

Italian Market: 2Q/1H18 Previews

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Italy
Weekly Preview

6 - 10 August

Intesa Sanpaolo
Research Department

Equity Research

Corporate Brokerage
Research

Sales & Trading
+39 02 7261 2905

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Sample

Weekly highlights: 6-10 August				
Monday 6	Tuesday 7	Wednesday 8	Thursday 9	Friday 10
	Pirelli Unicredit*	Cairo Communication Credem IMA MZBG	Credito Valtellinese	Unipol* Unipol SAI*

* before trading hours; Source: Companies' data

Report priced at market close on 01/08/2018 (except where otherwise indicated).

In this report, we confirm the ratings and target prices assigned in the latest company reports (unless otherwise indicated).

2Q/1H18 Preview Snapshot: Our Research Universe

All results' dates as at 31 July 2018.

Weekly highlights: 23–27 July				
Monday 23	Tuesday 24	Wednesday 25	Thursday 26	Friday 27
INWIT Luxottica	El Towers LU-VE Sogefi Telecom Italia	Fiat Chrysler Automobiles GEDI Moncler Saipem Salini Impregilo Terna	Amplifon Azimut Holding Banca Generali Brembo Carraro CNH Industrial COIMA RES Fincantieri Maire Tecnimont Rai Way Recordati	Autogrill Eni* Fiera Milano Mediaset Piaggio Zignago Vetro
Weekly highlights: 30 July – 3 August				
Monday 30	Tuesday 31	Wednesday 1	Thursday 2	Friday 3
Hera Leonardo Saras	A2A Acea Banca Mediolanum d'Amico Int.l Shipping De' Longhi Enel Fincobank Geox Italgas* Salvatore Ferragamo	Ascopiave Davide Campari Ferrari Gamenet Group Generali* Mediobanca (4Q)* Iren Prada Snam*	Anima Holding Banca MPS BE Buzzi Unicem Centrale Latte Italia Diasorin Elica ENAV Italiaonline Poste Italiane* Prima Industrie Safilo Group SIAS Tenaris* Valsolia	Atlantia Banca IFIS Banco BPM Cattolica Assicurazioni* ERG FILA IGD Indel B Interpump MARR Panariagroup RCS Mediagroup Terni Energia Tod's Group UBI Banca
Weekly highlights: 6-28 August				
Tuesday 7	Wednesday 8	Thursday 9	Friday 10	Tuesday 28
Pirelli Unicredit*	Cairo Communication Credem IMA MZBG	Credito Valtellinese	Unipol* Unipol SAI*	Brunello Cucinelli
Weekly highlights: 3-7 September				
Monday 3	Tuesday 4	Wednesday 5	Thursday 6	Friday 7
ADB		Isagro	EXOR Fidia	Eurotech
Weekly highlights: 10-14 September				
Monday 10	Tuesday 11	Wednesday 12	Thursday 13	Friday 14
Irce	Avio Esprinet	Vittoria Assicurazioni	Banca Finnat IVS Group La Doria SeSa (1Q)	
Weekly highlights: 18-28 September				
Tuesday 18	Wednesday 19	Wednesday 26	Thursday 27	Friday 28
Prysmian	OVS	Cellularline (24-28 Sept.) Innova Italy 1 Orsero	Trevi Group	Alkemy SPAXS Triboo

* before trading hours; Note that the following companies have still not announced their release dates: Danieli, Juventus FC, and Rosetti Marino; Source: Companies' data

Previews

Credito Emiliano (HOLD)

Results Preview

Results due on 8 August: In 2Q18E, we expect Credem to report a net income of EUR 40M, down from EUR 52M in 2Q17A, which had benefited from high trading income. We estimate core revenues to decline by 2% qoq, penalised by lower AM placements compared with 1Q17 and a weak trading income. We expect a cost of risk at 22bps in the quarter. We forecast the CET1 FL to decline by 20bps qoq, penalised by BTP-Bund spread widening, remaining at a solid 13.4%.

Outlook and Our View: We expect these results to confirm Credem as a solid and profitable company.

Credito Emiliano - Key data

02/08/18	Banks		
Target Price (EUR)	7.8		
Rating	HOLD		
Mkt price (EUR)	6.33		
Mkt cap (EUR M)	2104		
Ratios (x)	2017E	2018E	2019E
P/E	10.9	10.7	10.5
P/TBV	0.94	0.89	0.84
Performance (%)	1M	3M	12M
Absolute	-0.2	-13.0	-11.6
Rel. to FTSE IT All	-1.2	-5.2	-12.4

Source: FactSet and Intesa Sanpaolo Research estimates

Manuela Meroni - Research Analyst

+39 02 8794 9817

manuela.meroni@intesasnpaolo.com

Credito Emiliano – 2Q/1H18 preview

EUR M	2Q17A	1H17A	1Q18A	2Q18E	2Q18C	2Q E/C %	2Q qoq %	2Q yoy %	1H18E	1H yoy %	FY18E	FY18C
Net interest income	119	237	121	122	122	-0.3	0.6	2.4	243	2.4	499	496
Commission income	130	260	139	132	140	-5.6	-5.0	2.0	271	4.2	561	556
Trading income	33	56	30	7	8	-12.4	-78.3	-80.3	37	-33.6	50	49
Total income	297	586	310	281	280	0.3	-9.4	-5.5	591	0.8	1,181	1,174
Operating costs	196	394	204	201	201	0.1	-1.7	2.2	405	2.9	797	788
Gross operating profit	101	192	106	80	80	0.8	-24.2	-20.5	186	-3.3	385	386
Loan loss provisions	18	29	8	13	16	-13.8	74.0	-26.6	21	-28.4	74	67
Pre-tax income	80	151	81	59	61	-2.7	-27.1	-26.1	140	-7.6	290	288
Net income	52	101	55	40	41	-3.1	-27.2	-24.0	94	-6.9	195	190
CoR (bps)	31	25	13	22	NA	NA	74.8	-29.7	17	-31.3	29	NA
CET1 FL (%)	12.5	12.5	13.6	13.4	NA	NA	-2.0	7.1	13.4	7.1	13.0	NA

A: actual; E: estimates; C: FactSet consensus; Source: Company data and Intesa Sanpaolo Research

Creval (HOLD)

Results Preview

Results due on 9 August: In 2Q18E, we expect Creval to report a net loss of EUR 9M. We forecast the quarter to be characterised by several non-recurring items, which should broadly offset each other: on the positive side, a EUR 15M contribution from the badwill on the Claris Factor acquisition; and on the negative side, EUR 18M non-recurring costs related to layoffs, the Aragorn securitisation and an extraordinary contribution to the SRF. We estimate stable revenues on a quarterly basis, while we assume the cost of risk to increase to 110bps from the low levels reported in the last two quarters (45bps in 4Q17A and 65bps in 1Q18A). We expect the capital base to remain under pressure (CET1 FL at 10.4%) until the validation of advanced models expected in September 2018.

Outlook and Our View: The de-risking of the bank is proceeding faster than expected, while the capital base and the profitability continue to be under pressure, in our view.

Creval - Key data

02/08/18	Banks		
Target Price (EUR)	0.12		
Rating	HOLD		
Mkt price (EUR)	0.11		
Mkt cap (EUR M)	741		
Ratios (x)	2018E	2019E	2020E
P/E	13.9	8.2	6.1
P/TBV	0.48	0.45	0.43
Performance (%)	1M	3M	12M
Absolute	9.5	-17.9	-81.9
Rel. to FTSE IT All	8.4	-10.5	-82.1

Source: FactSet and Intesa Sanpaolo Research estimates

Manuela Meroni - Research Analyst

+39 02 8794 9817

manuela.meroni@intesasnpaolo.com

Creval – 2Q/1H18 preview

EUR M	2Q17A	1H17A	1Q18A	2Q18E	2Q18C	2Q E/C %	2Q qoq%	2Q yoy %	1H18E	1H yoy %	FY18E	FY18C
Net interest income	99	199	89	90	91	-1.0	1.7	-9.0	179	-10.1	393	382
Commission Income	75	142	71	71	72	-0.8	1.1	-4.3	142	-0.2	296	297
Trading Income	-1	11	5	0	2	NM	NM	NM	5	-50.6	10	13
Total income	181	366	166	166	166	-0.3	-0.2	-8.4	331	-9.3	721	692
Operating costs	125	256	179	139	135	2.6	-22.8	10.7	318	24.2	521	522
Gross operating profit	56	110	-14	27	31	-12.8	NM	-51.4	14	-87.7	201	171
Loan Loss provisions	321	369	28	49	57	-13.8	76.7	-84.7	77	-79.2	175	152
Pre-tax income	-196	-191	-46	-8	-10	-19.1	-82.5	-95.9	-54	-71.4	21	59
Net income	-197	-195	-30	-9	-9	-1.7	-70.6	-95.5	-39	-80.0	12	50
CoR (bps)	752	431	65	110	NA	NA	70.8	-85.3	89	-79.3	110	NA
CET1 FL (%)	10.2	10.2	10.9	10.4	NA	NA	-4.8	1.7	10.4	1.7	10.2	NA

NA: not available; NM: not meaningful; A: actual; E: estimates; C: FactSet consensus; Source: Company data and Intesa Sanpaolo Research

IMA (ADD)

Results Preview

Results due on 8 August: We expect 1H18E revenues to increase, thanks to higher revenues at all divisions, following the execution of the backlog, which has expanded in the recent quarters. We expect a recovery of performance in the Tea, Food & Other division, thanks to efficiency gains on some M&A costs, leading to a 13% 1H18E EBITDA margin. We forecast 2Q18E adjusted net income (adjusted for non-recurring items) to rise, benefiting from the better operating profit and a slightly lower tax rate, partially offset by higher minorities, mainly related to the Tobacco division's higher profit (GIMA TT). We expect the end-June backlog to grow, thanks to the higher new order intake vs. last year. We assume net debt to rise vs. end-2017, largely due to the cash-out for M&A and dividends partially offset by the operating cash flow.

Outlook and Our View: If the results confirm our estimates, we would view them positively, confirming a solid yoy growth trend.

IMA - Key data			
02/08/18	Engineering		
Target Price (EUR)	81.0		
Rating	ADD		
Mkt price (EUR)	72.40		
Mkt cap (EUR M)	2842		
Ratios (x)	2017E	2018E	2019E
P/E	30.6	26.8	23.3
EV/Sales	2.2	2.1	2.0
EV/EBITDA	15.3	13.9	12.5
Performance (%)	1M	3M	12M
Absolute	-2.9	-10.2	-14.1
Rel. to FTSE IT All	-4.0	-2.1	-14.9

Source: FactSet and Intesa Sanpaolo Research estimates

Roberto Ranieri - Research Analyst

+39 02 8794 9822

roberto.ranieri@intesanpaolo.com

IMA – 2Q/1H18 preview

EUR M	2Q17A	1H17A	FY17A	2Q18E	2Q18C	2Q E/C %	2Q yoy %	1H18E	1H18C	1H E/C %	FY18E	FY18C
Sales	360	655	1,445	396	394	0	10	727	725	0	1,575	1,588
EBITDA	53	82	207	56	NA	NA	6	89	NA	NA	238	NA
EBITDA bef. non-recurring items	60	90	221	62	61	1	2	95	94	1	246	252
% of sales	16.7	13.7	15.3	15.6	15.5			13.0	13.0		15.6	15.9
Tea, Food & Other	14	7	49	16	NA	NA	14	11	NA	NA	55	NA
Pharmaceutical	27	51	101	26	NA	NA	-4	50	NA	NA	111	NA
Tobacco packaging	20	32	66	19	NA	NA	-5	34	NA	NA	80	NA
EBIT	43	63	165	44	49	-10	3	66	72	-8	193	208
% of sales	11.9	9.6	11.4	11.2	12.4			9.1	9.9		12.3	13.1
Pre-tax income	40	57	151	42	45	-7	5	61	64	-5	189	196
Tax rate (%)	-33.3	-33.3	-33.7	-32.0	NA			-32.1	NA		-33.0	NA
Net income	23	32	86	25	NA	NA	9	34	NA	NA	104	NA
Adj. net income	28	37	95	29	26	11	4	38	36	6	110	112
Net debt/-cash	222	222	50	222	230	-3	0	222	230	-3	10	64
Backlog	880	880	867	1,022	NA	NA	16	1,022	NA	NA	912	NA
New order intake	381	764	1,530	440	NA	NA	15	882	NA	NA	1,620	NA

NA: not available; A: actual; E: estimates; C: Bloomberg consensus; Source: Company data and Intesa Sanpaolo Research

Zanetti (HOLD)

Results Preview

Results due on 8 August: We expect 2Q18E sales down 7.3% yoy to EUR 224M, still affected by negative volumes (1.3%) and price/mix (-6.1%), with the latter dragged down once again by FX headwinds, notably related to the USD depreciation. We do not see major changes on the volumes trend in 2Q, penalised by a soft performance in the US Private label channel combined with weak demand on flavoured products. Despite the negative LFL, we see the increasing exposure to more profitable sales mix continuing to enhance gross profit/kg organically, while tight cost control and synergies extraction should expand the EBITDA margin up to 7.2% from 6.3% in 2Q17, leading to an EBITDA of EUR 16.1M (+6% yoy). As we do not expect major changes on D&A and net financial charges, the EBITDA improvement should fall through to the other P&L lines, driving the pre-tax income to EUR 4.7M, up 38% yoy.

Outlook and Our View: Overall, the trends seen in 1Q18 should continue in 2Q18, with mixed results, as versus a weak top-line, we expect a sound delivery on profitability. Should MZBG report as envisaged, our FY18E volumes assumption looking for a 1.5% improvement would be overly optimistic, relying on a material improvement in 2H18 that seems unlikely, in our view. By contrast, we see our FY18E EBITDA feasible, as it implies a flat EBITDA 2H18/2H17 vs. a +7.6% expected in 1H18. **We reiterate our HOLD recommendation.**

Zanetti - Key data

02/08/18		Beverages & Tobacco		
Target Price (EUR)		8.2		
Rating		HOLD		
Mkt price (EUR)		6.99		
Mkt cap (EUR M)		240		
Ratios (x)	2018E	2019E	2020E	
P/E	11.9	10.3	9.1	
EV/Sales	0.44	0.41	0.37	
EV/EBITDA	5.4	4.8	4.2	
Performance (%)	1M	3M	12M	
Absolute	-3.3	-3.6	-11.6	
Rel. to FTSE IT All	-4.3	5.1	-12.4	

Source: FactSet and Intesa Sanpaolo Research estimates

Banca IMI is Specialist to Massimo Zanetti Beverage Group

Luca Bacocoli - Research Analyst

+39 02 8794 9810

luca.bacocoli@intesasanpaolo.com

MZBG - 2Q/1H18 preview

EUR M	2Q17A	1H17A	FY17A	1Q18A	2Q18E	2Q18C	2Q E/C %	2Q yoy %	1H18E	1H18C	1H E/C %	FY18E	FY18C
Volume	32,356.0	63,239.0	129,394.1	30,600	31,935.4	NA		-1.3	62,535.4	NA		133,007	NA
Price	7.5	7.5	7.4	6.9	7.0	NA		-6.1	7.0	NA		7.2	NA
Sales	242.0	475.6	956.1	211.2	224.4	226.8	-1.1	-7.3	435.6	438.0	-8.4	952.3	953.0
Gross Margin	99.2	195.9	397.4	93.2	96.0	NA		-3.3	189.2	NA		401.5	NA
on sales %	41.0	41.2	41.6	44.1	42.8	NA			43.4	-		42.2	NM
Adj. EBITDA	15.2	29.1	75.0	15.2	16.1	16.4	-1.8	6.0	31.3	31.6	7.6	77.0	77.5
on sales %	6.3	6.1	7.8	7.2	7.2	7.2			7.2	7.2		8.1	8.3
EBIT	6.0	10.8	31.7	6.4	7.1	7.2	-1.8	19.2	13.5	13.6	24.7	38.0	39.0
on sales %	2.5	2.3	3.3	3.0	3.2	3.2			3.1	3.1		4.0	4.3
Pre-tax income	3.4	-3.6	23.0	4.2	4.7	4.9	-3.1	38.3	8.9	9.1	-353.9	31.1	31.1

A: actual; E: estimates; C: FactSet consensus; Source: Company data and Intesa Sanpaolo Research

Pirelli (BUY)

Results Preview

Results due on 7 August: While not a strong year overall for tyre producers and we see a relatively weak 2Q for Pirelli, we expect a further improvement in profitability in the quarter and a set of results consistent with the group's full-year operating guidance. At the top-line level, we estimate a 1% slowdown in the group's volumes as the combined result of two opposing effects: 1) the steady double-digit growth of Pirelli's HV tyres (between 12% and 13%); and 2) a marked double-digit decline of Pirelli's standard tyres, due to a general slowdown in the sale of these tyres, the production halt in Brazil due to strikes, and acceleration of the exit strategy from this unprofitable segment. Among the positive trends, the group should benefit from a robust price mix, which despite being lower than 1Q, due to a higher contribution from the OE channel, should be a still strong 6%. The forex impact should remain negative, but to a lesser extent than in 1Q (we estimate -6.9% FX effect). Overall, while expecting a 1.8% decrease in revenues, we forecast a 2Q18E adjusted EBIT without start-up costs of EUR 234M, or +5.1% vs. 2Q17 and +1.7% vs. 1Q18, implying an improvement in margins from 16.6% in 2Q17 to 17.7%. On the net debt side, we expect a slight WC generation and we see a net financial position at EUR 3.91Bn.

Outlook and Our View: While not excluding some downwards revisions at the top-line level to incorporate the lower volumes trend, reflecting the slowdown of the standard tyres, we continue to view Pirelli's operating and net debt targets as reasonable, which envisage an adjusted EBIT without start-up costs above EUR 1Bn, an adj. EBIT of around EUR 1Bn and a net debt/adj. EBITDA without start-up costs at approx. 2.3x.

Pirelli - 2Q/1H18 preview

EUR M	2Q17A	1H17A	FY17A	2Q18E	2Q18C	2Q E/C %	2Q yoy %	1H18E	1H18C	1H E/C %	FY18E	FY18C
Net revenues	1,346.00	2,685.30	5,352.3	1,322.30	1,332.50	-0.8	-1.8	2,632.6	2,642.70	-0.4	5,481.5	5,565.2
Adj. EBITDA w/o start-up costs	285.1	566.8	1,175.1	301	304.5	-1.1	5.6	597.6	602.5	-0.8	1,310.6	1,313.8
Adj. EBITDA	276	546.4	1,136.2	289	294	-1.7	4.7	573.6	581.8	-1.4	1,270.6	1,270.1
Adj. EBITDA margin %	20.5	20.3	21.2	21.9	22.1			21.8	22		23.2	22.8
Adj. EBIT w/o start-up costs	223.1	442.6	925.1	234.4	237	-1.1	5.1	464.8	466.4	-0.3	1,018.1	1,021.2
Adj. EBIT w/o start-up costs margin %	16.6	16.5	17.3	17.7	17.8			17.7	17.6		18.6	18.3
Adj. EBIT	211.2	416.2	875.2	222.4	225	-1.2	5.3	440.8	443.5	-0.6	978.1	980
EBIT	149.5	318.2	672.1	188.4	188.4	0	26	372.4	372.4	0	828.1	832.9
EBIT margin %	11.1	11.8	12.6	14.2	14.1			14.1	14.1		15.1	15
Net attributable income	94.9	67.6	174.9	85.8	90	-4.7	-9.6	176.2	182.5	-3.5	439.6	449
Adj. net attributable income	NA	159	385.5	104.8	NA	NA	NM	217.8	NA	NA	546.1	NA
Net debt/-cash	4,170.0	4,170.0	3,220.0	3,914.00	3,900.0	0.4	-6.1	3,914.0	3,900.0	0.4	3,049.0	2,930.9

A: actual; E: estimates; C: company-provided consensus; NA: not available; NM: not meaningful; Source: Company data and Intesa Sanpaolo Research

Unicredit (ADD)

Results Preview

Results due on 7 August (before market opening): In 2Q18E, we expect Unicredit to report a net income of EUR 1,059M, 8.6% above company-gathered market consensus, mainly on lower operating costs and loan loss provisions. We estimate stable core revenues on a quarterly basis and a weak trading income. We assume a cost of risk at 61bps and a CET1 FL at 12.9%, penalised by the BTP-Bund spread widening.

Outlook and Our View: We have a positive stance on the stock on valuation grounds.

Pirelli - Key data

02/08/18	Auto & Components		
Target Price (EUR)	8.6		
Rating	BUY		
Mkt price (EUR)	7.35		
Mkt cap (EUR M)	7352		
Ratios (x)	2018E	2019E	2020E
P/E	13.5	11.3	8.9
EV/Sales	NA	1.8	1.6
EV/EBITDA	NA	7.6	6.4
Performance (%)	1M	3M	12M
Absolute	2.8	2.1	NA
Rel. to FTSE IT All	1.7	11.3	NA

Source: FactSet and Intesa Sanpaolo Research estimates

Monica Bosio - Research Analyst

+39 02 8794 9809

monica.bosio@intesasanpaolo.com

Unicredit - Key data

02/08/18	Banks		
Target Price (EUR)	20.1		
Rating	ADD		
Mkt price (EUR)	14.86		
Mkt cap (EUR M)	33097		
Ratios (x)	2018E	2019E	2020E
P/E	11.1	8.1	6.7
P/TBV	0.65	0.61	0.57
Performance (%)	1M	3M	12M
Absolute	3.9	-17.3	-11.7
Rel. to FTSE IT All	2.9	-9.9	-12.5

Source: FactSet and Intesa Sanpaolo Research estimates

Manuela Meroni - Research Analyst

+39 02 8794 9817

manuela.meroni@intesasanpaolo.com

Unicredit – 2Q/1H18 preview												
EUR M	2Q17A	1H17A	1Q18A	2Q18E	2Q18C	2Q E/C %	2Q qoq %	2Q yoy %	1H18E	1H yoy %	FY18E	FY18C
Net interest income	2,748	5,408	2,636	2,637	2,626	0.4	0.0	-4.0	5,273	-2.5	10,460	10,531
Commission income	1,730	3,433	1,750	1,736	1,728	0.5	-0.8	0.4	3,486	1.6	6,903	6,883
Trading income	462	1,053	478	328	333	-1.6	-31.5	-29.2	806	-23.5	1,750	1,538
Total income	5,172	10,322	5,114	4,905	4,890	0.3	-4.1	-5.2	10,019	-2.9	19,921	19,761
Operating costs	2,858	5,744	2,738	2,696	2,731	-1.3	-1.5	-5.7	5,434	-5.4	10,969	10,936
Gross operating profit	2,314	4,578	2,376	2,209	2,162	2.2	-7.0	-4.5	4,585	0.2	8,952	8,821
Loan loss provisions	661	1,427	496	630	670	-6.0	27.0	-4.7	1,126	-21.1	3,030	2,892
Pre-tax income	1,338	2,392	1,389	1,395	1,296	7.7	0.4	4.3	2,784	16.4	4,760	4,892
Net income	945	1,853	1,112	1,059	975	8.6	-4.8	12.0	2,171	17.2	3,372	3,701
CoR (bps)	60	69	45	61	NA	NA	34.6	1.4	54	-21.1	68	NA
CET1 FL (%)	12.8	12.8	13.1	12.9	NA	NA	-0.2	0.1	12.9	0.1	12.5	NA

NA: not available; A: actual; E: estimates; C: company-provided consensus; Source: Company data and Intesa Sanpaolo Research

UnipolSai (HOLD)

Results Preview

Results due on 10 August (before trading hours): We estimate a net profit of EUR 146M before minorities in 2Q18E (EUR 141M after minorities), a decline of 39% yoy and 12% qoq on a like-for-like basis (excluding the one-off write-downs on Unipol's banking business in 2Q17 and the capital gain on Popolare Vita from 1Q18 data), due to lower financial results. We highlight a good estimated technical trend in non-life, with almost EUR 2.06Bn quarterly gross premiums forecast (+0.6% yoy on a like-for-like basis, excluding the contribution of Linear and UniSalute from 2Q18E) and a 96.5% combined ratio (98.5% in 2Q17A), showing a seasonal increase qoq. Our projections factor in gross life premiums of EUR 678M, basically stable vs. 2Q17 if we exclude the contribution of Popolare Vita and Lawrence Life. Our quarterly pre-tax estimate (EUR 206M) results from EUR 158M non-life, EUR 58.5M life and EUR -11M other businesses and real estate. As regards capital position, given the BTP-Bund spread widening in 2Q, we estimate a 210% economic solvency ratio at end-June from 230% at end-March. A conference call is scheduled for 10 August at 12:00 CET.

Outlook and Our View: Ahead of 2Q/1H18 results' release, **we confirm our neutral view.**

UnipolSai – 2Q/1H18 preview												
EUR M	2Q17A	1H17A	1Q18A	2Q18E	2Q18C	2Q E/C %	2Q qoq %	2Q yoy %	1H18E	1H yoy %	FY18E	FY18C
Gross Premiums	2,771	5,604	2,895	2,734	NA	NA	-5.6	-1.3	5,629	0.4	10,861	11,149
Non-life	1,883	3,673	1,920	2,056	NA	NA	7.1	9.2	3,976	8.3	7,907	NA
Life	888	1,931	975	678	NA	NA	-30.5	-23.7	1,653	-14.4	2,954	NA
Combined ratio (%)	98.5	97.9	95.4	96.5	NA	NA			96.0		96.3	95.7
Pre-tax profit	185	394	544	206	NA	NA	-62.0	11.6	750	90.5	1,039	NA
Net profit before minorities	135	282	474	146	NA	NA	-69.2	8.0	620	119.8	820	NA
Net profit	125	265	446	141	NA	NA	-68.4	12.8	587	121.5	782	670

NA: not available; NM: not meaningful; A: actual; E: estimates; C: FactSet consensus; Source: Company data and Intesa Sanpaolo Research

UnipolSai - Key data

02/08/18				Insurance
Target Price (EUR)				2.0
Rating				HOLD
Mkt price (EUR)				1.95
Mkt cap (EUR M)				5528
Ratios (x)	2018E	2019E	2020E	
P/E	10.1	8.5	8.3	
P/BV	0.93	0.88	0.84	
Performance (%)	1M	3M	12M	
Absolute	3.2	-12.4	0.3	
Rel. to FTSE IT All	2.1	-4.5	-0.6	

Source: FactSet and Intesa Sanpaolo Research estimates

Elena Perini, CFA - Research Analyst

+39 02 8794 9814

elena.perini@intesasanpaolo.com

Unipol (BUY)

Results Preview

Results due on 10 August (before trading hours): We expect Unipol to report a 2Q18E net profit before minorities of EUR 146M (EUR 109M after minorities), a decline of 37% yoy and 10% qoq on a like-for-like basis (excluding the one-off write-downs on the banking business in 2Q17 and the capital gain on Popolare Vita from 1Q18 data), due to lower financial results. We highlight a good estimated technical trend in non-life, with almost EUR 2.09Bn quarterly gross premiums forecast (+2.2% yoy) and a 96.2% combined ratio (97.1% in 2Q17A), showing a seasonal increase qoq. Our projections factor in gross life premiums of EUR 1,037M, a 20% yoy increase on a like-for-like basis (excluding from 2Q17 the contribution of Popolare Vita and Lawrence Life). We estimate a quarterly pre-tax profit of EUR 208M, resulting from EUR 169M non-life, EUR 70M life, Unipol Banca EUR 10M and EUR -41M holding and other, with a breakeven for UnipolReC. As regards capital position, given the BTP-Bund spread widening in 2Q, we estimate a 165% solvency II ratio at end-June from 181% at end-March. A conference call is scheduled for 10 August at 12:00 CET.

Outlook and Our View: We expect investors to be mainly concentrated on updates related to the group structure's streamlining, including potential M&A prospects for Unipol Banca, also in the light of the recent strengthening of the stake held by the Unipol group in BPER (15.06%).

Unipol – 2Q/1H18 preview

EUR M	2Q17A	1H17A	1Q18A	2Q18E	2Q18C	2Q E/C %	2Q qoq %	2Q yoy %	1H18E	1H yoy %	FY18E	FY18C
Gross Premiums	3,116	6,326	3,291	3,124	NA	NA	-5.1	0.3	6,415	1.4	11,981	12,470
Non-life	2,043	4,026	1,945	2,087	NA	NA	7.3	2.2	4,032	0.2	8,027	NA
Life	1,073	2,300	1,346	1,037	NA	NA	-23.0	-3.4	2,383	3.6	3,954	NA
Combined ratio (%)	97.1	97.6	95.1	96.2	NA	NA			95.7		95.9	95.6
Pre-tax profit	-741	-516	542	208	NA	NA	-61.5	NM	750	NM	1,086	NM
Net profit before minorities	-547	-390	472	146	NA	NA	-69.1	NM	618	NM	851	NA
Net profit	-596	-489	325	109	NA	NA	-66.3	NM	434	NM	632	NM

NA: not available; NM: not meaningful; A: actual; E: estimates; C: FactSet consensus; Source: Company data and Intesa Sanpaolo Research

Unipol - Key data

02/08/18	Insurance		
Target Price (EUR)	5.1		
Rating	BUY		
Mkt price (EUR)	3.53		
Mkt cap (EUR M)	2529		
Ratios (x)	2018E	2019E	2020E
P/E	6.4	5.0	4.9
P/BV	0.46	0.44	0.41
Performance (%)	1M	3M	12M
Absolute	6.5	-20.8	-9.9
Rel. to FTSE IT All	5.4	-13.6	-10.8

Source: FactSet and Intesa Sanpaolo Research estimates

Elena Perini, CFA - Research Analyst

+39 02 8794 9814

elena.perini@intesasnpaolo.com

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Equity rating key (short-term horizon: 3M)

Equity rating key (short-term horizon: 3M)	
Short-term rating	Definition
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Sample

Intesa Sanpaolo Research Department – Head of Research Department: Gregorio De Felice**Head of Equity & Credit Research**

Giampaolo Trasi	+39 02 8794 9803	giampaolo.trasi@intesasnpaolo.com
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Equity Research

Monica Bosio	+39 02 8794 9809	monica.bosio@intesasnpaolo.com
Luca Bacoccoli	+39 02 8794 9810	luca.bacoccoli@intesasnpaolo.com
Antonella Frongillo	+39 02 8794 9688	antonella.frongillo@intesasnpaolo.com
Inti Salvador Merino Rimini	+39 02 8794 9813	inti.merino@intesasnpaolo.com
Manuela Meroni	+39 02 8794 9817	manuela.meroni@intesasnpaolo.com
Gian Luca Pacini	+39 02 8794 9818	gianluca.pacini@intesasnpaolo.com
Elena Perini	+39 02 8794 9814	elena.perini@intesasnpaolo.com
Bruno Permutti	+39 02 8794 9819	bruno.permutti@intesasnpaolo.com
Roberto Ranieri	+39 02 8794 9822	roberto.ranieri@intesasnpaolo.com

Corporate Broking Research

Alberto Francese	+39 02 8794 9815	alberto.francese@intesasnpaolo.com
Gabriele Berti	+39 02 8794 9821	gabriele.berti@intesasnpaolo.com

Technical Analysis

Corrado Binda	+39 02 8021 5763	corrado.binda@intesasnpaolo.com
Sergio Mingolla	+39 02 8021 5843	antonio.mingolla@intesasnpaolo.com

Research Clearing & Production

Anna Whatley	+39 02 8794 9824	anna.whatley@intesasnpaolo.com
Bruce Marshall	+39 02 8794 9816	robert.marshall@intesasnpaolo.com
Annita Ricci	+39 02 8794 9823	annita.ricci@intesasnpaolo.com
Wendy Ruggeri	+39 02 8794 9811	wendy.ruggeri@intesasnpaolo.com
Elisabetta Bugliesi (IT support)	+39 02 8794 9877	elisabetta.bugliesi@intesasnpaolo.com

Banca IMI SpA**Institutional Sales**

Catherine d'Aragon	+39 02 7261 5929	catherine.daragon@bancaimi.com
Carlo Cavallieri	+39 02 7261 2722	carlo.cavallieri@bancaimi.com
Stefan Gess	+39 02 7261 5927	stefan.gess@bancaimi.com
Francesca Guadagni	+39 02 7261 5817	francesca.guadagni@bancaimi.com
Federica Repetto	+39 02 7261 5517	federica.repetto@bancaimi.com
Daniela Stucchi	+39 02 7261 5708	daniela.stucchi@bancaimi.com
Marco Tinessa	+39 02 7261 2158	marco.tinessa@bancaimi.com
Mark Wilson	+39 02 7261 2758	mark.wilson@bancaimi.com

Corporate Broking

Carlo Castellari	+39 02 7261 2122	carlo.castellari@bancaimi.com
Laura Spinella	+39 02 7261 5782	laura.spinella@bancaimi.com

Sales Trading

Lorenzo Pennati	+39 02 7261 5647	lorenzo.pennati@bancaimi.com
Alessandro Bevacqua	+39 02 7261 2904	alessandro.bevacqua@bancaimi.com

Equity Derivatives Institutional Sales

Emanuele Manini	+39 02 7261 5936	emanuele.manini@bancaimi.com
Andrea Cisolotto	+39 02 7261 5975	andrea.cisolotto@bancaimi.com
Francesca Dizione	+39 02 7261 2759	francesca.dizione@bancaimi.com
Enrico Ferrari	+39 02 7261 2806	enrico.ferrari@bancaimi.com
Alessandro Monti	+44 207 894 2412	alessandro.monti@bancaimi.com
Umberto De Paoli	+44 207 894 2456	umberto.depaoli@bancaimi.com

Banca IMI SpA – Head of Market Hub: Gherardo Lenti Capoduri**E-commerce Distribution**

Alessandra Minghetti	+39 02 7261 2973	alessandra.minghetti@bancaimi.com
Alessia Galluccio	+39 02 7261 2339	alessia.galluccio@bancaimi.com
Umberto Menconi	+39 02 7261 5492	umberto.menconi@bancaimi.com
Filippo Besozzi	+39 02 7261 5922	filippo.besozzi@bancaimi.com
Lawrence Peirson (London Office)	+44 207 894 2476	lawrence.peirson@bancaimi.com

Brokerage & Execution

Carmine Calamello	+39 02 7261 2194	carmine.calamello@bancaimi.com
-------------------	------------------	--------------------------------

Platform Service

Sergio Francolini	+39 02 7261 5859	sergio.francolini@bancaimi.com
-------------------	------------------	--------------------------------

Banca IMI Securities Corp.**US Institutional Sales**

Barbara Leonardi	+1 212 326 1232	barbara.leonardi@bancaimi.com
Greg Principe	+1 212 326 1233	greg.principe@bancaimi.com

Banca IMI SpA

Largo Mattioli, 3
20121 Milan, Italy
Tel: +39 02 7261 1

Banca IMI Securities Corp.

1 William Street
10004 New York, NY, USA
Tel: (1) 212 326 1100

Banca IMI London Branch

90 Queen Street
London EC4N 1SA, UK
Tel +44 207 894 2600