Italian Wake-up Call

MEDIOBANCA SECURITIES

09 November 2020

Overnight Action

- US markets closed the week mixed
- APAC markets were positive
- The EUR/US$ rate is up 0.118% to 1.1888
- WTI Crude is up 2.72% to 38.15

(More detailed comments inside)

New Research

Banca Ifis (Neutral) - Strong NPL collections and CoR under control

Banco BPM (Neutral) - Q320A: progressing through the storm

Buzzi Unicem (Outperform, New TP €24.20) - High margin and cash flow resiliency despite C-19

Creval (Neutral, New TP €6.40) - The wait

INWIT (Outperform, New TP €13.40) - A Stargate on digital transformation

Italy - US Elections - And the Winner is …

Leonardo (Outperform, New TP €8.00) - Strong orders come with weak cash flow

Safilo (Neutral, New TP €0.66) - Visible signs of turnaround despite pandemic

Morning News

A2A (Neutral) - Launches the Aquarius project to reduce water distribution losses in Brescia

A2A (Neutral) - 9M20 Preview: EBITDA down by -8%; net income by -15%

Aeroporto di Bologna (Neutral) - 3Q20 results preview: focus on outlook and on government's support

Alkemy (Outperform) - Update on share buyback

Anima Holding (Outperform) - €736m net outflows in October 2020

Anima Holding (Outperform) - 3Q20 profits 2% below MB estimates but in line with consensus

Atlantia (Neutral) - ASPI and MIT would be discussing a cut to the proposed FY21-38 annual tariff of 7-8bps

Azimut Holding (Neutral) - Fitch affirms Azimut at BBB-, outlook negative

Banco BPM (Neutral) - Talks between BAMI and ACA suspended due to COVID according to the press

Banco BPM (Neutral) - Cattolica Assicurazioni (Outperform) - Change in control clause could be triggered in the agreement with Cattolica

Banca Mediolanum (Outperform) - €404m net inflows in October

Brembo (Neutral) - 3Q20E due out today, conf. call @14.00

CAREL (Neutral) - Small beat at P&L and cash flow level in 3Q. FY20 sales targets in line with our estimates

Cellnex Telecom (Neutral) - CLNX places €1.5bn convertible bonds carrying a 0.75% yearly coupon

Cellularline (Neutral) - 3Q20E preview: sales trend still affected by weak stores' traffic. Focus on the incoming peak season

Cementir (Outperform) - 3Q20 preview: expected a sequential improvement

De' Longhi (Neutral) - 3Q/9M20E preview – strong 3Q sales trends should drive healthy profitability and FCF generation

ENAV (Outperform) - Aireon launches new data products

Esprinet (Outperform) - 3Q20E preview: organic sales growth to accelerate thanks to solid demand in PCs

FCA (Restricted) - Brazil greenlighted the merger, press

Fineco Bank (Neutral) - Fineco 3Q20E earnings preview: brokerage continues to keep driving the top line growth

Italgas (Outperform) - To invest also in the water distribution business thanks to its experience on digitalization

Italian Transport Infrastructure - ANAS underlying traffic declines 14% in October

Italy - Government may decide to increase risk alert and restrictions in six regions, La Repubblica

Italy - Final text of the decree providing additional economic aids may worth €2.8bn, Il Sole 24 Ore

Italy - Parliament to start discussions on 2021 budget law this week, Il Sole 24 Ore

Italy - Moody's confirmed BAA3 rating with stable outlook

Italy - In September retail sales were +1.3% YoY and -0.8% MoM, ISTAT

Italy - Covid-19: daily data show growth pace of total number of cases at +3.61% vs Saturday's +4.61%. Total number of ongoing infections up by +26,100 daily deaths at 331

Mediaset (Neutral) - Italy's new proposed legislation could turn the MS-VIV table

Pharmanutra (Outperform) - 9M20E results due out today

Piovan (Neutral) - 3Q20E preview: improving top-line trend but still negatively affected by Covid-19

Pirelli & C. (Underperform) - New logistic plant in Italy

Prima Industrie (Neutral) - 3Q/9M20 Results – Second wave of C-19 makes recovery more uncertain

SIT (Outperform) - Ready to speed up the UK penetration with a focus on Hydrogen opportunity

Snam (Outperform) - Enters the Indian market with agreements in low-carbon mobility and hydrogen

Telecom Italia (Outperform) - TI joins Italy's Voucher scheme with a dedicated offer

Telecom Sector - TEF to sale its submarine cable business, EV seen at €2bn

Upcoming MB Events

Tenaris - Virtual Roadshow	9-10 November
RVDB - Wellington	9 November
Hera Virtual Roadshow US	11-12 November
ANTARES VISION - Virtual Meeting	11 November
Italgas Virtual Roadshow US	12 November
TELECOM - Virtual Roadshow with Italian, Swiss investors	12 November
BFF calls	13-19 November

Stock Markets: Performance

Index	1D% Chg.	1M% Chg.
DJ Italy 30	-0.21	0.97
S&P 500 COMP.	-0.03	4.42
STOXX 50	-0.24	-0.71
DAX 30 PERF.	-0.70	-3.30
CAC 40	-0.46	1.34
IBEX 35	-0.78	-0.95
NIKKEI 225	0.91	3.80

DJ ITALY 30: Best & Worst stocks

Company	1D% Chg.
CNH INDUSTRIAL	1.89
ENEL	1.33
PRADA	0.70
LEONARDO	-7.23

Dj stoxx 600: Best & Worst sectors

Sector	1D% Chg.
Basic Material	0.66
Media	-0.92
Energy	-0.24
Financial services	0.07
Banks	-0.96

Source: Mediobanca Securities

Markets

US markets closed the week mixed, with DJ down 0.24%, S&P 500 down 0.03% and Nasdaq up 0.04%. Trading volumes were down 7.78% vs. 30-day average. Eurostoxx 50 closed down 0.36% with trading volumes up 8.12%. The leading sectors in the US were Consumer Staples +0.44%, Information Technology +0.30% and Materials +0.17%, while the laggards were Energy -2.14%, Financials -0.81% and Real Estate -0.42%. S&P 500 futures are indicated up 1.528% at 7:00 CET.

APAC markets were positive, with Nikkei up 2.12%, Hang Seng up 1.30%, Shanghai up 1.71% and Australia up 1.75% at 7:00 CET. Joe Biden is moving forward as the president-elect, launching his transition effort and preparing a plan to curb the coronavirus pandemic while President Donald Trump weighs legal challenges and has so far refused to concede. Biden's health-care advisers have held talks with pharmaceutical-industry executives in which they discussed Operation Warp Speed. Germany aims to repair transatlantic trade ties and may take a softer approach that would see the EU delay tariffs set to hit $4 billion of U.S. products as soon as tomorrow. EU trade ministers will discuss the idea today. Elsewhere, Dominic Raab is "confident" Britain can resolve Brexit issues relating to Northern Ireland to Biden's satisfaction. Biden has said any trade deal would hinge on avoiding the return of a hard border. After eight months of negotiations, Boris Johnson and European Commission President Ursula von der Leyen used a phone call over the weekend to plot the way toward a trade deal ahead of the November 15 deadline set by both parties. In Asia China's trade showed encouraging signs last month, before the Covid rebound abroad that risks another economic downturn. Exports expanded 11.4% on year in October, faster than the 9.2% consensus, providing support for the recovering economy. The 4.7% gain in imports was lower than anticipated and the surplus widened more than expected to $58.4 billion. One of nine Bank of Japan board members said it is desirable for the yield curve for super-long-term Japanese government bonds to become steeper at a moderate pace, according to a summary of opinions at the October policy meeting. About Virus, it continues to ravage the northern hemisphere. Over the weekend France had another record in daily cases before a drop yesterday, and infections in the U.S. topped 100,000 for a fourth day, with Midwestern states getting hit hard. Australia's New South Wales and Victoria saw zero new cases. The head of the WHO congratulated Biden and said his team looks forward to working with the new administration.

The EUR/US$ rate is up 0.118% to 1.1888, US$/JPY rate is up 0.184% to 103.54 and EUR/GBP is up 0.022% to 0.90271 at 7:00 CET. A gauge of dollar strength falls for a fifth day to touch its lowest level since May 2018 as risk-on sentiment increases after Joe Biden was declared U.S. president-elect over the weekend.

WTI Crude is up 2.72% to 38.15, Brent is up 2.64% to 40.49 and Natural Gas is down 1.32% to 2.850 at 7:00 CET. Precious metals are seeing Gold up 0.46% to 1960.38, Silver up 0.38% to 25.71 and Palladium down 1.79% to 2451.22 at 7:00 CET. Base metals on LME were mixed, with Aluminum up 0.21%, Copper up 1.37%, Zinc up 0.73% and Nickel down 1.28%. Copper futures are indicated up 0.44% on Comex this morning. Corn is down 0.55%, Wheat is down 0.12% and Soybean is up 0.20% on CBOT this morning.

US data expected to be published today are MBA Mortgage Foreclosures and Mortgage Delinquencies. European data include Business Industry Sentiment Indicator in France, Current Account and Trade Balance in Germany and Industrial Production in Greece.

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Banca Ifis (Neutral, TP €10.00)

	Market Cap. €398.74m	Price: € 7.41			*(Simonetta Chiriotti +39 02 8829 933)*
	Net Profit	**PE**	**PBV**	**Yield**	**ROE**
2019	123	3	0.5	14.8	8.0
2020E	66	6	0.3	6.7	4.3
2021E	75	5	0.2	6.7	4.7

Source: Mediobanca Securities

Strong NPL collections and CoR under control

A stronger than expected third quarter; 2020 due to close in the high end of the guidance

3Q 20 net profit came in at €15.6m, 0.6% down yoy and well above our estimate of €12.4m on lower than expected LLPs and better than expected performance of the NPL segment. Thanks to the good performance recorded in the third quarter, the bank recovered from a net profit drop of -46% in the first half to -38% in 9M 20, a trend that allowed Banca Ifis management declare that they expect to close the year with a net profit in the high end of the guidance of €50-65m. Indeed, as underlined by the CEO Colombini, Banca Ifis benefited from its focus on some profitable niches that are not covered by traditional banks. In particular, while some 24% of loans are towards the PA or are guaranteed by the state, it should be noted that factoring towards SME enjoys a double guarantee, from the debtor and the seller. At September 2020 Banca Ifis CET1 ratio reached 11.69% from 11.58% at June and 10.96% at YE 2019.

Strong collections and portfolio growth boosted NPL revenues in 3Q20

NPL revenues increased by 12.5% yoy in 3Q 20, boosted by the re-start of court activity and portfolio growth (+11%). Banca Ifis reported strong collections in 3Q 20, benefitting fom the high presence among its debtors of public employees and retirees (accounting for c.40% of total orders of assignment). Cash collections grew by 13% yoy in 3Q 20 and were flat in 9M 20 while new payment plans closed in the quarter were up 31% yoy. After purchased of c.€800m (GBV) in 3Q 20 and €0.2bn sales, Banca Ifis NPL portfolio reached a GBV of €18.9bn. YTD the bank acquired €1.7bn of NPLs (GBV) and is currently active in sales processes for a total GBV of €2.4bn. Current consumer unsecured NPL market is seen as attractive thanks to lower presence of international buyers and mid-single digit decline in prices.

Commercial and corporate banking: lower volumes and modest increase in CoR

The C&CB segment, including factoring, leasing, and corporate banking, reported revenues of €53.4m, 13.9% down yoy (6.6% above our estimates) on lower volumes across the board and roughly stable margins. LLPs reached €14.5m, flat yoy, pointing to an annualized CoR of 0.77%. LLPs were concentrated mainly in leasing, where the bank charged €7m on loans under moratoria of the transportation segment in order to reflect the devaluation of assets given as guarantee (CoR 1.49%). Conversely, factoring confirmed its good asset quality with an annualised CoR of only 0.33% in 9M 20.

Neutral recommendation confirmed

We have revised our 2020 estimates to reflect the trends underlying 9M 20 results and in particular higher revenues in the NPL segment and lower CoR in C&CB, positive adjustments that are largely offset by higher opex, leading to a 3% increase in 2020 net profit to €63.3m, in the high end of management guidance. Stronger NPLs and the consolidation of Farbanca are the main drivers of our 11-12% increase in 2021/2022 estimates.

We confirm our NEUTRAL recommendation on Banca Ifis and our TP of €10.0/sh.

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Banco BPM (Neutral, TP €1.65)

	Market Cap. €2.5bn	Price: € 1.65			*(Noemi Peruch +44 203 0369 645)*
	Net Profit	PE	PBV	Yield	ROE
2019	797	3	0.2	0.0	6.7
2020E	174	14	0.2	0.0	1.4
2021E	184	14	0.2	2.4	1.5

Source: Mediobanca Securities

Q320A: progressing through the storm

M&A: wild card underpinning current valuation

BAMI has been outperforming IT banks and SX7P in the last three months and now trades on 0.25x P/TE for <3% RoTE in 2022 or on 8.5x 2022 P/E, i.e. at 50% premium to its historic P/E multiple and on 10% premium to SX7P vs. 35% historic discount. Valuation has been underpinned by M&A expectations fuelled by the press that depicts BAMI as a potential target of UCG or ACA. We attach a low probability on such a scenario, whereas we find a reverse merger of Cariparma as the most palatable option for ACA, BAMI and the regulator. We see the EU banks hostage to negative rates and macro/book value low visibility with COVID-19 resurfacing and delayed NPL inflows. Hence our caution in Eurozone and on BAMI (stand-alone), as the bank is set to post low single digit returns fostered by low quality revenues. We maintain our Neutral rating and target price at €1.65, embedding €1.2 stand-alone valuation and €0.45 M&A premium.

M&A: no concrete project on the table, but open to consolidation

During the Q3 call, BAMI said it is open to talk with other players to consolidate but no concrete project is on the table. In our note, we simulate the reverse merger of Cariparma (valued at 0.5x P/TE) to boost EPS by c50%, curb 50bp CET1, and to lead CAG to 38% ownership in BAMI.

2021-22E EPS upgrade driven by costs and TLTRO

After the release of Q3 numbers last week (see full comment), we review our adj. EPS forecast by -18%, +4% and +13% in 2020-22E. 2020 EPS delta is driven by lower trading (ex. €147m revaluation of SIA stake), while 2021-22 upgrade was driven by higher TLTRO, as we estimate BAMI to draw the maximum allotment by June 2021, and lower operating costs, which more than compensate higher CoR and systemic charges. In 2021 we see TLTRO and debt securities to support c35% of NII, one of the highest among Italian banks.

250bp MDA buffer target comfortably within reach

FL CET1 ratio stood at 14.1% in Q3, up 80bp QoQ. Yet, we see CET1 ratio at 13.6% in Q4, after -50bp regulatory headwinds, -20bp restructuring costs, +20bp DTA release and lower deduction from software. We estimate CET1 to land around 12.6% in 2022E, after -80bp headwinds, -50bp rating migration and +30bp organic capital generation with c30% payout and 0% in 2020. With €1bn tier 2 issuances, we see MDA buffer (post Art. 104) around 320-330bp (above 250bp target). MDA buffer could fund 100bp additional annual CoR in 2020-21or +38p.p. NPE coverage.

Among least conservative banks in up-fronting COVID overlay in 2020

Given 100bp CoR guidance and underlying CoR in line with H120, we estimate that COVID overly could cover 3% of moratoria at 45% or 30bp higher default rate on total loans. This is in line with BPE/CVAL but well below 10/20% at ISP/UCG or 0.8% on total loans. We expect CoR to remain at 100-80bp in 2021-22, assuming 2.5% annual default rate and 16% migration rate, vs. 1% and 7.7% in 9M20.

Post €1.2bn UTP sales, NPE ratio to improve by 100bp to 7.8%

In Q3 NPE ratio improved by 10bp to 8.8% on flat NPE stock and +1% performing loans. BAMI announced €1.2bn UTP sale that could cost 10bp CET1 ratio and €15m NII. NPE coverage was up 290bp to 48% to upfront provisions related to the sale. We calculate that post sales coverage could reach 46.9%, by assuming 43% mark on going UTPs. Moratoria at €15.6bn were broadly stable QoQ.

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Buzzi Unicem (Outperform, New TP €24.20)

	Market Cap. €3.8bn	Price: € 19.80			*(Alessandro Tortora +39 02 8829 673)*
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	3,221	386	9.5	1.0	0.8
2020E	3,150	406	11.7	0.9	0.8
2021E	3,134	316	12.1	0.9	0.8

Source: Mediobanca Securities

High margin and cash flow resiliency despite C-19

9M20 sales and cash generation above estimates helped by Germany and the US

3Q20 sales were €888m (-1.9% yoy) above our estimate of €857m. BBG consensus set at €868m. 9M20 sales were down 0.6% yoy as the combined result of selling cement volumes down 1.8% yoy, FX impact of -0.3% and a positive price trend in the low-single-digit area across all the main markets (particularly positive for Italy, Poland, Germany and Russia). In terms of selling cement volumes, the main positive surprises came from Germany and the US reporting a YTD stable to positive volume trend. 3Q20 net debt was €282m (from €385m in 2Q20) well below our forecast of €330m.

New FY20 guidance pointing to an EBITDA close to 2019 level

On the back a resilient set of 9M20 figures, the company improved its FY outlook now forecasting a 2020 recurring EBITDA close to the level reached in 2019 (this compares with the previous indication of EBITDA down -5% to -10 yoy). It is worth noting that this guidance upgrade also factors in some headwinds such as: 1) increasingly negative FX impact in the US and Russia and 2) a worsening of the outlook in Eastern Europe due to a recent spike in COVID-19 infection cases. On the other side, energy cost deflation has been a clear ally of group profitability (expected to be close to 23.0% by YE).

2020-22 EPS increased by 7% on average

Compared to our previous assumption of selling volumes down 8% in 2020, we are now assuming a 4% yoy volume decline followed by a c.2% yoy increase in 2021-22. The balance comes from a price trend seen up in the low-single digit area in 2020. On the back of a less negative operating leverage effect, 2020E EBITDA is now seen at €716m, down 1.6% yoy. The better than expected performance achieved in 2020, is only partly projected in 2021-22 because we factor in a stronger headwind from the recent USD and Russian Ruble depreciation vs. Euro. For the time being, we do not change our medium-term assumptions for the US cement market after the victory of President Biden but industry expectations are for a significant increase in Highway spending compared to current levels and for a higher regulatory environment.

Outperform confirmed with €24.2 TP (from €22.6)

A resilient cash generation has been a very positive surprise in this complex year. The company (excluding the extraordinary dividend related to the proposed savings' conversion) is expected to reach a net debt close to zero in 2021E. This financial solidity may allow the group in our view to diversify further its geo mix (eg, the recent acquisition of CHR brazil through its local JV) and to make a stronger step-up in green capex. Our TP of €24.2 (from €22.6) for the ordinary shares and of €16.9 (from €15.8) for the saving shares, is based on fair multiples 10% off mid-cycle sector levels (ie, c.7x EBITDA and 1.6x sales) to reflect potential risks deriving from the EU policy framework currently under discussion. On this front, the company has still to officially commit with medium-term (2030) CO_2 emission reduction targets. Outperform confirmed on both category of shares.

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Creval (Neutral, New TP €6.40)

	Market Cap. €463.83m	Price: € 6.61			(Noemi Peruch +44 203 0369 645)
	Net Profit	**PE**	**PBV**	**Yield**	**ROE**
2019	56	825	0.3	0.0	3.4
2020E	81	6	0.3	0.0	4.6
2021E	11	42	0.3	1.2	0.6

Source: Mediobanca Securities

The wait

The wait for M&A has been long, unclear if M&A wave could put an end to it

In our opinion, CVAL is a bank with a bumpy past that has been working tirelessly to set a new course through heavy de-risking, piling up capital, lower sensitivity to BTP and cost base rationalization. We believe the bank has been succeeding with 17.2% CET1 ratio and 6.8% NPE ratio in Q320 and made some progress on core C/I ratio (-3p.p. since 2016). Yet, the bank remains hardly profitable (3% RoTE in 2020 with a normalised CoR) and capital return struggles to see the light because of dividend bans, limited deposits defence other than CET1, low organic profits and only few cases of buybacks in EZ. Thus, in our view, the way to cash in the efforts made is through M&A, to which CVAL has been open since 2017. The wait has been long and the recent M&A developments and push from the regulator have once again revived M&A hopes. Timing and triggers (not present in the past) remain unclear. On a stand-alone we see CVAL trading on 0.3x for c2% 2022E RoTE and on 16x 2022 P/E (vs. 7x SX7P P/E) as fairly valued. We move TP to €6.4 on higher CET1 and regard as M&A premium the value in excess of such a level.

CET1 ratio offers sound cushion to absorb additional credit losses

CVAL reported 17.2% CET1 ratio in Q320 up 50bp QoQ, without accounting for 9M20 profits. In its business plan CVAL envisaged 50% payout ratio on 2020 profits, so if the Bank of Italy allows for it, the dividend yield would hover around 8.7%. We embed nil DPS at Eurozone banks on 2020 earnings, therefore CVAL's CET1 ratio could reach 18.3% at YE. Such a capital ratio allows CVAL to withstand EBA guidelines and 50bp rating migration and still leave 560bp buffer over requirements, or 330bp excess capital over 14.5% 2023E CET1 target. We calculate that 560bp CET1 buffer leaves room to cover 265bp higher annual CoR in 2021-22 or to increase NPE coverage by c70p.p, well above BAMI/BPE. In addition to the pandemic we are also cautious on CVAL's capital return potential due to the limited cushion above deposits excluding CET1 capital, i.e. €150m subordinated bonds (net of €100m expiring in 2021) and €300m senior bonds (expiring in 2022), leading 22-24% MREL ratio in 2020-22 (unless further instruments are issued). As highlighted in our note, CVAL is likely not to be required to comply with MREL, but at the same time, in our view, the regular would be mindful of the level of bailinable instruments.

Among least conservative banks in up-fronting COVID overlay in 2020

In Q3 CVAL lowered its guidance to 80bp from <90bp in 2020, on no sign of asset quality deterioration YTD,and confirmed 2021 CoR below 2020. The bank did not single out COVID overlay but indicating a 55bp normalised CoR. Assuming 2020 provisions in excess of 55bp relate to COVID, we estimate they could cover at 45% c3% of moratoria, broadly in line with BAMI/BPE and well below 10/20% at ISP/UCG, or +0.3p.p. higher default rate on total loans vs. +0.7-0.8% at ISP/UCG. We assume 105bp CoR in 2021 and 75bp in 2022, on the back of 2.8% default rate and 26% migration rate vs. 1.6% and c30% in 2019 and 5% and 28% in 2009-14.

Post Q3 2022E EPS remains unchanged, CoR shifts from 2020 to 2021

After the release of Q320 results on Friday we upgrade 2020 adj. net profit to €25m, after lowering CoR to 85bp (or 80bp as per CVAL definition) and increasing NII on higher TLTRO and loan growth. We cut 2021 EPS by 27% (€4m) on higher CoR, while 2022 EPS remains unchanged.

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INWIT (Outperform, New TP €13.40)

	Market Cap. €9.8bn	Price: € 10.25			(Fabio Pavan +39 02 8829 633)
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	395	146	34.0	3.2	2.5
2020E	665	147	66.8	2.1	2.9
2021E	789	172	57.1	2.2	3.1

Source: Mediobanca Securities

A *Stargate* on digital transformation

Guidance improved as revenues growth accelerates

On 5 November, INWIT unveiled its quarterly results, confirming a change in pace at organic growth level, with revenues up 2% yoy. The management provided an interesting industrial update, with data showing increased hosting on sites (+510, driven by MNOs and FWA operators) and the development of more than 600 new units relating to DASs for indoor coverage. 2020 guidance has been improved, with revenues in the upper end of the range disclosed in July 2020 and EBITDA and recurring FCF slightly above previous targets. A €30c/share dividend is in view on 2020 results, with annual 7.5% increase in the following years.

5G and FWA will drive solid top-line evolution

The 2021-23 business plan envisages a solid organic growth. In a context of massive demand for connectivity, thanks to its distinctive assets INW will be in the position to capture new opportunities: i) supporting TIM and VOD in their transition towards 5G ecosystem, ii) meeting increased need for densification from MNOs and FWA operators translating which will turn into nice increase on secondary tenants. By 2026, INW expects to add 12.7k new PoPs from TIM and VOD (90% to be delivered by 2023) and between 10 and 15 thousand new PoPs from other parties (8-10k by 203). The MSA, the attention of local and European authorities on network deployment and technology evolution will support this view.

€1.4bn RFCF, €0.5bn growth capex, €0.9bn dividends in three years

INWIT expects to achieve an 8% average annual growth in organic sales in the next three years, with EBITDA 8% CAGR leading to €0.86bn in mid-point of the guidance (+12.5% CAGR on After Lease view, thanks ongoing renegotiations and land acquisitions activity). Recurring FCF is expected to achieve a 23% growth to €580m in 2023 (mid-point of the guidance, +12% vs cons.): the €600m previous guidance will be met almost three years in advance. Over the next three years, IWN will invest €0.5bn in growth Capex, returning €0.9bn to shareholders: besides that, a 4.6x leverage ratio is in view for 2023, leaving the Co. with €1bn firepower to capture external growth. Financial progression is in line with 2026 ambitions provided with July-19 guidance. Our new estimates are positioned a touch below the mid-point of the guidance.

Reinitiating with Outperform, €13.4/share TP

We believe an appropriate starting point from which to value INWIT is to focus on DCF valuation, as it captures the company's sound cash-flow generation. Our DCF analysis points to an equity fair value of €12.3 (or €12bn). On top of that, a bridge valuation would allow us to capture potential upside from a faster-than-expected take-up of small cells/5G/FWA and M&A optionality: this brings us to a base case scenario, which delivers a €13.4/sh fair price, which we set as the target price. We reinitiate our coverage with an Outperform rating, as we believe INW is the best infra name to surf the 5G/FWA wave, at very attractive multiples (7% long-term yield, with potential upside risk). A blue-sky scenario, which would deliver a c. €16/sh fair price. INW is now trading at 18x on '22e EV/recurring Op. cash flow multiples, with CLNX at 21x, US peers at 25x and RWAY at 14x.

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Italy

(Javier Suárez +39 02 8829 036 Andrea Filtri +44 203 0369 571 & Team)

US Elections - And the Winner is …

Biden set to become the next US President; Trump does not concede defeat

President-elect Biden held his first victory speech on Saturday (November 7), after being declared winner in the State of Pennsylvania, surpassing the 270 threshold of electoral votes needed to get elected. Trump has not conceded defeat, and is asking to count again the results of the States of Pennsylvania, Michigan and Wisconsin and could start a legal process against the electoral results. We remind that the date to see the (critical) final composition of the Senate and for the official declaration of victory is January 5, before the Inauguration Day (Jan 20).

Biden's agenda is: Higher corporate taxes, infrastructural plan & green energy

Biden's core priorities include the potential increase of the corporate tax rate to 28% (from 21%) and the reduction of taxes for the middle class. Furthermore, Biden calls for a transformational investment in US's infrastructure of ~USD1.3tn over 10 years (USD 50bn in the first year) to boost economic recovery with a focus on highways, high speed railways and the transition to the Electric Vehicles (EVs). Finally, we highlight that a relevant effort is also put on green policies, with Biden's agenda setting USD1.7trn investment plan for the next 10 years, ensuring US achieves 100% clean energy and net-zero carbon emissions no later than 2050.

Trump's Agenda was: Tax cut, infra plan (as well) & energy independence

On the contrary, Trump's agenda aimed at continuing to support the economy cutting taxes to "boost Take-Home Pay". Trump relaunched in the campaign his USD1tn infrastructure plan of 2016 that comprises USD ~800bn for transport (essentially roads) and the rest for telecom infrastructure (broadband and 5G). China was another area of attention, with Trump aiming at bringing back manufacturing jobs. In Energy, he reiterated support to fossil-fuel industry, while aiming to continue de-regulation to underpin energy independence. In Defence, Trump agenda envisaged to maintain and expand US's military strength.

Utilities & Construction arguably benefited vs Oil-related & Branded Goods

We believe that Biden victory should be seen as supportive for developers of renewable energy infrastructure in the US such as Enel (O) & Prysmian (O), as Bidens's ambitious plan should mean an acceleration on investments to reach climate change targets. In the Industrial/Capital Goods sector, the additional investments related to the renovation of the existing public infrastructures (mainly roads, bridges and dams), the high-speed broadband and 5G are a bipartisan priority, part of both electoral programmes. This should be positive for Buzzi Unicem (O) & Interpump (O). Finally, lower geopolitical tensions should favour companies such as CNH Industrial (O) exposed to international trade.

On the opposite, the Biden victory could be read as negative for the Oil Sector since it could lead to potential legislative changes that may hinder the ability of operators to perform fracking on new wells, something that would be negative for Tenaris (U). Furthermore, we highlight that in the Branded Goods Sector, the potential increase in taxes might trigger lower discretionary spending, as consumers should have less disposable income and may be less willing to buy more expensive luxury items. We also indicate Autogrill (U) & Campari (N), among the most impacted names from potentially higher taxation.

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Leonardo (Outperform, New TP €8.00)

	Market Cap. €2.5bn	Price: € 4.34			*(Alessandro Pozzi +44 203 0369617)*
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	13,784	821	nm	1.1	1.4
2020E	13,548	406	6.1	0.4	3.2
2021E	13,909	613	4.1	0.4	3.2

Source: Mediobanca Securities

Strong orders come with weak cash flow

Recovery in profitability overlooked, as YE net debt target requires record CF

Despite the shares' disappointing performance (-7% vs. SXPARO), we believe Leonardo's 9M 20 results pointed to a strong sequential improvement in the group's profitability. This still excludes COVID19-related costs, which also recorded a sequential decline. Yes, cash flow generation remains the main concern with investors. As FCF came in lower than expected, the group now needs to generate €2.6bn to hit its year-end net debt target – something that the group never recorded before. Yet, management reiterated during the call that this is still well within reach, as the EFA Kuwait program is progressing well. On the positive side, the group highlighted the resilience of the Military segment, and it now expects orders of c€4.5bn to materialise by year-end. In turn, this should also support a working capital release in Q4 20; and an expansion of the top-line into 2021. At this stage we do not see the need to change our YE20 net debt estimate of €3.3bn. However, we adopted a more conservative approach to our 2021/22 growth assumptions, due to the persistent weakness in Aerostructures. As such, we lowered our TP to €8/sh from €10/sh, while reiterating our Outperform rating.

9M 20 results: strong earnings come with weaker FCF

Leonardo's 9M 20 revenues came in 1-2% ahead of our and consensus estimates at €9025m (Cons 8877, MB 8936), and just 1% lower than H1 19. This was driven by higher volumes in DRS (US Army equipment) and Aircraft (EFA Kuwait ramp-up), which offset a slowdown in Helicopters and Aircrafts. EBITA was also ahead of the street at €497m (Cons 455, MB 452), led by a better than expected performance in Electronics. This was in part offset by Aerostructures EBITA, down 74% y/y, impacted by lower productivity, in particular across civil programs, as ATR only made one delivery in 9M 20. Importantly, group Q3 20 EBITA recorded a 3% y/y increase, compared to a reduction of 75% and 23% in Q1 and Q2 respectively. FCF was negative at -€2596m (Cons -2438, MB -2418) impacted by another increase in inventories, pushing the company's 12m leverage ratio to 3.6x post IFRS16.

Large cash flow generation needed to hit guidance

Management reiterated its previous 2020 guidance, targeting a YE20 net debt of €3.3bn. This probably generated some skepticism amongst investors, as it now implies €2.6bn of FCF in Q4, which would represent the group's largest quarterly cash flow generation. However, management also flagged this is supported by the progression of milestones on the Kuwait EFA program, which is coincidentally the largest contract even awarded to Leonardo. The company also highlighted the resilience of Military, with defense spending expected to increase in most NATO countries; whilst Civil could continue to witness lower demand into 2021.

2020 broadly unchanged; 2021/22 revised down, TP lowered to €8/sh

As we captured the 9M 20 results, we left our FY20 EBITA unchanged. However, we reduced our FY21/22 EBITA estimates by 3-7% on lower revenues, as we adopted a more prudent approach on how quickly top-line growth can recover in light of the weakness in Aerostructures, and to a lesser degree in Civil Helicopters. As we also update the sector multiples in our market-based valuation, we reduced our Target Price to €8/sh, from €10/sh, which is based on a weighted average of a DCF (0.7x) and a multiple-based valuation (0.3x).

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Safilo (Neutral from Underperform, New TP €0.66)

	Market Cap. €154.81m	Price: € 0.56	*(Chiara Rotelli +39 02 8829 931, Gilles Errico +39 02 8829 558)*		
	Turnover	**Net Profit**	**PE Adj.**	**PBV**	**Yield**
2019	939	-302	nm	0.8	0.0
2020E	772	-319	nm	6.7	0.0
2021E	800	-59	nm	nm	0.0

Source: Mediobanca Securities

Visible signs of turnaround despite pandemic

Encouraging performance in 3Q driven by North America and digital

Safilo has showed material business improvement in 3Q compared to 1H, with revenues +6% yoy ex forex (-6.7% yoy organic) and a positive EBITDA of €14.3m vs. €9.1m in MBe and €6m in consensus, registering a slight increase in profitability despite operating deleverage. Top- line drivers were North America (+45.9% yoy ex FX or +12.1% yoy organic) thanks to Independent 3Os stores, prescription frames, and Smith within owned brands. On-line played its role, up 94% organically in 3Q, accelerating vs. +38% in 2Q driven by Smith D2C business almost tripling and Internet pure players +75% yoy, and now represents 13% of 9M 20 group revenues vs. 4% in 9M 19. Similarly, the increase in EBITDA (with the margin on sales +30bps yoy at 6.5%) reflected lower provision for obsolescence and positive channel mix (on-line) counterbalanced by lower volumes and €9m cost savings.

On track with turnaround plan: minor estimates fine-tuning

The business in October continued the positive trends reported in 3Q, confirming positive organic growth in NA and solid business developments in M. China. Online sales remained a solid growth driver in US but also in Europe. As expected the company did not provide a guidance for FY2020, fully justified by ongoing uncertainty surrounding Covid-19 pandemic. More notably, in a recent interview CEO Angelo Trocchia flagged that Safilo is on track with its turnaround plan, with key pillars being: i) ***Digital transformation*** organically and through M&A: *Privé Reveaux* and *Blenders Eyewear* enjoy well established digital operations and the aim is to integrate their e-commerce platforms with Smith to set up a digital hub for the group; ii) ***Balanced portfolio*** between owned brands and licenses targeting 50%-50% split iii) ***Consolidation of the financial structure:*** €108m financing granted by SACE were just obtained; iv) ***Reduction of the production overcapacity***: the group has recently sold the Martignacco plant including 181 employees. v) ***Environmental sustainability*** with the production of an eyewear collections based on the agreement with The Ocean Cleanup. We are fine-tuning our 2020, keeping a 6% yoy decline in 4Q unchanged and assuming a positive EBITDA in the quarter at €4m, putting the FY Adj.EBITDA at -€10m vs previous €-14m as the group is delivering on costs savings. For the medium term the growth trajectory is broadly unchanged and we expect Safilo to meet 2024 targets with a year delay (i.e. 2024E: sales at €1bn, EBITDA of 9-11%).

Rating NEUTRAL from UNDERPERFORM: TP raised to €0.66 from €0.63/share

We are cautious on the Branded goods sector on uncertainty over consumer environment overall for the months to come due to pandemic. We turn more constructive on Safilo as a self-help recovery story: with the stock price -50% YTD and 2020 earnings bottoming we do not see material downside ahead but rather consider the current as an appealing entry price, as we are now more confident that turnaround actions will pay off despite global turmoil: Our DCF based TP on revised numbers delivers a TP of €0.66/share marginally up vs. previous €0.63 with double-digit upside on current depressed valuation. This supports our rating upgrade from UNDERPERORM to NEUTRAL.

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A2A (Neutral, TP €1.40)

	Market Cap. €3.6bn	Price: € 1.13	*(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	11.4	1.1	7.1
2021E	7,033	325	10.9	1.0	7.4

Source: Mediobanca Securities

Launches the Aquarius project to reduce water distribution losses in Brescia

The local press (Avvenire) highlights the launch of A2A's Aquarius project targets to reduce waste distribution losses in Brescia to 20% from current 30-40%.

This project should be afterwards extended to the other water distribution areas where A2A operates.

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A2A (Neutral, TP €1.40)

	Market Cap. €3.6bn	Price: € 1.13	*(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	11.4	1.1	7.1
2021E	7,033	325	10.9	1.0	7.4

Source: Mediobanca Securities

9M20 Preview: EBITDA down by -8%; net income by -15%

A2A will release its 9M20 numbers on 12 November. A conference call is scheduled at 14.30pm CET. We expect the following numbers:

- **EBITDA: €814m (-8% reported; -6% adjusted).**
- **The EBITDA breakdown should be:** ***(a) Energy: €319m (-18%)*** – Details are: **(a.1) Generation: *€167m (-23%)*.** The decrease should be mainly explained by the lower prices and clean spark spreads and lower contribution from the MSD market that was particularly strong last year. **(a.2) Supply: *€152m (-10%)*.** The supply business should be mainly affected by lower consumption related to Covid-19 and lower contribution from energy solutions. ***(b) Waste: €213m (+7%)*.** The business should benefit from higher volumes, better contracted prices and the consolidation of Electrometal and Agritre. ***(c) Networks & Heat: €297m (-5%)*.** The lower results should be explained by the effect of the regulatory review in gas distribution and the lower contribution from district heating. ***(d) Others: €-15m.***

- **Net Income: €212m (-15%).** We include taxation at 32%.

- **Net Debt: €3.4bn (+9%).** We assume capex at c€430m (+9% YoY) and we include the dividend payment (€243m) and some working capital deterioration (c.€200m).

Mediobanca View – A2A's 9M20 should suffer in the generation business due to lower spark spreads and volumes during the lockdown period, and the lower contribution from the MSD that was particularly strong in 2019. We expect EBITDA down by -8% and Net Income down by -15%. Neutral.

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Aeroporto di Bologna (Neutral, TP €8.50)

	Market Cap. €223.98m	Price: € 6.20			*(Nicolo Pessina +39 02 8829 796)*
	Turnover	Net Profit	PE Adj.	PBV	Yield
2018	114	18	29.7	3.1	3.0
2019E	125	21	10.7	1.3	0.0
2020E	53	-15	nm	1.4	0.0

Source: Mediobanca Securities

3Q20 results preview: focus on outlook and on government's support

Bologna Airport will report its 3Q20 results on 13 November. Looking at the numbers in detail, our estimates include:

- A **traffic decline of 74.7%**, as already disclosed. Domestic traffic was down 47.4% and international traffic 81.4%;
- We see total **aviation revenues at €4.1m**, down 77.9%. The implicit average revenue for regulated services of €11.03/pax does not make much sense as it includes revenues from cargo aircrafts that were much less impacted by Covid-19. We also factor into our estimates an average unitary incentive of €5.27/pax (+1% y/y). In regard to the tariff, we remind that we calculate a decline of 6.8% for the new tariff applied since 1 April following the regulatory review of last year. However, traffic mix in FY20 is also having a relevant impact with international traffic more impacted by the pandemic;
- As for **non-aviation revenues**, **our forecast of €4.8m** includes a 61.2% decline entirely driven the lower traffic volumes. On a unitary basis, we estimate the average revenue to be >50% that of 3Q19 due to the fixed components in the commercial contracts, although we recognize that these may have been suspended and under renegotiation, as already highlighted by other infrastructure operators;
- In terms of profitability, we estimate an **EBITDA/margin of €-0.6m/-3.3%**. Indeed, we estimate total opex excluding construction costs to decline 33.3% as a result of the cost containment initiatives put in place;
- We estimate **capex of €9.7m** >2x the level of 3Q19 also due to the works that kept the runway closed for ten days in September.

Mediobanca View – In our view, key point of interest will be the update from the management on the outlook for the rest of the year and on the expected shape of the traffic recovery given the deterioration seen in the past few weeks. Much interest is also on any potential support that the Government may give to airport operators, although no decision has been taken in this regard, to our knowledge. By a regulatory standpoint, we would expect major news having the company already announced the applicable tariffs for FY21 (+2.8% y/y, MBe). With a 1H20 debt position of €5.8m, ~€16m of available cash and two State-guaranteed loans for a total of €59m agreed in July, AdB's credit profile remains solid, in our view. However, we believe that a tangible sign of traffic recovery is needed for the stock to rebound, something that may not be imminent.

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MEDIOBANCA SECURITIES

Alkemy (Outperform, TP €8.00)

	Market Cap. €33.21m	Price: € 5.92			(Isacco Brambilla + 39 02 8829 067)
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	85	-0	42.9	1.9	0.0
2020E	80	1	25.0	1.0	0.0
2021E	91	2	13.4	0.9	0.0

Source: Mediobanca Securities

Update on share buyback

Event Yesterday, Alkemy provided its weekly update on the execution of its share buy-back program.

Comment/Financials According to the press release, between November 2 and November 6 the company acquired c.3k shares, for a cash-out of c.€15k.

As of November 6, ALK owned c.106k treasury shares, meaning c. 1.9% of its share capital.

View/Action We have an Outperform rating on Alkemy.

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Anima Holding (Outperform, TP €4.50)

	Market Cap. €1.3bn	Price: € 3.58			*(Gian Luca Ferrari +39 02 8829 482)*
	Net Profit	PE	PBV	Yield	ROE
2019	143	9	1.0	5.7	10.9
2020E	133	10	1.0	6.3	10.2
2021E	133	10	1.0	6.2	10.2

Source: Mediobanca Securities

€736m net outflows in October 2020

Event - Anima unveiled its October net flows. Total flows amounted to €736m net outflows (excluding life traditional products, c.d. Ramo I), leading to total flows of ca. €440m to-date. Total assets at the end of October amounted to €188.2bn.

The weak data included outflows linked to two institutional mandates worth €500m.

In the press release, CEO Melzi said that "*The month of October was affected by the growing concerns about the evolution of the health emergency, which led retail customers to further increase the liquidity held on current accounts as opposed to asset management products. On the institutional segment, two clients redeemed their positions for an amount of approximately half a billion euros; for this last business, positive as of September 30th for around €2.5 billion in terms of net inflows, the outlook remains positive, even in the short term, in consideration of the different approach to medium and long-term investments by this type of client base*".

Anima -net inflows

2020	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	YTD	2020E MB est
Mutual funds	-154	-51	-337	111	60	-158	-7	113	-213	-528	-1,181	
Individual portf - ex Life trad.	206	162	611	67	40	34	217	175	316	-208	1,622	
Total ex Life traditional	**52**	**111**	**274**	**178**	**100**	**-125**	**210**	**288**	**103**	**-736**	**441**	**1,000**

Source: Mediobanca Securities, company data

View - Weak performance in October, mainly due to the mentioned two institutional mandates and a general cautious stance from retail clients. We remain positive on the stock as we believe Anima is a fundamental actor in a potential wave of consolidation among Italian banks. OUTPERFORM, TP €4.50

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Anima Holding (Outperform, TP €4.50)

	Market Cap. €1.3bn	Price: € 3.58			(Gian Luca Ferrari +39 02 8829 482)
	Net Profit	PE	PBV	Yield	ROE
2019	143	9	1.0	5.7	10.9
2020E	133	10	1.0	6.3	10.2
2021E	133	10	1.0	6.2	10.2

Source: Mediobanca Securities

3Q20 profits 2% below MB estimates but in line with consensus

Event - Last Friday Anima reported its 3Q20 results. EBITDA was 2% below MB estimates, due to €0.6m lower net commissions and €0.5m higher costs. EBIT and profit before taxes 3% below, while cash adjusted profits 1% short of our expectations. No material difference with consensus though.

Comments/Financials –Total revenues were €81.7m, 1% short to our estimate of €82.2m but a touch above the €81.4m indicated by consensus.

More into detail:

- Net commissions were €67.6m, 1% below our estimate of €68.2m.
- Performance fees were €6.6m, €0.4m below our €7.0m;
- Other income was €7.5m, €0.5m above our estimate of €7.0m;

Personnel costs were €11.2m, a touch above our €11.0m estimate. Other G&A costs came out at €8.4m, 5% above our expectations.

Lower revenues and higher costs led to an EBITDA at €62.2m. EBIT of €47.6 was 3% below our €48.9m.

Pre-tax profit came in 3% below but in line with consensus. Net profits were €30.7m, 2% below our €31.3m but in line with consensus.

€m	3Q20A	3Q20E	A/E	Cons.	A/Cons	2020E	2019A	Y/Y
Net commissions	67.6	68.2	-1%			274.3	284.0	-3%
Performance fees	6.6	7.0	-6%			49.5	48.2	3%
Other income	7.5	7.0	7%			27.7	26.1	6%
Total revenues	**81.7**	**82.2**	**-1%**	**81.4**	**0%**	**351.4**	**358.3**	**-2%**
Staff cost	-11.2	-11.0	1%			-45.3	-43.4	4%
Other operating expense	-8.4	-8.0	5%			-35.2	-37.3	-6%
Total expenses	**-19.5**	**-19.0**	**3%**			**-80.5**	**-80.6**	**0%**
EBITDA	**62.2**	**63.2**	**-2%**			**270.9**	**277.7**	**-2%**
Depreciations and amort.	-13.4	-13.3	1%			-53.0	-53.9	-2%
Non recurrent items	-0.2	0.0	nm			-4.0	1.3	-399%
LTIP	-1.0	-1.0	-3%			-4.4	-2.7	61%
EBIT	**47.6**	**48.9**	**-3%**			**209.5**	**222.3**	**-6%**
Net financial charges	-2.4	-2.5	-4%			-10.3	-17.4	-41%
PBT	**45.2**	**46.4**	**-3%**	**45.1**	**0%**	**199.2**	**204.9**	**-3%**
Income tax	-14.5	-15.1	-4%			-65.7	-59.1	11%
tax rate	32%	33%				33%	29%	
NET PROFIT	**30.7**	**31.3**	**-2%**	**30.6**	**0%**	**133.4**	**145.8**	-8%
Cash adj. net profit	**40.9**	**41.3**	**-1%**			**176.9**	**180.6**	**-2%**

Source: company data, company consensus, Mediobanca Securities estimates

View -OUTPERFORM, TP €4.50

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Atlantia (Neutral, TP €18.10)

	Market Cap. €11.7bn	Price: € 14.22			*(Nicolo Pessina +39 02 8829 796)*
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	11,630	136	nm	1.2	0.0
2020E	8,453	-849	nm	0.8	0.0
2021E	9,856	399	30.1	0.6	6.3

Source: Mediobanca Securities

ASPI and MIT would be discussing a cut to the proposed FY21-38 annual tariff of 7-8bps

Il Sole (source) reports that ASPI and the MIT may agree on a tariff increase for the FY21-38 period of 1.67%-1.68% instead of the 1.75% proposed before and challenged by ART. The 7-8bp reduction would imply €1.0-1.5bn lower revenues (NPV €1.0-1.2bn) with an impact on the equity value of €800-850m; the valuation would be based on a dividend discount model. In particular, Il Sole explains that ASPI and the MIT would be discussing several changes to the financial plan proposed in September following the objections raised by ART (see our comment from 15 October).

Three would be the points under discussion: i) whether to confirm the €280-300m annual maintenance capex that ASPI did until 2018 or to confirm the increase to €7bn that also includes €1.2bn of works that may be considered as capex; ii) the annual efficiency target of 2.2% imposed by ART for the first regulatory period with the implementation of the new tariff model may be halved or the total of 10.1% may be spread over 10 years instead of 5 as it would drive to ~1,000 layoffs; iii) ART may open to the recovery of the traffic lost due to the Covid-19 pandemic even if its approach would be to leave the traffic risk on the concessionaire, as stated in the new models of 2019.However, the recovery of the lost traffic would have to be regulated by the MIT through a methodology to apply to all concessionaires.

Domani explains (source) that the 1.75% annual tariff increase was part of the agreement of mid-July between Atlantia and the Government and that Atlantia was surprised the MIT opened to the objections raised by ART. The article explains that this is a key point of the new financial plan and it may impact on the valuation of ASPI significantly. Therefore, a tariff increase excessively low may lead to a valuation of ASPI that Atlantia may not find attractive.

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Azimut Holding (Neutral, TP €18.00)

	Market Cap. €2.3bn	Price: € 15.83			*(Gian Luca Ferrari +39 02 8829 482)*
	Net Profit	PE	PBV	Yield	ROE
2019	314	7	3.4	6.3	46.6
2020E	256	9	2.8	6.3	31.7
2021E	245	9	2.4	6.3	26.8

Source: Mediobanca Securities

Fitch affirms Azimut at BBB-, outlook negative

Event Fitch Ratings announced on Friday it affirmed Azimut Holding’s Issuer Default Rating and senior unsecured notes’ long-term rating at ‘BBB-‘. Both ratings were removed from Rating Watch Negative (RWN) on which they were placed on 26 March 2020; the Outlook on the Long-Term IDR is Negative. The affirmation reflects the rating agency’s view that, while Azimut's asset performance and, ultimately, earnings generation have been affected by the COVID-19 pandemic, the company should be able to withstand related pressure on financial metrics without breaching its downgrade triggers in the short term, in particular its cash-flow leverage trigger of 3x.

The Negative Outlook reflects Fitch's view that while Azimut has some buffers at its rating level, downside risks to its credit profile prevail in the current uncertain operating environment. In particular, Azimut's financial profile remains sensitive to potential adverse financial market developments, with pressure on the valuation of assets under management (AuM). This in turn could constrain recurring fee generation and lead to an increase in cash flow leverage above Fitch's threshold for the rating.

View – NEUTRAL, TP €18.0.

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Banco BPM (Neutral, TP €1.65)

	Market Cap. €2.5bn	Price: € 1.65			(Noemi Peruch +44 203 0369 645)
	Net Profit	PE	PBV	Yield	ROE
2019	797	3	0.2	0.0	6.7
2020E	174	14	0.2	0.0	1.4
2021E	184	14	0.2	2.4	1.5

Source: Mediobanca Securities

Talks between BAMI and ACA suspended due to COVID according to the press

Il Messaggero reported on Sunday that “surely” COVID has stopped negotiations between BAMI and ACA. At the same time the article confirms that the advisors (Rothschild and Lazard) access each other’s room and the deal would involve CAG or ACA reaching 40% stake in BAMI, (in line with our simulation in the note Banco BPM (Neutral from Underperform, TP EUR 1.65) - La route pour M&A - by N.Peruch & A.Filtri - pp 25). The article also mentions a report from Copasir, the parliamentary committee for security, about French interest in Italian companies but it looks dated and not concerning ACA-BAMI.

Il Corriere reported that the Italian entrepreneur Girondi (Universal Filter International) has purchased 5% stake in BAMI and his interests could be aligned with ACA, which merging with BAMI could become the third largest bank in Italy, according to the article. He was shareholder of Carige and UBI beforehand.

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Banco BPM (Neutral, TP €1.65) ~ Cattolica Assicurazioni (Outperform, TP € 5.50)

	Market Cap. €2.5bn	Price: € 1.65			*(Noemi Peruch +44 203 0369 645)*
	Net Profit	PE	PBV	Yield	ROE
2019	797	3	0.2	0.0	6.7
2020E	174	14	0.2	0.0	1.4
2021E	184	14	0.2	2.4	1.5
	Market Cap. €763.40m	Price: € 4.38			*(Gian Luca Ferrari +39 02 8829 482)*
	Net Profit	PE	PBV	Yield	P/EV
2019	75	10	0.5	0.0	
2020E	99	8	0.5	9.1	80.7
2021E	93	8	0.5	9.1	76.4

Source: Mediobanca Securities

Change in control clause could be triggered in the agreement with Cattolica

Il Sole 24 Ore reported on Saturday that Generali taking a major stake in Cattolica could trigger the change in control clause in the distribution agreement between BAMI and Cattolica, as Generali has 24% stake and has Banca Generali within its perimeter, i.e. an entity with a banking licence. At the same time the press says that the clause cannot be activated now as Cattolica is still a co-operative company, but this could change in April after the conversion into joint-stock company and after Generali appoints the top management. A lot will depend on the final stake of Generali in Cattolica. The press indicates that once the clause is triggered the price of the JV should hover around the book value. UCG, ACA and BPE are mentioned as potential partners for BAMI.

With respect to BAMI, we believe that if there is flexibility to exit without penalties from the agreement with Cattolica, it could favour a potential reverse merger of Cariparma as ACA could step in as a partner and pay for the consideration to buy back the insurance JV. On a standalone basis, we see no clear reason why the agreement should change. As highlighted in our note, we attach a low probability of ACA and UCG bidding for BAMI, while we find a reverse merger of Cariparma with BAMI as the most palatable option for ACA, BAMI and the regulator. In our view, BPE will focus on the integration of 532 branches in the short term and should prefer EPS-accretive bolt-on acquisitions with low execution risk over transformational deals, in time after the full integration of the going concern, as per our note.

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Banca Mediolanum (Outperform, TP €7.10)

	Market Cap. €4.8bn	Price: € 6.53			*(Gian Luca Ferrari +39 02 8829 482)*
	Net Profit	PE	PBV	Yield	ROE
2019	565	8	2.1	6.4	24.2
2020E	321	15	2.0	6.4	13.7
2021E	402	12	2.0	6.4	16.5

Source: Mediobanca Securities

€404m net inflows in October

Event - Banca Mediolanum disclosed business performance in October, showing €404m net inflows. The overall result was characterized by €231m inflows in administered assets, therefore showing a high resiliency of those customers acquired with the campaign on term deposits in 1Q. Asset management products inflows were at €173m.

Issue of loans and mortgages reached €322m in the month (€2.46bn YTD, vs €2.16bn in the same period last year), while premiums of protection policies totalled €14.1m (€108m YTD vs €83m a year ago).

Net inflows, 2020E

(€ mn)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	YTD	MB est
Managed assets + bonds	150	98	156	585	559	540	376	294	216	173	3,146	3,600
Administered assets	639	1,038	1,214	154	-11	-117	196	-60	-219	231	3,064	3,532
Total net inflows	**789**	**1,136**	**1,370**	**739**	**548**	**423**	**572**	**234**	**-3**	**404**	**6,210**	**7,132**

Source: Mediobanca Securities

View The company gathered more than €6bn to-date, of which more than €3bn in asset management products. We believe it's fairly on track to meet our expectations of €3.6bn in asset management and €7.1bn total flows. We would flag the stickiness of those assets acquired with the campaign on term deposits in 1Q (€2.4bn new deposits acquired with that campaign). Last but not least, the acceleration on loans and mortgages and on protection products adds further value to the commercial performance of BMED this year. We recently upgraded the stock to OUTPERFORM, TP €7.10.

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Brembo (Neutral, TP €8.60)

	Market Cap. €3.0bn	Price: € 8.97			*(Andrea Balloni +39 02 8829 541)*
	Turnover	**Net Profit**	**PE Adj.**	**PBV**	**Yield**
2019	2,592	231	14.5	2.5	0.0
2020E	2,109	98	29.6	2.0	2.6
2021E	2,339	190	15.3	1.8	2.7

Source: Mediobanca Securities

3Q20E due out today, conf. call @14.00

Event - Brembo will unveil 3Q20 results today at market open, conference call scheduled at 14.00CET (ITA +39 8058 811, UK +44 121 281 8003, US +1 718 705 8794).

In the quarter we expect Brembo to report:

- Sales €614m, -5% YoY, 1% below Cons, almost in line with the reference market trend that was down 5% in terms of global car production.
- EBITDA €114m, decreasing by 8%, translating in a margin of above 18%, vs Cons €116m
- Net debt €547m, from €598m reported in 1H20, vs Cons. €537m.

We expect Brembo to provide an outlook about FY20 as current orders intake should give some visibility over the last part of the year. Our FY20 sales point at €2.1bn, declining almost 19% YoY (vs €2.15bn Consensus, -17% YoY), with an EBITDA of €347m, margin 16.4%, 2% below Consensus €354m. We have a Neutral rating on Brembo, stock is down 21% YTD and is trading at almost 17x 21E PE based on Consensus forecasts.

€m	3Q20E MB	3Q19	YoY chg.	3Q20E Cons	MB vs Cons	9M20E MB	9M19	YoY chg.
Sales	614	647	-5,1%	620	-1,0%	1.565	1.971	-20,6%
EBITDA	**114**	**123**	**-7,9%**	**116**	**-2,0%**	**257**	**394**	**-34,8%**
margin	*18,5%*	*19,1%*		*18,7%*		*16,4%*	*20,0%*	
Net profit	45	53	-14,1%	48	-5,7%	65	176	-63,0%
Net Debt/(Cash)	547	415		537	1,8%	547	415	

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CAREL (Neutral, TP €16.00)

	Market Cap. €1.8bn	Price: € 17.68	*(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	330	34	51.5	10.7	0.7
2021E	367	43	41.6	9.1	0.9

Source: Mediobanca Securities

Small beat at P&L and cash flow level in 3Q. FY20 sales targets in line with our estimates

Event The company released its 3Q and 9M20 figures last week followed by a conference call in the afternoon.

Comment/Financials 3Q20 figures showed, as expected, a return to a positive organic growth with the following trends for the main lines:

- 3Q20 sales were €87.0 (+7.7% yoy) vs. our estimate of €85.5m as the result of an organic growth of 10% vs. our estimate of 7%. FX headwind was stronger than expected;
- In terms of profitability, 3Q20 EBITDA margin was 20.3% leading to €17.6m EBITDA, vs. our estimate of 16.5m. Beat related to the carry-on of some cost efficiencies implemented during the pandemic;
- 3Q20 net debt came out at €49.4m, better than our forecast of €54.5m (from €65m in 2Q20). NWC was contained more than expected with a cash absorption of only €3m.

With regard to FY expectations, the company expects to achieve 2020 sales near the level achieved last year. We currently forecast a +1% yoy sales increase.

3Q and 9M20 results vs. Mediobanca estimates

(€m)	3Q20A	3Q19A	YoY chg.	3Q20E	A vs E	9M20A	9M19A	YoY chg.	9M20E	A vs E
Total sales	87.0	80.8	7.7%	85.5	2%	248.0	247.7	0%	246.5	1%
EBITDA	17.6	15.9	10.8%	16.5	7%	48.5	49.6	-2%	47.4	2%
% Margin	20.3%	19.7%		19.3%		19.6%	20.0%		19.2%	
EBIT	13.1	11.7	12%	11.9	10%	34.8	37.3	-7%	33.6	3%
% Margin	15.0%	14.5%		13.9%		14.0%	15.0%		13.6%	
Net profit	9.9	9.2	7%	9.3	6%	26.2	28.2	-7%	25.6	2%
Net debt/(Cash)	49.4	75.4		54.5		49.4	75.4		54.5	

Source: Mediobanca Securities

View/Action The return to a high-single-digit sales growth, mirroring order intake trend, is an essential step entering 2021 for a stock trading at more 40x 2021 P/E. Our sales assumptions point to 11.0% organic growth in 2021. Neutral rating confirmed with €16.0 TP.

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Cellnex Telecom (Neutral, TP €54.10)

	Market Cap. €27.2bn	Price: € 55.90			*(Fabio Pavan +39 02 8829 633)*
	Turnover	**Net Profit**	**PE Adj.**	**PBV**	**Yield**
2019	1,035	-9	nm	3.7	0.2
2020E	1,632	-36	nm	6.6	0.1
2021E	1,941	737	36.9	5.6	0.4

Source: Mediobanca Securities

CLNX places €1.5bn convertible bonds carrying a 0.75% yearly coupon

Event Cellnex announced on Friday the placement of €1.5bn convertible bonds due in 2031 and carrying a 0.75% coupon per annum; as a result of the agreed redemption price, the conversion price will be €104.2241, with the shares underlying the bonds which are initially equivalent to 3.2% of CLNX's share capital. This bonds issuance will allow Cellnex to increase is average debt maturity up to c.6.5 years, to place its average cost of borrowing at c.1.5% and to strengthen its liquidity position (up to c.€9.7bn following the issuance). The company will use the net proceeds of the issue for general corporate purposes, including M&A transactions financing, as previously announced; Mr. José Manuel Aisa, CFO at Cellnex, stated that the Co. will continue to stay ahead to adapt the size and efficiency of its balance sheet to its financial needs, providing itself with the needed resources to meet the planned investments and a sufficient margin to continue analysing the various opportunities the market can offer.

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Cellularline (Neutral, TP €6.00)

	Market Cap. €96.22m	Price: € 4.40	*(Marco Vitale +39 02 8829 444, Giuseppe Grimaldi +39 02 8829 412)*		
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	140	18	6.8	0.8	4.6
2020E	120	7	7.3	0.5	2.6
2021E	140	13	5.6	0.5	4.8

Source: Mediobanca Securities

3Q20E preview: sales trend still affected by weak stores' traffic. Focus on the incoming peak season

Event Cellularline will report its 3Q20 results on November 11. Conference call details TBD.

Comment/Financials We expect the company to report the following trends in 3Q20:

- Sales at €34m, down -10% YoY, improving vs 2Q trend (-52% YoY) but still penalised by weak stores' traffic volumes. We assume the contribution from Skross acquisition to be negligible in the quarter;
- EBITDA at €6m, down -37% YoY with margin declining by 790bps to 18.0%, mainly reflecting lower selling volumes;
- Adj net profit at €4m, down -45%YoY;
- Net debt at €56m, vs €33m reported in 2Q20, which also reflects the c.€25m cash-out (including put-options) related to the acquisition of Skross.

3Q20 results preview

€m	3Q20E	3Q19A	YoY chg.	9M20E	9M19A	YoY chg.
Sales	34.2	38.0	*-10.0%*	70.8	93.2	*-24.1%*
Adj. EBITDA	6.1	9.8	*-37.4%*	7.4	19.0	*-61.1%*
margin	*18.0%*	*25.9%*		*10.4%*	*20.4%*	
Adjusted net profit (loss)	3.7	6.7	*-44.8%*	3.0	12.8	*-76.5%*
Net Debt/(Cash)	56.0	39.2		56.0	39.2	

Source: Mediobanca Securities

View/Action Overall, Cellularline should report a sales trend still affected by lower traffic volumes but recovering from 2Q20 trough. Beside 3Q20 trend, we believe the focus should be on current trading conditions as we are approaching the peak season of the CE industry. Neutral, €6.0/share TP.

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Cementir (Outperform, TP €7.60)

	Market Cap. €894.25m	Price: € 5.62			(Alessandro Tortora +39 02 8829 673)
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	1,212	84	11.2	0.9	2.3
2020E	1,154	66	12.9	0.8	2.5
2021E	1,189	95	9.4	0.8	2.5

Source: Mediobanca Securities

3Q20 preview: expected a sequential improvement

Event The company will release today its 3Q and 9M20 figures with a conference call scheduled at 5.45pm CET.

Comment/Financials The company reinstated its FY guidance with 2Q20 results and we are positioned in the lower end of the range for what concerns the EBITDA range. With regards to the main lines to be released today, we expect:

- 3Q20E sales of €303m (-3.5% yoy);
- 3Q20E EBITDA of €66m (down 8% yoy);
- 3Q20E net debt of €236m (from €280.6m in 2Q20).

View/Action If our assumptions are rights, we see the FY20 targets as reachable despite an increasingly negative headwind from Turkish Lira depreciation and volatility brought by Covid-19 emergency in these last weeks. Outperform confirmed.

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De' Longhi (Neutral, TP €24.00)

	Market Cap. €4.5bn	Price: € 30.08			(Isacco Brambilla + 39 02 8829 067)
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	2,106	161	18.4	2.5	0.0
2020E	2,213	166	26.2	3.3	3.1
2021E	2,309	182	24.3	3.2	2.0

Source: Mediobanca Securities

3Q/9M20E preview – strong 3Q sales trends should drive healthy profitability and FCF generation

Event De' Longhi is due to unveil its 3Q/9M20 results on November 10.

Comment/Financials Based on the trading update shared by DLG in mid-September, we expect 3Q to reflect strong top-line trends and healthy profitability and FCF generation. More specifically we expect:

- 3Q sales of €541m (+18% yoy), assuming a continuation of positive performance of both Coffee Makers and Food Preparation segments, supported by the renewed popularity of *Home Experience* triggered by Covid-related lockdowns;
- 3Q Adj. EBITDA of c.€84m, meaning an adj. EBITDA margin of 15.4%, up by 230bps yoy, benefitting chiefly from positive operating leverage. This may lead 9M adj. EBITDA at €195m (from €158m in 9M19);
- Assuming a normalisation of DLG tax rate in the region of 25%, we foresee 3Q Net profit at c.€47m.

De' Longhi – 3Q/9M20E results' preview

€m	3Q 20E	3Q 19	YoY chg.	9M 20E	9M 19	YoY chg.
Sales	540.7	458.2	18.0%	1,437.3	1,303.7	10.2%
Adj. EBITDA	83.5	60.1	38.9%	195.3	157.9	23.7%
margin %	*15.4%*	*13.1%*		*13.6%*	*12.1%*	
EBIT	63.0	38.2	65.1%	129.9	96.2	35.1%
margin %	*11.7%*	*8.3%*		*9.0%*	*7.4%*	
Net profit	46.9	29.0	61.8%	90.0	71.8	25.3%
Net Debt/ (Cash)	-	-		(426.6)	(101.6)	

Source: Mediobanca Securities

Together with quarterly results, we also expect DLG to provide some comments on FY outlook, with company's latest guidance targeting: i) top-line organic growth in the mid-to-high single digit area, and ii) adj. EBITDA growing in absolute terms compared to 2019.

View/Action Based on the trading update shared by DLG in mid-September, we expect 3Q to reflect strong top-line trends, driving healthy profitability and FCF generation. Beyond 3Q results, it will be interesting to understand company's indications on FY guidance and on outlook for 2021, with current consensus foreseeing a mid-single-digit growth in 2021. DLG is trading at c.12x EV/EBITDA 2021E, a valuation which is fully reflecting the resiliency of its business model in our view. Neutral.

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ENAV (Outperform, TP €5.20)

	Market Cap. €1.7bn	Price: € 3.09			(Nicolo Pessina +39 02 8829 796)
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	903	118	22.5	2.3	4.2
2020E	795	64	26.1	1.5	0.0
2021E	829	81	21.8	1.4	7.5

Source: Mediobanca Securities

Aireon launches new data products

Aireon announced the launch of three new commercial data products: AireonFLOW, AireonINSIGHTS and AireonSTREAM. These products aim to expand the use cases of Aireon's ATS data to a global audience. The company explained that for the first time Aireon's global dataset will be available beyond its traditional ATS surveillance enhancement application. Each product, while leveraging Aireon's high-fidelity data, has its own use cases for customers, such as ANSPs, aircraft and fleet operators, tracking systems, financial institutions, insurance companies and across the Air Traffic Management industry as a whole.

Mediobanca View – This news further confirms Aireon is progressing quickly after becoming operative in 2019. We remind that Enav expects an annual low double digit return on the €51m so far invested in Aireon.

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Esprinet (Outperform, TP €8.70)

	Market Cap. €395.76m	Price: € 7.77			*(Marco Vitale +39 02 8829 444)*
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	3,952	22	8.5	0.5	0.0
2020E	4,357	25	14.2	1.0	1.9
2021E	4,626	30	13.3	1.0	2.3

Source: Mediobanca Securities

3Q20E preview: organic sales growth to accelerate thanks to solid demand in PCs

Event Esprinet will report its 3Q20 results on November 12. A conference call is scheduled on November 13 at 3.30pm CET (dial-in: ITA - +39 02 805 88 11, UK +44 1 212818003, US - +1 718 7058794).

Comment/Financials We expect the company to report the following trends in 3Q20E:

- Sales at €1,122m, up 26% YoY and accelerating vs 2Q trend (+9.4% YoY), mainly driven by the strong demand in PCs, as anticipated by the company (July-August sales were up +32% YoY);
- Adj. EBITDA at €11m, up +8.5% YoY and with margin flat at +1.0%, as unfavourable product mix should offset operating leverage;
- Net profit at €2m, flat YoY, as it factors in €1.4m one-off costs related to the resignation of former group’s CFO;
- Net debt at €87m, increasing vs €113m net cash reported in 2Q20, which reflects a normalisation in payment conditions compared to the previous quarter, but still highlights a marked improvement in NWC trend vs 3Q19.

3Q20E results preview

€m	3Q20E	3Q19A	YoY chg.	9M20E	9M19A	YoY chg.
Sales	1,122	894	25.6%	2,957	2,611	13.2%
Adj. EBITDA	10.9	10.0	8.5%	34.8	30.7	13.6%
margin	1.0%	1.1%		1.2%	1.2%	
Net profit	1.9	1.9	-0.6%	9.7	9.5	2.4%
Net Cash (Debt)	-86.9	-195.3		-86.9	-195.3	

Source: Mediobanca Securities

View/Action We expect Esprinet to release another solid set of number in quarter, with sales growth set to accelerate thanks to the favorable trends in smart working and home-schooling. We also expect the company to broadly confirm its FY20E guidance, which foresees >9% YoY organic sales growth and Adj. EBITDA in the range of €56-61m (we are currently set at the upper-end of the range). Aside results’ release, we believe that investors should focus on 1) current trading conditions, as we are approaching the peak season of CE industry, and 2) integration of the recent acquisition of GTI, which will be consolidated starting from 4Q20E. The stock trades at 6x ’21 EV/EBITDA and we have an Outperform on the name.

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FCA (Restricted)

(Andrea Balloni +39 02 8829 541)

Source: Mediobanca Securities

Brazil greenlighted the merger, press

Event – According to the last weekend's press, "The Brazilian Antitrust Authority has greenlighted the merger between FCA and PSA. The decision should be effective in 15 days. This is in line with the intention to close the deal by the end of 1Q21".

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

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Fineco Bank (Neutral, TP €12.00)

	Market Cap. €7.6bn	Price: € 12.48			*(Gian Luca Ferrari +39 02 8829 482)*
	Net Profit	PE	PBV	Yield	ROE
2019	288	26	5.3	2.6	24.5
2020E	321	24	5.3	2.7	22.2
2021E	310	25	4.9	2.7	19.9

Source: Mediobanca Securities

Fineco 3Q20E earnings preview: brokerage continues to keep driving the top line growth

Event - Fineco will unveil 3Q20 results today, 09 November. A conference call will be held at 2.00 pm CEST; to join from Italy, dial +39 02 805 8811 (from UK: +44 121 281 8003; from USA: +1 718 705 8794, toll-free number: +1 855 2656959).

Comment/Financials – We estimate total income of €183.2m, up 10% yoy, thanks to robust positive performance of brokerage. NII is expected to decline by 2%, but this will be more than offset by growth in net commissions (up 13% yoy) and trading (up 64% yoy).

At the operating profits level, we estimate €118m, up 9% yoy. We also forecast LLP at €1.0m and €26m in provisions for risks and charges (excluding any potential contribution for Banca Popolare di Bari). As a consequence, we estimate pre-tax profit at €91.1m (+4% yoy). We expect net profits at €63.9m in 3Q20E, or 5% above €61.1m recorded in the same period last year.

FinecoBank – 3Q20E preview

€m	3Q20E	3Q19A	Y/Y	consensus
Net interest margin	68.5	69.8	-2%	68.2
Net commissions	95.4	84.3	13%	95.5
Trading income	19.3	11.7	64%	19.5
Total income	**183.2**	**165.8**	**10%**	**183.5**
Total costs	**-64.9**	**-57.6**	**13%**	**-65.1**
cost/income	*35.4%*	*34.8%*		
Operating profits	**118.3**	**108.2**	**9%**	**118.5**
Loan loss provisions	-1.0	-1.2	-16%	-1.5
Net provisions for risks and charges	-26.0	-19.8	31%	-27.5
Pretax profit	**91.1**	**87.6**	**4%**	**89.5**
Tax rate	*29.9%*	*30.3%*		
Net profit	**63.9**	**61.1**	**5%**	**62.0**

Source: Mediobanca Securities

View/Action -NEUTRAL TP €12.0

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Italgas (Outperform, TP €6.50)

	Market Cap. €4.1bn	Price: € 5.12	*(Javier Suárez +39 02 8829 036, Sara Piccinini +39 02 8829 295)*		
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	1,258	345	13.2	2.9	4.5
2020E	1,329	335	12.4	2.5	5.3
2021E	1,378	356	11.6	2.3	5.6

Source: Mediobanca Securities

To invest also in the water distribution business thanks to its experience on digitalization

Italian daily la Repubblica publishes an interview to Italgas' CEO Paolo Gallo after the presentation of the company's Business Plan on 30 October. The plan includes €240m investments in new businesses and this includes hydrogen, although this technology is not yet competitive as of today, and the water distribution business. On the latter, on which the company has allocated €120m, the CEO says that Italgas can leverage on its experience on digitalization to improve the water management business and reduce water losses which are still significant in Italy.

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Italian Transport Infrastructure

(Nicolo Pessina +39 02 8829 796)

ANAS underlying traffic declines 14% in October

Anas reported a normalized traffic decline (average daily vehicles) along its network of 14% in October. The key messages we would highlight are the following:

- October shows a sharp deterioration of the trend compared to the -6.6% average of the past three months;
- Heavy traffic was down 6%. Implied decline for light vehicles is 14.6%;
- The LTM trend deteriorated to -19.2% from -17.9% in August;
- Anas' performance in October is broadly in line with the -14.9% weekly average reported by ASPI.

We remind that, following the latest transfers from the local authorities, Anas' network is made of ~22.7k km of national roads, ~940km of free motorways and ~5.6k km of junction ways and access roads. Considering that Anas' road network is entirely toll-free traffic is measured as vehicles/day rather than as km-vehicle. Also, data are less reliable than for motorways considering Anas's network is open.

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Italy

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Government may decide to increase risk alert and restrictions in six regions, La Repubblica

Today the Italian daily *La Repubblica* published an article reporting an update on the health emergency. Press suggests that today government may decide to move six regions from “yellow zone” to the so called “orange” or “red zone”, which are the areas with the highest level of risk and where restrictions are higher. According to the article these regions may be: Veneto, Liguria, Emilia Romagna, Tuscany, Umbria and Campania.

Source: click here

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Final text of the decree providing additional economic aids may worth €2.8bn, Il Sole 24 Ore

Last Sunday, the Italian daily *Il Sole 24 Ore* published an article reporting an update on the measures for supporting the economy. Press highlights that the government keeps working on the so called "relief decree" (i.e, "*Decreto Ristori Bis*"). The article highlights that in the latest version the measures included should be worth around €2.8bn, with an extension of the potential beneficiaries to basically all retail operators hit by forced closures in the so-called "Red Zone" regions. According to the article, the decree should also include additional measures to support hotels and travel agencies and a strengthening of measures to support families, including parental leaves and bonuses for baby-sitting.

Source: click here

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Parliament to start discussions on 2021 budget law this week, Il Sole 24 Ore

Il Sole 24 Ore reports that 2021 Budget Law will be discussed by the Parliament starting from this week. According to the article, the initial version approved by the Government may include c.€25bn of measures, which should encompass, among the others, fiscal incentives for €11bn and additional aids for the sectors most affected by the pandemic for €4bn. In addition, the first tranche of recovery fund worth €15bn should finance the introduction of tax benefits for investments in automation ("Industria 4.0") and energy efficiency.

Source: click here

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Moody's confirmed BAA3 rating with stable outlook

Last Friday, rating agency Moody's confirmed Italy's credit rating at Baa3. Moody's also stated that the outlook remains stable.

The agency added that although growth remains a medium-term challenge, Italy's economy is expected to recover from the deep pandemic-induced contraction in 1H20. Rising infection rates recently may delay the recovery into 2021. That said, ECB's supportive monetary policy stance and the EU recovery funds will provide important support to the economy.

Italy's debt burden rose substantially in 2020 and will remain very high for many years. However, Moody's expects that recovering growth combined with the temporary nature of many of this year's emergency measures will allow the budget deficit to fall in the coming years and support a gradual reduction in the public debt ratio. The very favourable funding environment ensures that Italy will continue to benefit from strong debt affordability, an important mitigating factor for its elevated debt levels.

The stable outlook balances Italy's continuing strengths (diversified economy and in particular its competitive manufacturing sector as well as high household wealth levels) against the very high debt burden and relatively weak policy effectiveness. It also reflects the view of a more state political situation, which could be conducive for the implementation of structural reforms in the context of the EU recovery funds.

Source: click here

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Italy

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In September retail sales were +1.3% YoY and -0.8% MoM, ISTAT

Last Friday, the national institute of statistics ISTAT released the monthly update on the retail sales. In September the retail trade index increased by +1.3% YoY (or -0.8% MoM) in value terms, with food items (+3.8% YoY and flattish MoM) outperforming the non-food goods (-0.6% YoY and -1.3% MoM)

Looking at the value of sales for non-food products, there was a mixed picture across the different categories. The largest growths were reported, just like in August, for Computers and telecommunications equipment (+10.6%) and Tools (+7.2%). The largest falls were seen in Shoes, leather goods and travel items (-8.7%), Sporting equipment, games and toys (-7.2%) and Stationary, books, newspapers and magazines (-7.1%).

Source: click here

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Italy

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Covid-19: daily data show growth pace of total number of cases at +3.61% vs Saturday's +4.61%. Total number of ongoing infections up by +26,100 daily deaths at 331

The Government communicated the latest data on the Covid-19 infections as of Sunday (5 November). We would highlight:

- **The number of total cases (on-going infections + deaths + recovered patients) increased to 935,104. This means a daily increase of +32,616, +3.61%.** This compares with +39,811 (4.61%) on 07 November, +37,809 (4.58%) on 06 November, +34,505 (4.37%) on 05 November, +30,550 (4.02%) on 04 November, +28,244 (3.86%) on 03 November, +22,253 (3.14%) on 02 November, +29,207 (4.40%) on 01 November, +31,758 (4.90%) on 31 October, +31,084 (5.04%) on 30 October, +26,831 (4.55%) on 29 October, +24,991 (4.42%) on 28 October, +21,994 (4.05%) on 27 October, +17,012 (3.23%) on 26 October, +21,273 (4.22%) on 25 October.
- **Total number includes: 558,636 on-going infections, 41,394 deaths & 335,074 recovered patients.**
- **Number of on-going infections up by +26,100 (13.7% of daily swabs).** This compares with +33,418 on 07 November (14.4% of daily swabs), +26,770 on 06 November (11.4% of daily swabs), +29,113 on 05 November (13.2% of daily swabs), +25,093 on 04 November (11.8% of daily swabs), +21,630 on 03 November (11.9% of daily swabs), +18,383 on 02 November (13.5% of daily swabs), +26,743 on 01 November (14.6% of daily swabs), +25,600 on 31 October (11.9% of daily swabs), +26,595 on 30 October (12.4% of daily swabs), +22,734 on 29 October (11.3% of daily swabs), +21,367 on 28 October (10.7% of daily swabs), +18,406 on 27 October (10.6% of daily swabs), +14,443 on 26 October (11.6% of daily swabs), +19,059 on 25 October (11.8% of daily swabs).
- **Out of the number of on-going infections, 2,749 (+115) are in intensive care (0.5% of the total).**
- **Number of daily deaths is at +331 (out of which 117 in Lombardy) which means that the total number is 41,394 (out of which 18,343 in Lombardy).** Latest data were: 07 November: +425, 06 November: +446, 05 November: +428, 04 November: +352, 03 November: +353, 02 November: +233, 01 November: +208, 31 October: +297, 30 October: +199, 29 October: +217, 28 October: +205, 27 October: +221, 26 October: +141, 25 October: +128.
- **Recoveries have increased by +6,183.** This compares with 5,966 on 07 November, 10,586 on 06 November, 4,961 on 05 November, 5,103 on 04 November, 6,258 on 03 November, 3,637 on 02 November, 2,954 on 01 November, 5,859 on 31 October, 4,285 on 30 October, 3,878 on 29 October, 3,416 on 28 October, 3,362 on 27 October, 2,423 on 26 October, 2,086 on 25 October.

The number of total cases increases +32,616 or +3.61% vs Saturday's +4.61%. Ongoing infections up by +26,100. Daily reported deaths are 331.

On November 4, the PM Conte unveiled the details of the new government decree, the 4th consecutive in the last 4 weeks, that includes additional restrictions to economic activities and people mobility. These measures will be in place from November 6 until December 3. The new decree envisages the set up of three areas with different levels of restrictions, based on the degree of risk and the spread of contagion in the Regions.

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Mediaset (Neutral, TP €2.00)

	Market Cap. €1.8bn	Price: € 1.54			*(Fabio Pavan +39 02 8829 633)*
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	2,926	190	18.4	1.3	2.5
2020E	2,527	94	19.3	0.9	3.2
2021E	2,670	167	10.9	0.9	3.2

Source: Mediobanca Securities

Italy's new proposed legislation could turn the MS-VIV table

Event *Reuters* reported on Friday that Italy's government has drawn up legislation to start an investigation into French media group Vivendi's stakes in Mediaset and TI; the proposed law would allow the Italy's communications watchdog (Agcom) to conduct a 6-month inquiry into companies operating in both tlc and media sectors to verify it the positions held could harm or reduce media plurality. This came after the ECJ ruled in September that an article of an Italian law, setting market share thresholds to prevent an excessive concentration of power in tlc and media, was against EU rules and unfit to protect media plurality; consequently, Italy's government said it would pursue a wider overhaul of its existing laws regulating and protecting media plurality. The article flagged that the proposed legislation would allow Italy's watchdog authority to examine any future or existing cross-sector investment; MS and VIV spokesmen stated not to have immediate comment on the matter.

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Pharmanutra (Outperform, TP €28.40)

	Market Cap. €272.04m	Price: € 28.10			*(Marco Vitale +39 02 8829 444)*
	Turnover	**Net Profit**	**PE Adj.**	**PBV**	**Yield**
2019	54	8	21.7	6.5	2.4
2020E	60	17	21.7	6.8	3.1
2021E	70	12	22.8	6.6	2.2

Source: Mediobanca Securities

9M20E results due out today

Event Pharmanutra announced on Friday that today it will release its 9M20E results. No conference call has been scheduled.

Comment/Financials We are not able to carry out any explicit results' preview as 3Q/9M19A numbers are not available, preventing us to carry out a YoY analysis. However, we report below our key assumptions on 2H20E trends as implied by our FY estimates:

- Sales growth is seen at +8.7% YoY, decelerating from +17% YoY reported in 1H20, mainly reflecting a tougher comparison base vs 2H19 for the international business. In terms of market, domestic sales are seen growing in line with 1H20 trend (+5% YoY), while international business should grow by +15% YoY vs +56% YoY reported in 1H20;
- Extraordinary cost savings, mainly related to lower travel and event sponsorship expenses, should sustain margin expansion, as reported in 1H20. We project EBITDA margin to expand by 650bps in FY20E to reach 31.1%.

View/Action Outperform, €28.4/share TP.

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Piovan (Neutral, TP €5.60)

	Market Cap. €218.96m	Price: € 4.09			(Marco Vitale +39 02 8829 444)
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	234	19	18.0	5.5	1.7
2020E	212	15	15.0	3.1	2.3
2021E	226	16	13.5	2.7	2.6

Source: Mediobanca Securities

3Q20E preview: improving top-line trend but still negatively affected by Covid-19

Event Piovan will report its 3Q/9M20 results on November 11, a conference call is scheduled on November 12 at 3pm CET (dial-in: ITA- + 39 02 805 88 11, UK - + 44 121 281 8003; US - + 1 718 7058794).

Comment/Financials On 3Q20E numbers, we expect:

- Sales at €47m, down 6% YoY, reflecting still some slowdown in order execution but, nonetheless, improving vs the 17% drop reported in 2Q20A. In terms of business division, we expect the top-line decline to be driven by the plastic segment and services (seen down 8% YoY and 5% YoY, respectively), partially mitigated by the food segment (seen up +25% YoY);
- EBITDA at €4.3m, down 6% YoY and with margin seen flat at 9.2%. We assume non-recurring cost-savings to preserve margins by offsetting the lower selling volumes, in line with 1H20A trend;
- EBIT at €3.1m, down 12% YoY and implying a 6.6% margin;
- Net profit at €2.6m, down 19% YoY
- Net cash at €0.8m, improving vs €2.6m net debt reported in 1H20A. Our FCF assumptions also include the cash-out related to the buy-out of the remaining 10% stake in Penta for €2.7m.

Piovan 3Q/9M20E results preview

€m	3Q20E	3Q19A	YoY chg.	9M20E	9M19A	YoY chg.
Sales	46.5	49.5	*-6.0%*	149.1	168.2	*-11.4%*
EBITDA	4.3	4.6	*-6.0%*	17.4	19.4	*-10.5%*
margin	*9.2%*	*9.2%*		*11.7%*	*11.5%*	
EBIT	3.1	3.5	*-11.6%*	13.4	15.8	*-14.9%*
margin	*6.6%*	*7.1%*		*9.0%*	*9.4%*	
Net profit	2.6	3.2	*-19.1%*	10.0	11.7	*-14.7%*
Net Cash (debt)	0.8	-11.2		0.8	-11.2	

Source: Mediobanca Securities

View/Action We expect Piovan 3Q20E results to be still affected by some slowdown in order execution, as already anticipated by the company, while we project a normalization trend in 4Q20E. Besides 3Q release, we would focus on management's comments regarding current trend in order collection and the integration of the recent acquisition of Doteco. The stock trades at 14x '21 PE and we have a Neutral rating on the name.

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Pirelli & C. (Underperform, TP €3.70)

	Market Cap. €3.7bn	Price: € 3.69	*(Andrea Balloni +39 02 8829 541, Alessandro Tortora +39 02 8829 673)*		
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	5,323	477	10.8	1.2	0.0
2020E	4,192	115	13.8	0.8	1.2
2021E	4,755	263	9.2	0.7	2.8

Source: Mediobanca Securities

New logistic plant in Italy

Event – As reported by the weekend's press, Pirelli is investing in a new logistic plant close to Turin. The new plant will be part of a refurbishment project of an industrial site close to the city and should be compliant with green and sustainable rules.

Comment – No major impact from this news on the stock price. Pirelli will disclose 3Q20 results on November 11, market close. We expect Pirelli to report a set of 3Q20E results sequentially improving although remaining below last year's level mainly due to both a still weak trend of volumes and a negative FX effect. We assume top line to drop by 9% YoY in 3Q20 translating in an EBIT before one-off costs in the region of €211m, -14% YoY, vs Cons. €207m. We don't expect any major revision of the Company guidance that is set in the €500-550m EBIT range (Cons. at the bottom range).

View - Underperform rating unchanged. Stock is down 28% YTD and is trading at 11x 21E adj. PE based on Consensus.

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Prima Industrie (Neutral, TP €16.00)

	Market Cap. €123.28m	Price: € 11.76			(Giuseppe Grimaldi +39 02 8829 412)
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	428	9	14.4	1.0	0.0
2020E	340	-3	nm	0.7	0.0
2021E	412	8	15.1	0.7	0.0

Source: Mediobanca Securities

3Q/9M20 Results – Second wave of C-19 makes recovery more uncertain

Event Last Friday, Prima Industrie released 3Q/9M20 set of figures. No conference call was scheduled.

Comment/Financials Results were slightly below our estimates in terms of revenues and profitability in the quarter with better than expected FCF due to a nice NWC control.

A summary of the main lines compared to our numbers is provided in the table below.

3Q/9M20 – Results summary

€m	3Q20A	3Q19A	YoY chg.	3Q20E	A vs E	9M20A	9M19A	YoY chg.	9M20E	A vs E
Total sales	**75.9**	**92.2**	**-17.7%**	**79.4**	**-4%**	**233.5**	**307.0**	**-23.9%**	**237.0**	**-1%**
EBITDA	**4.8**	**9.9**	**-51.0%**	**5.8**	**-16%**	**14.9**	**28.5**	**-47.6%**	**15.8**	**-6%**
EBITDA margin	*6.4%*	*10.7%*		*7.3%*		*6.4%*	*9.3%*		*6.7%*	
EBIT	**-0.6**	**4.3**	**nm**	**0.2**	**nm**	**-1.5**	**10.7**	**nm**	**-0.8**	**nm**
EBIT margin	*-0.8%*	*4.6%*		*0.2%*		*-0.7%*	*3.5%*		*-0.3%*	
Net profit	**-1.1**	**2.3**	**nm**	**-0.8**	**nm**	**-3.9**	**4.1**	**nm**	**-3.6**	**nm**
Net Debt/(Cash)	**123.6**	**141.7**		**127.9**		**123.6**	**141.7**		**127.9**	

Source: Mediobanca Securities

Worth to highlight is, in our view, the development of the order intake. In 3Q, the acquisition of new orders experienced a sequential improvement leading to a stable backlog QoQ at €127.8m.

Most important aspect remains, in our view, the outlook with management confirming the sequential improvement expected in 2H20, while expecting demand to show strong sign of recovery in 2H21.

View/Action The release confirms that business has experienced a sequential improvement and management is protecting the profitability with a nice cost control. Visibility on demand recovery remains subdued as the second wave of C-19 case may lead to postponement in capital goods investments. We have a Neutral rating on the name.

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SIT (Outperform, TP €8.00)

	Market Cap. €112.53m	Price: € 4.50			*(Giuseppe Grimaldi +39 02 8829 412)*
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	352	20	9.5	1.0	2.3
2020E	312	12	9.2	0.7	3.6
2021E	343	14	8.2	0.7	6.5

Source: Mediobanca Securities

Ready to speed up the UK penetration with a focus on Hydrogen opportunity

Event Last Sunday *Il Sole 24 Ore* published the so called *Lettera al Risparmiatore*.

Comment/Financials The article provided a strategic update. The main messages released were the following:

- **Current trading:** In the smart metering, SIT's management remains active in capturing the growth opportunity coming from the ongoing rollout in the UK. After having achieved the CPA certificate, the target is to set up a local commercial branch by beginning 2021. This should enable SIT to accelerate the distribution of its smart meters in the UK market. In heating segment, the company mentioned a series of government incentives (ie in Italy), which should speed-up the penetration of energy efficient solutions. This regulatory framework represents a key support for the sector demand.
- **Hydrogen**: The company is currently working on hydrogen-based solutions in both its businesses. In the smart metering, SIT has been selected by the UK government for the development of this technology. In the heating business, SIT is developing hydrogen-based boilers in partnership with its customer. The potential lunch of a prototype may take place between 2021-22.
- **Production hub in Tunisia:** Company's remains well on track for staring-up the plant by 1Q-2Q21 period. Capex should be in the region of €5m (already included in MBe capex assumptions). The strategic rationale of this investment is to improve margins, while to expanding the international footprint;
- **Janz:** The management reiterated the strategic rationale of this investment aimed at creating smart metering hub. The target remains to double both the turnover and the EBITDA of Janz over the next 5Y.
- **Guidance:** In the interview the management confirmed its 2020 outlook with stable revenues in 2H20 and slightly lower EBITDA margin with "recurring capex" at €15m (excluding external growth capex).

View/Action Newsflow is consistent with the latest messages released by the company, which remains well on track with its 2020 outlook. In our view, the latest strategic moves (ie Acquisition of Janz and production hub in Tunisia) and the increasing focus on hydrogen-based solution are steps in the right direction. In a C-19 scenario, we believe that SIT's management has been able to deliver a nice combination of both a resilient demand and a proactive external growth.

Trading at 8x 2021 PE, we see current valuation as particularly attractive for an industrial company with more limited demand volatility and a cash generating business model. We see plenty of value in the stock and we stay outperform with TP €8.0/sh.

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Snam (Outperform, TP €5.00)

	Market Cap. €14.7bn	Price: € 4.38	*(Javier Suárez +39 02 8829 036, Sara Piccinini +39 02 8829 295)*		
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	2,665	1,090	13.9	2.4	5.3
2020E	2,688	1,090	13.5	2.3	5.7
2021E	2,723	1,150	12.8	2.2	6.0

Source: Mediobanca Securities

Enters the Indian market with agreements in low-carbon mobility and hydrogen

Snam announces that it has entered the Indian market with the launch of cooperation agreements in the energy transition, particularly in hydrogen and low-carbon mobility, with Adani, one of India's largest infrastructure and energy groups, and Greenko, one of the largest renewable companies and Indian Oil, one of the largest integrated energy operators.

In particular, the partnership with Adani is focused on the exploration of the hydrogen value chain in India and internationally, as well as the development of biogas and biomethane, and of low-carbon mobility.

Moreover, a non-binding agreement has been signed with Adani Gas Limited to create a jointly controlled JV for setting-up a compressor-manufacturing facility in India, relying on the technology of Snam. The compressors will be installed in existing refuelling stations and in those under development.

Through the agreement with Greenko, the two companies will be able to collaborate on the study of hydrogen production methods from renewables, on the design of hydrogen-ready infrastructure and on potential final applications in both industry and transport, including fuel cell mobility.

Finally, Snam has signed a Memorandum of Understanding with Indian Oil for possible joint initiatives in the energy transition and in the natural gas infrastructure value chain, particularly for storage and regasification.

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Telecom Italia (Outperform, TP €0.68)

	Market Cap. €6.7bn	Price: € 0.31			*(Fabio Pavan +39 02 8829 633)*
	Turnover	**Net Profit**	**PE Adj.**	**PBV**	**Yield**
2018	18,940	-1,411	nm	0.7	0.0
2019E	17,990	958	7.0	0.3	0.0
2020E	16,123	812	8.3	0.3	3.2

Source: Mediobanca Securities

TI joins Italy's Voucher scheme with a dedicated offer

Event TI announced on Friday it joined the Italian government's Voucher scheme, managed by Infratel Italia, to boost the access to the UBB connectivity across the country; as of Monday 9 November, all the Italian citizens eligible for the Voucher scheme will have access to the €500 bonus to set up a >30 Mbps internet connection, as well as purchase a tablet or PC. TI will provide its new "TIM Super Voucher" dedicated offer, which includes a connection up to 1 Gbps, a HUB+ modem with Wi-Fi6, unlimited calls to all landline and mobile numbers along with the choice of a tablet or PC. The Voucher is worth €500, including €200 contribution to activate the Internet connection (paid in TIM invoice through a €10 monthly bonus over 20 months, implying a €19.99 monthly price instead of €29.99) and a €300 contribution to purchase a tablet or PC. The offer is targeted at new customers and those who do not yet have a >30 Mbps Internet connection.

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Telecom Sector

(Fabio Pavan +39 02 8829 633)

TEF to sale its submarine cable business, EV seen at €2bn

Event *Expansion* reported on Saturday that Telefonica is exploring the sale of its submarine cables for €2bn, starting to sound out potential investors, in order to facilitate a subsequent sale or integration of Telxius' tower business with Cellnex as first candidate. Submarine cable business EBITDA is seen above €200m and Telefonica expects to achieve EV/EBITDA multiple of between 9x-10x, implying a €2bn EV in the highest range. Article flagged that the potential sale of the rest of Telxius business (the towers) should have the agreement of its other 2 shareholders, KKR and Pontegadea (the Mr. Armando Ortega's holding) and that recently, the CFO of Telefonica, Ms. Laura Abasolo, admitted the possibility of losing the majority and control of Telxius, while Mr. Angel Vila, COO at Telefonica, pointed out that the tower assets could be involved in the consolidation process of the sector, in which investors see Cellnex as the main candidate.

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SECURITIES

Mediobanca S.p.A.
Andrea Filtri / Javier Suarez; Co-Heads of European Equity Research
+44 203 0369 571 / +39 02 889 036

Banks			
Adam Terelak	IBK / Private Banks	+44 203 0369 574	adam.terelak@mediobanca.com
Alberto Nigro	Italy/Spain/Greece	+44 203 0369 575	alberto.nigro@mediobanca.com
Andrea Filtri	Italy/Spain	+44 203 0369 571	andrea.filtri@mediobanca.com
Anna Pezzini	Italy/Spain	+44 203 0369 623	anna.pezzin@mediobanca.com
Matthew Clark	France	+44 203 0369 564	matthew.clark@mediobanca.com
Fahad Changazi	UK	+44 203 0369 536	fahad.changazi@mediobanca.com
Noemi Peruch	Italy/Spain/Portugal	+44 203 0369 645	noemi.peruch@mediobanca.com
Riccardo Rovere	Italy/Nordics/CEE/Germany	+39 02 8829 604	riccardo.rovere@mediobanca.com
Robin van den Broek	Benelux	+44 203 0369 672	robin.vandenbroek@mediobanca.com
Insurance			
Fahad Changazi	UK	+44 203 0369 536	fahad.changazi@mediobanca.com
Gian Luca Ferrari	Global multi-liners/Italy/Asset Gatherers	+39 02 8829 482	gianluca.ferrari@mediobanca.com
Philip Ross	Insurance	+44 203 0369 681	philip.ross@mediobanca.com
Robin van den Broek	Benelux	+44 203 0369 672	robin.vandenbroek@mediobanca.com
Vinit Malhotra	Global multi-liners/Reinsurers	+44 203 0369 585	vinit.malhotra@mediobanca.com
Luxury Goods			
Chiara Rotelli	Branded Goods/Consumers Goods	+39 02 8829 931	chiara.rotelli@mediobanca.com
Gilles Errico	Branded Goods/Consumers Goods	+39 02 8829 558	gilles.errico@mediobanca.com
Utilities/Infrastructures			
Javier Suárez	SE Utilities (Italy/Iberia)	+39 02 8829 036	javier.suarez@mediobanca.com
Nicolò Pessina	SE Transport Infra (Italy/Iberia)	+39 02 8829 796	nicolo.pessina@mediobanca.com
Sara Piccinini	SE Utilities (Italy/Iberia)	+39 02 8829 295	sara.piccinini@mediobanca.com
Italy - Country Research			
Alberto Nigro	Banks	+44 203 0369 575	alberto.nigro@mediobanca.com
Alessandro Pozzi	Oil & Oil-Related / Defence	+44 203 0369 617	alessandro.pozzi@mediobanca.com
Alessandro Tortora	Industrials/Building Materials/Capital Goods	+39 02 8829 673	alessandro.tortora@mediobanca.com
Andrea Balloni	Auto & Auto-Components / Industrials	+39 02 8829 541	andrea.balloni@mediobanca.com
Andrea Filtri	Banks	+44 203 0369 571	andrea.filtri@mediobanca.com
Chiara Rotelli	Branded Goods/Consumers Goods	+39 02 8829 931	chiara.rotelli@mediobanca.com
Errico Gilles	Branded Goods/Consumers Goods	+39 02 8829 558	errico.gilles@mediobanca.com
Fabio Pavan	Media/Telecommunications/Towers	+39 02 8829 633	fabio.pavan@mediobanca.com
Gian Luca Ferrari	Global multi-liners/Asset Gatherers	+39 02 8829 482	gianluca.ferrari@mediobanca.com
Giuseppe Grimaldi	Industrials / Small Caps	+39 02 8829 412	giuseppe.grimaldi@mediobanca.com
Isacco Brambilla	Industrials / Small Caps	+39 02 8829 067	isacco.brambilla@mediobanca.com
Javier Suárez	Utilities	+39 02 8829 036	javier.suarez@mediobanca.com
Marco Vitale	Industrials / Small Caps	+39 02 8829 444	marco.vitale@mediobanca.com
Nicolò Pessina	Infrastructure	+39 02 8829 796	nicolo.pessina@mediobanca.com
Noemi Peruch	Banks	+44 203 0369 645	noemi.peruch@mediobanca.com
Riccardo Rovere	Banks	+39 02 8829 604	riccardo.rovere@mediobanca.com
Sara Piccinini	Utilities	+39 02 8829 295	sara.piccinini@mediobanca.com
Simonetta Chiriotti	Real Estate/ Financial Services	+39 02 8829 933	simonetta.chiriotti@mediobanca.com

Stefano Dova - Head of Markets Division

Stefano Dova - Head of Sales
+39 02 8829 3522 - stefano.dova@mediobanca.com
Carlo Pirri - Head of Equity Sales (UK)
+44 203 0369 531 - carlo.pirri@mediobanca.com

Angelo Vietri	+39 02 8829 989	angelo.vietri@mediobanca.com
Christopher Seidenfaden	+44 203 0369 610	christopher.seidenfaden@mediobanca.com
Eugenio Vergnano	+44 203 0369 505	eugenio.vergnano@mediobanca.com
Giuseppe Puglisi	+39 02 8829 998	giuseppe.puglisi@mediobanca.com
Matteo Agrati	+44 203 0369 629	matteo.agrati@mediobanca.com
Massimiliano Pula	+1 646 839 4911	massimiliano.pula@mediobanca.com
Pierandrea Perrone	+39 02 8829 572	pierandrea.perrone@mediobanca.com
Pierluigi Gastone	+1 212 991 4745	pierluigi.gastone@mediobanca.com
Robert Perez	+1 646 839 4910	robert.perez@mediobanca.com
Sara Trevenen	+39 02 8829 9543	sara.trevenen@mediobanca.com
Timothy Pedroni	+44 203 0369 635	timothy.pedroni@mediobanca.com

Massimiliano Murgino
Co Head of Equity Derivatives Sales
+39 02 8829 020
massimiliano.murgino@mediobanca.com

Gianmarco De Sisto
Co Head of Equity Derivatives Sales
+44 203 0369 664
ginamarco.desisto@mediobanca.com

Stephane Langlois	+44 203 0369 582	stephane.langlois@mediobanca.com
Elyes Zouari	+39 02 8829 954	elyes.zouari@mediobanca.com

Sophie Gagnè - Head of FI Sales
+39 02 8829 368 - sophie.gagne@mediobanca.com

Roberto Romeo - Head of Equity Trading and Structuring
+39 02 8829 597 - roberto.romeo@mediobanca.com
Gianmaria Barbiero - Head of Cash Equity Trading
+39 02 8829 9541 - gianmaria.barbiero@mediobanca.com

Ambra De Chiara	+39 02 8829 669	ambra.dechiara@mediobanca.com
Ciro Fonzo	+39 02 8829 759	ciro.fonzo@mediobanca.com
Giovanni Orlando	+39 02 8829 433	giovanni.orlando@mediobanca.com
Julian Bradley	+44 203 0369 605	julian.bradley@mediobanca.com
Roberto Riboldi	+39 02 8829 639	roberto.riboldi@mediobanca.com
Tommaso Manicone	+39 02 8829 789	tommaso.manicone@mediobanca.com
Vito Pinto	+39 02 8829 542	vito.pinto@mediobanca.com

Cedric Hanish - Head of Cash Equity FIG Trading
+44 203 0369 584 - cedric.hanisch@mediobanca.com
Marco Cannata - Head of Equity Derivatives Trading
+39 02 8829 569 - marco.cannata@mediobanca.com
Samuele Badii - Head of Complex Equity Trading
+39 02 8829 801 - samuele.badii@mediobanca.com
Alessandro Moro - Head of Fixed Income Trading
+44 203 0369 538 - alessandro.moro@mediobanca.com

Joel Bensoor	+44 203 0369 561	joel.bensoor@mediobanca.com
Dario Manicardi	+44 203 0369 539	dario.manicardi@mediobanca.com
Lorenzo Penati	+44 203 0369 512	lorenzo.penati@mediobanca.com

Salvatore Guardino – Head of Corporate Broking
+39 02 8829 826 – salvatore.guardino@mediobanca.com

Enrico Baraldini	+39 02 8829 978	enrico.baraldini@mediobanca.com
Nicolo Bottaro	+39 02 8829 429	nicolo.bottaro@mediobanca.com

Francesco D'Addosio – Head of International Clients Solutions
+39 02 8829 072 – francesco.daddosio@mediobanca.com

FOR US PERSON receiving this document and wishing to effect transactions in any securities discussed herein, please contact MBS USA LLC.

MEDIOBANCA – Banca di Credito Finanziario S.p.A.
Piazzetta Enrico Cuccia, 1 - 20121 Milano - T. +39 02 8829.1
62 Buckingham Gate, London SW1E 6AJ – T. +44 (0) 203 0369 530