

AZIMUT

Sector: Asset mgmt

OUTPERFORM

Price: Eu24.01 - Target: Eu33.00

Plan to Create Value from Partial Italian Network Spin-Off

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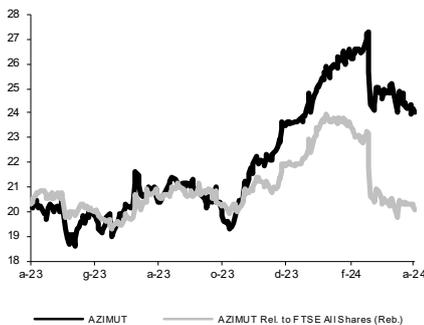
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 30.00 to 33.00		
	2024E	2025E	2026E
Chg in Adj EPS	-3.2%	2.8%	-6.9%

Next Event

1Q24 Results Out May 9, 2024

AZIMUT - 12M Performance



Stock Data

Reuters code:	AZMT.MI		
Bloomberg code:	AZM IM		
Performance	1M	3M	12M
Absolute	-3.1%	-4.2%	18.2%
Relative	-2.0%	-15.5%	-1.4%
12M (H/L)	27.31/18.57		
3M Average Volume (th):	823.22		

Shareholder Data

No. of Ord shares (mn):	143
Total no. of shares (mn):	138
Mkt Cap Ord (Eu mn):	3,441
Total Mkt Cap (Eu mn):	3,441
Mkt Float - Ord (Eu mn):	2,563
Mkt Float (in %):	74.5%
Main Shareholder:	
Timone Fiduciaria	22.0%

Balance Sheet Data

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

■ **Partial spin-off of Italian distribution network:** on 28 March 2024 Azimut announced its intention to carry out a partial carve-out of its Italian distribution network, creating a new digital banking platform through the following steps:

Phase 1: creation of a NewCo (Azi First) to set up a digital banking platform and seek a banking licence: Azimut will transfer ~€20-25bn of assets, ~1k FAs (out of 1,837), and ~50 employees. A partner could enter the capital with a stake of up to 50%.

Phase 2: NewCo to go public through an IPO within 6-9 months, with Azimut retaining a stake of no more than 10%. Binding 20-year partnership agreement between Azimut and the NewCo, defining the terms & conditions for distribution of the Azimut product suite, with the NewCo committing to generating the same level of gross revenues for Azimut and receiving an 80% rebate.

In the first year after its launch, Azimut expects the NewCo to generate net profit of ~€160mn, with a 5-year target to double profits and total assets. The NewCo could be valued at up to €1.8-2.2bn according to the company's preliminary expectations.

■ **New partner and execution the keys to success:** the rationale is to unlock significant value by grasping opportunities to widen the client base and benefit from NII. We believe there are several counterparts interested in investing in a unique existing FA platform: an agreement would enhance visibility on the plan and allow Azimut to monetise part of the asset. Execution is another key element: we consider Azimut and its founder Pietro Giuliani to be financial services pioneers in Italy, and therefore expect the company to execute the spin-off while avoiding any tension within the network and ensuring financial advisors' commitment and alignment to the project.

■ **Value creation of international activity starts to take shape:** Azimut announced the disposal of its stake in Kennedy Lewis in the US for US\$225mn: the return on capital invested was 4x (over 4 years) and the net capital gain came to €130-140mn. We expect other disposals or partnerships to be announced, highlighting the value creation stemming from the company's international expansion.

■ **Significant value creation if new plan delivers, OUTPERFORM confirmed; target raised to €33:** the new plan looks bold and ambitious, and while much of its success hangs on its execution, it has significant upside potential. Azimut is working on ways to gain more realistic recognition of the group's fair value, as the stock persistently trades at a hefty discount to peers. Appreciation of the plan's value creation potential will probably emerge with the entrance of a partner, and once some progress has been made with execution: in this case we foresee huge upside to the current valuation. Our preliminary assessment is based on slightly more conservative assumptions on the NewCo's earnings and a valuation of ~€1.3bn for the asset, leading to a cash-in of around Eu1bn for the 90% stake in the NewCo, also factoring in the capital to be allocated to the digital bank. Ex-NewCo, Azimut would be trading at ~6x earnings, a level that looks extremely punitive. OUTPERFORM confirmed; target price raised to €33.0, 50% based on a stand-alone valuation (€31.5ps) and 50% based on a post-deal FVps of €35 in 2025.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Commissions Income (Eu mn)	1,155	1,169	1,230	1,321	1,392
Total Income (Eu mn)	1,290	1,312	1,399	1,485	1,564
Net Operating Profit (Eu mn)	562	573	620	660	729
Net Profit Adj (Eu mn)	402	454	452	504	556
EPS New Adj (Eu)	2.387	2.693	2.774	3.097	3.416
EPS Old Adj (Eu)	2.312	3.168	2.866	3.013	3.671
DPS (Eu)	1.300	1.400	1.500	1.600	1.600
Market Cap/F.U.M.	6.2%	5.7%	5.3%	5.0%	4.8%
P/E Adj	10.1	8.9	8.7	7.8	7.0
Div. Yield	5.4%	5.8%	6.2%	6.7%	6.7%
ROE	29.7%	29.5%	27.8%	30.5%	33.0%

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- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
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- 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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UNDERPERFORM	00.84 %
SELL:	00.00 %

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UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emitente	%	Long/Short

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