

Italian Wake-up Call



MEDIOBANCA
SECURITIES

28 January 2021

Overnight Action

- ◆ US markets closed the day on a negative note
- ◆ APAC markets were negative
- ◆ The EUR/US\$ rate is down 0.140% to 1.2094
- ◆ WTI Crude is down 0.53% to 52.57

[\(More detailed comments inside\)](#)

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Fincantieri (Neutral) - Tie-up with Chantiers de l'Atlantique has been called off

Fineco Bank (Neutral) - Fineco becomes Signatory of the global Principles for Responsible Banking

Generali (Neutral) - Generali 2020 earnings preview: best in class Solvency allows generous dividends

Generali (Neutral) - A new organization, in line with what widely anticipated by press

Italian Banks - Moratoria at €278bn and applications for state-backed SME loans UP 1% WoW

Italy - PD and M5S reiterate full support to a Conte-ter government. President Mattarella to meet PD and Italia Viva today

Italy - PD leader Zingaretti stated he supports PM Conte to head a new government

Italy - Italia Viva may not be in favour of the re-appointment of PM Conte

Italy - Covid-19: daily data show growth pace of total number of cases at +0.61% vs Tuesday's +0.43%. Total number of ongoing infections down by -4,448; daily deaths at 467

Leonardo (Neutral) - US blocks arms sales to Abu Dhabi and Saudi Arabia

Mediaset (Neutral) - Mediaset appeals verdict that freed up Vivendi's voting rights

Prada (Neutral) - Business in Europe set to recover from March

Safilo (Neutral) - FY 2020 preliminary sales at €780m underpins EBITDA break-even

Saras (Underperform) - Russia could cut oil exports by 20%

SIT (Outperform) - Better than expected sales trend in 4Q20

Snam (Outperform) - Sets up working table with CVA to promote energy transition in Valle d'Aosta

Stellantis (Outperform) - To pay \$30m penalty, DBRS raises rating

Telecom Italia (Neutral) - Discussions on board renewal is speeding up

Unicredit (Underperform) - Banco BPM (Neutral) - Orcel CEO from April

Upcoming MB Events

A2A - US Virtual Roadshow	25 January
Piaggio - Virtual Meeting	25 January
SABAF - Virtual Roadshow	25-26 January

Stock Markets: Performance

Index	1D% Chg.	1M% Chg.
DJ Italy 30	-1.46	-1.93
S&P 500 COMP.	-2.57	1.29
STOXX 50	-1.09	2.68
DAX 30 PERF.	-1.81	0.24
CAC 40	-1.16	-1.13
IBEX 35	-1.41	-3.19
NIKKEI 225	0.31	7.42

DJ ITALY 30: Best & Worst stocks

Company	1D% Chg.
FERRAGAMO	4.98
SAIPEM	4.65
PRADA	4.49
EXOR	-3.74

Dj stoxx 600: Best & Worst sectors

Sector	1D% Chg.
Basic Material	-2.34
Media	0.63
Energy	-1.13
Financial services	-1.27
Banks	-2.05

Source: Mediobanca Securities

Markets

US markets closed the day on a negative note, with DJ down 2.05%, S&P 500 down 2.57% and Nasdaq down 2.61%. Trading volumes were up 61.15% vs. 30-day average. Eurostoxx 50 closed down 1.57% with trading volumes up 86.09%. The leading sectors in the US were Real Estate -1.39%, Energy -1.39% and Consumer Staples -1.80%, while the laggards were Communication Services -3.82%, Consumer Discretionary -3.13% and Health Care -3.05%. S&P 500 futures are indicated down 0.274% at 6:45 CET.

APAC markets were negative, with Nikkei down 1.30%, Hang Seng down 1.79%, Shanghai down 1.29% and Australia down 1.93% at 6:45 CET. In U.S. Jerome Powell isn't keen to talk tapering. "The whole focus on exit is premature," the Fed chair said after leaving rates near zero. The central bank maintained its bond-buying program at \$120 billion a month, and said asset purchases will continue until "substantial further progress." Officials cautioned that economic activity "has moderated," adding that any improvement will depend significantly on progress with inoculations. Joe Biden called for eliminating \$40 billion in fossil fuel subsidies. He halted the issuance of new oil and natural gas drilling leases on federal lands and directed federal agencies to purchase zero-emission power and automobiles. The president said the series of directives will add millions of jobs. Biden will host a global climate summit on April 22 – Earth Day. About Virus, England's lockdown is showing signs of curbing the spread of the virus, the FT said, citing an Imperial College study. Pfizer and BioNTech studies show their shot neutralizes the virus variants, meaning a new vaccine shouldn't be needed. The EU failed to resolve its dispute with AstraZeneca over supplies of its jab, raising the risk of added delays. New infections in Spain hovered near a record high.

The EUR/US\$ rate is down 0.140% to 1.2094, US\$/JPY rate is up 0.134% to 104.25 and EUR/GBP is down 0.050% to 0.88446 at 6:45 CET. A gauge of the U.S. dollar rose to its highest in five weeks amid a selloff in equities as risk sentiment was dampened on disappointing earnings from tech giants and the prospect of delays in vaccine distribution. The euro and the pound dipped in the wake of ECB remarks markets are underestimating the odds of a rate cut.

WTI Crude is down 0.53% to 52.57, Brent is down 0.54% to 55.51 and Natural Gas is down 0.22% to 2.696 at 6:45 CET. Precious metals are seeing Gold down 0.35% to 1837.50, Silver down 0.82% to 25.06 and Palladium down 0.20% to 2306.32 at 6:45 CET. Base metals on LME were negative, with Aluminum down 1.39%, Copper down 2.29%, Zinc down 2.75% and Nickel down 0.78%. Copper futures are indicated down 0.32% on Comex this morning. Corn is down 0.23%, Wheat is down 1.14% and Soybean is down 0.04% on CBOT this morning.

US data expected to be published today are Jobless Claims, GDP, New Home Sales, Leading Index, Wholesale Inventories and Personal Consumption. European data include Manufacturing Confidence, Consumer Confidence and Economic Sentiment in Italy, CPI in Germany, Unemployment Rate in Spain and Consumer Confidence in Eurozone.

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Tod's (Neutral, TP €26.20)

	Market Cap. €911.40m	Price: € 27.54	(Chiara Rotelli +39 02 8829 931, Gilles Errico +39 02 8829 558)		
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	916	46	30.7	1.3	1.4
2020E	637	-105	nm	1.0	2.2
2021E	740	-46	nm	1.0	2.2

Source: Mediobanca Securities

Strong China & E-commerce are not enough to offset weakness across Europe**Business deterioration in Europe not full offset by a strong China in 4Q**

On 27th January Tod's unveiled FY20 revenues in line with consensus estimates and slightly ahead MBe, as revenues amounted to €637m (-30.4% yoy or -30.1% ex forex) vs. our and consensus estimates of €626m and €636m respectively, highlighting the expected business deterioration in 4Q, (revenues -22.5% yoy in 4Q vs -12.3% yoy in 3Q) entirely due to the impact of Covid lockdown across Europe and US. All brands reported a double-digit negative performance in 4Q, with the only exception of Roger Vivier, which turned negative in 4Q vs. 3Q (-4% yoy and +6.6% yoy respectively).

All geographies reported an YoY decline in the FY20, but only Greater China was positive in 4Q, (+ 22% yoy accelerating vs. +12.7% in 3Q). Conversely Europe and North America were negative in the -40%/50% region in 4Q, strongly affected by lockdown and store closures.

In terms of channels, DOS performance was still negative in 4Q but improving compared to 3Q mostly thanks to better start to 4Q (-15.2% yoy and -23% yoy respectively). The drop of the wholesale channel was in the double digit area, discounting a cautious approach by the company and channel rationalization. E-commerce was up double digit, accelerating in 4Q.

Key pillars of group strategy reiterated, new credit agreement reinforces financial structure

The message provided by Chairman Diego Della Valle in the press release was quite reassuring but no outlook on 2021 was disclosed. The company reiterated its focus on cost optimization, digital marketing and quality of its collections.

More notably it announced the signing of a credit agreement with a pool of banks for €500m, to strengthen its financial structure and mitigate the risk profile resulting from the current market situation. The Sustainability Linked Loan has a five-year maturity and is structured in a Term Facility of €250m and a Revolving Credit Facility of additional €250m. Together with the disbursement of the Term Loan, the Company will repay all pre-existing medium-term loans and cancel the previous RCF lines. Given poor visibility on current macro trends, we are keeping our estimates virtually unchanged.

NEUTRAL rating and TP of €26.2/share confirmed

FY 2020 revenues failed to show the business pick up that some other luxury brands reported in 4Q, but this did not come as a surprise given Tod's strong dependence on Europe which was materially affected by national lockdown and store closures.

Healthy growth in China and e-commerce was not enough to offset weakness in Western countries. The cautious message by the company due to limited visibility for the months to come supports our NEUTRAL rating on the stock.

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A2A (Neutral, TP €1.50)

Market Cap. €4.2bn		Price: € 1.36	(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	6,998	303	14.0	1.3	5.9
2021E	7,040	305	13.9	1.3	6.0

Source: Mediobanca Securities

Will invest €3.7bn in the municipality of Milan by 2030

Milano Finanza reports that A2A will allocate €3.7bn investments to the municipality of Milan, and €9.1bn to Lombardy region, within the €16bn of its 10-years Business Plan.

Major investments would include the €1.4 bnfor A2A's power network in Milan and the €900m for the upgrade of Cassano CCGT power plant, of which €600m allocated to its development and maintenance and €300m to connect it with Milan's district heating network. This last intervention may include also a €200m grant from the EU as part of the Recovery Plan for Italy.

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Anima Holding (Outperform, TP €4.50)

	Market Cap. €1.4bn	Price: € 3.93	(Gian Luca Ferrari +39 02 8829 482)		
	Net Profit	PE	PBV	Yield	ROE
2019	143	10	1.0	5.2	10.9
2020E	133	11	1.1	5.2	10.2
2021E	133	11	1.1	5.7	10.2

Source: Mediobanca Securities

Anima 4Q20E preview: robust contribution of performance fees in 4Q

Anima will unveil its 4Q20E results on Monday, 1st March. Conference call details tbc.

Comment/Financials - We see net commissions down 2% yoy to €71.2m (annualised management fees of 15.2bps, a touch better than the 14.6bps we calculated in 3Q) and performance fees totalling €32.6m. Other income should have declined by 8% yoy.

Total revenues are therefore expected to increase by 7% yoy to €110.5m in 4Q20. On the cost side, we estimate a 4% increase at €20.2m, leading to EBITDA of €90.3m, up 8% yoy. EBIT and PBT up 6% and 17% respectively, at €77.2m and €74.5m. Finally, we see net profit at €50.2m (up 15% yoy) and cash-adjusted net profits of €58.4m (+13% yoy). We expect the company to announce the distribution of a €0.21 DPS.

Anima - 4Q20E preview

€m	4Q20E	4Q19A	Y/Y
Net commissions	71.2	72.5	-2%
Performance fees	32.6	23.3	40%
Other income	6.7	7.3	-8%
Total revenues	110.5	103.1	7%
Staff cost	-10.0	-9.5	5%
Other operating expense	-10.3	-9.8	4%
Total expenses	-20.2	-19.4	4%
EBITDA	90.3	83.7	8%
EBIT	77.2	72.5	6%
Net financial charges	-2.6	-9.0	-71%
Profit before taxes	74.5	63.5	17%
Income tax	-24.3	-19.7	23%
<i>tax rate</i>	33%	31%	
Net profits	50.2	43.8	15%
Cash adj. net profit	58.4	51.9	13%

Source: company data, Mediobanca Securities

View -OUTPERFORM, TP €4.50

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ASTM (Outperform, TP €28.10)

Market Cap. €2.5bn		Price: € 17.91		(Nicolo Pessina +39 02 8829 796)	
	Turnover	Net Profit	PE Adj.	PBV	Yield
2018	1,717	167	12.7	0.6	2.7
2019E	2,071	76	nm	0.9	0.0
2020E	1,972	174	15.9	0.7	2.5

Source: Mediobanca Securities

New business plan focused on US and Brazil

MF publishes that ASTM would be working on a new industrial plan focused on US and Brazil. In US the focus is essentially on the auctions for large projects such as the Capital beltway and the SR400 Express Lanes; in Brazil it will be on the consolidation of Ecorodovias and on the 17 auctions for new concessions that the local authorities have planned for FY21-22. The new plan should be presented in the next few months.

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Atlantia (Neutral, TP €19.20)

	Market Cap. €10.9bn	Price: € 13.22	(Nicolo Pessina +39 02 8829 796)		
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	11,630	136	nm	1.2	0.0
2020E	8,287	-805	nm	0.7	0.0
2021E	9,966	336	33.4	0.6	6.8

Source: Mediobanca Securities

ASPI: CDP to place no binding offer by the end of January

MF, citing sources, reported that CDP will not submit any binding offer for ASPI by 31 January. According to the article, CDP may provide Atlantia with an update on its analysis of the asset. Reason for the delay would be that the due diligence is still under way with plenty of documents still to be analysed and >100 sites still to be visited. The current political uncertainty would also be a reason as several aspects of an agreement between CDP and Atlantia would be political, according to MF. In particular, ASPI's new financial plan has not been approved yet and the MIT has not even sent it to the CIPE. However, CDP's approach would be apparently constructive.

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2021E	9,966	336	33.4	0.6	6.8

Source: Mediobanca Securities

4W21 traffic figures show no sign of improvement

Atlantia released the usual update on the latest traffic figures for the fourth week of January. In detail:

- **ASPI:** -27% y/y (-39% YTD), -25% (-38% YTD) vs. 2019;
- **Autopistas (Spain):** -32% y/y (-40% YTD), -31% (-38% YTD) vs. 2019;
- **Sanef (France):** -21% y/y (-25% YTD), -13% (-20% YTD) vs. 2019;
- **Brazil (Atlantia and Abertis combined):** -7% y/y (-8% YTD), -5% (-5% YTD) vs. 2019;
- **Chile (Atlantia and Abertis combined):** -12% y/y (-16% YTD), -16% (-22% YTD) vs. 2019;
- **RCO (Mexico):** -7% y/y (-10% YTD), -1% (-3% YTD) vs. 2019;
- **AdR:** -89% y/y (-89% YTD), -89% (-89% YTD) vs. 2019;
- **ACA:** -77% y/y (-72% YTD), -76% (-71% YTD) vs. 2019.

All figures very much in line with those of last week with lockdowns and travel restrictions related to Covid-19 being the key driver of growth. Latam continues to outperform thanks to less stringent restrictions and airports remain the weakest area with Nice deteriorating again after a minimal recovery during the Christmas period.

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Banca Monte Paschi Siena (Neutral, TP €1.50)

Market Cap. €1.1bn		Price: € 1.06		(Riccardo Rovere +39 02 8829 604)	
	Net Profit	PE	PBV	Yield	ROE
2019	-1,033	nm	0.2	0.0	ns
2020E	-1,551	nm	0.2	0.0	ns
2021E	-303	nm	0.2	0.0	ns

Source: Mediobanca Securities

Domestic press reports recapitalisation might occur in two steps

Domestic press (Il Messaggero, 28 January 2021, see <http://www.ow47.rassegnestampa.it/abstract/pdf/2021/2021-01-28/2021012847541301.pdf> for the article in Italian) reports the recapitalisation of MPS may occur in two steps, first the issuance of an AT1 bond and then a capital injection by the end of the year within a merger with another player. The total should be in the range of €2.5bn. According to press the issuance of the AT1 instrument should be in the €500m region to be issued in March-April, while the capital injection should be - according to press - in the €1.5bn-€1.8bn region.

Mediobanca acts as financial advisor of Banca Monte dei Paschi di Siena to evaluate the strategic options at the disposal of the bank

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CNH Industrial (Outperform, TP €13.00)

Market Cap. €14.3bn		Price: € 10.50		(Andrea Balloni +39 02 8829 541)	
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	28,079	1,423	12.2	2.3	0.0
2020E	25,335	-299	52.0	3.0	-0.5
2021E	28,923	976	16.4	2.5	1.7

Source: Mediobanca Securities

A political party asks to activate the golden power on Iveco

Event - According to MF press, the political party Fratelli d'Italia filed an interpellation about the potential disposal of Iveco to the Chinese company FAW. Meanwhile, according to the same press article, a member of 5Star party has stated that:

- Italy can't allow to sell strategic assets
- Iveco also owns a military vehicles division that can't be sold
- Italian Government should use a golden power to protect Iveco production capacity based in the Country
- Should CNHI decide to sell Iveco, CDP may be a buyer

Comment - -We consider the spinoff of Iveco+FPT to be a relevant catalyst for the stock and the potential disposal to FAW would accelerate the separation process of the on-way/off-way divisions.

View - We reiterate our Outperform rating on CNHI that is trading at 16x 21E PE based on MB estimates vs Deere 19.4x, AGCO 18.5x, Volvo 16x, and CAT 25.7x.

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Danieli (Outperform, TP €17.50)

	Market Cap. €1.1bn	Price: € 16.02	(Alessandro Tortora +39 02 8829 673)		
	Turnover	Net Profit	PE Adj.	PBV	Yield
2020	2,803	63	12.4	0.4	1.1
2021E	2,826	70	15.4	0.5	0.9
2022E	2,969	87	12.4	0.5	0.9

Source: Mediobanca Securities

China targeting reduction of steel output. Focus on green manufacturing.

Event According to Bloomberg news, China unveiled measures to speed up the reduction of steel output, including a strict ban on illegal additions of new capacity and firming up its guidance on capacity swaps. The measures introduced also included a push for mergers and restructuring of the steel industry.

The ministry of Industry made a firm assurance that steel output would fall in 2021, and said it will focus on carbon emission targets and green manufacturing in 2021.

Comment/Financials Danieli signed some months ago a partnership with HBIS, second largest Chinese steel producer, in order to gradually introduce in China green steel technologies. The company, in partnership with Tenova, is currently building a DRI plant in China for HBIS.

View/Action Outperform confirmed.

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De' Longhi (Neutral, TP €29.70)

Market Cap. €4.5bn		Price: € 30.38		(Isacco Brambilla + 39 02 8829 067)	
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	2,106	161	18.4	2.5	2.7
2020E	2,303	187	22.5	3.5	2.0
2021E	2,551	221	20.3	3.2	2.4

Source: Mediobanca Securities

4Q/FY20 preliminary sales preview: we expect momentum to remain solid in 4Q

Event De' Longhi is due to report its 4Q/FY20 preliminary sales today. No conference call scheduled.

Comment/Financials We expect the group to post €830m sales in 4Q, leading to €2,303m sales and +11.3% organic growth in FY20. We are assuming a +7% yoy organic growth in 4Q, driven by Coffee makers (seen up double-digit in 4Q), while Food Preparation and Home Comfort should close FY20E with a mid-single-digit organic growth, overall in line with 9M trends. While organic trends should have remained solid in 4Q, we expect a slightly higher FX headwind (-3.5% yoy in 4Q).

Our estimates are a touch above the company's guidance of high-single-digit organic growth for FY20E, and aligned to consensus forecast of €2.31bn revenues in FY20E.

View/Action Consistent with Groupe Seb's results and with messages emerging from trading updates of the main European CE retailers, we expect momentum to have remained solid for De' Longhi in 4Q, leading FY sales a touch above the guidance provided in November. De' Longhi is trading at c.11x EV/EBITDA and 20x PE on our 2021 numbers, and we have a Neutral rating on valuation grounds.

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Enel (Outperform, TP €9.50)

	Market Cap. €83.8bn	Price: € 8.24	(Javier Suárez +39 02 8829 036, Sara Piccinini +39 02 8829 295)		
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	77,366	2,174	28.4	2.0	5.4
2020E	75,813	5,106	16.4	2.6	4.2
2021E	75,339	5,442	15.4	2.5	4.6

Source: Mediobanca Securities

May consider to bid for UK's Western Power Distribution, Italian press argues

Italian daily Il Sole 24 Ore and La Repubblica publishes that Enel may consider to present a bid for PPL's UK subsidiary WSP (Western Power Distribution).

The articles mention that in the tender process could participate: Iberdrola, National Grid, Macquarie, Brookfield Asset Management, US pension funds and the Dutch pension fund.

The articles indicate that price of this company could be of €10bn (Il Sole) or €12-14bn (La Repubblica). The company distributes electricity to 8m customers in England and Wales.

First screening, according to Il Sole 24 Ore, should be made by end of January and binding offers at the beginning of March.

Furthermore, Il Sole indicates that PPL may be interested in a swap of assets, exchanging assets in the UK with assets in the US.

Finally, Il Sole 24 Ore publishes that Enel, through its subsidiary Ufinet (21% Enel, 79% Cinven), could be interested in the acquisition of the fiber optic assets of the Brazilian Oi.

Link to sources:

Il Sole 24 Ore, [click here](#)

La Repubblica, [click here](#)

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Enel (Outperform, TP €9.50)

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Source: Mediobanca Securities

Wins 62.6MW of capacity in Italy auction

Il Sole 24 Ore reports that Enel, through its subsidiary Enel Green Power, won 34.5MW of new capacity for 2 wind projects and 27.2MW for repowering of small hydro plants, as indicated by the results of the fourth Italian auction published by the GSE. Furthermore, Enel Green Power and Enel Produzione were awarded 0.83MW of new renewable capacity for 5 solar projects on the roofs of Enel buildings.

As regards the new wind capacity, the two plants are in Sicily and Campania and the construction works will start respectively in 2021 and 2022, with entry into operation in 2022. With reference to the new solar capacity, the 5 plants photovoltaic plants are in Sicily, Lombardy and Emilia-Romagna and the construction works will be started and completed in 2021. As regards, instead, the upgrading and extension of the useful life of 2 hydroelectric plants already operational, the reconstruction sites will be built between 2021 and 2022 in Veneto.

While the projects are small in the overall context of the company (Enel's 2021-2023 strategic plan envisages a global increase in additional capacity from renewable sources of 19.5GW to reach a total of 68GW of capacity), the Italian auction shows very attractive prices at c.70€/MWh, given the low participation.

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Source: Mediobanca Securities

Will launch three battery projects under the IPCEI program

Enel's subsidiary Enel X announces that it has obtained the green light from the European Commission to develop three projects presented within the framework of the second IPCEI (Important Project of Common European Interest) created to support the European battery industry.

The first project is mainly focused on electric mobility and involves funding for the industrial research and experimental development of high-power charging infrastructure integrated with energy storage systems.

The second one is a project related to the development of optimization software for industrial-size storage systems, which will also develop machine-learning models for the use of second-life batteries.

Enel X will also develop and test industrial solutions relating to logistics, transportation and storage and recycling of batteries when electric vehicles, which are estimated to amount to some 60,000 tons/year by 2030 in Italy alone, reach the end of their useful lives.

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ERG (Outperform, TP €23.00)

Market Cap. €3.9bn		Price: € 25.66		(Sara Piccinini +39 02 8829 295)	
	Turnover	Net Profit	PE Adj.	PBV	Yield
2018	826	133	25.1	1.5	4.2
2019E	780	104	37.2	2.2	2.9
2020E	782	102	37.8	2.2	2.9

Source: Mediobanca Securities

CEO highlights the importance to accelerate authorizations to reach climate targets

ERG's CEO Luca Bettonte wrote an article on Il Sole 24 Ore in which he highlights the importance to simplify authorization processes to reach climate objectives. He says that also these processes should be aligned with global and European objectives otherwise there is a risk that operator cannot accelerate on investments.

Find attached link to the article: [click here](#)

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Falck Renewables (Neutral, TP €4.90)

Market Cap. €1.8bn		Price: € 6.14		(Sara Piccinini +39 02 8829 295, Javier Suárez +39 02 8829 036)	
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	385	48	21.9	1.9	1.8
2020E	366	34	52.6	3.2	1.1
2021E	389	44	40.3	3.2	1.1

Source: Mediobanca Securities

Wins 40MW solar capacity in Spain's renewable auction

Falck Renewables has confirmed that the company has been awarded two solar projects for a total of 40MW in the renewable auction in Spain.

These plants will have a fixed remuneration for a period of 12 years. Recall that the government indicated that the average price of €24.47/MWh for solar (range is €14.89-28.9/MWh), that is explained by the very high competition.

Falck indicated that in Spain the company has a pipeline of 700MW and that part of it is already going through the authorization process.

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Fincantieri (Neutral, TP €0.65)

Market Cap. €895.98m		Price: € 0.53		(Alessandro Pozzi +44 203 0369617)	
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	5,849	-64	nm	1.7	0.0
2020E	5,376	1	nm	0.9	0.0
2021E	6,300	54	16.5	0.9	0.0

Source: Mediobanca Securities

Tie-up with Chantiers de l'Atlantique has been called off

In a joint statement issued yesterday, France's finance ministry and Italy's economic development ministry called off the long-planned tie-up between Fincantieri and Chantiers de l'Atlantique, citing concerns related to the economic downturn and failure to get European antitrust approval. According to the governments, the decision was made to allow the two companies to focus on getting through the pandemic and new projects. The statement also read that France will remain the main shareholder in Chantiers de l'Atlantique and will continue to support the company for as long as the crisis lasts. On a separate note, French officials mentioned that the shipyard's order books remain significant, with no cancellations recorded. The deal, which was agreed more than three years ago, had its deadlines extended five times already, amidst opposition from European Union antitrust regulators and the impact from the pandemic. In 2019, the European Commission had launched a probe into the deal, citing several concerns given the complex nature of the cruise shipbuilding industry. The planned tie-up has also had its share of political issues, according to various press reports, with the French President having set conditions barring French technology from being transferred to a Chinese partner; and with French shipyard Unions also raising various concerns.

View/Action: We believe that yesterday's announcement by the French and the Italian authorities, about the termination of the proposed acquisition of 50% in Chantiers de l'Atlantique (STX France) by Fincantieri, represents a missed opportunity for the two shipbuilders, as it could have created synergies, through lower procurements costs and joined-up R&D programmes. However, given various obstacles faced by this transaction since it was first announced in 2017, we are not surprised by the outcome. We do not change estimates, or Target Price for Fincantieri, as we were waiting for completion.

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Fineco Bank (Neutral, TP €12.40)

Market Cap. €8.0bn		Price: € 13.20		(Gian Luca Ferrari +39 02 8829 482)	
	Net Profit	PE	PBV	Yield	ROE
2019	288	28	5.3	0.0	24.5
2020E	328	25	5.2	0.0	21.2
2021E	320	25	4.3	2.6	17.1

Source: Mediobanca Securities

Fineco becomes Signatory of the global Principles for Responsible Banking

Event - FinecoBank has become an official Signatory of the UN Principles for Responsible Banking - a single framework for a sustainable banking industry developed through an innovative partnership between banks worldwide and United Nations Environment's Finance Initiative. Currently around 200 financial institutions subscribed PRB1 globally.

The Principles for Responsible Banking set out the banking industry's role and responsibility in shaping a sustainable future and in aligning the banking sector with the objectives of the UN Sustainable Development Goals and the 2015 Paris Climate Agreement. They also, importantly, enable a bank to embed sustainability across all its business areas, and to identify where it has the potential to make the most impact in its contributions to a sustainable world. They also position a bank to leverage new business opportunities with the emergence of the sustainable development economy.

Becoming Signatory commits the bank to analysing the effects of its business from an environmental and social point of view, and to defining objectives capable of driving measurable improvements in the most significant aspects.

View/Action -NEUTRAL TP €12.4.

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Generali (Neutral, TP €16.60)

	Market Cap. €22.8bn	Price: € 14.55	(Gian Luca Ferrari +39 02 8829 482)		
	Net Profit	PE	PBV	Yield	P/EV
2018	2,135	11	1.1	6.2	
2019E	2,195	10	1.1	6.6	
2020E	2,153	11	1.1	6.9	

Source: Mediobanca Securities

Generali 2020 earnings preview: best in class Solvency allows generous dividends

Event - Generali will unveil its FY20 results on Thursday, 11 March. Conference call details tbc.

Comment/Financials - For the P&C division, we forecast c.€20.7bn net earned premiums, up 1.7% yoy, and €2.35bn operating profit in 2020E, up 14%. With reference to the technical profitability, we estimate a 90.1% CoR, better than the 92.6% reported in 2019 but above the 89.7% reported in 9M20. As far as Life is concerned, we expect net premiums of €45.3bn, down 1.3% yoy, with operating profit of c.€2.68bn, down 14% yoy. Overall, we forecast €5.09bn in operating profit at the group level, 2% below compared to the result reported in the same period last year. Net income is estimated at €1.97bn. Normalized result is estimated at €2.15bn, down 9% yoy. Finally, we expect shareholders' equity to come in at €28.1bn and economic solvency at 216%, including a 10 points benefit from the inclusion of operational risk under internal model. Thanks to such strong level of Solvency, we expect the company to announce the distribution of €1.0 DPS (ca 7% yield).

Generali - 2020E earnings preview

€m	2020E	2019A	Y/Y
P&C			
Gross written premiums	21,889	21,526	2%
Profit before taxes	2,049	1,767	16%
Operating profit	2,349	2,057	14%
Loss Ratio%	62.2%	64.2%	
Nat Cat %	1.6%	2.0%	
Prior years	2.7%	5.7%	
AY Loss ratio%	63.3%	67.8%	
Expense Ratio %	27.9%	28.4%	
Combined ratio %	90.1%	92.6%	
Life			
Gross written premiums	47,639	48,260	-1%
Profit before taxes	2,076	2,787	-25%
Operating profit	2,676	3,129	-14%
PVNBP	45,076	45,664	-1%
NBV	1,754	1,777	-1%
NB margin	3.9%	3.9%	
Asset management			
Operating profit	458	396	16%
GROUP			
Operating profit	5,086	5,192	-2%
Pre-tax income	3,869	3,611	7%
Net income	1,970	2,670	-26%
Adjusted net profit	2,153	2,379	-9%
Shareholders' equity	28,145	27,059	4%
Economic Solvency	216%	209%	+7p.p.
DPS	1.00	0.50	

Source: Mediobanca Securities, company data

View/Action -Neutral, TP €16.6. ([Back to first page](#))

Generali (Neutral, TP €16.60)

Market Cap. €22.6bn		Price: € 14.38		(Gian Luca Ferrari +39 02 8829 482)	
	Net Profit	PE	PBV	Yield	P/EV
2018	2,135	11	1.1	6.3	
2019E	2,195	10	1.1	6.7	
2020E	2,153	11	1.1	7.0	

Source: Mediobanca Securities

A new organization, in line with what widely anticipated by press

Event - A BoD held yesterday approved a proposal from CEO Donnet for a new organizational structure. As part of the new, streamlined organizational structure, the Group is promoting a number of senior Generali executives who will report directly to the Group CEO to deliver the targets of the Generali 2021 plan.

The key appointments are:

- Sandro Panizza takes up a newly created role, Group Chief Insurance & Investment Officer, effective March 1st, 2021. This new organizational unit will integrate the competencies of the Group Head Office Insurance and Reinsurance areas with Investment Management.
- Carlo Trabattoni is promoted to CEO Asset & Wealth Management, a new business unit created effective March 1st, 2021 following the re-allocation of Group investments activities. His responsibility will be to coordinate the activities of the Group asset management companies and Banca Generali.
- Bruno Scaroni becomes Group Chief Transformation Officer, a newly established role, integrating responsibilities linked to Strategy with Operations and the digital and technological transformation, effective February 1st, 2021.
- Giancarlo Fancel, currently Chief Financial Officer of Country Italy & Global Business Lines, takes up the role of Group Chief Risk Officer, effective March 1st, 2021.

In addition, the Group Chief Financial Officer, Cristiano Borean, the Group Chief Marketing & Customer Officer, Isabelle Conner, and the Group Head of Mergers & Acquisitions, Massimiliano Ottocian, will report directly to the Group CEO effective February 1st, 2021. The Investor and Rating Agency relations will report to the Group Chief Financial Officer, effective February 1st, 2021.

As a result of the new organizational structure, the General Manager function will cease to exist. Frédéric de Courtois, the current General Manager, will leave the Group on February 1st, 2021. Timothy Ryan, current Group CIO and CEO Asset & Wealth Management, will leave the Group on March 1st, 2021

View/Action -Neutral, TP €16.6.

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Italian Banks

(Andrea Filtri +44 203 0369 571)

Moratoria at €278bn and applications for state-backed SME loans UP 1% WoW

Yesterday Bank of Italy ([link](#)) reported that:

- Moratorium applications are worth €297bn as of 15 January, a stable level for a while now. Of the total moratoria, €191bn were granted to non-financial companies and €95bn to households. 58% of the total are guaranteed by the state under “Cura Italia”.
- The applications for state-backed loans to Fondo Garanzia per le PMI stood at €128bn as of 15 January, vs €127 two weeks ago, of which €102bn have been already granted to SMEs.
- So far €21bn guaranteed loans have been approved by SACE stable vs 2 weeks ago.

Moratoria volumes and applications have been remaining stable since the start of October, which the budget law has extended by 6 months to 30 June 2021 (see [note](#)). The extended moratoria will still enjoy the reclassification benefit from EBA waiver (preventing immediate forbore reclassification for all the eligible exposure granted before 30 September), causing further delays before we can appreciate the effects of the pandemic on banks’ asset quality indicators.

The 2021 budget law has also extended state-backed loans to 30 June 2021([note](#)), which so far have been an important factor supporting loan growth (35% of total new production since May). Indeed, we see new lending applications with guarantees at 19% of total corporate loans in the sector (22% including SACE).

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Italy

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PD and M5S reiterate full support to a Conte-ter government. President Mattarella to meet PD and Italia Viva today

Italian daily *Corriere della Sera* reports an update on the ongoing government crisis. The article reports some statements by the leaders of the main parties, ahead of the round of consultations that they are going to hold with the President of the Republic Mattarella between today and tomorrow. The article reports that PD and Five Star Movement reiterated their intention to propose and support a Conte-ter government, while Italia Viva may be open to consider also potential alternative candidates. On the other hand, Lega reiterated its opposition to a new government headed by Conte.

Furthermore, *Corriere della Sera* reports that the new Parliamentary group “I Responsabili” established at the Upper House to support the formation of a new government led by PM Conte may have attracted a new MP, coming on top of the 10 MPs which gave the confidence vote to PM Conte without being part of the ruling coalition. According to the article, another couple of FI representatives may be considering to join the group, with the party still being 6 seats short from granting the current ruling coalition (PD, M5S and LeU, without Italia Viva) to control the absolute majority of the Upper-House (set at 161 votes).

As a reminder, today the President of the Republic will hold consultations with PD, Italia Viva and LeU, while center-right parties and Five Star Movement are due to close the round of consultations tomorrow.

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PD leader Zingaretti stated he supports PM Conte to head a new government

The Italian daily *La Stampa* published an article reporting that the leader of Democratic Party Nicola Zingaretti reiterated PD's support for resigning PM Giuseppe Conte in a potential a mandate to form a new government after the coalition ended last week. The leader of PD also said that PM Conte is a point of balance also in the relationship with the M5S. He also added that the democratic party aims at creating a new executive with a broad parliamentary base with a pro-European approach. On Matteo Renzi, Zingaretti said he had no veto against a return of Italia Viva to the coalition.

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Italia Viva may not be in favour of the re-appointment of PM Conte

An article published by *La Repubblica* reports an update on the negotiations between Italia Viva and the current ruling coalition to form a new Government. According to the article, while Italia Viva's leader Renzi may have not put a formal veto on the re-appointment of PM Conte, he would be pushing for other options, including the formation of a new government headed by the former PM Gentiloni and with the former ECB President Draghi as Minister of Economy.

On the other side, the article argues that, in case of a formal opening from Mr. Renzi, PM Conte would be willing to discuss a new government agenda and a reshuffle in government composition, including the replacement of Minister of Justice Bonafede (M5S) and Minister of Infrastructure De Micheli (PD).

The article also argues that, for the time being, the first option for the current government coalition would still be the attempt to enlarge the majority base at the Parliament to control the absolute majority of the Upper House without the support of Italia Viva members.

Source [click here](#)

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Covid-19: daily data show growth pace of total number of cases at +0.61% vs Tuesday's +0.43%. Total number of ongoing infections down by -4,448; daily deaths at 467

The Government communicated the latest data on the Covid-19 infections as of Wednesday (27 January). We would highlight:

- **The number of total cases (on-going infections + deaths + recovered patients) increased to 2,501,147. This means a daily increase of +15,204, +0.61%.** This compares with +10,953 (0.43%) on 26 January, +8,561 (0.35%) on 25 January, +11,629 (0.47%) on 24 January, +13,331 (0.55%) on 23 January, +13,633 (0.56%) on 22 January, +14,078 (0.58%) on 21 January, +13,571 (0.57%) on 20 January, +10,497 (0.44%) on 19 January, +8,825 (0.37%) on 18 January, +12,545 (0.53%) on 17 January, +16,310 (0.69%) on 16 January, +16,146 (0.69%) on 16 January, +17,246 (0.74%) on 14 January, +15,774 (0.68%) on 13 January, +14,242 (0.62%) on 12 January, +12,532 (0.55%) on 11 January.
- **Total number includes: 477,969 on-going infections, 86,889 deaths & 1,936,289 recovered patients.**
- **Number of on-going infections down by -4,448.** This compares with -9,213 on 26 January, -7,648 on 25 January, +444 (0.2% of daily swabs) on 24 January, -3,219 on 23 January, -14,515 on 22 January, -6,958 on 21 January, -11,971 on 20 January, -11,535 on 19 January, -6,315 on 18 January, -4,343 on 17 January, -351 on 16 January, -3,312 on 15 January, -3,394 on 14 January, -5,266 on 13 January, -5,939 on 12 January, -3,953 on 11 January.
- **Out of the number of on-going infections, 2,352 (-20) are in intensive care (0.5% of the total).**
- **Number of daily deaths is at +467 (out of which 62 in Lombardy) which means that the total number is 86,889 (out of which 26,851 in Lombardy).** Latest data were: 26 January: 541, 25 January: 420, 24 January: 299, 23 January: 488, 22 January: 472, 21 January: 521, 20 January: 524, 19 January: 603, 18 January: 377, 17 January: 377, 16 January: 475, 15 January: 477, 14 January: 522, 13 January: 507, 12 January: 616, 11 January: 448.
- **Recoveries have increased by 19,172.** This compares with 19,256 on 26 January, 15,787 on 25 January, 10,885 on 24 January, 16,062 on 23 January, 27,676 on 22 January, 20,519 on 21 January, 25,015 on 20 January, 21,428 on 19 January, 14,763 on 18 January, 16,510 on 17 January, 16,186 on 16 January, 18,979 on 15 January, 20,115 on 14 January, 20,532 on 13 January, 19,565 on 12 January, 16,035 on 11 January.
- **People vaccinated are 1,575,258 corresponding to 74% of the doses distributed (2,117,505 as of 27 January).**

The number of total cases increases +15,204 or +0.61% vs Tuesday's +0.43%. Ongoing infections down by -4,448. Daily reported deaths are 467.

On January 15, the government approved a new emergency decree which confirmed the division of the country into three areas with different levels of restrictions, based on the degree of risk and the spread of contagion in the Regions. The decree extends stricter restrictions to people's mobility and selected economic activities until March 5, with the aim of limiting social gatherings, while minimizing the impact on the economic activity.

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Leonardo (Neutral, TP €7.00)

Market Cap. €3.3bn		Price: € 5.68		(Alessandro Pozzi +44 203 0369617)	
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	13,784	821	nm	1.1	1.4
2020E	13,548	355	9.2	0.6	2.5
2021E	13,801	548	6.0	0.6	2.5

Source: Mediobanca Securities

US blocks arms sales to Abu Dhabi and Saudi Arabia

The Biden administration has imposed a temporary freeze on US arms sales to Saudi Arabia and is scrutinising purchases by the UAE, as it reviews weapons transactions approved by the former President, Donald Trump. According to officials, the review includes the US\$290m deal signed with Saudi Arabia for the sale of precision-guided munitions, as well as the US\$23bn deal with Abu Dhabi for top-line F-35 fighters, reaper drones, and various munitions. In line with campaign pledges made by President Biden, the US is seeking to ensure that American weapons are not used to support the Saudi-led military campaign in Yemen. According to a Twitter post by the UAE embassy, the country had already anticipated a review of current policies by the new administration, as is the case with previous administrations.

MB VIEW: Although we believe that a review of foreign arms sales remains standard practice for a new incoming administration, this could represent an opportunity for UAE to reconsider the purchase of Eurofighters, in which Leonardo has a 36% work share. UAE currently does not include in its fleet Eurofighters, although they have been purchased by neighbouring Saudi Arabia, and Kuwait.

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Mediaset (Neutral, TP €2.19)

	Market Cap. €2.5bn	Price: € 2.12	(Fabio Pavan +39 02 8829 633)		
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	2,926	190	18.4	1.3	2.5
2020E	2,599	183	13.7	1.2	2.4
2021E	2,704	199	12.5	1.1	2.4

Source: Mediobanca Securities

Mediaset appeals verdict that freed up Vivendi's voting rights

Event Domestic press (*Corriere della Sera*, *Il Messaggero*) reports Mediaset has lodged an appeal against a court ruling that lifted restrictions placed on Vivendi's stake in the Italian broadcaster, as recently anticipated by *Reuters*. Last month an Italian administrative court removed regulatory curbs that capped Vivendi's voting stake in Mediaset at 10%, potentially giving back to the French group voting rights on its full 29% holding. Articles also report the options to reach an agreement is far, recalling the next hearing is set for 11 February.

View/Action We note litigation with VIV remains an issue to be solved in order to implement the pan European project, given its relevant stake in the company. We confirm our N rating on the name.

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Prada (Neutral, TP HK\$28.60)

Market Cap. HK\$124.9bn		Price: HK\$ 48.80	(Chiara Rotelli +39 02 8829 931, Gilles Errico +39 02 8829 558)		
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	3,226	256	28.3	2.4	0.0
2020E	2,516	-62	nm	4.6	0.0
2021E	2,950	143	93.2	4.8	-0.1

Source: Mediobanca Securities

Business in Europe set to recover from March

In an interview with Il Sole 24 Ore, CEO of Prada Mr Patrizio Bertelli shared his view on the recovery of the luxury industry. Europe is being impacted the most by pandemic and here 144 Prada stores are currently closed because of restriction in place, but he looks forward to March - when government restrictive measures are supposed to end - to see positive signs of recovery.

The group sees revenues rising to €5bn in 4-5 years and plans to invest 100 million euros per year in production sites and shops in coming years

View/Action: We have a NEUTRAL rating on the stock.

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Safilo (Neutral, TP €0.74)

Market Cap. €250.75m		Price: € 0.91	(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	10.8	0.0
2021E	800	-59	nm	nm	0.0

Source: Mediobanca Securities

FY 2020 preliminary sales at €780m underpins EBITDA break-even

Event Safilo announced FY 2020 preliminary revenues yesterday. FY20 results are due to be announced on March 11th.

Comment/financials: For FY2020 Safilo reported revenues of €780.3m (-16.9% yoy and -15.2% ex forex), slightly exceeding our estimate of €772m. Organic business declined by -21.9% ex-forex (-21.5% for wholesale). Acquisitions contributed for €61.8m to Group's sales. Online sales reached 13% of total Group's sales in FY 2020 (from 4% last year).

Q4 2020 net sales amounted to €225.6m, +3.0% ex-forex (-2.1% at current exchange rates) compared to €230.4m in 4Q 2019, reflecting progressive improvement in the wholesale business, which declined -1.6% ex-forex in Q4 vs. -5.5% in Q3.

By geography, Europe was down -18% ex-forex in 4Q (-19.4% reported), due to restrictions that impacted specialty channel and travel retail, despite improvement in order intake and wholesale activity from large chains. North America was up +9% organic and +27% ex-forex including M&A contribution. Asia Pac was +28% ex-forex driven by triple digits' growth in China and a significant acceleration in Australia. Rest of the World was down -6.5% ex-forex, with positive performance in Brazil and Mexico. Online sales stood at c.12% of the Group's net sales (from c.4.5% in 4Q 2019), thanks to the contribution of Blenders and Privé Revaux's e-com activities, as well as organic digital sales growth of +60.9% ex-forex (mainly Smith's D2C and sales to internet pure players).

FY20 EBITDA guidance: Safilo anticipates positive adjusted EBITDA in 2H20 to fully offset the loss reported in 1H20, allowing the Group to return to break-even in the full year. This exceed our own forecasts of €10m loss at EBITDA level in FY and consensus at -€15m

On a preliminary basis, Safilo's net debt is €179m (pre-IFRS 16), vs. €155.8m at the end of September 2020. This figure is perfectly I line with MBE at €181m

(€m)	4Q20	4Q19	Y/Y ch.	4Q20E	DIFF%	FY 20	FY 19	Y/Y ch.	FY 20E	DIFF%
EUROPE	86.1	106.9	-19.4%	87.7	-2%	330.4	448.8	-26.4%	332.0	0%
AMERICAS	100.9	84.7	+19.2%	82.2	23%	342.5	334.0	+2.5%	323.7	6%
ASIA	21.1	17.0	+24.1%	15.8	33%	60.7	78.0	-22.2%	55.4	10%
REST OF THE WORLD	17.5	21.8	-19.7%	31.7	-45%	46.8	78.3	-40.3%	61.0	-23%
GROUP REVENUES	225.6	230.4	-2.1%	217.3	4%	780.3	939.1	-16.9%	772.0	1%

View/Action: we have a NEUTRAL rating on the stock with a TP of €0.74/share

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Saras (Underperform, TP €0.45)

	Market Cap. €526.38m	Price: € 0.55	(Alessandro Pozzi +44 203 0369617)		
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	9,639	19	79.1	1.4	0.0
2020E	5,420	-216	nm	0.6	0.0
2021E	7,916	-67	nm	0.6	0.0

Source: Mediobanca Securities

Russia could cut oil exports by 20%

According to a Bloomberg report release yesterday, Russia is planning to cut its seaborne oil exports from its western ports to a three-month low in February, as the country diverts crude into its local refineries to help tackle record gasoline and diesel prices, which reached the highest in ruble terms since at least 2008. As a result, shipments of Urals crude could be reduced by almost 20% in February. Bloomberg suggested that the rising cost of fuel and other basic goods is adding to the political pressure on President Vladimir Putin. The articles also indicated that Putin's support fell to a record low last year amid the coronavirus pandemic, and it is now facing a fresh challenge from popular protests after the imprisonment of opposition leader Alexey Navalny.

View/Action: Curtailment of Ural exports represents negative news for Saras (U/P), as this is likely to translate into tighter heavy-light differentials, and therefore in a smaller premium over the EMC benchmark. This represents a further headwind in addition to travel restrictions across Europe, which are exerting significant pressure on refining margins. As such, we expect refining margins (EMC) to remain depressed in 2021 averaging just US\$0.5/bl, marginally up from neg. US\$0.5/bl achieved in 2020; and neg. US\$1/bl in Q4 20, Saras already reduced its Q4 20 refining runs to 70-80% due to the persistent weakness in refining margins, with a stuttering oil demand recovery, and ample overcapacity. This also led to permanent shut-down of yet another European oil refinery in Portugal (Matosinhos). As a result, Saras announced in Q4 20 for the first time in its history the start of a program that will see up to 1,400 employees on furlough (Cassa Integrazione) until June 2021, due to lower production and negative economics. Saras reported net debt of €413m in Q3 20, implying a leverage ratio of 4.6x on a 12-month trailing basis.

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SIT (Outperform, TP €8.00)

Market Cap. €133.54m		Price: € 5.34		(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	10.9	0.9	3.0
2021E	343	14	9.7	0.8	5.5

Source: Mediobanca Securities

Better than expected sales trend in 4Q20

Event In a press release, SIT unveiled its 4Q/FY20 preliminary core sales, which were ahead of our numbers with a better than expected performance coming from both heating and the smart metering division.

Comment/Financials In greater details, we note the following:

- 4Q20 core sales stood at €92.8m, which is up by +5.0% YoY and is better than our forecast of €84.3m. By division, we note that core sales in Heating increased by +7.4% YoY to €74.4m (+9.5% at constant FX) vs MBe of €67.9m. Meanwhile, smart metering closed at €18.4m (-3.7%) vs MBe of €16.4m.
- FY20 core sales stood at €317.7m, which is down by -8.9% YoY and is better than our forecast of €309.2m. By division, we note that core sales in Heating decreased by -4.3% YoY to €248.8m (-3.6% at constant FX) vs MBe of €242.2m. Meanwhile, smart metering closed at €69m (-22.2%) vs MBe of €67m.

View/Action Positive news. Overall, a better than expected set of number, which was ahead our estimate and the outlook released by the company pointing to a stable 2H20 sales. Heating benefitted from supply chain restocking, while demand is also well supported by the government incentives. Stock trades at c.12x 2021 PE and we continue to see a compelling double-digit upside. In our view, SIT is an appealing value proposal in the Industrial Mid-cap space. Next catalyst is the release of FY20 set of numbers due on March 29. Outperform.

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Snam (Outperform, TP €5.15)

Market Cap. €15.0bn		Price: € 4.46	(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	13.7	2.3	5.6
2021E	2,723	1,135	13.2	2.2	5.9

Source: Mediobanca Securities

Sets up working table with CVA to promote energy transition in Valle d'Aosta

Ansa reports that Snam and Compagnia Valdostana delle Acque (CVA) have set up a working table, in the context of the collaboration between the companies, to create joint initiatives in green hydrogen and projects aimed at promoting the energy transition in Valle d'Aosta.

In particular, they have defined the composition of the team that will be in charge of the development of the projects under the agreement.

Recall that the agreement between Snam and CVA, signed on 23 October, includes projects to boost hydrogen mobility on iron and rubber, including through the construction of related infrastructure (such as filling stations, compressors, electrolyzers).

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Stellantis (Outperform, TP €19.60)

	Market Cap. €38.8bn	Price: € 12.43	(Andrea Balloni +39 02 8829 541)		
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019P	166,748	10,756			
2020E	137,905	2,619	11.7	0.9	0.0
2021E	153,370	6,797	5.8	0.8	3.5

Source: Mediobanca Securities

To pay \$30m penalty, DBRS raises rating

Event - According to yesterday's press news, FCA will pay \$30m penalty in order to resolve a US criminal labour probe. Moreover, according to yesterday Company press release, DBRS agency has upgraded the Company rating to BBB from BBB low.

Comment - No major impact from yesterday's news. The upgrade in the rating has followed the ones already announced in the recent weeks, while the amount of penalty is not material in our view and likely to be already provisioned in the past.

View - We have recently resumed the coverage on Stellantis with an outperform rating and a TP €19.6 leaving a potential upside >40%. Stock is trading at 6x PE, far below peers trading at above 8.0x

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Telecom Italia (Neutral, TP €0.58)

Market Cap. €8.0bn		Price: € 0.36		(Fabio Pavan +39 02 8829 633)	
	Turnover	Net Profit	PE Adj.	PBV	Yield
2019	17,990	958	11.0	0.5	0.0
2020E	15,725	1,321	6.0	0.4	2.7
2021E	15,594	848	9.4	0.4	2.7

Source: Mediobanca Securities

Discussions on board renewal is speeding up

Event *Corriere della Sera* reports that TI's Chairman Salvatore Rossi has started the discussions aimed at presenting a slate of candidates from the board. List will have to be approved by 23 February, when TI's board will meet to review 2020 results and the updated strategic plan. Luigi Gubitosi would be confirmed as CEO. Article also confirms the board of CDP is expected to meet on 25 February to evaluate the option of exercising the pre-emption right on OF stake owned by Enel (most likely option is CDP to buy a 10% stake).

View/Action Since Luigi Gubitosi was appointed as CEO, the Group has managed to reduce its debt pile (from €23.3bn to €20.7bn in 3Q20, or €17.3bn when including towers monetization and KKR transaction). Several deals were implemented, as the sale of Persidera, the integration between INW and VOD towers, agreement with G on the cloud, and FiberCop. Others (single network, Brazilian consolidation and data centers) are ongoing. Also, organic FCF generation has visibly improved in the period, despite the pandemic and ongoing sector competition. A united board supporting the CEO is key to reassure the market.

We believe that the implementation of the single network could help overcoming the digital divide, an issue which is becoming even more relevant today, but we recognize that the process is slower and more complex than expected.

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Unicredit (Underperform, TP €8.00) ~ Banco BPM (Neutral, TP €2.25)

Market Cap. €17.1bn		Price: € 7.69		(Andrea Filtri +44 203 0369 571)	
	Net Profit	PE	PBV	Yield	ROE
2019	3,375	5	0.4	0.0	5.5
2020E	-2,442	nm	0.3	0.9	ns
2021E	489	35	0.3	4.1	0.8

Market Cap. €2.7bn		Price: € 1.79		(Noemi Peruch +44 203 0369 645)	
	Net Profit	PE	PBV	Yield	ROE
2019	797	3	0.2	0.0	6.7
2020E	44	61	0.2	0.0	0.4
2021E	184	15	0.2	2.2	1.5

Source: Mediobanca Securities

Orcel CEO from April

Yesterday the board of UCG unanimously selected A. Orcel as designated CEO to be proposed at the next AGM. Mustier is reported to leave the bank after the Q410 results on 11 Feb, with Vivaldi bridging to bank over to Orcel in the interim. Orcel has been presented by the press as the favourite candidate of institutional investors, of banking foundations and of Del Vecchio.

The delayed arrival should give extra time to arrange all pending issues (incl. settlement with SAN for litigation). Yet, this would also likely mean a delay in the definition of the new UCG strategy, following the inherited “no M&A” strategy.

La Stampa reports that some BAMI shareholders and independent board members could be working on contacting UCG on a potential M&A deal, adding that it will depend on what Mr. Castagna, CEO of BAMI, will think about the deal. While, BAMI has been very vocal in expressing its willingness to participate in the M&A process in the very short term. We believe the best candidate for BAMI at this stage to be BPE to fully exploit industrial synergies (geographical footprint, AM and insurance), financial upside and DTA benefit (see our note [BPER Banca/Banco BPM - M&A on via Emilia. BPE to Outperform - by N.Peruch & A.Filtri - pp 10](#)

We see UCG in the midst of a whirlwind of events, with the selection of the CEO reducing it by one item: the board renewal, the re-definition of strategy, eventual M&A, the management of the pandemic and a potential government crisis in Italy. The new chief will now have to untie all other knots and redefine the investment case of the stock.

We downgraded UCG to Underperform after the announcement of Mustier’s departure in early December (we are also short UCG in the FIG long/short portfolio) as this left the bank without an investment case and the shares as “dead money” at best in this scenario, in our view. €7.69 price still leaves shares >10% below the level pre-CEO resignation; we would have expected a larger bounce on the news.

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