UBI Banca

EQUITA GROUP

Initiation of Coverage **BUY**

09 May 2019 – 5:30 PM *MARKET PRICE:* ***EUR3.02*** *TARGET PRICE:* ***EUR3.57***

Investment banking

Data

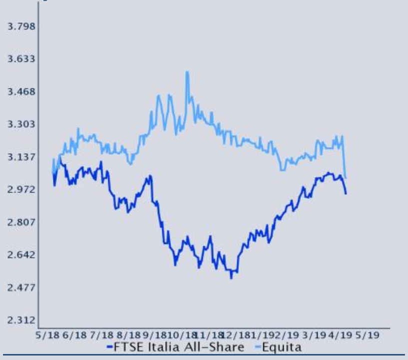
Shares Outstanding (m):	45.5	
Market Cap. (EURm):	137.3	
Enterprise Value (EURm):	n.m.	
Free Float (%):	36.7%	
Av. Daily Trad. Vol. (m):	0.1	
Main Shareholder:	Management 54.3%	
Reuters/Bloomberg:	EQUI.MI	EQUI MI
52-Week Range (EUR)	2.95	3.58

Source: FactSet, UBI Banca estimates

Performance

	1m	3m	12m
Absolute	-5.6%	-5.8%	-5.9%
Rel. to FTSE IT	-2.7%	-14.8%	6.7%

Graph aerea Absolute/Relative 12M



Source: FactSet

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Growth, yield and solid balance sheet

Equita is the leading boutique in the Italian investment banking arena with a wide product offer (capital, debt, advisory, alternative asset management) and a tailored mid-market positioning. Its experienced management team, whose interests are aligned with investors', built an equity story centered on capital return and solid balance sheet by diversifying revenues sources managing in this way the end-markets volatility. Buy.

We initiate Equita with a Buy rating, and we suggest the stock to investors that appreciate the >7% dividend yield and have a long term approach so to smooth end-markets cyclicality. Our investment case is the following:

> **The leading, independent, player in Italy.** Equita has the largest market share on equities trading, consistently top-rated sales, trading and equity research teams and a leading position in IB on Italian SMEs.

> **With an entrepreneurial attitude.** Management owns 54% of the company with lock-ups in some cases as far as 48-months since listing. We see this a key part of the equity story. In a business where brand is relevant, people matter too and form an intangible part of the valuation.

> **Revenues sources range from pure trading to AAM.** Equita, since 2015, accelerated its diversification by growing the fixed income and the AAM and retail trading which could represent 20% of 2019 revenues.

> **Execution will be key: further space to grow and diversify.** Cross selling is the name of the game for agile corporations like Equita that cannot compete in terms of lending/direct investments capabilities with larger financial institutions. We see in AAM and IB visible space for growth that could be also in-organic (partnerships and/or M&A).

> **A total return story: 7.3% 2019 dividend yield with TCR to remain high double-digit.** This assumes no performance fees and -20% for 2019 traded volume on MTA, therefore an improvement vs. 1Q19 figures.

> **Target price EUR3.57.** We tried to capture the unique nature of Equita by comparing it with local IB boutiques operating not only in the brokerage but also in AM. We used an absolute valuation as control method. Performance fees are not included in our estimates nor in our TP and they could add between 2.4% and 29% to the market cap.

> **Main risks:** Italy-centric revenues, volatile end-markets, key-people risk.

Financials EURm (excluding treasury shares)

	2018A	2019E	2020E	2021E
Revenues	59.8	58.0	60.6	63.2
Profit Before Taxes	15.6	15.1	16.7	18.3
Net Income	11.0	10.7	11.8	13.0
Net Income Adjusted	12.0	10.7	11.8	13.0
BVPS (EUR)	1.76	1.78	1.82	1.87
EPS (EUR)	0.24	0.24	0.26	0.29
DPS (EUR)	0.22	0.22	0.23	0.25

Source: Company Data, UBI Banca Estimates

Ratios (ex treasury shs), priced on 8 May 2019

	2018A*	2019E	2020E	2021E
P/E(x)	13.2	12.8	11.6	10.6
P/BV(x)	1.8	1.7	1.7	1.6
TCR	25.2%	25.6%	25.6%	25.8%
CET1 ratio	25.2%	25.6%	25.6%	25.8%
Dividend Yield	6.9%	7.3%	7.6%	8.1%
Payout	90.7%	93.5%	88.4%	85.7%
Net Income/Sales	18.4%	18.4%	19.5%	20.5%

Source: UBI Banca Estimates **Based on 2018 average price*

Key Financials - reported

(EURm)	2018A	2019E	2020E	2021E
Revenues	59.8	58.0	60.6	63.2
Profit Before Taxes	15.6	15.1	16.7	18.3
Net profit	11.0	10.7	11.8	13.0
Net Profit - Adjusted	12.0	10.7	11.8	13.0
Shareholders' Equity	80.1	80.8	82.6	85.1
RWA	218.2	221.1	230.4	240.1

Source: Company data, UBI Banca estimates

Key Profitability Drivers

	2018A	2019E	2020E	2021E
RoE (%)	13.8%	13.2%	14.3%	15.3%
RoTE (%)	20.4%	19.4%	21.2%	22.7%
Cost/Income (%)	73.9%	74.1%	72.5%	71.1%
Comp/Revenues (%)	45.8%	45.8%	45.6%	45.2%

Source: Company data, UBI Banca estimates

Key Valuation Ratios

	2018A*	2019E	2020E	2021E
P/E (x)	13.2	12.8	11.6	10.6
P/E Adjusted (x)	12.2	12.8	11.6	10.6
P/BV (x)	1.8	1.7	1.7	1.6
P/TBV (x)	2.2	2.1	2.1	2.0
Dividend Yield (%)	6.9%	7.3%	7.6%	8.1%
RoE/CoE (x)	1.84	1.76	1.91	2.03

Source: Company data, UBI Banca estimates **Based on 2018 average price*

Growth Rates

(%)	2018A	2019E	2020E	2021E
Revenues	10.9%	-3.0%	4.5%	4.3%
Profit Before Taxes	1.6%	-3.5%	10.7%	9.8%
Net Income	0.2%	-3.1%	10.7%	9.8%
Net Income Adjusted	6.6%	-10.6%	10.7%	9.8%

Source: Company data, UBI Banca estimates

Summary

EXECUTIVE SUMMARY

The leading player in the Italian Investment Banking market

Equita is the leading boutique in Italy with distinctive features like the largest trading floor in Italy, a top-ranked research team and clear positioning in the mid-market segment.

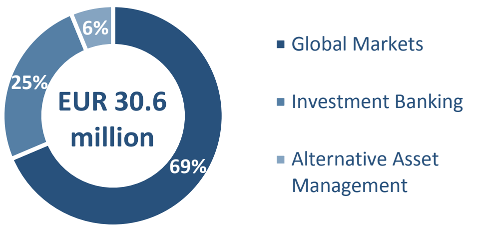
Capitalizing on those strengths, Equita has grown its investment banking division from minimal in 2007 to EUR26 million revenues in ten years. It has also developed an AAM division business, which, starting from portfolio management, has grown into private debt and private equity.

The diversification effort, aimed at protecting the group from external threats, included also the entrance into retail trading on equities and bonds (through the acquisition of the retail arm of Nexi) and the extension of the Global markets activities to derivatives, ETFs and, more important, fixed incomes and market making.

Which has reshaped its business in the past years

Since 2012 Equita has reshaped its business, as it is evident from the graph below, and nowadays the company operates three divisions:

Figure 1 – 2012 revenues breakdown



Source: Company data

Figure 2 – 2018 revenues breakdown

Source: Company data

- Global markets: includes Proprietary Trading and Sales & Trading. The latter offers a wide range of products (equities, bonds, derivatives and ETFs since 2017), 86% of the 2017 revenues were coming from cash-equity, which is the market spot where the team is top-ranked. Starting from 2018, with the acquisition of Nexi retail platform, Equita increased its effort to diversify into retail trading and non-equity trading with the result that the non-equity side of the business grew to 19% of total as of 1H18 and, we estimate, will surpass the 20% threshold in 2019;
- Investment Banking: developed from 2007/08 and, since then, grown fast by adding selected activities overtime and surpassing 30 professionals in 2019. The division now offers a full range of products going from M&A and Advisory, Corporate Broking and Specialist to, obviously ECM, DCM, Debt Advisory and Debt Restructuring;
- AAM: born in 2003 with discretionary portfolio management on behalf of some banks has expanded by adding in 2016 also the private debt and private equity activities, and now has around EUR1 billion of AuM. Equita will benefit from both management and performance fees, although in our estimates we only account for the former and provide a sensitivity for the latter.

Management and employees are the major shareholders

What we appreciated in the equity story is the fact that management and employees own the majority (54%) of the company (with lock-ups in some cases up to 48-months since listing on AIM). This has several benefits, also relevant to minority investors:

- An **entrepreneurial attitude**, typical of many Italian small businesses, that reassure on the decision making process which we believe will be mostly value-oriented;
- The **ability to attract talents** on the market by giving share-based compensation;
- Last, but not least, a certain degree of **attention to the investor relations** and financial communication, which is not common for companies of Equita's size.

Obviously, there are also flip sides to such a fragmented shareholder base, the main one we see is the risk of overhang.

What's next?

In the chapter on the Strategy, which is probably the most relevant one, we went into details on how Equita could be developed. We believe that the major growth opportunities are organic but we will not rule out also the external growth that could come through M&A but also partnerships. Summaryzing:

- In the Global Markets division the main task should be to maximize synergies (i.e. increase productivity and optimize costs) while growing market shares mostly in new market segments;
- In the Investment Banking division the aim should be to grow the team competences in specific sectors, so to close the gap with larger international independent players;
- In AAM to grow current products (second Private Debt fund and new discretionary portfolios mandates) while launching new products in areas where Equita is not yet present.

Financials: a tough 2019 but the worst is behind us

Equita revenues grew at an 11% CAGR over the 2016-18 period while net profit grew by 12.2% and, when adjusted for one-offs, by 16.8%.

2019 should be a tough year given that traded volumes on the Italian markets are massively down YoY, there is a tough comparison for the Investment Banking division (at least in 1H19) and some of the activities put in place recently on the AAM side (the launch of a second private debt fund) will play their benefits going forward.

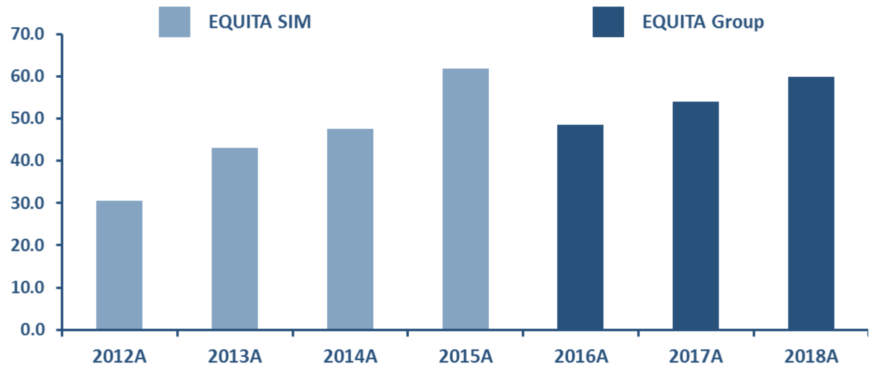
However, markets have been going massively up in 1Q19 and this should drive in-flows with a positive effect for Equita both on the traded volumes side and on the AAM in-flows. For this reason, despite traded volumes YTD are down by -25% YoY our FY estimates are based on a -20% YoY.

We see net income declining YoY in 2019 (with a tough comparison in 1H19 and a recovery in 2H19) and then a 10% average growth for 2020-21.

Significant capital return while maintaining a solid balance sheet and a visible growth trajectory in the long run

Although its reference markets incorporate a certain amount of volatility over the long run, the trajectory of Equita's revenues is clearly on the up having doubled in size:

Figure 3 – Equita revenues evolution (EURm)

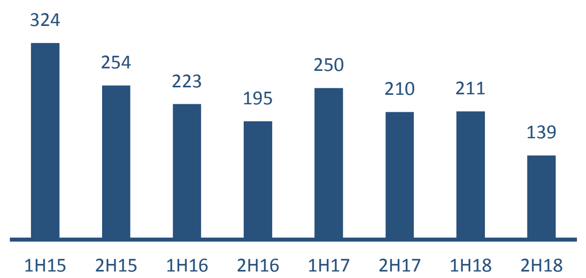


Source: Company data

Consequently the balance sheet is extremely solid (28.7% TCR ratio in 2018) and the business has a low capital absorption. The return to minorities also come in the form of dividends: the EUR0.22 for 2018 (which represented a 90.7% payout ratio and 7% dividend yield) seems to be a floor which should be maintained also in 2019 (when net profit should be slightly down YoY) and than growing going forward. This is guaranteed from the space left on the payout and the distributable reserves (EUR50.9 million).

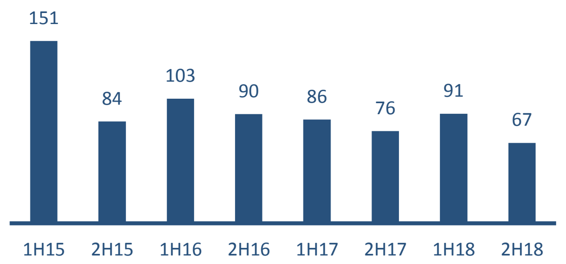
This while enjoying, we estimate, a 10% growth in net income from 2019 onwards. The current year has been characterized up to now from an extremely weak M&A and capital markets coupled with double-digit fall in traded volumes but we believe that the worst is behind us. This seems evident to us when looking at how the comparison with 2018 becomes easier starting from 2H19:

Figure 4 – MTA traded volumes by semester (EURbn)



Source: Assosim

Figure 5 – Bond traded volumes by semester (EURbn)



Source: Assosim

Valuation, Investment case and Risks

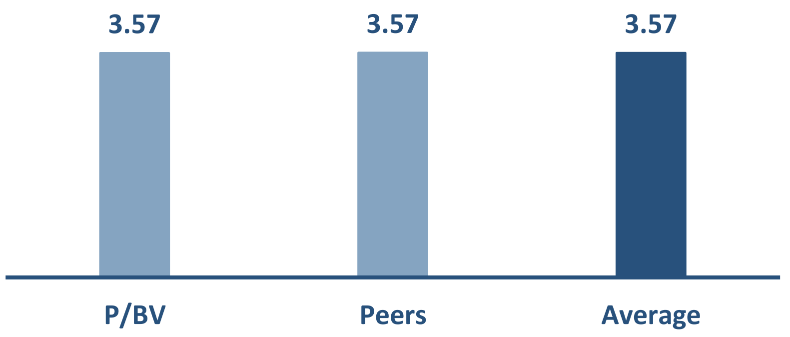
We like Equita because of its:

- Leadership position in the cash-equity business;
- Room for growth in the fixed income and retail trading (equities and bonds);

- The diversification provided by the AAM which offers a recurring revenues stream;
- The clear position in the mid-market;
- Its managerial approach coupled with a entrepreneurial approach,
- The alignement of interests between minority shareholders and management;
- Its high and visibile dividend yield;
- Its low multiples on an absolute basis and its discount to peers. We believe that the expected increase in stock liquidity could reduce the discount.

In terms of valuation, we believe that the best way to asses Equita fair value is through a peer group comparison which we than double checked with an absolute valuation method (RoE/CoE ratio and the equivalent fair P/BV ratio). The summary of our valuation exercise returns a target price of EUR3.57 and is presented in the table below:

Figure 6 – Valuation summary (EUR)



Source: UBI Banca estimates

It is relevant to point out that our estimates do not assume any performance fee for the AAM division. If we included performance fees, running a sensitivity on the portfolio performances (from 4% annually to 16%), the corresponding additional revenues could be in the EUR1.4 million to EUR16.8 million range. Utilizing 2019 P/Sales for Equita, **this would translate into an increase in fair value anywhere between 2.4% and 29.0%**.

In terms of risks, we would highlight the following:

- Italy-centric revenues: the company generates 100% of its revenues on the Italian market (although a relevant part of that is done through interaction with foreign institutions). This clearly poses a risk in terms of low diversification;
- Volatile end-markets: we all know financial markets may, from time to time, go through period of intense volatility and, more in general, are subjects to ups and downs. For as valuable and diversified Equita business may be it will be affected from those trends in which case the stock may over-perform peers but not necessarily the broader market;
- Key-people risk: the risk is two-folded here. The top management that could leave the company (as in many other cases of listed stocks) but also the fragmented group of employees/shareholders, that have crystallized the value of their stake through the IPO and could leave and sell after the lock-up expiry. A pre-emption right in the hands of the shareholders is a strong mitigant.

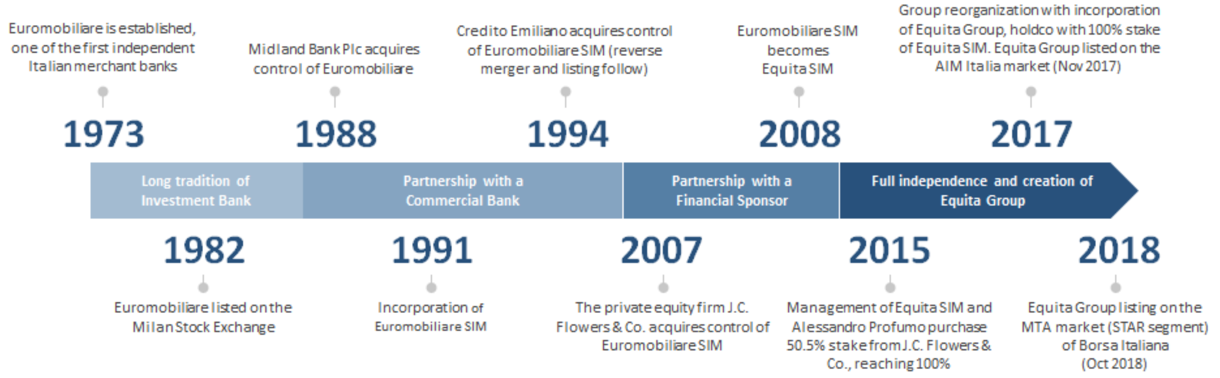
COMPANY PROFILE – A PEOPLE BUSINESS

The origins of the company dates back to 1973, year of incorporation for what was called Euromobiliare S.p.A., one of the first independent Italian merchant bank that, at a later stage, was sold to the Credem Group.

In 2007 the top management, part of the shareholder base of Euromobiliare SIM S.p.A. since the nineties, executed a management buy-out, together with two financial investors (JC Flowers & Co. LLC and Mid Industry Capital S.p.A.).

In 2008, Euromobiliare SIM S.p.A. was renamed Equita SIM beginning a diversification process into Investment Banking, strengthening its presence on the Italian market while growing its Equity capital markets, M&A and Debt capital markets activities.

Figure 7 – Equita Group - Timeline



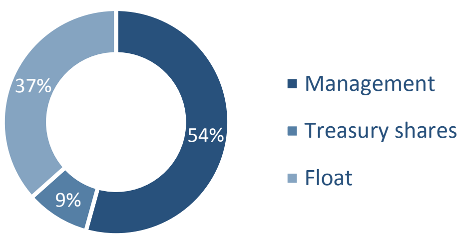
Source: Company data

In 2015, Equita's top management and the Italian manager with significant sector experience Alessandro Profumo, bought, through another buy-out, the stake owned by JC Flowers & Co. LLC, becoming, since January 2016, Equita SIM reference shareholders.

At the beginning of 2017, following its appointment from the Italian Treasury Ministry as CEO of Leonardo S.p.A., Alessandro Profumo left Equita's chairmanship selling part of its stake to the top management, with an option for the remaining stake.

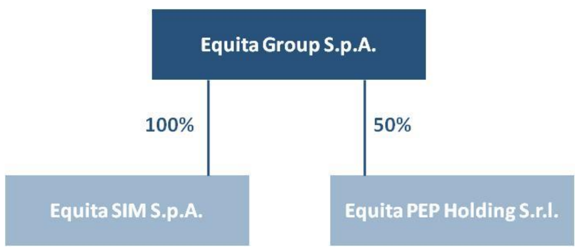
The company was listed at EUR2.90 per share in Nov-17 raising EUR45.2 million, of which EUR22.9 million through a capital increase.

Figure 8 – Equita Group shareholders base



Source: Company data

Figure 9 – Equita Group structure



Source: Company data

The company operates through three business units

Equita today operates three different business lines:

- Global Markets (50% of 2018 Net Revenues) that could be further split into:
  - Sales & Trading (36% of 2018 Net Revenues);
  - Proprietary Trading (14% of 2018 Net Revenues);
- Investment Banking (44% of 2018 Net Revenues);
- Alternative Asset Management (6% of 2018 Net Revenues);

The diversification began in 2008 but accelerated significantly from 2016 and is marked by five steps that in our view are relevant to better understand the equity story:

- Expansion into **private debt**: in January 2016 Equita signed an agreement with Lemanik to manage and distribute a private debt fund ("Equita Private Debt Fund SICAV-SIF");
- Expansion into **other alternative assets**:
  - During 2017 Equita signed an agreement with Private Equity Partners for the incorporation of "Equita PEP Holding", a 50/50 JV that promoted the launch of a special purpose acquisition vehicle ("SPAC") which was subsequently listed on AIM Italia with the name of "EPS Equita PEP SPAC";
  - In July 2018 Equita signed an agreement with Blueglen Investment Partners to be the sole distributor for Italy of a UCITS fund that invests in junior tranches of collateralized loan obligations, junior bond issuing and credit default swap;
- At the end of 2017 the company was listed on AIM Italia, thus increasing its visibility on the retail market;
- Increased focus on retail and relationships with banking groups ("**Retail Hub**"): in March 2018 Equita bought the "Brokerage & primary market" and the "Market making" activities from Nexi. The latter has been added to Equita "Proprietary trading" adding the operational capabilities in the bond market. The former was added to Equita "Sales & Trading" line expanding its activity in the retail segment;
- At the end of 2018 Equita moved, in order to improve the stock liquidity and its visibility, from the AIM Italia to the MTA (in the STAR segment).

Sales & Trading – The market leader on institutional….expanding into retail also to balance Mifid II impact

The Sales & Trading division, together with the Research team, is where it all started back in the 80's. While the division is able to offer a wide range of products (equities, derivatives, bonds and ETFs since 2017), 86% of the 2017 revenues were coming from cash-equity which is the market spot where the team is top-ranked. Starting from 2018, with the acquisition of Nexi retail platform, Equita increased its effort to diversify into retail trading and non-equity trading with the result that the non-equity side of the business grew to 19% of total as of 1H18 and, we estimate, could surpass the 20% threshold in 2019.

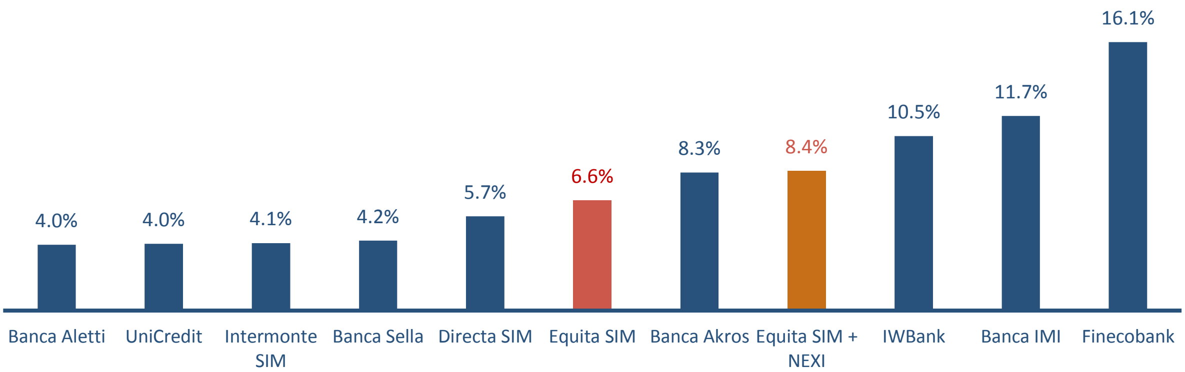
We estimate that 40% of the 2018 revenues are coming from non-Italian clients and this compare with 20% for the group as a whole, showing once more how Equita Sales & Trading is well established abroad.

The team, formerly led by Mr. Fabio Deotto and today led by three co-heads (Mr. Abbagnano, Mr. Arcari and Mr. Rho), comprises 28 experts (as of December 2018) and had 349 clients (institutional investors) broadly in line with the number at year end 2017 (350). This shows how the application of Mifid II didn't impact the number of clients implying that investors, that were "forced" by the new regulation to restrict their supplier list to few brokers for every single market, decided to confirm Equita.

However, Mifid II impacted the overall amount of commissions received per single client (or, put it in another way, the trading commission budget of investors shrunk vs. the past), a trend that began already at the end of 2017 (despite the regulation was in place 1st January 2018 large institutional funds adopted it earlier) and continued into 2018. Evidence of that is the decline of non-Italian revenues in 2018 with respect to 2017 (from 49% to 40%, 1H data).

Mifid II impact was amplified by the reduction in cash-equity traded volumes on the MTA in 2018 which was only partially balanced by an increase in market share (the majority of which attributable to the acquisition of Nexi's business which had a 1.75% market share in cash-equity in the first six months of 2018 as reported by Assosim):

Figure 10 – Sales & Trading market share – 2018 (%)



Source: Assosim

2018 revenues grew YoY, as can be seen in the next graph, but this has mostly to do with an increase in "organic" market share on equities (from 5% to 6.6%) and from the acquisition of the Nexi platform:

Figure 11 – Sales & Trading revenues breakdown

(EURm, %)	2017A	2018A	2019E	2020E	2021E	2022E	2023E	16-18 CAGR	18-21 CAGR
Equita traded volumes (EURbn)	23.0	23.1	22.8	23.1	23.4	23.7	24.0		
YoY Growth	-19.2%	0.8%	-1.2%	1.2%	1.2%	1.2%	1.2%		
Equita average bps	0.069	0.069	0.066	0.064	0.063	0.062	0.061		
YoY Growth	-19.8%	-0.5%	-4.0%	-2.0%	-2.0%	-2.0%	-2.0%		
Italian Equities - revenues	**15.8**	**15.8**	**15.0**	**14.9**	**14.8**	**14.7**	**14.5**	-10.4%	-2.3%
Other products* - revenues	**3.4**	**3.7**	**4.0**	**4.0**	**4.1**	**4.2**	**4.2**		
Equita traded volumes (EURbn)	6.8	6.6	9.4	9.5	9.7	9.8	10.0		
YoY Growth			41.7%	1.6%	1.6%	1.6%	1.5%		
Equita average bps	0.024	0.028	0.027	0.027	0.026	0.026	0.025		
YoY Growth	0.0%	0.0%	-2.0%	-2.0%	-2.0%	-2.0%	-2.0%		
Bonds - revenues	**1.6**	**1.8**	**2.6**	**2.6**	**2.5**	**2.5**	**2.5**		11.2%
Sales and Trading	**20.8**	**21.4**	**21.6**	**21.4**	**21.4**	**21.3**	**21.3**	-6.3%	0.0%
Growth	-14.8%	3.0%	0.8%	-0.6%	-0.2%	-0.2%	-0.2%		

*Source: Company data, UBI Banca estimates, * including CSA, equity options, ETF, etc.*

Proprietary Trading – Balanced risk/reward is the name of the game

The Proprietary Trading division, which at 1H18 included 11 professionals, executes orders on behalf of clients and trades the proprietary book of the company itself. The latter can be further split into:

- Client Driven trading: where the financial instruments are traded on the market on the back of precise orders from client that limit Equita's risk and/or where the positions on those instruments are closed intraday;
- Market making: on options, futures and main Italian stocks;
- Directional trading: where the risk that Equita undertakes is higher than the "client driven" one also because the underlying financial instruments may remain on the company books for more than one day.

Directional trading includes, on top of the pure position-taking based on fundamentals, risk arbitrage and special situations and volatility trading.

Client driven trading includes:

- Cross of third-party orders (on shares, ETF, bonds and options) where Equita's book, at a certain point, is the counterpart of both clients;
- Specialist on bonds and certificates on MOT, EuroTLX, SeDex and HIMTF and shares on MTA and AIM with the aim of create liquidity on the instruments within the parameters set by the regulator or the stock exchange itself;
- Consulting in valuing portfolio of assets, on FTSEMIB index and other ad-hoc products.

Management approach to risk is quite conservative: the daily VaR is not higher than EUR1 million across all asset classes and the strategy is to move toward client driven and market making activities, with the directional trading as minor component to enhance returns with a low risk profile.

Investment Banking – Born in 2008…and grown fast

Equita developed its IB activity in 2007/08 which, since then, has grown fast by adding selected activities overtime and surpassing the 30 professionals in 2019, as can be seen from the following graph. The division now offers a full range of products going from M&A and Advisory, Corporate Broking and Specialist and obviously ECM, DCM, Debt Advisory and Debt Restructuring.

Figure 12 – Equita Investment Banking division

New Areas	Year	Number of Professionals
	2007	3
M&A, Advisory & Corporate Banking	2008	5
	2009	7
Financial Institutions	2010	10
	2011	11
Debt Advisory	2012	13
Debt Capital Markets	2013	16
	2014	17
	2015	20
	2016	22
Financial Sponsors	2017	23
	2018	29

Source: Company data

The main clients are Italian SMEs and Financial Institutions. In fact, looking at rankings by number of deals, Equita has a solid positioning:

Figure 13 – Italian Investment Banking ranking by number of deals (2018)

Equity Capital Market			Debt Capital market			Mergers & Acquisitions		
Rank	**IPO/Listing**	**# deals**	**Rank**	**HY and NR Bonds**	**# deals**	**Rank**	**Operation**	**# deals**
1	Banca IMI	5	1	UniCredit	9	1	KPMG	47
2	**Equita**	4	2	HSBC	8	2	UniCredit	38
3	Mediobanca	4	3	BNP Paribas	5	3	PwC	37
4	UniCredit	3	4	Goldman Sachs	5	4	Mediobanca	34
5	Banca Finnat	3	5	JP Morgan	5	5	Deloitte	33
6	UBI Banca	3	6	Banca IMI	4	6	EY	32
7	Advance SIM	2	7	Mediobanca	4	7	Rothschild & Co	23
8	Banca Akros	2	8	**Equita**	3	8	Banca IMI	22
9	CFO SIM	2	9	Credit Suisse	3	9	Goldman Sachs	20
10	Credit Suisse	2	10	KKR	3	13	**Equita**	13

Source: Company data, Bondradar, M&A in Italy, KPMG report, Mergermarket

Again, looking at the number of deals (which is relevant because SMEs' deal sizes are lower typically) Equita in the last 5 years executed around 50 M&A deals:

Figure 14 – M&A mapping by number of deals (2013-2017)

> 100	UniCredit, Intesa Sanpaolo, Mediobanca, Rothschild & Co, Lazard, KPMG
50 – 100	Equita, Goldman Sachs, BNP Paribas, Vitale&Co Independent Financial Advisor, pwc
40 – 50	Leonardo & co. in Association with Houlihan Lokey, J.P.Morgan, Morgan Stanley, Bank of America, Deutsche Bank
< 40	citi, Barclays, UBS, Credit Suisse

Source: Comapany data, Dealogic

Alternative Asset Management – A recurring stream of revenues

This division was born in 2003, we may say quasi-incidentally, when Credem (one of the main Italian banks) signed a discretionary portfolio management contract with Equita (at that time part of Credem itself). Since than it has expanded, adding in 2016 also the private debt and private equity activities, and now has around EUR1 billion of AuM.

Equita will benefit both from management and performance fees, although in our estimates we only account for the former and provide a sensitivity for the latter.

The division includes 7 professionals and is articulated as follow:

Portfolio management

Composed exclusively by discretionary mandates, signed with Credem and Euromobiliare AM SGR that than distributes those portfolios with their brand but "powered by Equita". Currently the team runs three different portfolios mostly concentrated on 20-25 stocks which are selected with the fundamental analysis supplied by the research team:

- "Italy Top Selection", which manages more than EUR100 million, and has as benchmark the "FTSE Italia All Share" for 90% and the "BOT Lordo" for 10%;
- "Top Selection Mid e Small Cap", which manages more than EUR200 million, and has as benchmark the "FTSE Italia All Share" for 60%, the "FTSE Italia STAR" for 15%, the "MSCI Small Cap Europe Local" for 10% and the "BOT Lordo" for 15%;
- "Top selection opportunity", which manages almost EUR100 million, and has as benchmark the "FTSE MIB" for 50%, the "JPM EMU Bond" for 15% and the "BOT Lordo" for 35%;

In addition to such discretionary lines, Equita also manages the flexible fund "Euromobiliare Equity Mid Small Caps", which raised EUR400 million at the end of 2018, and has a time horizon of 7 years and is focused on mid and small caps with the aim of accumulate equity for the next market cycle while protecting with derivatives so to limit the VaR to -10%.

The discretionary lines' performances are highlighted here below and seem quite solid:

Figure 15 – Funds performances

(%)	2012A	2013A	2014A	2015A	2016A	2017A	2018A
Italy top selection	17%	31%	10%	27%	-2%	17%	-9%
Top Mid Small	27%	67%	9%	37%	-6%	29%	-14%
Top selection Opp	17%	30%	7%	15%	-1%	5%	-4%

Source: Company data

Third-party funds distribution (Blueglen)

In July 2018 Equita signed an agreement with Blueglen Investment Partners to distribute, with an exclusivity clause for Italy, a fund focused on European fixed income. Around EUR50 million were distributed and Equita retains a distribution fee plus a management fee.

Private debt

During 2016 Equita entered the private debt market and raised a EUR100 million fund which is now almost fully invested in more than 10 different companies. Equita retains a management fee (depending on the amount not-invested/invested) and a performance fee (the latter will eventually materialize at the end of the lifetime of the fund).

Equita has the intention to launch a second fund, with a target size we estimate in EUR150 million which, we believe, will be raised in 2019 and invested over the course of the 2020-21.

Private equity

During 2017 Equita partnered with Private Equity Partners in order to enter the private equity market. Successively the JV launched a SPAC which raised EUR150 million. In 1Q18 the SPAC closed a first business combination with ICF (Industrie Chimiche Forestali) allocating almost half of the total amount raised.

It has time until November 2019 to find another target company or reimburse the capital to shareholders.

Equita retains a management fee and, eventually, the capital gain on the stake it owns in ICF through a combination of shares, warrants and special shares. We are not including anything more than the management fees in our estimates and this until 2019 because in both cases (business combination or reimbursement) a management fee will not be cashed.

Research Team: a key strength

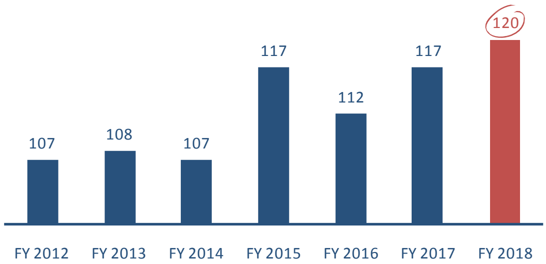
Equita research team is a key strength in our view of the company as it propels all the divisions:

- The Sales & Trading and the Proprietary Trading, obviously, by providing trading ideas to sales and traders and research services to institutional investors;
- The AAM where the portfolio management is based on the long-term fundamentals views of the equity research;
- The investment banking to whom research supplies industry views and visibility with top management of the companies covered.

The coverage of the research analysts is extremely wide and differentiated (includes also selected non-Italian stocks) and the team has been consistently top rated:

Figure 16 – Equita stocks coverage

The Research Team of Equita covers approximately 96% of the Italian market in terms of capitalization



*Moreover, Equita covers **43 foreign stocks** as of 31 December 2018*

Source: Company data

Figure 17 – Research Team ranking

Extel Country Analysis	Institutional Investors Italian Research Team
2°: 2018	**2°: 2019**
2°: 2017	1°: 2018
2°: 2016	1°: 2017
2°: 2015	2°: 2016
1°: 2014	1°: 2015
1°: 2013	1°: 2014
	1°: 2013

Source: Company data

GOVERNANCE, LOCK UPS AND MANAGEMENT INCENTIVES

Management Team and Board of Directors

Equita can boast a diversified management team characterized by significant seniority and background experience, high retention rates (>10 years average tenue) and solid track record in delivery (IPO, listing to MTA segment, Group reorganization, acquisitions among others).

Overtime Equita has showed the ability to develop its human resources so to find, internally, the competences needed to grow the business. Some examples could be the cases of a) Mr Stefano Lustig and Mr Matteo Ghilotti, former co-head of Equity Research and now in charge of the AAM; b) the head of Sales & Trading, formerly lead by a senior and highly recognized person like Mr Fabio Deotto which has now moved to the Vice-Chairman position leaving space to show their competences to three Co-Heads, Mr Abbagnano, Mr Arcari and Mr Rho).

Figure 18 – Management Team

Source: Company data

Francesco Perilli is Chairman of Equita Group. Mr. Perilli graduated in Business Economics from the Bocconi University and completed his academic studies by attending courses at the New York University. After joining Euromobiliare in February 1985, he led the company's transformation into a securities brokerage firm, holding the position of Managing Director and CEO of Equita SIM from 1992 to 2017.

Andrea Vismara is CEO of both Equita Group and Equita SIM. After graduating in Business Administration from Bocconi University and attending courses at New York University, Mr. Vismara has held positions of increasing responsibility in global IB firms and worked as a consultant for large industrial groups.

He joined Equita in 2007 as Head of the Investment Banking Division and has been a member of the Board of Directors of Equita SIM since 2009 and of the Advisory Board of Borsa Italiana.

Out of the remaining five members of Equita Group Board of Directors (one-tier, non-staggered), three are independent directors and one non-executive director:

Figure 19 - Equita Group Board of Directors composition

Member	Role	Risk and Control Committee	Remuneration Committee	Related Parties Committies
Francesco Perilli	Chairman		X	
Thierry Portè	Vice-Chairman and independent director			
Andrea Vismara	CEO			
Stefano Lustig	Director			
Sara Biglieri	Non-executive director	X		X
Michela Zeme	Independent director	X	X	X
Massimo Ferrari	Independent director	X	X	X

Source: Company data

The BoD was appointed by the ordinary Shareholders' Meeting of the Company on 15 June 2017, effective from 1 July 2017, and will remain in office until the date of the Shareholders' Meeting called to approve the financial statements for the year ending 31 December 2019. The total remuneration of the BoD, the managers with strategic responsibilities and the statutory auditors amounts to EUR3.6 million.

Besides the BoD, Equita actively manages and monitors operations and performance through a series of committees:

- A Risk and Control Committee (composed of three directors), which informs the BoD about appropriate risk policy and risk tolerance of the Group, and oversees the company-wide risk management processes;
- A Remuneration Committee (consisting of three directors), that submits proposals to the board concerning remuneration policy, flexible benefits and incentive plans for the employees;
- A Related Parties Committee (composed of three directors), which issue opinions on the board resolutions with regard to the adoption and amendments of the procedures on related-party transactions.

Remuneration policy & Lock-Up

The Group’s remuneration policy conforms to incentive plan limitations established by Bank of Italy and applies for both executive managers and other employees.

In addition to a fixed remuneration, the Group employees receive a variable amount (bonus pool) defined on a yearly basis by the Board of Directors with the support of the Risk Management Division and under the supervision of the Remuneration Committee. This variable remuneration is paid if some conditions (gates) are satisfied:

- CET1 Ratio >= 12.5%;
- Net Cash Available > EUR10 million;
- ROE > 0.

while its absolute amount is based on:

- The ratio between Total Personnel Costs (fixed plus variable) and Net Sales;
- The ratio between Net Income and absorbed capital;
- Number of times the Recovery Plan thresholds have been exceeded.

Then, the bonus pool is subject to ex-post calibration mechanisms in order to account for the risk-adjusted performance. Moreover, the variable component of relevant employees must be lower than two times the fixed component.

Regarding the payment scheduling, 60% to 80% of the variable remuneration is paid by the end of the accrual period, while the remaining 20% to 40% is paid between 12 and 18 months from the first tranche payment. However, if the variable amount exceeds EUR0.5 million, the first tranche will represent 70% of the personal bonus pool and the remaining 30% will be paid between 18 and 30 months from the first tranche payment.

The last Ordinary Shareholders' Meeting approved a 2019-2021 compensation plan based on financial instruments. The plan is dedicated to all employees of Equita Group and will be implemented by assigning free of charge the right to receive ordinary shares (performance shares) and/or stock options each one entitling to purchase one ordinary share of the Group. Such assignment of financial instruments is part of the deferred variable remuneration (e.g. the 20% to 40% paid between the 12 and 18 months period mentioned before).

The following table shows the Directors and executive managers owning a share of the Group Equity at the prospectus date, thus receiving dividends in addition to their fixed and variable remuneration. Besides Fenera Holding, Mr. Perilli and Mr. Vismara are the only shareholders classified as relevant shareholders, holding directly or indirectly, more than 5% of the share capital with voting rights of Equita Group:

Figure 20 - Directors and Executive Managers owning Equita Group shares at the Prospectus date

Shareholder	Role	Number of Shares	% Share Capital
Francesco Perilli	BoD President	5,701,444	11.4%
Andrea Vismara	Director	3,162,668	6.3%
Stefano Lustig	Director	1,544,731	3.1%
Massimo Ferrari	Director	69,000	0.1%
Vincenzo Abbagnano	Executive Manager	492,582	1.0%
Fabio Carlo Arcari	Executive Manager	414,066	0.8%
Luigi De Bellis	Executive Manager	492,582	1.0%
Marco Clerici	Executive Manager	492,582	1.0%
Fabio Deotto	Executive Manager	1,639,900	3.3%
Matteo Ghilotti	Executive Manager	2,039,975	4.1%
Domenico Ghilotti	Executive Manager	492,582	1.0%
Sergio Martucci	Executive Manager	541,656	1.1%
Gaia Mazzavaleri	Executive Manager	512,212	1.0%
Stefania Milanesi	Executive Manager	324,993	0.6%
Cristiano Rho	Executive Manager	414,066	0.8%
Carlo Andrea Volpe	Executive Manager	492,582	1.0%

Source: Company data

Moreover, the shareholder's agreements currently in place establish lock-up periods for the management:

- All the shares (with the exception of category "C" shares) directly or indirectly owned by Fabio Deotto, Matteo Ghilotti, Stefano Lustig, Francesco Perilli and Andrea Vismara are subject to a lock-up period lasting until the approval of 2019 financial statements;
- Category "C" shares, deriving from the "Call Option exercise", directly or indirectly owned by Fabio Deotto, Matteo Ghilotti, Francesco Perilli, Andrea Vismara, Vincenzo Abbagnano, Fabio Arcari, Gianmarco Bonacina, Marco Clerici, Fulvio Comino, Marcello Daverio, Luigi De Bellis, Matthew Geran, Domenico Ghilotti, Stefano Giampieretti, Sergio Martucci, Gaia Mazzalveri, Stefania Milanesi, Cristiano Rho, Simone Riviera and Carlo Andrea Volpe are subject to a lock-up period of four years starting from the Admission to AIM Italia date occurred in November 2017;
- Furthermore, the shares of other key figures of Equita Group are subject to a lock-up period of two years starting from the Admission to AIM Italia date occurred in November 2017;
- Equita Group's shares acquired by Mr. Belotti and Mr. Bernasconi, two newly hired employees, in October 2018 are subject to a lock-up period ending in November 2021.

Summing up, the main expiring periods (i.e. risk of overhang for minority investors) are November 2019, April 2020 and November 2021. In terms of overall amount, the main dates are November 2019 and April 2020.

A mitigant factor is the pre-emption rights in the hands of the other shareholders, we understand at a small discount to market prices. This is a strong mitigant, in our view.

Having said that, we see very limited risk of the top 5 managers selling their stake and, we would presume, of the top 10 doing the same.

STRATEGIC OPTIONS: TAKE PROFIT IN A CHANGING ENVIRONMENT

The chapter on strategy is, in our view, the most important of the report. If we look at Equita since 2012, it is evident how the company has been transformed overtime:

Figure 21 – 2012 revenues breakdown

Source: Company data

Figure 22 – 2018 revenues breakdown

Source: Company data

By the same token, considering the challenges ahead, it is likely that, 5 years from now, Equita will be different from today:

- Mifid II is changing the landscape, in particular the Global Markets and Research in a way that is not fully clear as of now;
- Mifid II is also impacting the asset management industry, mostly on the distribution side;
- Regulation: capital ratios requirements are constantly evolving and, although a peculiar one, Equita is a regulated financial institution;
- Technology: the fintech world is growing and evolving and this is finally affecting the banking industry. These impacts are not totally clear to date but we may assume that robo-advisory (i.e. Moneyfarm), crowfunding (equity, credit and real estate), big data (Finscience), blockchain (i.e. Conio) and PSD2 regulation will alter Equita’s reference markets;
- Regulation & Technology: the two factors listed separately when combined “transform” themselves in a third factor which simply means that costs for compliance, systems & infrastructure will grow;
- Geopolitical risks: Brexit could complicate the access to UK financial markets/investors and Italian political/macro uncertainty may be a challenge.

To counterbalance these challenges and transform them in opportunities we believe that Equita has to capitalize on its strengths and continue to diversify in order to smooth markets up-downs. We believe it is key to continue to invest in Equity Research and, although it is necessary to develop people careers, to maintain a good level of seniority. Equita has in our view the resources to do it, when compared to many industry players, and this will end up being a strong competitive advantage. Growth could come also through partnership or acquisitions despite the intrinsic risks. Being a people-business the risk of sizeable acquisitions is to buy assets that will turn into boxes almost empty after a short while.

We tried to calculate Equita fire-power considering the treasury shares, the capability to increase the leverage and the capital increase already approved by the Shareholders' Meeting. We estimate the company could invest more than EUR40 million. It is relevant to note that, thanks to the double-voting right system, major shareholders may also decide to dilute themselves if the deal is value accretive:

Figure 23 – Firepower for acquisitions (EURm)

Treasury shares	13.7
Additional debt (20% debt/equity)	16.2
Capital increase (10%)	13.7
Total spending capability	**43.6**

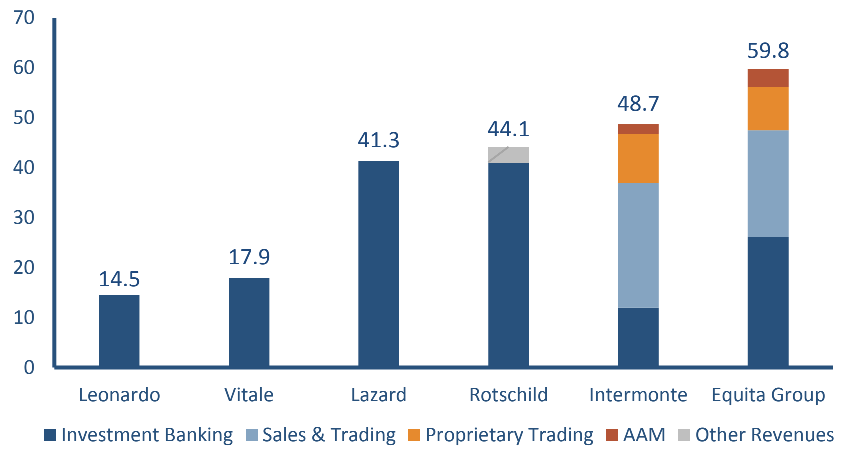
Source: Company data, UBI Banca estimates

We now go more into details by looking at how every division could be developed.

- **Global Markets**: this division has a leading position on the market so, clearly, the objective here we believe is to maintain the position already achieved. Having said that there are market spaces to be filled:
    - Sales & Trading has a leading position on equities trading but has space to grow on derivatives, certificates, futures on equities and indexes, indexes options;
    - With the acquisition and integration of the Retail Hub Equita now has around 80 customer banks and has enlarged its activity to retail. Continuing the cross selling effort and expanding the fixed income business is another growth lever in our view;
- **Private debt** project: coherently with what just said on fixed income and cross selling, management has been developing the AAM area which includes the growth into the private debt market. This is an under-developed segment here in Italy and in fact, Equita raised its EUR100 million fund with very limited track record. Now that the fund is fully invested and the track record is very positive (both in terms of yields and speediness of investments closed), we believe it will be easier to raise a second, bigger, fund. When performance fees are taken into account, private debt is a highly profitable segment;
- The **AAM division** could get other mandates from banks (cross selling with the "new" partner banks on the retail side is an obvious suspect). The division could be developed also by entering other niches which are now inexistent for Equita. ELTIFs, Real Estate funds, Private Equity and Renewable energies funds are all possible options to explore. The possibility to give carry interests and shares-based incentives to the AAM teams is a way to secure top talents on the market;
- The **development of an own SGR**: Equita is launching its (first ever) SGR to optimize the AAM activities and better develop the iniziatives listed above. The advantages would be operational (more flexibility, lower fees to other SGR) but above all strategic (it will help to establish Equita fully branded products, it will help the fund raising thanks to a governance tailored to Equita's needs, it will ease the attraction of talents);
- **Investment Banking**: as we said, Equita has grown this division from zero to EUR26 million revenues. We believe that this was a much bigger effort than what it could be growing it from EUR26 million to EUR50 million (as it can be seen from the following graph), because attracting talents and customers in a brand/people business is much tougher when you are a new comer. Now the

effort should be, in our view, to increase the seniority of the team and their profile, to deepen into sectors/practices which are uncovered so to reach similar revenues that other independent players are booking in Italy. This could be done through hiring of selected teams or acquisitions:

Figure 24 – Revenues breakdown of independent advisors operating in Italy (EURm)



Source: Company data, Cerved

SWOT ANALYSIS

Strenghts

- Leading position in the cash-equity Italian market, a business where track record matters;
- Experienced management with an entrepreneurial attitude;
- High employees' retention rates;
- Clear "mid-market" positioning;
- Complete product offering in all divisions, from Global Markets to Investment Banking;
- High institutional-customers' retention rates even post-Mifid II;
- Independency from lending activities and/or equity holdings;
- Solid financials and capital position.

Weaknesses

- Sales & Trading and Proprietary Trading businesses are volatile;
- Revenues are Italy-centric (i.e. either from Italian customers or on Italian assets/stocks);
- The company has a small size compared to International players and also to some Italian players;
- Client concentration: top 10 clients represents 39% of group revenues (as of 1H2018) up from 26% as of YE 2017;
- Relevant amount of goodwill on the balance sheet (EUR11 million);

Opportunities

- The mid-market competition is not too tough and may even decline (Mifid II, banks consolidation, country perceived risk) while the market could enlarge (incentives to listing, to increase the equity component of the capital structure, to convey retail money into private assets);
- Higher cross-selling: Equita business model is tailored to develop the relationship with its customers;
- Development of AAM, which could add visibility to revenues;
- The company has enough resources to grow in-organically;
- The company has enough competences/resources to diversify revenues by growing abroad (acquisitions or partnerships);
- The company itself may be a target for M&A.

Threats

- Reputational risk: in a business where there are few material assets/products to sell financial institution are mostly relying on their brand which means their reputation;
- Although the management team is quite wide and almost half the employees own shares in the company, the departure of few key people may impact Equita's operations;

- Country risk: Italy was on the verge of an “infringement procedure” from the EU and its rating is just above the last notch for investment grade. Investors perceiving country risk may reduce investments in Italy, thus impacting Equita revenues;
- Broader technological developments (robo-advisory, electronic/flash trading, algo-trading, etc.) may imply significant investment in technology for a company the size of Equita;
- Adverse stock market performances: Equita, although in the condition to outperform peers, would suffer from a prolonged bear market and/or from financial markets turmoil;
- The company owns a proprietary trading book which could experience swings market-related;
- Regulatory risks.

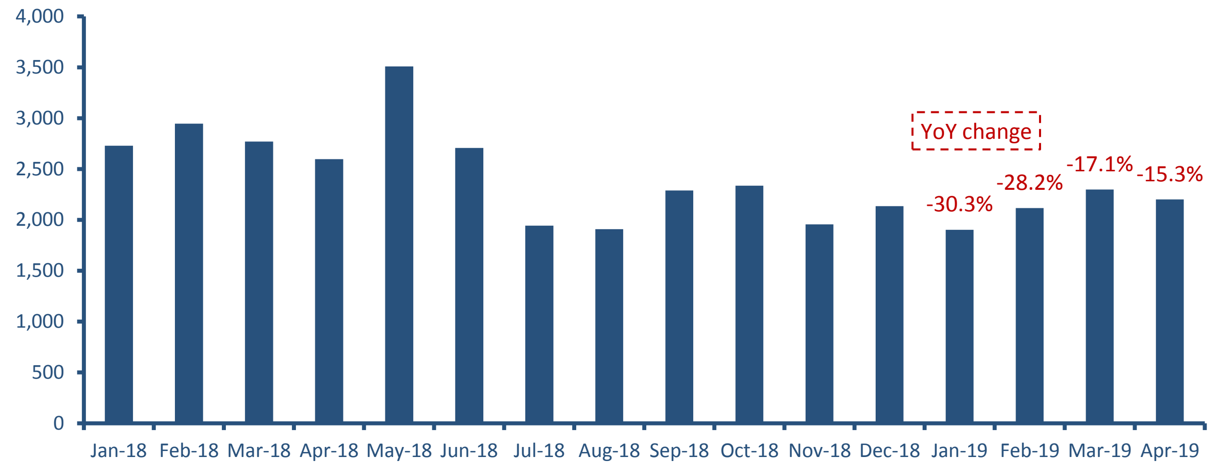
FINANCIALS

Equita revenues grew at an 11% CAGR over the 2016-18 period while Net profit grew by 12.2% and, when adjusted for one-offs, by 16.8%.

2019 should be a tough year given that traded volumes on the Italian markets are massively down YoY, there is a tough comparison for the Investment Banking division (at least in 1H19) and some of the activities put in place recently on the AAM side (the launch of a second private debt fund) will play their benefits only in the long run.

However, markets have been going massively up in 1Q19 and this should drive in-flows with a positive effect for Equita both on the traded volumes side and on the AAM in-flows. This was already evident by looking at the monthly evolution in traded volumes on MTA:

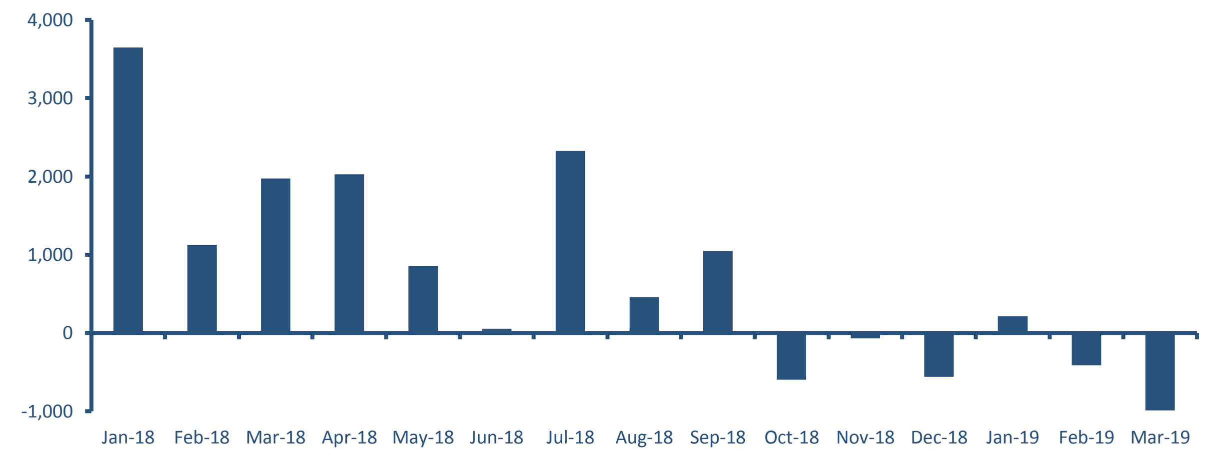
Figure 25 – Average daily trading volumes on MTA (EURm)



Source: Borsa Italiana

Instead, funds in-flows numbers are still negative but usually, with a time-lag, follows stock market performances:

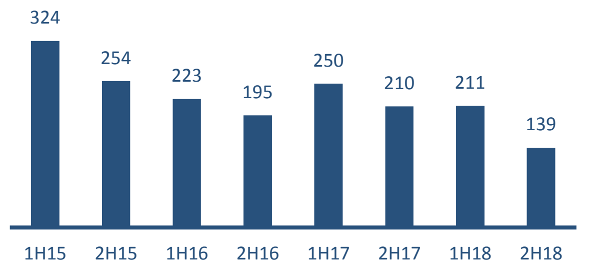
Figure 26 – Net in/out Flows for Open Funds – Equities and balanced funds (EURm)



Source: Assogestioni

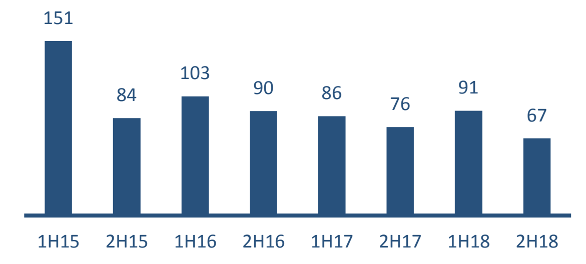
For this reason, despite traded volumes YTD are down by -25% YoY, our FY estimates are based on a -20% YoY. This is also supported by the easier comparison offered by 2H19 as 2H18 was significantly weak:

Figure 27 – MTA traded volumes by semester (EURm)



Source: Assosim

Figure 28 – Bond traded volumes by semester (EURm)



Source: Assosim

To manage the relatively low level of predictability of Equita end-markets we did not include any performance fee in the AAM revenues. However, we present a simulation on how revenues would change depending on market performances.

Last, but not least: the dividend. The company doesn't have a properly defined dividend policy but we understand that the EUR0.22 paid both in 2017 and 2018 represents a kind of floor. In fact, the payout in 2018 was 90.7%, so theoretically there is a buffer that could sustain the EUR0.22 floor going forward even in case of a small decline in net profit, but, more importantly, the company has enough distributable reserves to support the dividend floor (as of 31 December 2018 distributable reserves were approximately EUR50.9 million, covering at least 5 years of dividends). For this reason, for 2019, we still expect a EUR0.22 dividend that should grow going forward together with the net profit.

Income Statement – 10% Net Income Adj. 2019-21 CAGR

50% of Equita 2018 revenues were coming from the "Global Markets" division (further split into Sales & Trading and Proprietary trading), with Investment Banking counting for 44% of revenues and AAM only 6%. As we already said, 50% of 2018 revenues are represented from activities that Equita has only developed during the last few years. Going forward we expect an increase in the relative weight of AAM to more than 12% by 2021 (before any performance fee). The slowdown that we envisage for the Investment Banking division in 2019 should be recovered in the forecoming years so, at the end, its weight on total revenues in 2021 should be similar to the 2018 one.

Figure 29 – 2018 revenues breakdown

Source: Company data

Figure 30 – 2021 expected revenues breakdown

Source: UBI Banca estimates

Going into details:

Figure 31 – Sales breakdown

(EURm, %)	2017A	2018A	2019E	2020E	2021E
Italian Equities - revenues	15.8	15.8	15.0	14.9	14.8
Other products - revenues	1.5	2.0	2.0	2.1	2.1
Bonds - revenues	1.6	1.8	2.6	2.6	2.5
Sales and Trading	20.8	21.4	21.6	21.4	*21.3*
Growth	-14.8%	3.0%	0.7%	-0.6%	*-0.6%*
Directional prop trading	5.3	3.5	4.0	4.0	4.0
Client Driven & market making	4.4	5.1	5.5	5.8	6.2
Proprietary Trading	9.7	8.6	9.5	9.8	*10.2*
Growth	56.3%	-11.2%	10.0%	4.0%	*4.2%*
Global markets	30.5	30.0	31.0	31.3	**31.6**
Growth	-0.4%	-1.5%	3.4%	0.8%	*0.9%*
Investment Banking	20.2	26.1	21.3	22.5	**23.9**
Growth	27.3%	29.2%	-18.5%	6.0%	*6.0%*
Portfolio management	2.2	2.2	3.8	4.3	4.8
Private Debt	0.75	0.96	1.30	2.05	2.43
Blueglen	0.0	0.2	0.4	0.5	0.5
SPAC	0.2	0.2	0.2	0.0	0.0
Alternative Asset Management	**3.2**	**3.7**	**5.7**	**6.8**	**7.7**
Growth	*57.0%*	*14.1%*	*54.7%*	*19.1%*	*12.9%*
Net Revenues - Total	**53.9**	**59.8**	**58.0**	**60.6**	**63.2**
Growth	*11.1%*	*10.9%*	*-3.0%*	*4.5%*	*4.1%*

Source: Company data, UBI Banca estimates

The main point to look at, when examining 2018 trends are, in our view:

- Sales & Trading was hit by the reduction in traded volumes on MTA (-23% YoY in 2018 and -37% in 4Q18 alone). However, the increase in market shares on equities and bonds (also due to the consolidation for half-year of Nexi retail business) and the growth in non-Italian equities activities allowed the division to report revenues up 3% YoY;
- Proprietary trading revenues obviously were hit by adverse market conditions in 4Q18, in particular on the directional trading side. In 2019 the proprietary book should grow again to pre-4Q18 level and this should normalize revenues towards the EUR10 million mark;
- Investment Banking revenues grew by a massive 29% YoY in 2018, despite a -56% YoY in 4Q18 alone. The Investment Banking market remained subdued (to say the least) in 1Q19 in terms of deals and this marks a striking comparison with 1Q18 when the market was buoyant and Equita in particular had a strong quarter. We believe that market conditions will improve over the course of 2019 not least because of Nexi, the largest IPO to date on the European market, which opened again the IPO window. Low cost of funding and deep availability are also two reasons why we see improvement beginning in 2H19;
- AAM revenues grew 15% YoY in 2018 despite adverse market conditions, which impacted performances which zeroed the relative fees. 2018 numbers did not include the management fees on the newly launched EUR400 million

fund with Euromobiliare AM SGR which could be incremental over the course of 2019. The private debt fund was almost fully invested over the course of 2018 and, also in this case, the correspondent increase in the management fees will be evident starting from 2019.

In terms of costs:

- Personnel costs grew by 4% YoY despite the number of FTE grew by 17%. The correspondent increase in the fixed component (+16% YoY) was balanced by the 9% reduction in the variable component. In total the comps/revenues ratio stood at 46% and we believe this is the cap also going forward. In other words, the variable component is strictly dependent on the level of revenues;
- Operating costs grew by 39% mainly due to investments to support growth. On top of that, part of the increase is due to perimeter enlargement (Retail Hub) and to EUR1.4 million non-recurring costs (listing on the STAR and advisory for the Retail Hub acquisition from Nexi);
- The total cost/income ramped up to 73.9% or 71.6% excluding extraordinary items. 71.6% is the level we envisage for the long term: we estimate a 72.5% Total Cost/Income in 2020, declining to 71.1% in 2021.

Tax rate should be in the 30% region, up 100bps from past years due the decline in tax exemptions. In conclusion, we see net income declining in 2019 (with a tough comparison in 1H19 and a recovery in 2H19) and than growing on average by 10% in 2020-21:

Figure 32 – Income Statement

EURm	2016A	2017A	2018A	2019E	2020E	2021E
Sales and Trading	24.4	20.8	21.4	21.6	21.4	21.4
Growth	-15.0%	-14.8%	3.0%	0.8%	-0.6%	-0.2%
Proprietary Trading	6.2	9.7	8.6	9.5	9.8	10.2
Growth	-45.2%	56.3%	-11.2%	10.0%	4.0%	4.2%
Global Markets	30.6	30.5	30.0	31.0	31.3	31.6
Growth		-0.4%	-1.5%	3.5%	0.8%	1.1%
Investment Banking	15.9	20.2	26.1	21.3	22.5	23.9
Growth	-19.0%	27.3%	29.2%	-18.5%	6.0%	6.0%
Alternative Asset Management	2.1	3.2	3.7	5.7	6.8	7.7
Growth	-1.8%	57.0%	14.1%	54.7%	19.1%	12.9%
Net Revenues - Total	**48.5**	**53.9**	**59.8**	**58.0**	**60.6**	**63.2**
Growth	-0.2	11.1%	10.9%	-3.0%	4.5%	4.3%
Personnel Costs	24.5	26.4	27.4	26.6	27.6	28.6
% on Net Revenues	50.4%	49.1%	45.8%	45.8%	45.6%	45.2%
Administrative Expenses	10.7	12.1	16.8	16.4	16.3	16.4
% on Net Revenues	22.1%	22.5%	28.1%	28.3%	26.9%	25.9%
Profit Before Taxes	**13.4**	**15.4**	**15.6**	**15.1**	**16.7**	**18.3**
% on Net Revenues	27.5%	28.5%	26.1%	25.9%	27.5%	28.9%
Income Taxes	4.5	4.3	4.5000	4.4	4.8	5.3
Tax Rate	34.0%	28.3%	28.9%	29.0%	29.0%	29.0%
Group Net Profit	**8.8**	**11.0**	**11.0**	**10.7**	**11.8**	**13.0**
% on Net Revenues	18.2%	20.4%	18.4%	18.4%	19.5%	20.5%
Non-recurring	0.0	0.2	0.9	0.0	0.0	0.0
Group Net Profit - Adjusted	**8.8**	**11.2**	**12.0**	**10.7**	**11.8**	**13.0**

Source: Company data, UBI Banca estimates

The Balance sheet is quite straight forward with no credit exposure, book value stable overtime and CET1 and TCR expected to remain in the high double-digit range:

Figure 33 – Balance Sheet

EURm	2016A	2017A	2018A	2019E	2020E	2021E
Cash and Cash Equivalents	0.0	0.0	0.0	0.0	0.0	0.0
Financial Assets measured at Fair Value through P&L	**39.2**	**49.5**	**60.5**	**62.6**	**64.8**	**67.2**
a) Financial Assets Held for Trading	38.8	47.3	51.6	53.7	55.9	58.3
b) Financial Assets designated at Fair Value	0.0	0.0	0.0	0.0	0.0	0.0
c) Other Financial Assets Mandatorily measured at Fair Value	0.4	2.2	8.9	8.9	8.9	8.9
Financial Assets measured at Amortised Cost	**158.0**	**174.0**	**215.1**	**223.3**	**232.9**	**243.6**
a) Due from Banks	135.3	148.8	168.4	174.8	182.4	190.8
b) Due from Financial Institutions	16.4	22.4	36.4	37.8	39.4	41.2
c) Loans to Customers	6.3	2.9	10.3	10.7	11.1	11.6
Equity Investments	0.0	1.3	1.5	1.5	1.5	1.5
Tangible Assets	0.6	0.6	0.6	0.6	0.6	0.6
Intangible Assets	13.5	13.7	15.0	15.0	15.0	15.0
Tax Assets	6.0	6.3	3.9	3.9	3.9	3.9
Other Assets	0.9	0.9	1.7	1.7	1.7	1.7
Total Assets	**218.2**	**246.3**	**298.3**	**308.6**	**320.5**	**333.5**
Financial Liabilities measured at Amortised Cost	**125.0**	**129.1**	**184.8**	**194.0**	**203.7**	**213.9**
Financial Liabilities Held for Trading	**14.1**	**14.6**	**8.3**	**8.6**	**9.0**	**9.4**
Tax Liabilities	1.9	1.2	2.0	2.0	2.0	2.0
Other Liabilities	13.5	14.0	14.5	14.5	14.5	14.5
Employees' Termination Indemnities	4.2	2.0	2.4	2.4	2.4	2.4
Allowances for Risks and Charges	8.1	6.3	6.2	6.2	6.2	6.2
Equity	**51.4**	**79.0**	**80.1**	**80.7**	**82.6**	**85.1**
Total Liabilities and Equity	**218.2**	**246.3**	**298.3**	**308.6**	**320.5**	**333.5**

Source: Company data, UBI Banca estimates

1Q19 results: the worst is behind us

Equita reported a two-sided set of 1Q19 results where the Investment Banking division more than balanced the excellent performance of the other two areas.

On the positive side:

- Global market posted a +11% YoY increase in revenues with both businesses up YoY;
    - Sales & Trading in fact posted a +15% YoY which is partially explained with a change in perimeter (the retail hub) but, when the -25% in traded volumes on MTA is taken into account, represents a very solid performance. The result was supported by the traded volumes on bonds which were up 14% YoY;
    - Proprietary trading grew 4% YoY and is the result of two divergent trends: client-driven and market making posted positive performances while directional trading was the opposite;
- AAM grew by 55% as a consequence of new products which were not present last year (Euromobiliare fund, Blueglen and the full investment of the private debt fund) but also benefited from the capital gain on the EUR10.7 million Equita direct investments in some of the products it manages.

On the negative side:

- Investment Banking revenues declined 79% YoY. Two factors contributed to this result:
    - The reference market was lacustre: European M&A transactions by value declined by 58% YoY, ECM -80% YoY and DCM -25% YoY;
    - Equita own performance in 1Q18 was particularly strong with EUR9.6 million revenues. If we look, for the sake of comparison, to 1Q17 its Investment Banking posted a more physiological EUR3.1 million;

On the cost side, total costs were down 22% YoY showing a significant ability to control expenditures and despite the increase in perimeter and the growth in Global Market revenues (which has attached some "transation costs" revenues-driven). The Compensation/Revenues ratio (46%) was down vs. 1Q18 levels while the Cost/Income ratio (77%) was in-line with the 4Q18 level.

Net profit ended at EUR2.0 million, down vs. the EUR4.4 million of last year.

At a more top-down level, we believe that 1Q19 sent the following relevant messages: a) the above-market results of the Sales & Trading, which gained market share, demonstrates the strategic rationale of combining several asset classes and pursuing cross-selling. Furthermore, the retail and fixed income businesses are less volatile than Institutional cash equities; b) In the quarter client-driven and market making represented more than 50% of the Proprietary trading revenues, in line with company strategy.

Looking at the remainder of the year it is worth mentioning that the benefit of the retail hub inclusion in the perimeter should be evident also in 2Q19 and that, in the press release, management states that the Investment Banking pipeline remains good although still below 2018's levels.

Figure 34 – 2018 and 2019 first quarter results

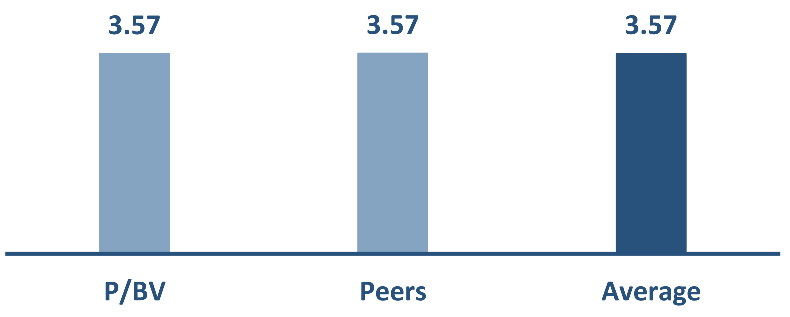
(EURm)	1Q18A	1Q19A	YoY change
Global Markets	8.3	9.1	10.3%
Inv Banking	9.6	2.1	-78.1%
AAM	0.9	1.4	52.8%
Net Revenues	**18.7**	**12.6**	**-32.8%**
Personnel Costs	9.3	5.8	
Administrative expenses	3.3	4.0	
Profit before Taxes	**6.2**	**2.8**	**-54.6%**
Group Net profit	**4.4**	**2.0**	**-54.2%**
margin %	23.3%	15.9%	
Group Net profit Adjusted	**4.4**	**2.0**	**-54.2%**
margin %	23.3%	15.9%	
Group Net Equity	**83.2**	**82.1**	**-1.4%**

Source: Company data, UBI Banca estimates

VALUATION: FURTHER UPSIDE OFFERED BY PERFORMANCE FEES

We believe that the best way to asses Equita fair value is through a peer group comparison which we than double checked with an absolute valuation method (RoE/CoE ratio and the equivalent fair P/BV ratio). The summary of our valuation exercise returns a target price of EUR3.57:

Figure 35 – Valuation summary (EUR)



Source: UBI Banca estimates

It is relevant to point out that our estimates do not assume any performance fee for the AAM division. Were we to include performance fees, running a sensitivity on the portfolio performances (from 4% annually to 16%), the corresponding additional revenues could be in the EUR1.4 million to EUR16.8 million range:

Figure 36 – Performance fee's sensitivity analysis

(EURm)	4.0%	8.0%	12.0%	16.0%
2019	1.4	4.8	8.2	11.7
2020	2.3	5.3	9.5	14.1
2021	2.5	5.8	10.9	16.8

Source: UBI Banca estimates

Utilizing 2019 P/Sales for Equita this would translate into **an increase in fair value anywhere between 2.4% and 29.0%:**

Figure 37 – Potential performance fee's contribution to fair value

	4.0%	8.0%	12.0%	16.0%
2019	2.4%	8.3%	14.1%	20.2%
2020	4.0%	9.1%	16.4%	24.3%
2021	4.3%	10.0%	18.8%	29.0%

Source: UBI Banca estimates

Furthermore, if we include the TIER II peers in our valuation the fair value would have been 5% higher than our target price.

Peer group comparison: increase in stock liquidity key to close the discount

Identifying the peer group is not a simple task given that Equita has a unique business model and operates in Italy, a country where the only listed comparables…are not really comparable. In fact, Mediobanca has a completely different size, geographical reach and its performance is also driven by the equity portfolio (i.e. Generali). The same goes for Tamburi Investment Partners that has a sizeable portfolio of equity assets (listed and not) that explains a market capitalization of around EUR1 billion. Its activities overlap with Equita only on the advisory segment where, however, Equita has a better standing. AAM and cash-equity are activities where Tamburi is not active at all.

The following foreign companies are similar to Equita in terms of business mix (corporate finance and advisory together with AM, in many cases of "alternative" nature. Not all of them have an equity research business). The major differences, that let us exclude them from the peer group, were the size/market capitalization and the geographical presence (US is a completely different market in the advisory/corporate finance space. Richer, more competitive, with different segments depending on the size):

- Arden partners has a GBP7 billion market capitalization;
- Lazard based in the US and with a market capitalization of around USD5 billion;
- Stifel is based in the US and with a USD6 billion market capitalization;
- Investec operates in UK, Australia and South Africa and has a GBP10 billion market capitalization.

The companies that we found more in line with Equita and that, therefore, represent the peer group on which we based our valuation are:

- **Piper Jeffrey**: very similar in terms of business mix (it operates both an equities sales & trading plus equity research business and an AM one. It is also active in the public finance space in the US, an activity that Equita does not run) and, although mostly focused on the US market, is active also abroad. Similarly to Equita its proposition to investors is to move from Institutional brokerage (which the company estimates being valued at 8x P/E on the market) to Advisory Services (which instead is estimated trading at 15x P/E). Its revenues 2011-18 CAGR in the advisory business was in fact 27% and now represents 50% of the firm adjusted revenues, similarly to Equita. It has grown by acquisitions (five since 2013) and, combining dividends and buyback, had a good yield for its investors;
- **Numis**: a pure-broker and advisory with no AM at all. Similar size to Equita (GBP300 million mkt cap) and focused only on one European country (UK) are the main similarities;
- **Evli**: is a local (Finland with a bit of Sweden) investment bank active in Asset Management (more than EUR11 billion of AuM in 2018), Corporate Finance, Equity research and incentive plan administration.

Alantra and ABG Sundal Collier would be a good comparable but unfortunately no consensus estimates are available.

We identified also a set of Tier II comparables, which, however we did not use as a valuation benchmark mostly because of size (although all of them are below the EUR5 billion market so, theoretically, could fall into the small caps universe):

- Evercore based in the US and has a USD5 billion market capitalization;
- Houlihan is based in the US and with a USD3.8 billion market capitalization;
- Moelis & Co based in the US and has a USD3.5 billion market capitalization;
- DeA Capital manages around EUR11 billion in real estate/private equity funds and has also direct investments;
- Tikehau offers AAM in the field of private debt/equity, real estate and listed Equities/fixed income;
- Azimut focuses on wealth management and has EUR50.8 billion of FuM.

Evercore, Houlihan and Moelis are comparable in terms of business mix while DeA Capital, Tikehau and Azimut fall in the AAM category (with the other similarity to Equita being the capital-light nature of the business). All those companies, in our view, represent a benchmark to look at when analyzing performances (all of them are a proxy of financial markets, in term of health and behaviors) and financial metrics.

Analyzing the stock market performances we note that both tiers have outperformed the Eurostoxx YTD and this has its own logic given that, whichever way we put it, the stocks under analysis are a proxy of the financial markets health:

Figure 38 – Peer group performance (priced on 8 May 2019)

			Share performance				
Company	**Price**	**Market cap**	**1M**	**3M**	**6M**	**12M**	**YTD**
Piper Jaffray Companies	70.9	1,014	7.4%	10.9%	8.4%	14.3%	23.2%
Numis Corporation Plc	3.0	322	7.1%	5.2%	-9.4%	-36.0%	13.5%
Evli Pankki Oyj Class B	7.7	182	-4.9%	-11.8%	-3.3%	-20.7%	6.3%
Moelis & Co. Class A	32.0	1,991	-8.8%	-21.6%	-15.5%	-31.8%	6.4%
Evercore Inc Class A	80.1	3,290	-0.6%	1.3%	6.6%	-10.0%	28.0%
Houlihan Lokey, Inc. Class A	42.2	2,763	3.8%	7.8%	13.4%	7.2%	31.2%
DeA Capital S.p.A.	1.5	464	2.6%	14.5%	17.4%	6.0%	21.3%
Tikehau Capital SCA	22.0	2,277	-2.2%	7.8%	-7.2%	-20.0%	12.0%
Azimut Holding S.p.A.	17.9	2,571	12.5%	64.3%	61.2%	6.7%	88.2%
Equita Group S.p.A.	**3.0**	**137.3**	**-5.6%**	**-5.8%**	**-14.8%**	**-5.9%**	**-6.8%**
FTSE Italy	132.6	315,602	-2.9%	9.0%	8.2%	-12.6%	14.8%
FTSE Italia Star	35,845.2	18,441	-0.4%	9.2%	7.7%	-6.9%	17.4%
Euro STOXX	373.4	4,202,939	-0.9%	8.2%	4.4%	-5.3%	13.7%
Average			**0.6%**	**-1.4%**	**0.0%**	**-12.8%**	**18.1%**
Average Tier I			3.2%	1.4%	-1.4%	-14.1%	14.3%
Average Tier II			1.2%	12.4%	12.6%	-7.0%	31.2%
Equita relative to Tier I			*-8.8%*	*13.1%*	*18.8%*	*20.2%*	*7.0%*
Equita relative to average			*-6.3%*	*-4.4%*	*-14.8%*	*6.9%*	*-24.9%*
Equita relative to STAR			*-5.2%*	*-15.0%*	*-22.5%*	*1.0%*	*-24.2%*
Peer group relative to Euro STOXX			*1.6%*	*-9.6%*	*-4.3%*	*-7.5%*	*4.4%*

Source: FactSet

The performance vs. the Eurostoxx turned negative over the last 3 months, we believe because of the sell off that hit banks and, as a second derivative, hit banking related activities.

Equita underperformed the average peer group on a YTD basis while on a 1 and 3 months basis the underformance is mostly explained by the dividnd payment. The YTD performance has probably to do with the fact that, while the Italian indexes have gone massively up, the counter values traded on the MTA (a good proxy of Equita's revenues) are down YTD to the tune of a double-digit decline.

On top of that, we believe that also the low liquidity of Equita shares had an impact: the share price seems to be immune from massive sell-offs but, by the same token, it doesn't follow the market in its rebounds. Liquidity has to be taken in consideration from potential investors because it could be a driver of the share re-rating. Looking at the average daily countervalues of the last month and YTD it is evident how Equita, together with Evli, is the least liquid stock of the peer group by far.

Figure 39 – Peer group average daily countervalues (priced on 8 May 2019)

(EUR, USD)	Currency	YTD	1 month
Piper Jaffray Companies	USD	4,556,418	6,122,160
Numis Corporation Plc	USD	591,708	339,222
Evli Pankki Oyj Class B	USD	54,990	23,388
Moelis & Co. Class A	GBP	19,953,393	24,646,640
Evercore Inc Class A	USD	36,502,830	35,932,660
Houlihan Lokey, Inc. Class A	EUR	8,817,096	9,352,811
DeA Capital S.p.A.	EUR	269,021	493,828
Tikehau Capital SCA	EUR	380,265	1,097,517
Azimut Holding S.p.A.	EUR	27,107,033	40,203,088
Equita Group S.p.A.	EUR	128,166	159,346

Source: FactSet

Liquidity we believe is also the reason why there is a valuation gap in terms of multiples with peers, although, as we have just seen Evli bank shares the issue with Equita but still trades at higher multiples, probably because of the “safety” nature given to Nordic financial stocks:

Figure 40 – Peer Group multiples (priced on 8 May 2019)

Name	TIER	Price	Currency	Mkt Cap	P/Sales			P/E			P/BV			Div Yield		
				million	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E	2019E	2020E	2021E
Piper Jaffray	I	70.9	USD	1,014	1.4 x	1.3 x	n.a.	12.1	11.3	n.a.	1.2 x	1.2 x	n.a.	n.a.	n.a.	n.a.
Numis Corp	I	3.0	GBP	322	2.3 x	2.2 x	n.a.	16.5	15.4	n.a.	1.9 x	1.9 x	n.a.	4.6%	4.8%	n.a.
Evli Pankki Oyj	I	7.7	EUR	182	2.6 x	2.5 x	2.3 x	12.5	10.9	9.5	2.4 x	2.4 x	2.3 x	8.0%	8.4%	9.0%
Moelis	II	32.0	USD	1,991	2.6 x	2.2 x	2.1 x	14.0	11.9	11.1	5.5 x	4.9 x	6.1 x	7.6%	9.3%	7.3%
Evercore	II	80.1	USD	3,290	1.8 x	1.7 x	1.8 x	10.9	10.5	11.4	3.6 x	3.1 x	2.3 x	2.5%	2.8%	3.0%
Houlihan Lokey	II	42.2	USD	2,763	2.7 x	2.6 x	n.a.	15.6	14.6	n.a.	3.5 x	3.1 x	n.a.	2.5%	2.8%	n.a.
DeA Capital	II	1.5	EUR	464	6.7 x	7.1 x	n.a.	34.4	50.5	n.a.	0.9 x	n.a.	n.a.	7.9%	6.6%	n.a.
Tikehau Capital	II	22.0	EUR	2,277	5.8 x	4.8 x	3.7 x	16.1	12.0	8.2	1.0 x	0.9 x	0.9 x	3.3%	3.6%	2.8%
Azimut	II	17.9	EUR	2,571	2.9 x	2.8 x	2.6 x	11.1	12.3	11.8	3.9 x	3.6 x	3.4 x	6.3%	6.4%	6.6%
Average					**2.6 x**	**2.5 x**	**2.3 x**	**14.0 x**	**12.0 x**	**11.1 x**	**2.4 x**	**3.1 x**	**2.3 x**	**5.4%**	**5.7%**	**5.8%**
Equita Group		3.0	EUR	137	2.4 x	2.3 x	2.2 x	12.8 x	11.6 x	10.6 x	1.7 x	1.7 x	1.6 x	7.3%	7.6%	8.1%
Tier I					2.1 x	1.9 x	2.3 x	13.7 x	12.5 x	9.5 x	1.9 x	2.4 x	2.3 x	6.3%	8.4%	9.0%
Tier II					3.8 x	3.5 x	2.5 x	17.0 x	18.6 x	10.6 x	3.1 x	3.1 x	3.2 x	5.0%	5.3%	4.9%

Source: FactSet

By applying the 2019-20 Tier I multiples to Equita financials, adding the treasury shares and the money Equita invested in the funds it manages (mostly private debt and Blueglen but also in private equities), we obtain a fair value of EUR3.57 (averaging the two years).

Figure 41 – Peer group valuation summary

(EUR, x)	2019E	2020E
PE - Peers	**13.7x**	**12.5x**
Equita EPS - reported	0.24	0.26
Equita fair value - A	3.22	3.26
Treasury shares - B	0.30	0.00
Equity co-invested - C	0.24	0.24
Pension liabilities - D	(0.05)	(0.05)
Equita Equity Value (A+B+C-D)	3.71	3.44

Source: FactSet, UBI Banca estimates

P/BV Valuation: double digit RoE for a capital-light business model

We double checked the fair value obtained through the peers comparison with an absolute valuation method: assuming that Equita deserves to trade at a P/BV equal to the RoE/CoE ratio. Equita's double digit RoE (>13% for 2019-20 average) shows how the business requires a limited amount of capital and would require a P/BV close to 2x. The resulting fair value of this valuation method is EUR3.57 and is close to the one obtained through a peers comparison:

Figure 42 – RoE/CoE valuation summary

(EUR, x, %)	2019-20 average
RoE	13.8%
Cost of Equity	7.5%
RoE/CoE ratio	1.84x
Equita book value per share (ex treasury shares) (EUR)	1.78
Fair value (EUR)	3.26
Treasury shares (EUR)	0.30
Target price (EUR)	**3.57**

Source: UBI Banca estimates

Averaging the two methods we obtain a EUR3.57 target price that implies a 18.6% upside on current price (plus 2019 dividend) thus we rate the stock a BUY.

At our target price the stock would trade in line with peers. Key to close the discount is, in our view, an increase in the stock liquidity.

DDM shows the market is assuming almost no growth in dividend per share

Considering that the EUR0.22 per share dividend is seen as a floor by management and also that the company has enough distributable resources to continue paying dividend for the next 5 years even with no net income we believe it makes sense to look at what the Dividend Discount Model tells us about the current market price and about our target price.

In the next table we show:

- In column A what is the **dividend growth implied by our target price: 1.3%** for the foreseeable future;
- In column B what is the **dividend growth implied by the current share price: 0.2%** for the foreseeable future.

Figure 43 – DDM valuation summary (2019E)

(EUR, %)	**A**	**B**
DPS (EUR)	0.22	0.22
Cost of Equity	7.5%	7.5%
Dividend growth rate	1.3%	0.20%
Equita - Fair value p.s. (EUR)	**3.57**	**3.01**
Dividend historical growth rate	0.0%	
Dividend expected growth rate	4.3%	

Source: UBI Banca estimates

What this exercise tells us is that if management executes on its strategy, and our estimates are correct, there is massive space for the stock to re-rate. However is worth pointing out that the limited historic data available (2017 and 2018) showed no growth at all in the DPS, so the market cannot be fully blamed for its zero-growth assumptions.

Income Statement

(EURm, %)	2018A	2019E	2020E	2021E
Sales and Trading	21.4	21.6	21.4	21.3
Growth	3.0%	0.7%	-0.6%	-0.6%
Proprietary Trading	8.6	9.5	9.8	10.2
Growth	-11.2%	10.0%	4.0%	4.2%
Global Markets	30.0	31.0	31.3	31.6
Growth	-1.5%	3.4%	0.8%	0.9%
Investment Banking	26.1	21.3	22.5	23.9
Growth	29.2%	-18.5%	6.0%	6.0%
Alternative Asset Management	3.7	5.7	6.8	7.7
Growth	14.1%	54.7%	19.1%	12.9%
Net Revenues	**59.8**	**58.0**	**60.6**	**63.2**
Growth	10.9%	-3.0%	4.5%	4.1%
Personnel Costs	27.4	26.6	27.6	28.6
% on Net Revenues	45.8%	45.8%	45.6%	45.2%
Administrative Expenses	16.8	16.4	16.3	16.4
% on Net Revenues	28.1%	28.3%	27.0%	25.9%
Profit Before Taxes	**15.6**	**15.0**	**16.6**	**18.3**
% on Net Revenues	26.1%	25.9%	27.5%	28.8%
Income Taxes	4.5	4.4	4.8	5.3
Tax Rate	28.9%	29.0%	29.0%	29.0%
Group Net Profit	**11.1**	**10.7**	**11.8**	**13.0**
% on Net Revenues	18.6%	18.4%	19.5%	20.5%
Non-recurring	0.9	0.0	0.0	0.0
Group Net Profit - Adjusted	**12.0**	**10.7**	**11.8**	**13.0**

Source: Company data, UBI Banca estimates

Balance Sheet

(EURm, %)	2018A	2019E	2020E	2021E
Cash and Cash Equivalents	0.0	0.0	0.0	0.0
Financial Assets at FV through P&L	**60.5**	**62.6**	**64.8**	**67.2**
a) Financial Assets HFT	51.6	53.7	55.9	58.3
b) Financial Assets at FV	0.0	0.0	0.0	0.0
c) Other Financial Assets at FV	8.9	8.9	8.9	8.9
Financial Assets at Amortised Cost	**215.1**	**223.3**	**232.9**	**243.6**
a) Due from Banks	168	174.8	182.4	190.8
b) Due from Financial Institutions	36.4	37.8	39.4	41.2
c) Loans to Customers	10.3	10.7	11.1	11.6
Equity Investments	1.5	1.5	1.5	1.5
Tangible Assets	0.6	0.6	0.6	0.6
Intangible Assets	15.0	15.0	15.0	15.0
Tax Assets	3.9	3.9	3.9	3.9
Other Assets	1.7	1.7	1.7	1.7
Total Assets	298.3	308.6	320.5	333.6
Financial Liabilities at Amortised Cost	**184.8**	**194.0**	**203.7**	**213.9**
Financial Liabilities HFT	**8.3**	**8.6**	**9.0**	**9.4**
Tax Liabilities	2.0	2.0	2.0	2.0
Other Liabilities	14.5	14.5	14.5	14.5
Employees' Termination Indemnities	2.4	2.4	2.4	2.4
Allowances for Risks and Charges	6.2	6.2	6.2	6.2
Equity	**80.1**	**80.7**	**82.6**	**85.1**
Total Liabilities and Equity	**298.3**	**308.6**	**320.5**	**333.6**

Source: Company data, UBI Banca estimates

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Equity rating dispersion in the past 12 months			
Buy	***Hold***	***Sell***	***No Rating***
91.1%	*4.5%*	*0.0%*	*4.4%*
Proportion on issuers to which UBI Banca has supplied investment banking services relating to the last 12 months			
Buy	***Hold***	***Sell***	***No Rating***
100%	*100%*	*-*	*100%*

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