360

# EQUITA Group

Equity Research from Kepler Cheuvreux

Release date: 28 March 2023
Market data as of: 27 March 2023

**Italy | Banks & Asset Managers**

**MCap: EUR195.6m**

# A partnership of individuals

### What's it all about?

We initiate coverage on EQUITA with a Buy rating and TP of EUR4.6. It is an Italian company active in Investment Banking (48% of 2022 revenues), Global Markets (43%), and Alternative Asset Management (9%). The management and divisional heads have the majority of votes in a shareholder agreement for EQUITA (total agreement covers 32% of capital, 47% of votes). They are highly incentivised to deliver results: they could be awarded EUR10m in 2025-26 if the group achieves a total shareholder return (TSR) of 60% from March 2022 to 1 April 2025 and if it meets its 2024 industrial plan targets. This would imply a EUR5.1 share price plus an aggregate DPS of EUR1.1 (c. 10% average annual yield) in 2023-25E. Our estimates (2024) are below the group's main targets (9% and 12% below on revenues and net profit), following lower AUM in Alternative Asset Management. The main risks are the departure of key individuals and potential conflicts of interest.

**Buy (Not Rated)**

| | |
|---|---|
| **Target Price:** | EUR4.60 (none) |
| **Current Price:** | EUR3.82 |
| **Up/downside:** | 20.4% |
| **Change in TP:** | none |
| **Change in Adj. EPS:** | none 23E/none 24E |


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Biographies at the end of this document




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**IMPORTANT. Please refer to the back of the report for important information and disclosures.**

## 360 in 1 minute

### Key findings

- EQUITA, an Italian investment banking company set up in 1973, offers services in: Investment Banking (48% of 2022 revenues); Global Markets (institutional brokerage), accounting for 43% of 2022 revenues; and Alternative Asset Management, accounting for 9%. It was listed in 2017 on the Italian Alternative Market (EUR2.9 IPO price) and uplisted to the Star segment in 2018 (88% of TSR since the IPO). Since the IPO, the main revenue growth has been in the investment banking division, where the company has invested in recruiting senior professionals.
- We believe EQUITAS's strength resides in its management team and divisional heads (15 people), which have the majority vote in the shareholders' agreement controlling EQUITA (32% of capital, 47% of votes). They could be awarded EUR10m in 2025-26 if the group achieves a TSR of 60% from March 2022 to 1 April 2025 and if it meets its industrial plan targets (2024). This would imply a EUR5.1 share price in addition to an aggregate DPS payment of EUR1.1 (c. 10% average annual yield) in 2023-25.
- The industrial plan targets revenues of EUR110m in 2024 (EUR87m in 2022) and net profit of over EUR25m (EUR16m in 2022). Alternative Asset Management is set to grow from 9% of revenues to 15-20% in 2024. The company plans to raise AUM (from EUR0.9bn in 2022 to EUR1.6-2.2bn, according to our calculation) with a new private debt fund and a new asset class. It aims to offer at least EUR50m in dividends over 2023-25 (27% yield), also relying on distributable reserves (EUR34m).
- We forecast 2024E revenues of EUR100m and net profit of EUR22m. The main delta is in Alternative Asset Management (EUR14m of revenue vs. the company's target of EUR16-22m), while our dividend forecasts are aligned with the company's.
- We initiate coverage with a Buy rating and derive a TP of EUR4.6 through dividend discount (COE of 12.5%; g of 2%) and sum-of-the-parts models. The stock returns a dividend yield of c. 10% per year, and there is upside to our estimates from the plan's execution.
- The main risks are that key individuals could leave and potential conflicts of interest could arise, mainly between the global markets and investment banking divisions.

**Change in Revenues:** none 23E/none 24E
**Change in Rep PBT:** NM+ 23E/NM+ 24E

| | |
|---|---|
| Bloomberg: EQUI IM | Reuters: EQUI.MI |
| Free float | 49.5% |
| Avg. daily volume (EURm) | 0.1 |
| YTD abs performance | 4.9% |
| 52-week high/low (EUR) | 4.09/3.18 |

| FY to 31/12 (EUR) | 12/22 | 12/23E | 12/24E |
|---|---|---|---|
| Total revenues (m) | 86.9 | 89.2 | 100.0 |
| Pre-prov. profit (m) | 25.5 | 26.7 | 31.8 |
| Pre-tax profit (m) | 24.6 | 26.7 | 31.8 |
| Net profit adj. (m) | 16.2 | 18.5 | 22.2 |
| Tangible BVPS | 1.52 | 1.59 | 1.74 |
| EPS Adj | 0.32 | 0.36 | 0.43 |
| Dividend per share | 0.35 | 0.35 | 0.39 |

| FY to 31/12 | 12/22 | 12/23E | 12/24E |
|---|---|---|---|
| P/E adj. and fully diluted(x) | 11.3 | 10.5 | 8.9 |
| P/BV (x) | 1.77 | 1.81 | 1.69 |
| P/TBV (x) | 2.38 | 2.40 | 2.19 |
| Dividend yield | 9.7% | 9.2% | 10.3% |
| RoTBV | 21.7% | 23.3% | 25.8% |
| RoE after tax | 15.9% | 17.4% | 19.6% |
| CET 1 ratio | na | na | na |
| Cost income ratio | 70.6% | 70.1% | 68.2% |
| Net NPL ratio (on loans) | na | na | na |

| Sector Most Pref. | Sector Least Pref. |
|---|---|
| BNP Paribas | Banca Generali |
| Commerzbank | CaixaBank |
| KBC | Credit Suisse |
| Santander | Unicaja |

## Research Framework

### Investment case

- The engagement of top management and divisional heads (15 people) which have the majority in the shareholders' agreement that controls EQUITA (32% of capital, 47% of votes). They have phantom shares, which align their interests with those of minorities. They will be awarded a maximum 2m phantom shares, equivalent to EUR10m in cash, if the TSR reaches at least 60% between March 2022 and April 2025, and if the business plan targets are met.
- The industrial plan targets EUR110m of revenues in 2024 and >EUR25m of net profit, with growth from Investment Banking and Alternative Asset Management. We have lower revenues and net profit in 2024, but the same cumulative dividends (EUR52m).

### Catalysts

- Launch of the third private debt fund and of new alternative asset class.
- Growth in IPOs (leaner regulation and rates effect).
- New investment banking deals originated by newly hired senior personnel.

### Valuation methodology

- We have a TP of EUR4.6 based on a discounted dividend model (COE of 12.5% and g of 2%) and a sum-of-the-parts model (P/E 2023-24E of peers applied to our net profit estimates for the three divisions). Both valuation methods include part of the excess capital and cash costs of the remuneration plan for top management and divisional heads.

### Risks to our rating

- The departure of key individuals, who are instrumental to delivering the 2022-24 plan and are shareholders too.
- The management of potential conflicts of interest between Global Markets and Investment Banking
- Negative macro and financial markets affecting the group's revenues.

## Company description

EQUITA is an Italian investment banking company established in 1973. It offers Investment Banking services (48% of 2022 revenues), Global Markets (institutional brokerage, 43%), and Alternative Asset Management (public and private markets, 9%). It was listed on the Italian Alternative Market in 2017 and listed on the Star segment in 2018.

**Management**

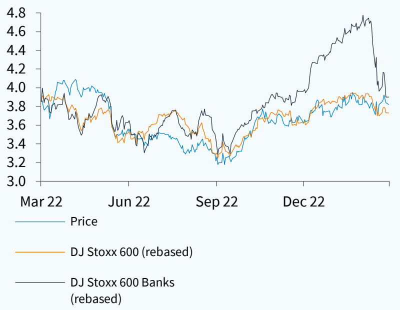
Andrea Vismara (CEO)
Francesco Perilli (executive director)
Stefania Milanesi (CFO/COO)

**Key shareholders**

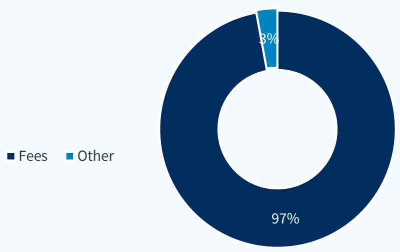
| | |
|---|---|
| Free float | 49.50% |
| Management and employees | 37.60% |
| Fenera Holding | 4.90% |

## Key data charts

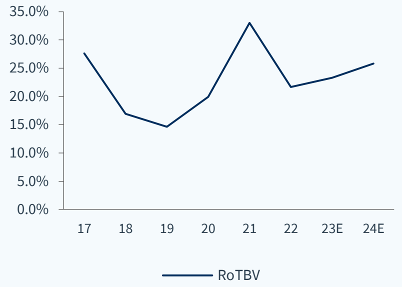
**Price performance**



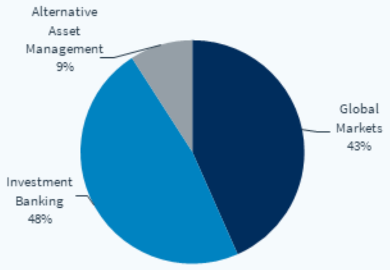

**Segment revenue**




**Return on tangible book value**

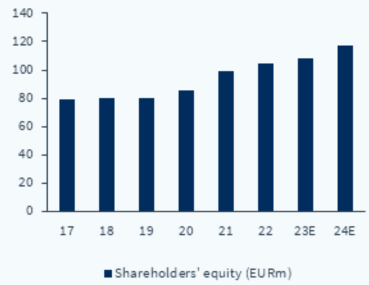



**Business division revenues 2022**




**Cost/income ratio**


**Shareholders' equity (EURm)**




## SWOT analysis

### Strengths

- Long-standing investment firm with solid reputation
- Independence, as EQUITA is a partnership of managers and employees
- Alignment of interests of key managers and other shareholders.
- Ranking in Global Markets (stable) and Investment Banking (growth).

### Weaknesses

- Limited geographical diversification.
- Limited size in Alternative Asset Management and Investment Banking

### Opportunities

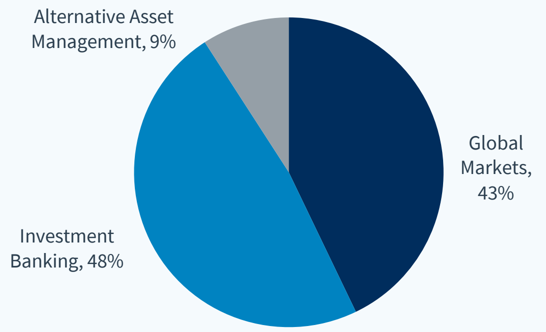
- Launch of third private debt fund
- Launch of new asset class in private market
- Recovery of IPOs in Italy (leaner regulations and rates effect).
- Investment Banking deals originated by new senior managers.

### Threats

- Departure of key individuals
- Potential conflicts of interest (Global Markets, Investment Banking).
- Revenue volatility due to negative macro and market effects.
- Possible stock overhang (lock-up from last placement ends in May 2023)

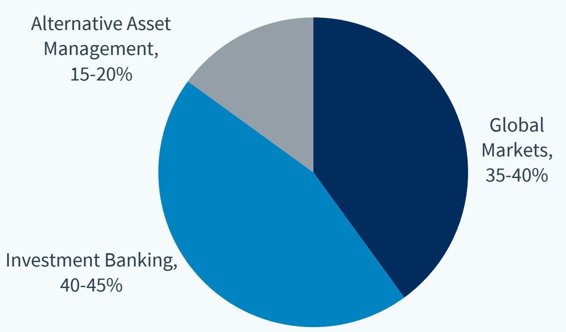
# Investment case in six charts

**Chart 1: Revenues by division (2022)**



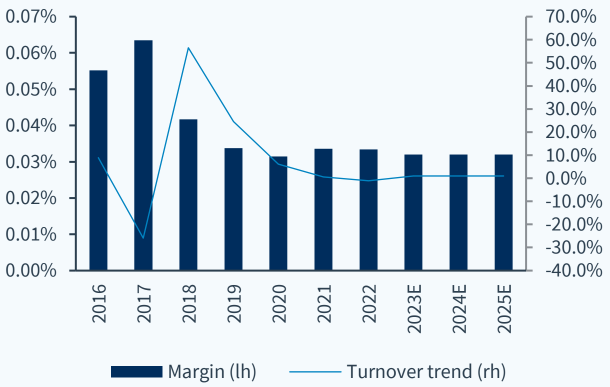

Source: Kepler Cheuvreux

**Chart 2: Revenues by division (2024E) – industrial plan**



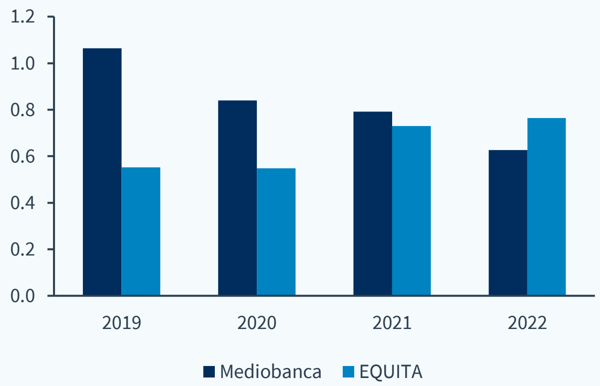

Source: Kepler Cheuvreux

**Chart 3: Margin and turnover YOY – Global Markets division**



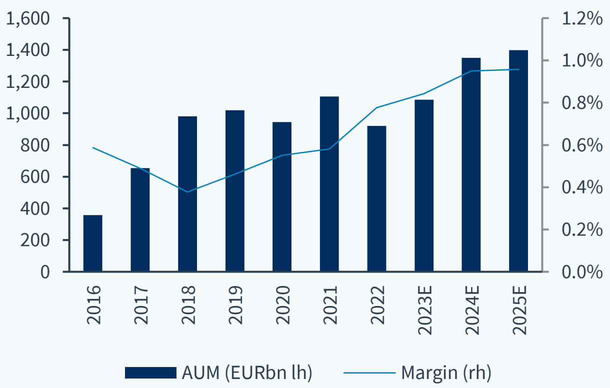

Source: Kepler Cheuvreux

**Chart 4: Investment banking fees per banker (EURm)***



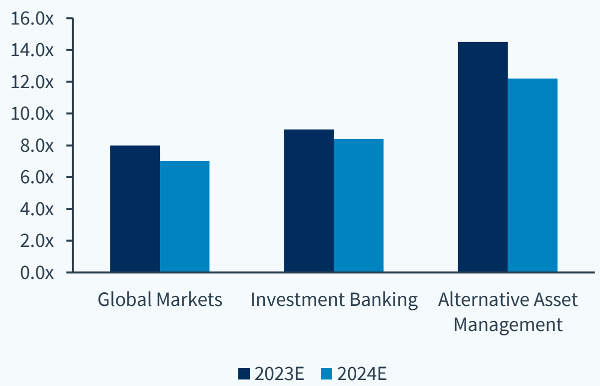

* For details of calculation, see Table 9 on page 22 Source: Kepler Cheuvreux

**Chart 5: AUM and margin* in Alternative Asset Management**




*Only recurring fees Source: Kepler Cheuvreux

**Chart 6: Peers' P/E by division**




Source: Bloomberg, Kepler Cheuvreux

# Contents

# Established Italian investment banking company, a partnership among managers

**EQUITA is an Italian investment banking company that was established in 1973 and listed in 2017. It is a partnership of managers and employees (70 people in total) that hold 38% of the capital and 53% of the voting rights. EQUITA's strength lies in the commitment and engagement of its managers and key individuals (29 people), which are bound by a shareholders' agreement that controls 32% of the capital and 47% of the voting rights.**

**Furthermore, the top management and divisional heads (15 people, the originators of part of the deals and revenues) constitute the majority of the shareholders' agreement and could be awarded EUR10m in 2025-26 (through a phantom share plan) in the event that the company firstly achieves a TSR of 60% from March 2022 to 1 April 2025 (the high end of the range for the maximum phantom share award), and then that it meets the industrial plan targets. For investors, this would imply a EUR5.1 share price in addition to an aggregate DPS payment of EUR1.1 (c. 10% average annual yield) in 2023-25. If the TSR is higher than 60%, the plan beneficiaries will receive more than EUR10m.**

## A long journey from its beginnings to its status today

*Born in 1973*

The EQUITA we see today is the result of a long, transformational journey that started with the birth of the company in 1973. This was the year of the foundation of Euromobiliare SpA, a merchant banking company active in Italian capital markets and in investment banking. In 1991, in the wake of the law that permitted the creation of brokerage firms (*società d'intermediazione mobiliare*), Euromobiliare SpA set up Euromobiliare SIM, which was then taken over by Credito Emiliano in 1994.

**Table 1: EQUITA – corporate history timeline**

| Year | Event |
|---|---|
| 1973 | Establishment of Euromobiliare |
| 1982 | Listing of Euromobiliare on Italian Stock Exchange |
| 1988 | Midland Bank took control of Euromobiliare |
| 1991 | Incorporation of Euromobiliare SIM |
| 1994 | Credito Emiliano took control of Euromobiliare SIM |
| 2007 | Management and JC Flowers buy out Euromobiliare SIM |
| 2008 | Euromobiliare SIM renamed EQUITA SIM |
| 2015 | Management and Alessandro Profumo buy out stake from JC Flowers |
| 2017 | Reorganisation and listing on Italian AIM |
| 2018 | Listing on MTA market (STAR segment) |
| 2018 | Acquisition of primary brokerage and market making from Nexi |
| 2020 | Acquisition of 70% of K Finance |

Source: Company data, Kepler Cheuvreux

*Management buyout in 2007*

In 2007, management (members that started to become shareholders at the end of the 1990s) carried out a management buyout of Euromobiliare SIM with the private equity operators Mid Industry Capital and JC Flowers. Credito Emiliano divested from Euromobiliare SIM.

*Arrival of Andrea Vismara in 2007...*

*...renamed EQUITA in 2008*

In 2008, Euromobiliare SIM, renamed EQUITA, started its diversification beyond institutional brokerage by adding the investment banking business.  At that time, Andrea Vismara joined EQUITA to develop (and lead) the Investment Banking division. Her career began in 1990, and prior to joining EQUITA she held positions at Goldman Sachs, Barclays, and Credit Suisse. In 2015, JC Flowers divested its 50.5% stake after another buyout carried out by management and by Alessandro Profumo, former CEO of UniCredit. Two years later, in 2017, management bought back the majority of Profumo's stake, who left EQUITA after having been appointed CEO of Leonardo.

*Listing in 2017...*

In 2017, a holding company was created (called EQUITA Group) to control the brokerage company (EQUITA SIM). Andrea Vismara was appointed CEO. In the same year EQUITA filed the request to be listed on the Italian Alternative Market (AIM), and was subsequently listed on 23 November 2017 at EUR2.9 per share. The size of the offer was equal to 35% of the capital pre-listing and was split between 4.58m new shares from the right issue, 3.3m treasury shares, and 7.7mm shares sold by the shareholders.

***...and uplisting in 2018***

The 2018 AGM simplified the shareholder structure, moving from dual share classes (A and B, with the B shares having multiple voting rights) to a single class of shares (class A) with the possibility of increasing the voting rights if certain holding conditions are met, such as 24 months of uninterrupted ownership (see ESG profile for more details). In 2018, the AGM approved the request to move from the AIM to the ordinary trading venue of the Italian Stock Exchange, entering the STAR segment.

***Group structure***

The group structure centres around the listed parent company, which controls:

- 100% of Equita SIM, the securities brokerage company, which offers equity, debt, and certificates brokerage to institutional clients (including some financial institutions with retail flows) and investment banking services. Both activities rely upon the support of the research team.
- 100% of Equita Capital SGR, established in 2019 to create a platform dedicated to the management of liquid and illiquid assets. The assets are managed on behalf of institutional investors and banking networks seeking investment solutions for their retail clients.
- 70% of Equita K Finance, a corporate finance boutique specialised in M&A Advisory, which added the coverage of deals in private companies to integrate the skills of EQUITA with public listed companies.

***Advisory board***

In 2020, EQUITA appointed an advisory board to broaden the range and experience of the professionals that the board of directors could consult when taking strategic decisions. The advisory board is currently made up of representatives with backgrounds encompassing investment banking, energy and infrastructure, and financials.

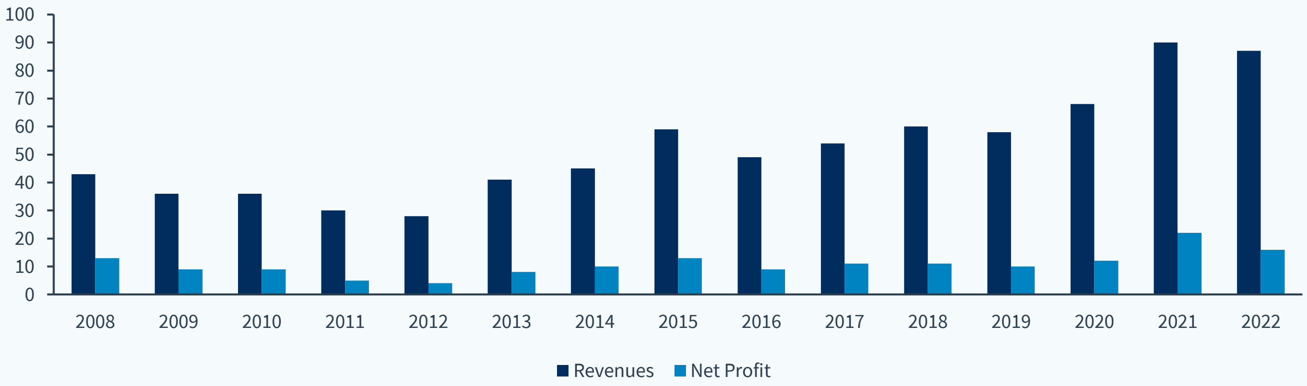
The disclosed members of the advisory board are: Paolo Basilico, founder of Kairos Asset Management; Stefano Mainetti, executive advisor of PoliHub, an incubator of digital startups; Roberta Neri, former CEO of Enav; Thierry Porté, managing director of JC Flowers; Paul Schapira, consultant for family offices; and Fabrizio Viola, former CEO of Popolare Milano, MPS, BPER, and DEPObank (Fabrizio Viola has also signed the shareholders' agreement).

## Business resilience from transformation into EQUITA (2008), shares outperformed since IPO (2017)

***Resilience from the transformation into EQUITA***

In the chart below, we present the revenues and net profit from 2008 (the year after the management buyout). A number of negative events occurred over this period (the great financial crisis, the sovereign debt crisis, Brexit, the pandemic, Russia's invasion of Ukraine). Nonetheless, EQUITA has carried on with its diversification process, increasing revenues and net profit across the cycle.

**Chart 7: EQUITA – revenues and net profit track record (EURm)**




Source: Company data, Kepler Cheuvreux

***Leading position in investing services***

Since 2008, EQUITA has leveraged its leading position in institutional brokerage (number two in Italy in terms of commissions paid and number one in terms of votes received), with leadership in a niche segment (small mid-caps). It has built up a leading ranking in the investment banking competitive landscape (in 2020-22, number two by number of ECM deals, number 11 in corporate DCM deals, and number six in M&A in Italy).

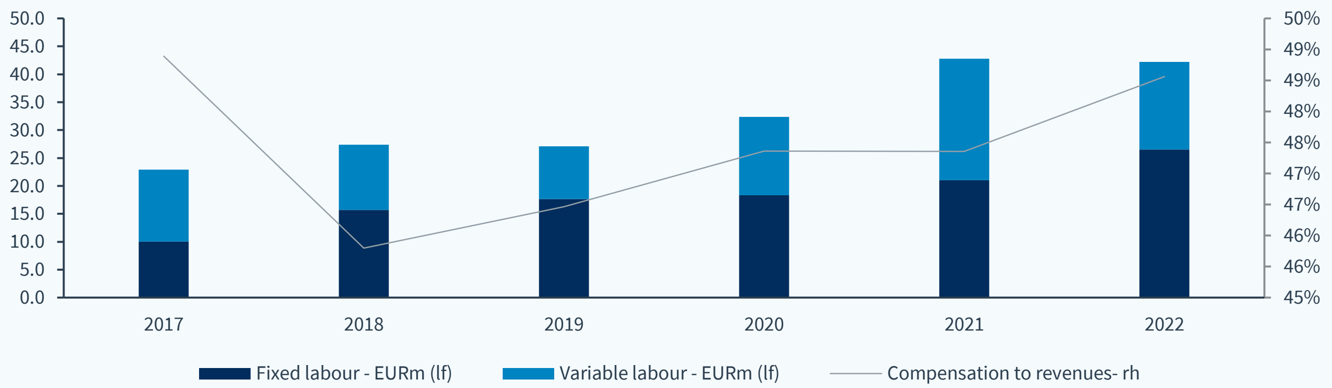
***Business diversification (also with M&A)***

The diversification process (started in 2008) led to an organisational structure with three divisions: Investment Banking (48% of revenues in 2022), Global Markets (43%), and Alternative Asset Management (9%). In 2008, almost 100% of revenues were from Global Markets. The diversification was achieved organically and through two acquisitions: in 2018, a business line was acquired from Nexi (Primary Markets and Market Making Activity) and in 2020 EQUITA acquired a 70% stake in the M&A boutique K Finance. Additionally, EQUITA invested in setting up a fixed income desk in the Global Markets division and in recruiting new teams of professionals in Investment Banking and Alternative Asset Management (private debt).

***Operational flexibility***

Employee compensation represents most of EQUITA's cost base (on average 65% of total costs). EQUITA has begun to communicate a compensation/revenues ratio, a commonly used KPI among investment banks. Management indicated a range between 45% and 50% of revenues, which provides the company with flexibility (through the variable remuneration component).

**Chart 8: EQUITA: fixed and variable compensation and compensation to revenues**




Source: Company data, Kepler Cheuvreux

***Capital-light***

EQUITA's business model does not require any capital expenditure. All the investments made in growing the teams (mostly in Investment Banking and Alternative Asset Management) are accounted for as operating costs. Therefore, the free cash flow generated by EQUITA is represented by net profit (D&A only comes to a couple of million euros per year). Therefore, the cash flow generated is available for shareholder remuneration, for M&A, for organic development (co-investment in Alternative Asset Management) and for top management remuneration.

***Outperformance since the IPO***

The table below shows EQUITA's TSR for each year since the IPO compared to some reference indexes, the FTSE STAR, where EQUITA is included since its uplisting in 2018, and the FTSE Italy Mid Cap, which groups all the listed small mid-caps. EQUITA's outperformance since the IPO (82% vs. 43% for the two indices) has been driven by the distribution of dividends. This has accounted for a large part of EQUITA's total performance (54% of 82%), a much higher level than for the two indices. The dividend distributions since the IPO have been fully covered by the generation of net profit (EUR70m vs. EUR80m of cumulative net profit from 2017).

**Table 2: EQUITA - TSR comparison (as of 14 March 2023)**

| | 2017* | 2018 | 2019 | 2020 | 2021 | 2022 | YTD | Cumulative | Dividends |
|---|---|---|---|---|---|---|---|---|---|
| EQUITA | 4.3% | 14.4% | -5.3% | -8.1% | 65.4% | 4.5% | 5.5% | 88.0% | 55.6% |
| FTSE ITALY MID CAP | -0.5% | -9.4% | 30.0% | 4.3% | 25.7% | -10.4% | 5.2% | 42.6% | 17.0% |
| FTSE STAR | -1.3% | -14.8% | 32.2% | 14.1% | 44.0% | -26.8% | 3.9% | 43.2% | 13.7% |

* From the first day of listing of EQUITA (22 Nov 2017) Source: Bloomberg, Kepler Cheuvreux

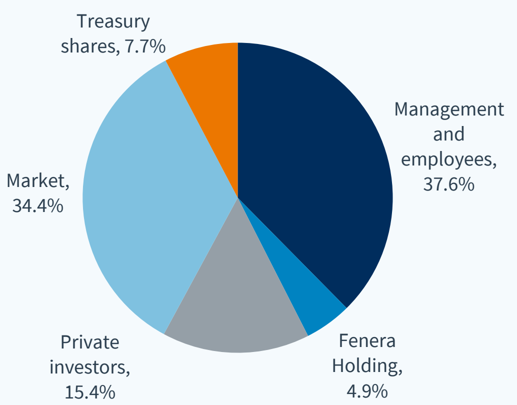
The dividends will remain significant for EQUITA as a listed company. Management has committed to distributing at least EUR50m over 2023-25, relying on net profits and distributable reserves (EUR34m currently).

## A partnership of managers and employees at the helm

*A partnership of managers and employees controls EQUITA*

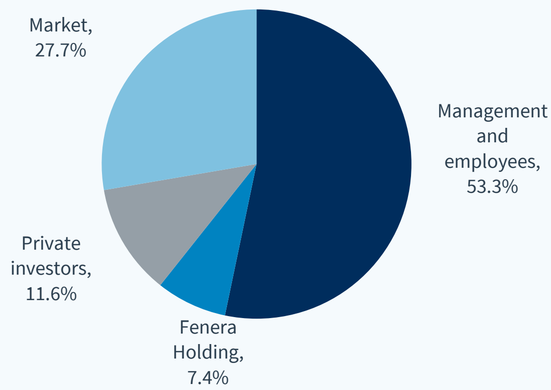
EQUITA's current shareholder base is essentially a partnership between managers and employees. The shareholder structure is composed of: 1) management and employees (70 people), which hold 38% of the capital and 53% of the votes, excluding the treasury shares; 2) Fenera Holding (an investment vehicle chaired by the chairman of Credito Emiliano and grouping representatives from entrepreneurial families from Piedmont and Emilia-Romagna), which holds 5% of the capital and 7% of the votes; and 3) a cluster of private investors (most of them became shareholders in May 2022), with 15% of the capital and 11% of the votes.

**Chart 9: EQUITA – capital shares**




Source: Company data, Kepler Cheuvreux

**Chart 10: EQUITA – voting rights ***




*excluding treasury shares; Source: Company data, Kepler Cheuvreux

*Shareholders' agreement runs until March 2025*

In February 2022, a group of managers signed a shareholder agreement that then came into force in August 2022 and that will last until 31 March 2025 (at that time these shareholders represented 45.5% of the capital and 57.5% of the voting rights). Under the agreement, each participant commits to vote in accordance with the majority regarding the following areas: approval of the annual financial report, appointment of the board of directors, and extraordinary deals pertaining to the annual general meeting.

We note that there have been shareholders' agreements since 2018 and that the one signed in February 2022 is the latest in this series, replacing all the others.

Chart 11: EQUITA – key individuals


Source: Company data, Kepler Cheuvreux

The current participants of this shareholders' agreement are 29 people who, following the entry of new shareholders in May and other changes, hold 32.4% of the capital and 47% of the voting rights. They range from the CEO Andrea Vismara (4% of capital and 5.9% of votes in the shareholders' meeting), to Executive Director Francesco Perilli (former chairman and one of the promoters of the transformation of EQUITA in the 1990s; 4.3% and 6.4%), the CEO of Equita Capital SGR Matteo Ghilotti (3.1% and 4.6%), to Managing Partner of Equita Capital SGR Stefano Lustig (2.3% and 3.5%). Most of them have been with EQUITA for more than 30 years.

Each participant has a lock-up clause that varies according to the participant's age. Those participants younger than 49 years old (at the time of the signing in February 2022) have a lock-up on 60% of the shares held at the time of signing; those aged between 50 and 60 years old have a lock-up on 40% of the shares held at the time of signing; those over 60 years old have no lock-up.

The shareholders' agreement also states that it takes the 67% of the voting rights to amend any of the obligations.

Table 3: EQUITA – shareholders' agreement

| Participants | Shares of EQUITA capital | Percentage of EQUITA voting rights* |
|---|---|---|
| Andrea Vismara, CEO | 4.0% | 5.9% |
| Francesco Perilli, Executive Director | 4.3% | 6.4% |
| Matteo Ghilotti, CEO Equita Capital SGR | 3.1% | 4.6% |
| Stefano Lustig, Managing Partner Equita Capital SGR | 2.3% | 3.5% |
| Fabio Deotto, Vice Chairman | 1.8% | 2.6% |
| Vincenzo Abbagnano, Co-Head Global Markets | 1.0% | 1.5% |
| Cristiano Rho, Co-Head Global Markets | 1.0% | 1.4% |
| Luigi De Bellis, Co-Head Research | 1.0% | 1.5% |
| Domenico Ghilotti, Co-Head Research | 1.0% | 1.5% |
| Marco Clerici, Co-Head Investment Banking | 1.0% | 1.5% |
| Carlo Volpe, Co-Head Investment Banking | 1.0% | 1.5% |
| Others | 10.9% | 12.2% |
| Total | 32.4% | 47.0% |

* Excluding treasury shares Source: Kepler Cheuvreux

***Placement of shares from management***

In May 2022, EQUITA announced a transaction through which a group of private investors (families, entrepreneurs, and institutions close to EQUITA) took a 12% stake. This stake is added to another 3% already held by private investors, explaining the 15% stake reported in Chart 7. Some of the counterparts of the transaction were participants of the agreement. In the table below, we detail the most relevant shareholder agreement participants that sold shares. Both parties (the new investors and the participants in the shareholders' agreement) are subject to a 12-month lock-up period, which will end in May 2023.

**Table 4: EQUITA – shares sold by shareholders' agreement participants in the transaction with new shareholders**

| | Sold shares (m) | Weight of individual stake | Weight of EQUITA CAPITAL |
|---|---|---|---|
| Andrea Vismara, CEO | 1.2 | 37% | 2.3% |
| Francesco Perilli, Executive Director | 3.0 | 53% | 6.0% |
| Matteo Ghilotti, CEO Equita Capital SGR | 0.5 | 24% | 1.0% |
| Stefano Lustig, , Managing Partner Equita Capital SGR | 0.4 | 25% | 0.8% |
| Fabio Deotto, Vice Chairman Equita Sim | 0.8 | 46% | 1.5% |
| Others | 0.3 | 23% | 0.6% |
| Total | 6.1 | 27% | 12.1% |

Source: Kepler Cheuvreux

The table above shows, for instance, that CEO Andrea Vismara sold 37% of his stake, which falls within the range indicated by the shareholders' agreement (40% locked up, given his age). We see also that Francesco Perilli sold 53% of his stake (he has no lock-up, given his age). The shares sold by both Vismara and Perilli accounted for two-thirds of the shares sold in the transaction.

The sale of shares offered by top management to new investors took place at EUR3.6 per share (below today's share price). Top management members remain committed through the stakes they have and through the 2022-25 phantom shares plan that should distribute up to EUR10m in cash over 2025-26 to 15 beneficiaries.

***Incentive plans: alignment of interests between top management and other shareholders***

Since its listing, EQUITA has arranged four incentive plans (stock options, performance shares, phantom shares, and others), some of which are directed towards top management and some towards all company employees, to comply with applicable regulation in Italy.

**Phantom share plan 2022-25:** This is a plan for top management and the divisional heads. It was conceived to align the interests of top managers with those of minority shareholders. It is based on the attainment of TSR from 28 March 2022 (the reference price for the calculation is EUR3.85) to 1 April 2025 (the average of the closing price of the five trading days before 1 April 2025) of:

- At least 40%, which will give the right to 0.8m phantom shares.
- Between 50% and 60%, which will give the right to 1m phantom shares.
- Above 60%, which will give the right to 2m phantom shares.

The calculation of the TSR excludes the portion of the dividends above the yearly net profit in the three-year period 2022-24.

TSR performance is the guiding factor with regard to the awarding of the phantom shares. Once TSR is achieved, the other subordinated factor is the individual performance of the 15 beneficiaries of the plan: any target miss by any of these individuals cuts the number of phantom shares to be awarded to each beneficiary by 50%.

The board of directors has the option to extend the calculation of TSR to 31 December 2025, and may consider that the target has been reached if the TSR at end-2025 is at least 40%.

The phantom shares will be attributed in 2025 or in 2026. The phantom shares are a cash-based reward that is linked to the value of the share. Therefore, there is no dilution of the existing shareholders.

Achievement of a TSR above 60% would not change the maximum phantom share award (2m if the individual targets are also met), but it would change the cash awarded to the beneficiaries. A 60% TSR would imply a EUR5.1 share price in addition to an aggregate DPS payment of EUR1.1, leading to a cash award of EUR10m. For instance, a TSR of 70% would imply a EUR5.5 share price in addition to an aggregate DPS payment of EUR1, leading to a cash award of EUR11m (the table below provides more details).

**Table 5: EQUITA - details of the 2022-25 phantom share plan**

| | Total Shareholder Return (TSR) * | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **40%** | **45%** | **50%** | **55%** | **60%** | **70%** | **80%** | **90%** | **100%** |
| Share price EQUITA (EUR) | 4.3 | 4.5 | 4.7 | 4.9 | 5.1 | 5.5 | 5.9 | 6.2 | 6.6 |
| Phantom shares awarded (m) | 0.8 | 0.8 | 1.0 | 1.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 |
| Cash awarding to beneficiaries (EURm) | 3.4 | 3.6 | 4.7 | 4.9 | 10.2 | 10.9 | 11.7 | 12.5 | 13.2 |

*With dividend payment of EUR1.1 Source: Kepler Cheuvreux

**Plan 2022-24:** This is a plan directed towards all employees (top management included). It may be paid in stock options, phantom shares, and subordinated bonds. Performance versus the established criteria and the attainment of the individual targets must be checked in 2022, 2023, and 2024. The awarding of these incentives occurs during the years 2022, 2023, 2024. The maximum number of shares to be awarded is 2.5m (0.01m the number of subordinated bonds), equal to a maximum 4.6% dilution.

In the past, there were two other remuneration plans, which have since been terminated: 1) the 2019-21 performance shares plan directed towards all employees, including top management. The maximum amount of performance shares and stock options that could be awarded amounted to 3m, spread over a three-year cycle (more details are shown in the table below); and 2) the 2020-22 plan based on stock options and directed towards top management (15 beneficiaries including the CEO, CFO, and the heads and co-heads of the business divisions). The board, consistent with the amendments passed last year, has opted for the cash settlement of the plan at a cost of EUR0.9m, net of taxes.

The table below details the issuance of new shares from the plans of employees and top management. We calculate a partial exercise of the stock-based plans (3.6m out of a maximum 5.5m), which leads to a dilution of 7.0% of the capital at the end of 2028.

**Table 6: EQUITA – stock-based incentive plan (new shares, m)**

| | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **2026** | **2027** | **2028** | **Total award** | **Max. award** |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Plan 2019-21 | 0.0 | 0.2 | 0.4 | 0.3 | 0.7 | 0.7 | 0.0 | 0.0 | 0 | 2.3 | 3.0 |
| Plan 2020-22 (top management) | | | | | | | | | | 0.0 | 1.3 |
| Plan 2022-24 | | | | | 0.1 | 0.1 | 0.4 | 0.3 | 0.3 | 1.4 | 2.5 |
| Phantom plan 2022-25 (top management) | | | | | | | | | | 0.0 | 2.0 |
| Award | 0.0 | 0.2 | 0.4 | 0.3 | 0.8 | 0.8 | 0.5 | 0.3 | 0.3 | 3.6 | 8.8 |
| Capital dilution (T-1) | 0.0% | 0.4% | 0.8% | 0.6% | 1.6% | 1.6% | 0.8% | 0.6% | 0.6% | 7.0% | |

Source: Kepler Cheuvreux

***Limited dilutions from 2020 to 2028***

We have considered the final effect of the 2019-21 plan to emerge at end-2025, given the issuance of 2.3m shares out of a maximum of 3m (some beneficiaries have been rewarded in cash). In fact, the variable package comprises an upfront part (60% of the variable) and a deferred part (40%). The regulator (Bank of Italy) stipulates that at least 50% of the aggregate variable compensation must be paid in financial instruments, of which 100% of the deferred part (which accounts for 40% of the total variable package) and at least 16% of the upfront part (which accounts for 60% of the total variable package).

We have considered no dilution from the 2020-22 plan as described above.

We have considered the final effect of the 2022-24 plan to emerge at end-2028, given the issuance of 1.4m shares out of a maximum of 2.5m, since some beneficiaries may be rewarded in cash. We have considered the awarding in shares of 16% of the upfront part of the variable compensation over 2024-25, and the awarding of 100% of the deferred part of the variable compensation over 2026-28.

# Global Markets (and research): origins

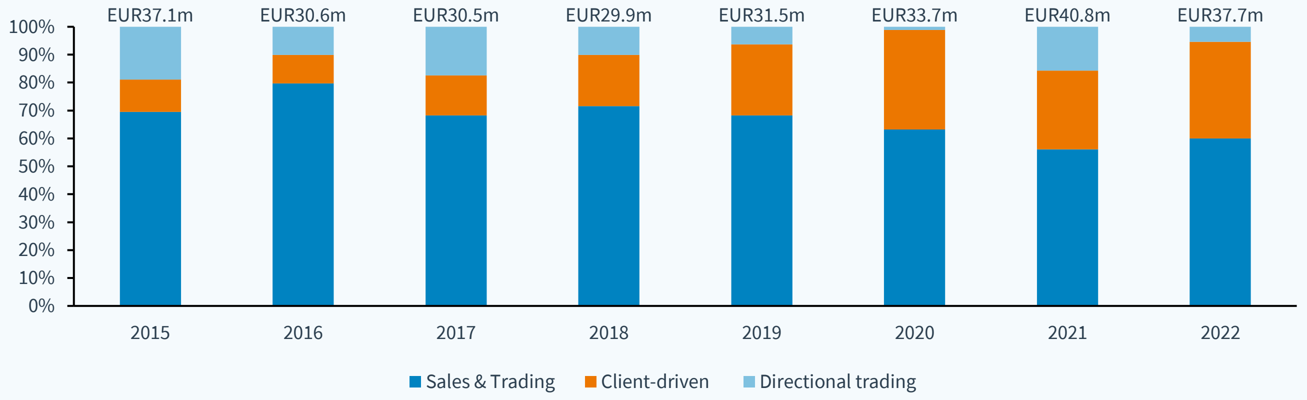
**Global Markets is the company's original division, operating in financial markets. In 2022, it contributed 43% of revenues (vs. a 35-40% target for 2024). Following a number of sweeping changes (the implementation of MiFID II first and foremost) and change of perimeter (the acquisition of Nexi's Primary Markets and Market Making business line), we believe the division should have levelled off, providing stability to group revenues.**

## Three different business lines…

EQUITA's global markets division has three business lines:

- Sales & trading, which is the business line of the historical institutional client brokerage activity. Revenues here are originated from the sales and trading on the equity, fixed income, and derivatives markets and from commission sharing agreements (CSAs).
- Client-driven, which is proprietary trading on behalf of clients, is the activity for specialist and liquidity providers (for listed companies with which EQUITA has contracts for specialist and corporate broking), and the activity of market making in bonds and certificates.
- Directional trading, which is the management of the proprietary trading portfolio (also employing a part of EQUITA's capital), which has an average net (long minus short positions) size of EUR40m.

**Chart 12: EQUITA – revenue split within global markets**




Source: Company data, Kepler Cheuvreux

***Global Markets, divisional management***

The global markets division is managed by two co-heads: Vincenzo Abbagnano (with EQUITA since 2007, he became divisional co-head in 2020), formerly in charge of pan-European sales, and Cristiano Rho (with EQUITA since 1999, he became divisional co-head in 2020), formerly in charge of equity derivatives. Both report to CEO Andrea Vismara and are jointly responsible for: 1) the institutional team of sales and sales traders (>20 people); 2) the sales and sales traders of the retail hub (>5 people); and 3) the traders for the proprietary desk (>10 people between equity, fixed income, and derivatives).

## …leveraging a very experienced team of analysts

***Top-ranked team of research analysts***

The Global Markets activities leverage the expertise of a team of seasoned research analysts. The team of research analysts (15 people) is co-managed by Luigi De Bellis (with EQUITA since 2006, he became co-head in 2018) and by Domenico Ghilotti (with EQUITA since 2000, he became co-head in 2018), who report to the CEO. They cover 160 companies, with its Italian coverage (120) representing 96% of the market cap of the Italian Stock Exchange.

The table below details Institutional Investor's ranking of the research team, the sales and trading desk, and its corporate access (corporate roadshows, conferences, and expert meetings). The rankings for research and corporate access are based on commissions paid (firstly ranked by Extel and then by Institutional Investor).

**Table 7: EQUITA – Institutional Investor, ranking of Research, Sales & Trading, and Corporate Access**

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|
| Research team | 1st | 2nd | 1st | 1st | 2nd | 2nd | 2nd | 2nd |
| Sales & Trading | 1st | 1st | 2nd | 2nd | 2nd | 2nd | 2nd | 2nd |
| Corporate Access | 2nd | 2nd | 3rd | 2nd | 1st | 1st | 2nd | 2nd |

Source: Company data, Kepler Cheuvreux

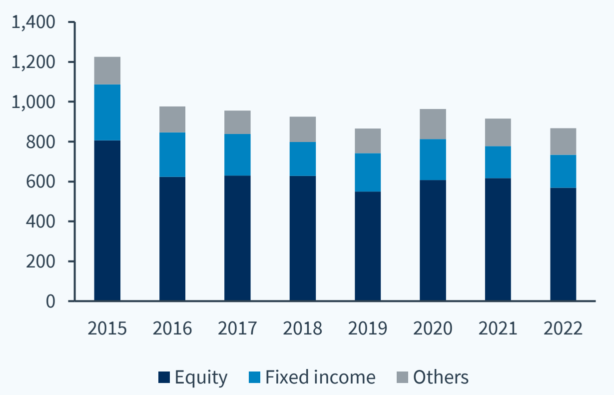
The Italian market, which is the pool of votes that EQUITA can draw upon, is of limited size compared to other markets in Continental Europe (e.g. France, Germany), but we notice that EQUITA has managed to retain a leading position over a longer period. The introduction of MiFID II (effectively from 2018) may have led to some slight slippage, from the first position to the second position in research and in sales & trading (the lack of fully fledged coverage of Continental Europe may have represented a hurdle when negotiating the commission sharing agreements under MiFID II).

When ranked by the number of votes (and not weighted by commissions generated as in the Institutional Investors survey), EQUITA has been the most-voted Italian broker over the last three years. Furthermore, EQUITA has managed to retain its leadership in the SMID segment (ranking by commission paid), where it has been number one since 2019.

## The reference market in global markets

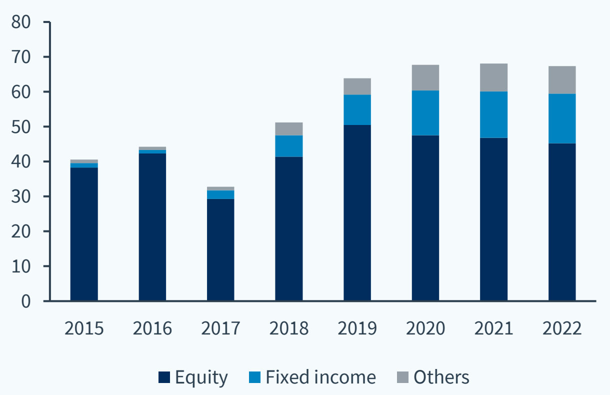
EQUITA's reference market is represented by the turnover reported by the Italian Association of Financial Market Intermediaries (ASSOSIM) in the different asset classes: equities, bonds (government and corporate bonds), and others (ETFs, certificates). We recall that the market turnover reported by ASSOSIM also includes retail brokers, which have relevant market shares particularly in equity (FinecoBank, for example, is the market leader in equity) and where EQUITA does not have a captive business.

**Chart 13: ASSOSIM – turnover EURbn**




Source: ASSOSIM, Kepler Cheuvreux

**Chart 14: EQUITA – turnover EURbn**

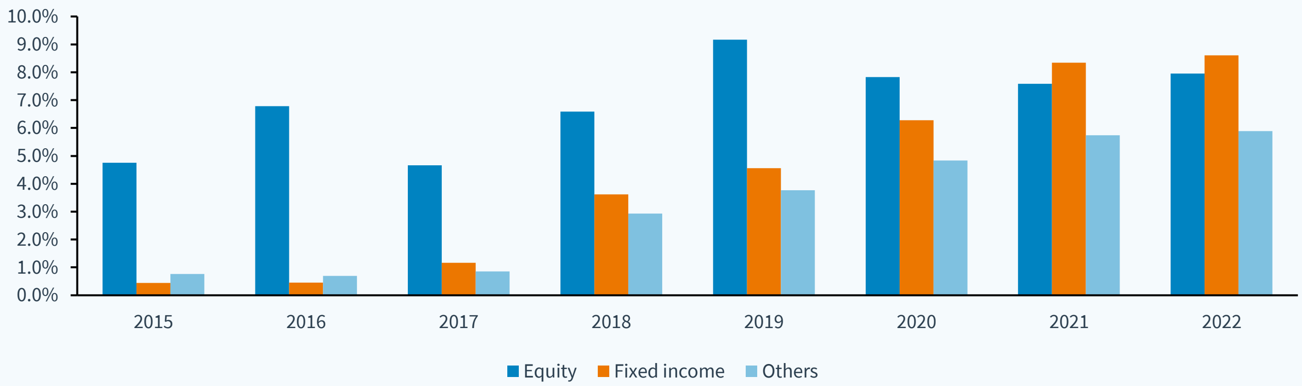



Source: ASSOSIM, Kepler Cheuvreux

***EQUITA's market shares***

In 2022, EQUITA brokered EUR67bn in turnover on behalf of third parties, which represented 7.7% of the turnover reported by ASSOSIM (EUR867bn).  This makes EQUITA the largest broker in Italy when excluding the retail flows.

**Chart 15: EQUITA – market share of turnover – third parties brokered volumes**




Source: ASSOSIM, Kepler Cheuvreux

- In **Equity** (which accounts for 65% of the total industry turnover), EQUITA has a market share of 8.0% (2022), which is the blend between 7.9% of the MTA (the main segment of the Italian Stock Exchange) and 13.4% of the Euronext Milan Growth (which is the alternative segment for small caps of the Italian Stock Exchange).
- In **Fixed Income** (19% of the total industry turnover), it has a market share of 8.6%, which is almost entirely generated from the Domestic MOT, which is the segment of the Italian Stock Exchange in which mostly government bonds are traded.
- In the **Others** segment (16% of the total industry turnover), it has a market share of 6%, which is the blend between more than 7% of the ETFs and more than 4% of the certificates.

The chart above shows an increase in its market shares in the equity and fixed-income segments, which have been driven by M&A and by the diversification of its product offering.

***Acquisition of Nexi's business unit***

In March 2018, EQUITA signed an agreement to purchase Nexi's Brokerage & Primary Market and Market Making business unit. Through this acquisition (a EUR0.9m cash consideration for EUR5m of total revenues), EQUITA acquired 80 retail and institutional banking clients, consolidating its positioning in the equity and bond brokerage market (Brokerage & Primary Market). The Market Making part of the business unit increased its operations in the bond segment.

The contribution from this business unit has been twofold: 1) EQUITA has benefited from the execution of the volumes of equity and fixed-income orders placed by new clients, which are mostly the "popolari banks" (local private banks formerly leveraging on Nexi for the execution of orders); and 2) EQUITA also strengthened its market making activities for bonds and further expanded its brokerage on the fixed income side.

The first activity has been included in the Sales & Trading line, while the second has been included in Client-Driven.

## Revenue and margin trends in the past

***Helpful M&A and diversification…***

In the table below, we outline the YOY trend (between 2016 and 2022) of the turnover reported by ASSOSIM and of revenues for the sales & trading and client-driven business lines. Over this period, the average is -4.4% for the overall industry turnover and +4.6% for EQUITA's two business lines. This gap is explained by: 1) the acquisition of Nexi's business unit, whose contribution we estimate has increased the average YOY trend (over 2016-22) from 0.6% to 4.6%; and 2) the investment made by EQUITA to enlarge its fixed-income desk, which it can take advantage of when spreads on the corporate bond market either widen or narrow.

**Table 8: EQUITA – ASSOSIM's turnover and revenue figures (YOY trend) for the company's Sales & Trading and Client-Driven business lines**

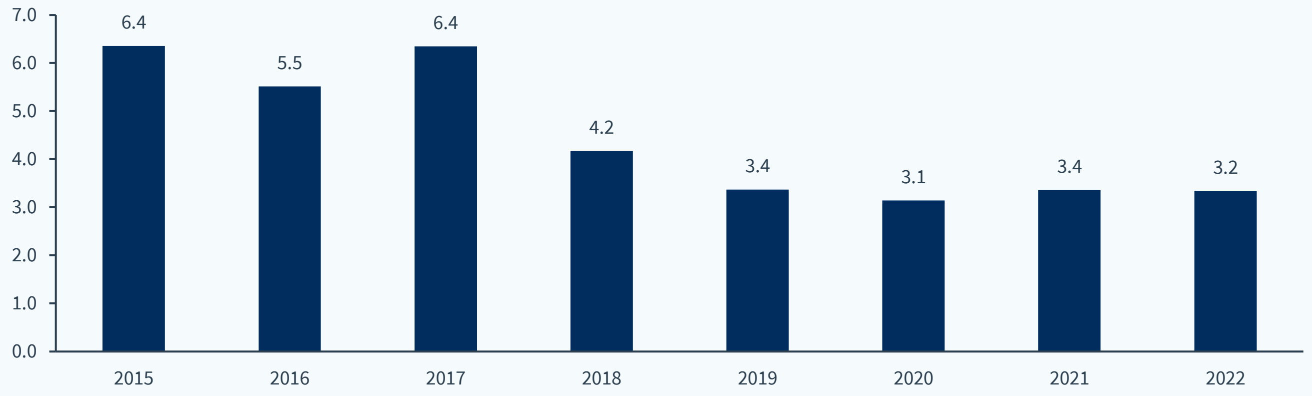
| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Avg. 2016-22 |
|---|---|---|---|---|---|---|---|---|
| Turnover ASSOSIM | -20.2% | -2.2% | -3.2% | -6.5% | 11.3% | -4.9% | -5.3% | -4.3% |
| Revenues Sales & Trading and Client-Driven | -8.0% | -4.9% | 7.3% | 12.8% | 17.3% | 3.5% | 3.5% | 4.7% |

Source: ASSOSIM, Kepler Cheuvreux

*...given the margin erosion*

Looking at the recurring business, we identify some margin erosion in the brokered volumes due to the mix effect and to the effect of MiFID II. We calculate a blended margin (the ratio between revenues in Sales & Trading and brokered volumes in the different asset classes) that declined from >6bps (0.06%) to >3bps (0.03%). Barring the mix effect, we would underscore that most of the drop occurred over 2017 and 2018, when MiFID II was implemented. We would also highlight that the margin levelled off (at a trough level) from 2019, leaving limited room for possible further erosion.

**Chart 16: EQUITA – margin (bps) on the brokered volumes**




Source: Kepler Cheuvreux

*High volatility in directional trading*

A final comment on the directional trading line, which is the return that EQUITA's trading desk gets from the proprietary portfolio by also investing part of its capital. This portfolio has an average net size of EUR40m, combining long and short positions, and is financed partly by EQUITA capital (EUR5m) and mostly by leverage. This is the most volatile part of the division, and the part that is most subject to the ups and downs of the financial market. Despite the fact that the business line has only a marginal weight, its revenue performance displays huge volatility, and has ranged from less than EUR1m to EUR7m.

# Investment Banking: diversification already achieved

**EQUITA's Investment Banking is the division in which the company has recently invested the most in terms of recruitment of new professional with senior profiles. Today, the division has more than 55 professionals (including 15 from the acquisition of the majority stake of K Finance) compared to just three in 2007. Its 2022 revenues represented 48% of group revenues versus a target of 40-45% for 2024.**

## EQUITA in Investment Banking

***Moving towards new services and teams***

The investment banking division started to generate revenues from 2007 after the management buyout from Credito Emiliano. It started as a single-line service business in 2007 with only the equity capital market (ECM), while other investment banking services have subsequently been added (M&A and corporate broking, debt advisory, and debt covered by sector streams (financial institutions, small caps, utilities/infrastructure).

**Table 9: EQUITA – increase of Investment Banking services and teams**

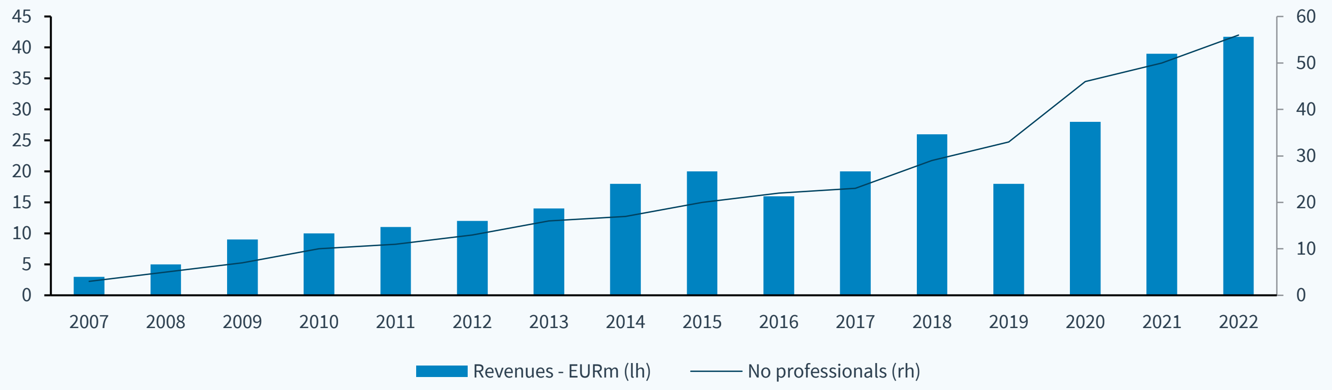
| | ECM | M&A and Corp. Broking | Financial Institutions | Debt advisory | DCM | Financial Sponsors | Small Caps | Utilities/In-frastruct. | K Finance | Struct. Finance | Consumer | Indust. |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2007 | x | | | | | | | | | | | |
| 2008 | x | x | | | | | | | | | | |
| 2009 | x | x | | | | | | | | | | |
| 2010 | x | x | x | | | | | | | | | |
| 2011 | x | x | x | | | | | | | | | |
| 2012 | x | x | x | x | | | | | | | | |
| 2013 | x | x | x | x | x | | | | | | | |
| 2014 | x | x | x | x | x | | | | | | | |
| 2015 | x | x | x | x | x | | | | | | | |
| 2016 | x | x | x | x | x | | | | | | | |
| 2017 | x | x | x | x | x | x | | | | | | |
| 2018 | x | x | x | x | x | x | x | | | | | |
| 2019 | x | x | x | x | x | x | x | x | | | | |
| 2020 | x | x | x | x | x | x | x | x | x | | | |
| 2021 | x | x | x | x | x | x | x | x | x | x | | |
| 2022 | x | x | x | x | x | x | x | x | x | x | x | x |

Source: Company data, Kepler Cheuvreux

In the beginning, this activity was originated and developed thanks to the track record of equity brokerage, with deals including IPOs, M&A (mostly involving listed companies), and corporate brokerage (contracts of sponsored research). The path towards expansion led the company to include brand-new services (including corporate bonds issuance), barring those where the committed liquidity of the investment bank is required (e.g. placement of new government bonds, capital increase arranging). Today, the division offers a totally independent advisory service (there are no investment banks or financial institutions with a significant stake in the share capital, and the company offers no lending).

The expansion of EQUITA's breadth of services has gone hand in hand with the increase of its revenues and of the number of professionals working for the division.

**Chart 17: EQUITA – investment banking revenues and professionals**




Source: Company data, Kepler Cheuvreux

***Investment Banking, divisional management***

The investment banking division is split into three main areas:

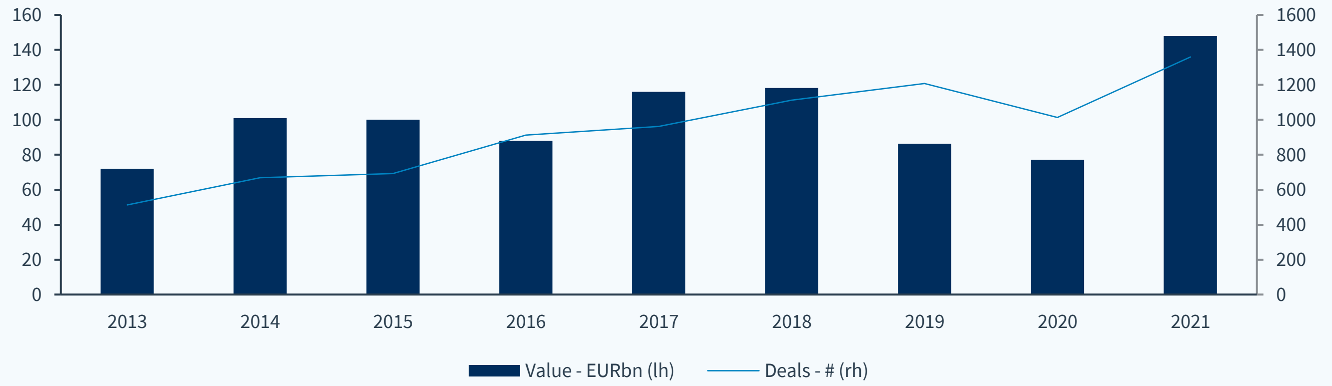
- Global financing, which comprises equity capital market (ECM); debt capital market (DCM); debt advisory and restructuring; and corporate broking (sponsored research, buyback mandates). Marco Clerici, who is the head of this area and is also co-head of the investment banking division, joined EQUITA in 2012 after 20 years spent in Schroders, Citi, Credit Agricole CIB, Banca Aletti, and Eidos Partners.
- Advisory, which can rely on teams dedicated to M&A in different verticals (industrials, financial institutions groups, consumer, infrastructure, and utilities). The head of the area is Carlo Andrea Volpe, who is also the co-head of the division. He joined EQUITA in 2008 after more than ten years at companies such as EY Corporate Finance, Schroders Corporate Finance, and Citi Corporate & Investment Banking.
- Mid-Market M&A, which follows the acquisition of Equita K Finance and offers M&A advisory to mid-sized corporates and entrepreneurs. The area is headed by two co-CEOs (Giuseppe Renato Grasso and Filippo Guiccardi, co-founders of Equita K Finance) that report to the CEO of EQUITA.

## The reference market

***Large dispersion of value and number of deals***

The reference market is composed of ECM, DCM, and M&A deals in Italy. The business can be lumpy, since it depends on market conditions (macro, cost of funding) and the size of the deals (mega deals, medium-sized deals, small deals). From the data collected from different info providers (Dealogic, KPMG), the yearly value of the deals ranged from EUR70bn to EUR150bn over 2013-21, with the number of deals varying from 500 to almost 1,400 per year.

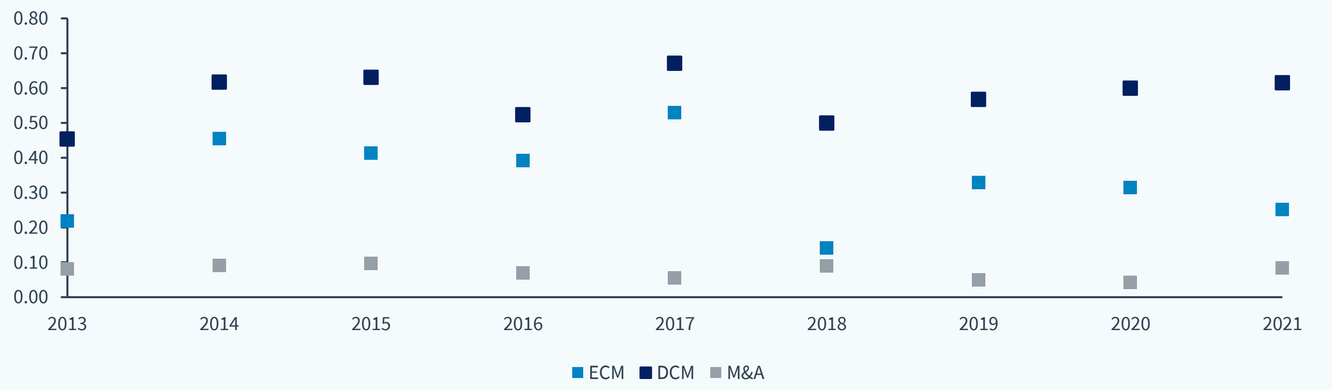
**Chart 18: Italian investment banking market (value and deals)**




Source: Dealogic, KPMG, Kepler Cheuvreux

The largest tickets are in DCM, with an average of EUR0.6bn per deal, and they tend to be stable over the year. In ECM, the average ticket ranged between EUR0.2bn and EUR0.5bn, largely influenced by the type of deal (IPO, rights issue, placement through accelerated book-building). The listing on the Euronext Growth Milan (which is for small companies) is excluded from this calculation and has a smaller size (EUR20-50m). Finally, in M&A, there are many deals with an average ticket that stays below EUR0.1bn.

**Chart 19: Italian investment banking market – average ticket per deal (EURbn)**




Source: Dealogic, KPMG, Kepler Cheuvreux

***EQUITA's competitors***

The main players in this industry in Italy vary according to the different segments:

- In **ECM**, in addition to EQUITA, there are Intesa Sanpaolo, UniCredit, Mediobanca, and Banca Akros, while for the listing on the Euronext Growth Milan, there are the "Nomads" (the advisors for the listing on this segment) like Alantra, Banca Mediolanum, Illimity, CFO SIM, and Integrae SIM. Note that the competitors that are commercial banks (i.e. Intesa Sanpaolo, UniCredit, and Banca Akros) originate deals in ECM also from the corporates to which they lend.
- In **DCM**, the reference segment is that of corporate high yield and non-rated bonds. Government bonds are excluded since investment banks must also do the underwriting (EQUITA does not do this). There are the global houses like HSBC, J.P. Morgan, Goldman Sachs, Morgan Stanley, and BNP Paribas, while among the domestic house there are Intesa Sanpaolo, UniCredit, Mediobanca, and Banca Akros.
- In **M&A**, there are advisory and transaction service companies like Lazard, Rothschild & Co, Deloitte, PwC; EY, Vitale & Associati, and again Intesa Sanpaolo, UniCredit, and Mediobanca.

***EQUITA's track record***

In 2020-22, EQUITA was ranked number two in the Italian market in terms of number of cash equity deals, number eleven in terms of issuance of corporate high yield and non-rated bonds, and number six in term of value of M&A deals (source: Company data).

The collection of thumbnails displayed below is testimony to the breadth of the deals that EQUITA has recently been involved in (companies listed include both deals closed and deals still open).

**Chart 20: EQUITA – selected recent deals**


Source: Company data, Kepler Cheuvreux

## Latest developments: building for the future

The pillars for the next two years (2024 is the final year of the industrial plan) are to: 1) strengthen the team by hiring senior professionals; 2) set up partnerships in different regions of Italy; and 3) drive diversification into new services.

***Recruitment of senior professionals***

In the past few years, EQUITA has increased the number of investment banking professionals on its team and has also hired senior professionals such as those listed below.

**Table 10: EQUITA – senior professionals recruited in investment banking**

| Year | Senior professionals signed |
|---|---|
| 2020 | Andrea Ferrari – ECM |
| 2020 | Giuseppe Renato Grasso and Filippo Guicciardi – Team K Finance |
| 2021 | Alessandro Raiola – Structured Finance and DCM |
| 2022 | Barbara Ronconi – Consumer |
| 2022 | Alessandro Fustinoni – FIG |
| 2022 | Edoardo Schiavina – Industrial |

Source: Company data, Kepler Cheuvreux

Investment banking is a people-driven business, perhaps more so than many others, since the valued-added lies in the origination of deals, which in turn depends on the experience and track record of the professionals involved. The largest risk is the loss of key figures, who are often poached by competitors.

EQUITA has shown its ability to weather such events, like in 2020, when one of the co-heads of the division at that time left the firm to become a partner at Vitale & Associati (a well-known Italian advisory boutique for M&A). Despite this loss, EQUITA's investment banking division has managed to grow in terms of number of deals and commissions generated (Chart 16).

***Acquisition of K Finance***

In July 2020, EQUITA signed an agreement to buy 70% of corporate finance boutique K Finance (15 professionals, including external advisors, and 10 deals completed on average per year) from the two founding partners, Giuseppe Renato Grasso and Filippo Guicciardi. They have been appointed as co-CEOs and have received EQUITA shares as part of the price for the acquisition. They are also in the shareholders' agreement signed by other EQUITA managers that discipline voting rights and lock-up commitments.

***Expansion in deals with non-listed companies***

The rationale behind the deal was to reach complementary targets in terms of clients, deal size, and sectors covered, since K Finance's track record was based on private clients and small- to medium-sized deals (the largest tickets in investment banking are those from DCM and ECM) and on the industrial sector. Instead, EQUITA was mostly focused on listed companies, with large deals in financials, energy, and telecoms.

**Table 11: EQUITA – complementary activities with K Finance**

| | EQUITA | K Finance |
|---|---|---|
| Clients | Listed | Private |
| Deal size | Mid-large | Small-mid |
| Sectors | Energy/Utilities/FIG/TMT | Industrials |

Source: Company data, Kepler Cheuvreux

The two parties agreed to value 70% of K Finance at EUR7m, split between EUR6.5m paid in cash at the closing (mixing cash and treasury shares) and EUR0.5m as earn-out based on 2020-21 net profit. The remaining 30% is subject to a put/call option (to be exercised four years after the closing, hence from July 2024) based on an undisclosed multiple of the average future earnings and still payable, mixing cash and EQUITA shares. The two founding partners remain minority shareholders of the remaining 30% of K Finance and have been appointed as co-heads of the acquired company and report directly to the CEO of EQUITA.

***The transaction valued K Finance at 7x P/E***

In the three years before the deal, K Finance managed to generate annual revenues of EUR5-6m coming from approximately ten deals per year, which brings the average ticket per deal to EUR0.5-0.6m. The average net profit over the same period was EUR1.5m.

The deal valued 100% of K Finance at EUR10m, which implies a P/E of c. 7x. This can be compared with Mediobanca's 2019 acquisition of 66% of Messier Maris & Associés (a corporate finance boutique set up in Paris at the end of 2010 by senior bankers Jean-Marie Messier and Erik Maris that employed 40 people and generated c. EUR50m in fees and EUR15m in earnings). At that time, Mediobanca valued 100% of the target at 10x P/E.

***The best comparison is with Mediobanca***

We consider Mediobanca to be the best listed comparable for EQUITA in Italy, as it is present in all segments of the investment banking industry (ECM, DCM, M&A). The two biggest differences are Mediobanca's size and longer track record and its presence in consumer and corporate lending activities, where EQUITA is not present. Below we provide a comparison of revenues and the two companies' respective front-office professionals (from 2019).

We have adjusted Mediobanca's corporate investment banking (CIB) fees to take into account the calendar effect (Mediobanca's fiscal year closes at the end of June; hence what we report as 2022 results comes from summing up the fees of Q1 and Q2 of financial year 2022-23 and those of Q3 and Q4 of financial year 2021-22) and the perimeter (we have excluded the lending and specialty finance fees from the CIB fees).

Mediobanca's CIB revenue also includes the deals closed abroad (Spain and mainly France).

**Table 12: Mediobanca and EQUITA – comparison, investment banking**

| | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| **Mediobanca (CIB)** | | | | |
| Revenues (EURm) | 266 | 254 | 238 | 201 |
| Front office professionals | 250 | 302 | 300 | 320 |
| Revenues per professional (EURm) | 1.1 | 0.8 | 0.8 | 0.6 |
| | | | | |
| **EQUITA (investment banking)** | | | | |
| Revenues (EURm) | 18 | 28 | 39 | 41 |
| Front office professionals | 33 | 51 | 53 | 55 |
| Revenues per professional (EURm) | 0.6 | 0.5 | 0.7 | 0.8 |

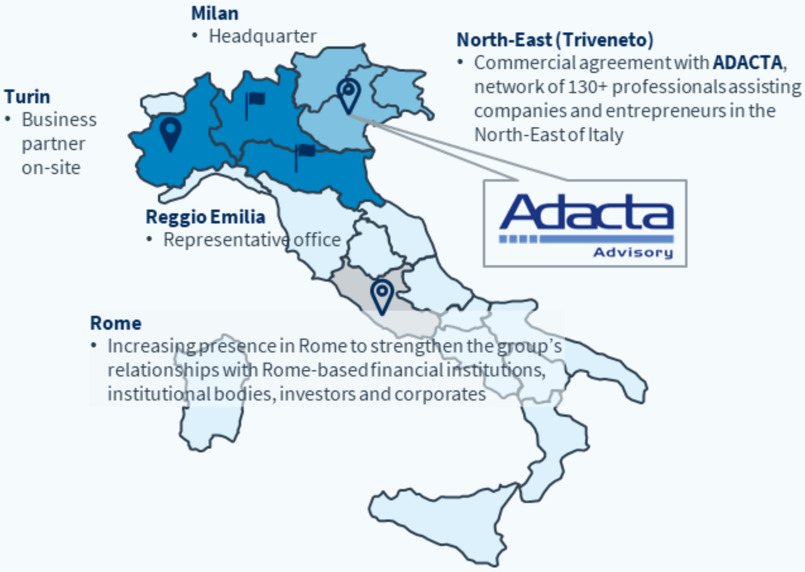
Source: Kepler Cheuvreux

We see that over the past four years the strong increase in the number of front-office professionals at EQUITA has helped to raise the revenue/professional ratio, matching that of Mediobanca, although Mediobanca's fees remain larger (c. 5x) because of the higher number of professionals (c. 5-6x more).

*Partnership*

In July 2022, EQUITA signed a partnership with Adacta, a consulting company active in tax, legal, and advisory services, to develop corporate finance, capital markets, and financial advisory activities in northeast Italy. The partnership is aimed at increasing the origination capabilities for deals outside of the field of listed companies based in northwest Italy.

**Chart 21: EQUITA – expanding the reach of its investment banking in Italy**




Source: Company data, Kepler Cheuvreux

# Alternative Asset Management: the changes ahead

**Alternative Asset Management is the division that management believes should grow the most over the next two years (from 9% of group revenue in 2022 to a targeted 15-20% in 2024), although starting from a low base. Management plans to increase the AUM in alternative markets by launching a third private debt fund (whose size should outweigh that of the second fund), and by developing a new asset class.**

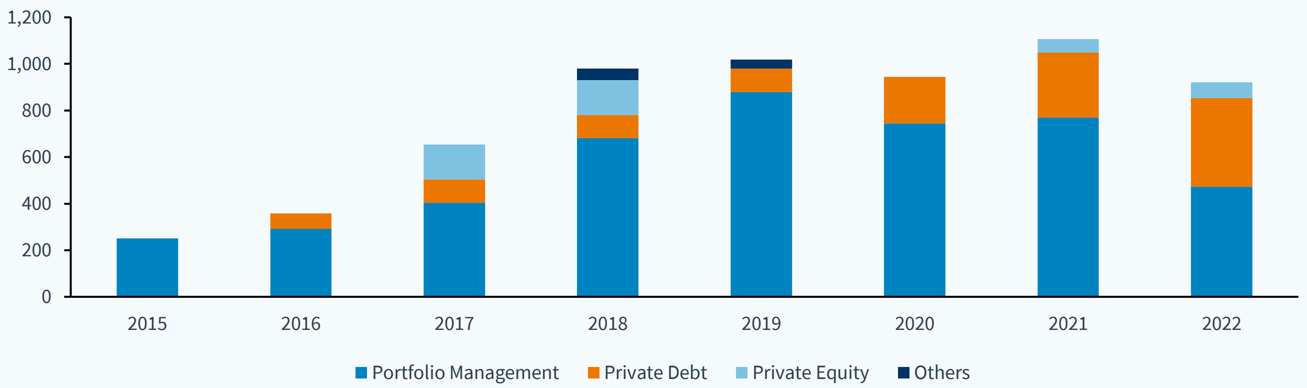
## An independent asset management company in public markets…

The alternative asset management business division relies on Equita Capital SGR (fully owned by EQUITA Group), which was set up in 2019, creating a platform for traditional public market investments and brand-new alternative products.

***Independent legal entity***

The business division is incorporated into a legal entity called EQUITA Capital SGR (authorised and regulated by the Bank of Italy), which is fully owned by EQUITA but has its own board of directors. The team is currently made up of 15 professionals and is led by Matteo Ghilotti (at EQUITA since 1991 and former head of equity research), who is also the CEO of EQUITA SGR. Other relevant managers are: Paolo Pendenza (head of private debt and co-head of alternative asset management), Stefano Lustig (former head of research, former co-head of Alternative Asset Management and now managing partner of EQUITA Capital SGR), and Rossano Rufini (managing partner of the private equity).

**Chart 22: EQUITA – asset management division AUM - (EURm)**




Source: Company data, Kepler Cheuvreux

***Avoiding any overlap with other asset management companies***

Since 2003, EQUITA has run portfolio management business hat now manages three discretionary portfolios and two flexible mutual funds on behalf of Euromobiliare. These assets on the public markets are a legacy of the past. In fact, in asset management in public markets, EQUITA must carefully avoid presenting itself and being perceived as a competitor of the traditional asset management companies (mostly Italian) that are clients of its global markets division.

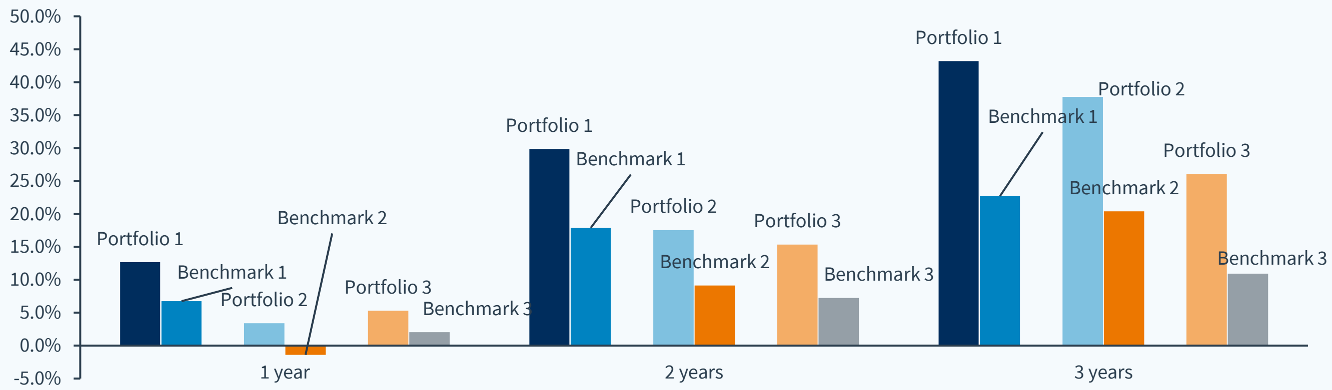
The AUM of the discretionary portfolios and of the two funds take into account the market performance and the outflows. We calculate a blended average fee margin for EQUITA (after the fee sharing with the distributors) of 0.5-0.6%.

***Discretionary mandates…***

The three discretionary portfolios are: Italy Top Selection, Top Selection Mid Small, and Top Selection Opportunity. The first two have a stock benchmark, while the third has a balanced benchmark. They have AUM of EUR250m at end-2022.

The chart below shows the performance (source: Company data) of the three discretionary portfolios compared to their benchmarks. All of them have posted a positive performance, also beating their benchmarks.

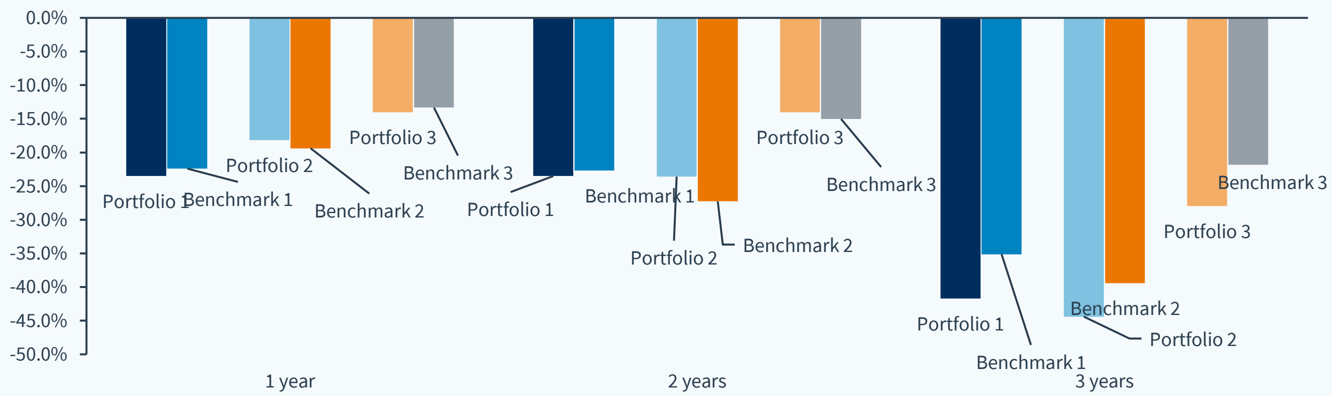
**Chart 23: Discretionary portfolios: performance vs. benchmarks***




* until February 2023; Source: Company data, Kepler Cheuvreux

The drawdown (the gap between the maximum value and the minimum value over a given period) is similar to the benchmarks over a one-year period and a two-year period, while it is larger over a three-year period.

**Chart 24: Discretionary portfolios: drawdown vs. benchmarks***



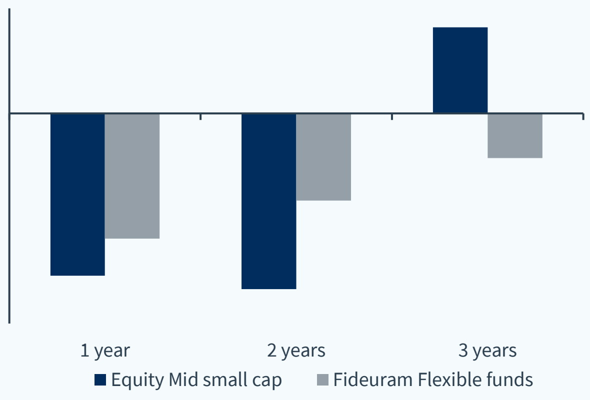

* until February 2023; Source: Company data, Kepler Cheuvreux

***...and mutual funds***

The two mutual funds are Euromobiliare Equity Mid Small Cap and Euromobiliare Equity Selected Dividend. They are target date funds (that become closed-end funds after the end of the fundraising period) that were set up in 2018 and 2019. They have EUR290m of AUM at end-2022.

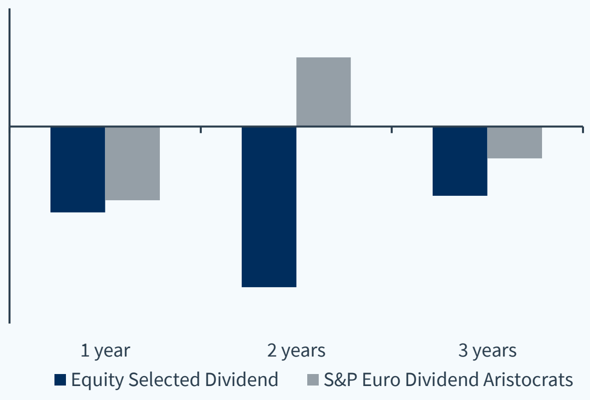
- Euromobiliare Equity Mid Small Cap (which has a Morningstar Sustainability Rating of 4 and a set duration of seven years, until December 2025) can invest up to 100% in euro-based equity. It is a flexible fund, with a value-at-risk (VAR) limit of -10%). Its current net exposure is 50% equity and 30% fixed income, which implies a VAR of around -8%.
- Euromobiliare Equity Selected Dividend (which has a Morningstar Sustainability Rating of 4 and a set duration of several years, until June 2026) can invest up to 100% into euro-based equity or euro-based fixed income. It is a flexible fund, with a VAR limit of -10% and the target to build a portfolio with a dividend yield around 4% to pay an annual coupon of 3%. Its current net exposure is 60% equity, 15% fixed income, and 25% liquidity, which implies a VAR of around -8.5%.

**Chart 25: Equity Mid Small Cap vs. Fideuram flexible funds – performance***




* until 24 March 2023; Source: Bloomberg, Kepler Cheuvreux

**Chart 26: Equity Selected Dividend vs. S&P Euro Dividend Aristocrats – performance***



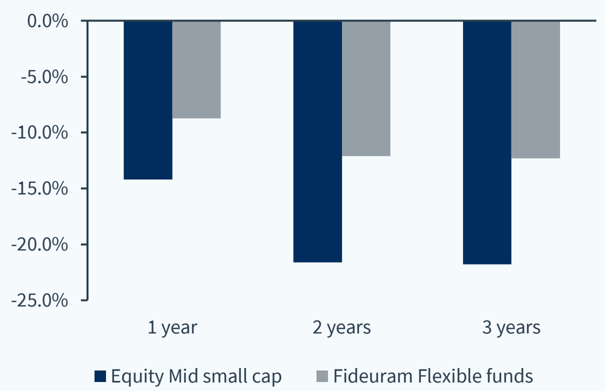

* until 24 March 2023; Source: Bloomberg, Kepler Cheuvreux

In the chart above, we show the performance (total performance with the dividend for the Equity Selected Dividend) of the two funds compared to two indexes we have selected. We underscore that the Key Information documents of the Equity Mid Small Cap and Equity Selected Dividend exclude any benchmark (given the flexible nature of the fund) and indicate only a VAR limit.

We have compared the performances of the mutual funds with: the Fideuram Flexible index (the reference for the flexible mutual funds distributed in Italy) and the S&P Euro Dividend Aristocrats (an ETF that tracks the S&P Euro High Yield Dividend Aristocrats index, which includes the eurozone companies whose dividends have risen in the last ten consecutive years).

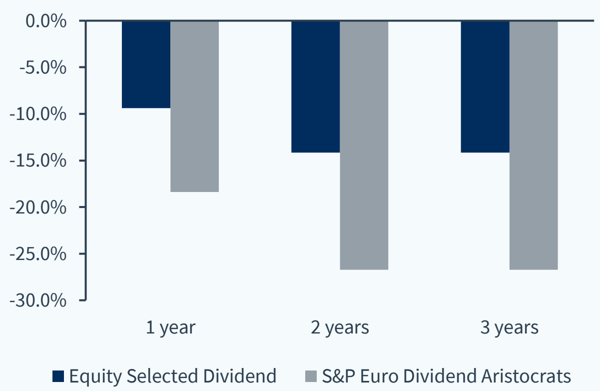
The negative performance over the last year has even dented the long-term performance, mostly due to allocation. The two funds have a defensive nature, in particular the Equity Selected Dividend. The drawdown (which is the gap between the maximum value and the minimum value over a given period) was lower than for the Fideuram Flexible index and the S&P Euro Dividend Aristocrats index over the three-year period.

**Chart 27: Equity Mid Small Cap vs. Fideuram flexible fund – drawdown***




* until 24 March 2023; Source: Bloomberg, Kepler Cheuvreux

**Chart 28: Equity Selected Dividend vs. S&P Euro Dividend Aristocrats – drawdown***




* until 24 March 2023; Source: Bloomberg, Kepler Cheuvreux

***Mutual funds: limited performance and limited volatility***

The Euromobiliare Equity Mid Small Cap and Euromobiliare Selected Dividends funds may earn performance fees equal to 15% of the overperformance (of the funds) versus the FTSE Eurozone BOT +2.5% (provided that the underperformance of the previous five years is recovered). Performance fees were generous (EUR3.7/1.8/5m) over 2019-21, while they were zero in 2022. Given the level of the 1Y Italian BOT at 3% (plus a 2.5% spread) and the underperformance in 2022 (-10%), the funds would need to post a 15% performance (compared to end-2022) to earn any performance fees.

## ...and in private markets

*Two private debt funds with EUR337m of committed capital*

EQUITA currently manages two private debt funds:

- **EPD** is a closed-end Luxembourgish fund launched in 2016 that raised EUR100m of capital. It has completed the investment process (11 deals) and has already started the divestment period (three exits completed). It has invested side by side with private equity operators offering senior debt, subordinated debt with six to seven years of maturity, and bullet repayments.
- **EPD II** is a closed-end Italian fund launched in 2019 that raised EUR237m. Its investment philosophy is consistent with that of the EDP I, and it can also invest abroad (in the DACH area – Germany, Austria, and Switzerland). It has already carried out eight investments.
- **EDP III** will be the third private debt fund to stat the capital raising in 2023 given that the marketing activity has already started.

In 2021, the private debt team (five professionals out of 15 for the whole asset management company) received the Private Debt Award 2020-2021 AIFI-Deloitte in the Leverage Buy-out category (for the Passione Unghie and Crippa deals). The team managing the fund was nominated among the finalists of the 2022 PDI Awards as Best GP in the “Lower Mid Market Lender” category for Europe.

The AUM of these two private debt funds are represented by the committed capital (EUR337m in aggregate) and do not include any sort of mark to market. We calculate a management fee of 1%.

*The Italian reference market for private debt*

The private debt market (direct financing, distressed debt like single name, and UTP portfolios and indirect investments) is still a niche segment among alternative investments in Italy. Fundraising reached EUR3.8bn over 2015-21 (representing c. 16% of fundraising attracted by private equity and venture capital over the same period) and the AUM exceeded EUR2bn at end-2021. Collection channels include funds of funds, followed by banks, pension funds, and insurance companies.

**Table 13: Italian private debt market**

| EURm | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|---|---|---|---|---|---|---|
| Fundraising | 383 | 611 | 340 | 506 | 386 | 551 | 987 |
| Investments | 276 | 576 | 622 | 1016 | 1,304 | 1,153 | 2,214 |
| Divestments | 0 | -54 | -102 | -209 | -324 | -403 | 350 |

Source: AIFI, Kepler Cheuvreux

*One ELTIF with EUR61m of capital*

In June 2021, EQUITA launched its first ELTIF fund (Equita Smart Capital ELTIF), investing as a private equity operator in small/mid cap companies. Fundraising amounted to EUR61m at end-2022 and should be completed in 2023. These funds are distributed to institutional investors directly by EQUITA and to retail and institutional investors by the networks of Cordusio SIM (UniCredit Group), Banca del Piemonte and Ceresio SIM (and others from 2023). The investment process has already started, with two deals closed in 2022.

The AUM will be reported at committed capital (no mark to market) with a net margin (net of what was paid to distributors) of 1-1.2%.

*Fiscal incentives for ELTIFs in Italy*

The European Long-term Incentive Plan (ELTIF) is a closed-end European mutual fund with a target date (ten years). It is aimed at channelling new resources toward small and mid-cap enterprises and allowing retail investors to invest in these asset classes (which were previously exclusively geared toward institutional investors). Over the investment period, the ELTIF must invest at least 70% of the AUM in long-term securities (bonds, equities) issued by companies that can be either private or listed, but with a market cap below EUR0.5bn.

Italy is at the forefront of the ELTIF market, with EUR1.8bn of AUM (end-2021) out of a total of EUR7.5bn in Europe. This high percentage can be explained by tax incentives, as the Alternative PIR plan (Piani Individuali Risparmio) has been proposed in the form of an ELTIF. The Alternative PIR provides a tax credit (amounting to 26% of the capital gain) on a maximum of EUR1.5m (EUR0.3 per year) if held for at least five years. This tax credit is subject to the ELTIF investing at least 70% of the AUM in private companies or listed securities (equity, bonds) issued by companies with a stable organisation in Italy and not included in the FTSE MIB or FTSE Mid Cap lists (hence Euronext Milan Growth and Star).

***Negative outcome with SPAC for external events***

EQUITA's venture into the private equity investment space started in 2017, when it set up a Special Purpose Acquisition Vehicle (SPAC) called EPS that raised EUR150m. A SPAC is a kind of "blank check", an empty vehicle in which fundraising from external investors is conveyed. Later a business combination between the SPAC and an investment target is proposed, resulting in a listing of the SPAC, bringing fresh new money to the target. EQUITA's EPS SPAC proposed a business combination with ICF, a company that manufactures adhesives and high-tech fabrics for the footwear, automotive accessories, and packaging sectors. Around half of the capital raised was used for this business combination, while the other half was returned to the shareholders of the SPAC.

**Table 14: EQUITA – AUM and margin in public and private markets**

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|
| Average AUM (EURbn) | 0.7 | 1.0 | 1.1 | 0.9 | 1.0 | 1.0 |
| o/w Investing portfolio (EURbn) | 0.4 | 0.7 | 0.8 | 0.8 | 0.8 | 0.6 |
| o/w alternative investment (EURbn) | 0.3 | 0.3** | 0.3 | 0.1 | 0.3 | 0.4 |
| | | | | | | |
| Blended recurring margin | 0.5% | 0.4% | 0.5% | 0.6% | 0.6% | 0.8% |
| Blended total margin (with performance fees) | 0.3% | 0.4% | 0.8% | 0.7% | 1.1% | 0.8% |

*Including the SPAC and third-party Blueglen fund; Source: Company data, Kepler Cheuvreux

# Two industrial plans since listing, targets point to 2024

**Since the company's listing in 2017, EQUITA's management has presented two industrial plans. The first one (unveiled in 2019, spanning the 2020-22 period) was completed, as the targets were exceeded one year ahead of schedule in 2021. This was mostly thanks to the success of its Investment Banking division (not only due to the change in perimeter). Meanwhile, the second and current industrial plan, which was unveiled in 2022, is set to expire in 2024. This plan is largely based on growth in its alternative asset management and investment banking businesses, with a target of contributing EUR110m to group revenues (EUR90m in 2021) and distributing EUR50m of dividends (over 2023-25).**

## The 2020-22 industrial plan

EQUITA presented its first industrial plan as a listed company in November 2019, covering the 2020-22 period. The main KPIs included:

- Net revenue growth from EUR55m in 2019 to EUR75m in 2022, excluding the performance fees.
- A cost-income ratio down from 78% in 2019 to 73% in 2022, driven by an optimisation of IT, governance, and marketing expenses, with a compensation ratio (variable and fixed labour costs) ranging between 45% and 50%.
- A net profit margin up from 15% in 2019 to 20% in 2022.
- ROTE of at least 20% and a dividend payout of 90% in 2022.

It included expectations for revenue growth (an 11% CAGR over 2019-22) to be driven by:

- A moderate expansion of its Global Markets, relying on subdued volatility (which is negative for the brokerage business), and of its fixed income desk. EQUITA targets these two businesses combined to account for 40-45% total revenues in 2022.
- Strong growth in Investment Banking, relying on a widening of verticals (new teams, new coverage) and on increasing the number of deals with private companies. It targets this business to account for 40-45% of total revenues in 2022.
- Significant growth in Alternative Asset Management, relying on new launches in alternative markets (new private debt funds, new ELTIFs) adding EUR1bn to the AUM (1x the AUM level in private markets at end-2019). It targets this business to account for 10-15% of total revenues in 2022.

Moreover, EQUITA left room for upside from performance fees stemming from its public market investments (portfolio investing), thanks to the two funds managed on behalf of Euromobiliare.

At the end of the first plan, EQUITA managed to beat all its KPIs, with 17% higher revenues, a 2.4pp better cost-income ratio, 8% higher net profit, 4pps of higher ROTE, and an 18% higher dividend payout.

**Table 15: EQUITA 2019-22 industrial plan – actual vs. targets**

| | | Plan | Actual | | Delta vs. Plan |
|---|---|---|---|---|---|
| | 2019 | 2022 | 2021 | 2022 | |
| Revenues | 58 | 75 | 90 | 87 | +15.9% |
| Cost/Income ratio | 76% | 73% | 67.2% | 70.6% | -2.499 |
| Net profit | 10 | 15 | 21.5 | 16.2 | +8.0% |
| ROTE | 14.6% | 20% | 33% | 22% | +1.7pp |
| Dividend payout | | 90% | | 108% | |

Source: Company data, Kepler Cheuvreux

We estimate that the acquisition of K Finance (consolidated from July 2020) may have contributed EUR7m of revenues in 2022, mainly explaining the beat versus company targets. However, we note a higher contribution in 2022 than at the time of the consolidation (EUR5-6m).

Moreover, it has also posted a higher-than-expected ROTE, even considering the effects of the acquisition. Finally, we note that 2022 cannot be a peak year, as the company did not post any performance fees in its asset management business: alternative asset management revenues are at the lower end of the range due to market effects on public markets (investing portfolio), which dropped by 10% in 2022 versus 2021.

In the table below, we translate the targets of the three business divisions, and we compare them with the final results achieved.

**Table 16: EQUITA 2019-22 industrial plan – actual vs. targets for divisional revenues**

| EURm | 2019 | Plan 2022 | Actual 2022 | Delta |
|---|---|---|---|---|
| Global Markets | 32 | 30-34 | 38 | ++above the high end of the range |
| Investment Banking | 18 | 30-34 | 41 | ++above the high end of the range |
| Alternative Asset Management | 5 | 8-11 | 8 | = (low end of the range) |

Source: Company data, Kepler Cheuvreux

## The 2022-24 industrial plan

EQUITA presented its second plan in April 2022, covering the 2022-24 period. The main KPIs disclosed were as follows:

- Net revenues of more than EUR110m in 2024, potentially also non-organic.
- A 2024 cost-income ratio in line with the 67% posted in 2021, and at least below 70%.
- Net profit of over EUR25m in 2024, excluding non-recurring items.
- Cumulated dividend distribution of EUR50m over 2022-24, representing more than 90% of the cumulated dividend payout (28% of aggregate yield).

***Business diversification***

The attainment of EUR110m of revenues will come organically and possibly through new partnerships and acquisitions (acquisitions could even include the recruitment of a team in Investment Banking and Alternative Asset Management). Management is looking at diversification to shore up its financial results, mostly increasing the weight of Alternative Asset Management.

***Cost flexibility***

The main costs will continue to comprise personnel and IT investments, trading fees, as well as governance and marketing expenses. EQUITA plans to invest in its IT platform and marketing activities to improve the group's product offering and brand awareness. Management foresees operating leverage. The compensation/revenue ratio (the ratio between the labour costs, variable component included, and revenues), ranging between 45% and 50%, provides some flexibility. The company targets total costs in 2024 to be in line with the 67% posted in 2021 and at least below 70%.

***Capital allocation: M&A, co-investing, remuneration***

EQUITA has EUR34m to finance M&A, investments in new products, and extra remuneration to shareholders on top of what will come from the generation of net profit. During the time horizon of the industrial plan, management will look at: acquisitions like those done in the past (business branch of Nexi and K Finance); co-investing in Alternative Asset Management (today c. 2% of total AUM); and financing shareholders' remuneration (dividends and buybacks) when not covered by net profit.

***Shareholding structure***

Management (which is also the controlling shareholder) has been receptive to opening the capital to new shareholders that can bring business to EQUITA and generate deals. Indeed, after the presentation of the plan, 12% of the capital, which was held by key individuals at EQUITA, was placed with a group of private investors (families, entrepreneurs).

***Global Markets and Research***

Management aims it consolidate the company's leading position in the third-party brokerage of equities and retain its strong position in retail flows from institutional clients ("popolari" banks). It plans to improve the company's positioning in other securities like fixed income, derivatives, and ETFs, and to add new business like certificates.

Finally, it plans to increase its penetration of international clients. The priority in terms of research will be to expand its coverage of Italian mid-small caps, foreign listed companies, and fixed income issuers, with the company hiring new analysts and experts. The research notes will gradually be integrated with ESG analyses.

***Investment Banking***

The team plans to grow its role in Italian independent M&A advisory, integrating EQUITA and EQUITA K Finance. Over the course of the plan, the division will scale up its senior team and will set up new partnerships across Italy.

***Alternative Asset Management***

The plan assumes the launch of a new asset class in 2024. EQUITA will remain focused on collaborations with banking groups to co-develop products for their clients' networks, while engaging institutional investors on new alternative assets. The traditional asset management opportunities are not part of the strategy.

The company expects the following factors to drive revenue growth:

- Retaining its leading position in equity brokerage and increasing its market share in fixed income and ETFs. The weight of this division should drop from 43% of total revenues in 2022 to 35-40% by the end of the period.
- Improving its M&A ranking by hiring new senior professionals and setting up partnerships. A simplification of the listing procedure on the Italian Stock Exchange could accelerate the contribution from ECM, bringing large ticket deals. The weight of this division should fall from 48% of total revenues in 2022 to 40-45% by the end of the period.
- Launching its third private debt fund and a new asset class in 2024. The weight of this division should rise from 9% in 2022 to at 15-20% of total revenues by the end of the plan. In 2024, we believe EQUITA may reap the benefits of the first-ever carried interest from the EDP I fund launched in 2017, after starting to divest it in 2022.

**Table 17: EQUITA 2022-24 industrial plan**

| EURm | 2021 | 2024 |
|---|---|---|
| Revenues | 90 | 110 |
| o/w Global Markets | 41 | 39-44 |
| o/w Investment Banking | 39 | 44-50 |
| o/w Alternative Asset Management | 11 (EUR5m of perf. fees) | 16-22 |
| Cost/Income | 67% | <70% and >=67% |
| Net profit | 21 | >25 |
| Aggregate dividends (to be paid in 2023-25) | | 50 |
| Aggregate yield* | | 25.3% |

*based on EUR3.9 share price; Source: Kepler Cheuvreux

# Deconstructing the forecasts

**We estimate revenues of EUR100m for 2024E, below the EUR110m indicated in the 2022-24 industrial plan. The biggest deviation comes from the Alternative Asset Management (EUR14m including performance fees vs. the EUR16-22m targeted in the industrial plan), where we infer average AUM of EUR1.6-2.2bn in 2024 (based on management's targets) compared to our EUR1.4bn estimate. Despite lower revenues and lower net profit (EUR22m vs. >EUR25m), we stick to the company's guidance of at least EUR50m in dividend distribution over 2023-25E (we have EUR52m). This dividend distribution could also rely on distributable reserves (EUR34m currently).**

**Table 18: EQUITA – P&L estimates**

| EURm | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|---|---|---|---|---|---|---|
| **Revenues** | **58** | **68** | **90** | **87** | **89** | **100** | **101** |
| o/w market-driven | 6 | 2 | 11 | 2 | 3 | 5 | 3 |
| Labour costs | -27 | -32 | -43 | -42 | -43 | -47 | -48 |
| G&A | -16 | -16 | -16 | -17 | -18 | -19 | -20 |
| D&A | -2 | -2 | -2 | -2 | -2 | -2 | -2 |
| *Cost/income ratio* | *75.8%* | *73.4%* | *67.2%* | *70.6%* | *70.1%* | *68.2%* | *68.6%* |
| Pre-tax | 14 | 18 | 29 | 25 | 27 | 32 | 27 |
| Taxes | -4 | -5 | -7 | -7 | -8 | -9 | -8 |
| Minorities | 0 | -1 | -1 | -2 | -1 | -1 | -1 |
| Net profit | 10 | 12 | 22 | 15 | 18 | 22 | 19 |
| **Net profit adjusted** | **10** | **12** | **22** | **16** | **18** | **22** | **22** |
| **DPS (EUR)** | 0.19 | 0.20 | 0.35 | 0.35 | 0.35 | 0.39 | 0.41 |

Source: Kepler Cheuvreux

### We expect revenues of EUR100m in 2024E

We expect revenues to reach EUR100m in 2024E, which is still below the EUR110m management targets in its industrial plan. Below we present the details by division.

**Table 19: EQUITA – revenues estimates**

| EURm | 2022 | 2023E | 2024E | 2025E |
|---|---|---|---|---|
| Global Markets | 38 | 38 | 39 | 39 |
| Investment Banking | 41 | 42 | 47 | 49 |
| Alternative Asset Management | 8 | 9 | 14 | 13 |
| **Total** | **87** | **89** | **100** | **101** |
| o/w market-driven* | 3 | 3 | 5 | 3 |

*Directional Trading and performance fees; Source: Company data, Kepler Cheuvreux

***Global Markets***

Our estimates for stable Global Markets revenue versus 2022 levels are based on an unchanged blended margin on the turnover (0.03%) and on flattish turnover on average over 2023-25, reaching EUR69bn in 2025E.

We believe the margin may have hit a trough from 2019 (after the introduction of MiFID II), while the mix (between equity, fixed income, and ETFs) seems to be stabilising, considering EQUITA's current market shares.

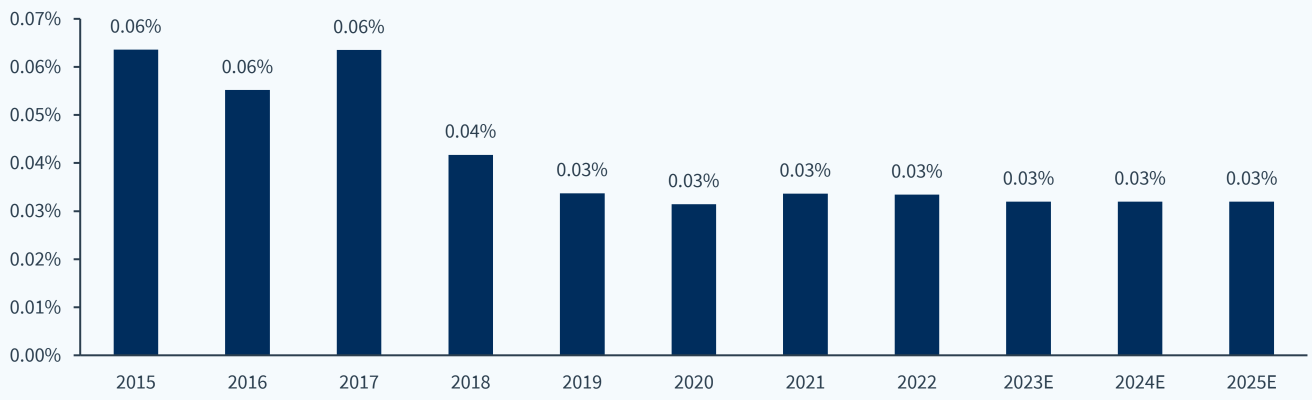
**Table 20: EQUITA – turnover, global markets division (EURbn)**

| | 2015 | 2022 | CAGR |
|---|---|---|---|
| Equity | 38.3 | 45.3 | 2.4% |
| Others | 2.3 | 22.0 | 38.1% |
| Total | 40.6 | 67.3 | 7.5% |

Source: Kepler Cheuvreux

Over the years, EQUITA has managed to grow its total turnover (from EUR41bn in 2015 to EUR67bn in 2022), thanks to the addition of fixed income and other categories, while its equity turnover has increased by 2% a year on average. Therefore, we believe that a flattish trend on average is consistent with the trend seen in past years.

**Chart 29: EQUITA – margin on turnover, global markets division**




Source: Company data, Kepler Cheuvreux

We replicate the trend for the sales & trading business line (which includes the institutional brokerage for equity, the CSA) as well as for its client-driven business, which encompasses its proprietary portfolio on behalf of clients and of specialists, and market-making for fixed income and other asset classes. Finally, directional trading is its most volatile and market-dependent business because this reflects the returns on its proprietary investment portfolio. In the past years, returns have ranged between EUR1m and EUR7m. We set our estimate at EUR3m per year.

**Table 21: EQUITA – global markets business lines, revenues**

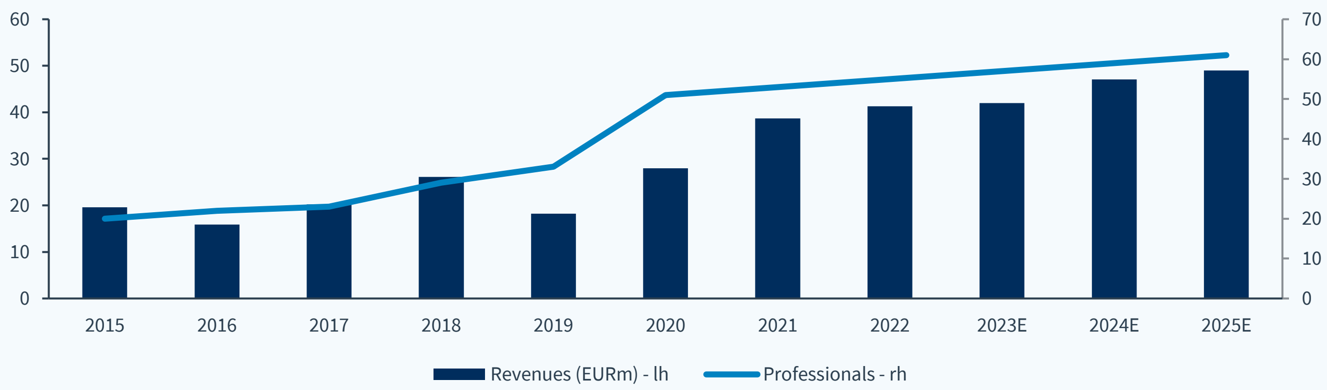
| EURm | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Sales & Trading | 25.8 | 24.4 | 20.8 | 21.4 | 21.5 | 21.3 | 22.9 | 21.7 | 21.8 | 21.8 | 22.0 |
| Client-Driven | 4.3 | 3.1 | 4.4 | 5.5 | 8.0 | 12.0 | 11.5 | 13.5 | 13.5 | 13.7 | 13.8 |
| Directional Trading | 7.0 | 3.1 | 5.3 | 3.0 | 2.0 | 0.4 | 6.4 | 2.5 | 3.0 | 3.0 | 3.0 |

Source: Company, Kepler Cheuvreux

***Investment Banking***

Growth in Investing Banking revenues has gone hand in hand with recruiting bankers, largely with senior profiles. The only setback since 2015 took place in 2019, with a shortfall of deals in ECM, and partly in 2020 (when adjusted for the perimeter effect of K Finance).

**Chart 30: EQUITA – revenue fees and professionals in Investment Banking**




Source: Kepler Cheuvreux

We believe the toppish contribution to revenues in 2022 (EUR41m) stems from large deals involving EQUITA K Finance in H1 2022.

***Weak ECM market in Italy in 2022***

The weak spot in 2022 was the ECM, given the reduction in the number of the IPOs and capital increases on Euronext Milan (from 29 in 2021 to 13 in 2022). Moreover, the value of such deals also tumbled from EUR7.3bn to EUR5.7bn. Capital increases were the only silver lining (chiefly thanks to that of Saipem).

The value of deals stemming solely from IPOs came in at just EUR0.6bn. There were only three new IPOs on the market (excluding the spin-off of Iveco and the uplisting of Net insurance and Revo from Euronext Growth Milan) with a limited size: EUR31m for Civitanavi System, EUR33m for General Finance, and EUR474m for De Nora. EQUITA was not involved in any of these deals. Meanwhile, the value of IPOs on the Euronext Growth Milan levelled off YOY in 2022 (EUR967m vs. EUR966m), but with a single deal (Technoprobe) accounting for 75% of the total. EQUITA was not involved in this deal either.

***Drivers for growing revenues in Investment Banking***

Our estimates for Investment Banking revenue growth (5% average growth per year) are based on the increase in the number of professionals and a recovery in both the number and value of IPOs. We believe our assumption is justified by the following:

- The increase in interest rates should imply less firepower for private equity investors that have closed deals in Italy at higher multiples than those on the public market. In the table below, we show the median EV/EBITDA for private equity deals in Italy and the median EV/EBITDA for those stocks trading on the FTSE Star and FTSE Mid Cap (the indexes for high-quality small/mid cap names on the Italian Stock Exchange).

  Consistently with the reduction in interest rates, we would underline that the multiples paid for private equity deals have surpassed those seen on listed markets. This may have led to a decline in IPOs at the expense of private transactions. However, we believe the increase in interest rates may lead to a partial reversal of this trend.

**Table 22: Multiples for private equity deals versus public markets**

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|---|---|---|
| EV/EBITDA deals P/E | 7.7x | 7.9x | 9.2x | 10.1x | 9.1x | 9.9x | 10.3x | 9.5x |
| EV/EBITDA Italian Stock Exchange | 8.1x | 7.7x | 8.9x | 9.3x | 8.1x | 8.5x | 9.4x | 7.7x |

Source: Private Equity Monitor, Kepler Cheuvreux

- The bonus IPO, which is a tax credit for 50% of the listing costs (or a maximum of EUR0.5m, increased from EUR0.2m in 2022 and back to previous years' levels), and the simplification of listing procedures introduced by the Italian Stock Exchange in 2022 (reduction of filings requested at the time of the listing, such as a three-year industrial plan, comparison between corporate governance of issuers and legislative recommendations, etc.).
- CONSOB streamlining the authorisation process (by the end of 2022) and allowing Offering Circulars to be published in English only.
- The EU Commission's proposal of the Listing Act, which aims at both levelling the playing field for Offering Circulars and streamlining the capital increase process for listed companies.
- The Italian government's proposal (through a draft law called the Libro Verde) to improve (among others) the listing process in Italy by facilitating and simplifying procedures for companies, in addition to facilitating and promoting investor access to regulated markets (i.e. allowing the "Casse Previdenziali" to take part in IPOs as institutional investors) .This draft was based on proposals and suggestions from a public consultation in May 2022.

***Alternative Asset Management***

We expect recurring fees to grow from EUR8m in 2022 to EUR13m in 2025, while in terms of performance fees we include EUR1.5m of carried interest from the divestment of EDP I.

**Table 23: EQUITA – Alternative asset management revenues**

| EURm | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|---|---|---|---|---|---|---|
| Recurring fees | 8.6 | 6.8 | 11.0 | 7.9 | 8.9 | 14.2 | 13.3 |
| Performance fees | 4.9 | 5.0 | 6.0 | 7.9 | 8.9 | 12.7 | 13.3 |
| Total | 3.7 | 1.8 | 5.0 | 0.0 | 0.0 | 1.5 | 0.0 |

Source: Company data, Kepler Cheuvreux

We base our expected growth in recurring fees on: 1) the increase in AUM in the alternative markets with EQUITA's third private debt fund – EDP III (we estimate EUR350m of fundraising), which exceeds the reimbursement of EDP I (EUR100m) – and due to the launch of a new asset class (we estimate EUR100m of fundraising); and 2) the increase in margin due to the growing weight of alternative markets with higher fees (1/1.2% vs. 0.5/0.6%) than those of public markets. Public market AUMs can only change due to market effects (we estimate +5% in 2023E and 0% over 2024-25E) and outflows (we estimate zero). Meanwhile, private market AUMs remain at committed capital.

**Table 24: EQUITA – Alternative Asset Management**

| EURm | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|---|---|---|---|---|---|---|
| Average AUM | 1,056 | 915 | 1,033 | 1,018 | 1,052 | 1,339 | 1,389 |
| Investment Portfolio (end-year) | 880 | 744 | 770 | 472 | 486 | 486 | 486 |
| Alternative markets (end-year) | 139 | 200 | 336 | 449 | 589 | 853 | 903 |
| | | | | | | | |
| Margin | 0.46% | 0.55% | 0.58% | 0.78% | 0.84% | 0.95% | 0.96% |

Source: Company data, Kepler Cheuvreux

**Table 25: EQUITA – net fund-raising of alternative markets**

| EURm | 2022 | 2023E | 2024E | 2025E |
|---|---|---|---|---|
| EPD I | -34 | -30 | -36 | 0 |
| EPD II | 137 | 0 | 0 | -50 |
| EPD III | 0 | 100 | 200 | 50 |
| ELTIF | 10 | 20 | 0 | 0 |
| New asset class | 0 | 50 | 100 | 50 |
| Total | 113 | 90 | 164 | 0 |

Source: Company data, Kepler Cheuvreux

Asset management performance fees should come from:

- The Euromobiliare Equity Mid Small Cap and Euromobiliare Selected Dividends funds, where performance fees are equal to 15% of the overperformance (of the funds) versus the FTSE Eurozone BOT +2.5% (provided that the underperformance of the previous five years is recovered). Over 2019-21, performance fees were generous (EUR3.7/1.8/5m), while they we zero in 2022. The level of the 1Y Italian BOT at 3% (plus a 2.5% spread) and the underperformance in 2022 (-10%) mean the funds will need to post a 15% performance (compared to end-2022) to earn any performance fees.
- The private debt and ELTIF funds, although only EDP I could earn carried interest in the medium term. We calculate EUR1m in 2024E from a cash-on-cash multiple of 1.3x (10% IRR), above the 7% hurdle rate, and a 10% margin on the IRR (if above said hurdle rate).

### Operating costs

The evolution of costs at EQUITA is linked to:

- A compensation revenue ratio (fixed and variable components included), with a guidance range of between 45% and 50% of total revenues. We note that this does not include the top management remuneration plan (paid in cash), but rather this is only included in the reported net profit. We estimate an increase in the average number of employees from 185 in 2022 to 200 over 2024-25E, mostly in alternative asset management (we expect it to start recruiting a new asset class team) and investment banking (along with an increase in staffing functions linked to these new recruits).
- G&A (made up of IT, trading fees, marketing, and governance), where we estimate a low-single-digit increase YOY. The increase in 2022 (from EUR16m to EUR17m) is linked to the appreciation of the US dollar versus the euro for information provider costs (i.e. Bloomberg licences) billed in dollars. Excluding the trading fees (EUR3m out of EUR17m), we do not see any direct link to the revenues. Therefore, we expect a positive effect from the operating leverage here.

**Table 26: EQUITA – breakdown of costs**

| EURm | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|---|---|---|---|---|---|---|
| Labour costs | 27.1 | 32.3 | 42.8 | 42.2 | 42.8 | 47.5 | 47.8 |
| -Fixed | 17.6 | 18.3 | 21.0 | 25.4 | | | |
| -Variable | 9.5 | 14.0 | 21.8 | 16.6 | | | |
| *Compensation revenues ratio* | *46.5%* | *47.4%* | *47.4%* | *48.6%* | *48.0%* | *47.5%* | *47.2%* |
| | | | | | | | |
| G&A | 15.5 | 16.1 | 16.3 | 17.4 | 18.0 | 19.0 | 20.0 |
| D&A | 1.6 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 | 1.7 |
| | | | | | | | |
| *Cost/Income ratio* | *75.8%* | *73.4%* | *67.2%* | *70.5%* | *70.1%* | *68.2%* | *68.6%* |

Source: Company data, Kepler Cheuvreux

### Dividends and capital

The company's dividend guidance is clear: management made a commitment to pay at least 90% of its adjusted net profit (which excludes the cash component of the 2020-22 remuneration plan and the cost of the phantom shares in the 2022-25 plan) over 2023-25 (based on earnings over 2022-24). In any case, the company has guided for a cumulated dividend of at least EUR50m (to be paid over 2023-25). This commitment also relies on a buffer of distributable reserves equal to EUR34m currently.

**Table 27: EQUITA – dividends**

| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023E | 2024E | 2025E |
|---|---|---|---|---|---|---|---|---|---|
| DPS (EUR) | 0.22 | 0.22 | 0.19 | 0.20 | 0.35 | 0.35 | 0.35 | 0.39 | 0.41 |
| Dividends (EURm) | 10.0 | 10.0 | 8.6 | 9.2 | 16.2 | 16.5 | 16.7 | 18.9 | 20.0 |
| Payout | 90% | 91% | 91% | 75% | 75% | 108% | 90% | 85% | 90% |

Source: Kepler Cheuvreux

Since the IPO in 2017, EQUITA has paid EUR54m in dividends, and we expect a further EUR52m over 2023-25E, in line with the company's targets.

Moreover, we expect an increase in shareholders' equity from EUR104m in 2022 to EUR114m in 2025E (from 0.2x of total assets to 0.3x), considering the net profit retention and increase in the capital (from 50.9m total shares at end-2022 to 53m at end -2025) due to the issuance of new shares from the 2019-21 and 2022-24 remuneration plans, which are open to all the employees.

### Our estimates and 2022-24 industrial plan targets

**Table 28: EQUITA – 2022-24 industrial plan and KECH estimates**

| EURm | 2024 industrial plan | 2024 KECH estimates |
|---|---|---|
| Revenues | 110 | 100 |
| o/w Global Markets | 39-44 | 39 |
| o/w Investment Banking | 44-50 | 47 |
| o/w Alternative Asset Management | 16-22 | 14 |
| Cost/Income | <70% and >=67% | 68% |
| Net profit | >25 | 22 |
| Aggregate dividends (to be paid in 2023-25) | At least 50 | 52 |
| Aggregate yield* | At least 27% | 29% |

*based on EUR3.82 share price; Source: Kepler Cheuvreux

# Valuation and target price

**We initiate coverage on EQUITA with a Buy rating and TP of EUR4.6. Our target price is derived using two methods: a dividend discount model (COE of 12.5% and g of 2%) and a sum-of-the-parts model applying the P/E 2023-24E of peers to our net profit estimates for the Global Markets, Investment Banking, and Alternative Asset Management divisions. Both valuation methods include part of EQUITA's excess capital and the cash costs of the top management remuneration plan.**

## Dividend discounted model (DDM)

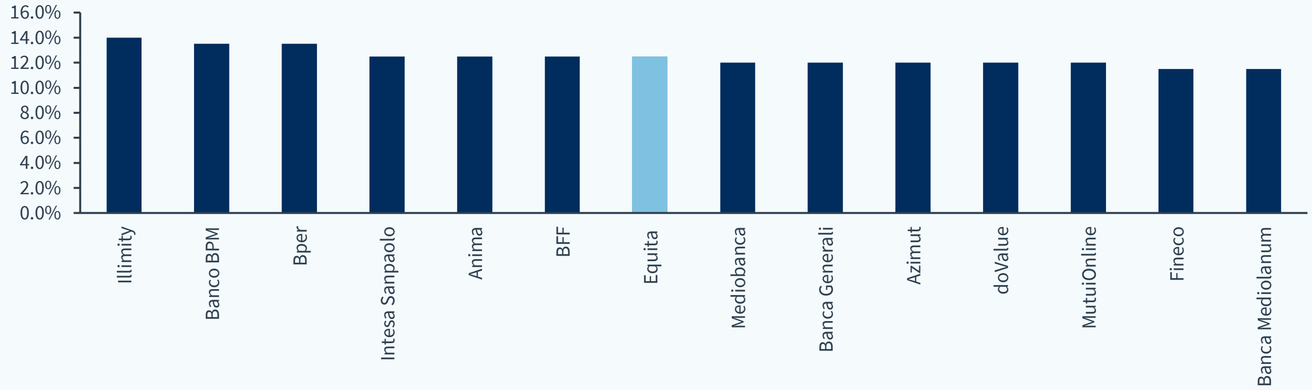
We calculate the fair value from the dividend discounted model (DDM) considering the dividend outflows in 2023-24-25, which we estimate at EUR16.7m, EUR18.9m, and EUR20m.

We consider our dividend outflow estimates quite safe regardless of the volatility of earnings estimates because of the buffer of EUR34m of reserves available for distribution.

We discount the flows from the dividends at a cost of equity of 12.5%, which comes from our house parameters for the risk-free rate (4.1%) and equity risk premium (7.1%). We set a levered beta of 1.2x, which is higher than the 0.8x reported by Bloomberg, but with low statistical significance ($R2$ of 0.4).

In the chart below, we show the cost of equity for the Italian financial peer group under our coverage. Our cost of equity estimate for EQUITA is somewhere in the middle between the commercial banks and diversified financials.

**Chart 31: KECH Italian financials – cost of equity**




Source: Kepler Cheuvreux

To set our terminal value for EQUITA, we have taken the following into consideration:

- Terminal flows after 2025 (increased by 2%, capitalised at a cost of equity of 12.5%, and then discounted back to 2023E).
- A part (EUR25m) of the excess capital above the regulatory buffer (IFFR of 500% vs. regulatory buffer of 200%) valued at 1x, as EQUITA trades above the tangible book value (2x).
- The cost of the 2022-25 phantom share plan which will be paid in cash. We have considered the delta between our target price and the strike price of the plan (zero euro since for free) and multiplied it by our estimate for the instruments to be awarded by these plans (1m out of a maximum of 2m for the 2022-25 plan).

The terminal value returns an implied P/E of 8.0x (calculated based on the dividend flow for 2025E and considering a dividend payout of 90%).

**Table 29: EQUITA – DDM**

| EURm | 2023E | 2024E | 2025E | TV |
|---|---|---|---|---|
| Dividends | 16.7 | 18.9 | 20.0 | 194.0 |
| Part of excess of capital | | | | 25 |
| Top management remuneration plan | | | | -5 |
| Discount factor | 1.0 | 0.9 | 0.8 | 0.8 |
| NPV | 16.7 | 16.8 | 15.8 | 177.2 |
| | | | | |
| Equity value (EURm) | 226.5 | | | |
| No. outstanding shares (m) | 48.9 | | | |
| Fair value per share fully diluted (EUR) | 4.6 | | | |

Source: Kepler Cheuvreux

We calculate the fair value per share fully diluted by the likely issuance of new shares (from remuneration plans open to all employees).

**Table 30: EQUITA – change in number of outstanding shares (m)**

| | 2022 | 2023E | 2024E | 2025E |
|---|---|---|---|---|
| Plan 2019-21 | | 0.3 | 0.7 | 0.7 |
| Plan 2022-24 | | 0.0 | 0.1 | 0.1 |
| Outstanding shares | 47.0 | 47.3 | 48.1 | 48.9 |

Source: Kepler Cheuvreux

In the table below, we show a sensitivity analysis (change of cost of equity and g factor) to the fair value in our DDM.

**Table 31: EQUITA – sensitivity of our DDM model (EUR)**

| | | Cost of Equity | | | |
|---|---|---|---|---|---|
| | | 10.0% | 11.0% | 12.5% | 13.0% |
| G factor | 1.0% | 5.2 | 4.8 | 4.3 | 4.1 |
| | 1.5% | 5.5 | 5.0 | 4.4 | 4.2 |
| | 2.0% | 5.8 | 5.2 | 4.6 | 4.4 |
| | 2.5% | 6.1 | 5.4 | 4.7 | 4.5 |
| | 3.0% | 6.4 | 5.7 | 4.9 | 4.7 |

Source: Kepler Cheuvreux

## Sum-of-the-parts model (SOP)

We also use an SOP model as our second valuation method to take into account the three different business divisions: Global Markets, Investment Banking, and Alternative Asset Management.

We have selected three peer panels broken down into the same three business divisions (Global Markets, Investment Banking, and Alternative Asset Management). We note that this is not a perfect breakdown, as some peers are not active in some businesses but still share EQUITA's multi-business model.

***Global Markets***

Intermonte (EUR0.1bn market cap) is an Italian company that offers institutional research, trading, and market-making on derivatives. It also has an investment banking division for ECM, DCM, and M&A, mostly for Italian SMEs.

Jeffries Capital (EUR6.2bn market cap) is a US-listed global diversified financial services company focusing on institutional brokerage and investment banking.

Piper Sandler (EUR2.2bn market cap) is a financial services firm that offers institutional research and an investment banking business on a global scale.

Canaccord Genuity (EUR0.7bn market cap) is a US company offering wealth management, brokerage, and investment banking services to retail, institutional, and corporate clients.

***Investment Banking***

Moelis & Company (EUR2.7bn market cap) operates as an investment bank providing financial advisory and capital-raising solutions to clients in connection with mergers, acquisitions, recapitalisations, and restructuring.

Houlihan Lokey (EUR5.7bn market cap) is a US-listed investment bank.

Evercore (EUR4.0bn market cap) is a US-listed investment bank.

Lazard (EUR4bn market cap) provides asset management and financial advisory services.

Mediobanca (EUR7.6bn market cap) is an Italian bank offering corporate and investment banking, consumer banking, and wealth management services. It is also the main shareholder of insurance company Generali (13% stake), which contributes one-third of its market cap.

Within our potential peer group, we should also mention Rothschild & Co (EUR3.7bn market cap), the parent company under which the interests of part of the Rothschild family have been regrouped. Its businesses include global advisory, wealth & asset management, and merchant banking (private equity/debt). However, we have excluded it from our peer analysis because in February Concordia (the Rothschild family's holding company with a 51% stake) announced its intention to file a simplified tender offer for Rothschild & Co to implement a delisting of the company.

***Alternative Asset Management***

EQT (EUR21bn market cap) is a Swedish alternative asset management company that invests in equity, ventures, infrastructure, and real estate properties.

Partners Group (EUR22bn market cap) is one of the largest global asset managers operating in private markets managing institutional investors' money. It is a Swiss-listed company with a global foothold.

Intermediate Capital Group (EUR3.8bn market cap) is a UK company that invests in private debt, credit and equity, bridge financing, and acquisitions.

Bridgepoint Group (EUR1.9bn market cap) specialises in in private equity and private credit, while it invests in essential sectors including business services, consumer, financial services, healthcare, advanced industrials, and technology.

Evli (EUR0.5bn market cap) is a Finnish investment management firm specialised mostly in private markets.

Antin Infrastructure (EUR2.7bn market cap) is a French private equity firm. It invests in infrastructural sectors such as transportation, energy, environment, and telecommunication.

Tikheau Capital (EUR4.1bn market cap) is a pan-European diversified asset management and investment firm founded in 2004. On top of its third-party business (in private debt, real estate, and liquid strategies), Tikehau invests its balance sheet in single-name companies, non-listed entities, and its own third-party strategies.

**Table 32: Peers' multiples (pricing as of 24 March)**

| Company | Country | Market cap (EURm) | P/E 2023E | P/E 2024E | Dividend yield 2023E | Dividend yield 2024E | ROE 2023E | ROE 2024E |
|---|---|---|---|---|---|---|---|---|
| **EQUITA** | **IT** | **196** | **10.6x** | **8.9x** | **9.2%** | **10.2%** | **17.4%** | **19.6%** |
| Intermonte | IT | 96 | 8.0x | 7.0x | 11.7% | | 19.5% | |
| Jeffries Financials | US | 6,226 | 6.6x | 5.8x | 4.9% | 5.6% | 11.0% | |
| Piper Sandler | US | 2,235 | 9.2x | 7.8x | 5.5% | 6.0% | 20.1% | |
| Canaccord Genuity | CA | 725 | 7.3x | n.a. | 3.4% | 3.8% | 17.0% | 20.0% |
| **Median Global Markets** | | | **8.0x** | **7.0x** | **5.2%** | **5.6%** | **18.3%** | **20.0%** |
| Moelis & Co | US | 2,701 | 14.1x | 12.5x | 9.0% | 9.6% | 51.0% | 41.5% |
| Houlihan Lokey | US | 5,729 | 16.5x | 14.2x | 2.5% | 2.7% | 28.2% | 34.9% |
| Evercore | US | 3,968 | 8.7x | 8.4x | 2.9% | 3.2% | 31.4% | 27.3% |
| Lazard | US | 3,432 | 8.1x | 7.2x | 7.0% | 8.0% | 56.4% | 59.9% |
| Mediobanca* | IT | 7,638 | 7.3x | 6.8x | 8.9% | 10.0% | 9.4% | 9.7% |
| **Median Investment Banking** | | | **9.0x** | **8.4x** | **7.0%** | **8.0%** | **31.4%** | **34.9%** |
| EQT | SW | 21,060 | 15.6x | 13.4x | 3.2% | 3.9% | 18.8% | 19.4% |
| Partners Group* | SZ | 22,134 | 20.0x | 16.7x | 4.6% | 5.0% | 35.3% | 39.0% |
| Intermediate Capital | GB | 3,851 | 9.7x | 8.1x | 7.3% | 7.9% | 17.1% | 20.1% |
| Bridgepoint | GB | 1,925 | 13.2x | 12.2x | 4.1% | 4.6% | 16.9% | |
| Evli | FI | 449 | 11.2x | 10.6x | 11.0% | | 29.1% | |
| Antin Infrastructure | FR | 2,762 | 16.1x | 13.3x | 4.8% | 5.0% | 25.3% | |
| Tikheau Capital* | FR | 4,174 | 14.3x | 11.2x | 3.4% | 4.4% | 9.3% | 11.2% |
| **Median Alternative Asset management** | | | **14.5x** | **12.2x** | **4.6%** | **4.8%** | **18.8%** | **19.7%** |

*based on KECH estimate; Source: Bloomberg, Kepler Cheuvreux

Our net profit estimates for the three divisions in 2023E and 2024E rely on the following:

- Our revenue estimates for the divisions in 2023E and 2024E.
- The compensation-revenue ratio at the group level (48.0% in 2023E and 47.5% 2024E).
- Our G&A and D&A estimates broken down according to the number of front office employees of the three divisions (35% in Global Markets or 37 people; 50% in Investment Banking or 55 people; 15% in Alternative Asset Management or 15 people). We have attributed the trading fees (EUR3m) exclusively to the Global Market business.
- We attribute the minorities exclusively to Investment Banking.
- The group level tax rate (28%).

We have calculated Mediobanca's P/E 2023-24E net of the effect (on market cap and net profit) coming from Generali.

**Table 33: EQUITA – net profit breakdown by division (EURm)**

| | Global Markets | | Investment Banking | | Alternative Asset Management | |
|---|---|---|---|---|---|---|
| | 2023E | 2024E | 2023E | 2024E | 2023E | 2024E |
| Revenues | 38 | 39 | 42 | 47 | 9 | 14 |
| Labour costs | -18 | -18 | -20 | -22 | -4 | -7 |
| Comp to revenues | 48.0% | 47.5% | 48.0% | 47.5% | 48.0% | 47.5% |
| G&A and D&A | -10.0 | -10.4 | -7.6 | -8.1 | -2.1 | -2.2 |
| Breakdown of G&A and D&A | 40% | 40% | 47% | 47% | 13% | 13% |
| Tax rate | 28% | 28% | 28% | 28% | 28% | 28% |
| Taxes | -2.8 | -2.8 | -4.0 | -4.6 | -0.7 | -1.5 |
| Minorities | 0.0 | 0.0 | -0.7 | -0.7 | 0.0 | 0.0 |
| Net profit | 7.1 | 7.1 | 9.5 | 11.2 | 1.8 | 3.8 |

Source: Kepler Cheuvreux

In our SOP (as in our DDM), we have added the part of the excess capital and cost of 2022-25 phantom share plan, which will be paid cash and not by issuing new shares.

**Table 34: EQUITA – SOP (EURm)**

| | Net profit (EURm) | | P/E | | Value (EURm | |
|---|---|---|---|---|---|---|
| | 2023E | 2024E | 2023E | 2024E | 2023E | 2024E |
| Global Markets | 7 | 7 | 8.0x | 7.0x | 57 | 50 |
| Investment Banking | 10 | 11 | 9.0x | 8.4x | 86 | 94 |
| Alternative Asset Management | 2 | 4 | 14.5x | 12.2x | 26 | 46 |
| Excess of capital | | | | | 25 | 25 |
| Top management remuneration plans | | | | | -5 | -5 |
| Total | | | | | 193 | 214 |
| No. outstanding shares (m) | | | | | 48.9 | 48.9 |
| Fair value per share (EUR) | | | | | 4.0 | 4.4 |

Source: Kepler Cheuvreux

We calculate the fair value per share fully diluted for the likely issuance of new shares (from the remuneration plan open to all employees) yet to be vested. This is consistent with what we have done in our dividend discount model.

If EQUITA succeeds in delivering on the targets laid out in the plan, it should reach a net profit of EUR25m instead of our 2024 estimate of EUR22m. If the delta comes from Alternative Asset Management, the fair value of the SOP in 2024 would be EUR5.1 instead of EUR4.4 since we take 12.2x as our P/E multiple for 2024.

## Risks

Departure of key individuals: this risk stems from the fact that management and employees hold 38% of the capital. Within this group, we note a subgroup of 15 of the most relevant deal-makers and revenue originators. This is not a one-man company, but the departure of key team members could pose a risk in terms of executing the plan and achieving the targets. In our view, the strongest mitigating factor would be the 2022-25 phantom share plan.

Potential conflicts of interest between Global Markets and Investment Banking: this risk stems from the balance of potential conflicts between a deal originated by the investment banking division involving listed companies and the brokerage activity with institutional clients from the global markets division. This is a risk for any company offering both ECM deals and brokerage services, which must be mitigated by strict compliance, Chinese walls, etc.

Macro and market volatility: this risk stems from adverse macro conditions and negative financial markets affecting the origination of new deals, as well as the performance of the asset management and brokerage activities.

Possible paper overhang: those private investors that became shareholders in May 2022 could sell part of their shares (they currently hold 15% of capital) once the lock-up period comes to an end in May 2023.

## Italy | Banks & Asset Managers | MCap: EUR 196.6m

Release date: 27 March 2023

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## ESG Highlights: *Partnership of individuals*

- **Shareholders' structure:** Controlled by a partnership of managers and employees.
- **Remuneration:** Remuneration aims to align management interests with those of other shareholders.
- **Environment:** Carbon neutral since 2022.
- **Social:** Plans to foster young talent (also with the no-profit entity "Fondazione Equita").

## Thematic focus

Information on our ESG methodology

### Governance

**Board**

The board is made up of seven members, of which four are independent (57%) and three are women (42%), respecting the rule that the least represented gender make up at least 40% of the seats of the board. The chairperson and CEO/general manager roles are kept separate. The board was named in May 2020 and will be renewed by the AGM on 20 April 2023. The board comprises three internal committees: the risk management committee, the correlated parties committee, and the remuneration committee. The former is made up of two independent members out of three, while the other two are fully made up of independent directors.

**Remuneration**

The key relevant individuals at EQUITA (grouped into a shareholders' agreement) hold 32% of the capital and 47% of the voting rights. Moreover, part of them are beneficiaries of two remuneration plans: 1) a 2020-22 renumeration plan (based on stock options); and 2) a 2022-25 remuneration plan (based on phantom shares). The 2020-22 targets have been reached and the plan is paid cash (total cost net of taxes of EUR0.9m. The 2022-25 plan is based on: 1) total shareholders remuneration (from 28 March 2022 to 1 April 2025) between 40% and 60%; and 2) the attainment of individual targets (from the 2022-24 industrial plan). This remuneration scheme will be paid in cash and will have a cost EUR10m for EQUITA (considering the maximum number of phantom shares and the total shareholders' remuneration of 60%).

Regarding executives' remuneration, the CEO's compensation is made up of both a fixed (for BOD membership, the CEO role, and the annual salary) and variable component. In 2021, it amounted to EUR1.4m, of which EUR700,000 from non-equity variable compensation.

**Shareholder rights alignment**

The overall number of shares is 50.9m, of which 38% are held by management and employees (50% of voting rights). The key individuals (15 people) hold 32% of the capital (47% of voting rights), with Francesco Perilli (executive director and one of the promoters of the company's transformation into a brokerage firm in the 1990s) and Andrea Vismara (CEO) owning 4.3% and 4.0%, respectively. Other relevant shareholders are: Fenera Holding (an investment vehicle grouping together representatives from entrepreneurial families from Piedmont and Emilia-Romagna), which has 5% of the capital and 7% of the votes (from the IPO), and a cluster of private investors (15% of capital) that built a stake in May 2022, after which some of EQUITA's key individuals placed 12% of the capital.

Since 2018, EQUITA has allowed double voting rights for shareholders that own the stock for an uninterrupted period of at least 24 months. All in all, the number of voting rights amounts to 71.5m. Currently, management and employees control 50% of the voting rights.

There is a shareholders' agreement called the "Equita group shareholders' agreement", stipulated in February 2022 and in effect from August 2022, involving key relevant individuals corresponding to 32% of the share capital or 44% of the voting rights. Every member must

| | |
|---|---|
| | participate and vote in the assembly for the approval of annual reports, the appointment of administration and control members, and on extraordinary actions.<br>Each participant has lock-up clauses that vary according to their age. Participants under the age of 49 have a lock-up on 60% of the shares held at the time of the signing (10 February 2022), while those aged between 50 and 60 have a lock-up on 40% of the shares held at the time of the signing (10 February 2022), and those older than 60 have no lock-up. |
| **Integrity/quality of reporting** | We do not see any significant issues in its reporting quality. We flag that the cash cost for the remuneration plan of its key individuals was cash-settled by the reported net profit. |
| **Business ethics** | Every activity is aligned with the code of conduct and 231/2001, which includes the whistleblowing policy, the anti-money laundering and terrorism financing policy, and the conflicts of interest policy. EQUITA voluntarily adheres to Borsa Italiana's corporate governance code. It is also compliant with the sustainable finance disclosure regulation (SFDR) normative. Along with the 2022-24 business plan, EQUITA has established a corporate social responsibility (CSR) plan based on five pillars: promote employees' welfare, increase client satisfaction, promote the social and financial development of the community, reduce climate impact, and "Young 4 Future". |
| **Environment** | |
| **How does the company manage its own footprint?** | Given the nature of its business (a service company with business mainly related to intellectual property), the company's carbon footprint is very limited. The company announced its willingness to reach carbon neutrality as a target of its business plan to 2024. The company assessed its carbon footprint and achieved net-zero emissions in 2022, becoming de facto carbon neutral. It will implement projects in order to help cancel its footprint. In 2019, it created a code of conduct for a sustainable office to raise awareness among its employees and to define policies. Among these, we highlight its commitment to avoid plastic (by using glass bottles instead of plastics or using purified water, for example), reduce paper usage (using recycled paper or using monitors instead of paper), reduce energy consumption (automatic monitors switch off after ten minutes), and recycle (manual and a specific bins). |
| **Positive climate change impact** | The in-house research team has developed a methodology to include sustainability features in its fundamental analysis. It has also developed studies on sustainable mobility and on Next Generation EU funds. The group's independent asset management, Equita Capital SGR, founded in 2019, is committed to including sustainability themes in its investments. It also adheres to the six principles for responsible investing (UNPRI) and has a specific ESG committee.<br>EQUITA is also committed to raising awareness of sustainability, not only among its employees but also in the community. For this reason, it developed its "*Un orto fiorito per Piazza Sicilia*" ("A flower garden for Piazza Sicilia") initiative to enlarge to 1000 kids children's school garden in Milan, also involving teachers and families in the process. |
| **Social** | |
| **Health & safety** | Due to the nature of its business, its personnel are less exposed to health and safety issues than employees in other sectors. Nevertheless, the group has a health and safety management system and has offered around 220 hours of health and safety training. Most employees have received, as provided by law, general health and safety training. In 2022, the company also planned to organise basic life support and defibrillation (BLSD) courses and it offers medical check-ups as part of its welfare plan. It reported no injuries. |
| **Working conditions** | In 2021, EQUITA had 173 employees, of which 30% were women. This is a vast improvement on six years ago, when women represented just 22% of the workforce. The group is strongly committed to growing its talent: 70% of hirings are under 30 years old, and this age group makes up 23% of its total staff. The average age at the company is 41. Moreover, the company offers its junior staff rotation programmes, as well as talks from its senior staff and external consultants. In 2021, total training hours amounted to 14,000 (80 hours per person), both on technical competencies and soft skills (in 2020 the training hours amounted to 3,770 or 24 per head; in 2019 6,641 hours or 49 per head). Every year, the company organises sports tournaments at a group level, for example football, table tennis, or beach volley. In 2021, the company ran team- |

| | |
|---|---|
| | building events such as a weekend of trekking in the Dolomites and cooking courses. The turnover rate in 2021 was 8%, with 13 people leaving on a voluntarily basis (10% and 7% in 2019 and 2020 respectively). Employees also benefit from a welfare plan: EQUITA cover a given (undisclosed) sum for every minor or student, promotes medical check-ups, organises individual meetings with pension consultants, and offers annual subscriptions to museums. Furthermore, all employees have an annual budget, based on their overall salaries, which can be spent on services such as education, travel, or medical expenses.<br>EQUITA has established its own foundation (Fondazione Equita). It supports young students with scholarships both in finance (Bocconi University, ALTIS, and Catholic University, and Executive MBA for women) and art (the Brera Fine Arts Academy and Accademia Teatro alla Scala). To further strengthen its bond with students, it organises its “Equita days”, where first-year students are given the opportunity to spend a day at an investment bank. It also supports many local non-profit organisations such as CAF (for the prevention of child maltreatment and sexual abuse), Il Volo Onlus (psychiatric diseases), as well as Rise Against Hunger and many others. In 2022, it also set up a foundation through which it foments youth education and the spread of financial education and supports art and culture, sustainability, and non-profit organisations. |
| **Product responsibility** | Customer satisfaction is also one of the KPIs in the remuneration policy. EQUITA states that it has never received a legal claim. The company’s good reputation is also demonstrated by the fact that the research team has been voted the best in Italy among SMEs and the best among Italian independent brokers, as has its sales and trading floor. During the recent Finance Community Awards, EQUITA was voted “Team of the Year” in areas like corporate finance and private debt. |

## Valuation table

Market data as of: 27 March 2023

| FY to 31/12 (EUR) | 12/15 | 12/16 | 12/17 | 12/18 | 12/19 | 12/20 | 12/21 | 12/22 | 12/23E | 12/24E |
|---|---|---|---|---|---|---|---|---|---|---|
| **Per share data (EUR)** | | | | | | | | | | |
| EPS adjusted | | 0.36 | 0.22 | 0.22 | 0.19 | 0.24 | 0.43 | 0.32 | 0.36 | 0.43 |
| YOY Change | | | -38.1% | 0.1% | -13.8% | 28.6% | 75.2% | -25.2% | 13.1% | 18.7% |
| EPS reported | | 0.23 | 0.22 | 0.26 | 0.19 | 0.25 | 0.43 | 0.31 | 0.36 | 0.43 |
| YOY Change | | | -4.2% | 17.1% | -25.6% | 27.5% | 74.8% | -28.9% | 17.9% | 18.7% |
| EPS Consensus | | | | | | | | | 0.40 | 0.49 |
| | | | | | | | | | | |
| Book value per share | | 0.56 | 1.58 | 1.60 | 1.60 | 1.70 | 1.98 | 2.05 | 2.12 | 2.26 |
| Net asset value per share | | 0.29 | 1.31 | 1.30 | 1.30 | 1.16 | 1.44 | 1.52 | 1.59 | 1.74 |
| Dividend per share (ord.) | 0.00 | 0.00 | 0.22 | 0.22 | 0.19 | 0.20 | 0.35 | 0.35 | 0.35 | 0.39 |
| Number of shares, year end (m) | 0.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.2 | 50.2 | 50.9 | 51.2 | 52.0 |
| Nbr of shares fully dil. year end (m) | 0.0 | 50.0 | 50.0 | 50.0 | 50.0 | 50.2 | 50.2 | 50.9 | 51.2 | 52.0 |
| Weighted avg. nbr of shares, fd (m) | 0.0 | 25.0 | 50.0 | 50.0 | 50.0 | 50.1 | 50.2 | 50.6 | 51.1 | 51.6 |
| | | | | | | | | | | |
| **Share Price (EUR)** | | | | | | | | | | |
| Latest price / year end | | | | 3.24 | 2.85 | 2.43 | 3.82 | 3.64 | 3.82 | 3.82 |
| 52 week high (Year high) | | | | 3.57 | 3.24 | 2.99 | 3.93 | 4.09 | 3.95 | |
| 52 week low (Year low) | | | | 3.03 | 2.48 | 1.98 | 2.43 | 3.06 | 3.65 | |
| Average price (Year) | | | | 3.23 | 2.82 | 2.42 | 3.23 | 3.62 | 3.82 | 3.82 |
| | | | | | | | | | | |
| Market capitalisation (EURm) | | | | 161.3 | 141.2 | 121.5 | 162.4 | 184.4 | 195.6 | 198.6 |
| Shareholders'equity (EURm) | 0.0 | 28.0 | 79.0 | 80.1 | 80.1 | 85.6 | 99.4 | 104.4 | 108.3 | 117.5 |
| Intangibles (EURm) | | 13.5 | 13.7 | 15.0 | 15.1 | 27.5 | 27.2 | 26.9 | 26.9 | 26.9 |
| **Net asset value (EURm)** | | **14.5** | **65.3** | **65.0** | **65.0** | **58.1** | **72.2** | **77.5** | **81.4** | **90.6** |
| | | | | | | | | | | |
| **Valuation** | | | | | | | | | | |
| P/E | | | | 14.6 | 14.9 | 9.9 | 7.5 | 11.3 | 10.5 | 8.9 |
| P/E reported | | | | 12.4 | 14.6 | 9.8 | 7.5 | 11.8 | 10.5 | 8.9 |
| P/BV | | | | 2.0 | 1.8 | 1.4 | 1.6 | 1.8 | 1.8 | 1.7 |
| P/TBV | | | | 2.5 | 2.2 | 2.1 | 2.2 | 2.4 | 2.4 | 2.2 |
| P/NAV | | | | 2.5 | 2.2 | 2.1 | 2.2 | 2.4 | 2.4 | 2.2 |
| | | | | | | | | | | |
| Dividend yield (ord.) | | | | 6.8% | 6.7% | 8.3% | 10.8% | 9.7% | 9.2% | 10.3% |
| Payout ratio | | 0.0% | 98.9% | 84.4% | 98.0% | 80.9% | 80.9% | 113.9% | 97.2% | 91.3% |
| | | | | | | | | | | |
| ROE | | 63.7% | 20.6% | 13.9% | 11.9% | 14.8% | 23.3% | 15.9% | 17.4% | 19.6% |
| RoTBV | | | 27.6% | 16.9% | 14.6% | 19.9% | 33.0% | 21.7% | 23.3% | 25.8% |
| RoRWAs | | | | | | | | | | |
| | | | | | | | | | | |
| P/Pre-provision income (x) | | | | 9.2 | 10.2 | 6.8 | 5.5 | 7.2 | 7.3 | 6.2 |

## Income statement

| FY to 31/12 (EUR) | 12/15 | 12/16 | 12/17 | 12/18 | 12/19 | 12/20 | 12/21 | 12/22 | 12/23E | 12/24E |
|---|---|---|---|---|---|---|---|---|---|---|
| Net interest income | | | | | | | | | | |
| Net fee & commission income | | 45.5 | 48.6 | 56.7 | 52.6 | 66.3 | 79.1 | 84.4 | 86.2 | 95.4 |
| Trading income | | | | | | | | | | |
| Other revenues | | | 10.6 | 6.2 | 11.4 | 3.8 | 22.6 | 5.0 | 6.0 | 9.1 |
| **Total revenues** | **0.0** | **45.5** | **53.9** | **59.8** | **58.3** | **68.2** | **90.4** | **86.9** | **89.2** | **100.0** |
| Staff costs | | -24.5 | -26.4 | -27.4 | -27.1 | -32.3 | -42.8 | -42.2 | -42.8 | -47.5 |
| Other operating costs | | -10.7 | -12.0 | -14.4 | -15.5 | -16.1 | -16.3 | -17.4 | -18.0 | -19.0 |
| **Total operating costs** | **0.0** | **-35.2** | **-38.4** | **-42.2** | **-44.5** | **-50.4** | **-61.0** | **-61.4** | **-62.5** | **-68.2** |
| **Gross operating income** | **0.0** | **10.3** | **15.5** | **17.6** | **13.9** | **17.8** | **29.4** | **25.5** | **26.7** | **31.8** |
| Loan loss provisions | | | | | | | | | | |
| Associates & asset disposals | | | | | | | | | | |
| **Profit before tax & exceptionals** | **0.0** | **10.3** | **15.5** | **17.6** | **13.9** | **17.8** | **29.4** | **24.6** | **26.7** | **31.8** |
| Goodwill impairments | | | | | | | | | | |
| Other exceptionals | | | | | | | | | | |
| **Profit before tax** | **0.0** | **10.3** | **15.5** | **17.6** | **13.9** | **17.8** | **29.4** | **24.6** | **26.7** | **31.8** |
| Income tax | | -4.5 | -4.3 | -4.5 | -4.2 | -4.7 | -7.1 | -7.1 | -7.5 | -8.9 |
| Result on discontinued operations | | | | | | | | | | |
| Minority interests | | 0.0 | 0.0 | 0.0 | 0.0 | -0.6 | -0.6 | -2.0 | -0.7 | -0.7 |
| **Reported attributable profit** | **0.0** | **5.8** | **11.1** | **13.0** | **9.7** | **12.4** | **21.7** | **15.5** | **18.5** | **22.2** |
| Adjustments | 0.0 | 3.1 | -0.1 | -2.0 | -0.2 | -0.1 | -0.2 | 0.7 | 0.0 | 0.0 |
| **Net attributable profit adjusted** | **0.0** | **8.9** | **11.0** | **11.0** | **9.5** | **12.3** | **21.5** | **16.2** | **18.5** | **22.2** |
| | | | | | | | | | | |
| Total revenues YOY Change | | +chg | 18.5% | 10.9% | -2.4% | 16.9% | 32.5% | -3.8% | 2.6% | 12.1% |
| Gross operating income YOY Change | | +chg | 50.2% | 13.5% | -20.9% | 28.0% | 65.5% | -13.2% | 4.4% | 19.2% |
| Profit before tax & except. YOY Change | | +chg | 50.2% | 13.5% | -20.9% | 28.0% | 65.5% | -16.2% | 8.2% | 19.2% |
| Profit before tax YOY Change | | +chg | 50.2% | 13.5% | -20.9% | 28.0% | 65.5% | -16.2% | 8.2% | 19.2% |
| Reported attrib. profit YOY Change | | +chg | 91.7% | 17.1% | -25.6% | 27.8% | 75.2% | -28.4% | 19.0% | 19.9% |
| Net attrib. profit adjusted YOY Change | | +chg | 23.8% | 0.1% | -13.8% | 28.9% | 75.6% | -24.7% | 14.2% | 19.9% |
| | | | | | | | | | | |
| EPS reported (EUR) | | 0.23 | 0.22 | 0.26 | 0.19 | 0.25 | 0.43 | 0.31 | 0.36 | 0.43 |
| EPS adjusted (EUR) | | 0.36 | 0.22 | 0.22 | 0.19 | 0.24 | 0.43 | 0.32 | 0.36 | 0.43 |
| DPS ord. (EUR) | 0.00 | 0.00 | 0.22 | 0.22 | 0.19 | 0.20 | 0.35 | 0.35 | 0.35 | 0.39 |
| | | | | | | | | | | |
| EPS reported YOY Change | | | -4.2% | 17.1% | -25.6% | 27.5% | 74.8% | -28.9% | 17.9% | 18.7% |
| EPS adjusted YOY Change | | | -38.1% | 0.1% | -13.8% | 28.6% | 75.2% | -25.2% | 13.1% | 18.7% |
| DPS ord. YOY Change | | | +chg | 0.0% | -13.6% | 5.3% | 75.0% | 0.0% | 0.6% | 11.5% |
| | | | | | | | | | | |
| Tax rate (%) | | 43.7% | 28.1% | 25.8% | 30.2% | 26.6% | 24.3% | 28.8% | 28.0% | 28.0% |
| Payout ratio | | 0.0% | 98.9% | 84.4% | 98.0% | 80.9% | 80.9% | 113.9% | 97.2% | 91.3% |
| Cost income ratio | | 77.4% | 71.3% | 70.6% | 76.2% | 73.9% | 67.4% | 70.6% | 70.1% | 68.2% |
| Staff costs/revenues | | 53.9% | 48.9% | 45.8% | 46.5% | 47.4% | 47.4% | 48.6% | 48.0% | 47.5% |
| Net int. income/avg yielding assets | | | | | | | | | | |
| Net interest income/RWAs | | | | | | | | | | |
| Loan loss prov. ratio (on loans) | | | | | | | | | | |
| | | | | | | | | | | |
| Operating margin | na | 22.6% | 28.7% | 29.4% | 23.8% | 26.1% | 32.6% | 29.4% | 29.9% | 31.8% |
| Pretax margin | na | 22.6% | 28.7% | 29.4% | 23.8% | 26.1% | 32.6% | 28.4% | 29.9% | 31.8% |
| Net margin | na | 19.6% | 20.4% | 18.4% | 16.3% | 18.0% | 23.8% | 18.6% | 20.7% | 22.2% |
| | | | | | | | | | | |
| ROE before tax | | 73.7% | 28.9% | 22.1% | 17.3% | 21.5% | 31.8% | 24.2% | 25.1% | 28.1% |
| ROE | | 63.7% | 20.6% | 13.9% | 11.9% | 14.8% | 23.3% | 15.9% | 17.4% | 19.6% |
| RoTBV | | | 27.6% | 16.9% | 14.6% | 19.9% | 33.0% | 21.7% | 23.3% | 25.8% |
| | | | | | | | | | | |
| Revenues/RWAs | | | | | | | | | | |
| Costs/RWAs | | | | | | | | | | |
| Loan loss prov./RWAs | | | | | | | | | | |
| Profit before tax/RWAs | | | | | | | | | | |
| Net attrib. profit/RWAs | | | | | | | | | | |
| | | | | | | | | | | |
| Consensus revenues (EURm) | | | | | | | | | 93.3 | 105.4 |
| Consensus Pretax profit (EURm) | | | | | | | | | 28.0 | 34.0 |
| Consensus net profit (EURm) | | | | | | | | | 19.0 | 23.0 |
| Consensus EPS (EUR) | | | | | | | | | 0.40 | 0.49 |

## Balance sheet

| FY to 31/12 (EUR) | 12/15 | 12/16 | 12/17 | 12/18 | 12/19 | 12/20 | 12/21 | 12/22 | 12/23E | 12/24E |
|---|---|---|---|---|---|---|---|---|---|---|
| Customer loans | | | | | | | | | | |
| Loans to banks | | 119.7 | 117.8 | 117.1 | 117.6 | 117.3 | 136.1 | 107.9 | 107.9 | 107.9 |
| Derivatives | | | | | | | | | | |
| Other trading portfolio | | | | | | | | | | |
| Investments | 0.0 | 71.2 | 107.8 | 160.2 | 142.4 | 130.1 | 140.7 | 211.3 | 217.3 | 236.4 |
| Fixed assets | 0.0 | 0.6 | 0.6 | 0.6 | 7.3 | 6.2 | 5.2 | 4.1 | 4.1 | 4.1 |
| Intangible assets | | 13.5 | 13.7 | 15.0 | 15.1 | 27.5 | 27.2 | 26.9 | 26.9 | 26.9 |
| Other assets | | 13.1 | 7.2 | 5.6 | 6.4 | 4.7 | 6.3 | 49.1 | 37.5 | 27.5 |
| Total assets | 0.0 | 218.2 | 247.1 | 298.4 | 288.9 | 285.8 | 315.6 | 399.4 | 393.8 | 402.9 |
| YOY Change | | +chg | 13.3% | 20.8% | -3.2% | -1.1% | 10.4% | 26.5% | -1.4% | 2.3% |
| | | | | | | | | | | |
| Customer deposits | | | | | | | | | | |
| Deposits from banks | | | | | | | | | | |
| Derivatives | | | | | | | | | | |
| Trading liabilities | | 139.1 | 143.8 | 193.1 | 185.2 | 171.3 | 175.5 | 221.3 | 216.0 | 225.9 |
| Debt securities | | | | | | | | | | |
| Subordinated liabilities | | | | | | | | | | |
| Other liabilities | | 23.5 | 21.6 | 22.7 | 20.5 | 26.6 | 38.3 | 71.9 | 67.5 | 57.5 |
| Total liabilities | 0.0 | 166.7 | 167.3 | 218.2 | 208.2 | 200.1 | 216.2 | 295.2 | 285.5 | 285.4 |
| | | | | | | | | | | |
| **Sh.s' equity before rev. reserves** | | **28.0** | **79.0** | **80.1** | **80.1** | **85.6** | **99.4** | **104.4** | **108.3** | **117.5** |
| Revaluation reserves | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Sh.s' equity after rev. reserves | 0.0 | 28.0 | 79.0 | 80.1 | 80.1 | 85.6 | 99.4 | 104.4 | 108.3 | 117.5 |
| Minority interests | | 23.5 | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total equity** | | **51.4** | **79.0** | **80.1** | **80.1** | **85.7** | **99.4** | **104.4** | **108.3** | **117.5** |
| | | | | | | | | | | |
| Interest-bearing assets | | | | | | | | | | |
| | | | | | | | | | | |
| Assets under management (bn) | 0.3 | 0.4 | 0.7 | 1.0 | 1.0 | 0.9 | 1.1 | 0.9 | 1.1 | 1.3 |
| Net new money (bn) | | | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.2 | 0.0 |
| | | | | | | | | | | |
| Book Value per share (EUR) | | 0.56 | 1.58 | 1.60 | 1.60 | 1.70 | 1.98 | 2.05 | 2.12 | 2.26 |
| YOY Change | | | 182.5% | 1.4% | 0.1% | 6.3% | 16.1% | 3.5% | 3.2% | 6.8% |
| Net asset value per share (EUR) | | 0.29 | 1.31 | 1.30 | 1.30 | 1.16 | 1.44 | 1.52 | 1.59 | 1.74 |
| | | | | | | | | | | |
| Risk weighted assets | | | | | | | | | | |
| Weight on total assets | | | | | | | | | | |
| of which market risks | | | | | | | | | | |
| Total tier 1 capital | | | | | | | | | | |
| Total capital | | | | | | | | | | |
| | | | | | | | | | | |
| CET 1 ratio | | | | | | | | | | |
| Tier1 leverage ratio | | | | | | | | | | |
| RWAs / Exposure measure | | | | | | | | | | |
| | | | | | | | | | | |
| **Ratios** | | | | | | | | | | |
| Loan to deposit ratio | | | | | | | | | | |
| NPL ratio | | | | | | | | | | |
| NPL coverage ratio | | | | | | | | | | |

## Divisions and regions

| FY to 31/12 (EUR) | 12/15 | 12/16 | 12/17 | 12/18 | 12/19 | 12/20 | 12/21 | 12/22 | 12/23E | 12/24E |
|---|---|---|---|---|---|---|---|---|---|---|
| **Key value driver** | | | | | | | | | | |
| **Fees** | | | | | | | | | | |
| Revenues | na | 45.5 | 48.6 | 56.7 | 52.6 | 66.3 | 79.1 | 84.4 | 86.2 | 95.4 |
| **Other** | | | | | | | | | | |
| Revenues | na | 0.0 | 5.3 | 3.1 | 5.7 | 1.9 | 11.3 | 2.5 | 3.0 | 4.5 |
| **Total group** | | | | | | | | | | |
| Revenues | 0.0 | 45.5 | 53.9 | 59.8 | 58.3 | 68.2 | 90.4 | 86.9 | 89.2 | 100.0 |
| Costs | 0.0 | -35.2 | -38.4 | -42.2 | -44.5 | -50.4 | -61.0 | -61.4 | -62.5 | -68.2 |
| Pre-provision profit | 0.0 | 10.3 | 15.5 | 17.6 | 13.9 | 17.8 | 29.4 | 25.5 | 26.7 | 31.8 |
| Pre-tax profit | 0.0 | 10.3 | 15.5 | 17.6 | 13.9 | 17.8 | 29.4 | 24.6 | 26.7 | 31.8 |
| ROE before tax | na | 73.7% | 28.9% | 22.1% | 17.3% | 21.5% | 31.8% | 24.2% | 25.1% | 28.1% |

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|---|---|---|
| Rating Breakdown | A | B |
| Buy | 57% | 68% |
| Hold | 32% | 27% |
| Reduce | 8% | 2% |
| Not Rated/Under Review/Accept Offer | 3% | 3% |
| Total | 100% | 100% |

Source: Kepler Cheuvreux
A: % of all research recommendations
B: % of issuers to which material services of investment firms are supplied

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| Company Name | Date | Business Line | Rating | Target Price | Closing Price |
|---|---|---|---|---|---|
| Banca Mediolanum (EUR) | 14/04/2022 05:17 | Equity Research | Buy | 9.40 | 7.58 |
| | 18/10/2022 05:12 | Equity Research | Buy | 9.50 | 6.81 |
| | 10/11/2022 05:47 | Equity Research | Buy | 9.60 | 7.78 |
| | 09/02/2023 05:37 | Equity Research | Buy | 10.50 | 9.10 |
| BNP Paribas (EUR) | 04/05/2022 04:50 | Equity Research | Buy | 66.20 | 51.32 |
| | 02/08/2022 04:52 | Equity Research | Buy | 68.40 | 45.86 |
| | 11/11/2022 05:54 | Equity Research | Buy | 67.90 | 50.85 |
| | 13/02/2023 06:57 | Equity Research | Buy | 72.30 | 63.59 |
| Illimity (EUR) | 12/05/2022 04:47 | Equity Research | Hold | 13.10 | 12.60 |
| | 02/02/2023 06:10 | Equity Research | Hold | 9.00 | 7.70 |
| Intesa Sanpaolo (EUR) | 09/05/2022 05:34 | Equity Research | Buy | 2.50 | 1.88 |
| | 01/08/2022 05:38 | Equity Research | Buy | 2.25 | 1.73 |
| | 07/11/2022 06:16 | Equity Research | Buy | 2.50 | 2.06 |
| | 07/11/2022 07:28 | Credit Research | Hold Tier2/AT1 | | 2.06 |
| | 23/01/2023 06:28 | Equity Research | Buy | 2.75 | 2.18 |
| | 06/02/2023 10:47 | Equity Research | Buy | 2.80 | 2.38 |
| Mediobanca (EUR) | 12/05/2022 05:20 | Equity Research | Buy | 11.10 | 9.82 |
| | 10/02/2023 07:01 | Equity Research | Buy | 12.00 | 10.36 |
| Partners Group (CHF) | 04/08/2022 04:16 | Equity Research | Hold | 1040.00 | 1003.50 |
| | 07/09/2022 04:52 | Equity Research | Hold | 1030.00 | 931.80 |
| | 06/01/2023 05:34 | Equity Research | Hold | 950.00 | 858.20 |
| | 13/01/2023 06:37 | Equity Research | Hold | 910.00 | 891.60 |
| | 15/03/2023 07:27 | Equity Research | Hold | 895.00 | 792.40 |
| Tikehau Capital (EUR) | 13/04/2022 04:51 | Equity Research | Buy | 31.00 | 23.30 |
| | 01/08/2022 06:22 | Equity Research | Buy | 32.00 | 24.15 |
| | 20/02/2023 05:44 | Equity Research | Buy | 33.00 | 26.05 |
| UniCredit (EUR) | 15/06/2022 07:02 | Credit Research | Not covered | | 9.71 |
| UniCredit () | 06/03/2023 00:00 | Equity Research | Not Rated | | |

Credit research does not issue target prices. Left intentionally blank.

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