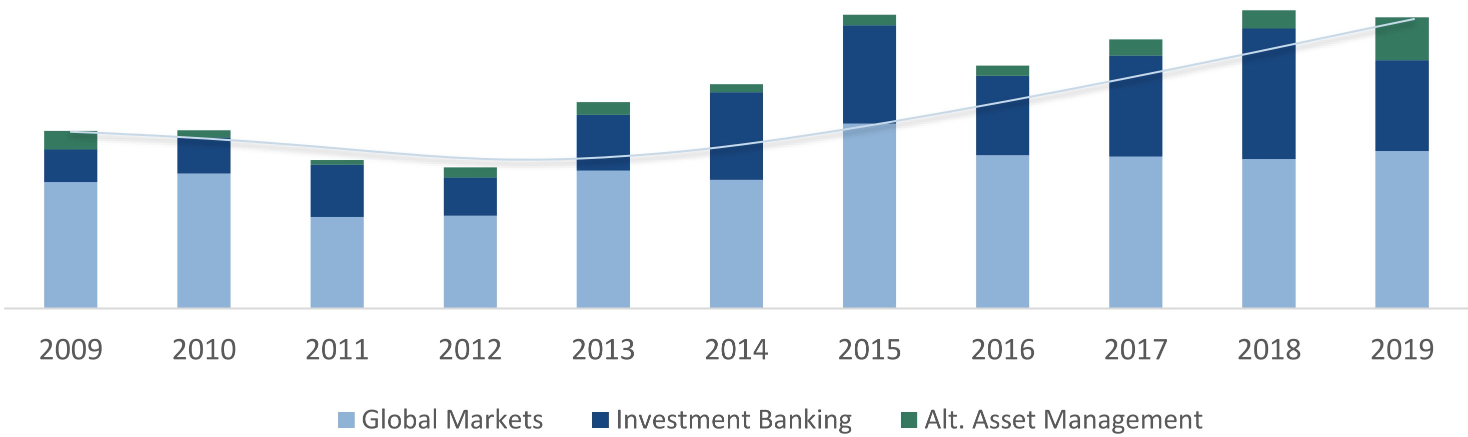
# ROAD TO 2022: TOP PRIORITIES AND TARGETS (PLAN APPROVED IN NOVEMBER 2019)

| TOP 5 PRIORITIES | KEY TARGETS FROM 2020-2022 STRATEGIC PLAN (@2022) |
| --- | --- |
| 1 Revenue Generation and Diversification | Net Revenues €75m (GM €30m-34m; IB €30m-34m; AAM €8m-12m) |
| 2 Cost Discipline and Focus on Profitability | -500 bps in Cost/income<br>≈20% Net Profitability |
| 3 Growth in Assets under Management | AuM €2 billion |
| 4 Low Capital Absorption and Consistent Shareholders' Remuneration | TCR ≥ 15% / ROTE ≥ 20%<br>Dividend Payout % ≈90% |
| 5 Strong Commitment on Sustainability | Promote employees wellbeing<br>Increase customer and financial community's satisfaction<br>Social and economic development of local communities<br>Improve health and safety<br>Mitigate impacts on environment |

*Open to strategic partnerships that could accelerate the growth of the business*

# RESILIENT AND PROFITABLE PERFORMANCE THANKS TO DIVERSIFICATION

## NET REVENUES (€M)

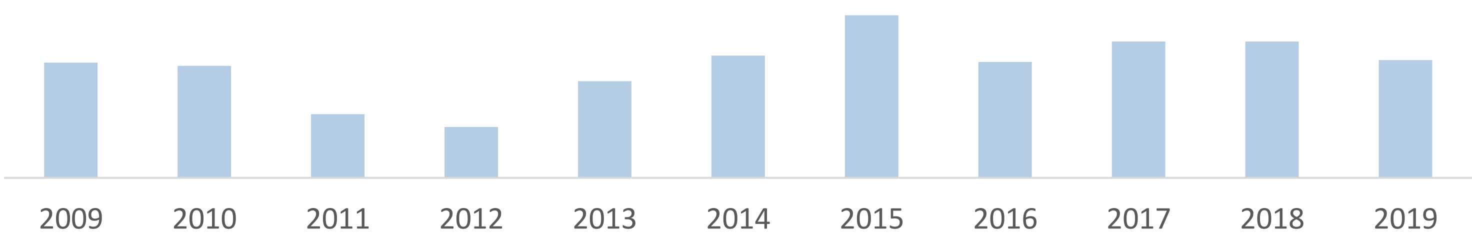



**+5%**

**CAGR '09-'19**

**in Net Revenues over the last 11 years**

## NET PROFITS (€M)




**Always profitable,**

**with significant dividend distribution over the last 11 years**

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| *100%* | *100%* | *100%* | *100%* | *100%* | *100%* | *100%* | *100%* | *90%* | *91%* | *91%* | ***Dividend Payout (%)*** |

WE
KNOW
HOW

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**| Global Markets | Investment Banking | Alternative Asset Management | Ricerca |**