AZIMUT

OUTPERFORM

Sector: Asset mgmt

Price: Eu23.71 - **Target: Eu28.00**

Spin-Off Will Happen One Way or Another

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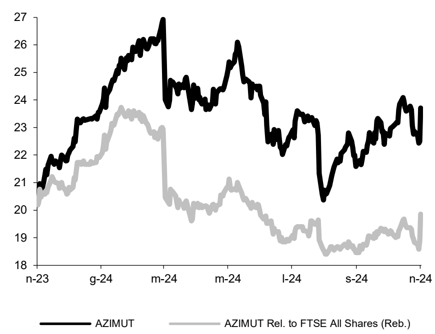
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 31.00 to 28.00
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-2.7%	-0.7%	-1.8%

AZIMUT - 12M Performance



Stock Data			
Reuters code:			AZMT.MI
Bloomberg code:			AZM IM
Performance	**1M**	**3M**	**12M**
Absolute	4.3%	14.4%	17.4%
Relative	3.8%	7.9%	-2.0%
12M (H/L)			26.92/20.30
3M Average Volume (th):			482.28

Shareholder Data	
No. of Ord shares (mn):	143
Total no. of shares (mn):	138
Mkt Cap Ord (Eu mn):	3,398
Total Mkt Cap (Eu mn):	3,398
Mkt Float - Ord (Eu mn):	2,531
Mkt Float (in %):	74.5%
Main Shareholder:	
Timone Fiduciaria	22.0%

Balance Sheet Data	
Book Value (Eu mn):	1,640
BVPS (Eu):	11.44

- **3Q24 bottom line beats expectations but revenues fall short.** Azimut's net profit was better than expected at €115mn, but revenues were below and operating costs in line, resulting in operating profit falling 4.4% short. The better bottom line was mainly related to financial income, with positive gains on investments and improved interest income. Having reached €447mn in 9M24, management expects to beat the FY net profit target of €0.5bn (including a gross capital gain of ~€150mn booked in 2Q24 related to the disposal of Kennedy Lewis). In detail:
  - Management fees came to €309mn, up 8% YoY, with growth driven by platform expansion abroad and by an increase in domestic advisory revenues, along with higher revenues from private market products.
  - Insurance revenues at €34mn (+17% YoY) on the back of strong performance fees.
  - Total revenues at €353mn, up 10% YoY but below our estimate, mainly due to lower-than-expected entry fees.
  - October inflows into managed assets were very strong at ~€1bn (YTD €5.8bn) a continuation of the improving trend of recent months thanks to distribution networks and the contribution of global partnerships. Overall 2024 net inflows, including acquisitions, have already exceeded FY24 guidance of €14bn.
- **Update on New Bank:** Azimut's New Bank project is making progress, albeit on a slightly different path than previously expected. In October an agreement was finalised with Illimity that allows all financial advisors of Azimut & the New Bank to collect deposits. From this point, management was clear in affirming that "*The New Bank project will be happening one way or another*". This means that one of the following options will occur before year-end: a complete spin-off and the subsequent initiation of an independent listing process, or the sale of a stake to a financial or banking partner, with Azimut retaining less than 20% in the New Bank.
- **Estimates trimmed on higher costs, execution of spin-off is key for the equity story: OUTPERFORM; target €28 (from €31).** Execution of the spin-off of the New Bank remains the main focus of the equity story, and we expect more clarity to emerge in the coming months as Azimut is expected to complete negotiations with potential partners by the end of the year. Nevertheless, a straight spin-off and listing is an alternative in the event there is no agreement with a partner. This would probably mean lower value crystallisation, as it would be up to the market to assign a value to the new venture, and Azimut would not receive a cash-in, but instead would have to fund the New Bank. Pending more details on the final outcome, we are excluding the additional value creation from the spin-off from our valuation. Azimut's valuations are low and overly penalised, and the recent deal in Australia further highlights the intrinsic potential value of its international operations. Net inflows have been strong recently, a further plus for the equity story. Despite trading at low multiples, however, investors seem likely to wait and see until the final structure of the spin-off is disclosed. We are applying a fully fundamental target price of €28 to the stock, from €31 previously, which included part of the value creation generated by the New Bank.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Commissions Income (Eu mn)	1,155	1,169	1,248	1,370	1,449
Total Income (Eu mn)	1,290	1,312	1,424	1,529	1,609
Net Operating Profit (Eu mn)	562	587	610	673	714
Net Profit Adj (Eu mn)	402	454	425	502	532
EPS New Adj (Eu)	2.387	2.693	2.607	3.084	3.269
EPS Old Adj (Eu)	2.387	2.693	2.679	3.107	3.328
DPS (Eu)	1.300	1.400	1.500	1.600	1.600
Market Cap/F.U.M.	6.2%	5.6%	4.9%	4.6%	4.4%
P/E Adj	9.9	8.8	9.1	7.7	7.3
Div. Yield	5.5%	5.9%	6.3%	6.7%	6.7%
ROE	29.7%	29.5%	26.1%	30.3%	31.6%

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- 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)

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Frequency of research: quarterly.
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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.
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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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OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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