Milan, 10 May 2024

Italian Equity Research – 1Q24 Results

AZIMUT

OUTPERFORM

Sector: Asset mgmt

Price: Eu25.54 - **Target: Eu33.00**

Soft Quarter, NewCo Bank Project Progressing As Planned

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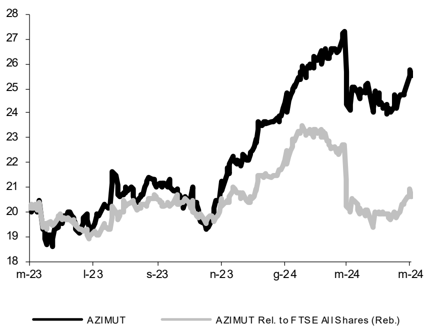
- **1Q24: a relatively soft start but slightly above expectations.** Azimut reported 1Q24 results that were slightly better than our expectations, showing margin pressure on recurring fees. In detail:
  - Total 1Q revenues were up 8% YoY to €351mn. Management fees came in at €288.7mn while recurring fees margins declined to 198bp from 211bp last year and 202bp in 4Q23, mostly related to lower-margin institutional mandates as well as the asset mix, with flows moving towards fixed income rather than equity products. Performance fees mostly related to insurance products, at €28mn vs. €6mn last year.
  - Total costs increased by 8% YoY to €190mn, with distribution costs at €103.7mn, personnel up slightly YoY to €77.5mn and D&A at €8.7mn. Operating profit was €161mn, up 8% YoY and slightly higher than expected.
  - Net profit was €116mn vs. our €112mn forecast.
  - Total assets increased to €95.1bn, of which €63.2bn AuM (+10% YoY).
  - 1Q24 net cash was €1bn. Azimut indicated that 60% is freely available to grow the business further and complete de-leverage, while ~40% is allocated for regulatory capital, operating cash needs, proprietary investments and other initiatives.
- **Update on NewCo project with more details expected by the 2Q results presentation:** Azimut provided the following preliminary update on the NewCo project: ~1k FAs, 35 employees and ~€24bn AuM have been identified and will contribute to the launch of the project to create a new bank. No further indications were provided on the NewCo's capital needs, which will depend on the potential partner and how fast it can grow deposits. Management confirmed strong interest in the project from various counterparts, and Azimut counts on providing further indications before or with the 2Q results presentation at the beginning of August.
- **Estimates broadly unchanged as focus remains on execution of spin-off:** we are broadly confirming our estimates for the year. The €500mn guidance is expected to be exceeded but will also include a €140mn net capital gain on the recently announced disposal of the stake in Kennedy Lewis, which will be booked as financial income in 2Q24 results. Azimut also did not rule out the possibility that other deals along the same lines as KL disposal could be announced in the future.
- **We remain OUTPERFORM considering the high potential value creation from the NewCo:** Azimut continues to trade at the lowest multiples in the sector, as the market is awaiting more visibility on the partner that will be involved in the NewCo project, which could represent a turning point in unlocking value. We are broadly confirming our estimates. Our target price of €33 partially takes into account value creation from the NewCo: for further details please refer to the report published on 22 April 2024 (*Plan to Create Value from Partial Italian Network Spin-Off*).

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	-0.4%	-0.7%	-1.0%

AZIMUT - 12M Performance



Stock Data			
Reuters code:			AZMT.MI
Bloomberg code:			AZM IM
Performance	**1M**	**3M**	**12M**
Absolute	4.8%	-2.3%	26.9%
Relative	3.7%	-12.2%	3.1%
12M (H/L)			27.31/18.57
3M Average Volume (th):			819.17

Shareholder Data	
No. of Ord shares (mn):	143
Total no. of shares (mn):	138
Mkt Cap Ord (Eu mn):	3,660
Total Mkt Cap (Eu mn):	3,660
Mkt Float - Ord (Eu mn):	2,727
Mkt Float (in %):	74.5%
Main Shareholder:	
Timone Fiduciaria	22.0%

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

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Commissions Income (Eu mn)	1,155	1,169	1,230	1,328	1,399
Total Income (Eu mn)	1,290	1,312	1,406	1,491	1,571
Net Operating Profit (Eu mn)	562	573	639	676	743
Net Profit Adj (Eu mn)	402	454	450	500	551
EPS New Adj (Eu)	2.387	2.693	2.763	3.074	3.383
EPS Old Adj (Eu)	2.387	2.693	2.774	3.097	3.416
DPS (Eu)	1.300	1.400	1.500	1.600	1.600
Market Cap/F.U.M.	6.6%	6.0%	5.6%	5.3%	5.1%
P/E Adj	10.7	9.5	9.2	8.3	7.5
Div. Yield	5.1%	5.5%	5.9%	6.3%	6.3%
ROE	29.7%	29.5%	27.7%	30.2%	32.7%

Intermonte

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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)

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Frequency of research: quarterly.

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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;

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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:	25.21 %
OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
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UNDERPERFORM	00.00 %
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Emittente	%	Long/Short

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