

Italian Wake-up Call



MEDIOBANCA
SECURITIES

17 June 2020

Overnight Action

- ♦ US markets closed the day on a positive note
- ♦ APAC markets were mixed
- ♦ The EUR/US\$ rate is up 0.089% to 1.1274
- ♦ WTI Crude is down 2.42% to 37.45,
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New Research

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Atlantia (Neutral) - ASPI: Antitrust starts probe for communication failures

Atlantia (Neutral) - Telepass: bidders negotiating financing packages

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Italy - PM Conte expects no final decision from Friday's EU council and reiterates aim to present Italy's recovery plan in September, Il Sole 24 Ore

Italy - Leader of Confindustria Bonomi urges government to launch a fiscal reform and to reduce the fiscal wedge, Il Sole 24 Ore

Italy - Latest polls highlight Lega party still as front-runner but with consensus declining to 25% vs last year's 34%, La Stampa

Italy - Covid-19: daily data show growth pace of total number of cases at +0.1% vs Monday's +0.1%. Total number of ongoing infections down by -1,340; daily deaths at 34

Mediaset (Restricted) - Spanish court sets hearing on MFE plan on 1 July

Nexi (Outperform) - Merger Nexi-SIA entering in the valuation phase according to press

SIT (Outperform) - MeteRSit obtains CPA certificate and enters the UK market

Telecom Sector - Enel received a non-binding offer from Macquarie to buy 50% stake in Open Fiber

Telecom Sector - Sky unveils its fiber offer

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Utilities Sector - Senate commissions working on proposals to simplify authorizations for renewables

Utilities Sector - National plans on track with renewable targets, more efforts needed on energy efficiency

Upcoming MB Events

REN - US Marketing - June '20

17-18 June

Stock Markets: Performance

Index	1D% Chg.	1M% Chg.
DJ Italy 30	3.43	16.14
S&P 500 COMP.	1.90	9.12
STOXX 50	2.91	8.70
DAX 30 PERF.	3.39	17.68
CAC 40	2.84	15.78
IBEX 35	3.25	15.76
NIKKEI 225	4.88	12.70

DJ ITALY 30: Best & Worst stocks

Company	1D% Chg.
TELECOM ITALIA	7.76
BANCO BPM	7.34
UNICREDIT	6.62
LUXOTTICA	0

Dj stoxx 600: Best & Worst sectors

Sector	1D% Chg.
Basic Material	2.85
Media	2.62
Energy	2.96
Financial services	2.73
Banks	3.75

Source: Mediobanca Securities

Markets

US markets closed the day on a positive note, with DJ up 2.04%, S&P 500 up 1.90% and Nasdaq up 1.75%. Trading volumes were up 1.82% vs. 30-day average. Eurostoxx 50 closed up 3.39% with trading volumes up 33.67%. The leading sectors in the US were Energy +2.82%, Health Care +2.44% and Information Technology +2.16%, while the laggards were Utilities +0.46%, Communication Services +1.22% and Financials +1.43%. S&P 500 futures are indicated down 0.264% at 7:00 CET.

APAC markets were mixed, with Nikkei down 0.52%, Hang Seng down 0.16%, Shanghai down 0.19% and Australia up 0.53% at 7:00 CET. Angela Merkel expects the EU to agree on a recovery plan in July. She told lawmakers in a closed-door meeting Germany should be able to receive funds from the plan, an official said. EU leaders will hold a video conference on June 19 to debate the proposal, which would make as much as 500 billion euros in grants and 250 billion euros in concessional loans available to the member states most affected by the pandemic. Federal Reserve Chairman Jerome Powell said the U.S. economy may be entering a period of significant improvements in employment, but one that will leave the labor market “well short” of the robust levels seen just before the coronavirus pandemic. The pandemic's economic impact led to a collapse in Japan's May exports, with shipments to the U.S. halving. The value of all exports plunged 28.3% from a year earlier, the steepest dip since 2009 and a tad worse than consensus. It was the 18th month of declines, the longest streak since the 1980s. Shipments to China have been recovering, but that trend will end if the new outbreak spins out of control.

The EUR/US\$ rate is up 0.089% to 1.1274, US\$/JPY rate is down 0.093% to 107.22 and EUR/GBP is up 0.236% to 0.89797 at 7:00 CET. Aussie dollar leads most of its Group-of-10 peers lower against the greenback as concerns over a second wave of coronavirus cases increased after Beijing ordered all schools to close and imposed restrictions on visits to all residential compounds. USD/JPY and EUR/USD are little changed as they both remain in consolidation mode, while GBP/USD falls for a second day ahead of UK CPI data.

WTI Crude is down 2.42% to 37.45, Brent is down 1.76% to 40.24 and Natural Gas is up 0.25% to 1.618 at 7:00 CET. Precious metals are seeing Gold up 0.07% to 1727.77, Silver down 0.33% to 17.40 and Palladium down 0.81% to 1922.25 at 7:00 CET. Base metals on LME were positive, with Aluminum up 1.30%, Copper up 0.37%, Zinc up 0.66% and Nickel up 2.22%. Copper futures are indicated down 0.14% on Comex this morning. Corn is down 0.52%, Wheat is down 0.55% and Soybean is down 0.20% on CBOT this morning.

US data expected to be published today are MBA Mortgage Applications, Housing Starts and Building Permits. European data include Industrial Orders and Industrial Sales in Italy and Eurozone CPI.

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A2A (Neutral, TP €1.40)

	Market Cap. €4.1bn	Price: € 1.30	(Javier Suárez +39 02 8829 036, Sara Piccinini +39 02 8829 295)		
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	7,324	389	12.9	1.5	4.8
2020E	6,834	311	13.1	1.2	6.1
2021E	7,033	325	12.5	1.2	6.5

Source: Mediobanca Securities

TAR Lombardy may have temporarily suspended the A2A-Aeb deal

Quotidiano Energia reports that Lombardy Regional Administrative Court (Tar) has accepted the appeal presented by the political forces of the Five Star Movement (M5S) of Seregno which opposed the decision of the City Council of 20 April 2020, which gave the green light to the agreement between AEB and A2A.

Following the Tar decision, the agreement between the two companies, which envisages A2A entering into the share capital of AEB with a 33.5% stake in exchange of A2A's entire public lighting unit (250k points) & some gas distribution assets in the area of Milan and Bergamo (79k redelivery points), has been suspended.

The article reports that the next juridical step will be the collegial discussion of the suspension by the Tar, scheduled on 24 June 2020.

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Atlantia (Neutral, TP €18.70)

	Market Cap. €12.4bn	Price: € 15.05	(Nicolo Pessina +39 02 8829 796)		
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	11,630	136	nm	1.2	0.0
2020E	8,563	-26	nm	0.8	0.0
2021E	10,009	492	25.7	0.7	6.0

Source: Mediobanca Securities

ASPI: Antitrust starts probe for communication failures

The Italian Antitrust authority announced ([source](#)) to have started a probe on ASPI for failing to: i) reduce tolls on a tollroad near Naples where lanes and maximum speed are reduced due to works; ii) provide information on potential refund in case of conditions that reduce the potential use of highways.

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Source: Mediobanca Securities

Telepass: bidders negotiating financing packages

Mergermarket publishes ([source](#)) that private equity funds bidding for a stake of Telepass would be negotiating financing packages with banks. Apparently, there would be a financing both at OpCo and HoldCo level, although the structure would have not been defined yet. In particular, some bidders would consider leaving the OpCo free of debt and raising all the debt at HoldCo level. The HoldCo financing is likely to have a PIK element to allow flexibility with cashflow. According to the article, despite banks' unwillingness to underwrite due to the ongoing pandemic, Telepass is considered to be a stable asset and is expected to attract appetite from banks to finance the deal with a more plain vanilla structure. The stake on sale would be in the 40%-49% range and bids are due by 30 June.

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Source: Mediobanca Securities

ASPI: agreement proposal remains unacceptable for the Government, PM Conte

In an interview to the Italian press ([source](#)), PM Conte stated that Atlantia's proposal for an agreement on the revision of the ASPI concession would not be acceptable for the Government. he also added that the uncertainty over the future of the ASPI concession has to been removed and that a decision has to be taken quickly to close the dossier. Conte would have also expressed his view to the ministers most closely involved. La Stampa adds ([source](#)) that, as a result of no agreement, Atlantia will have to accept the Government's plan to sell a stake of ASPI to F2i/CDP; should Atlantia reject this plan, the Government will go ahead with the revocation. La Repubblica highlights ([source](#)) that the revocation would put at risk ASPI's capex plan of up to €7.5bn of works ready to be started immediately, including the Genoa bypass, while ASPI's current proposal includes €1.5bn for tariff cuts, €700m of extra maintenance works and €600m for the new Genoa bridge and €100m for the Genoa Municipality.

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Autogrill (Underperform, TP €5.00)

	Market Cap. €1.3bn	Price: € 5.20	(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	205	18.9	1.4	0.0
2020E	3,254	-314	nm	2.3	0.0

Source: Mediobanca Securities

Traffic at Schiphol airport declines 97.9% in May

Amsterdam's Schiphol airport reported a decline of passenger traffic of 96.8% in May. The LTM trend dropped to -55% from -42.6%.

Mediobanca View - Unsurprisingly, Schipol Airport, where Autogrill is the leading F&B operator, was also very much impacted by the Coronavirus. However, the traffic decline at Schipol is no worse than that of all European airports. With estimated ~€150m of revenues in FY19 (~3% of total), Schiphol is one of Autogrill's largest contracts and it's due to expire in 2027.

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Banca Mediolanum (Neutral, TP €6.50)

	Market Cap. €4.6bn	Price: € 6.32	(Gian Luca Ferrari +39 02 8829 482)		
	Net Profit	PE	PBV	Yield	ROE
2019	565	7	2.1	6.6	24.2
2020E	313	15	2.0	6.6	13.4
2021E	378	12	1.9	6.6	15.8

Source: Mediobanca Securities

Launch of Flowe

Event - Banca Mediolanum yesterday unveiled Flowe, a new challenger bank fully owned by Banca Mediolanum. Set-up costs were indicated to be limited, while the new initiative will see €25m running costs (€18m G&A and the rest being D&A) with financials fully consolidated by BMED. By 2022, cost base should reach €55m (most of it expected to be variable), when Flowe is expected to reach break-even with 1.3m clients.

View - The new initiative will have 3% impact on the cost base, manageable in our view. Flowe will be directly issuer of cards and this experience - if successful - can be replicated at BMED level. Hence, though we remain cautious of such initiatives, we don't see downside rather some low hanging fruits and optionality at Group level.

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Banca Monte Paschi Siena (Neutral, TP €1.30)

	Market Cap. €1.7bn	Price: € 1.47	(Riccardo Rovere +39 02 8829 604)		
	Net Profit	PE	PBV	Yield	ROE
2019	-1,033	nm	0.2	0.0	ns
2020E	-147	nm	0.2	0.0	ns
2021E	-90	nm	0.2	0.0	ns

Source: Mediobanca Securities

DBRS confirms the rating on Banca Monte Paschi Siena

Event In a press release dated 16 June 2020, Banca Monte Paschi di Siena (BMPS) announces that rating agency DBRS Ratings GmbH confirmed all ratings assigned to BMPS, including the Long-Term Issuer Rating of “B (high)”, Long-Term Senior Debt of “B (high)” and Long-Term Deposits of “BB (low)”, following an annual review of the bank’s credit profile. The trend on the bank’s long-term ratings remains “negative” and the trend on the short-term ratings remains “stable”.

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Car Sector

(Andrea Balloni, +39 02 8829 541)

May EU registrations -57% YoY

Event - This morning Acea unveiled May car registrations in Europe. Market was down 57% in the month, -43% in 5M20. In greater details:

- Germany -50%, France -50 %, Italy -50%, Spain -73% and UK -89% were the main contributors
- By brand, in the quarter FCA (restricted) was down 55%, VW -52%, Renault -53%, BMW -50%, Daimler -50% and PSA -56%

Comment - Weak May trend in Europe was largely expected as some of the main countries have been affected by both lockdown over a part of the month and a slow restart of the dealers' activity. We expect June sales to report a better trend compared to May although remaining negative YoY.

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Cellnex Telecom (Neutral, TP €38.00)

	Market Cap. €19.9bn	Price: € 51.74	(Fabio Pavan +39 02 8829 633)		
	Turnover	Net Profit	PE Adj.	PBV	Yield
2018	901	-15	nm	14.8	0.3
2019E	1,022	1	nm	4.8	0.1
2020E	1,527	63	nm	4.8	0.1

Source: Mediobanca Securities

CLNX raised €915m from qualified investors through a bond issuance

Event Cellnex in a regulatory filing to CNMV announced the completion of a dual-tranche EUR-denominated bond issuance (expected BBB- rating by Fitch Ratings and BB+ one by S&P) dedicated to qualified investors. It includes a tap of CLNX April 2025 bond for €165m at an equivalent 1.4% coupon and a new €750m bond, with June 2029 maturity and a 1.875% coupon. The issuance aims to maintain the average cost of debt and increase the average debt maturity; the net proceeds will be used for general corporate purposes.

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CNH Industrial (Neutral, TP €6.70)

	Market Cap. €8.6bn	Price: € 6.34	(Andrea Balloni +39 02 8829 541)		
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	28,079	1,423	12.2	2.3	0.0
2020E	22,498	-140	nm	1.6	-0.4
2021E	25,501	856	10.4	1.4	2.7

Source: Mediobanca Securities

Fitch reiterates BBB- rating, outlook down to stable

Event - According to yesterday's press release, Fitch has reiterated its BBB- rating on the CNHI long term debt. The outlook has been changed to stable from positive.

Comment - Not a major impact for CNHI. Next catalyst is represented by June tractor sales in the US which are due out on July 10.

View - Neutral rating unchanged. Stock is down 35% YTD and is trading at 10x 21E PE based on MB estimates.

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Diasorin (Neutral, TP €164.00)

	Market Cap. €9.5bn	Price: € 170.80	(Andrea Balloni +39 02 8829 541)		
	Turnover	Net Profit	PE Adj.	PBV	Yield
2018	669	158	28.3	6.4	1.1
2019E	706	176	53.1	11.2	0.6
2020E	892	229	40.8	9.3	0.7

Source: Mediobanca Securities

Lombardy suspended Diasorin's serology tests

Event - According to today's press, Lombardy region decided to suspend the serology test supply contract signed with Diasorin in April, following last week's regional Court ruling. As reported by Il Corriere della Sera, Lombardy region already received 270k serology test from Diasorin out of 500k total order (price was set at €4/each). Contract is still valid so far but supply of the remaining part of tests has been suspended until the final ruling of the Consiglio di Stato legal court.

Last week the Italian regional legal Court TAR suspended the agreement between Diasorin and San Matteo Hospital which led the Diagnostic player developing the serology test thanks to the utilization of both the samples and structure of the Hospital. TAR suspended the agreement between Diasorin and San Matteo as it has been signed without any tender with other market players. Following this agreement, Diasorin was able to win a 500k serology test contract with Lombardy. Both Diasorin and San Matteo have appealed against TAR decision.

Comment - On one hand, from a financial standpoint we don't see any major impact so far. The suspension of the contract should have an impact for Diasorin in the region of €1m sales that is quite negligible mainly in light of the serology test supply contract that Diasorin has in the US, Brazil, Israel, Belgium and Canada. Moreover, the last tender in Lombardy has been awarded to Roche that will provide serology test at a quite competitive price of €1.42. On the other hand, both Tar and Lombardy decisions could put the company's reputation in Italy at risk.

Serology and molecular COVID19 tests should generate around €300m in 2020E (MB estimates).

View - Neutral rating unchanged. Stock is trading at 39x-36x PE based on 20E-21E MB estimates.

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Enel (Outperform, TP €8.60)

	Market Cap. €76.9bn	Price: € 7.57	(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	14.8	2.4	4.6
2021E	74,538	5,592	13.8	2.3	4.9

Source: Mediobanca Securities

Enel Green Power Chile begins construction of 144MW wind farm

Enel Chile has announced that its subsidiary Enel Green Power Chile has started the construction of Renaico II wind plant which will have an installed capacity of 144MW.

The plant is composed by two wind plants: Las Viñas with 58.5MW and Puelche, with 85.5MW, reaching a total installed capacity of 144MW. The plant will generate approximately 516 GWh annually and the total investment is estimated at USD177m. The plant should start operating by June 2021.

Enel Chile says Renaico II is a renewable project in a portfolio that aims to add 2GW of installed capacity by 2022. Over 50% of said capacity is already under construction.

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European Banks

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The Commission moves on the COVID-19 vaccine

The EU Commission is launching a plan for the European COVID-19 vaccine with €2.7bn resources aimed at funding the research, test and production in exchange for doses to immunise the EU population. The angle is that no member state has the capacity to ensure these sums on its own. The procedure would also benefit from FastTrack in the approval and commercialisation of the vaccine within the Single Market. Meanwhile, France has found an agreement with Sanofi and Germany is buying 23% in Curevac to keep those competences in house.

We see the move as a tangible sign of reaction by EU authorities to target concerted actions within the EU to fight the COVID-19 crisis as one, showing the benefit for member states to be part of the European club.

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European Banks

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Merkel: no agreement on EU Recovery fund expected on Friday

On Friday the Eurogroup will meet to discuss the Commission's proposal on the European recovery plan. [Handelsblatt](#) reports few comments by Angela Merkel during yesterday's Union meeting, saying she would not expect members to come to an agreement on Friday, hoping for significant progresses in July under the German presidency. The article reports main source of divergence to be the controversy between loans and grants and the attachment of reforms conditionality. According to the Chancellor, the inability to strike an agreement on the EU stimulus package and budget would be a "result of the inability to act, and we all want to avoid that".

According to the source, Mrs Merkel would make a statement this Thursday in the Bundestag about her goals for the Council Presidency.

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European Banks

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IMF warns on stronger recession: GDP update on 24 June

According to [Handelsblatt](#), the IMF plans to release new macroeconomic forecasts on 24 June entailing a greater negative impact on the global economy than previously estimated. More in detail, the article cites IMF's chief economist arguing recession forecasts for 2020 will likely be tightened, also adding "profound uncertainty" in the recovery path. In its latest publication, the IMF estimates a 7.5% GDP contraction in 2020, before recovering 4.7% in 2021.

Overall, publications of macroeconomic outlooks since April entail GDP recoveries in 2021 worth c 55% of 2020 through, optimistic in our view even in a single-wave scenario. We remain cautious on EU banks, as the risk of forthcoming downgrades threatens waves of unsupportive news on the sector.

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European Banks

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Parliament to approve new CRR this Friday

Last week the ECON committee of the EU Parliament voted the amendments to the current banking capital requirements regulation, which will lead to the approval of the new CRR this Friday. Among the proposals we flag the temporary sterilisation of capital hits from the fluctuation of prices of government bonds for 100% in 2020, 70% in 2021 and 40% in 2022. The package should also include a milder approach to the calculation of the leverage ratio and the non-deductibility of software intangibles. Moreover, government guaranteed loans would not be subject to calendar provisioning rules, IFRS9 losses due to COVID-19 would be phased in and the introduction of the SME supporting factor would be moved forward by one year. Some parties were also trying to introduce a stop to the payment of 2020 dividends and it is unclear if this will make the cut. We elaborated extensively on the package in the RegObs last week ([MB Regulatory Observatory - Bad bank: banks are not necessarily bad - pp 30](#)) and what remains to be confirmed is the shape of the final proposals which will be turned into new EU law. Overall we see the measures as a positive, albeit widely expected by the market. We will focus on the sustainable measures on a fully loaded basis, as we believe the market is likely to look through the several phase-in approaches.

We are cautious on EU banks, with a preference for Nordic and Swiss banks.

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Intesa Sanpaolo (Restricted)

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Source: Mediobanca Securities

ISP sent a letter to UBI's BoD and Supervisory Board

[La Repubblica](#) reported that ISP sent a letter to the BoD and Supervisory Board of UBI with the Bank of Italy and Consob in cc. The letter asks UBI to respect the passivity rule, as according to the letter UBI's managers have denigrated the tender offer preventing shareholders from deciding in an independent manner. According to the article ISP stands ready to pursue legal actions, demanding compensation to each member of UBI's BoD and Supervisory Board.

Mediobanca acts as Financial Advisor of Intesa Sanpaolo in the tender offer on UBI and will act as guarantor of the capital increase of BPER

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Italian Banks

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Press reports of a revitalizing NPL market after the lock-down

Event Domestic press (MF, 17 June 2020) reports that NPL market is revitalizing after the lock-down, as rating agencies are ready to provide the greenlight to the transactions designed ahead of the lock-down, namely around €1.2bn from BPER and around €1bn from BP Sondrio (both with the use of a State-guarantee, GACS). Press adds that UBI should follow with a transaction of around €800m, likely to be structured with the support of GACS. Moreover, press reports multi-originator transactions may follow in the coming months, citing ICCREA (around €2bn according to press) and Cassa Centrale Banca (around €700m according to press).

Comment/Financials Allowing to have the investment grade on the senior tranche of the securitization (which maybe be retained by the banks themselves), GACS continues to be the most effective tool in Italian banks' de-risking, as this has been (and looks continuing to be) the main way to offload large portfolios of soured exposures. We see a revitalizing NPL market as a positive as - in light of the sizeable amount of moratoria asked by Italian firms and households (€266bn according to Bank of Italy press release dated 10th June 2020, representing around 20% of credit exposure to firms and household, >27% for corporate) - flows of new deteriorated exposures may start again due to the damages produced by Covid-19 to Italy's growth prospects.

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Italy

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PM Conte expects no final decision from Friday's EU council and reiterates aim to present Italy's recovery plan in September, *Il Sole 24 Ore*

Italian daily *Il Sole 24 Ore* reports this morning some statements by the PM Conte ahead of the next EU Council to be held on Friday. The article flags that no final decision on the EU Recovery Fund is expected from Friday's meeting, adding that the PM Conte reiterated that Italy aims at presenting its recovery plan in September, with specific investments to be chiefly financed through European funds. Furthermore, according to the article, discussions may be ongoing on Alitalia, with different positions for PD and M5S preventing the ruling coalition from finding an agreement on the theme.

The article also flags that during yesterday's meeting with the main associations of public establishments and craftsmanship, the main theme emerged was the need for the government to support small and medium enterprises in a timely way, especially those operating in sectors related to tourism. The Chairman of Confcommercio reiterated the need to safeguard employment and enterprises, wishing tangible support in the short-term, to prevent the risk of more than 250k bankruptcies due to Covid-19 downturn, triggering job losses for up to 1 million of citizens.

Source: [click here](#)

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Italy

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Leader of Confindustria Bonomi urges government to launch a fiscal reform and to reduce the fiscal wedge, *Il Sole 24 Ore*

Today the Italian daily *Il Sole 24 Ore* published an article reporting some statements from the leader of Confindustria (association of the industrial companies) Bonomi, who is set to discuss on relaunch plan with the PM Conte today. In the interview, he reiterates the need for a multi-year strategy for bringing back Italy to economic growth, supporting job creation, enhancing productivity, and innovation.

Il Corriere della Sera reports that the leader of Confindustria urges the government to use the €110bn resources coming from the EU to relaunch the economy. He also said that Italy needs to keep debt under control with a multi-year reduction strategy. On the relaunch of the economy, the leader of Confindustria asked for: a) a fiscal reform; b) a reduction in the fiscal wedge; c) reform in the social safety net schemes; and d) strengthening investments through incentive such as Industry 4.0 while launching a plan on for supporting the Fintech sector.

Source (*Il Sole 24 Ore*): [click here](#)

Source (*Il Corriere della Sera*): [click here](#)

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Italy

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Latest polls highlight Lega party still as front-runner but with consensus declining to 25% vs last year's 34%, La Stampa

La Stampa reports the latest voting intentions collected by Euromedia Research, which see Lega party still as the front-runner but with declining consensus to 24.7% from 34.3% recorded one year ago. PD is the second party gathering 19.7% consensus (-3.0pp vs last year), followed by M5S at 15.5% (-1.6pp vs last year), Fratelli d'Italia at 13.4% (+6.9pp vs last year), Forza Italia at 7.9% (-0.9pp vs last year) and Italia Viva at 3.3%. Overall, current government coalition totaled 41.4% of consensus, stable compared to last year, while center-right area, which includes Lega, Fratelli d'Italia, Forza Italia and other minor parties, gathered 46.8% of consensus (-2.8pp vs last year).

Furthermore, as regards single leaders, according to the survey PM Conte reached 43.4% of consensus (+5.5pp vs last year), while Lega party's leader Salvini saw his consensus declining to 34.7% (-12.1pp vs last year).

Source: [click here](#)

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Covid-19: daily data show growth pace of total number of cases at +0.1% vs Monday's +0.1%. Total number of ongoing infections down by -1,340; daily deaths at 34

The Government communicated the latest data on the Covid-19 infections as of Tuesday (16 June). We would highlight:

- **The number of total cases (on-going infections + deaths + recovered patients) increased to +237,500. This means a daily increase of +210, +0.1%, which compares with previous day +0.1%.** This compares with +301 on 15 June, +338 on 14 June (+0.1%), +346 on 13 June, +163 on 12 June, +379 on 11 June, +202 on 10 June +0.1%, +283 on 9 June (+0.1%), +280 on 8 June (+0.1%), +197 on 7 June (+0.1%), +270 on 6 June (+0.1%), +518 on 5 June (+0.2%), +177 on 4 June (+0.1%), +321 on 3 June (+0.1%), +318 on 2 June (+0.1%), +178 on 1 June (+0.1%).
- **Total number includes: 24,569 on-going infections, 34,405 deaths & 178,526 recovered patients.**
- **Number of on-going infections decrease by -1,340.** This compares with -365 on 15 June, -1,211 on 14 June, -1,512 on 13 June, -1,640 on 12 June, -1,073 on 11 June, -1,162 on 10 June, -1,858 on 9 June, -532 on 8 June, -615 on 7 June, -1,099 on 6 June, -1,453 on 5 June, -868 on 4 June, -596 on 3 June, -1,474 on 2 June, -708 on 1 June.
- **Out of the number of on-going infections, 177 are in intensive care (-30, 0.7% of the total).** This compares with -2 on 15 June, -11 on 14 June, -7 on 13 June, -9 on 12 June, -13 on 11 June, -14 on 10 June, -20 on 9 June, -20 on 8 June, -6 on 7 June, -23 on 6 June, -22 on 5 June, -15 on 4 June, -55 on 3 June, -16 on 2 June, -11 June on 1 June.
- **Number of daily deaths is at +34 (out of which +9 in Lombardy) which means that the total number is 34,405 (out of which 16,466 in Lombardy).** Latest data were: 15 June: +26, 14 June: +44, 13 June: +78, 12 June: +56, 11 June: +53, 10 June: +71, 9 June: +79, 8 June: +65, 7 June: 53, 6 June: +72, 5 June: +85, 4 June: +88, 3 June: +71, 2 June: 55, 1 June: 60.
- **Recoveries have increased by +1,516.** This compares with +640 on 15 June, +1,505 on 14 June, +1,780 on 13 June, +1,747 on 12 June, +1,399 on 11 June, +1,293 on 10 June, +2,062 on 9 June, +747 on 8 June, +759 on 7 June, +1,297 on 6 June, +1,886 on 5 June, +957 on 4 June, +846 on 3 June, +1,737 on 2 June, +848 on 1 June.

The number of total cases increases +210 or +0.1%, vs Monday's +0.1%. To highlight that on-going infections decrease by -1,340; daily reported deaths are below 100. All that said, market attention is on the evolution of contagion after the start of the re-opening which took place on May 4, further easing of restrictions that started from May 18 and the reopening of the Regions that started from June 3.

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Mediaset (Restricted)

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Source: Mediobanca Securities

Spanish court sets hearing on MFE plan on 1 July

Event According to *Reuters* and *Il Sole 24 Ore*, MS España said in a filing with the Spanish regulator that, a Madrid commercial court set on 1 July the hearing about the Mediaset cross-border merger plan. The court precautionary suspended the MFE project in October, after VIV started a legal challenge, and the hearing to solve the case was postponed because of COVID-19 pandemic. After the recent additional lawsuit filed by VIV against some MFE statutory changes, Madrid court decided to join the 2 legal cases, so during the hearing of 1 July this new legal case, whose hearing was initially set on 22 July, will also be dealt with. *Reuters* added that two legal sources said the decision could be announced around July 20.

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

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Nexi (Outperform, TP €17.00)

Market Cap. €9.3bn		Price: € 14.89		(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	1,015	195	36.8	6.2	0.0
2021E	1,091	235	34.0	5.3	0.6

Source: Mediobanca Securities

Merger Nexi-SIA entering in the valuation phase according to press

Today the Italian daily Il Sole 24 Ore reported that the negotiations on a potential merger between Nexi and SIA are entering a new phase. According to the article, shareholders asked to the financial advisors to start the valuation phase, which would be crucial to define the governance and the structure of the combined entity. Il Sole reports that SIA and its main shareholder CDP are advised by JPM and Rothschild, while Bofa Merrill Lynch, HSBC and Mediobanca would be supporting Nexi and the PE funds. Finally, the article reported that if the valuation phase is successfully finalised, the merger between the two companies should accelerate.

In the current scenario, we see an even stronger interest in creating a national champion, securing an important financial infrastructure from potentially interested international players (see our report M&A is back). Thus, even in the current complex scenario, a merger between Nexi and SIA appears to be a real possibility, in our view, while the timing of its realisation remains uncertain. Assuming €110m of synergies and an all-stock deal, we estimate an earnings accretion of 7-17% in 2022, depending on SIA's valuation (10x-14x EV/EBITDA range). We are Outperform on Nexi.

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SIT (Outperform, TP €6.50)

	Market Cap. €139.54m	Price: € 5.58	(Giuseppe Grimaldi +39 02 8829 412)		
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	352	20	9.5	1.0	2.3
2020E	301	9	15.9	0.9	2.9
2021E	338	13	11.1	0.9	5.3

Source: Mediobanca Securities

MeterSit obtains CPA certificate and enters the UK market

Event Yesterday the company published a press release announcing an update on the smart metering business.

Comment/Financials MeterSit (the smart metering unit) announced to have obtained Britain's National Cyber Security Centre's (NCSC) Commercial Product Assurance (CPA) certification. CPA-certified products guarantee data integrity and communication security against fraud and cyber-attacks. The certification covers not only the product, but also the integrity of the company's processes over the entire life cycle. The CPA certification completes MeterSit's UK market certification process.

View/Action This is a key step for allowing the company to sell its smart metering unit in the UK market, which is similar to Italy in terms of size (c.23m of meters) and it is among the biggest in the EU. The UK market extends the visibility on the smart metering volumes for the incoming years and enables SIT to consolidate the growth achieved in this business. Outperform.

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Telecom Sector

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Enel received a non-binding offer from Macquarie to buy 50% stake in Open Fiber

Event Enel confirmed that at its meeting of June 10th, 2020, the BoD received notice of a non-binding offer submitted by Macquarie Infrastructure Real Asset (“MIRA”) for the acquisition of part or all of the 50% stake held by Enel in Open Fiber. *Reuters* reported yesterday Macquarie illustrated its offer to some key government representatives, though no talks have actually been held with the Treasury, citing an Italian government source. *la Repubblica*, which yesterday anticipated the news, today argues about a “very rich” valuation, adding this deal may allow to fix a proper price for the wholesale-only operator and suggesting this could facilitate talks over the implementation of single network, with TI controlling the majority of the capital of the newco, and CDP providing a guarantee to third parties, in order to ensure competition. *Il Sole 24 Ore* adds it’s unlikely the deal will be quickly implemented, suggesting the a Snam, Terna governance approach for the single network, something that would solve any potential antitrust issues - article reminds the option of having a RAB approach for the new network was already approved by the Parliament.

View/Action We believe such a deal, together with the one TI is implementing with KKR, may ease the implementation of a single fixed-line network, and this would represent a strong catalyst for TI’s equity story.

The Covid-19 crisis has rocketed us in a new digital environment, which was supposed to represent the new normal not earlier than 2025: this may lead to an acceleration in the projects aimed to speed up the digitalization of the country, starting from the implementation of a single fiber network; joint efforts in ultra BB deployment (public and private) could speed up the process (and save money), which would be good news for TI and Open Fiber, as well as for the country. Governance represent the key topic to be discussed and is crucial in achieving a deal that could unlock significant value for the parties involved, if properly implemented,

In the sector report we published in early February ([Letters from the future](#)), we flagged the need to fund relevant investments will speed up the sale of infrastructures, supported by a strong appetite of funds.

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Telecom Sector

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Sky unveils its fiber offer

Event Maximo Ibarra, CEO at Sky Italia, hosted a press conference to unveil the details of its fiber service, Sky Wifi.

Comment/Financials Takeaways from the live presentation:

- Focus on convergent offer and connectivity, where premium contents as a key driver
- Quality of the offer is crucial, with CEO pointing out the attention 1Gbps as a speed
- Entry price €29.9/month (fiber only), or €32.9/month (fiber+pods), €37.9/month (which also includes unlimited calls)
- BtoB is not part of current plans, Sky has no interest for mobile
- Sky customers will have free access for three months, no €49 activation fee
- Sky is happy for cooperation with Open Fiber, Fastweb and the support of Comcast
- The router, Sky Wifi hub, allows to optimize the coverage at home
- Offer will be available in 26 big cities, up to 200 by the summer
- Covid-19 has shown how the quality of telecom infrastructure is key, a disruption which has accelerated a structural plan (fully aligned to our view)
- Sky has invested above €230m to support Sky Wifi
- Offer was tested with 700 customers, up to 6 devices were connected on average
- In the future, Sky is ready to enter the IoT business
- No interest in buying Fastweb so far - the telecom operator will be a partner in the new venture
- Open Fiber long-term plans will remain unchanged, not a surprise to see interest from PE funds
- Best solution for fiber deployment would be a single wholesale operator, not vertically integrated

View/Action An interesting & insightful presentation from Maximo Ibarra. In line with our expectations, Sky has presented an offer which is extremely focused on the quality of the service provided and will be rational on pricing: fears over a new war on pricing will fade out (and this is good news for TIT and VOD).

Sky may leverage on its pay-TV customer base to launch ultra-broadband offer. We discussed the topic on our Letters from the future competition on premium contents is set to increase further, with Amazon investing on Italian movie productions while Disney launched its streaming service: we continue to believe the role of content aggregators will become extremely relevant to help customers in managing the huge number of platforms. In our view, Sky Italia and TIM are best candidate to play this game in Italy.

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Terna (Neutral, TP €6.20)

	Market Cap. €12.7bn	Price: € 6.34	(Javier Suárez +39 02 8829 036, Sara Piccinini +39 02 8829 295)		
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	2,295	757	14.9	2.7	4.4
2020E	2,490	763	16.7	2.9	4.3
2021E	2,551	760	16.8	2.8	4.6

Source: Mediobanca Securities

Consultation on 10-year development plan; ARERA approves share of costs for the Italy-Tunisia interconnection

Specialized newspaper Quotidiano Energia reports some statements from the webinar held by Terna to discuss its National Development Plan for 2020, for medium and long-term planning of the development of the electricity network.

This event is part of the consultation of the 10-year plan already published by Terna at the beginning of April (to see the link [click here](#)) and confirms the timelines already indicated by the company.

Related to the Tyrrhenian link, the HVDC connection that will allow to connect the Continent, Sicily and Sardinia, helping the coal phase out of the latter, Terna estimates that in 2025 only the 500MW Campania-Sicily connection will come into operation. In 2026 the section between Sicily and Sardinia will start operating and in 2028 the project should be completed reaching 1GW. The estimated investment is €3.7bn, with a positive cost benefit analysis in all the scenarios.

Furthermore, the first 600MW of the Italy-France interconnection, aimed to increase the transport capacity between the two countries and expected to come into operation in 2020, would have been postponed to the end of 1Q21 due to the Covid-19 impact.

Also, Terna reiterated the importance of the capacity market mechanism, for which it expects an extension also in 2023.

Furthermore, ARERA has approved with the ruling 176/2020 the proposal from Terna and Steg to share the costs (50% each) for the development of the Italy-Tunisia interconnection. This could be revised following the decisions on funding by the European Commission and the authorization decisions.

The cable should enter into operations in 2026/2027 with an estimated investment of c€600m, while the operating costs should be c.€3m/year. The cost benefit analysis shows a ratio between .40-2.58, with all scenarios for Italy showing a positive benefit.

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Utilities Sector

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Senate commissions working on proposals to simplify authorizations for renewables

Specialized newspaper Quotidiano Energia publishes that during the event organized by the Italian Wind Energy association ANEV, the Chairman of the X Commission at the Senate Gianni Girotto has said that the Commissions of the Environment and Productive activities are working on ten proposals for the Simplifications Decree that should favour the acceleration of renewables development. Among the themes under discussion, there could be the simplification of procedures for the repowering and revamping of the wind farms and the installations of PV plants in agricultural areas.

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Utilities Sector

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National plans on track with renewable targets, more efforts needed on energy efficiency

Specialized newspaper Quotidiano Energia publishes that yesterday the European Energy Ministers met yesterday to discuss the economic recovery after the Covid-19 crisis and the European Green Deal, with a focus on innovative energy solutions.

The Energy Commissioner Kadri Simson says that the Commission is starting to analyze the National Energy Plans submitted by member states and that an initial valuation shows that the share of renewable energy should reach more than 33% in 10 years, in line with targets, but progress must be assessed during current crisis.

On the energy efficiency, National plans looks to be still far from the targets. Simson highlights that it would need at least 3% less of primary energy consumption.

Furthermore, Simson highlighted the importance of funds for the Green investments in the recovery fund and the importance of the Just Transition Fund to guarantee a fair energy transition.

Government representatives "agreed that smart grids, hydrogen (in particular from renewable sources) and Renewables will be of great importance for job creation and for the decarbonisation of Europe". Investments for efficiency in building renovations "will also play a key role in achieving a broad economic recovery".

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