

AZIMUT

Sector: Asset mgmt

OUTPERFORM

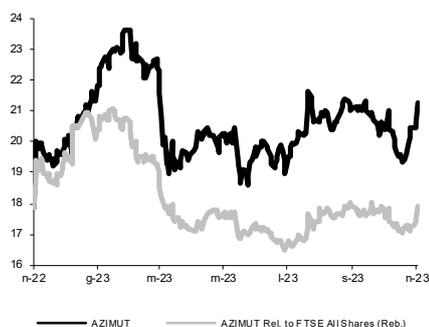
Price: Eu21.27 - Target: Eu26.00

FY Guidance Confirmed but Inflows and Margins Soft in 3Q

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 27.00 to 26.00		
	2023E	2024E	2025E
Chg in Adj EPS	2.4%	1.9%	-0.8%

AZIMUT - 12M Performance



Stock Data			
Reuters code:	AZMT.MI		
Bloomberg code:	AZM IM		
Performance	1M	3M	12M
Absolute	4.4%	2.2%	19.3%
Relative	0.8%	1.3%	0.5%
12M (H/L)	23.65/18.57		
3M Average Volume (th):	415.95		

Shareholder Data	
No. of Ord shares (mn):	143
Total no. of shares (mn):	143
Mkt Cap Ord (Eu mn):	3,047
Total Mkt Cap (Eu mn):	3,047
Mkt Float - Ord (Eu mn):	2,300
Mkt Float (in %):	75.5%
Main Shareholder:	
Timone Fiduciaria	21.0%

Balance Sheet Data	
Book Value (Eu mn):	2,061
BVPS (Eu):	14.38

■ **3Q bottom line beats expectations with lower acquisition costs and stronger financial income:** 3Q closed with improved net profit thanks to the contribution from the net investment result and lower acquisition costs, while inflow trends and margins were slightly weaker than expected. In detail:

- Management fees at Eu285.6mn, flat QoQ and +4.3% YoY, slightly below expectations and with the margin down c.5bp
- Insurance fees rising sharply to Eu28.7mn, partly due to incentive fees
- Total revenues at Eu321.8mn, +1.6% QoQ / +7.9% YoY, broadly in line
- Operating costs at Eu176.6mn, down QoQ and better than expected
- Operating profit at Eu145mn, 5.8% better than expected
- Investment income better than expected at Eu14.3mn
- Net profit at Eu117.7mn, down 3.6% QoQ and 15% above expectations

■ **Conference call feedback:** the main pointers were as follows: (i) the net inflows outlook for 2024 will be provided at a later date. There are still some headwinds from low-margin mandates with institutional investors in Italy, while some foreign markets are trending well. In Italy, focus remains on private markets for the time being; (ii) focus on Australia: region in which Azimut will continue to invest in the future to grow further and may consider a financial partner or an IPO; (iii) UCG agreement going as planned: no targets provided but after authorisation Azimut expects to launch the first wave of 12 funds to be distribute by UCG in 1H24: margins were confirmed in the region of 50bp; (iv) strong cash generation in 3Q bringing net cash to Eu359mn, allowing for various capital management options going forward; (v) Eu500mn net profit guidance for 2024 is also supported by a growing contribution from the international segment, expected to deliver Eu150mn adj. net profit on an annualized basis

■ **Modest change in estimates:** We are raising our 2023/2024 estimates slightly to include a positive contribution from financial income and lower acquisition costs, while reducing our expectations on management fees. The contribution from Fulcrum is expected to remain volatile, but relatively small in magnitude.

■ **Guidance confirmed, stock looks cheap: OUTPERFORM confirmed; target to Eu26:** Azimut confirmed earnings guidance of Eu450mn in 2023 / Eu500mn in 2024, with a growing contribution from international business. We have revised our estimates slightly upwards to factor in a positive impact on investment income from cash management. Some short-term pressure is still expected in Italy due to outflows from institutional mandates. We remain positive on the stock in light of the excessively compressed valuations, while our target goes to Eu26 from Eu27 due to the increase in the risk-free rate in our DCF model. Cash generation remains solid and will mainly be used to repay debt, pay dividends (payout at 50/70% confirmed), engage in M&A and potentially also for buybacks.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Commissions Income (Eu mn)	1,420	1,248	1,261	1,344	1,437
Total Income (Eu mn)	1,449	1,287	1,295	1,379	1,471
Net Operating Profit (Eu mn)	707	547	573	612	660
Net Profit Adj (Eu mn)	480	331	403	403	427
EPS New Adj (Eu)	3.352	2.312	2.810	2.813	2.983
EPS Old Adj (Eu)	3.352	2.312	2.745	2.760	3.007
DPS (Eu)	1.300	1.300	1.400	1.500	2.500
Market Cap/F.U.M.	5.6%	5.5%	5.3%	5.0%	4.7%
P/E Adj	6.3	9.2	7.6	7.6	7.1
Div. Yield	6.1%	6.1%	6.6%	7.1%	11.8%
ROE	36.2%	19.8%	20.9%	18.3%	17.4%