Italian Wake-up Call

MEDIOBANCA SECURITIES

27 March 2020

Overnight Action

- US markets closed the day on a positive note
- APAC markets were mixed
- The EUR/US$ rate is up 0.082% to 1.1041
- WTI Crude is up 2.08% to 23.07

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Italy - €25-30bn new decree to be issued in April should still focus on measures to face the emergency of Covid-19

Italy - List of candidates for state-controlled companies could be presented by 18 April, Il Sole 24 Ore

Italy - Confindustria asks government interventions for supporting companies' liquidity, Il Sole 24 Ore

Italy - Confcommercio estimates potential -3% GDP decline in 2020, with restrictions in place until October

Mediaset (Restricted) - PSM appoints its CFO as new CEO, Max Conze leaves

Nexi (Outperform) - Confcommercio estimating Italian consumer spending down 5.7% YoY in 2020 - in line with MBe

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RCS Mediagroup (Neutral) - Sound cash generation confirmed in 2019. Covid-19 impact difficult to estimate

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Utilities Sector - Wind Europe: 96% of wind turbines manufacturers are still operational

Stock Markets: Performance

Index	1D% Chg.	1M% Chg.
DJ Italy 30	0.00	-26.59
S&P 500 COMP.	0.00	-20.56
STOXX 50	0.00	-19.23
DAX 30 PERF.	0.00	-22.71
CAC 40	0.00	-22.03
IBEX 35	0.00	-25.49
NIKKEI 225	0.00	-12.84

DJ ITALY 30: Best & Worst stocks

Company	1D% Chg.
AZIMUT HOLDING	7.00
LEONARDO	6.06
TENARIS	5.54
TELECOM ITALIA	-4.96

Dj stoxx 600: Best & Worst sectors

Sector	1D% Chg.
Basic Material	0.00
Media	0.00
Energy	0.00
Financial services	0.00
Banks	0.00

Source: Mediobanca Securities

MEDIOBANCA SECURITIES

Markets

US markets closed the day on a positive note, with DJ up 6.38%, S&P 500 up 6.24% and Nasdaq up 5.60%. Trading volumes were up 16.63% vs. 30-day average. Eurostoxx 50 closed up 1.70% with trading volumes down -20.07%. The leading sectors in the US were Utilities +8.38%, Real Estate +7.81% and Health Care +6.98%, while the laggards were Consumer Discretionary +4.30%, Materials +4.93% and Consumer Staples +5.67%. S&P 500 futures are indicated down 0.757% at 7:00 CET.

APAC markets were mixed, with Nikkei up 3.88%, Hang Seng up 0.92%, Shanghai up 0.61% and Australia down 5.30% at 7:00 CET. The U.S. overtook China as the nation with the most coronavirus infections, after new cases surged by more than 17,000. President Trump proposed a risk classification system to help businesses return to normal and tweeted he had a "very good" talk with Xi Jinping about the pandemic. Italy saw its biggest jump in the past five days, with most clustered around Milan. China will close its doors to foreign visitors from tomorrow. The U.S. House is expected to approve the $2 trillion rescue plan today. Steven Mnuchin reiterated that he wants to keep financial markets open even as volatility goes nuts and more traders seek to isolate themselves. "If for whatever reason we get to a point where the underlying regulators determine that the markets can't stay open full hours, we may consider limiting the trading hours," the Treasury secretary said. He added he's focused on helping mortgage firms. European leaders struggled to agree on a concrete strategy to contain the fallout from the deadly coronavirus, leaving key details to be hammered out in the weeks ahead. China's industrial profits dropped 38% in the first two months of this year versus the same period in 2019. Profits at state-owned firms, private companies and foreign-invested business all dropped more than 30% amid shutdowns. Core Tokyo inflation further slowed to 0.4% in March, matching estimates. The headline tally and CPI excluding energy and fresh food were both unchanged from February's figure, defying estimates they would slow.

The EUR/US$ rate is up 0.082% to 1.1041, US$/JPY rate is down 0.875% to 108.63 and EUR/GBP is down 0.120% to 0.90304 at 7:00 CET. Yen rises versus peers on demand from Japanese firms ahead of the country's fiscal year-end on March 31. A gauge of dollar strength is poised to have its worst week since 2009 amid signs of improvements in some funding markets, and as the U.S. overtook China for the most coronavirus cases worldwide.

WTI Crude is up 2.08% to 23.07, Brent is up 0.49% to 26.47 and Natural Gas is up 0.55% to 1.646 at 7:00 CET. Precious metals are seeing Gold down 0.45% to 1624.04, Silver up 1.01% to 14.55 and Palladium up 2.25% to 2392.50 at 7:00 CET. Base metals on LME were mixed, with Aluminum down 0.10%, Copper down 1.05%, Zinc up 1.31% and Nickel down 0.69%. Copper futures are indicated up 0.94% on Comex this morning. Corn is down 0.43%, Wheat is down 0.09% and Soybean is up 0.54% on CBOT this morning.

US data expected to be published today are University of Michigan Consumer Sentiment Index, Personal Income and Personal Spending. European data include Manufacturing Confidence, Consumer Confidence and Economic Sentiment in Italy, Consumer Confidence in France and Retail Sales in Ireland.

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A2A (Neutral, TP €1.70)

	Market Cap. €3.4bn	Price: € 1.09	*(Javier Suárez +39 02 8829 036, Sara Piccinini +39 02 8829 295)*		
	Turnover	**Net Profit**	**PE Adj.**	**PBV**	**Yield**
2018	6,494	344	13.8	1.5	4.6
2019E	6,292	337	10.1	1.1	7.1
2020E	6,431	351	9.7	1.0	7.4

Source: Mediobanca Securities

Plans to cut carbon emission by -46% by 2030, Reuters

Reuters reports that A2A may be planning to cut its carbon emissions by -46% by 2030.

According to the article, the 2030 target would be based both on the development of at least 1.6 GW of new renewable energy capacity, as well as the shutting and reconversion of coal and oil-fired power plants.

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ASTM (Outperform, TP €32.90)

	Market Cap. €2.1bn	Price: € 14.96			*(Nicolo Pessina +39 02 8829 796)*
	Turnover	**Net Profit**	**PE Adj.**	**PBV**	**Yield**
2017	1,436	150	12.1	0.6	2.7
2018E	1,717	167	9.5	0.5	3.6
2019E	2,182	264	5.7	0.5	8.1

Source: Mediobanca Securities

Fitch confirms the BBB+ rating with negative outlook

Fitch confirmed the BBB+ rating with Negative outlook on ASTM. In particular, the credit agency explained that rating reflects marginal deterioration in financial metrics following expected material traffic shock across ASTM's network in the aftermath of a lockdown in Italy, which is restricting people's movement and is taking a toll on the group's expected cash flow generation.

Fitch’s assumption is of a fall of traffic by 30% in 1H20 and a gradual recovery to yield an annual decline of 21% for FY20, which compares with a 12% volume peak-to-trough during the global financial crisis (FY09-13 period). Fitch also assumes traffic will progressively normalise, with FY21 traffic remaining around 3% below 2019 levels and fully recovering only in 2022. From then onwards, traffic is expected to follow a similar path to Italian GDP growth of 0.5% p.a. Assuming a partial cutback on FY20 opex (assuming 20% of the costs are variable), a re-profiling of planned capex until 2024 and no cut to the dividend, Fitch now expects leverage to remain above 3.8x in FY22-2023 and only returning within the BBB+ rating guidelines in FY24. On the other hand, Fitch sees ASTM's liquidity position as strong given the group's estimated €2bn of available cash and a committed revolving credit facility, which are sufficient to cover debt maturities beyond 24 months.

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Autogrill (Neutral, TP €7.00)

	Market Cap. €1.1bn	Price: € 4.19			*(Nicolo Pessina +39 02 8829 796)*
	Turnover	Net Profit	PE Adj.	PBV	Yield
2018	4,695	69	36.2	3.4	2.0
2019E	4,997	237	10.5	1.3	0.0
2020E	4,771	60	17.8	1.2	0.0

Source: Mediobanca Securities

In talks to renegotiate fixed rents everywhere

According to Reuters, citing sources, Autogrill would be in talks with landlords in all channels and all countries to reduce the fixed rents due to the strong impact that the Coronavirus crisis is having on the business.

Mediobanca view - Travel retailers and F&B operators are clearly very much impacted by the Coronavirus crisis. While infrastructure operators may have some kind of protection embedded in the regulatory framework, retailers usually do not. Moreover, they are subject to minimum guaranteed revenues to be paid to landlords that in the case of Autogrill should be in the range of ~€400m in FY20. Although not explicitly envisaged by the contracts, we would expect infrastructure operators to give some flexibility - as recently happened to Shilla Travel Retail at Changi airport, where it agreed a 50% cut of the base rent for six months – in order to provide support and preserve the sustainability of the overall contract.

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BFF Banking Group (Outperform, TP €6.80)

	Market Cap. €792.44m	Price: € 4.65			*(Simonetta Chiriotti +39 02 8829 933)*
	Net Profit	**PE**	**PBV**	**Yield**	**ROE**
2018	92	9	2.5	11.6	25.2
2019E	93	9	2.1	8.9	24.7
2020E	112	7	1.9	11.6	26.9

Source: Mediobanca Securities

Moody’s current rating confirmed – BFF is the only Italian bank with positive outlook

Despite the critical phase due to the Covid-19 emergency, Moody’s has confirmed Banca Farmafactoring’s current ratings with positive outlook, for both the Long-term issuer rating (“Ba1”) and the Long-term deposit rating (“Baa3”).

The announcement come out yesterday, when Moody’s took a negative action against 14 Italian banks. BFF is currently the only bank in Italy rated by Moody's with a positive outlook

As recently highlighted by its CEO, BFF presents relatively low exposure to the impact of the COVID- 19 outbreak. Indeed, a growing demand of BFF services can be expected in the current situation, on the back of growing healthcare expenses and longer payment terms by the public administration. This trend should more than offset the negative impact of longer collection time due to delays in the activity of courts. The bank has the balance sheet flexibility to expand its activity in presence of an increasing demand. BFF is due to host its AGM (in physical and digital way) on April 2 and is expected to distribute its €0.415 DPS in on May 18 with a dividend yield at current prices of 8.9%.

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Cairo Communication (Outperform, TP €3.85)

	Market Cap. €233.88m	Price: € 1.74			*(Fabio Pavan +39 02 8829 633)*
	Turnover	Net Profit	PE Adj.	PBV	Yield
2018	1,247	60	7.4	1.0	4.2
2019E	1,163	58	4.1	0.5	8.6
2020E	1,145	58	4.0	0.5	11.5

Source: Mediobanca Securities

FY19 results overall in line. Covid-19 impact difficult to estimate.

Event The Board of the company yesterday approved full year 2019 figures.

Comment/Financials We would highlight the following:

- Considering the Covid-19 outbreak, the potential effects on the business outlook are unforeseeable at this time but, the group has adequate management levers to counter impacts of the health emergency in 2020, confirming medium-long term prospects.
- Group is expected to suffer because of the postponement of relevant sport events organized by the group, the circulation of sport dailies dropped because of the suspension of played sport and group advertising sales in March had a slowdown in Italy and Spain, due to the Coronavirus outbreak;
- The group recorded €1.16bn sales in FY19, down 5.3% yoy (and in line with MB est. at €1.16bn);
- Consolidated gross revenue of €1.25bn (down 5.3% yoy), o/w operating ones of €1.23bn and other ones of €22.8m.
- EBITDA came out at €177.1m (down 3.1% yoy), or €146.7m before IFRS16 adoption (MB est. at €149.7m);
- The company recorded €100.7m EBIT, down 20.9% yoy;
- Net profit came out at €42.1m (from €60.3m, MB est. €57m);
- Group debt, before IFRS16 adoption, decreased €54m to €134.6m as of YE 2019;
- The board has decided to propose at the Shareholders' Meeting the distribution of €0.04 per share dividend, down from €14c (MB est. €15c);
- La7 confirmed the high audience levels of the channel (3.67% in all-day share and 4.83% in prime time);
- La7 revenues came out at €110.7m (from €111.5m in 2018 and vs MB est. of €112m), EBITDA was also stable at €9m;
- Cairo magazines recorded €102m sales (in line with MB estimates) and €6.7m EBITDA (from €8.5m, above MB estimates).

View/Action On the advertising side we believe it's fair to expect some weakness, as the Covid-19 outbreak will have a negative impact on consumptions (Confcommercio, the largest Italian business association, published an update on the impact of Covid-19 outbreak on the Italian economy, suggesting a 5.7% drop in consumer spending and 3.1% one for domestic GDP). Mr Cairo and his management team have proved in past crisis to be resilient to adverse market conditions, taking bold actions to play down costs: same may eventually apply in 2020.

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Car Sector

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Nokian cuts DPS and withdraws guidance

Event – Today before market open, due to COVID19 impact, Nokian has announced:

- The proposal to cut dividend initially expected at €1.58. According to Co. press release, DPS is proposed at €0.79. In addition to that, BoD asked the greenlight to pay another part of DPS, up to €0.79, over the year assuming that market stabilizes and Nokian has better visibility on the COVID impact.
- Withdrawal of the FY20 guidance. Due to COVID19, Board is not able to give a new guidance. Previous guidance was factoring in declining sales and an operating profit significantly below the level of 2019.

Moreover, yesterday at market open also CAT announced that:

- Company is continuing to run the majority of its US plants but, due to 1) weaker demand, 2) supply chain constraints, and 3) spread of COVID outbreak, the operations at certain facilities are suspended.
- COVID19 impact can't be assessed so far. 1Q20 and FY20 results will be impacted. CAT withdraws FY20 guidance.

Comment – Negative set of news, but quite expected. We don't expect any major impacts.

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CAREL (Neutral, TP €10.00)

	Market Cap. €1.0bn	Price: € 10.40	*(Alessandro Tortora +39 02 8829 673, Andrea Balloni +39 02 8829 541)*		
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	327	35	32.4	7.9	1.1
2020E	348	39	26.8	6.1	1.3
2021E	376	47	22.3	5.1	1.5

Source: Mediobanca Securities

COVID-19 update on operations. Buyback programme activated

Event In a yesterday evening press release, the Board of Directors of CAREL examined the impacts of the current situation linked to the health emergency due to the pandemic.

In February 2020, production activities were stopped for about a week at the plant in China in the wake of countrywide restrictions imposed by the Chinese authorities to deal with the COVID-19 emergency. The Group acted quickly and transferred part of the production to other plants during that period. The Chinese plant is even now rapidly returning to full operation.

In Italy, the spread of the virus has led to production being halted from March 26 until April 3 at the earliest at the factory in Brugine (where the parent company operates) and a reduction in production capacity at the factory in Rescaldina (where Recuperator operates), in compliance with the government’s new restrictions.

All other production plants in Croatia, North America, South America, China and Germany are in operation; currently, the transfer of goods between plants, to commercial branches and to end customers has not been disrupted. The Group is now striving to increase production in Croatia and China to make up for the shutdown of the Brugine plant.

In economic terms, the spread of Covid-19 in the first two months mainly impacted the Asian region, which saw a decrease in revenues.

According to the press release, the Group has sufficient liquidity, in line with the end of the year value, to guarantee flexibility should the macroeconomic situation deteriorate.

The Directors are constantly monitoring these factors of uncertainty and, as a precaution, they have developed a risk mitigation plan focusing on strategic supplies, the accurate assessment of expenditure and investments and the frequent monitoring of collections. However, it is not yet possible to predict the development of this phenomenon and the consequences for the macroeconomic situation, nor can any impact be identified that would give rise to adjustments to the values recorded for the Group's assets and liabilities.

In a separate press release, Carel, in accordance with what already disclosed on 7th March 2019 and 15 March 2019, announced the launch of a treasury shares buyback programme, involving a maximum of 100,000 Carel shares, equal to 0.1% of the share capital. The main objective of the programme shall be the purchase of treasury shares in order to comply with the obligations associated with the "2018-2022 Performance Shares Plan".

Comment/Financials 2Q will be the quarter where COVID-19 impact is expected to be visible, while 1Q should see only the negative impact from China.

View/Action Neutral confirmed.

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Digital Value (Outperform, TP €27.00)

	Market Cap. €178.16m	Price: € 18.00			(Giuseppe Grimaldi +39 02 8829 412)
	Turnover	Net Profit	PE Adj.	PBV	Yield
2018	298	15	7.4	2.2	0.0
2019E	365	18	9.9	2.6	3.2
2020E	402	20	8.9	2.1	3.3

Source: Mediobanca Securities

2H19/FY19 Results: Bottom line beat supported by higher margins

Event Yesterday, Digital Value unveiled its 2019 FY set of numbers. A conference call is scheduled on March 30.

Comment/Financials We remind that the company had already posted its preliminary FY19 sales in January. Results were better than our estimates with the company showing higher profitability translating in 11% bottom-line beat in the second half of the year. Cash generation was a touch lower due to higher than expected CAPEX, compensated by a better than expected NWC management.

On the outlook, the company said that backlog remains supportive and 2020 started well. Management also stated that it expects Covid-19 to potentially have an impact on 2020, but "to be among the least impacted companies".

A summary of the main lines compared with our estimate in the table below.

2H/FY19 Results preview

€m	2H19A	2H18A	YoY chg.	2H19E	A vs E	FY19A	FY18A	YoY chg.	FY19E	A vs E
Total sales	**194.3**	**153.8**	**26.4%**	**194.9**	**0%**	**364.8**	**298.1**	**22.4%**	**364.8**	**0%**
EBITDA	**16.5**	**9.7**	**69.6%**	**14.6**	**13%**	**31.9**	**24.0**	**32.9%**	**30.0**	**6%**
% margin	*8.5%*	*6.3%*		*7.5%*		*8.8%*	*8.1%*		*8.2%*	
EBIT	**13.6**	**8.1**	**66.8%**	**12.7**	**7%**	**27.1**	**21.5**	**26.1%**	**26.2**	**3%**
EBIT margin	*7.0%*	*5.3%*		*6.5%*		*7.4%*	*7.2%*		*7.2%*	
Net profit	**9.6**	**5.5**	**73.6%**	**8.7**	**11%**	**19.0**	**14.8**	**28.6%**	**18.1**	**5%**
Net Debt/(Cash)	**-28.0**	**-31.8**		**-31.9**		**-28.0**	**-31.8**		**-31.9**	

Source: Mediobanca Securities

View/Action A strong set of numbers with higher than expected margins confirming the company's increasing focus on advance infrastructure solutions. As regards the 2020 outlook, the company provided a realistic message stating to be not totally immune from Covid-19.

That said, in an adverse scenario DGV has not suffered operational disruption, can rely on a supportive order backlog and sits on a solid balance sheet. We believe all these aspects allow DGV to manage this incremental short-term volatility and we confirm our Outperform rating.

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Enel (Outperform, TP €8.60)

	Market Cap. €63.8bn	Price: € 6.28	*(Javier Suárez +39 02 8829 036, Sara Piccinini +39 02 8829 295)*		
	Turnover	**Net Profit**	**PE Adj.**	**PBV**	**Yield**
2019	77,366	2,174	28.4	2.0	5.4
2020E	73,825	5,186	12.3	2.0	5.6
2021E	74,538	5,592	11.4	1.9	5.9

Source: Mediobanca Securities

Activates coronavirus insurance policy for its employees worldwide

Europa Press reports that Enel would have activated an insurance policy for more than 68k of its employees worldwide, in the event of hospitalization due to the coronavirus.

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European Banks

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Potential postponement of 2019 dividends

The press reports today that the European Banking Federation has written a letter to the ESB-SSM on its position on dividend payments. It is apparently difficult for European banks to find a common view within the association which fathers 3500 banks. The Federation had written a common letter to its associates to find a common position on dividend payments with the view of suspending them to pay them in Q3 or Q4 when the macro scenario should be clearer. The issue is that several banks already have or are about to hold their AGMs, giving limited turnaround time. While waiting for a concerted approach, several local authorities have warned about losing capital resources through dividend payment: Germany's Bafin, Switzerland's FINMA, Sweden and Norway's FSAs and Austria.

We believe that a common position would be preferable but some banks have either already approved 2019 dividends or are about to doing so, and coordination on 2020 dividends would therefore be less timely.

We also believe that, in response to the emergency and to the regulator's unprecedented reduction of capital requirements, paying large dividends on 2019 earnings would clash with the present public health and economic emergency the European peoples and their economies are experiencing and that at present distressed valuations banks should not be expected to pay dividends, with capital preservation the priority.

So far we have seen OTP and BCP cancelling or not paying a dividend, CABK cutting it, Nordic banks, EBS and SAN suspending it and RBI, ISP, UBS and CSGN confirming it (but FINMA suspending all Swiss buy-backs) and SAB, BBVA and BKT approving it at the AGM as originally planned.

We see banks being given as much flexibility as possible by authorities to be part of the solution to the COVI19 crisis and give them the role of shock absorbers. They should use the new LTRO in combination with the large government guarantees on loans to transmit ultra-lax monetary policy and help businesses to survive the current liquidity crisis.

Meanwhile, political leaders have to agree on a large, concerted fiscal policy response to the crisis, which in our view needs to embrace risk sharing. As this is a big ask for low-debt/GDP countries (as shown last night at the EU Council), we do not see this as imminent good news, with the risk that the standstill could revive a sovereign crisis.

In this very uncertain environment we stay cautious, prefer Nordic and Swiss exposure to the Eurozone and refrain from bargain hunting in the banks' space.

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FCA (Restricted)

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Source: Mediobanca Securities

New €3.5bn credit facility, US plants to restart April 14

Event – Yesterday at market open FCA announced a new €3.5bn credit facility signed with two banks. This new financing is on top of the already exiting €7.7bn credit facility and is structured as a bridge financing to support the Group access to capital markets.

Moreover, as reported by Bloomberg, FCA stated that US and Canada plants will remain closed until April 14.

Mediobanca Group is involved in the potential business combination between Groupe PSA and FCA

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Italian Asset Gatherers

(Gian Luca Ferrari +39 0 2 8829 482)

Assogestioni proposes the launch of Alternative PIR

Assogestioni, the Association for the Italian Asset Management sector, has today announced a proposal to launch an Alternative version of PIR funds to be closer to non-listed SMEs. The Association reminded the importance of traditional PIR products, but with the limits of being a product for retail clients and fit for liquid portfolios.
The necessity for a new product such as Alternative PIR is based on the urgent need to find a way to sustain, even more, the real economy in order to channel private wealth to re-launch the investments in the country. Portfolios will then be focused on less liquid segments, but closer to smaller enterprises. Such instrument will have to be an alternative and complementary solution to traditional PIR products.
Alternative PIR will be devoted to the wealthier investors and, being illiquid investments will require long-term time horizon and high risk. Investment threshold will be increased from the current levels for traditional PIR (€30k with a maximum of €150k) to €150k/year to a maximum of €1.5m (similar to the Eltif). However, the Association believes it could make sense to introduce a higher annual cap, as oftern the product is underwritten with a single investment.

The eligible investment universe is, at least 70%, in:

1) securities issued by Italian-based companies outside FTSEMIB and FTSE MidCap (what currently represents 3.5% of the universe of traditional PIR products);
2) Loans to those companies;
3) Credit of those companies.

With reference to the concentration limits, Assogestioni is proposing to increase the current 10% concentration limit of traditional PIR to 20%.

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Italian Consumer Goods

(Alessandro Tortora +39 02 8829 673 Isacco Brambilla + 39 02 8829 067)

Confcommercio estimates potential loss of c.€50bn consumptions in worst-case scenario

Event Yesterday, Confcommercio provided an update on its 2020 FY forecasts on potential impacts by sector from Covid-19 outbreak and the more restrictive measures introduced by the Italian government.

Comment/financials The association included a second scenario, in which a normalization in consumption trends may occur not before the month of October, as it stated to see less likely the full re-opening of commercial activities from May/June. In such a scenario, the loss in consumptions may amount to c.€50bn.

The list of the most impacted sectors does not change vs the previous simulation, with Hotels & out-of-home food consumptions seen potentially down -22% yoy (-12.8% yoy in the previous scenario), Transports down 12% (from -5.3% in the previous scenario), Leisure declining 11% (from -7.5%), and Shoes & Apparel down 11% (from -6.3%). These forecasts include the positive impact of measures (Cura Italia decree) approved by the Government.

View/Action The outbreak of Covid-19 and the related restrictive measures introduced by the Italian government are set to negatively impact all sectors exposed to tourist flows and people mobility. The magnitude of the impact from this shock is difficult to assess at this stage, as it will clearly depend on the duration of such restrictive measures, but it will have a visible impact even on most resilient categories such as out-of-home food and beverage consumptions. Within the consumer space, we reiterate our relative preference for De' Longhi (O), while we have a Neutral stance on Marr, Autogrill, Fila, Guala Closures and Massimo Zanetti B.G. Campari is Underperform rated.

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Italian Transport Infrastructure

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Air traffic in Europe: -79% on 25 March

Eurocontrol reported (traffic monitor) for 25 March a decline of air traffic of 79% in terms of flights across its network of 41 Member States; the trend is still deteriorating with the weekly moving average at -69%. Italy, Spain and France were down 89%, 87% and 85%, respectively. Looking at the last seven days, Italy was the worst performer within the Eurocontrol network with a decline of 89%; Spain and France were down 78% and 76%, respectively. While Italy seems to have reached the trough, the latest data points suggest a potential further deterioration for Spain and France, where travel restrictions were introduced later.

Mediobanca View - Negative news for all airport operators that are significantly impacted by the Coronavirus crisis; we remind that many secondary airports have been shut down and major ones have closed terminals and runways. Impact may be mitigated by the support of the authorities (Employee Redundancy Fund in Italy and Spain) and by the rebalancing of the contracts, where envisaged by the regulation. In particular, this option is recognized to **Aena** (in case of annual traffic decline of >10%), **AdR** (risk sharing if >5% deviation from estimates and rebalancing if >6%) and **Bologna Airport** (thresholds for risk sharing and rebalancing not disclosed). No mention of a traffic risk sharing mechanism is made for **ACA**. **Enav** remains the most protected stock as maximum exposure is a 4.4% deviation from the estimates. **Autogrill** is the most exposed having no regulatory protection and being subject to MAGRs.

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Italy

(Javier Suárez, Andrea Filtri, Sara Piccinini, Isacco Brambilla, Giuseppe Grimaldi & Marco Vitale)

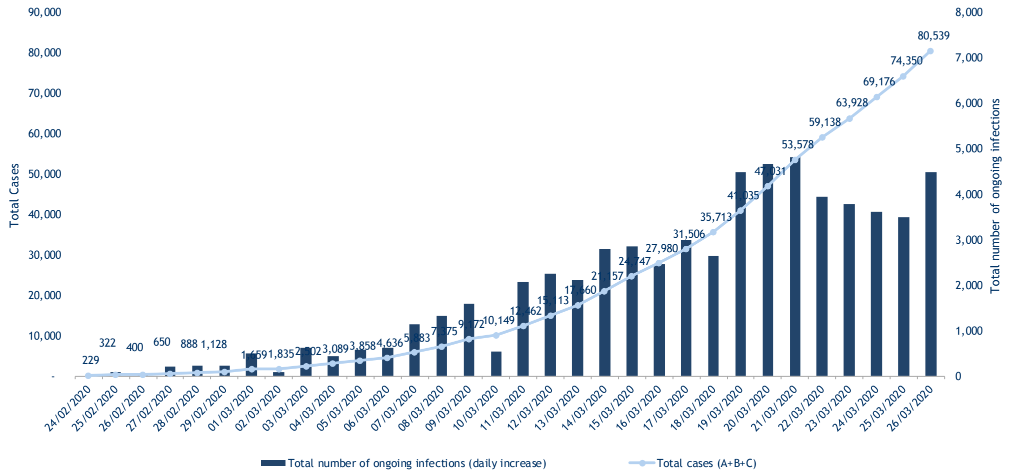
Covid-19: daily increase in number of total cases & new infections, after 4 consecutive days of decreases

The Government communicated the latest updated data on the Covid-19 infections as of Thursday (25 March).

We would highlight:

- The number of total cases (on-going infections + deaths + recovered patients) increased to 80,539. This means an increase of +6,153 (+8%).
- This compares with +5,210 on Wednesday (+7.5%), +5,249 on Tuesday (+8.2%), +4,789 on Monday (+8.1%), +5,560 on Sunday (+10.4%) and +6,557 on Saturday (+13.9%).
- Total number includes: 62,013 on-going infections, 8,165 deaths & 10,361 recovered patients.
- Number of new cases increases by +4,492. This means an increase vs +3,491 on Wednesday, +3,612 on Tuesday, +3,780 in Monday, +3,957 in Sunday, and compares with +4.821 in Saturday (the day that marked the record since the Covid-19 outbreak).
- Out of the number of on-going infections, 3,612 are in intensive care (6% of the total), +123, which compares with +93 on Wednesday, +192 on Tuesday, +195 on Monday, +152 on Sunday and +202 on Saturday.
- Sadly, number of daily deaths is still high +662, although this number is lower than yesterday's +683. Latest data were: Tuesday (+743), Monday (+601), Sunday (+651) & Saturday (+793).
- On the positive side, there has been +999 recovered clients. This compares with +1,036 on Wednesday, +894 on Tuesday, +408 on Monday, +952 on Sunday and +943 on Saturday.

Covid-19 cases in Italy (as of 26 March)



Source: Protezione Civile

Sadly, there is an increase in the number of total cases (+6,153 or +8%) and new cases (+4,492) after 4 consecutive days showing decreases.

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Italy

(Javier Suárez, Andrea Filtri, Sara Piccinini, Isacco Brambilla, Giuseppe Grimaldi & Marco Vitale)

EU councils fails to reach an agreement on common response, Eurogroup to come up with proposals within 14 days

Il Sole 24 Ore reports this morning what emerged from the EU Council held yesterday evening. The Council did not reach an agreement on a common and coordinated policy response to fight the Covid-19 crisis. There was no agreement among all Member States on the potential issuance of one-off "*Coronabonds*", and the EU council gave mandate to the Eurogroup to come up with proposals by the next 14 days. Furthermore, the article flags that the EU Council indicated to the Eurogroup that it should explore the possibility to strengthen the support provided by the EIB to face the ongoing crisis

Source: *click here*

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Italy

(Javier Suárez, Andrea Filtri, Sara Piccinini, Isacco Brambilla, Giuseppe Grimaldi & Marco Vitale)

€25-30bn new decree to be issued in April should still focus on measures to face the emergency of Covid-19

Il Sole 24 Ore reports that the new decree to be issued by the Government in April should encompass only measures to guarantee liquidity and provide aids to families, enterprises and workers, while it should not include actions to boost GDP growth as previously reported by press.

According to the article, the new decree should devote further €25-30bn resources to strengthen the health care system and protect the productive system during this prolonged period of emergency, as these remain the key Government's priorities for the time being. At the same time, the article flags that in a second step the Government may implement measures to foster economic recovery, which should include additional spending for public works.

Source: click here

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Italy

(Javier Suárez, Andrea Filtri, Sara Piccinini, Isacco Brambilla, Giuseppe Grimaldi & Marco Vitale)

List of candidates for state-controlled companies could be presented by 18 April, Il Sole 24 Ore

Il Sole 24 Ore publishes that the Government may present the list of candidates for state-controlled companies by 18 April, 25 days before the first shareholders' meeting that is the one of Eni. Originally the day was 22 March but this has been postponed due to the Covid-19 emergency and no agreement within the different parties at the Government.

According to the current schedule, the first shareholders' meeting should be Eni on 13 May, followed by Enel on 14 May, Poste on 15 May, Terna was on 27 April but it has been rescheduled, Enav on 21 May, Leonardo on 13 May and second call on 20 May, and MPS was expected on 6 April but it has been rescheduled.

The article reports that discussions on the candidates are mainly around Eni and Leonardo, although there could be changes also at Enav and Terna.

Find attached link to the article: *click here*

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Italy

(Javier Suárez, Andrea Filtri, Sara Piccinini, Isacco Brambilla, Giuseppe Grimaldi & Marco Vitale)

Confindustria asks government interventions for supporting companies' liquidity, Il Sole 24 Ore

Today the Italian daily *Il Sole 24 Ore* published an article reporting some statements from Italian Manufacturers' Association (ie Confindustria). In a letter sent to the government, the association stated that the "*Cura Italia*" decree has been a necessary step, but it is not enough. The is a clear need for additional interventions, Confindustria said. Among the main proposal for protecting companies' liquidity, Confindustria urges the government to not ask firms to pay in advance for the temporary layoff schemes (ie Cassa Integrazione). Furthermore, the association asks for the postponement of taxes and social securities expenses as a way to protect liquidity.

Source: click here

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Italy

(Javier Suárez, Andrea Filtri, Sara Piccinini, Isacco Brambilla, Giuseppe Grimaldi & Marco Vitale)

Confcommercio estimates potential -3% GDP decline in 2020, with restrictions in place until October

Italian industry association Confcommercio indicated that potential impacts on consumptions due to restrictive measures introduced by Italy's government may amount to c.€50bn in a scenario in which current restrictions remain in place until October. According to the association this may lead to a 3% YoY drop in GDP in 2020.

Source: click here

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Mediaset (Restricted)

(Fabio Pavan +39 02 8829 633)

Source: Mediobanca Securities

PSM appoints its CFO as new CEO, Max Conze leaves

Event ProSiebenSat.1 announced with a press release its new Executive Board composition reorganization, including the appointment of the current CFO, Rainer Beaujean, as the new company CEO and the leaving with immediate effect of the current one, Max Conze; moreover, Wolfgang Link and Christine Scheffler, already senior executives in the company, were appointed as new Executive Board members. Mr. Link will be in charge of the Entertainment segment and Mrs. Scheffler will be the HR responsible.

The Executive Board change is related to the strategic focus one; ProSiebenSat.1 Group is willing to focus on the entertainment sector in the DACH region (Germany, Austria and Switzerland). The digital reach including Joyn, the streaming platform, will be further extended and NuCom remains, under a synergistic point of view, important.

Mediobanca acted as financial advisor of Mediaset in the cross-border merger transaction with Mediaset España

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Nexi (Outperform, TP €13.00)

	Market Cap. €7.6bn	Price: € 12.16	*(Simonetta Chiriotti +39 02 8829 933, Alberto Nigro +44 203 0369 575)*		
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	984	130	26.8	4.5	0.0
2020E	1,084	214	27.9	5.0	0.7
2021E	1,160	255	25.8	4.4	0.8

Source: Mediobanca Securities

Confcommercio estimating Italian consumer spending down 5.7% YoY in 2020 - in line with MBe

Yesterday Confcommercio, the largest Italian business association, published an update on the impact of COVID-19 outbreak on the Italian economy. According to the article (link), the Italian consumer spending could decrease by 5.7% in 2020 (vs the previous estimate of -2.6%). The new estimate is based on more cautious assumptions with the end of the outbreak in October (vs the previous simulation assuming a conclusion of the lockdown at the end of April and a gradual recovery of normal conditions in May, with full normalisation in June). Yet, Confcommercio estimates a GDP drop for 2020 of 3.1%.

Confcommercio consumer spending estimates for 2020 (€m)

	2019	2020 Pre COVID-19	2020 First simulation	% change YoY	2020 Second simulation	2019
Food, beverage and tobacco	200	205	207	2.7%	211	4.2%
Clothing and footwear	64	60	61	-6.3%	58	-11.3%
Housing, water, electricity, gas and other fuels	245	245	248	0.0%	248	0.0%
Furnishings, household equipment and routine household maintenance	67	65	66	-2.4%	62	-7.1%
Health	38	38	39	2.1%	39	2.7%
Transport	140	133	134	-5.3%	124	-12.7%
Communication	24	24	25	0.0%	25	0.0%
Recreation, culture and education	83	78	78	-7.5%	75	-10.8%
Restaurants and hotels	113	98	99	-12.8%	89	-21.6%
Miscellaneous goods and services	114	112	113	-1.7%	106	-7.8%
Total	1,088	1,059	1,070	-2.6%	1,036	-5.7%

Source: Mediobanca Securities,

As we highlighted in our recent note on Nexi (Short-term pain, long term trend unchanged), the impact of the COVID-19 outbreak on consumer expenditures and on digital payments transaction volume (TPV) in Italy is still highly uncertain at this point in time, and will largely depend on the duration of the lockdown, the speed of recovery and the evolution of the international situation.

But we highlighted the following:

- Secular growth in digital payment penetration in Italy (+1 p.p. every year in the last 10 years) will smooth the impact of lower consumer spending on TPV.
- Any drop in consumptions and consequently in TPV, is not fully reflected in Nexi's top line due to its revenue mix, which c.50% is driven by the installed base (rental of POS and annual fees on credit cards), and 50% by transacted volumes.
- On the other hand, 2/3 of costs are fixed and 1/3 variable.

We see new estimates of Confcommercio broadly in line with our current base case (i.e. Italian expenditures down 5% and transaction volumes down 2% thanks to a 1p.p. increase in digital payment penetration). Our current estimates reflect a cut of 6% and 8%, respectively in revenues and EBITDA with respect to our pre-COVID forecast. Overall, thanks to to the consolidation of the ISP merchant book, we still see EBITDA growing by 21%, with a leverage ratio at 3.7x (far from the 5.75x covenant of the €1bn term bank loan facility).
In our view, even in the current tougher scenario, Nexi may deliver good growth and solid cash flows, trends due to accelerate in normal conditions, sustained by the secular growth in digital payments in the Italian underpenetrated market. In a normal scenario, we also see Nexi quickly recovering its appeal as a domestic consolidator, with SIA as the most likely target and the acquisition of further merchant books from Italian banks as another concrete option.

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Oil Sector

(Alessandro Pozzi +44 203 0369617)

More companies announce production shut-downs, oil demand down 20% in second quarter

The collapse in oil prices are forcing several oil producers to take drastic actions, shutting down higher-cost production, as realisations are following below operating costs to produce crude oil. Petrobras announced a cut in output of 100k bl/d from high-cost offshore platforms. Glencore also announced a smaller reduction in its output in Chad. The collapse in oil price was sparked by Saudi Arabia's decision to enter into a oil price war with Russia, following the failed OPEC+ meeting. However, since then, and estimated 3bn people have become subject to some form of travel restrictions, which will have a significant impact oil demand.

IEA's Executive Director Fatih Birol's suggested during an interview yesterday that the drop in demand could be as much as 20m bl/d in Q2 20, which represents a 20% of global oil demand. This clearly pales in comparison the OPEC+ production cut initially proposed by Saudi Arabia of 1.5m bl/d. Although oil demand is expected to recover in H2 20, 2020 oil demand is likely to record a negative year-on-year growth of 5-10% (5-10m bl/d). As we expect oil prices to remain depressed in Q2 20, it is possible that US oil producers will also start shutting down their own production, helping reducing the imbalance between supply and demand.

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MEDIOBANCA SECURITIES

RCS Mediagroup (Neutral, TP €1.02)

	Market Cap. €386.22m	Price: € 0.69			*(Fabio Pavan +39 02 8829 633)*
	Turnover	Net Profit	PE Adj.	PBV	Yield
2018	976	85	6.7	2.3	5.5
2019E	922	65	5.5	1.3	8.7
2020E	904	68	5.3	1.1	8.7

Source: Mediobanca Securities

Sound cash generation confirmed in 2019. Covid-19 impact difficult to estimate

Event The Board of the company yesterday approved full year 2019 figures.

Comment/Financials We would highlight the following:

- Considering the Covid-19 outbreak, the potential effects on the business outlook are unforeseeable at this time but, the group has adequate management levers to counter impacts of the health emergency in 2020, confirming medium-long term prospects.
- Group is expected to suffer because of the postponement of relevant sport events organized by the group, the circulation of sport dailies dropped because of the suspension of played sport and group advertising sales in March had a slowdown in Italy and Spain, due to the Coronavirus outbreak;
- Consolidated net revenue came out at €923.6m (down 5% yoy) in line with MB estimates (€922m);
- Advertising revenues amounted to €384.5m, down by €21.3m, due to the lower-than-expected performance of the advertising market and to the absence in 2019 of major sporting events (net of which the contraction would be 3.8% instead of 5.2%);
- Online advertising was €129m, or 33.6% of total advertising revenue (in Spain 50% of advertising sales are digital);
- Group EBITDA was €153.3m, or €127.1m ex. IFRS 16 (above MB est. at €125.4m). Note that in 2018 there was the strong contribution from the Grande Partenza of the Giro d'Italia;
- EBIT came out at €102.5m, ex. IFRS 16 EBIT amounted to €99.5m (MB est. at €96.6m);
- Net Profit of €68.5m (down 19.6% yoy), ex. IFRS 16 Profit was €68.9m (MB est. at €65.3m);
- Year-end net debt came out at €131.8m (down 29.7% yoy), down €55.8m after distributing dividends for € 31.1m.
- The BoD has resolved to propose to the Shareholders' Meeting a distribution of €3c per share (from €6c last year).

View/Action On the advertising side we believe it's fair to expect some weakness, as the Covid-19 outbreak will have a negative impact on consumptions (Confcommercio, the largest Italian business association, published an update on the impact of Covid-19 outbreak on the Italian economy, suggesting a 5.7% drop in consumer spending and 3.1% one for domestic GDP). Mr Cairo and his management team have proved in past crisis to be resilient to adverse market conditions, taking bold actions to play down costs: same may eventually apply in 2020.

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Recordati (Neutral, TP €41.60)

	Market Cap. €7.6bn	Price: € 36.13			*(Isacco Brambilla + 39 02 8829 067)*
	Turnover	**Net Profit**	**PE Adj.**	**PBV**	**Yield**
2018	1,352	312	20.6	6.7	3.0
2019E	1,482	369	22.7	6.6	3.0
2020E	1,577	369	20.5	5.9	3.0

Source: Mediobanca Securities

Recordati submits new drug application for Isturisa (osilodrostat) in Japan

Event Yesterday, Recordati announced the submission of the Japanese New Drug Application (JNDA) for marketing approval for Isturisa (osilodrostat).

Comment/financials The JNDA for osilodrostat is primarily based on data generated by the clinical program which included Japanese patients. According to the company's press release In the Phase 3 LINC-3 study, a significantly higher proportion of patients treated with Isturisa (osilodrostat) maintained normal mean urinary free cortisol (mUFC) at the end of the 8- week randomized withdrawal period (week 34) versus placebo (86.1% vs 29.4%).

View/action Further preliminary step for the worldwide commercialisation of Isturisa. As a reminder, REC already obtained approval in the EU and in the US for the commercialisation of the orphan drug acquired by Novartis in 2019

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SIT (Outperform, TP €9.20)

	Market Cap. €130.04m	Price: € 5.20			(Giuseppe Grimaldi +39 02 8829 412)
	Turnover	Net Profit	PE Adj.	PBV	Yield
2018	360	24	10.8	1.7	3.3
2019E	355	18	8.7	1.0	5.4
2020E	362	16	8.0	0.9	5.7

Source: Mediobanca Securities

4Q/FY19 Results –Better EBITDA, with lower FCF due to higher NWC intensity

Event Yesterday SIT just its FY 2019 set of numbers.

Comment/Financials The company reported a P&L with a lower cash conversion in the quarter. We highlight that operating sales were already out. In 4Q revenues were in line with smart metering (+25% YoY) almost compensating the drop in Heating (-6.7% YoY).

Reported EBITDA was better than expected and it has been offset by higher D&A leading to an operating profit in line. The better than expected net income is mainly due to lower financial charges. FCF was softer than expected due to both higher capex and temporary cash absorption from OpWC, leading the company to close with higher than expected net debt.

On the Covid-19, SIT said that business continuity has been guaranteed although not at optimal efficiencies level up to March 22. Some delays in supplies and intra-group logistics on certain components has occurred. The company shuttled down Italian production facilities following the government decree. The company also said the current macro scenario will impact on future performances.

A summary of the main lines compared with our estimate in the table below

4Q-FY19 Results

€m	4Q19A	4Q18A	YoY chg.	4Q19E	A/E	FY19A	FY18A	YoY chg.	FY19E	A/E
Total sales	**89.4**	**90.3**	**-0.9%**	**92.5**	**-3%**	**352.2**	**359.7**	**-2.1%**	**355.2**	**-1%**
EBITDA	**11.6**	**9.1**	**27.5%**	**10.8**	**7%**	**48.7**	**43.8**	**11.2%**	**48.1**	**1%**
% margin	*13.0%*	*10.1%*		*11.7%*		*13.8%*	*12.2%*		*13.5%*	
EBIT	**4.4**	**3.4**	**29.4%**	**4.5**	**-2%**	**24.7**	**24.0**	**3.3%**	**24.8**	**0%**
EBIT margin	*4.9%*	*3.8%*		*4.8%*		*7.0%*	*6.7%*		*7.0%*	
Net profit	**3.7**	**7.7**	**nm**	**1.9**	**nm**	**19.9**	**24.3**	**nm**	**18.1**	**nm**
Net Debt/(Cash)	**78.4**	**71.3**		**66.2**		**78.4**	**71.3**		**66.2**	

Source: Mediobanca Securities

View/Action Results were overall consistent with the indications provided. That said, Covid-19 is set to affect short-term visibility.

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Utilities Sector

(Javier Suárez +39 02 8829 036 Jean Farah +44 203 0369 665 Sara Piccinini +39 02 8829 295)

Wind Europe: 96% of wind turbines manufacturers are still operational

Wind Europe association reports that, despite the coronavirus emergency, 96% of all wind turbines manufacturing sites in Europe are still operating.

Only 8 wind energy manufacturing sites would be closed, located between Spain and Italy. These would include, among the others, Siemens Gamesa Renewable Energy’s blade factory in Aoiz and Vestas’ blade factory in Taranto.

The association adds that Res auctions calendars of Germany, Holland and Greece would still be confirmed.

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