

# AZIMUT

Sector: Asset mgmt

## OUTPERFORM

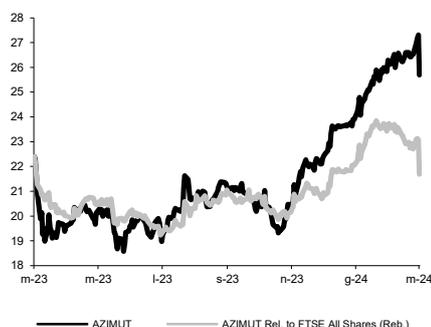
Price: Eu25.70 - Target: Eu30.00

### Exploring Ways to Unlock Value from International Operations

**Alberto Villa +39-02-77115.431**  
 alberto.villa@intermonte.it

Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 28.60 to 30.00		
	2024E	2025E	2026E
Chg in Adj EPS	2.3%	2.0%	

#### AZIMUT - 12M Performance



Stock Data			
Reuters code:	AZMT.MI		
Bloomberg code:	AZM IM		
Performance	1M	3M	12M
Absolute	-1.9%	14.7%	14.7%
Relative	-9.3%	3.9%	-3.8%
12M (H/L)	27.31/18.57		
3M Average Volume (th):	667.85		

Shareholder Data	
No. of Ord shares (mn):	143
Total no. of shares (mn):	143
Mkt Cap Ord (Eu mn):	3,683
Total Mkt Cap (Eu mn):	3,683
Mkt Float - Ord (Eu mn):	2,744
Mkt Float (in %):	74.5%
Main Shareholder:	
Timone Fiduciaria	22.0%

Balance Sheet Data	
Book Value (Eu mn):	2,345
BVPS (Eu):	16.36

- Results broadly in line with expectations, more detail on business segments:** Azimut reported FY23 results that were broadly in line with expectations, showing some margin pressure on recurring fees with €281.9mn in 4Q23, mostly hit by the AuM mix effect: management is confident the drop in margins is not structural. Performance fees were positive at €22.5mn in 4Q, redeeming a lacklustre 2023, insurance fees came to €27mn, again slightly higher than expected. Operating profit was €156mn, a touch higher following total operating costs of €190mn. Net profit adjusted for IFRS17 was €105.7mn. Azimut provided more detailed indications on trends in Italy, International operations, private markets and Fintech in an effort to shed more light on the contribution to revenues and profitability from the different business segments: we believe this will be appreciated by investors over time.
- DPS at €1.4, but unexpected mix of cash and shares:** the decision to propose a €1.4ps distribution (50% payout) was in line with our expectations, but the mix of €1ps in cash and €0.4ps through treasury shares was not expected, and not particularly appreciated by investors. The dividend is expected to increase YoY, with the 50-70% dividend payout target range maintained, in line with our expectations.
- 2025 targets for €500mn net profit and €7bn inflows reiterated:** Azimut confirmed 2025 targets for €500mn in net profit and net inflows above €7bn, including international partnerships. Our estimates are largely unchanged.
- Upside from Nova and potential partnerships on international operations:** Nova is now up and running with the authorisation of 12 UCITS funds, 4 of which are already in distribution with 3 more due to be launched by the end of 1Q23. For now, the focus is on public market funds and might be extended in the future to other products, including private markets. Azimut did not provide guidance on the potential impact of Nova, which will largely depend on commercial traction at UCG. As already indicated until 2028, Nova will be run and owned by Azimut, which will retain ~50bp on the AuM, while UCG has an option to grow to up to 80% of Nova in 2028, after which Azimut will get 20% of the profits generated by Nova. On the M&A side, Azimut is working on deals with new investors in key foreign markets (i.e. Australia and the US) to unlock substantial value while remaining a strategic partner to benefit from future upside. This could be significant, given the low contribution assigned by investors to these assets.
- OUTPERFORM; target €30:** the negative stock reaction to results was, in our view, mostly related to indications on dividends and some margin erosion. The current stock price does not include the potential value creation from the Nova expansion and partnerships in foreign markets. The strong start to the year for financial markets increases visibility on AuM recovery to support recurring fees. Azimut reiterated the 50-70% dividend payout, which we expect will be all cash in the future. As for the valuation, our target price is based on a DCF model, which yields a valuation of €30ps and an implied multiple of ~10x 2025 earnings.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Commissions Income (Eu mn)	1,248	1,280	1,358	1,430	1,613
Total Income (Eu mn)	1,287	1,312	1,392	1,468	1,654
Net Operating Profit (Eu mn)	547	588	624	661	808
Net Profit Adj (Eu mn)	331	454	411	432	526
EPS New Adj (Eu)	2.312	3.168	2.866	3.013	3.671
EPS Old Adj (Eu)	2.312	2.852	2.801	2.955	
DPS (Eu)	1.300	1.400	1.500	1.600	2.600
Market Cap/F.U.M.	6.6%	6.2%	5.9%	5.5%	5.3%
P/E Adj	11.1	8.1	9.0	8.5	7.0
Div. Yield	5.1%	5.4%	5.8%	6.2%	10.1%
ROE	19.8%	23.6%	18.7%	17.3%	18.8%

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	26.02 %
OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (51 in total) is as follows:

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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