INTESA SANPAOLO

Equity

Equity Market: Top Picks for 2025

Super-Champions Flexing their Muscles

12 December 2024: 7:32 CET
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Equity Strategy Report

It takes a super-champion to stand up to the 2025 super-challenge! We are not looking for Marvel super-heroes nor football stars: rather, companies with highly distinctive, if not unique, qualities, to successfully face a triple challenge (geopolitical – macro – business). After a fundamentals-backed rise in 2024, we see further upside for the FTSE MIB (+16% in a 2Y horizon), with earnings growth moving back to pre-pandemic levels, and risk premium heading south to its 6.0% long-term average.

Earnings bottoming out, towards a fresh start in 2025

Earnings momentum should improve in 2025 (+5%) and be back to trend in 2026 (+9%) for the FTSE MIB. Non-Financials should be past the bottom, with most destocking done at the turn of the year, further support coming from an easier monetary landscape and slowly recovering real household income (a strong USD adds to the picture). As for Financials, a flattening NII should be balanced by robust fee income, with steady asset quality and sound capital distribution.

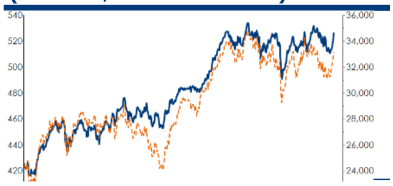
A 16% upside in 2025-2026, with earnings growth back to pre-pandemic levels

We expect a 9% upside at YE25E, with an ERP at 6.2% (25Y average), and 10.5x [illegible] P/E (FTSE MIB at c. 37,500). We then anticipate a further 7% upside at YE26E (FTSE MIB at c. 40,000), with ERP at its 30Y average (6.0%), for a combined c. 16% upside in a 2-year horizon, with earnings growth back to normalised pre-pandemic levels in 2026 (+9%). We [illegible] GDP growth in Italy at 1.0% both in 2025 and 2026, after a soft +0.5% in 2024, marching broadly at potential.

'Super-Champions at Play': Our Top Picks for 2025

We are looking for "Super-Champions" within our coverage: companies with highly distinctive, if not unique, [illegible] qualities, among others: a) strong price leadership; b) clear brand recognition; c) beneficial exposure to a strong USD; and d) capacity to withstand US trade policy and tariffs. As for Financials: e) low interest rates sensitivity; f) superior asset quality; and g) strong distribution network. [illegible] Top Picks' selection is shown below.

Index Performance, -1Y (FTSE MIB, EURO STOXX 50)



Source: FactSet;

Italy - Dividend Yield vs. 10Y BTP yield (2020-24)

Report priced at market close on 06/12/2024 (except where otherwise indicated within the report).

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

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Equity Research Team

Top Picks for 2025 – Key data

Company	Rating	TP (EUR/sh)	Market Price (EUR/sh)	Market cap (EUR M)
Allianz	BUY	345	301.6	116468
Banco BPM	BUY	7.9	7.5	11379
Brunello Cucinelli	BUY	108	96.9	6589
Ferrari	BUY	475	432.3	77987
Finecobank	BUY	17.4	16.6	10093
Generali	BUY	31.0	28.1	43777
Hermes	BUY	2390	2259.0	238481
Leonardo	BUY	29.8	26.4	15268
NatWest[1]	BUY	502	414	34382
Prysmian	BUY	76.6	64.5	18351
Technogym	BUY	11.2	10.3	2066
Tenaris	BUY	22.1	18.1	21309
Veolia	BUY	35.0	28.3	*20493

1) in GBp (GBP for market cap);* not including recent minor change in total number of shares; Priced at market close of 06/12/2024; Source: Intesa Sanpaolo Research estimates and FactSet data

See page 93 for full disclosure and analyst certification

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Contents

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An Ongoing Multiples Expansion in Italy: Where Next?

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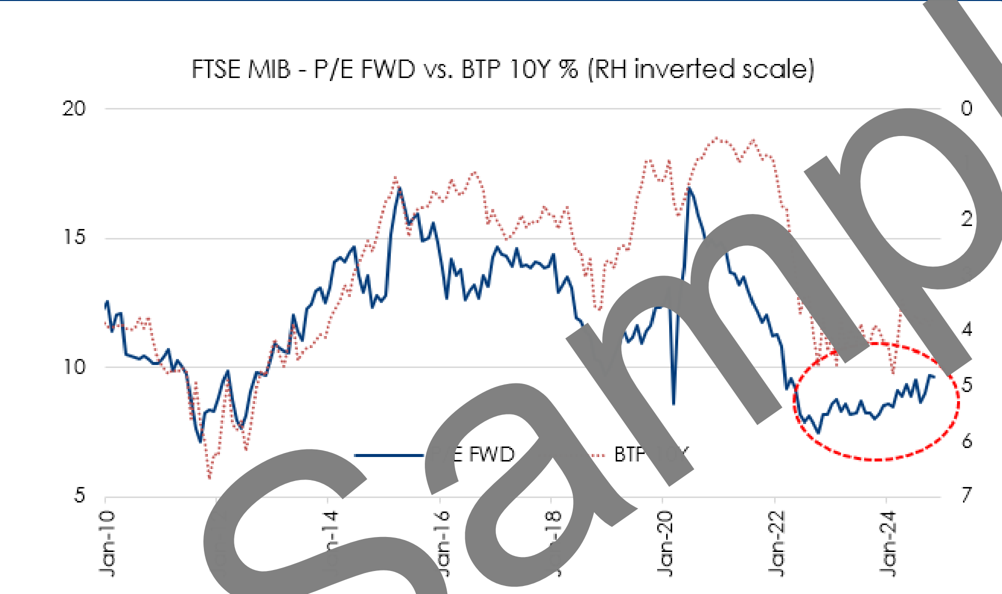
We analysed the rise in the FTSE MIB in 2024, assessing to what extent interest rates and earnings forecasts have contributed to the index's advance. We highlight that multiples expansion was supported by fundamentals, with room for further P/E expansion in 2025. The same analysis for the S&P 500 shows instead that animal spirits played a large part in the 27% index rise in 2024.

Driver 1: Interest rates - Strong correlation, but weakening in 2024

A strong, but weakening, correlation between P/E and BTP

The chart below shows the strong (inverse) correlation between P/E 12M FWD for FTSE MIB and the yield on Italy's 10Y BTP over the 2010-2024 period: the r2 was -71% during the period; however, in the last 24 months, the correlation has been much lower, down to -40%.

FTSE MIB – The correlation between P/E and BTP 10Y yield (2006-24)



Source: Intesa Sanpaolo Research elaboration on [illegible]G/IBES consensus data

A partial decoupling in 2024

The BTP 10Y yield move[illegible].1% range during 2024 (average: 3.7% YTD), before touching new lows in recen[illegible]ays (3.2%). On the other hand, the FTSE MIB P/E 12M FWD moved gradually upwards from c. 8.2x at YE22 to the current 9.7x (an 18% multiples expansion since YE22).

In short, we believe that the rise in Italian equities in early 2024 mirrored the decline in interest rates which had already taken place in late 2023, anticipating further rate drops. Thereafter, with long-term rates overall stabilising, the Italian equity market lost momentum in 2H24.

Driver 2: Earnings forecasts - Improving 2025 and 2026 outlook

2024 consensus estimates for FTSE MIB were marked down (currently -12.6%), particularly in 2H24, after weak quarterly reports in cyclical sectors such as Auto (negative "Stellantis effect").

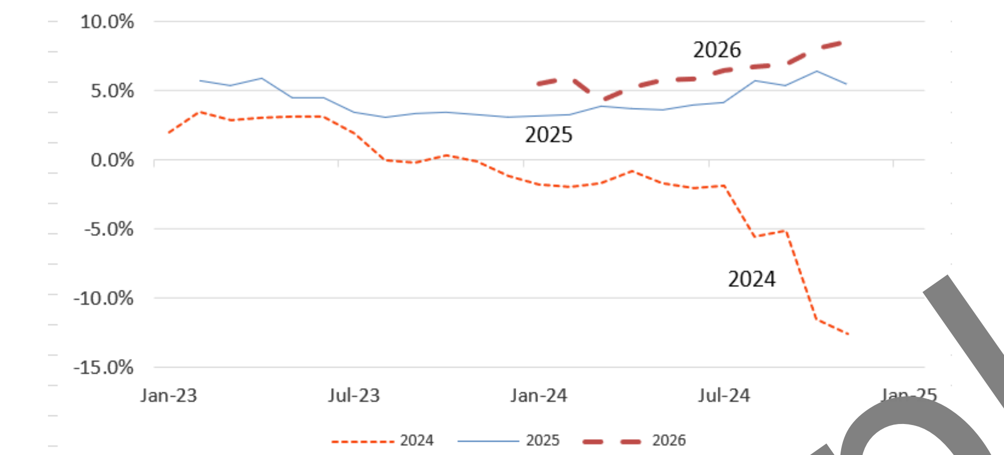
Recovering earnings momentum in 2025-2026

2025 EPS growth moved slightly up, from +3% at Dec-23 to the current +5%. More remarkably, 2026 earnings forecasts moved up from +6% to the current +9%; the 2Y FWD EPS growth (2025-2026) has improved to the current +7%, also due to the phase-in of better 2026 forecasts.

We believe that Non-Financials should be bottoming out, with most destocking done at the turn of the year, together with an easier monetary landscape and slowly recovering real household income (a strong USD adds to the picture). As for Financials, a flattening NII should be balanced by robust fee income, with steady asset quality and sound capital distribution.

Earnings for Non-Financials bottoming out

FTSE MIB – Improving earnings momentum in 2025-26



Source: Intesa Sanpaolo Research elaboration on LSEG/IBES consensus data

Breaking down FTSE MIB multiples expansion - Supported by fundamentals

Our equity risk premium model allows us to estimate the contribution of interest rates and earnings forecasts to the FTSE MIB performance. We calculate the change in FTSE MIB P/E in the 2024 period, and then we break it down by calculating, separately, the impact of each model variable in the analysed period, all else being equal (our elaborations are on LSEG/IBES consensus data).

Our risk premium model at play

As a result, we may estimate to what extent changes in yield curve, changes in earnings forecasts, and "pure" multiples expansion (or lower equity risk premium, namely higher risk appetite from investors) influenced the FTSE MIB performance.

A 19% P/E 24 expansion, made of:

- FTSE MIB 2024 P/E moved up from 8.5x at Dec-23 to the current 10.1x, a 19% expansion in FTSE MIB P/E; the index performance has been +13% YTD. As for 2025, the FTSE MIB P/E moved up from 8.3x to 9.6x, a 16% expansion in the same period;
- We use the euro area yield curve to estimate the equity risk premium implied in FTSE MIB P/E (as we do for any other index in the euro area). For our calculation, we have considered the shift in the euro yield curve starting from Nov-23 to the current level, to account for the fact that most of the downwards shift had taken place in 4Q23 already. This explains c. **5 percentage points** in FTSE MIB P/E 2024 expansion, based on our model;

5%: lower interest rates

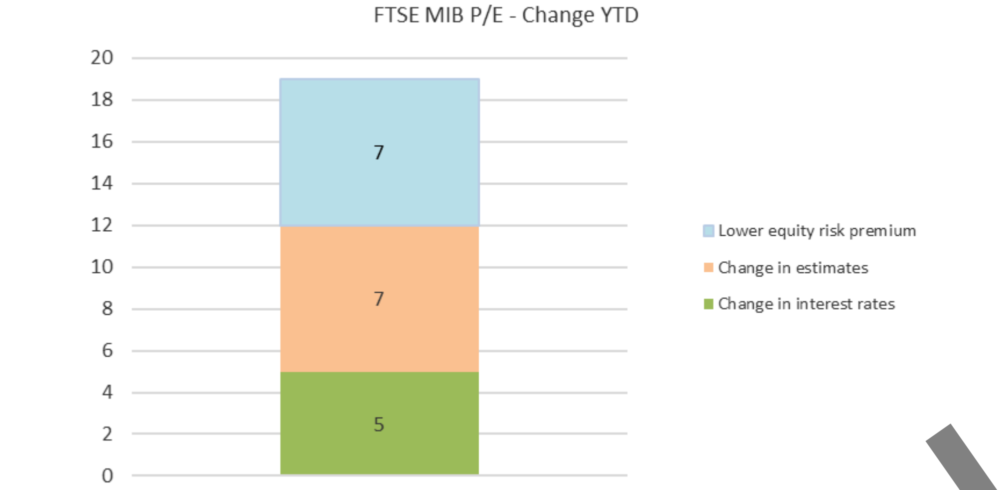
- We then calculate the impact of the change in estimates: note that we use 3 years consensus estimates in our model (currently, 2024-2026). The contribution is positive, mainly due to better 2025 and, mostly, 2026 earnings growth estimates (+9%). This explains c. **7 percentage points** in the FTSE MIB P/E 2024 expansion;

7%: change in estimates

- The remaining **7 percentage points** reflect a lower equity risk premium (from c. 7.6% at YE23 to the current 7.2% for FTSE MIB): namely, a price effect, mirroring investors' higher risk appetite in the period.

7%: lower equity risk premium

FTSE MIB – The drivers of P/E multiples expansion in 2024 (percentage points)



Source: Intesa Sanpaolo Research elaboration

The FTSE MIB performance was supported by fundamentals

In summary, the rise in the FTSE MIB in 2024 YTD finds enough support in the combined effect of fundamental drivers: a slightly more dovish euro area yield curve (moved downwards already in 4Q23) and an improved earnings outlook (mainly, better 2026 estimates).

The further P/E expansion was justified by a 40bps lower equity risk premium during the year: 12 months ago, we had anticipated a decline in the ERP at YE24 in Italy (-25bps was our assumption), so it was slightly ahead of our forecast.

Looking ahead to 2025

Looking ahead to 2025, we are at ease with the current +5% consensus forecast for the FTSE MIB, already incorporated into our model. Lastly, interest rates played in the expected direction in 2024 (the 'two-way street'); however, the downwards movement has been lower than the market anticipated at YE23.

An additional downwards shift in yield not priced in

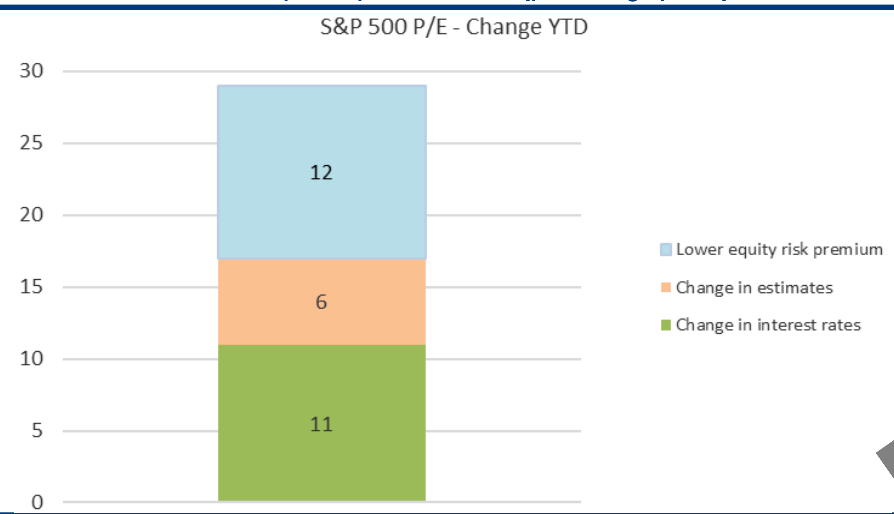
We also calculate that an additional 50bps downwards shift in the yield curve (all else being equal) would add c. 9% to current 2024 P/E for FTSE MIB (from 10.1x to 11.0x): in other words, current prices have not yet incorporated a further downwards shift along the euro area yield curve.

Breaking down S&P 500 multiples expansion - Animal spirits at work!

We repeat the same calculation for the S&P 500; below are the results of our analysis.

- The S&P 500 P/E 2024 moved up from 19.6x at Dec-23 to the current 25.3x, a 29% expansion in S&P 500 P/E; the index performance was +27% YTD; **A 29% P/E 24 expansion, made of:**
- We use the US yield curve to estimate the equity risk premium implied in S&P 500. For our calculation, we have considered the shift in the US yield curve starting from Nov-23 to the current level, to account for the fact that most of the downwards shift had taken place in 4Q23 already. This explains c. **11 percentage points** in S&P 500 2024 P/E expansion, based on our model; **11%: lower interest rates**
- We then calculate the impact of the change in estimates: note that we use 3 years consensus estimates in our model (currently, 2024-2026). The contribution is positive, explaining **6 percentage points** in the S&P 500 P/E 2024 expansion; **6%: change in estimates**
- The remaining **12 percentage points** reflect a lower equity risk premium (from c. 5.7% at YE23 to the current 4.7% for S&P 500): namely, a very large price effect, mirroring investors' much higher risk appetite for US equities in the period. **12%: lower equity risk premium**

S&P 500 – The drivers of P/E multiples expansion in 2024 (percentage points)



Source: Intesa Sanpaolo Research elaboration

The rise in S&P 500 in 2024 was only in part backed by fundamentals

In summary, the rise in S&P 500 in 2024 YTD was only partly explained by fundamental drivers (positive earnings revision and a downwards shift in yield curve). The further P/E expansion was justified by a 100bps lower equity risk premium during the year: a large drop, mirroring the investors' much higher risk appetite for US equities.

This also finds confirmation in our Implied Medium-Term Growth analysis (see page 23), with the IMTG for the S&P 500 moving from +5% at YE23 to the current +12%, namely EPS growth 2027-2032 implied in current S&P 500 P/E level.

A more balanced picture for the Euro Stoxx

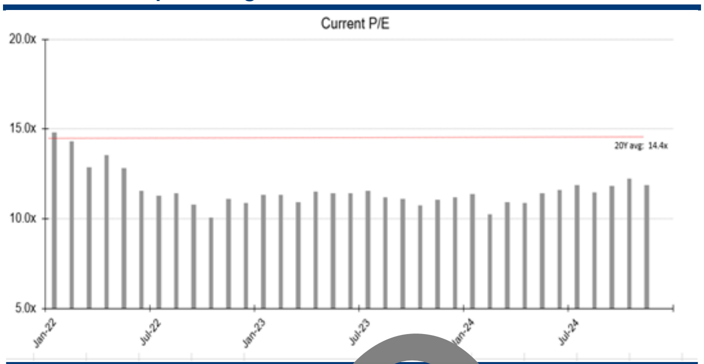
Finally, the same analysis for the **Euro Stoxx** index shows a more balanced picture: a 12% P/E expansion (with a +8% rise in the index YTD), finds support in the yield curve downwards shift (5 ppts) and better 2025-26 earnings forecasts (3ppts), the rest being a lower ERP (c. -45bps).

A Recap in Six Charts

A P/E multiples expansion in its infancy in Italy…

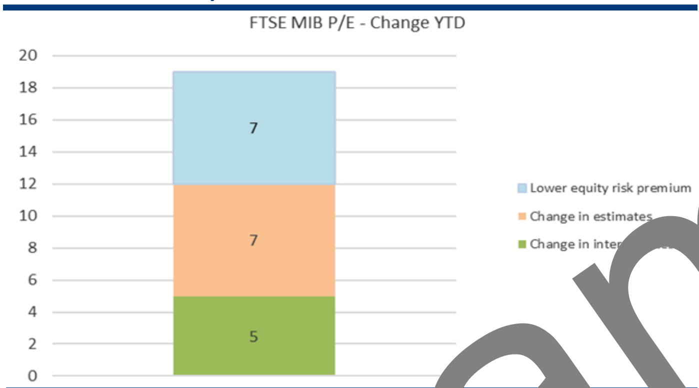
Source: Intesa Sanpaolo Research elaboration on LSEG/IBES

…with further space to go



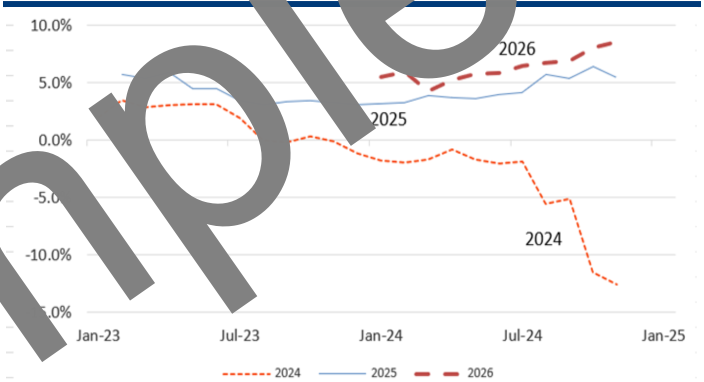
Source: Intesa Sanpaolo Research elaboration on LSEG/IBES data

A 2024 rise backed by fundamentals for FTSE MIB …



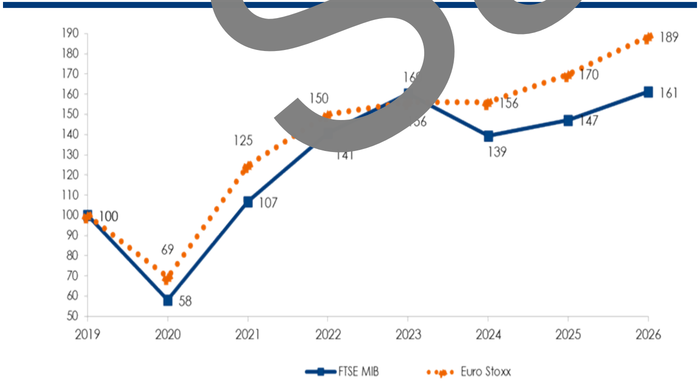
Source: Intesa Sanpaolo Research elaboration on LSEG/IBES data

…also thanks to better 2025 and 2026 earnings outlook…



Source: Intesa Sanpaolo Research elaboration on LSEG/IBES data

…reaccelerating together with Euro Stoxx earnings



Source: Intesa Sanpaolo Research elaboration on LSEG/IBES data

…with Italian equities offering an attractive yield vs. 10Y BTP

Source: Intesa Sanpaolo Research elaboration on LSEG / IBES data

A Rise, with Air Pockets in 2024

A short recap on 2024 FTSE MIB performance

A steady upwards trend in early 2024

After a sharp +28% rise in 2023, Italian equities continued to move steadily upwards from January until May 24 on a gradual improvement in the global growth outlook, with a lower probability of a recession, supported a general rise in risk appetite on equity markets.

A consolidation phase thereafter, with heightened volatility

After the May peak, Italian equities entered a prolonged consolidation phase: in fact, at the end of 2023 investors had anticipated a rapid and large dovish twist in CBs' monetary policies; however, stickier than expected inflation prompted investors to scale down their expectations for rate cuts in 2024.

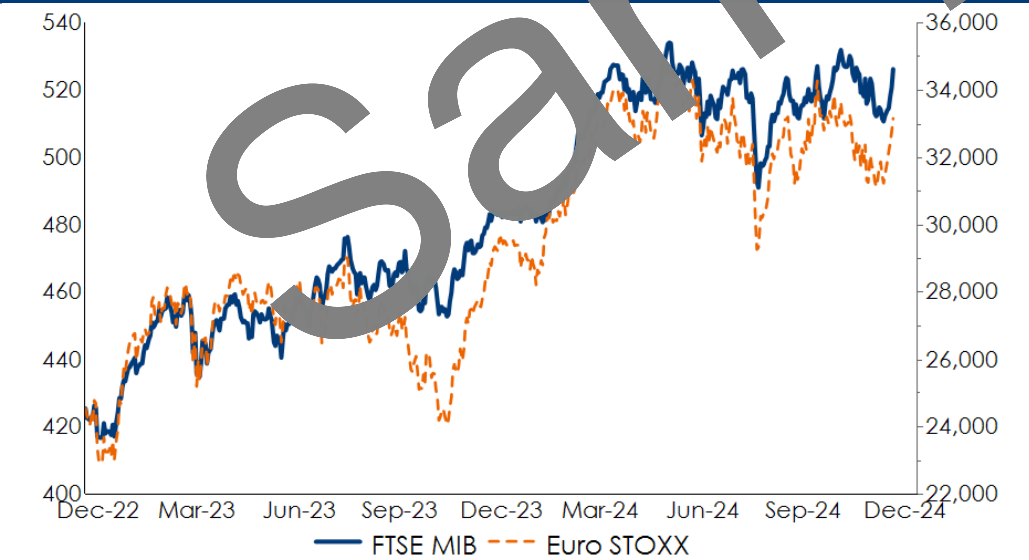
In August the closing of sizable carry trade positions in Yen triggered a sharp correction in international equity markets and a prolonged phase of heightened volatility. The drop was fully recovered thereafter, with equities finding support in the beginning of the ECB easing cycle. The 2Q reporting season in Italy showed a slowdown in earnings growth for Non-Financials (in particular, cyclicals like Auto) and a sound trend for Financials; then, 3Q results gave early signals that the earnings slowdown could be bottoming out at the turn of the year.

The FTSE MIB is up +13% since YE23, currently at c. 34,500, after hitting a high at [illegible],474 in mid-May (and a low at 29,926 back in mid-January); in the same period, the Euro Stoxx is up [illegible].

A strong sector impact from Financials

We highlight a strong sector impact behind the FTSE MIB performance: 7 out of the first [illegible] outperformers YTD belong to the Financials segment, and Financials account for [illegible] 35% of the FTSE MIB total weighting, hence explaining the yearly performance sector-wise.

FTSE MIB and Euro Stoxx performance -24M



Source: FactSet

2025: Our assumptions in a nutshell

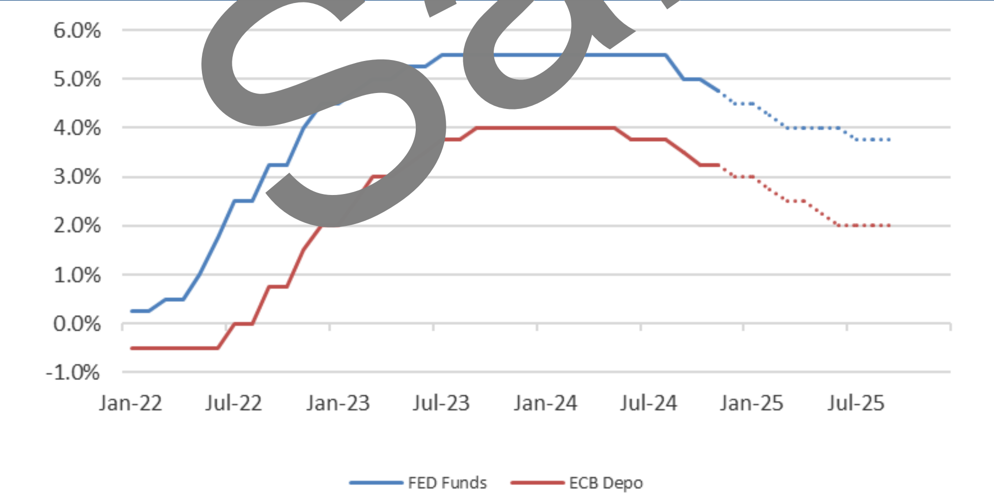
In the table below, we show the main assumptions underlying our 2025 market analysis. They are based on our ISP Macroeconomic Research forecasts and on our elaborations.

Our assumptions for 2025 in a nutshell

Key issues	Assumptions
Geopolitical risks	Our base case assumes: 1) Israel-Hamas war: no ceasefire in the short term, while tensions with Iran should stay high; 2) Russia – Ukraine war: an acceleration of diplomatic initiatives, and a possible ceasefire later in the year.
GDP growth	We expect +1.0% GDP growth in 2025E for Italy, after +0.5% in 2024E, and still at +1.0% in 2026. The reacceleration should be driven by NRRP expenditure, and a gradual consumption recovery, on better real disposable income. For the Eurozone, we expect +0.9% in 2025 (from +0.7% in 2024E).
Central Banks	The ECB should ease down to 2.0% at Jun-25. The FED sh[illegible]d ease from the current 4.75% to 3.75% at Jun-25.
Consumer prices	We expect CPI (IPCA) in Italy to average 1.8% in 2025E (after 1.1% in 2024E). In the euro area, CPI should ave[illegible]% in 2025E (after 2.4% in 2024E).
Energy prices	Oil market: our average 2025 Brent forecast i[illegible]USD 78/barr[illegible] (and USD 76/barrel in 2026). Gas mar[illegible]: our a[illegible]age 2025 TT[illegible] 1M forecast is c. EUR 36MWh, and [illegible]MWh i[illegible]026.
Earnings growth	We believe that 2025 con[illegible] forecast[illegible]r FTSE [illegible]%) present a balanced risk[illegible] ease wi[illegible]026 E[illegible]rowth forecast (+9%).

Source: Intesa Sanpaolo Research elaboration and forec[illegible]G/IBES

Central Banks' policy rates ([illegible]-2025E)



Source: Intesa Sanpaolo Macroeconomic forecasts

'Super-Champions' in Action

To stand up to a super-challenge, you need a super-champion! We are looking for companies with highly distinctive, if not unique, business qualities, which allow them to successfully face a triple 2025 challenge (geopolitical – macroeconomic – business). In practical terms, we have ranked our covered companies based on selected features, laying out the rationale for our selection of 2025 'super champions'.

We believe 2025 will pose a triple challenge in 2025 to our covered companies: 1) geopolitical; 2) macroeconomic; 3) business.

A complex and intertwined geopolitical landscape

- The first dimension is **geopolitical risk**. It is clearly beyond the scope of our research to go into detail about multifaceted geopolitical issues, so as a simple recap:
  - Russia-Ukraine: we have recently seen an escalation in 'nuclear rhetoric' from Russia, following the unexpected and aggressive steps taken by the US. From his first mandate, we know Donald Trump as a skilled practitioner of military deterrence, which in turn requires firmness in words and resolve in actions. In other words, tension could go higher before it calms down, allowing Trump to deliver on his promise to rapidly end the Russia-Ukraine war;
  - Middle East: after the recent ceasefire agreement in Lebanon, military operations in Gaza continue between Israeli and Hamas; tensions with Iran remain high and are likely to heighten, once Trump is in power; the recent turmoil in Syria adds to the picture;
  - US-China: relations appear on a worsening path not only on the trade side, following Trump's stated intention to apply a 60% tariff on China exports to US. And, if Chinese goods were redirected to Europe, bilateral relations between the EU and China would likely worsen too.

While the above risks are largely known to investors, we note that a combination of the three could further drive up the geopolitical risk during 2025, from the already high levels.

A challenging macro context for EU corporates

- The second dimension is **macroeconomic risk.** Looking at the three world macro regions in 2025 (US- EU- China), we feel that the US represents the best trade-off between economic headwinds and growth visibility, with the EU economy in a transitional period, based on our macroeconomic forecasts:
  - The euro area (and Italy as well), after a weak 2H24, should march "at three cylinders" in 2025 (backed by lower rates, improving consumption, stronger USD), on a gradual recovery/reacceleration path before gaining more steam in 2026, with GDP growth from +0.9% in 2025 to 1.2% in 2026 (see Macro section later);
  - In China, a sustained recovery in domestic consumption is not visible yet, despite the sizable supporting plans deployed so far, with the labour market still slack and the real estate sector not turning yet; export is holding up, but tariffs on US export are looming. GDP growth should stabilise at 4.6% in 2025 (from 4.9% in 2024) and at 4.3% in 2026;
  - On the other hand, we believe that US consumer demand in 2025 is a rather visible economic engine: a resilient labour market, a gradually softening monetary policy, a positive wealth effect (after the prolonged rise in equity market), and the expected impact of Trump's announced economic policies, with GDP growth moving from 2.0% in 2025 to 2.3% in 2026;
  - An increasing divergence between the US and Europe data flow may translate into a different monetary easing between the FED (bottoming at 3.75%) and ECB (bottoming at 2.0%), in turn supporting a stronger USD vs. EUR, going forward in 2025 (3M: 1.03 – 6M: 1.05).

GDP growth – 2024-26 forecast

%	2024E	2025E	2026E
US	2.7	2.0	2.3
Euro area	0.7	0.9	1.2
Italy	0.5	1.0	1.0
Germany	-0.2	0.4	1.0
France	1.1	0.7	1.2
Spain	3.0	2.2	1.9
China	4.9	4.6	4.3

Source: Intesa Sanpaolo Macroeconomic Research estimates

EUR / USD (2023-2024)

Source: FactSet

Dealing with trade wars 2.0

- The third dimension is **business risk.**
  - Trump loudly announced his resolve to impose a universal tariff on all US imports (10-20%), and a 60% tariff on all US imports from China. Given the transactional approach adopted by Trump in his first mandate, our macroeconomists expect the imposition of tariffs to be floated as a way of extracting concessions from the EU, to rebalance trade flows. A weaker EUR vs. USD should support EU exports towards the US, and partly limit the impact from tariffs: they would remain, however, an obstacle in expanding volumes and margins, going forward in 2025 and beyond.
  - The threat of a 'trade war 2.0' may also hit business confidence and capital expenditure in 2025, as a second-round effect. In short, the US consumer market could be "the place to be" in 2025, but it won't be freely accessible and equally beneficial for EU-based corporates.

Who is best equipped to stand up this 3-sided challenge?

We are looking for 'super-champions' within our covered sectors. We are not chasing Marvel super-heroes, of course; rather, given the complexity and interconnections among variables, we believe that to be a winner requires 'super-powers' business-wise.

Non-Financials

- ✓ Among **Non-Financials**, winners are those companies characterised by, amongst others: a) strong price leadership; b) clear brand recognition; c) beneficial exposure to a stronger USD; d) capacity to withstand US trade policy and tariffs; or a blended mix of the above. We look for companies so strong within their sectors (or niches) that they can afford to almost ignore tariffs, because it is exactly their product or service that users need (be them individual consumers or corporates);

Financials

- ✓ As for **Financials,** we analyse pricing power as the capacity to limit the impact from lower interest rates on NII, taking into account the deposit beta and the hedging strategies, as well as asset quality, for banks and asset gatherers; brand and distribution networks are also clear distinctive assets, particularly for asset gatherers: As for insurance companies, we look at the impact on investment income from lower interest rates and interest rates sensitivity, taking also into account non-life contracts repricing.

Valuation-wise

Valuation-wise, it may well be that some of our selected 'champions' trade already at a premium to sector peers. But, in our view, it is exactly under these kinds of scenarios that winners should command a premium (which could even rise above historical averages).

In practical terms, in the following tables we have ranked companies under our coverage based on the above-mentioned features (**High/Medium/Low**), separately for Non-Financials and Financials, to provide a rationale for our selection of "Super Champions", as our Top Picks for 2025.

Non-financials – 2025 equity drivers

Sector	Company	Price leadership	Brand power	Exposure to US trade policy	Exposure to stronger USD vs. EUR
Airports & Infrastructure	Aena	NM	NM	NM	Low
	Aeroporto di Bologna	NM	NM	NM	Low
	Aeroports de Paris	NM	NM	NM	Low
	Eiffage	Low	Low	Very Low	Very Low
	ENAV	NM	NM	NM	Low
	Flughafen Zuerich	NM	NM	NM	Low
	Fraport	NM	NM	NM	Low
	Vinci	NM	NM	NM	Low
Automobiles & Components	Brembo	Medium/High	High	High	Medium
	Continental	Low	Medium	Medium	Medium
	EuroGroup Laminations	Low	Medium	High	Medium
	Ferrari	High	High	Low	Medium
	Michelin	Medium	Medium	Medium/Low	Medium
	Piaggio	Medium	High	High	Low
	Pirelli	High	High	Medium	Medium/Low
	Renault	Low/Medium	Medium	Low	Low
	Sogefi	Low	Low	Medium	Medium
	Stellantis	Low	Low	High	High
	Volkswagen	Medium/High	Medium/High	Medium	Medium
Branded Goods	Brunello Cucinelli	High	High	Medium	High
	EssilorLuxottica	High	High	Medium	High
	Geox	Low	Low/Medium	Low	Low
	Hermes International	High	High	Medium	High
	Moncler	High	High	Medium	High
	Prada	High	High	Medium	High
	Safilo Group	Medium	Medium	High	High
	Salvatore Ferragamo	Low	Medium	Medium	High
	Sanlorenzo	High	High	Medium	High
Construction & Building Materials	Buzzi Unicem	Low	Low	Medium	High
	Cementir Holding	Low	Low	Medium	Low
Consumer Goods	Davide Campari	Medium	Medium	Low/Medium	Medium/High
	De' Longhi	Medium	Medium/High	Low	Very Low
	OVS	Low	Low	Very Low	Medium
	Technogym	Medium/High	High	Medium/Low	Medium/Low
Industrials	Avio	Low	Low	Low	Low
	CNH Industrial	Low/Medium	Medium	Medium/High	Medium/High
	Danieli	Low	Low	Medium	Low
	Fincantieri	Medium	Medium/High	Low	Medium
	Interpump Group	Low	Low	Low	Medium
	Iveco Group	Low/Medium	Medium	Low	Low
	Leonardo	Medium	Medium	Low	Medium
	Prysmian	Medium	High	Low	High
	tk nucera	Medium	High	Low	Medium

NM: not meaningful; Source: Intesa Sanpaolo Research estimates

Non-financials – 2025 equity drivers (continued)

Sector	Company	Price leadership	Brand power	Exposure to US trade	Exposure to USD vs. EUR
Oil & Gas	BP	Low	Low	Low	High
	Eni	Low	Low	Low	High
	Maire	Medium	Medium	Low	Medium
	Repsol	Low	Low	Medium	High
	Rosetti Marino	Low	Low	Low	Medium
	Saipem	Medium	Medium	Medium	High
	Shell	Low	Low	Low	High
	Tenaris	Medium	High	High	High
	TotalEnergies	Low	Low	Low	High
Pharmaceuticals Medical Equipment	Amplifon	Medium	Medium	Medium	Medium
	Diasorin	Low	Low	Low	High
	Fresenius Medical Care	Low	Low	Low	High
	Recordati	Low	Low	Low	Medium
Tech and Media	Adyen	Low	NM	Low	Medium
	Arm Holdings	Medium/High	High	Medium	Medium
	Cairo Communication	Low	Medium	Low	Low
	MFE	Low	Medium	Low	Low
	Mondadori	Medium	Medium/High	Low	Low
	Nexi	Low	NM	Low	Low
	RCS Mediagroup	Low	Medium	Low	Low
	Reply	Medium/High	Medium/High	Low	Low
	Technoprobe	Low	Low/Medium	Low	Low/Medium
	Universal Music Group	Medium	High	Low	Medium/High
	Worldline	Low	NM	Low	Low
Telecoms & Towers	BT	Medium/High	High	None	None
	Cellnex	None	None	None	None
	KPN	Medium/High	High	None	None
	DT	High	High	None	High
	INWIT	None	None	None	None
	Orange	Medium/High	High	None	None
	RAI Way	None	None	None	None
	Telefonica	Medium/High	Medium/High	None	None
	TIM	Medium	Medium	None	None
	Vodafone	Low	Medium	None	None
Utilities	A2A	Medium	Medium	Low	Low
	Acea	Low/Medium	Low/Medium	Low	Low
	Ascopiave	NM	Low	Low	Low
	Corp Acciona Energías Renovables	Low/Medium	Low/Medium	Low/Medium	Medium
	Enel	Medium/High	Medium/High	Low	Low/Medium
	ERG	Low/Medium	Low/Medium	Low	Low
	Hera	Medium	Medium	Low	Low
	Iberdrola	Medium/High	Medium/High	Low	Low/Medium
	Iren	Low/Medium	Low/Medium	Low	Low
	Italgas	NM	Medium	Low	Low
	Snam	NM	Medium/High	Low	Low
	Terna	NM	Medium/High	Low	Low
	Veolia	High	High	Low	Medium

NM: not meaningful; Source: Intesa Sanpaolo Research estimates

Financials – 2025 equity drivers

Sector	Company	Price leadership	Net inflow trend	Interest rate sensitivity	Capital Distribution
Asset Gatherers	Allfunds Group	Low	Medium	Low-Medium	Low
	Anima Holding	Medium	High	Low-Medium	High
	Azimut Holding	Medium	High	Low	Medium-High
	Banca Generali	High	Medium	High	High
	Banca Mediolanum	High	High	Medium	High
	Finecobank	Medium	High	High	Medium
		Interest rate sensitivity	**Asset Quality**	**Profitability**	**Capital Distribution**
Banks	Banca IFIS	Low	Low	Medium	Medium
	Banca MPS	High	Low	Medium	High
	Banca Sistema	Low	High	High	Low
	Banco BPM	High	Low	Medium	Medium
	Banco Santander	Medium	Medium	Medium	Medium
	Barclays	Low	Medium	Low	Medium/High
	BFF Bank	Low	High	High	Low
	BNP Paribas	Low	High	Medium	Medium
	Credito Emiliano	High	High	Medium	Low
	Crédit Agricole	Low	High	Medium/High	Low
	HSBC	Medium	High	Medium	High
	illimity	Low	Low	Low	Low
	ING Groep	Medium	High	Medium	High
	Lloyds Banking Group	Low	High	High	High
	Mediobanca	Low	High	Medium	High
	NatWest	Low	High	High	High
	Société Générale	Low	High	Low	Low
	Unicredit	Medium	High	High	High
		Volumes' trend	**Non-life pricing**	**Interest rate sensitivity**	**Capital Distribution**
Insurances	Allianz	High	High	Medium	High
	AXA	Medium	Medium	Medium	High
	Generali	Medium/High	High	Medium	Medium/High
	REVO Insurance	High	Medium	Low	Low
	Unipol	Medium	High	Medium	Medium
	Zurich Insurance Group	Medium	Medium	Medium	High

NM: not meaningful; Source: Intesa Sanpaolo Research estimates

Still at a Large Discount, After a 2-Year Rise

FTSE MIB 2025 P/E stays at a 26% discount to its long-term average (and over 30% in 2026), after a double-digit index rise in 2023-24. Considering the improving 2025-26 earnings outlook, the FTSE MIB also compares well from a PEG angle. The equity premium remained steady in the euro area in 2024, while falling in the US ahead of the second Trump mandate.

FTSE MIB vs. historic averages - A 30% discount

A c. 30% historic discount, and a 16% multiples expansion

The FTSE MIB 2025 P/E, currently at 9.6x, is at a large 26% discount to its 15Y average (13.0x); based on the 2026 P/E (8.9x), valuations are at a 32% discount. Taking the 10Y average (13.3x) as a reference, the discount is 28%/34% in 2025 and 2026, respectively (LSEG/IBES consensus data). When compared to Dec-23, the discount has narrowed (by over 10 percentage points): 2025 P/E moved from 8.3x to the current 9.6x, a 16% multiples expansion.

FTSE MIB – A historic P/E comparison

x	Historic P/E average	2025	2026
FTSE MIB P/E		**9.6**	**8.9**
Premium/-discount to 15Y avg. (%)	13.0	-26	-32
Premium/-discount to 10Y avg. (%)	13.3	-28	-34

Source: Intesa Sanpaolo Research elaboration on LSEG/IBES data

FTSE MIB vs. S&P 500 and Euro Stoxx - Large, but narrowing discount

Still at a large discount on 2025-26, narrowed vs. Euro Stoxx

We compare the FTSE MIB valuation with the Euro Stoxx and the S&P 500 to assess the relative valuation of Italian equities. Based on our elaboration, the Italian benchmark FTSE MIB is still trading at a large discount to the Euro Stoxx and the S&P 500 P/Es, on both 2025 (23% and 57%, respectively) and 2026 (22% and 55%); the discount has slightly diminished since YE23 vis-à-vis Euro Stoxx (it was -29%; the average 10Y discount is -14%).

Weaker EPS growth, but attractive PEG

Looking at EPS growth, the FTSE MIB shows +6.8% EPS CAGR in 2025-26, which is below +9.7% for Euro Stoxx and +13.7% for S&P 500. However, the PEG is more attractive for FTSE MIB (1.48x) and Euro Stoxx (1.40x) compared to S&P 500, at 1.85x; in other words, the higher EPS growth for the US market is not enough to compensate for the very large P/E premium.

A higher dividend yield and ERP

On the other hand, the FTSE MIB dividend yield is much higher (5.1%, vs 3.3% Euro Stoxx, 1.5% S&P 500). Finally, in terms of ERP, the FTSE MIB stands at 7.2%, higher than the Euro Stoxx (6.5%), and well above S&P 500 (4.7%).

Equity market valuation and Equity Risk Premium – An international comparison

(%) Country	Index	P/E (x) 2025	2026	EPS CAGR 2025-26 %	PEG[1] (x)	Div. Yield 2024 (%)	Equity Risk Premium	-12M
Italy	FTSE MIB	9.6	8.9	6.8	1.48	5.1	7.2	7.2
Euro area	Euro Stoxx	12.5	11.3	9.7	1.40	3.3	6.5	6.6
US	S&P 500	22.2	19.6	13.7	1.85	1.5	4.7	5.2

(1) PEG calculated on current 2024 P/E and 2Y FWD EPS growth; Source: Intesa Sanpaolo Research elaboration on LSEG/IBES data

Equity Risk Premium analysis: a broadly stable ERP in 2024 in Italy

ERP currently at 6.4% for Italy

The equity risk premium for the Italian equity market as a whole currently stands at 6.4% (c. -40bps vs. YE23). When compared to its long-term averages, current levels are broadly in line with the 25Y average (6.25%), and below the 20Y average (7.0%). As a longer-term reference, the 30Y average ERP for Italy stands at 6.0%. The average equity premium in 2024 for Italy was c.6.5%, in line with 2023 (6.4%), and well below 2022 (7.2%) average levels.

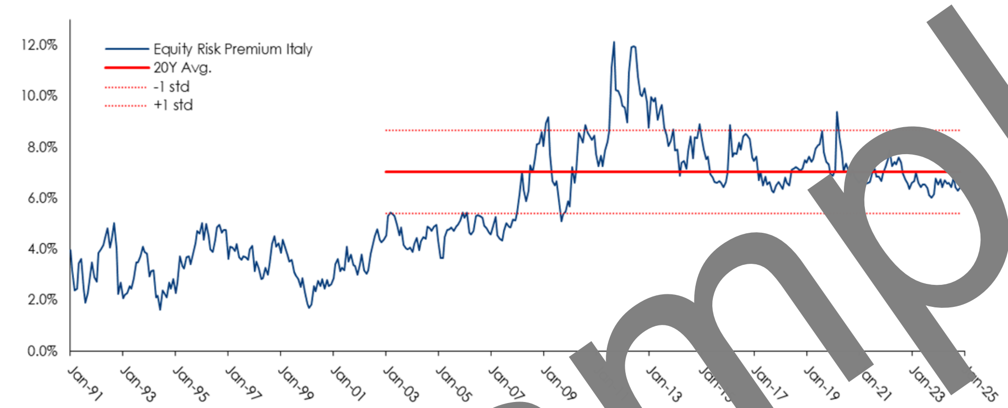
A broadly stable ERP in Italy during 2024

In 2024, the equity premium in Italy first moved downwards, with a low in March at 6.4%, driven by a prices effect (multiples expansion), mirroring the rise in the Italian equity market since YE23. The phase of currencies turbulence in July-August (Yen carry trade) led to a spike in the ERP to 6.8% in August (the highest in 2024), then gradually reabsorbed, down to the current 6.4%.

As a comparison term, the average equity premium for the Euro Stoxx in 2024 was 6.7%, with a peak in August (7.2%) and then a gradual decline to the current 6.5%. As for the S&P 500, the average ERP in 2024 was 5.25%, with a peak in August (5.6%), followed by a sharp drop to the current 4.7% (-100bps vs YE23).

Below we show our historical series for Italy's ERP since 1991; current levels are well within standard historic levels (+ /- 1 std).

Italian equity market - Equity Risk Premium (1991-2024)



Source: Intesa Sanpaolo Research estimates on LSEG/IBES consensus data

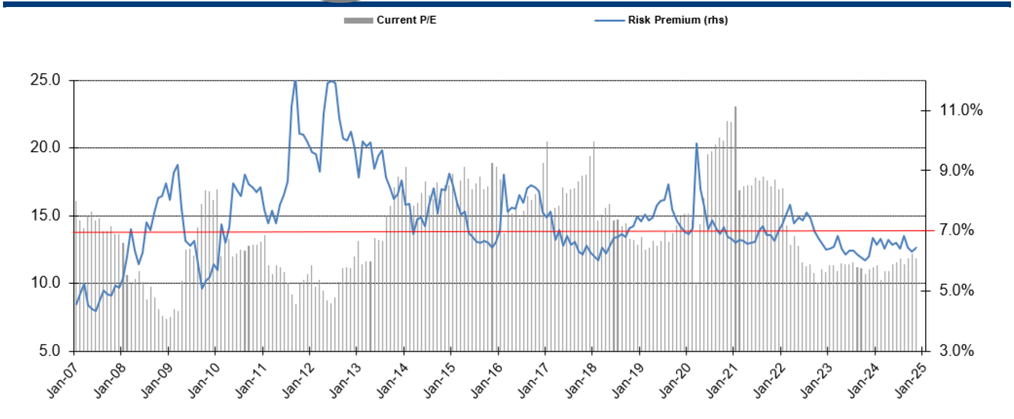
At a 20% discount on a 2024 P/E basis...

The following chart shows [illegible] P/Es for the Italian equity market, on a monthly basis, since Jan 2007 (namely, just before the Financial Crisis), the 20Y [illegible] average (14.4x) on the LHS; and the corresponding ERP levels, as well as the 20Y ERP average (7.0%), on the RHS.

...with ERP in line with long term average

Current 2024 P/E multiples (11.9x) are at a discount to their 20Y average (-18%); at the same time, the equity risk premium is below its 20Y average (6.4% vs. 7.0%), and in line with its 25Y average (6.3%).

Italian equity market - P/E and Equity Risk Premium (2007-24)



Source: Intesa Sanpaolo Research elaboration on LSEG/IBES consensus data

An ongoing P/E multiples expansion in Italy

A moderate P/E expansion in 2024…

Earnings multiples expanded during 2024 for the Italian equity market as a whole: based on P/E FWD 12M, +7%, from 10.6x at YE23 to the current 11.3x.

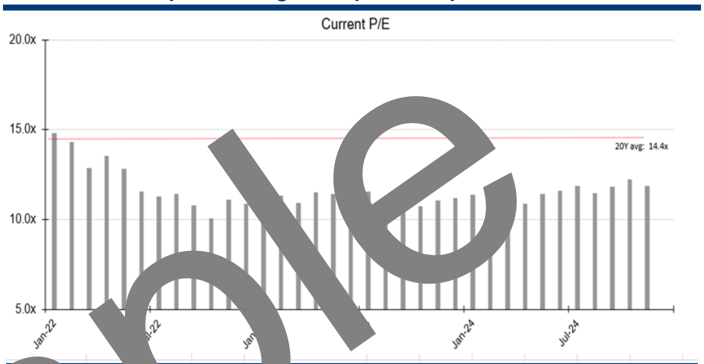
…after a contraction in 2022 and flat P/E in 2023

Following a prolonged multiples contraction during 2022 (-21%, due to worsening earnings visibility and higher interest rates), in 2023 the P/E contraction came to an end, but earnings multiples remained flat in the period. An expansion has materialised in 2024, although current levels remain below the 20Y P/E average (14.4x), as shown in the chart below.

Multiples' contraction and expansion in Italy (2006-2024)

Source: Intesa Sanpaolo Research elaboration on LSEG/IBES consensus data

A small recovery in earnings multiple in Italy



Source: Intesa Sanpaolo Research elaboration on Companies' data

Equity Risk Premium in international equity markets

The following chart shows the trend in the Equity Risk Premium for seven international equity benchmarks in the 2019-2024 period.

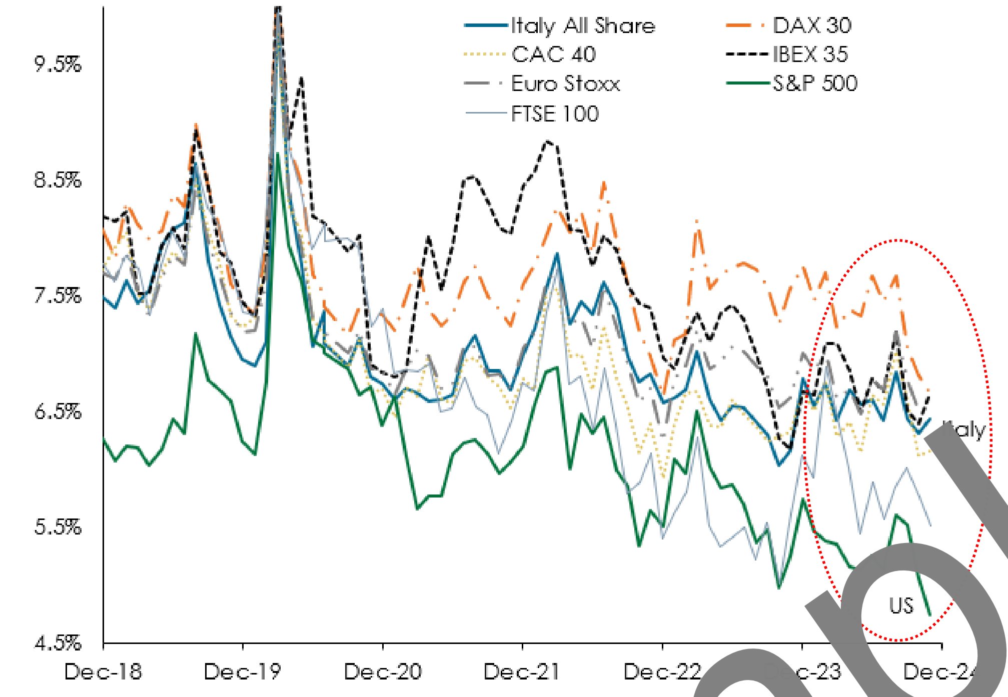
Stable ERP in the eurozone in 2024…

During 2024, in the euro area we registered a stability of the equity risk premium and a convergence among equity indices, with the largest ERP decline registered by Germany. On the other hand, we highlight a decoupling of Anglo-Saxon markets, with a decline in ERP for the UK and, to a greater extent, for the US.

…and a sharp ERP decline in the US, Trump-driven

As for the latter, this is partly reflecting positive earnings momentum, with 2Y FWD forecasts repeatedly improved, and very positive market expectations about a second Trump mandate and its forthcoming economic policy.

Equity Risk Premium – An international comparison (2019-24)



Source: Intesa Sanpaolo Research elaboration on LSEG/IBES data

FTSE MIB: P/E at a discount, higher dividend yield

In the table below, we show some key valuation indicators for ten international equity benchmarks (including Switzerland, Japan and China). We highlight that the FTSE MIB appears at a large discount on 2025 P/E (-29% vs. sample average), with a 2Y FWD EPS growth (2025-26) below our sample average; PEG is broadly in line with average. The dividend yield is well above the average for the FTSE MIB (5.1% vs. 3.3%), also reflecting structural index features (sector composition with Financials accounting for c. 35%), while the Equity Risk Premium is above the sample average.

Equity Market Valuation and Equity Risk Premium by country (2024-26)

Country	Index	P/E (x) 2025	P/E (x) 2026	EPS CAGR (%) 2025-26	PEG (1) (x)	Div. Yield 2024 (%)	Equity Risk Premium (%) Current	Equity Risk Premium (%) -12M
Italy	**FTSE MIB**	**9.6**	**8.9**	**6.8**	**1.48**	**5.1**	7.2	7.2
France	CAC 40	12.8	11.6	9.5	1.45	3.3	6.2	6.3
Germany	DAX	12.3	10.9	12.2	1.13	2,7	6.7	7.6
Spain	IBEX 35	10.9	10.2	4.8	2.32	4.3	6.7	6.2
Euro area	Euro Stoxx	12.5	11.3	9.7	1.40	3.3	6.5	6.6
UK	FTSE 100	11.0	10.1	8.1	1.46	3.7	5.5	5.6
Switzerland	Swiss Market	16.0	14.4	10.1	1.72	3.1	7.5	7.0
US	S&P 500	22.2	19.6	13.7	1.85	1.5	4.7	5.2
Japan	TOPIX	13.7	12.6	9.0	1.66	2.3	6.1	6.2
China	SSE Composite	9.6	8.9	6.8	1.48	NA	8.6	9.9
Average		**13.5**	**12.2**	**10.0**	**1.55**	**3.3**	**6.6**	**6.8**

(1) PEG calculation based on current 2024 P/E and 2Y FWD EPS growth; Source: Intesa Sanpaolo Research elaboration and LSEG/IBES data

Earnings Bottoming Out, Towards a Fresh Start in 2025

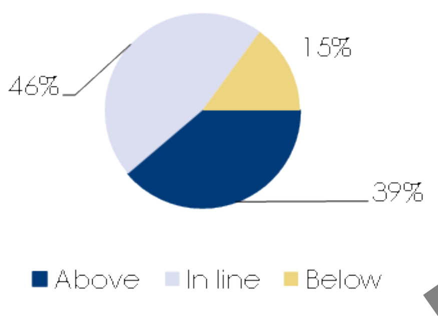
Non-Financials should be past the bottom earnings-wise, with most destocking done at the turn of the year, plus an easier monetary landscape and slowly recovering real disposable income; a weaker EUR/USD could add to the 2025 picture. As for Financials, a flattening NII should be balanced by robust fee income, with steady asset quality and sound capital distribution.

Recent 3Q24 reporting season in Italy

Signs of improvement for Non-Financials

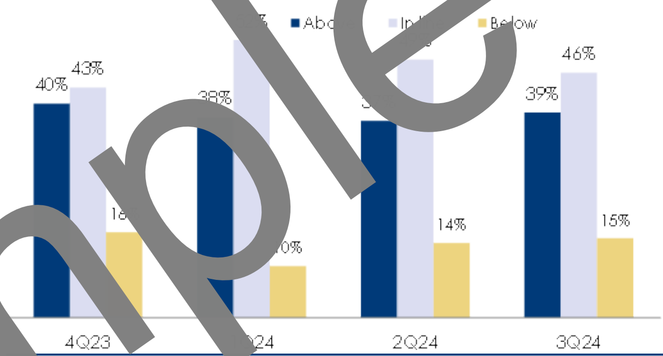
A quick recap. The 3Q24 reporting season in Italy showed an improvement, with Above results at 39% (from 37% in 2Q24), In Line at 46%, and Below at 15% in our sample (80 companies); our European covered stocks did better, with 41% Above and 46% In line. Non-Financials balanced weak demand and ongoing destocking, with price mix and cost efficiencies; Financials were shining less brightly, with steady fee income offsetting softening NII.

Preview Coverage – 3Q24 results vs. our estimates



Source: Intesa Sanpaolo Research elaboration on Companies' data

4Q23-3Q24 results vs. our estimates



Source: Intesa Sanpaolo Research elaboration on Companies' data

Financials: Shining less brightly

Financials – Shining less brightly, but still shining bright. 3Q saw stable earnings beats: of 17 companies in our sample, 10 were above, with 5 in line and [illegible] below. Banks saw resilient NII with softer lending volumes, steady fee income, and sound capital generation. Asset gatherers saw higher performance fees and steady net inflows. Insurers saw better Non-life profitability, with Solvency in line.

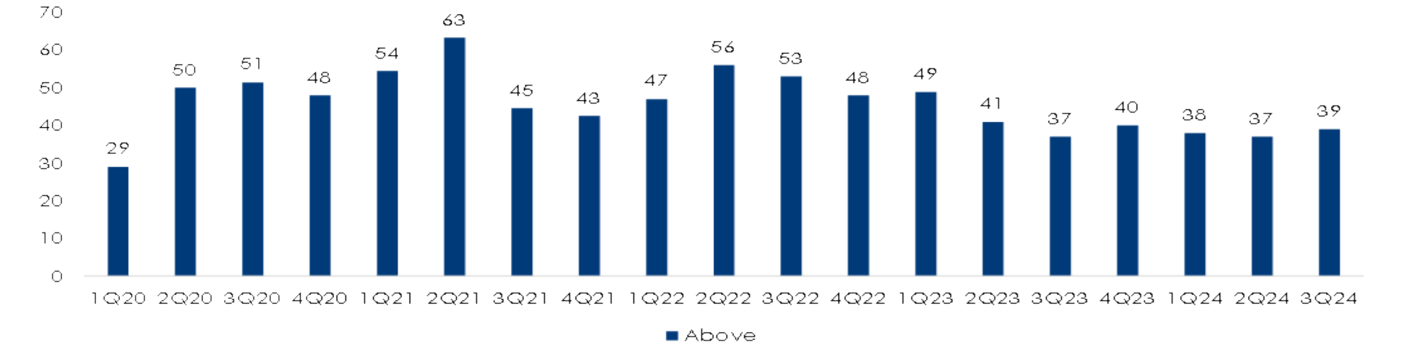
Non-Financials: Past the bottom?

Non-Financials – Past the bottom? Out of [illegible] companies in our preview sample, 33% were above (in line with 2Q24), 51% in line, and 16% below. Branded Goods saw EMEA hit by lower tourist inflows and soft APAC. In Consumer G&S, still soft demand and lower op. leverage were offset by cost efficiencies. In Autos, lower volumes and destocking were balanced by price mix and cost efficiencies. Among Industrials, pricing partly offset softer volumes/mix and FX headwinds. Pharma saw a better country mix and fixed cost absorption. Oil & Gas was upbeat, driven by GGP and better realised prices in E&P, with strong order intake for contractors. Utilities were led by renewables (hydro) and pricing, with steady regulated activities and weaker energy efficiency business. TLC & Media saw a slowdown in consumer segment and improved corporate demand.

All eyes on a 2025 revival

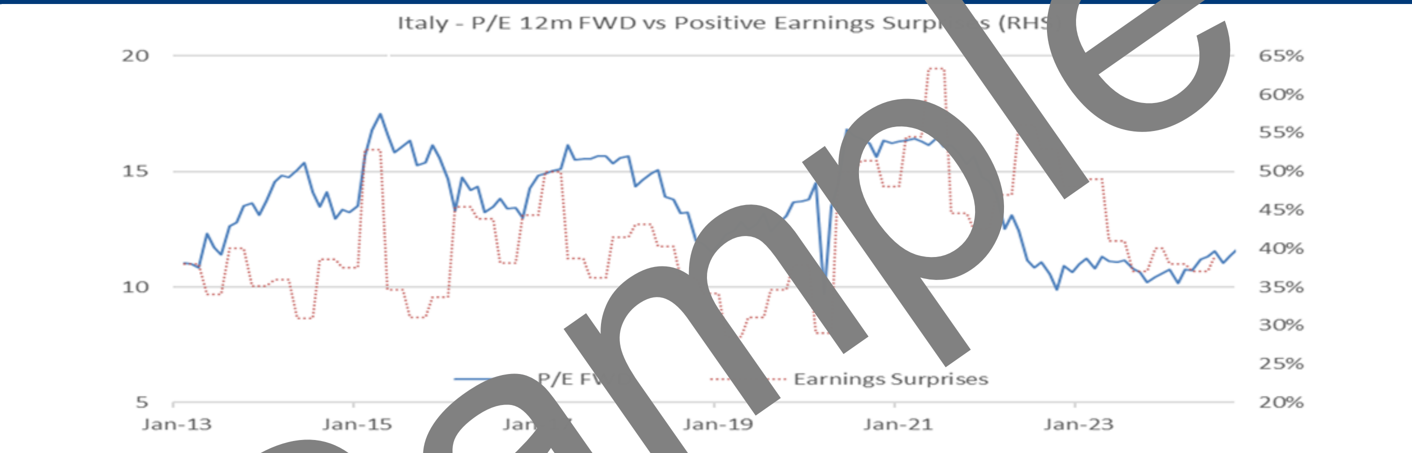
2024 tuned down enough, all eyes on prospects for a 2025 revival. Around 85% of YE24 guidance in our sample were confirmed/upgraded, after being tuned down in previous quarters. Investors' eyes are now centred on the 2025 outlook: Non-Financials should be past the bottom, with most destocking done at the turn of the year, plus easier monetary landscape and slowly recovering real disposable income. As for Financials, a flattening NII should be balanced by robust fee income, with steady asset quality and sound capital distribution.

Italy - Quarterly results – Above expectations results (2020-24)



Source: Intesa Sanpaolo Research elaboration

Italy - P/E 12M FWD vs. Positive Earnings Surprises (RHS)



Source: Intesa Sanpaolo Research and elaboration on LSEG data

An earnings 'comeback' in 2025 and 2026 in Italy

Improving earnings momentum, for FTSE MIB…

Looking at 2025, current consensus earnings for FTSE MIB point to +5.2% EPS growth (after a -12.6% in 2024), while the whole Italian market (FTSE Italia All Share) is expected to grow +6.2% in 2025, after a -13.6% in 2024 (with 2024 negatively weighed by Stellantis for both indices).

Looking at 2026, earnings momentum should strengthen, with a +8.5% for FTSE MIB, and +9.0% for FTSE Italia All Share, and a 2025-2026 EPS CAGR for FTSE MIB at +6.8%, and at +7.6% for Italy as a whole (Source: LSEG/IBES).

…and for the Euro Stoxx

As for the Euro Stoxx, EPS growth is expected to recover in 2025 at +8.5% (following a flat -0.2% in 2024), and to accelerate in 2026 at +11.0%, with an EPS CAGR 2025-2026 at +9.7%.

Back to 2019 growth trend in 2026

The table below shows earnings trend for FTSE MIB and Euro Stoxx in the 2019-26 period. EPS growth in 2025 and 2026 is recovering towards 2019 growth trend (+8%) for the FTSE MIB.

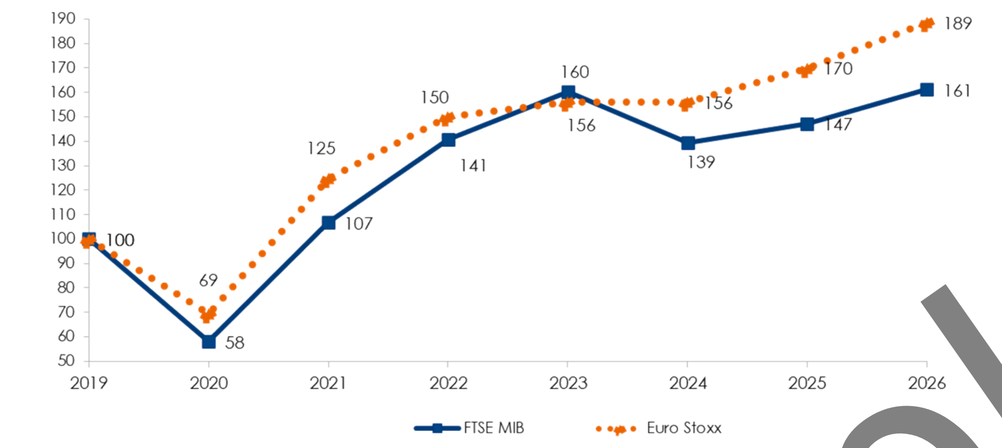
Earnings growth trend – FTSE MIB and Euro Stoxx (2019-2026)

	EPS growth (%)							
x	2019	2020	2021	2022	2023	2024	2025	2026
FTSE MIB	+8	-45	+91	+32	+14	-13	+5	+9
Euro Stoxx	-3	-31	+80	+20	+4	0	+9	+11

Source: Intesa Sanpaolo Research elaboration on LSEG/IBES

The chart below shows the 2024-2026 earnings trend for FTSE MIB and Euro Stoxx in context with historic earnings dynamics (with 2019 fiscal year, before the pandemic, based at 100). After a weaker 2024, earnings growth is resurfacing in 2025 and 2026.

Earnings growth trend 2019-2026 – FTSE MIB and Euro Stoxx (2019=100)



Source: Intesa Sanpaolo Research elaboration on LSEG/IBES data

The impact of Stellantis and Financials: a simulation on 2024-2[illegible]rowth

2024 earnings growth heavily burdened by Stellantis and Financials

In 2024, the negative earnings trend for the FTSE MIB (-13[illegible]s heavily [illegible]urden[illegible] by the sharp drop in Stellantis' 2024 EPS growth forecast (mainl[illegible]n 2H[illegible] not cou[illegible]rbala[illegible]ed by an improvement in Financials earnings forecast in th[illegible]me peri[illegible]. It is there[illegible]re of i[illegible]rest to recalculate FTSE MIB aggregate EPS growth net of, [illegible]pectively, [illegible]ellantis and Financials, to highlight the actual underlying earnings [illegible]

Financials pushing up, Stellantis weighing down 2024 earnings growth

In 2024, the base case [illegible]2.6% dr[illegible] for t[illegible]E MIB [illegible]ased on LSE/IBES consensus earnings). When exc[illegible]ing Stellantis from th[illegible]TSE M[illegible]ample, aggregate earnings would obviously improve, [illegible] +1.7%, based on ou[illegible]mulatio[illegible]. When excluding Financials from the aggregate (12 sto[illegible]s), EPS [illegible]ex F[illegible]ncia[illegible] would worsen to -22% (Financials in aggregate are exp[illegible]report [illegible]1% e[illegible]nings growth in 2024, based on LSEG/IBES consensus forecast).

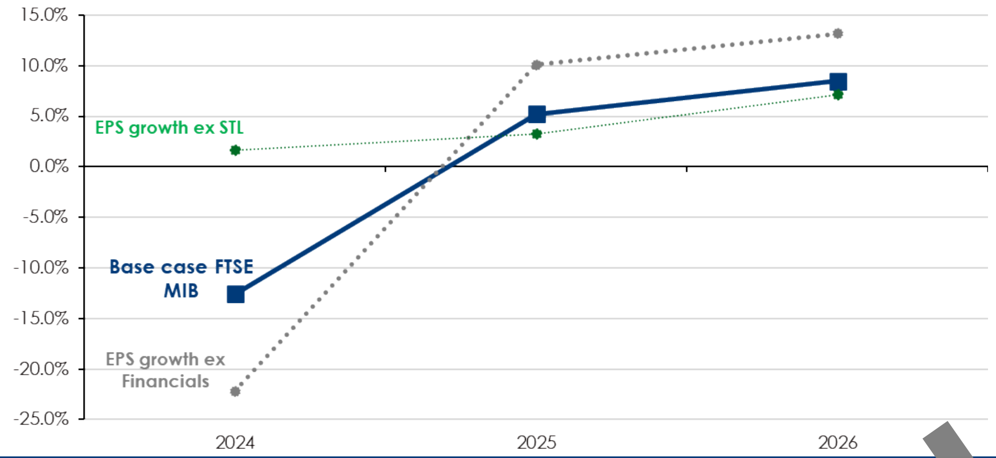
2025 EPS growth to recover towards +6% for FTSE MIB…

When it comes to 2025, w[illegible] note th[illegible] earnings growth for FTSE MIB is expected to recover towards the +6% mark, wi[illegible]ajor divergences when excluding Stellantis; on the other hand, net of Financials, aggregated earnings would be higher (EPS growth is expected to be slightly negative for Financials in 2025).

… broadly unchanged in 2026 with or without Stellantis

In 2026, consensus EPS growth is seen at +8.5% for FTSE MIB, which remains broadly stable at +7.1% when excluding Stellantis. Net of Financials (expected to report flat aggregate earnings in 2026), earnings for "FTSE MIB 28" would be higher.

FTSE MIB - A simulation on EPS growth 2024-26



Source: Intesa Sanpaolo Research elaboration on LSEG/IBES data

Earnings momentum: towards an improving 2025

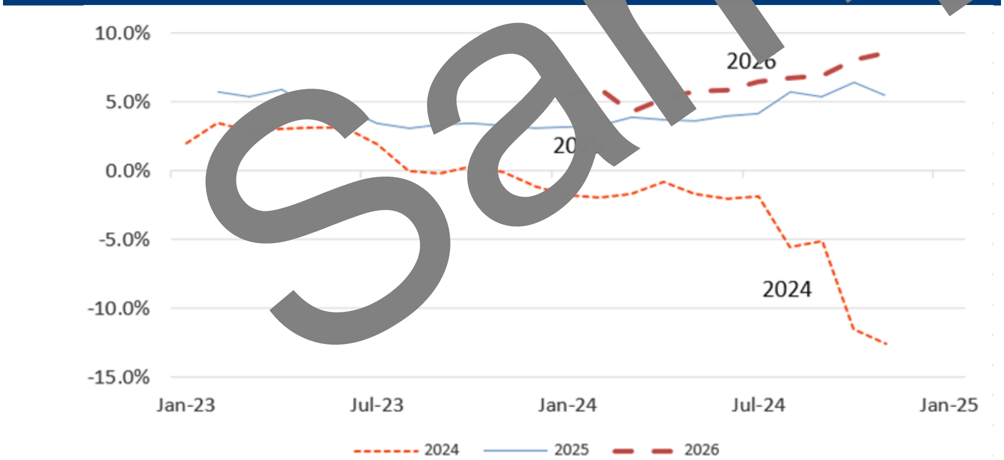
Reass[illegible] YE24 guidance

The last 3Q24 reporting season provided signs of an improvement in earnings o[illegible]ook [illegible]ly. Guidance were confirmed/upgraded at large, with the focus now on the 20[illegible] outlook.

A recovery expected in 2025 and 2026 for FTSE MIB

As for the FTSE MIB, we highlight a slowly improving earnings momen[illegible] with 20[illegible] EPS grow[illegible] estimates moving from +3% at end-23 to the current +5% (in paralle[illegible] wors[illegible]ing 20[illegible] foreca[illegible]). 2026 EPS growth estimates moved up over the year, from c. +[illegible] the curre[illegible] +9%.

FTSE MIB – Momentum in 2024-2026 earnings revisions



Source: Intesa Sanpaolo Research elaboration on LSEG/IBES data

For a reference term, we show below the trend in monthly earnings revisions for the Euro Stoxx and the S&P 500, during the 2023-24 period.

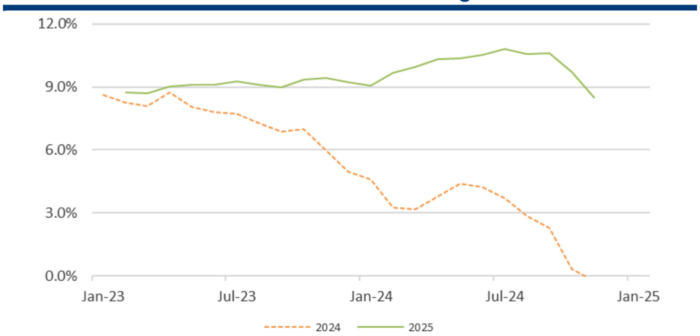
A glance at Euro Stoxx...

As for the Euro Stoxx, 2024 earnings estimates saw a deterioration after Jul-24, following sharply negative earnings revisions in the Auto sector; on the other hand, 2025 estimates remained at c. +9% for the whole analysed period.

...and S&P 500 earnings trend

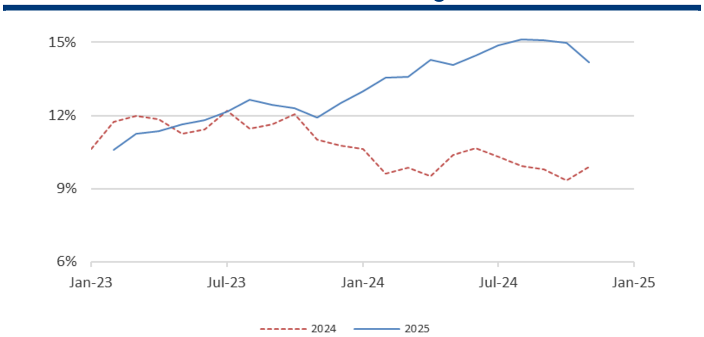
As for S&P 500, 2024 estimates were steady at c. +10% for the last 12 months. On the other hand, 2025 earnings growth gradually improved in the period from +10% to the current +14%.

Euro Stoxx – Momentum in 2024-2025 earnings revisions



Source: Intesa Sanpaolo Research elaboration on LSEG / IBES data

S&P 500 – Momentum in 2024-2025 earnings revisions



Source: Intesa Sanpaolo Research elaboration on LSEG / IBES data

Implied Medium-Term Growth (IMTG) Analysis: FTSE MIB – FTSE STAR – S&P 500

Our IMTG analysis for FTSE MIB…

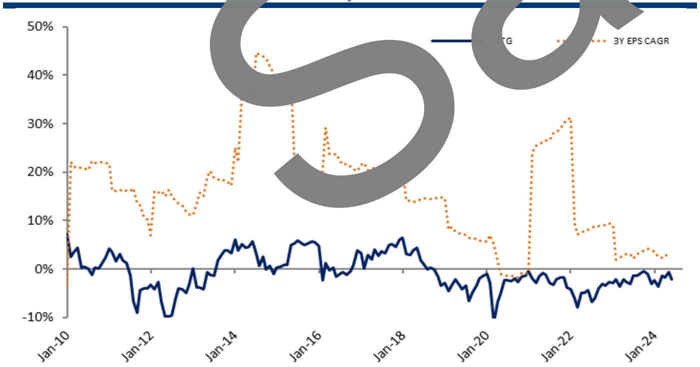
Based on our analysis, the FTSE MIB current IMTG stands at 0% (namely, no EPS growth from 2027 to 2032). The 10Y average for our IMTG is -0.8%, so the current IMTG level is in line with its historical standard. This compares with a 3Y EPS CAGR (2024-26) at -0.1%, weighed down by a negative “Stellantis effect” in 2024. We consider the FTSE MIB as still undervalued, with lower earnings risk on 2025 estimates.

…for FTSE STAR …

We also analyse the Implied Growth (IMTG) for the FTSE STAR Index: at current P/E level (15.2x, source LSEG – IBES) the Implied EPS growth 2027-32 is +6.2%, which compares with 3Y EPS CAGR 2024-26 (consensus estimates) at +6.8%. The STAR Index appears fairly valued: current IMTG (+6.2%) is slightly above the IMTG 10Y average (4.3%), and it is [illegible] with consensus EPS CAGR in the next 3 years.

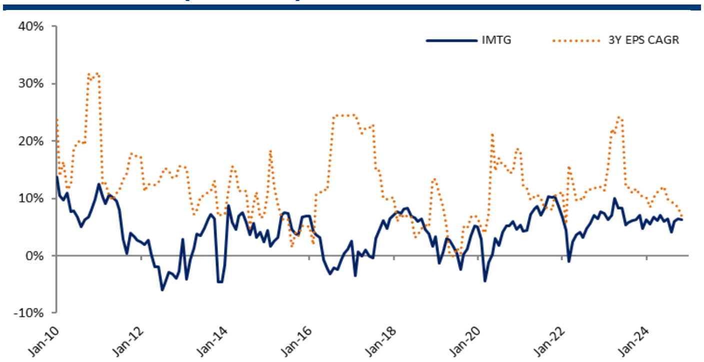
In an IMTG comparison STAR vs. FTSE MIB, the latter looks slightly cheaper: FTSE MIB current IMTG is 0 (no implied EPS growth from 2027 to 2032) compared to +6.2% for the FTSE STAR. Note that FTSE MIB presents a more attractive Equity Risk Premium vis-à-vis FTSE STAR: 7.2% vs. 6.6%.

FTSE MIB – IMTG (2010-2024)



Source: Intesa Sanpaolo Research elaboration on LSEG / IBES data

FTSE STAR – IMTG (2010-2024)



Source: Intesa Sanpaolo Research elaboration on LSEG / IBES data

…and for S&P 500

Based on our IMTG (Implied Medium-Term Growth) analysis, the S&P 500 current IMTG jumped to +12.0% (namely, average EPS growth from 2027 to 2032, implied in current S&P 500 level), which is double the +6.1% seen 3 months ago. The 10Y average for S&P 500 IMTG is 2.4%, so the current level is well above its historical standards.

Our IMTG model shows an overvaluation of S&P 500: investors are discounting a very sustained earnings' growth trend in the medium term (+12%), a level last seen in July 2005, although there is still consistency between short-term estimates (+12%) and medium-term implied EPS growth.

S&P 500 – IMTG (2010-2024)

Source: Intesa Sanpaolo Research elaboration on LSEG data

2025: A gradual earnings re-acceleration is on the cards

Consensus estimates point to +5% earnings growth in 2025 for FTSE MIB, slightly improved since Dec-23 (+3% at the time). We are confident in a gradual reacceleration in 2025 earnings growth in Italy, for the following reasons:

- Our 2025 GDP growth rate forecast for Italy has already been trimmed down since YE23 from 1.2% to the current +1.0%: domestic consumption should be the growth driver in 2025 (+1.8%), mirroring a gradual recovery in household spending power, based on our macroeconomic forecasts;

2025 GDP growth supported by domestic consumption

- The recent 3Q24 reporting season showed that Non-Financials should be past the bottom earnings-wise, with most destocking done at the turn of the year, plus easier monetary landscape and slowly recovering real disposable income; a weaker EUR/USD could add to the 2025 picture. As for Financials, a flattening NII should be balanced by robust fee income, steady asset quality and sound capital distribution.

Earnings should be past the bottom at the turn of the year

- 2025 consensus EPS growth for FTSE MIB (+5%) does not yet represent a "back-to-trend" cruising speed, which should be reached instead in 2026. Based on our previous simulation, the [illegible] of EPS growth among Non-Financials should be rather homogeneous cross sectors, thus reducing downside risk.

2025 EPS growth evenly spread among Non Financial sectors

All in all, we see balanced risks to the current 2025 aggregated forecast of +5% for FTSE MIB.

2026: At ease with current earnings forecasts

Consensus estimates point to +9% earnings growth in 2026 for the FTSE MIB, slightly better than at Jan-24 (+6% at that time). We feel at ease with current consensus forecasts for three reasons:

Balanced risk to 2026 forecast

- Our 2026 GDP growth forecast for Italy (+1.0%) is in line with GDP growth potential, supported by the contribution from Italy's NRRP; we expect an acceleration of spending flows from PNRR in its last calendar year, particularly in infrastructures, based on ISP macro forecasts;

Current 2026 forecast also supported by NRRP

- 2026 macro and earnings outlook in Italy should also find support in: a) the full effect of the expected easing in ECB monetary policy; b) an ongoing recovery in household spending power;
- 2026 consensus earnings growth (+9%) is moving back to a normalised growth trend (in 2019, EPS growth for FTSE MIB was +8%), at a time when Italy's GDP is growing at its potential; also, 2026 earnings growth is balanced among Non-Financial sectors, as shown by our previous simulation, thus reducing the downside risks to the 2026 forecast.

Back to trend EPS growth in 2026

A sensitivity analysis to 2025 earnings growth – FTSE MIB

A sensitivity analysis on 2025 earnings forecasts

We calculated the impact from an upwards / downwards revision of current 2025 earnings forecast on FTSE MIB valuation levels, through our equity risk premium model.

Starting from the current +5% 2025 EPS growth, we simulated two symmetric scenarios: 1) an earnings upgrade to +10% (broadly aligned to the current Euro Stoxx 2025 earnings growth forecast); and 2) an earnings downgrade to zero EPS growth, all else being equal.

Italy - Equity Risk Premium and EPS growth – Sensitivity analysis

	EPS growth 2025 (%)	P/E 2025 (x)	Equity Risk Premium (%)
Base-case FTSE MIB (current)	+5	9.6	7.2
Case 1 – EPS upside	+10	9.2	7.5
Case 2 – EPS downside	0	10.1	6.9
Euro Stoxx (current)	+9	12.5	6.5

Source: Intesa Sanpaolo Research elaboration on LSEG/IBES consensus data

+10% EPS growth in 2025

- ✓ If earnings growth estimates rise from +5% to +10% in 2025, the implied Equity Risk Premium would rise from 7.2% to 7.5%, and the implied 2025 market P/E would decline to 9.2x, a 31% discount to its 10-year average (13.3x). In this case, with 2025 EPS growth aligned to Euro Stoxx, the FTSE MIB would offer a more attractive equity risk premium than the Euro Stoxx (7.5% vs. 6.5%), with a larger discount on 2025 P/E.

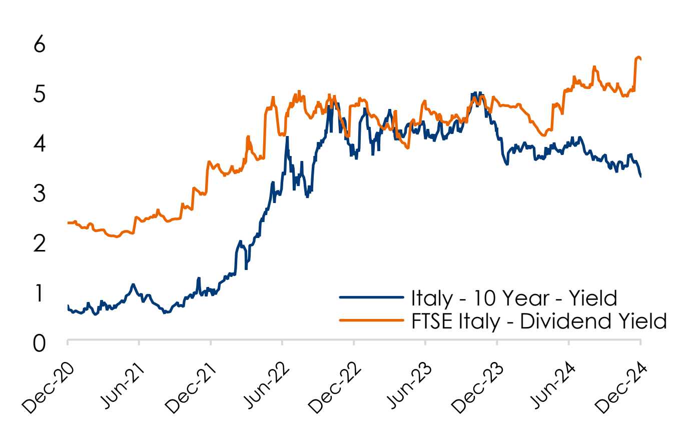
No EPS growth in 2025 earnings

- ✓ In the case of earnings downgrade to zero (no EPS growth in 2025), the implied Equity Risk Premium would decline to 6.9%, below its 10-year average (7.9[illegible]), with the implied 2025 market P/E up to 10.1x, or a [illegible]% discount to its 10Y average.

Dividend-Growth Stocks and the Hunt for Dividend Yield

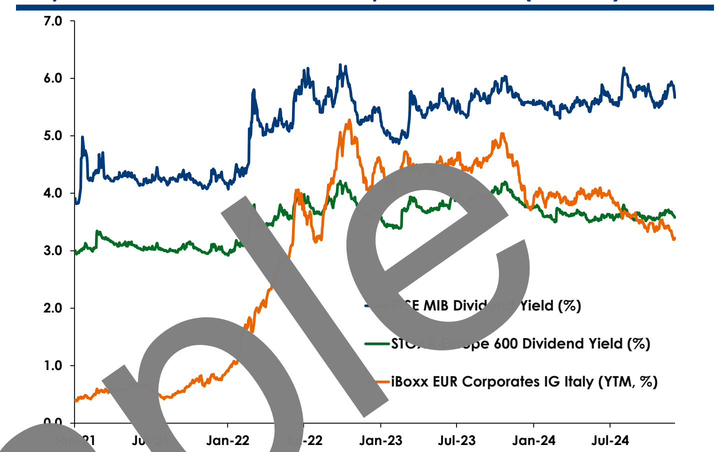
We like companies that can increase their dividends: dividend-growth stocks provide an attractive investment opportunity, in periods of declining interest rates. As such, we are looking at dividend yields, dividend growth and rising pay-outs; namely, companies able to increase shareholders' remuneration over time. From the end of 2023, Italy's dividend yield has returned above BTP 10Y yield (FTSE MIB: 5.1% vs. current BTP 10Y Yield at 3.2%).

Italy - Dividend yield vs. 10Y BTP yield (2020-24)



Source: Intesa Sanpaolo Research elaboration on FactSet

Italy – Dividend Yield vs. iBoxx Corporate IG YTM (2021-24)



Source: Intesa Sanpaolo elaboration on Bloomberg and Markit data

Below we show a selection of large-cap Italian stocks under our coverage (belonging to the FTSE MIB, plus other selected names), ranked by our expected 2024E dividend yield (to be distributed in spring 2025). We also consider dividend growth and pay-out, as well as visibility on dividends, i.e. potential earnings risks. As a reference, current FTSE MIB dividend yield stands at 5.1%.

Italian Large Caps - Dividend yields and growth (2024-25E)

	Dividend yield (%)		Div payout (%)		Div growth (%)		Market price	Market cap	
Company name	2024E	2025E	2024E	2025E	2024E	2025E	(EUR/share)	(EUR M)	Rating
Banca MPS	13.4	12.3	58.2	77.7	240.7	-7.7	6.37	8,027	BUY
Banco BPM	11.2	8.3	67.0	66.6	49.3	-25.6	7.51	11,379	BUY
Mediobanca	*7.7	8.0	69.5	70.0	26.2	5.7	14.16	12,003	HOLD
Eni	7.5	7.5	56.7	47.7	6.4	0.0	13.42	45,305	BUY
Italgas	7.1	7.0	65.0	74.5	11.9	-1.5	5.55	4,500	HOLD
Credito Emiliano	6.7	6.7	40.8	45.3	7.7	0.0	10.52	3,591	BUY
Enel	6.6	6.7	56.6	70.6	7.0	2.2	6.99	71,027	BUY
Banca Mediolanum	6.6	6.7	57.2	64.8	7.1	2.7	11.41	8,502	BUY
Snam	6.5	6.7	78.8	81.7	3.0	3.0	4.45	14,949	BUY
Iren	6.5	7.0	68.9	71.9	8.0	8.0	1.98	2,580	HOLD
Unicredit	*6.2	8.3	40.0	50.0	35.1	32.8	39.21	69,046	BUY
Azimut Holding	6.0	6.2	35.2	41.1	3.6	3.4	24.15	3,460	BUY
Banca Generali	5.9	5.6	75.0	77.9	23.3	-5.7	44.66	5,219	HOLD
ENAV	5.7	6.0	99.8	92.7	5.0	5.0	4.22	2,286	BUY
Unipol	5.5	7.0	43.0	48.9	71.1	26.2	11.77	8,445	BUY
INWIT	5.2	5.6	102.9	98.2	7.5	7.5	9.93	9,530	HOLD
Anima Holding	5.1	5.0	46.8	51.3	32.0	-3.0	6.45	2,058	BUY
Acea	5.0	5.2	64.5	69.0	4.0	4.0	18.19	3,874	HOLD
ERG	5.0	5.4	78.1	77.1	0.0	10.0	20.20	3,030	HOLD
Generali	4.9	5.3	56.6	57.2	7.8	8.7	28.08	43,777	BUY
Terna	4.7	4.7	75.0	75.0	10.7	-1.5	7.94	15,955	HOLD
A2A	4.5	4.7	36.8	47.7	4.4	4.0	2.20	6,892	BUY

Priced at market close of 06/12/2024; Note: Companies ranked by 2024E dividend yields; *including the SBB, Unicredit's total capital distributed yield would be 13.5% and Mediobanca's total capital distribution would be 11.2%; E: estimates; NM: not meaningful; Source: Intesa Sanpaolo Research and FactSet data

Investment View and 2025-2026 Targets

We expect a 9% upside for FTSE MIB in 2025E, paying a 10.5x P/E at YE25E, with ERP at its 25Y average (6.2%), assuming unchanged earnings estimates (+5%) and a 25bps downwards shift in the yield curve. We then expect a further 7% upside in 2026E, with ERP at its 30Y avg. (6.0%), with earnings growth at pre-pandemic level, or a cumulative 16% in a 24-month horizon, based on our ERP model.

FTSE MIB targets at YE25-26E - A Recap

%	Implied index performance	2025 P/E (x)	2026 P/E (x)	FTSE MIB
Italian Market – YE 24		9.6	8.9	34,500
Italian Market – **YE25E**	**+9**	10.5	9.6	**37,500**
Italian Market – **YE26E**	**+7**	-	10.4	**40,000**

Source: Intesa Sanpaolo Research elaboration on LSEG/IBES data

Italy - A 'fair' 2025 earnings multiple

Currently (with the FTSE MIB at 34,500) we are paying 9.6x for 2025 earnings, a 28% discount to its 10Y average. We assume:

Balanced 2025 earnings risks

- 2025 earnings estimates to stay at current levels (+5% for FTSE MIB), as discussed earlier in this report;
- The yield curve to shift downwards by 25bps at YE25, with an ongoing normalisation in CPI and ECB easing down to 2.0%;
- Equity Risk Premium in Italy should move towards its 25Y average (6.25%) at YE25, from the current 6.4%, as visibility on an economic re-acceleration in 2025 improves.
- We would then expect investors to pay 10.5x P/E at YE25E (a [illegible]% discount to its 10Y average).

At YE25E, all the above would translate into a c. 9% upside, or a FTSE MIB at around 37,500.

A 9% upside at YE25E

FTSE MIB at YE25E

%	Implied Index performance	ERP (%)	P/E 25 (x)	FTSE MIB
Italian Market – YE 24		6.4	9.6	34,500
Italian Market – YE25E	**+9**	**6.2**	**10.5**	**37,500**

Source: Intesa Sanpaolo Research elaboration on LSEG/IBES data

What shoud we pay for 2026 'normalised' earnings?

Our assumption is that 2026 should be back to a normalised trend, with Italy's GDP expected to grow +1.0%, in line with its potential (based on our macro forecasts) and earnings expected to grow +9% (back to 2019 pre-pandemic levels). We assume:

The price for 'normalised' 2026 earnings

- 2026 earnings forecasts to stay at the current consensus levels, +9% for FTSE MIB;
- The yield to remain unchanged (from YE25 levels);
- Equity Risk Premium to reach down at its 30Y average at 6.0%, as the normalisation process unfolds; we remind that the ERP in Italy was last below 6.0% at YE09.
- We would then expect investors to pay c. 10.4x P/E at YE26E, i.e. a 21% discount to its 10Y, for a 'normalised' 2026 earnings growth.

At YE26E, all the above would translate into a further c. 7% upside in 2026, or a FTSE MIB at around 40,000 (with a cumulative +16% upside from the current c. 34,500, in a 24-month horizon).

We see a cumulative 16% upside at YE26E for the FTSE MIB

FTSE MIB at YE26E

%	Implied Index performance	ERP (%)	P/E 26 (x)	FTSE MIB
Italian Market – YE25E		6.2	9.6	37,500
Italian Market – YE26E	**+7**	**6.0**	**10.4**	**40,000**

Source: Intesa Sanpaolo Research elaboration on LSEG/IBES data

Macro Italy Picture: Outlook for Consumption Improves, Higher Risks on Investments and Exports

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We have revised down our GDP growth estimates for the Italian economy in the current two-year period by two tenths, to 0.5% in 2024 and 1% in 2025. The revision is driven by higher risks on investments and exports, while there are more signs of a rebound in consumption.

The above-average expansion phase in the Eurozone seems to be over

After a stronger-than-expected first half of 2024, the Italian economy stagnated again in the summer quarter. It was held back, on the supply side, by industry (in the presence of a growth in added value in construction, where the infrastructure sector more than offset the drop in the residential component, and in services, mainly thanks to the sectors most linked to tourism), and, on the demand side, by investments and exports (the former continue to suffer from the delays in the implementation of the tax incentives of the 'Transition 5.0' package, exports are affected by the slowdown in demand from major trading partners); conversely, consumption, especially of services, surprised on the upside.

We still think that consumption will be the main driver of growth in 2025...

We continue to think that a moderate GDP reacceleration is possible in 2025-26 (to [illegible] in both years), after the slowdown to 0.5% in 2024. The main driver of the recovery should be the strengthening of consumer spending, which we even revised upwards from three months ago, to 1.8% from the 1.4% estimated in September (after 0.7% in 2024). Progress, however, should once again be led by services (seen expanding at a pace of 2.7% in 2025, after [illegible] in 2024), while the recovery in goods consumption will be more modest (below [illegible]). The main cause of the expected rebound in consumption is the recovery of household purchasing power (which we estimate at 3% in 2024 and 1.7% in 2025, after two years of contraction). So far (in Italy as elsewhere in Europe), the significant bounce in real incomes (which had already recovered the ground lost in the wake of the inflationary shock by mid-2024) has mainly translated into a jump in the savings rate (up to [illegible] in 2Q24, a high since [illegible]). However, we continue to believe that there are conditions to see a more appreciable strengthening of consumption, as confirmed by the encouraging summer data.

...in a resilient labour market hypothesis

A key assumption for the prospect of consumption recovery is the resilience of the labour market. The data of the last months continued to surprise on the upside, showing new records not only for the jobless rate (at 5.8% in October) but also for the number of employed persons and the employment rate. Moreover, job creation is mostly driven by stable employment. However, in the 12 months between October 2023 and 2024 the rise of the inactive is more pronounced than that of the employed; moreover, the analysis by age groups adjusted for the demographic trend shows that annual growth in employment is all concentrated among the over-50s, while in the other cohorts the inactive are growing against approximately stable employment: this could indicate that **the labour market is less solid than it appears at first sight**, and that the positive trend may be due at least in part to the gradual increase in the effective retirement age. These caveats, together with **the slowdown** in **labour demand** emerging from business confidence surveys (more in industry than in services), suggest that the jobless rate may rise again in the coming months, but in our view not to such an extent as to jeopardise the expected recovery in consumption in 2025.

Investment: the end of the Superbonus and the low take-up of the 'Transition 5.0' incentives are weighing on...

On the investment side, construction has so far surprised on the upside. Residential investment contracted in each of the first three quarters of 2024 due to the loss of support from the Superbonus; however, this decline was offset by the non-residential component, whose reacceleration in 3Q could be a sign of a change of pace in the implementation of the infrastructure works included in the National Recovery and Resilience Plan. We think that the divergence between shrinking residential construction and growing non-residential component may continue in the coming quarters. The net balance on construction investment is seen negative in 2025 (-0.5%), only to turn positive in 2026 (1.2%). Risks are also growing on investments net of construction (down sharply so far this year), which have been affected first by the delays and then by the regulatory complexity (and restrictiveness of the access requirements) of the implementing decrees of the "Transition 5.0" incentives package for the digital and energy transformation of companies; in this regard, regulatory changes are possible in the coming weeks to make the incentives more attractive.

...but a boost should come from the NRRP (even in the case of incomplete implementation)

On the NRRP front, there is still no discontinuity: formal compliance with the deadlines required by the plan continues, which allowed the European Commission on 26 November to express a positive opinion for the payment by the end of the year of the sixth instalment of EUR 8.7Bn, but at the same time, large implementation delays persist: actual spending in the first 10 months of 2024 was equal to EUR 17Bn, and is expected to close the year at EUR 22Bn, i.e. less than half of what was initially planned and below the EUR 23Bn recorded in 2023. The government's update of the spending plan now sees a significant acceleration in 2025 and 2026, to EUR 45Bn and EUR 84Bn respectively (compared to the previous year: +1% of GDP in 2025, +1.7% of GDP in 2026). New evidence of delays has come from the contribution data released by ANCE and the Bank of Italy (which are not affected by the delays in registering on the ReGiS platform): only 8% of the EUR 50Bn of funds earmarked for new public investments has been spent; in particular, many of the largest construction sites are not yet in a position to work at full capacity and may not be completed by the deadline imposed by the NRRP. At this point, a new 'technical' revision of the plan is likely, focusing even more on tax credits to the private sector and leaving an additional share of infrastructure that cannot be finalised by 2026 to national financing.

Foreign trade is expected to dampen GDP in 2025. Export risks are downward

The (moderate) recovery that we expect for GDP in 2025 is entirely driven by domestic demand, while foreign trade, after having contributed positively to growth in the previous two years (due to a more pronounced decline in imports than in exports), could make a slightly negative contribution in 2025. Trade flows are seen recovering (after the 2024 contraction), but the rebound should be modest. In particular, we have recently revised down our estimate for export growth to just 0.6% in 2025 (compared to 1.6% expected three months ago), against a stronger rebound for imports (1.7%). The revision is due to lower expected growth in Italy's two largest trading partners, Germany (to 0.4% from 0.9% estimated three months ago) and France (to 0.7% from 1%); vice versa, higher demand from the US is possible (for which we have revised upwards the 2025 growth estimate from 1.7% to 2%), but the baseline scenario does not include the introduction of universal tariffs by the new US administration towards EU countries; higher tariffs on specific sectors (e.g. automotive) are, however, not to be excluded, which adds downside risks to the export forecast profile.

The development of the public deficit is better than expected, although debt will continue to increase

Finally, the government, in the 2025 budget, has chosen to adopt the minimum adjustment required by EU rules, which is part of a much more favourable public finance trend than the one outlined last April. In this sense, the trend of deficit improvement could continue in the following years; however, debt will continue to increase up to and including 2026 (at best), due to the delayed effects of the tax credits accrued mainly due to the Superbonus in 2023.

Forecasts

	2024	2025E	2026E	2024				2025E				2026E	
				1Q	2Q	3Q	4QE	1Q	2Q	3Q	4Q	1Q	2Q
GDP (constant prices, yoy)	0.5	1.0	1.0	0.3	0.3	0.7	0.4	0.7	0.7	0.8	1.1	1.2	1.1
- q/q				0.3	0.3	0.2	0.0	0.2	0.3	0.3	0.3	0.3	0.3
Private consumption	0.7	1.8	1.0	0.2	0.2	0.6	1.4	0.3	0.3	0.3	0.3	0.3	0.3
Fixed Investments	0.1	0.2	1.9	-0.9	-0.9	-0.5	-1.2	0.2	0.2	0.4	0.4	0.4	0.5
Government consumption	0.5	0.5	0.2	-0.6	-0.6	0.9	-0.2	0.1	0.1	0.1	0.1	0.1	0.0
Exports	-0.3	0.6	1.8	-0.2	-0.2	-1.2	-0.9	-0.4	0.8	0.6	0.6	0.5	0.4
Imports	-2.0	1.7	2.1	-1.0	-1.0	0.3	1.2	0.8	-0.4	0.5	0.6	0.6	0.5
Stock changes (contrib., % GDP)	-0.5	0.1	-0.1	0.3	0.3	0.2	0.1	0.3	-0.3	-0.1	0.0	0.0	0.0
Current Account (% GDP)	1.4	1.1	1.3										
Government deficit (% GDP)	-3.8	-3.3	-3.2										
Government debt (% GDP)	135.6	136.9	139.0										
Consumer prices (HICP, yoy)	1.1	1.8	1.9	1.0	1.0	0.9	1.2	1.4	1.8	2.0	1.8	1.8	1.6
Industrial production (yoy)	-3.3	0.0	1.2	-3.5	-3.5	-3.0	-3.5	-3.2	-1.9	-0.6	0.9	1.7	1.8
Unemployment (ILO, %)	6.4	6.2	6.7	7.1	7.1	6.7	6.1	5.8	6.0	6.2	6.3	6.4	6.6
10-year rate (%)	3.66	3.72	4.17	3.74	3.74	3.86	3.61	3.45	3.57	3.67	3.77	3.87	3.99

Note: Percentage changes over the previous period - except where otherwise indicated. Source: Refinitiv, Intesa Sanpaolo Research estimates

Top Picks and Sector Strategy at a Glance

Our 2025 stock-picking approach: Super Champions Flexing their Muscles

We are looking for "Super-Champions" within our covered sectors: companies with highly distinctive, if not unique, business qualities, among both Non Financial and Financial stocks; among others:

- Strong price leadership
- Clear brand recognition
- Beneficial exposure to a stronger USD
- Capacity to withstand US trade policy and tariffs
- Low interest rates sensitivity
- Superior asset quality
- Sound capital distribution
- Strong distribution network

We show our 2025 Top Picks' selection and 2025 Sector views below.

Top Picks for 2025 – Key data

Company	Rating	TP (EUR/sh)	Market Price (EUR/sh)	Market cap (EUR M)
Allianz	BUY	345	301.6	116468
Banco BPM	BUY	7.9	7.5	11379
Brunello Cucinelli	BUY	108	96.9	6589
Ferrari	BUY	[illegible]	432.3	77987
Finecobank	BUY	[illegible]	16.6	10093
Generali	BUY	31.0	28.1	43777
Hermes	BUY	2390	2259.0	238481
Leonardo	BUY	29.8	26.4	15268
NatWest[1]	BUY	502	414	34382
Prysmian	BUY	76.6	64.5	18351
Technogym	BUY	11.2	10.3	2066
Tenaris	BUY	22.1	18.1	21309
Veolia	BUY	35.0	28.3	*20493

1)In GBp (GBP for market [illegible] including [illegible] change in total number of shares; priced at market close of 6/12/24; Source: Intesa Sanpaolo Research estimates and FactSet data

2025 sector views

Sector	View	Sector	View
Airports & Infrastructure	Positive	Insurance: Life	Positive
Asset Gatherers	Positive	Insurance: Non-Life	Positive
Auto: Carmakers	Neutral	Oil: E&P/Oil & Gas Upstream	Neutral/Positive
Auto: Suppliers	Neutral	Oil: Oilfield Services/E&C	Positive
Auto: Tyres	Positive	Oil: Oil Refiners/Downstream	Negative
Banks	Positive	Pharma/Medical Equipment	Neutral
Branded Goods	Neutral	Telecoms	Positive
Construction & Building Materials	Neutral	Media	Neutral
Consumer Goods	Neutral	Technology	Neutral
Industrials: Aerospace & Defence	Positive	Towers	Positive
Industrials: Capital Goods	Neutral	Utilities: Fully-Regulated	Neutral
Industrials: Diversified Industrials	Neutral	Utilities: Integrated	Positive
		Utilities: Pure Renewables	Negative

Source: Intesa Sanpaolo Research elaborations

Airports&Infrastructure: Positive

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We have a positive view on both European Airports and Infrastructure. The underlying business remains strong for Airports thanks to the air traffic resilience while the historically high order book on contracting provides solid sales visibility over the next year for infrastructure companies. Valuation-wise, the recent strong price correction offers an interesting investment opportunity on Vinci and Eiffage, affected by French political turmoil, while we still see upside on AENA, Zurich and ENAV.

Short and long-term drivers in action on airports

Air traffic has been strong throughout the year and the recent October data confirmed a good demand resilience despite the soft economy, notably in Europe, with RPK up 7.1% (+10.8% YTD) led by International pax up 9.5% (+14% YTD) and domestic up 3.5% (+5.9%). We expect further growth in 2025 (IATA expects worldwide passengers up by 6.7% yoy), with tourist destination airports still privileged by the continued preference by consumers for intangible vs. goods. We thus anticipate MSD growth for all the listed airports as well as for VINCI's key assets Gatwick (+3%), OMA (+3%), ANA (+1%) and the recently acquired Edinburgh (+4%).

Motorways traffic: easy comps to help

Historically, French motorways traffic has shown a limited correlation to domestic GDP (our macroeconomists expect a French GDP growth of 0.7%) as it is also influenced by the nearby-countries economies. In addition, 2025 traffic should also benefit from an easy-comps and we thus expect a 0.9% and 1.1% growth for Eiffage and VINCI, respectively, and supportive tariffs growing by 1.3% (VINCI ASF/Cofiroute) to 1.6% (Eiffage APRR/AREA).

Order book and mega trends sustaining the top-line

The record-high order book for VINCI and Eiffage at EUR 37bn and EUR 29bn, respectively, will provide good sales visibility on next year and beyond (15 and 18 months of activity) while disentangling the performance from the domestic economy showing softening household and business confidence. Moreover, we expect the news flow on the Energy sector to remain supportive both in terms of organic growth as well as on strategic M&A while the commissioning of the capacity on Cobra IS' Renewable business will improve visibility on the company's 5GW target and potentially favour a re-rating of the business valuation.

View: underlying business solid combined with appealing valuations

We have a positive stance on the Airports&Infrastructure sector, underpinned by both long and short-term drivers coupled with attractive valuations for both the sectors, still trading below the pre-pandemic level at NTM EV/EBITDA 10.5x vs. -10Y avg. 12.4x for Airports and at 9.7x vs. -10Y 12.3x for Infrastructure. On Infrastructure, we have a BUY rating on VINCI and EIFFAGE and on AENA and Zurich Airports. We also have a positive view on ENAV due to the appealing valuation and still attractive FCF yield above 10%. We have HOLD ratings on Fraport and ADP.

Airport & Infrastructure – Key data

(x)	Rating	TP EUR/sh	Mkt P EUR/sh	Mkt cap EUR M	Dividend yield % 2024E	2025E	2026E	EV/EBITDA 2024E	2025E	2026E	Adj. P/E 2024E	2025E	2026E	FCF yield % 2024E	2025E	2026E
Aena	BUY	222.0	204.0	30600	4.5	4.9	5.2	10.3	9.5	8.9	15.8	14.6	13.7	6.8	7.2	7.7
Aeroporto di Bologna	HOLD	8.0	7.6	276	4.5	3.6	4.0	5.7	6.8	6.7	12.7	15.9	14.3	-6.9	-13.9	-15.2
Aeroports de Paris	HOLD	123.0	113.6	11242	2.6	3.5	4.0	9.7	9.5	9.1	35.2	17.2	15.1	-0.9	-2.3	2.7
Eiffage	BUY	129.0	87.4	8565	4.1	4.7	5.4	4.8	4.4	4.1	8.5	7.6	7.0	10.8	18.6	20.4
ENAV	BUY	5.1	4.2	2286	5.7	6.0	6.3	7.9	7.0	6.3	17.4	15.4	14.9	9.8	10.2	11.2
Flughafen Zuerich*	BUY	255.8	237.8	7302	2.3	2.4	2.5	11.0	10.0	9.3	19.8	20.4	19.0	0.6	5.4	5.9
Fraport	HOLD	49.0	54.0	4989	0.0	0.0	0.0	10.0	9.0	8.2	10.7	9.0	8.3	-15.9	-0.5	12.1
VINCI	BUY	135.0	101.1	59553	4.3	5.0	6.3	6.3	5.6	5.2	13.2	11.6	10.2	-0.9	11.4	11.5

* in CHF; NA: not available; NM: not meaningful; Source: FactSet and Intesa Sanpaolo Research estimates

Asset Gatherers: Positive

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As expected, in 2H24 Italian asset gatherers had positive and accelerating flows into AuM, confirming the first signs of a recovery shown in 1H24. Considering the current shift in interest rates (implying no more significant issues in terms of traditional life policies' lapses and direct deposits' outflows), we project the positive trend in net inflows to continue in 2025. We also underline the generous dividend policies of Italian asset gatherers, with an average 5.6% 2024E yield at the current share prices. We select Finecobank as our top-pick relying on the accelerating business momentum and its competitive advantage, given its fintech DNA, in exploiting the opportunities coming from the secular trends in place, including demand for personal advice in Investing and the inter-generational wealth-transfer process in a progressively more digitalised context.

Rates' normalisation expected to support AuM net inflows in 2025, after FY24 recovery

According to Assogestioni quarterly data, in 3Q24 open-ended mutual funds recorded EUR +7.4Bn inflows from EUR -3.4Bn outflows in 2Q24, leading to a positive 9M24 result of EUR +2.05Bn, driven by bond funds (EUR +9.9Bn in 3Q and EUR +37.8Bn in 9M) and monetary products (EUR +2.3Bn in 3Q and EUR +1.6Bn. In the same period, managed portfolios had an inflow of EUR +10.6Bn, with a positive contribution of EUR +6.1Bn from insurance managed assets (which were still negative in 2Q for EUR -6.3Bn), benefitting from a normalisation of lapses from traditional life policies (shown, in particular, among our covered companies, by the monthly net inflow data of Banca Generali - with EUR +140M inflow into traditional insurance policies in the first eleven months of 2024 vs. EUR -1.28Bn outflow in the same period last year - and Finecobank – approx. EUR -100M limited average monthly outflow from insurance in Jan-Nov 2024). The clients' cash sorting process seems to be over, with both Banca Generali and Finecobank showing positive YTD flows in direct deposits. We also highlight the acceleration in AuM net inflows (driven by mutual funds and unit-linked) shown by our covered Italian asset gatherers in 2H (with July-November data already surpassing 1H24 result).

Recurring fees' growth driven by positive flows and higher AuM after 2024 strong markets

Our 2025E estimates factor in a notable growth in recurring fees (the key element to look at, with no significant regard to net profit trend, which should be negatively affected by lower contribution from performance fees and NII), in particular management fees. These should be driven by higher average AuM, also supported by strong market performance in 2024, and expectations of positive flows in 2025. In particular, we incorporate an average yoy progress above 8% in 2025E management fees for our covered Italian asset gatherers.

Positive view backed by AuM flows' growth and attractive shareholders' remuneration

We confirm our Positive view on Italian asset gatherers, considering: 1) an expected continuation of the growing trend in AuM net inflows in 2025 (which also supports our positive view on Allfunds); 2) a yoy progress in recurring commissions which, though not compensating the lower expected flow of performance fees (for Anima, Banca Generali and Banca Mediolanum) should basically offset the estimated yoy decline in NII for banking asset gatherers; and 3) their generous dividend policies, with an average 5.6% 2024E yield at the current share prices. **Finecobank is our top-pick within the sector.**

Asset Gatherers – Key data

(x)		TP	Mkt P	Mkt cap	Adj. P/E			P/Cust. Assets (%)			Net profit margin (bps)			Dividend yield (%)		
	Rating	EUR/sh	EUR/sh	EUR M	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Anima Holding	BUY	6.5	6.4	2,047	8.1	8.9	8.9	1.0	1.0	1.0	12	11	11	5.1	5.0	5.0
Azimut Holding	BUY	28.6	24.2	3,460	8.5	7.8	7.2	3.3	3.0	2.8	47	46	46	6.0	6.2	6.4
Banca Generali	HOLD	43.8	44.6	5,212	12.6	13.9	13.6	5.1	4.7	4.3	42	35	33	5.9	5.6	5.8
Banca Mediolanum	BUY	12.7	11.4	8,510	8.7	9.6	9.6	6.2	5.8	5.4	77	62	58	6.6	6.7	7.0
Finecobank	BUY	17.4	16.2	9,871	16.5	16.8	16.1	7.2	6.7	6.3	46	41	40	4.4	4.4	4.6
Allfunds	BUY	7.7	5.7	3,522	15.0	13.2	11.7	0.2	0.2	0.2	2	2	2	1.9	2.3	3.0

Note: priced at 5 December 2024. Source: FactSet and Intesa Sanpaolo Research estimates

Auto&Components

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After a sound start, global car sales and production lost momentum over the year. The size of the profit warnings announced by car makers made it very clear that 2022/23 were largely exceptional and non-repeatable years for OEMs. We believe the automotive sector is entering into a 'New Normal' with structural trends shaped by subdued volumes and overcapacity in Europe, lower growth in China and NAFTA, further pricing pressures also amid a bumpier EV scenario and a new competitive landscape on rising Chinese competition both in and outside of China. In this context, which calls for an urgent rightsizing of OEMs' cost bases, regulatory frameworks and a fragmented trading environment, with tariff hikes posing further uncertainties, mean the start of a new positive cycle for the auto industry could be further away than expected. Following a 23% cut in OEMs' earnings, now 27% below the 2022 peak levels, the auto downcycle looks to be in the rear-view mirror. Valuations are undemanding and now based on much lower estimates thus providing a more balanced risk reward proposition. Nevertheless, we still see some earnings downside risk in FY25 and, given the still challenging 1H25, we believe it is still too early to enter the sector. In the broader automotive arena, we suggest adopting a selective approach: while flagging some risks from tariffs we remain Positive on Tyre Makers, backed by sound volumes thanks to the Replacement market and a solid price mix; on the other hand, we are Neutral on Car Makers and Auto Suppliers.

A sector entering a 'New Normal'

Following two years of exceptional earnings and FCF generation, the next auto cycle and automotive industry overall appears to be entering into a 'New Normal' shaped by some different, structural trends vs. the previous cycle. In the Eurozone (and partially in NAFTA and China) we see a subdued volumes trend, continued pricing pressures amid ongoing de-stocking, overcapacity in Europe, a bumpy road ahead for BEV and, lastly, increasing competition both in and out of China from Chinese car players across all the powertrains now and in BEVs across all segments in the next years. Unless there is a postponement of the 2025 CO2 deadlines, the current regulatory environment is likely to put further pressure on OEMs margins. Temporary relief for European OEMs from the EU duties against China could be offset by potential retaliation measures, while the US tariffs hikes against Mexico and potentially Europe could further complicate the picture.

Subdued volumes in key areas and a FY25 at two speeds at best

Following a c.10% increase in FY23 and a sound start to 2024, the recovery in global car demand since the pandemic has lost momentum: by year-end, the global car market should recover c. 1.3M cars vs. last year, delivering a modest 1.5% improvement, according to our estimates, setting below 2019 levels. We expect around 45% of the expected growth in global car sales this year to be attributable to China. At the global level, we view as overall feasible a nearing of the pre-Covid level in 2025 but shaped by downside risks mainly related to the Eurozone. For the latter, we expect global light vehicle sales to just slightly exceed 2% with Europe delivering a negative trend in 1H and settling flattish at best by year-end. NAFTA looks better positioned (c.1.4% growth in demand) but the rising inflation risk after the Presidential elections and a slower interest rates policy cut might act as a constraint for consumers. In China, after the subdued growth of 2024 (c.2.2% in our estimates), we see a stronger yoy recovery (3.3%), which could nonetheless prove volatile and highly correlated to the effects of political stimulus. Mirroring the worsening momentum for global car sales, market expectations on total global car production have been revised downwards several times across the year, which is now set to decline by c. 1.5% to around 89M vehicles in FY24 with Europe down by 5.2%, in our estimates. With the inventories' correction still underway, weak indicator data from chip purchases and ongoing recessionary fears despite an overall soft-landing of the economy, we expect car production to be slightly down by 0.5% in 2025, with Europe and North America still shaped by a negative trend.

Bumpier EV growth amid a challenging regulatory environment

Following a strong early adoption wave in BEV sales, namely in the premium segment, the growth rates of the BEV market halted sharply amid affordability issues, especially in the mass market, the lack of appealing models, concerns on the range, decreasing residual values and lack of infrastructure. We expect BEV penetration in 2025 to move from 12.7% in FY24 to just c. 16.6% vs. last year's projections at c. 26% for FY25. Europe is set to remain slightly above

17% (vs. the initial projections at 39.4%; source BNEF), thus hovering below the 20% threshold required for carmakers to be compliant with the EU regulation. While there's a growing debate about the potential postponement of the FY25 EU CO2 emissions deadline, under the current regulatory framework all the viable options for car makers to cope with the EU rule could result in further pressure on volumes, pricing or costs.

Chinese players further pressuring prices; Rising need for OEMs to right size the cost base

With car and light vehicles totalling above 29M units yearly, China is the largest car and light vehicles manufacturers exporting over 5M vehicles in LTM (Source: CAAM). With Chinese car production exceeding internal demand, despite the recent tariffs' introduction in Europe and a further tightening in duties in the US towards China, we expect the flow of Chinese car exports to continue to strengthen at the global level driven by exports towards the rest of the world. We view Chinese car makers as taking share across the different powertrains. On top of the general pricing pressures from Chinese exports and from ongoing inventories destocking in USA, we expect car players, namely the premium ones, to continue to suffer in China where Chinese players now cover c. 38% of the car premium market. Within this general picture, to safeguard their cash flow and capital allocation, we expect Western car players to continue to strongly focus on scaling back their cost bases.

Tight scenario for 2W market

In a still difficult car market environment in FY25, the 2Ws market also looks tight. We expect demand in Europe to remain flat at most and shaped by competitive pressures, while APAC 2Ws should recover at a high mid single-digit on a better comparison base. Finally, in the Indian 2Ws market we expect a modest rise.

View: Too early to enter the sector

In 2024, the Eurostoxx Auto&Components shed 24% from its April peak, underperforming the market by 23% as a reflection of the strong and sizeable unexpected earnings revisions by most OEMs. Since the beginning of the year the Euro Stoxx Auto & Parts is now down by 12% in absolute terms, delivering a c. 20% underperformance vs. the Euro Stoxx and lagging behind other cyclical industries.

Carmakers: Neutral

With adj. EPS falling by [illegible] since the 2022 peak for European and US car makers, reflecting the revenues decline and industry margin contraction now at c.7% vs. the c. 10% peak in 2022, most of the downcycle of the automotive sector would now appear to be behind us. Sector FY24 earnings projections have been cut by 23% since beg-year (-21% on FY25) and we now see a more [illegible] risk reward proposition on OEMs. On a NTM P/E at 5x vs. last 10Y average at 6.2x, as in last two years valuations look undemanding but are now based on much lower estimates. We believe however that consensus for FY25 still incorporates some downside risks and, above all, looks overly bullish on the speed of the recovery in terms of sector margins and their sustainable level. We believe that the entry into a new positive cycle could require more time and start only in late 2026/2027. We thus think it is too early to enter the sector, and we adopt a Neutral view.

Auto Suppliers: Neutral

Even though at a NTM P/E at 9x the segment is trading at a much wider discount (c. 23%) on the last 10Y average than one year ago and despite the sharp earnings estimates reset, we continue to be cautious on Auto Suppliers on the back of the ongoing pricing pressures from car makers and a weak car production in 1H25 seen mostly flat at the global level and mid high single digit down in Europe. **We are Neutral on Auto Suppliers**.

Tyre Players: Positive

In the current environment, we continue to see the Tyre sector as more resilient and still undemanding on a valuation basis. On the negative side, we point out the increasing risks from the introduction of additional tariffs in the US. That said, we expect tyres players' volumes to continue to be backed by a sound Replacement market and a solid price mix. Within the sector we reiterate our positive view on Pirelli. **We are Positive on Tyre Players.**

Auto&Components – Key data

(x)		TP	Mkt P	Mkt cap	EV/sales			EV/EBITDA			Adj. P/E			FCF yield %		
	Rating	EUR/sh	EUR/sh	EUR M	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Brembo	BUY	12.2	9.1	3049	0.9	0.9	0.8	5.2	5.2	4.7	11.5	9.9	8.6	8.3	-7.6	6.2
Continental	HOLD	68.0	65.4	13080	0.3	0.3	0.3	3.2	2.8	2.5	8.8	6.6	5.6	5.6	7.9	12.3
EuroGroup Lam.	BUY	4.5	3.0	495	0.8	0.6	0.6	5.9	4.7	4.5	12.4	8.9	7.3	-6.7	3.6	7.0
Ferrari	BUY	475.0	432.3	77987	11.9	11.0	10.2	30.8	28.2	25.9	53.0	49.7	45.6	1.2	1.7	1.9
Michelin	HOLD	35.5	32.0	22767	0.9	0.9	0.8	4.8	4.5	4.2	9.6	8.7	7.9	7.9	8.3	8.6
Piaggio	BUY	2.8	2.1	741	0.7	0.6	0.6	4.1	3.8	3.6	11.1	8.9	7.6	6.7	11.4	11.8
Pirelli	BUY	6.9	5.3	5346	1.1	1.1	1.0	5.3	4.9	4.5	9.2	8.5	7.9	9.7	10.4	10.8
Renault	BUY	51.4	43.7	12920	0.1	0.1	0.0	0.9	0.6	0.3	3.8	3.6	3.3	19.1	16.0	17.3
Sogefi	HOLD	2.3	2.0	235	0.3	0.3	0.2	2.4	2.2	1.9	13.4	8.4	7.4	102.7	13.5	15.9
Stellantis	HOLD	11.2	12.9	40397	0.2	0.2	0.1	2.1	1.5	1.1	5.1	4.6	3.7	-23.6	10.4	12.6
Volkswagen	HOLD	109.8	83.1	42551	0.2	0.2	0.2	1.3	1.2	1.0	4.1	3.3	2.7	16.9	22.5	30.8

NA: not available; NM: not meaningful; Source: FactSet and Intesa Sanpaolo Research estimates

Banks: Positive

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Despite declining rates (NII pressure), we believe European banks still offer compelling opportunities as their structural ROTE improvement, robust shareholder distributions, and active consolidation trends remain underappreciated by the market. Current valuations imply a cost of equity of 14%, 3% higher vs. the past 10Y average and 6% higher than US banks, despite stronger-than-ever balance sheets and enhanced profitability. We envisage a resilient trajectory for the sector, supported by higher non-interest income, effective hedging, and disciplined capital management, all amidst transformative M&A activity.

Structural profitability: A new era for Banks

The ROTE of European banks (13.7/12.8% in FY24/26) is set to remain materially above the levels seen over the past decade. This is underpinned by structurally higher average interest rates and the growing contribution of non-interest income. Strategic moves, such as expanding ALCO portfolios, prudent hedging during low-rate periods and a cleaner balance sheet, enhance banks' ability to withstand volatile periods. Despite expected rate declines from early 2024, profitability remains protected, signaling a departure from the challenges of a zero-rate environment.

Shareholder returns: A golden era

The sector is at the peak of shareholder remuneration. Over the next three years, European banks are projected to return an average of 30% of their market capitalization through dividends and share buybacks, with leaders like UniCredit and ING targeting payouts of around 40%. These distributions are supported by strong capital positions, even as banks prepare for Basel IV, indicating room for sustained high returns without compromising resilience.

Asset quality: built to endure

European banks have substantially derisked their balance sheets over the past decade. For example, Italian gross NPE ratios have dropped from 22% in 2015 to below 3% in 9M24, while default rates remain historically low. Provisions exceed expected losses for most institutions, creating buffers against potential macroeconomic headwinds. Management overlays further enhance their ability to absorb shocks, underscoring the sector's preparedness for economic slowdowns.

Consolidation: technology driving scale

Technological advancements are catalyzing the need for scale, with digital platforms offering client servicing costs one-third of those associated with legacy systems. However, the transition is capital-intensive, as seen in HSBC's tech spending increase from 14% to 23% of total opex over five years. To optimize these investments, consolidation is expected to accelerate, particularly in markets like Italy, where UniCredit, Banco BPM, and MPS are key players in potential deals. Broader consolidation opportunities across Europe (e.g., UCG-BAMI, UCG-CBK, BBVA-SAB) are unfolding, driven by cost synergies and competitive imperatives.

Valuation metrics at their trough: Positive view

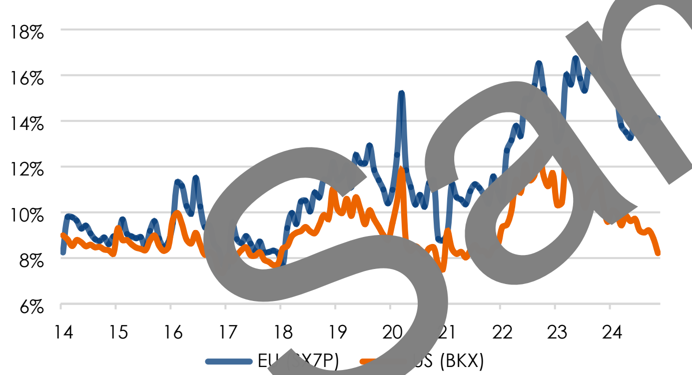
Valuation metrics are near historic lows, with European banks trading at a forward P/E of 7x, far below the 10-year average of 9x. The correlation between ROTE and P/NAV has dislocated, highlighting market skepticism regarding the sustainability of improved profitability. However, the sector's structural shifts, coupled with stronger balance sheets, disciplined capital allocation, and robust shareholder returns, make this skepticism unwarranted. We maintain a positive outlook, driven by the sector's undervaluation and fundamental strength, with M&A activity and shareholder remuneration acting as pivotal catalysts for a rerating.

European Banks – Key data

(x)	Currency	Mkt cap M	Mkt P	Rating	TP	P/TBV 2024E	P/TBV 2025E	P/TBV 2026E	Adjusted P/E 2024E	Adjusted P/E 2025E	Adjusted P/E 2026E	Cash Dividend Yield % 2024E	Cash Dividend Yield % 2025E	Cash Dividend Yield % 2026E
Italian Banks														
Unicredit	EUR	69,477	39.5	BUY	45.5	1.06	1.04	1.00	6.8	6.6	6.1	6.2	8.3	8.9
Medio Banca	EUR	11,910	14.0	HOLD	15.6	1.14	1.09	1.02	9.1	8.8	8.4	7.7	8.0	8.4
Banco BPM	EUR	11,337	7.5	BUY	7.9	0.94	0.93	0.90	7.5	8.2	8.6	11.2	8.3	8.3
MPS	EUR	8,042	6.4	BUY	6.8	0.70	0.69	0.68	7.5	8.6	8.6	13.4	12.3	12.3
Credito Emiliano	EUR	3591	10.52	BUY	12.7	0.95	0.88	0.83	6.1	6.8	7.3	6.7	6.7	6.7
European Banks														
HSBC	GBP	189,156	743.6	BUY	830	1.08	1.02	0.96	7.4	7.7	7.4	9.1	6.6	6.9
Banco Santander	EUR	76,125	4.7	BUY	5.7	0.84	0.76	0.69	6.6	6.2	6.0	4.0	4.3	4.4
BNP Paribas	EUR	71,535	58.0	BUY	84.0	0.63	0.59	0.56	6.4	5.8	5.5	7.9	8.6	9.1
ING Groep	EUR	54,922	15.2	BUY	18.5	0.93	0.88	0.83	7.6	7.4	6.7	7.0	7.0	7.7
Barclays	GBP	39,694	267.6	HOLD	245	0.71	0.65	0.58	8.2	7.7	6.7	3.1	3.3	3.6
Crédit Agricole	EUR	39,163	12.9	BUY	19.3	0.82	0.77	0.73	6.2	6.0	5.9	8.8	9.1	10.0
Natwest	GBP	34,266	412.5	BUY	502	1.27	1.15	1.03	8.5	7.7	6.7	5.0	5.3	6.1
Lloyds	GBP	33,575	53.7	HOLD	63.0	0.97	0.88	0.80	8.1	7.3	5.9	6.2	5.7	7.1
Société Générale	EUR	20568	25.6	BUY	32.9	0.39	0.36	0.33	6.7	5.5	4.5	3.6	5.2	6.4
Specialty Finance														
BFF	EUR	1,700	9.1	BUY	11.2	2.31	2.08	1.83	8.7	7.5	6.9	4.0	9.5	6.4
Banca IFIS	EUR	1,139	21.2	BUY	23.8	0.73	0.71	0.69	6.9	6.8	6.6	10.4	10.6	10.8
illimity	EUR	268	3.2	BUY	6.0	0.32	0.30	0.28	4.9	3.6	3.1	6.4	8.3	9.8
Banca Sistema	EUR	118	1.47	BUY	2.0	0.59	0.54	0.49	8.0	6.3	4.7	5.0	4.8	6.2

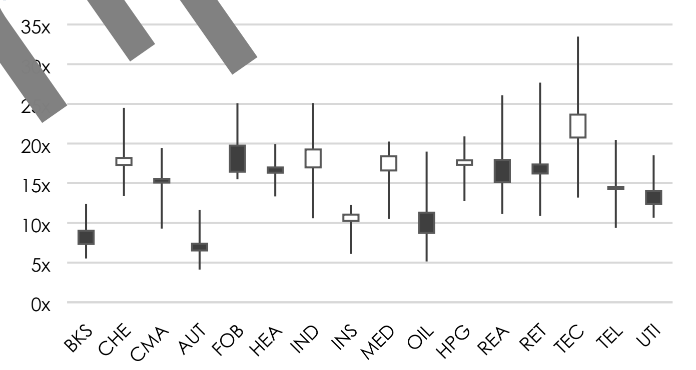
E: estimates; Source: Intesa Sanpaolo Research; Note: HSBC, Barclays, Natwest and Lloyds price and TP in GBp

Implied Cost of Equity: European vs. US banks (%)



Source: Bloomberg

Bar Auto, Banks offer the cheapest P/E in Europe



Source: Bloomberg

Branded Goods: Neutral

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We believe 2025 will be another challenging year with a recovery likely to materialise, but only from mid-2025. Therefore, we believe that investor sentiment could remain subdued in the early part of next year and we take a Neutral stance on the sector.

Cyclical slowdown marked the whole of 2024

2024 was influenced by a cyclical slowdown that started in the second half of 2023. Although the comparison base was easier in the second half of 2024, the trend of weakening demand was further aggravated in 3Q24 due to the sharp deterioration of demand in Mainland China caused by macro headwinds and, to a lesser extent, by some cultural issues in the background ('luxury shame' and support for local brands). The slowdown of Chinese demand also affected offshore purchases in Japan and EMEA starting from 3Q24.

Increasing polarisation of brands

In 2024, the branded goods sector has remained increasingly polarized with high-end brands, such as Brunello Cucinelli and Hermes, maintaining superior performance, brands with strong momentum, such as Miu Miu and Prada, expanding their outperformance compared to the sector, and brands with strong appeal in China, such as Moncler, maintaining positive tones for the Chinese cluster also in 3Q24. On the other hand, brands in the relaunch phase, such as Salvatore Ferragamo, are increasingly facing difficulties in reversing the decline in revenues.

The eyewear sector confirmed as a safe haven

The eyewear sector confirmed an overall solid growth trend driven mainly by price/mix effect and sound demand in Europe for both prescription and sun.

Uncertainty over when demand will recover hampers deal flow

In the second part of 2024 a series of deals were recorded in the fashion arena: 1) in August Sanlorenzo announced the acquisition of Swan (high quality, high-performance sailing yachts brand founded in 1966) for an equity value of around EUR 81M; 2) in September, LVMH announced that it had sold its streetwear fashion brand Off-White to Bluestar Alliance and Ruffini Partecipazioni Holding announced that LVMH had purchased a 10% stake in Double R (the controlling shareholder of Moncler which owns a direct stake in Moncler equal to approximately 15.8%); 3) in October, Permira announced that it has entered into an agreement with BasicNet to acquire 40% of K-Way (outdoor-inspired lifestyle brand founded in 1965 in Paris) for an EV of EUR 505M (3.4x FY23 sales and 11.3x FY23 EBITDA) and EssilorLuxottica closed the acquisition of Supreme (streetwear brand born in 1994 in New York) for USD 1.5Bn, which we estimate corresponds to 2.8x sales and 13.5x EBIT. We believe an acceleration of deal flows could help restore investor confidence in the value of M&A options for the sector but would require some signs of a demand recovery.

2025 is expected to be better than 2024, but we see a recovery only from mid-2025

For 2025 the volumes visibility is low and the entry rate into the new year could be weak considering the macro scenario and the fact that in 1Q24 Chinese offshore purchases accelerated leading to strong growth in Japan and supporting EMEA. For the second part of 2025, we expect a recovery driven by the following factors: 1) Chinese stimuli should gradually restore consumer spending and sustain especially offshore purchases, which are currently around 40-45% of total Chinese spending (still below the 50-60% average in the pre-Covid period); 2) as for local demand in EMEA, we expect that the recovery of real incomes could begin to translate into higher consumption; 3) we believe that America is preparing to provide a new growth runway thanks also to new openings by luxury players; 4) for Korea and Japan, we expect a substantial stabilization starting from mid-2H25. In terms of products, we assume that jewelry, eyewear and apparel will outperform others, in line with the trend seen in 2024.

We expect the strongest brands in 2024 to be confirmed in 2025

We expect those players who have demonstrated their ability to gain market share in 2024, by growing significantly compared to the market average, will confirm this trend in 2025. Therefore, we believe that both Hermes, EssilorLuxottica and the aggregate of the Italian universe under our coverage will continue to outpace the global personal luxury market, which is expected to post a growth in the range of 0-4% yoy (Source: 'Worldwide Market Monitor 2024', Altagamma/Bain November 2024). In particular, for the Italian aggregate, we assume mid-to-high single digit growth at constant forex driven by: 1) low-to-mid single digit price-mix effect; and 2) mid-single digit space effect. For Hermes we assume double-digit organic growth and for EssilorLuxottica a slight acceleration towards organic growth above 5% thanks to the expected recovery of American sunglasses and the positive contribution from innovations (Nuance Audio and Ray-ban Meta).

View: Neutral, as weak momentum curbs a re-rating

The European soft luxury sector is trading at 21.2x 25E P/E, which is below the 24.4x 10-year average (excluding the 2020-2021 peak in Covid period), but we see limited potential for a re-rating while awaiting evidence of the start of an acceleration trend. In the current environment of limited volumes visibility, we take a Neutral stance on the sector, in particular in the first part of next year.

We suggest playing Brunello Cucinelli and Hermès as defensive names. We remain confident that their brands' positioning in absolute luxury should safeguard their mid-term visibility, while this superior growth path is not reflected in their current stock prices as the 12M P/E forward premium vs. the luxury sector is in line with 10Y historical average for Hermes and below it for Brunello Cucinelli despite the fact that the gap in terms of growth compared to peers is increasing quarter by quarter.

Branded Goods – Key data

(x)	Rating	TP EUR/sh	Mkt P EUR/sh	Mkt cap EUR M	EV/sales 2024E	EV/sales 2025E	EV/sales 2026E	EV/EBIT 2024E	EV/EBIT 2025E	EV/EBIT 2026E	Adj. P/E 2024E	Adj. P/E 2025E	Adj. P/E 2026E	Dividend yield % 2024E	Dividend yield % 2025E	Dividend yield % 2026E
Brunello Cucinelli	BUY	108.0	[illegible]	[illegible]	5.8	5.3	4.8	34.6	31.1	28.1	52.9	46.7	41.2	1.0	1.1	1.3
EssilorLuxottica	BUY	243.0	230.6	[illegible]	4.4	4.0	3.8	26.0	22.7	19.7	33.8	29.4	25.7	1.7	2.0	2.3
Geox	HOLD	0.65	0.55	143	0.7	0.7	0.7	47.4	26.7	16.7	Neg.	NM	16.1	0.0	0.0	0.0
Hermes International	BUY	2390.0	2259.0	238481	15.2	13.6	12.2	37.9	33.8	29.8	56.9	50.1	42.6	0.7	0.8	0.9
Moncler	BUY	65.5	50.2	13781	4.5	4.2	3.8	15.3	14.2	12.7	22.7	21.1	19.0	2.2	2.4	2.6
Prada*	BUY	9.3	7.4	[illegible]	3.9	3.6	3.3	16.9	14.9	13.2	23.4	20.5	18.0	2.2	2.5	2.9
Safilo Group	HOLD	1.18	0.93	[illegible]	0.5	0.5	0.4	14.1	7.9	6.6	17.4	12.6	10.4	0.0	0.0	0.0
Salvatore Ferragamo	HOLD	6.4	6.3	1071	1.5	1.5	1.3	51.8	39.0	24.7	NM	NM	40.8	0.1	0.5	1.2
Sanlorenzo	BUY	52.5	31.4	1097	1.1	0.9	0.9	7.1	6.4	5.7	11.1	10.1	9.4	3.6	3.9	4.2

* in HKD; NA: not available; NM: not meaningful; Source: FactSet and Intesa Sanpaolo Research estimates

Construction & Building Materials: Neutral

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We see a mixed picture for both the construction and the building materials industries. Public works should support construction investments' growth with residential and retail sectors remaining weak. For building materials, the price over costs dynamic could turn out to be less favourable than in 2024. We have a Neutral view on the sector.

Construction investments still supported by Public Works

We believe that in 2025 the construction industry's growth will continue to be driven in both the US and the EU by public infrastructure and selected non-residential private investments, such as data centres, manufacturing plants and logistic facilities. These trends should be supported by the fiscal stimulus package launched by the Biden administration at end-2021 (IIJA, USD 1.2Trn over 5 years), which we would expect to also be sponsored by the new Administration, the CHIPS Act for the semiconductor industry reshoring as well as the EU's EUR 750Bn funds allocated to member states through the Next Generation EU plan over 2021-26. Private residential and offices/retail investments could instead suffer at least in the first part of 2025 in relation to affordability challenges and the non-brilliant outlook for consumer spending. Major concerns for the industry remain labour shortages both in the EU and US and the difficult-to-assess impact of the more stringent environmental policies. Overall. we continue to see a mixed picture for the industry in 2025.

Possibly less favorable price over cost dynamic in 2025 vs. 2024 for cement players

In 2025, we would expect cement players to see a sales volumes stabilisation following the negative 2023 and 2024 trend. Prices should be resilient but with differences among geographies: sightly increasing in the US and Italy and declining in Central Europe and China. We would also expect a less favorable price over costs dynamic compared to 2024 considering that energy prices could be on the rise while fixed cost inflation may not be absorbed by significantly higher sales volumes. Among the companies under our coverage, we note Buzzi Unicem is trading at a 32.1% discount to peers on 2025 EV/EBITDA, which is slightly above the historical average (29.5%). Cementir instead looks more attractive on valuation grounds (2025E EV/EBITDA of 3.7x with a 45% discount to peers vs. 37.[illegible]% historically).

View: Neutral

We believe Construction and Building Materials stocks could face a mixed picture in 2025, with potential benefits from the governments' fiscal stimulus packages in the US and Europe mitigated by the possible slowdown of private residential and retail investments and some fixed costs inflation. In particular, for Building Materials, we would expect a slight operating margin erosion compared to 2024. We recommend a stock picking approach and maintain a Neutral stance on the sector.

Construction & Building Materials – Key data

(x)		TP	Mkt P	Mkt cap		EV/EBITDA			EV/EBIT			Adj. P/E			FCF yield %	
	Rating	EUR/sh	EUR/sh	EUR M	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Buzzi Unicem	HOLD	40.5	39.2	7547	5.3	5.0	NA	6.7	6.4	NA	8.7	8.9	NA	6.6	6.5	NA
Cementir Holding	BUY	10.4	11.3	1792	4.2	3.7	3.2	6.2	5.6	4.7	10.1	9.9	9.1	6.1	10.9	10.6

NA: not available; NM: not meaningful; Source: FactSet and Intesa Sanpaolo Research estimates

Consumer Goods: Neutral

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The recovery in consumption is slower than expected and delayed to mid-to-end 2025 at best, due to uncertainties over the outlook, a higher propensity to save, an unequal distribution of income growth and still high prices. The US is outperforming the Eurozone, within which Italy is among the best performers. We thus have a Neutral view overall on the sector although we are more constructive on some specific names, such as DLG, Technogym and OVS mainly for their self-help initiatives and specific company drivers underpinning profitable growth.

Earnings momentum: more than meets the eye

In the short term, stock prices may sometimes diverge from EPS trends. This is what happened in 2024 to our Consumer space. DLG showed a strong EPS momentum (15%) but the stock price was little changed despite the strong top-line resilience and margin expansion. Campari collapsed well beyond its negative EPS momentum (-30%) amid a streak of negative news, which culminated with the expected resignation of the CEO, thus losing its past allure as a darling within the Spirits sector. OVS' stock price performed strongly, outpacing the EPS momentum but rightly so given the undemanding valuation. TGYM's rerating was driven by the entry of new shareholders (NIF, Glasenberg), a reassuring delivery and declining interest rates, not by major earnings revisions, thus implying a multiples expansion.

Exposure to tariffs: a mixed bag

According to our macro department, the risk of US tariffs on EU imports does not seem to be on the horizon. However, in a preliminary simulation, DLG has approx. 16%/17% of sales sourced in the US (products equally imported from the EU and China) but we calculate a manageable MSD impact on FY25 EBITDA in the worst-case scenario. CPR exports in the US Aperol, Campari, Grand Marnier and Espolon Tequila, for cumulated sales of EUR [illegible]M and a potential impact on 2025 EBIT of between 4/6% depending on the demand elasticity and assuming a certain amount of pass-through. TGYM's sales in North America account for 13% of total and are expected to accelerate from 2025. Management stated that they are ready to make acquisitions to face potential tariffs. By contrast, OVS is fully immune.

Strengthening USD: CPR and TGYM +, OVS slightly -, DLG broadly neutral

Historically, DLG has benefited from a weaker EUR against the USD but the mismatching between costs and sales has been almost completely neutralised with the La Marzocco acquisition. OVS sources most of its COGS in the Far East in USD but given the hedging in place, the company has almost fully covered its exposure on next year's sourcing. CPR/TGYM benefits from a stronger USD and we calculate a positive impact of roughly 3%-4%/1%-2% of EBIT every 5% USD/EUR appreciation (translation plus transaction).

View: valuations supportive across the board

Valuations look supportive for DLG (30% below its historical P/E) and OVS, still -40% vs. sector avg. FY25 EV/EBITDA and on both names, we have a BUY recommendation with upsides of c. 20% and 50%, respectively, underpinned by solid growth expectations in 2025 and margin expansion. Despite a +13% stock performance YTD, TGYM trades at a 2025 P/E of 20.4x, still below a median of 21.9x since the 2016 IPO and 25.5x of our luxury sample over the same period. CPR's premium vs. the sector has shrunk to 10% on FY25E P/E from an historical avg. of 30% with a rerating strongly tied to improving earnings' momentum. We thus reiterate our cautious stance on CPR.

Consumer Goods – Key data

(x)		TP	Mkt P	Mkt cap	EV/sales			EV/EBITDA			Adj. P/E			FCF yield %		
	Rating	EUR/sh	EUR/sh	EUR M	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Davide Campari	HOLD	6.8	6.3	7720	3.4	3.2	3.0	15.2	13.1	11.7	21.8	20.1	18.2	-15.3	2.7	4.9
De' Longhi	BUY	35.5	29.9	4504	1.3	1.2	1.1	8.5	7.2	6.3	14.3	13.2	12.0	4.5	7.4	8.3
OVS	BUY	4.5	3.1	894	0.6	0.6	0.5	5.4	4.6	4.0	11.3	10.4	9.7	2.9	10.7	12.1
Technogym	BUY	11.2	10.3	2066	2.2	2.0	1.8	11.3	9.9	8.8	23.2	20.4	18.0	4.4	5.3	5.8

NA: not available; NM: not meaningful; Source: FactSet and Intesa Sanpaolo Research estimates

Industrials

Among Industrial companies, we maintain our positive view on the A&D sector for which we see an ongoing upcycle. We remain cautious on Capital Goods, whose current valuations are nonetheless already discounting the negative AG cycle and the subdued trend of Commercial Vehicles along with potential pricing pressures. In the broader arena of Diversified Industrials, we continue to prefer industrial groups with a very well-balanced geographical exposure and business models relying on secular megatrends, such as electrification and digitalisation, a sound pricing power mirroring leadership positions and a high visibility from strong backlogs.

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Aerospace & Defence (Positive): Upcycle continues; Opportunities ahead for tie-ups in Europe

We expect the upcycle of the Defence Industry to continue amid new geopolitical tensions and increasing spending needs for the Eurozone also on the back of the recent US elections. At a global level, the Defence budget should see a 5.5% 23-28 CAGR, with Avionics up by 8%, the Space industry up by 2% and Cybersecurity and Digital Identity segments growing respectively by 12.5% and 6% (Source: Thales). While the US Defence spending (already at 3.3%/3.5% of GDP) should see only a moderate growth ahead (c.1.5%), over 2024 the Defence expenditure in NATO Europe is seen at USD 380Bn, i.e. 2% of GDP. We think a push towards a 2.5% ratio is likely, implying an overall defence spending in NATO Europe growing at a 2024-30 CAGR of at least 4.5%. In the space launcher industry, the growth in the mass of satellites to be launched should continue to show a double digit CAGR over the next 5-years, driven by telecom constellations and increasing demand for earth observation and science applications. This picture, along with potential tie-ups/collaboration opportunities within the Eurozone in response to EU requirements for common defence programs provides a supportive backdrop for the current robust sector NTM P/E trading at c.19x above the last 10Y historical average (17x; Source Factset).

Capital Goods (Neutral): negative AG cycle already priced in as well as a challenging environment in Trucks

In industries, such as the AG Equipment sector, the downcycle is expected to continue for the most part of the next year, with FY25 being likely the first year of a projected market recovery. In this scenario, volumes should still be weak, with further production cuts by all the main operators realigning to a lower end-demand (this process should be largely concentrated in 1H). On FY25, Deere provided a still weak industry outlook with North American large and small AG industry volumes down 30%/10%, European volumes down 5/10% and flattish South American volumes. In the Commercial Vehicles business, we expect flattish to slightly decreasing FY25 industry volumes overall (European light-duty trucks should be flattish yoy, medium-duty trucks industry volumes should be slightly down yoy, while heavy-duty trucks registrations are expected down by mid-single digit yoy). All in all, while we think the worst should be behind us, we expect capital goods companies to still face a challenging year ahead, with a likely further acceleration in their cost-cutting plans aiming to preserve profitability. Valuation wise, we view the consensus (Bloomberg) on capital goods companies as already factoring in the still negative cycle ahead.

Diversified Industrials (Neutral): riding the secular trends

The increasing needs for energy transmission backed by a rising weighting of renewables and growing electricity demand (c. 36% in FY30 vs. base 2020, terawatt-hours), shaped also by a change in energy mix, should lead to global investments in power grids in excess of USD 400Bn in 2026 (USD 483Bn by FY30E, BNEF) at a 5.3% 2024-26 CAGR. Among diversified Industrials, we continue to prefer leading cable players covering all the electrification market segments, who are geographically well balanced and backed by strong and extended backlogs. As a result, we include Prysmian among our top picks. Despite the operational improvements, we maintain a cautious outlook on tk nucera due to the ongoing uncertainty surrounding the green hydrogen market. The lack of definitive policies and tax credits in both Europe and the United States, where the new Administration is introducing growing uncertainty, suggests that the market is still far from a sizeable rebound. We maintain a positive stance on Interpump thanks to its sales mix, which is widely diversified across end-applications with different business cycles, and its focus in 2025 on cash flow generation and operating margin protection. We see the current stock market multiples as already factoring in the weak outlook for the Hydraulic business segment.

Industrials – Key data

(x)		TP	Mkt P	Mkt cap	EV/sales			EV/EBITDA			Adj. P/E			FCF yield %		
	Rating	EUR/sh	EUR/sh	EUR M	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Avio	BUY	14.3	13.2	348	0.9	0.7	0.6	13.8	9.1	7.2	24.0	21.6	18.3	-12.7	7.9	5.1
CNH Ind.	BUY	13.3	11.3	14219	0.9	0.9	0.8	9.1	10.8	9.7	11.8	14.4	13.1	8.0	6.5	6.9
Fincantieri	HOLD	5.6	6.6	2137	0.5	0.5	0.5	8.4	7.0	6.0	NM	27.0	16.6	-10.0	-20.1	4.0
Interpump Group	BUY	48.4	45.5	4958	2.5	2.4	-	11.1	10.2	-	20.2	18.7	-	3.9	4.8	-!
Iveco Group	BUY	16.8	10.0	2699	0.2	0.1	0.1	1.8	1.4	1.1	6.8	6.7	4.7	13.3	10.4	17.4
Leonardo	BUY	29.8	26.4	15268	1.0	0.9	0.8	8.5	7.6	6.4	17.9	15.1	12.3	4.9	5.7	6.5
Poste Italiane	No Rating		13.8	17977												
Prysmian	BUY	76.6	64.5	18351	1.4	1.2	1.1	13.1	10.4	9.1	18.7	15.4	14.2	4.8	6.4	7.1
tk nucera	HOLD	9.2	8.6	1091	0.5	0.5	0.4	-98.6	82.2	10.1	NM	70.7	30.2	-5.9	-1.0	7.5

Note: Intesa Sanpaolo is currently subject to some compliance restrictions on Poste Italiane; NA: not available; NM: not meaningful; Source: FactSet and Intesa Sanpaolo Research estimates

Insurance: Positive

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Within the insurance sector, we confirm our Positive view on the Life business, which, under the current interest rates trend, benefits from both a normalising trend in traditional life policies' lapses and a supportive investment result. We also adopt a more constructive view on the P&C business, with insurance companies progressively increasing their abilities to manage the rising trend in nat cats (which represents, in our view, the most important threat for the segment), while we still see a positive contribution from repricing, especially benefitting the Retail and SME segments in the current phase. Our sector top-picks are Allianz and Generali, which both have a well-balanced business mix putting them in the position to better exploit the sector's opportunities, in our view.

Life business benefitting from normalising trend in lapses and supportive investment income

According to companies' indications, we see a normalisation in the trend of lapses from traditional life insurance policies (largely concentrated in Italy and France). As an example, in 9M24 Generali's net outflows from savings and pensions (EUR -1.15Bn) improved significantly compared to the same period of last year (EUR -8.71Bn), also benefitting from the commercial actions implemented since 2023 (on which Group General Manager Sesana highlighted a progressive, although gradual, scale-back, given market conditions' normalisation). At the same time, ANIA quarterly data highlighted a 0.65% lapse rate in September 2024, down from 0.89% in 2023. In addition, investment income in the segment is still supportive, with the reinvestment yield generally above current return on the back-book. Finally, Life is a more investible business, in our view, under the IFRS 17/9 accounting framework, thanks to a higher predictability in the segment's operating results, now mainly coming from the Contractual Service Margin (CSM) release.

P&C: continuing 'Value over Volumes' approach

In order to manage the impact of inflation on the cost of claims, insurance companies have progressively raised their tariffs, with repricing actions regarding both Motor and non-motor business, in an attempt to also pass on higher reinsurance costs (related to the progressively increasing trend of extreme weather events), to preserve margins even at the expense of volumes' growth.

Rewarding shareholders' remuneration

Insurance companies are able to grant shareholders an attractive remuneration policy, made up of dividends (5.3% 2024E average yield for our covered companies, excluding REVO, according to our estimates and at current share prices) and share buy-backs, thanks to their strong capital positions and moderate leverage.

View: positive on both Life and P&C (with a preference for Retail over Commercial business)

Given the strong capital position and rewarding shareholders' remuneration, we consider the insurance sector as a safe harbour for investors. We have a positive view on both Life and P&C businesses. As regards the latter, we confirm a preference for Retail over Commercial business, as we see Commercial rates as close to a peak (although the Property component is preventing a real softening trend, as stated by Zurich). As regards stock selection, our preference goes to Allianz and Generali. In our view, they are the best positioned to exploit the secular trends (protection gap and retirement) offering opportunities to the insurance sector, given their well-diversified business models, which also leverage on the synergies between life and asset management. We highlight that Allianz has just presented its new business plan, while Generali will present its new strategic plan on 30 January 2025.

Insurance – Key data

(x)		TP	Mkt P	Mkt cap	Adj. P/E			P/TBV			ROTE (%)			Dividend yield (%)		
	Rating	EUR/sh	EUR/sh	EUR M	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Allianz	BUY	345	301.6	116,648	12.1	11.4	10.5	3.13	2.91	2.68	27.1	26.5	26.6	5.0	5.3	5.8
AXA	HOLD	36.0	34.0	74,460	9.5	9.0	8.4	3.18	2.87	2.58	32.6	31.1	30.1	6.2	6.4	6.9
Generali	BUY	31.0	28.1	43,785	11.5	10.6	9.9	2.16	1.97	1.79	19.4	19.4	19.0	4.8	5.0	5.2
REVO Insurance	BUY	12.0	11.8	289	12.9	8.0	6.2	1.89	1.61	1.42	15.2	21.8	24.3	1.7	2.6	3.8
Unipol	BUY	12.8	11.8	8,445	6.8	7.0	6.9	1.34	1.20	1.10	21.0	18.0	16.7	5.5	7.0	7.2
Zurich Insurance Group*	HOLD	560	556.4	81,142	16.5	14.9	13.5	5.63	5.11	4.60	34.5	36.0	35.8	4.9	5.2	5.5

* TP, Mkt P, Mkt Cap in CHF. Source: FactSet and Intesa Sanpaolo Research estimates

Oil&Gas

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We anticipate that 2025 could be a year with lower volatility on the oil market vs. 2024, with prices slightly below the 2024 level due to lower consumption and growing supply. In this scenario, oil integrated players should see a reduction in both their profitability and the operating cash flow of their upstream operations. However, annual average prices for gas (both TTF and HH) and LNG are expected to increase, which will favour players active in these sectors. Refining should remain weak. Oil equipment suppliers stand to gain from the expansion of drilling activity in North America, the Middle East, and Latin America. EPC contractors should see an uptick in activity thanks to the execution of existing orders. We anticipate a continued deceleration in new investments in renewable energy, while the energy transition will continue to gain prominence in downstream sectors, including CCS, biofuels, and green chemicals.

E&P/Oil upstream (Neutral): oil price expected to stabilise in 2025

The OPEC+ meeting of 5 December, which extended its crude oil output cut to March 2025, implies a stronger oil production from 2Q25 and further increases in 2026. However, the short-term reaction would be a stabilization of the oil market in the coming months in our view, also considering that production cuts could be extended. The key question, then, is the impact of the new US Administration on the oil market. While Mr. Trump reiterates his "drill baby drill" mantra and could potentially reverse the liquefaction permitting process halted by his predecessor, favoring American players and LNG exporters, such as Shell and TotalEnergies, the new policies could have a negative impact on oil prices, leading to an oversupply in the face of sluggish demand, particularly in 2026 when new production in the US should come on stream. In this scenario, we anticipate an average 2025 Brent price of USD 78/bbl and WTI of USD 72/bbl, with prices rising in the first quarter of 2025 before declining gradually. This scenario should provide limited opportunities for integrated oil companies to enhance profitability or show positive earnings trends in their upstream operations.

E&P/Gas upstream (Positive): Gas and LNG prices expected to slightly grow yoy

The potential non-renewal of the Russia-Ukraine transit agreement through Sudzha (worth approximately 15Bcm/year, or about [illegible]% of EU annual gas imports) coupled with the possibility of further sanctions on Gazprom (around [illegible] impact) and lower supply from the Turk Stream pipeline (around 6% of EU imports) may force Europe to expand its reliance on LNG supply, particularly from the US. This trend would contribute to an increase in the TTF price, which is projected at an average of EUR 36/MWh (versus EUR 35/MWh in 2024) and should also support LNG prices. Furthermore, EU gas storage levels at the end of the 2024-25 heating season are expected to approach historical averages, with a capacity of 35-45% compared to 56-58% at the end of March 2023-24. This will exert pressure on the replenishment of EU stocks in preparation for the 2025-26 winter season. Conversely, a stable gas supply could result in lower gas prices throughout the year. We believe that this scenario will be particularly advantageous for LNG players with a strong presence in the sector, such as Shell and TotalEnergies, as well as those with a significant exposure to gas.

Oilfield Services/E&C (Positive): a year of execution

The robust order intake in 2024, driven by a number of projects aimed at boosting hydrocarbon production, expanding the LNG network, enhancing fertilizer production, advancing green chemistry, and implementing CCS initiatives, should contribute to a double-digit sales growth in 2025. This growth, along with the execution of the project pipeline, provides a good visibility for 2026. The outlook for the order intake in the coming year is less certain, and this will have an impact on revenues in 2026-28. The average profitability is anticipated to improve as a result of the larger average order size, which mitigates price competition, and the scarcity of engineering capacity. Following the slowdown in 2024, the demand for OCTG in the US is expected to rebound, supported by the new Administration's approach.

Downstream (Negative): Sluggish demand and rising costs

The past three months have seen a further decline in European middle distillates (-43%), while gasoline cracks have remained broadly stable in anticipation of a decline in demand. Meanwhile, the cost of refining is rising due to higher energy costs and the carbon bill (which could reach EUR 31Bn for European refiners by the end of the decade, according to Bloomberg, as the bloc's price on emissions rises and the flow of free emission allowances is curtailed). In this challenging environment, we anticipate that conversion to biofuels and capacity reductions or closures will persist, while refining margins are likely to decline, reducing the profitability of refiners.

In the near term, the market for biofuels is experiencing a slowdown due to policy uncertainty, a lack of offtake, and a shortage of investment. A number of projects have been delayed or cancelled, representing approximately 20% of the total capacity in the pipeline, according to Bloomberg. Nevertheless, the long-term outlook remains positive, particularly for SAF. We anticipate that biofuel profitability will be relatively weak in the initial months of the year, but we expect to see a recovery towards the end of the year.

View: Positive on Oil Services and OCGT, Neutral on Oil Integrated industry

Given the expected decline in oil prices and the challenging downstream market environment, we do not expect the oil and gas industry to outperform other sectors. Nevertheless, LNG should experience a favorable trend due to rising demand from Europe, which should benefit the primary players in this sector, namely Shell and TotalEnergies. We maintain a positive outlook on Tenaris, citing rising volumes and OCTG prices in the US due to the new administration's policies, new opportunities in Argentina, and a robust net cash position. Additionally, we view Maire and Saipem as promising, given their increased visibility, growing order intake, and profitable execution.

Oil&Gas – Key data

(x)		TP	Mkt P	Mkt cap	EV/EBITDA			EV/EBIT			Adj. P/E			FCF yield %		
	Rating	EUR/sh	EUR/sh	EUR M	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
BP*	HOLD	5.4	4.6	75152	2.4	2.1	1.8	4.5	3.8	3.2	6.5	5.9	5.8	16.2	20.0	23.7
Eni	BUY	17.4	13.4	45305	2.8	2.4	2.5	5.8	4.6	4.9	7.6	6.4	6.1	17.9	17.0	14.5
Maire	BUY	9.3	7.8	2554	6.0	4.7	4.0	7.1	5.5	4.7	12.1	9.6	8.5	3.8	6.4	8.7
Repsol	HOLD	13.4	11.3	13287	1.8	1.9	1.8	2.9	2.9	2.7	3.6	3.6	3.4	3.7	10.1	13.2
Saipem	BUY	3.0	2.5	4969	3.9	2.9	2.4	8.1	5.4	4.2	15.2	10.0	8.4	8.7	21.8	22.0
Shell*	BUY	40.5	29.9	188445	3.5	3.3	3.1	5.8	6.0	6.0	7.4	7.2	6.8	15.7	14.4	15.1
Tenaris	BUY	22.1	18.1	21309	6.0	5.0	4.2	7.5	6.1	5.1	10.2	9.0	8.6	9.7	6.3	10.8
TotalEnergies	BUY	81.5	54.2	130816	2.7	2.3	2.2	3.9	3.4	3.5	6.5	5.9	5.5	13.7	15.6	15.5

* In GBP; NA: not available; NM: not meaningful; Source: FactSet and Intesa Sanpaolo Research estimates

Pharmaceuticals & Medical Equipment: Neutral

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A positive trend in terms of volumes and cash flows is counter-balanced by pricing pressures and an uncertain regulatory framework. We see M&A driven by bolt-on acquisitions aimed at both replenishing and enhancing the productivity of the pipeline. We would recommend a stock picking approach based on the assessment of the drugs portfolio, the pipeline risk and the business focus.

Focus on Innovative Medicines in an uncertain regulatory and drug pricing framework

The global prescription drug market is expected to grow at a CAGR of 5.9% from 2023 to 2028 (source: Evaluate) but the price and regulatory framework should remain volatile for the pharma/medical devices industry in 2025: 1) in the US, the most important prescription drug market, the Centres for Medicare and Medicaid Services (CMS), will release in February 2025 the list of the next 15 drugs up for price negotiations under the Inflation Reduction Act (IRA) and the CMS will publish the maximum fair prices agreed with the drug companies involved by 30 November 2025; 2) national health systems worldwide are trying to contain the amount and increase the quality of health spending through the value-based care/volume-based procurement programs and incentives for generics and biosimilars' use; 3) the attitude of the new US Administration towards the Affordable Care Act (the so-called Obamacare), which contributed to increase demand for outpatient healthcare services, such as routine check-ups, preventative care or visits to physicians, will have to be verified in the next few months and the full confirmation of the IRA implementation as well; 4) the patent cliffs is estimated to put at risk approx. USD 200Bn of drugs companies annual revenue by 2030 (source: Biopharma Dive website). In this challenging environment, we believe pharma management's focus will remain on the highly priced specialty development, orphan products, brand pricing and use of technology to enhance R&D efficiency (AI and machine learning techniques).

Bolt-on M&A to replenish the drugs pipeline

After a positive 2023, M&A activity in the pharmaceuticals industry was weak in 1H24 with a value of USD 74Bn in deals, lower than the USD 108.[illegible] posted in 1H23, and according to Global Data, continued to decline yoy in 3Q24 (-3%). [illegible] possible [illegible] the US elections, the unfavourable geopolitical framework, the regulatory changes potentially affecting the industry and the Federal Trade Commission's (FTC) tougher stance on anti-competitive conduct in the US have increased the uncertainty on the return on capital invested in acquisitions. However, the significant free cash flow generated by the industry and the need to replenish the R&D pipelines should continue to drive M&A activity even if we would expect a stronger focus on bolt-on acquisitions rather than on mega-mergers.

View: Neutral; Stock Picking approach recommended

We expect the industry to succeed in generating solid free cash flow in 2025 and continue to benefit from the usual s[illegible] underlying trends (population aging, the increase in age-related chronic diseases, higher attention to the quality of life). However, we believe that the business and regulatory environment will remain tough creating some volatility for the industry's stocks. While recommending a stock picking approach, **we reiterate a Neutral view on the sector**.

Pharmaceuticals & Medical Equipment – Key data

(x)	Rating	TP EUR/sh	Mkt P EUR/sh	Mkt cap EUR M	EV/EBITDA 2024E	EV/EBITDA 2025E	EV/EBITDA 2026E	EV/EBIT 2024E	EV/EBIT 2025E	EV/EBIT 2026E	Adj. P/E 2024E	Adj. P/E 2025E	Adj. P/E 2026E	FCF yield % 2024E	FCF yield % 2025E	FCF yield % 2026E
Amplifon	HOLD	27.4	24.3	5458	11.4	10.2	9.2	24.0	20.7	17.0	35.9	29.4	23.1	-1.0	2.5	3.4
Diasorin	HOLD	113.5	103.4	5785	16.3	14.1	11.6	24.8	21.1	17.1	30.3	26.5	21.8	3.4	3.8	4.6
Fresenius Medical Care	HOLD	39.4	45.7	13412	8.2	6.6	5.9	18.5	12.4	10.7	27.3	14.4	12.0	10.6	9.8	11.7
Recordati	HOLD	53.4	52.0	10864	15.0	13.0	NA	18.4	15.6	NA	24.3	20.5	NA	4.5	5.2	NA

NA: not available; NM: not meaningful; Source: FactSet and Intesa Sanpaolo Research estimates

Tech & Media: Neutral

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In Tech & Media, striking a balance between value and momentum is a tricky task. In Payments, consolidators offer upside but remain exposed to a weak consumption trend, competitive pressures and company-specific issues, while Adyen is better positioned but fairly priced. AI will continue to drive the momentum in our Tech universe, but we would wait for a better entry point after a strong rally. Our Media universe is mixed and we are struggling to find a champion.

Payments (Neutral): secular tailwinds, but macro recovery lacks and competition intensifies

Since our initiation of coverage report of 8 July 2024, the sector has seen a mixed performance: Adyen delivered above our expectations, Nexi in line and Worldline below. The divergence was mainly due to company-specific issues, while all companies struggled with a weaker-than-expected consumption environment. The share price performance has mirrored the earnings momentum. Entering into 2025, in terms of estimates' revision we have become more positive on Adyen and more cautious on Nexi/Worldline. However, given the widened valuation gap, we have maintained a neutral rating on Adyen and a positive stance on the other two names, preferring Nexi over Worldline ('Value vs. Momentum', 5 December).

Tech: Neutral on valuation grounds, despite AI boost

In our Tech coverage, the best way to play AI is Arm Holdings in the semis and Reply in the IT value-added services. On Arm, after a strong beat on FY24 results (year-end: March), the FY25 guidance was in line with street expectations (Bloomberg) and remained broadly unchanged in the following two quarterly releases. EPS expectations were also quite stable for FY26, while they improved for FY27, driven by higher license revenues. Trading on a FY25-26-27 P/E of 89x-67x-51x, the company's ambition to 'reshape the future' seems already well-priced in, in our view, unless it overdelivers. On Reply, earnings momentum is strong (our adj. EPS estimates increased by 4%-6% in 2024-25E after 3Q24 results). However, after a 30% YTD rally, the stock seems to have already priced in the improved outlook. Technoprobe disappointed again on 4Q24 guidance miss. If confirmed, the sales shift to 1Q25 could herald a long-awaited sales recovery. However, visibility on a margin recovery, AI-related products and new vertical (i.e. final testing) remains very low. We therefore remain cautious, despite the strong underperformance, which basically reflected the significant earnings cut.

Media: Neutral on mixed 2024 performance and persisting structural headwinds

Within the Media sector, Italian traditional players benefitted from a stronger-than-expected advertising trend in 9M24 (+5.7% yoy incl. OTTs, driven by TV +9.8% yoy, web +4.0% yoy and radio +7.4% yoy (source: Nielsen). Despite the tougher comps base in 4Q24, 2024 is likely to be a record year, but this represents a challenging base for 2025. In such a context, MFE's adv revenues have even outperformed the TV segment in Italy (+1.1% yoy in 9M24 and >6% yoy in FY24T), thanks to its cross-media offer and despite the Euro Cup/Olympics broadcast by its competitors. The sustainability of current adv levels in Italy (with lowered GDP expectations), the rebound of the advertising trend in Spain (+2% yoy in 9M24 and flat in FY24T) and the strategy on ProsiebenSat.1 are the focus points for 2025. In the Italian publishing sector, Mondadori's share price lost in November the positive performance accumulated in Oct-YTD on a disappointing education segment at its seasonal peak. However, this will be surpassed, if they prove resilient in 2025, as reflected in our estimates. Moving to UMG (a global giant in the music industry), after the strong disappointment of 2Q24 (marked slowdown in subscription & streaming sales), the CMD (Sept.) reassured but did not trigger an estimates upgrade, leaving the stock on the sidelines.

Tech & Media – Key data

(x)		TP	Mkt P	Mkt cap	EV/sales			EV/EBITDA			Adj. P/E			FCF yield %		
	Rating	EUR/sh	EUR/sh	EUR M	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Adyen	HOLD	1455	1493	46307	21.6	17.0	13.2	44.6	33.5	24.7	52.1	42.2	32.7	1.8	2.3	2.9
Nexi	BUY	8.0	5.8	7172	3.5	3.2	2.7	7.8	6.2	5.1	9.9	8.6	7.6	9.7	11.2	13.5
Worldline	BUY	11.0	7.6	2145	1.3	1.1	1.0	6.3	4.6	3.5	4.9	4.5	4.0	7.0	13.6	22.7
Arm Holdings*	HOLD	U/R	140.9	140176	36.5	29.2	23.9	73.6	58.3	44.4	89.3	67.2	51.4	1.2	1.7	2.1
Reply	HOLD	157	156.9	5849	2.4	2.1	1.9	13.9	12.1	10.8	25.2	22.3	20.3	2.9	3.7	4.2
Technoprobe	HOLD	6.3	5.9	3828	5.8	4.8	4.0	23.5	15.5	12.5	53.5	35.2	29.5	-0.2	2.8	3.2
MFE	Under Review	U/R	4.1	1950	0.9	0.9	0.9	2.9	2.8	3.2	7.0	6.6	6.4	11.6	12.4	12.5
Mondadori	BUY	2.8	2.2	565	0.8	0.8	0.8	5.0	4.9	4.6	8.9	8.9	8.7	5.0	10.7	10.9
UMG	Under Review	U/R	23.4	42769	4.0	3.7	3.5	18.4	16.6	15.0	26.0	23.2	20.5	2.1	3.8	4.1

* in USD, year-end March, Non-GAAP; NA: not available; NM: not meaningful; Source: FactSet and Intesa Sanpaolo Research estimates

Telecoms: Positive

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We remain positive on EU telecoms following a 20% YTD increase of the sectorial EURO STOXX, as we believe that the main drivers of the sector and the country-specific basis are intact, and valuations are still attractive on a risk-adjusted basis.

TLC outperforming in 2024, but not expensive yet

The TLC EUROSTOXX index is up by 20% YTD and, at 5.7x EV/EBITDA and 14.9x P/E, it currently trades broadly in line and 5% below the respective averages of the past 10 years. The TLC index has outperformed by 14pp the STOXX Europe 600, however it remains at a 42% discount on EV/EBITDA (vs. 10Y avg -37%) and trades at just a 4.5% premium on P/E (vs. 10Y avg +0.7%).

2025 outlook is driven by capex reduction

On the aggregated basis (Bloomberg consensus on a sample of 18 listed companies) the sector should close FY24 with a zero-minus growth in turnover and below 1% growth in EBITDA, while capex is seen down by 7.4%, driving the opFCF proxy (EBITDA-Capex) up by 9.2%. For FY25, despite a still modest revenue growth (+0.8% est.) the opFCF proxy points to a further 10% growth thanks to 5.4% reduction in capex vs. 2.9% increase in EBITDA. This trend should persist in the following year with a 3.7% EBITDA growth (on +2.2% revs), flattish capex, driving opFCF up by 5.9%. These figures are consistent with the multi-year guidance of most recent business plans, and the statements from ORA, TEF and BT on having passed their capex peaks.

Industry drivers are intact

We reiterate our view (see our sector report on 4 April) that on balance the sector can offer net positive drivers in both the short and medium term as, in particular: 1) the pricing environment has become more favourable with adjustments to CPI done since 2022; 2) inflation has triggered new and wider cost-cutting moves involving product and process simplification and energy savings, with a further boost coming from the application of AI; 3) the peak for 5G and FttH is visible mid-term or has already passed, giving confidence in the abovementioned FCF increase; 4) European 5G auctions are finally over; 5) an improving regulatory environment; and 6) residual M&A opportunities.

Regulatory outlook is improving

There are positive expectations from the new EU Commission that has just taken office, based on the recent official documents, including a white paper in Feb. 2024 and analysis and proposals by Enrico Letta (Apr.) and Mario Draghi (The Future of European Competitiveness, Sept.), which call for a comprehensive regulatory review. The 'New Telecom Act' should address the low return on capital and market fragmentation by moving from ex-ante to ex-post regulation, supporting investments and cross-border M&A, improving and harmonising spectrum assignment and utilisation rules, promoting the telco interests vs. OTTs.

M&A remains in the spotlight

Next year should see the finalisation (subject to the antitrust approval) of some M&A deals announced in 2024, including Swisscom's acquisition of Vodafone Italy, the merger of VOD and Hutch in the UK, the acquisition of OTE Romania by Digi/VOD. Italy remains in the spotlight with potential further consolidation (still a 4 MNO market). The other markets suitable for potential M&A, in our view, include France, Poland, Denmark and Sweden.

Telecoms – Key data

(x)		TP	Mkt P	Mkt cap	EV/EBITDA			EV/EBIT			Adj. P/E			dividend yield %		
	Rating	EUR/sh	EUR/sh	EUR M	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
BT*	BUY	1.9	1.9	18645	5.0	4.8	4.4	13.9	12.5	10.5	8.2	7.2	6.5	5.1	5.4	5.6
DT	HOLD	25.1	30.6	152586	8.3	7.8	7.3	16.5	15.2	14.1	16.8	15.8	14.6	2.5	2.5	2.5
KPN	HOLD	3.9	3.7	15685	8.6	8.3	8.1	16.0	14.6	13.6	16.6	15.8	14.4	4.6	4.8	5.0
Orange	BUY	14.0	9.7	25869	5.2	4.8	4.6	11.7	9.9	8.8	9.6	7.3	6.4	7.7	7.7	7.7
Telecom Italia	BUY	0.3	0.2	5344	3.9	4.1	3.7	11.4	12.1	9.7	Neg.	NM	10.6	0.0	0.0	0.0
Telefonica	HOLD	4.1	4.3	24588	5.7	5.5	5.3	16.2	14.1	12.6	14.5	11.9	9.9	6.9	6.9	6.9
Vodafone*	BUY	1.1	0.9	23540	4.0	4.0	3.8	10.6	9.5	8.6	12.9	10.1	9.2	5.2	5.7	6.0

* TP and market price and cap in GBp; NA: not available; NM: not meaningful; Source: FactSet and Intesa Sanpaolo Research estimates

Towers: Positive

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We believe the European tower segment has a positive outlook, based on more favourable macro conditions (declining interest rates) and supportive industrial drivers (growth in data traffic, coverage obligations, 5G roll-out/densification, fixed wireless access and small cells roll-out) along with continuing M&A appeal.

Strong sector fundamentals

The tower industry is characterised by a safe and robust business model, granting long-term revenue visibility, based on multi-year Master Service Agreements (MSAs), benefits from high EBITDA margin and cash flow conversion once the roll-out is completed. The low business risks and FCF predictability allow ROE maximisation through large financial leverage.

Positive industrial drivers and residual M&A potential

The recent releases of 5G spectrum, with attached coverage obligations, the network densification required by data growth and emerging business opportunities, along with 6G band's future release, should help to keep tower roll-out growing in the next few years. We also believe that the sector could continue to offer a speculative angle on further local M&A and/or pan-EU consolidation, following intense corporate actions in 2020/24.

More favorable macro environment

Like any infrastructure business, due to their levered financial structure tower operators are very sensitive to interest rates, in terms of net income and free cash flow, as well as the large valuation impact of WACC variations. The ongoing trend (25bps and 50bps rates' cut in EU and US, respectively) and outlook (other 150bps in 6 further cuts priced in) are supportive.

Well-known risks can be mitigated

Tower companies provide an essential service to MNOs (Mobile Network Operators) that is not replaceable, nevertheless the renewal of MSAs and the consolidation of Networks (RAN-Radio Access Network-sharing) or outright mergers among MNOs represent key threats for the industry. The risk of potential tariff renegotiation is partly protected by contractual terms and can be partially offset by increasing the range/depth of services provided. Similarly, the impact of likely sites' migration or rationalisation following a network merger can be mitigated by "all-or-nothing clauses" and charging additional frequency utilisation, along with proactive footprint optimisation.

Towers – Key data

(x)		TP	Mkt P	Mkt cap	EV/EBITDA			EV/EBIT			Adj. P/E			Div yield %		
	Rating	EUR/sh	EUR/sh	EUR M	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Cellnex	BUY	41.0	33.9	23950	13.6	12.3	11.2	NM	65.4	48.2	Neg.	Neg.	Neg.	0.2	2.1	2.2
INWIT	HOLD	12.2	9.9	9530	14.9	14.0	13.0	25.2	22.6	20.4	19.9	17.7	17.2	5.2	5.6	6.0
RAI Way	BUY	7.6	5.2	1420	8.5	8.7	8.6	11.7	12.2	12.8	15.6	16.2	16.4	6.4	6.1	6.1

NA: not available; NM: not meaningful; Source: FactSet and Intesa Sanpaolo Research estimates

Utilities

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We have a Neutral view on the Utilities sector, preferring integrated names vs. fully-regulated and pure renewables. While easing monetary policy should be supportive, we see the uncertainties/risks on the energy commodities' outlook, macro dynamics in Europe and geopolitical tensions as weighing on the sector.

Tighter gas balance drives price pressure in Europe; weather dynamics pose further risk

We see upwards pressure on gas prices in Europe amid a tighter gas supply-demand balance for next year. We forecast TTF averaging EUR/36MWh in 2025, with higher prices expected in 1H, which compares to a spot price of EUR 47/MWh and a 2024E avg. of EUR 35/MWh. The potential non-renewal of the Russia-Ukraine transit agreement through Sudzha (worth around 15Bcm/year or about 5% of EU annual gas imports) could force Europe to increase its reliance on LNG supply. The latter is set to marginally improve at the global level as projects are gradually commissioned, but we think high prices will now be key to drive cargoes towards Europe from Asia to safeguard volumes. After the demand reduction in 2023-24, we see EU demand holding up supported by more normalised weather conditions: in detail, we expect lagging industrial demand to be largely offset by higher residential consumption for winter heating needs and stronger gas-to power demand on normal wind/hydro power output.

As a result, EU gas storage levels at the end of the 2024-25 thermal season are expected to approach historical averages, with a capacity of 35-45% compared to 56-58% at the end of March 2023-24. This will exert pressure on the replenishment of EU stocks in preparation for the 2025-26 winter season. As upside risks to our outlook, we highlight a stronger pick-up in Asian demand (particularly China), potential facilities' disruptions and more extreme temperatures during the year. Conversely, on the downside, we flag higher than expected pipeline flows to Europe, lower competition on the LNG market from Asia and better weather dynamics.

Power prices to cope with gas constraints and higher demand; volatility to remain high

As power prices across Europe are intrinsically linked to gas prices, given the so-called inframarginal technology mechanism, we would expect them to mirror the upwards squeeze we envisage on gas. We also highlight potential support from the low-single digit increase in power demand thanks to data centers and the progressive gas-to-power shift of residential and industrial energy consumption, although high prices could represent a headwind to demand growth. Current forward curves for 2025 flag electricity prices at approx. EUR 125/MWh in Italy, around EUR 73/MWh in Spain and France, about EUR 94/MWh in Germany and GBP 85/MWh in UK (Source: Bloomberg), generally above the 2024 YTD average levels, with Italy showing structurally higher price levels due to its high reliance on gas-fired generation compared to other countries.

The increasing share of renewables in Europe should help curb power prices overtime, although the changing energy mix has resulted in volatility on power markets due to the non-programmable nature of solar and wind. Therefore in 2025, we see integrated power generators (Enel, Iberdrola, A2A, Iren) benefitting from the off-peak to peak spreads and the likely increase in thermal production, as well as from high power prices for the merchant portion of their renewable generation (valid also for pure players ANE and ERG). The high power prices effect is set to broadly offset the higher sourcing costs on unhedged positions in power supply and a normalization of hydro production after the exceptional 2024.

Regulated assets take the driving seat, renewable ones linger; Water and Waste unaffected

Given the secular energy transition and electrification trends, as well as the growing need for infrastructure modernization and developments to ensure the security of energy supply and respond to the evolving energy mix, regulated investments in energy networks have been building momentum since 2024. This has been supported by the clear remuneration provided by national regulatory frameworks, which are progressively adapting to the changing macroeconomic conditions and to support transition targets.

On the other hand, renewable energy expansion ambitions have slowed in companies' plans due to higher interest rates and development costs, as well as normalizing power prices and regulatory uncertainty, threatening the long-term sustainability of the development pipeline.

In Water and Waste, climate change impact, new industries (batteries, data centers), an infrastructural gap and environmental/regulatory pressure are driving demand for new investments to assess water supply, scarcity and quality (i.e. PFAS), to improve efficiencies and service standards, and to manage/recycle waste materials.

Overall, power/gas TSOs (Terna, Snam) have been granted regulatory and political incentives to accelerate investments, while gas distribution DSOs Italgas and Ascopiave have focused on M&A as a lever to drive asset-base expansion and financials' growth in the context of an already well-developed network in Italy. By contrast, Integrated utilities (Iberdrola, Enel, A2A, Acea, Hera, Iren) have been diversifying their businesses with a refocus on regulated businesses aiming to improve their earnings' quality/visibility and de-risk their profiles. In the Water and Waste sectors (Veolia above all, then Hera, Acea, A2A, Iren), the returns remain among the most attractive within the utilities' panorama (high-single digit/ low double-digit) thanks to pricing power and strong demand, lack of infrastructure (i.e. Waste in Italy) and regulatory support.

Capital intensity, financial costs and energy-profits' normalization to limit EPS/DPS growth

Debt and/or leverage reduced following the 2022-23 highs on the end of the European energy crisis and asset rotation. We now expect the higher spending tied to the refocus on regulated assets and normalizing energy-related profits should result in a slight increase/stable leverage in 2025. By contrast, pure-renewable players' balance sheets should improve thanks to the investments' scale-back and disposals. Financial costs should in most cases remain stable/slightly expand reflecting higher debt and interest rates, partly curbing 2025 EPS' growth. In this context, we see no significant room for dividends acceleration beyond the current shareholders' remuneration policies. Within our coverage, however, we expect Enel to exit 2024 with one of the lowest leverage ratios among European integrated utilities (2.3x) and could potentially raise its distribution policy (through a jumbo dividend or buy-back as stated by the management) in the absence of organic/external growth opportunities.

Neutral sector view, positively skewed on integrated utilities and negatively on renewables.

In an energy scenario in Europe characterised by both upside and downside risks and macroeconomic/geopolitical challenges, we have a Neutral stance on the Utilities sector. However, we expect **integrated players to outperform (Veolia is our top pick)** based on their diversified business portfolio and geographical exposure, granting them greater balance sheet flexibility and a better risk-return profile. We **are neutral on fully-regulated** names, while we expect **renewables to continue to be weak** despite the compressed valuations given the persistent risks to projects' IRR, modest growth prospects and balance sheet tightness.

Utilities – Key data

(x)	Rating	TP EUR/sh	Mkt P EUR/sh	Mkt cap EUR M	Adj. EV/EBITDA* 2024E	2025E	2026E	Adj. P/E 2024E	2025E	2026E	FCF yield (%) 2024E	2025E	2026E	dividend yield % 2024E	2025E	2026E
Integrated																
A2A	BUY	2.40	2.20	6,892	6.1	6.2	6.2	8.6	10.1	10.3	-2.6	1.8	4.2	4.5	4.7	4.9
Acea	HOLD	18.40	18.19	3,874	6.3	6.2	6.0	12.8	13.2	12.6	2.1	3.8	5.4	5.0	5.2	5.4
Enel	BUY	8.10	6.99	71,027	6.3	6.4	6.3	10.2	10.3	10.2	16.3	7.1	6.7	6.6	6.7	6.9
Hera	BUY	3.90	3.52	5,237	6.4	6.4	6.3	12.6	12.4	12.1	1.7	1.6	4.2	4.1	4.3	4.4
Iberdrola	HOLD	13.9	13.45	85,567	10.4	9.8	9.4	15.9	15.2	14.1	-0.4	1.8	0.5	4.2	4.4	4.8
Iren	HOLD	2.20	1.98	2,580	5.4	5.3	5.2	9.6	9.4	9.1	1.6	1.1	-0.4	6.5	7.0	7.5
Veolia (1)	BUY	35.0	28.25	20,493	6.4	6.1	5.9	13.6	12.7	11.7	5.0	6.1	7.4	5.0	5.3	5.8
Fully regulated																
Ascopiave	HOLD	2.90	2.75	643	7.4	7.4	8.6	23.1	25.6	25.7	2.8	-2.5	-2.9	5.5	5.8	6.2
Italgas	HOLD	5.90	5.55	4,500	8.5	10.6	9.8	9.2	8.1	6.5	3.9	NM	3.6	7.1	7.0	7.7
Snam	BUY	5.40	4.45	14,949	10.6	10.7	10.4	12.1	12.2	11.8	-11.2	-4.0	0.6	6.5	6.7	6.9
Terna	HOLD	8.20	7.94	15,955	11.7	12.1	11.7	15.8	16.1	15.1	-7.4	-9.7	-8.9	4.7	4.7	5.0
Pure Renewables																
Acciona Energia (1)	HOLD	20.90	20.00	6,585	11.0	10.6	9.8	36.2	32.2	26.5	-6.1	-1.7	-2.0	2.0	1.7	1.6
ERG	HOLD	24.50	20.20	3,030	8.9	8.0	7.9	15.8	14.2	13.9	-3.1	7.2	3.0	5.0	5.4	5.9

*EV calculation includes hybrids; (1) not including recent minor change in total number of shares; NA: not available; NM: not meaningful; Source: FactSet and Intesa Sanpaolo Research estimates

Allianz

Competitive Advantage from Diversified Business Model

12 December 2024: 7:32 CET
Date and time of production

BUY

Target Price: EUR 345

Germany/Insurance

We believe that Allianz's well-diversified business model, which sees the P&C business as the main growth contributor and also includes a strategic and relevant contribution from asset management, puts the group in an ideal position to exploit the opportunities coming from the secular trends represented by Protection and Retirement gap widening. Our positive view is also supported by an attractive shareholders remuneration, which, based on a 75% minimum total payout guidance, offers an average 2025-27E cash dividend yield of 5.4% plus an average additional 1.4% coming from annual SBBs.

Riding secular trends of Protection Gap widening and Retirement Opportunity

The new 2025-27 business plan presented by Allianz on 10 December has Protection Gap widening and Retirement Opportunity growth as secular trends to ride, leveraging on the competitive advantage relating to the well-diversified business model, which also allows to exploit the synergies between the life and asset management business.

2027 financial targets: 7-9% EPS CAGR mainly driven by P&C

The main financial targets of the new plan can be summarised as follows: 1) EPS CAGR of 7-9%, mainly driven by P&C business growth; 2) ROE of at least 17%; 3) Solvency II operating capital generation of 24-25 pp in 2027; and 4) cumulative net cash remittance of more than EUR 27Bn in 2025-27.

Attractive capital management policy, with a 75% minimum total payout ratio

Moreover, on 9 December Allianz announced a new capital management policy, with at least 15% of its net income attributable to shareholders on average to be returned via share buybacks for the years 2025 through 2027, while confirming its dividend payout at 60% of its attributable net income (adjusted for extraordinary and volatile items), with a floor represented by the amount paid the prior year.

BUY and EUR 345 TP: positive view supported by solid and feasible BP targets

Our positive view on Allianz is backed by the financial targets of the business plan just presented – pointing to near EUR 18.5Bn operating profit and a mid-point EUR 31.5 Core adj. EPS in 2027 – which we consider as feasible and allowing to deliver growth (2024-27 6% CAGR in operating result and 7-9% in EPS) combined with an attractive shareholders' remuneration profile (we estimate an average 2025E-27E cash dividend yield of 5.4%, with an additional 1.4% coming from annual SBB component).

Allianz – Key data

Y/E Dec (EUR Bn)	2023A	2024E	2025E	2026E
Total premiums	154	166	178	190
CSM	53.82	56.48	59.32	62.22
Net comb. ratio (%)	93.8	93.1	92.8	92.6
Net income	8.54	9.35	9.87	10.58
Adj. EPS (EUR)	22.44	24.96	26.48	28.73
Solv. II ratio (%)	206.0	210.0	210.8	211.7
Adj. P/E (x)	9.8	12.1	11.4	10.5
P/TBV (x)	2.5	3.1	2.9	2.7
ROTE (%)	27.1	27.1	26.5	26.6
Div ord yield (%)	6.3	5.0	5.3	5.8

Source: Company data and Intesa Sanpaolo Research estimates. Priced at 06/12/2024

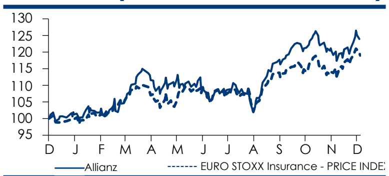
Allianz - Key data

Price date (market close)	06/12/2024
Target price (€)	345
Target upside (%)	14.39
Market price (€)	301.60
Market cap (EUR M)	116,467.9
52Wk range (€)	304.6/239.0

EPS - DPS changes

(€)	2024E	2025E	2024	2025
	EPS =	EPS =	chg%	chg%
Curr.	24.957	26.479	0	0
Prev.	24.957	26.479	-	-
	DPS =	DPS =	chg%	chg%
Curr.	15.000	16.000	0	0
Prev.	15.000	16.000	-	-

Price Perf. (RIC:ALVG.DE BB: ALV GR)



Source: FactSet and Intesa Sanpaolo Research estimates

Intesa Sanpaolo Research Dept.

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See page 93 for full disclosure and analyst certification

12 December 2024: 08:00 CET
Date and time of first circulation

Valuation and Key Risks

Valuation basis

We value Allianz through a SOP model, with a 9.8% cost of equity (2.8% RFR - resulting from the weighted average of risk-free rates for Germany, France and Italy, which are among the most significant countries in which the group is active -, 1.1x 5-y beta - source: Factset - and 6.5% ERP). In particular, we value: 1) the P&C and Life businesses on the basis of our net profit and reserves' explicit estimates for 2024E-27E, followed by a 7-year transition period, with the growth of average reserves and net margin gradually converging to long-term growth (1% for both) and profitability assumptions (2.5% in P&C and 0.4% for Life) for each business; 2) the Asset Management business on the basis of our net profit and 3-party AuM explicit estimates for 2024E-27E, followed by a 7-year transition period, with the growth of average AuM and net operating margin gradually converging to long-term growth (1.5%) and profitability (0.1%) assumptions; 4) we finally adjust for the corporate centre and consolidation adjustments.

Key Risks

Company specific risks:

Potential worse than expected technical performance, due to challenging environment
Potential M&A at high prices
AM inflows impacted by interest rate movements

Sector generic risks:

An increasing trend in nat cats
Impact on business activities from the current difficult macroeconomic, geopolitical and financial scenario at an international level
The impact on profitability and capital from competition and potential changes in regulation

Company Snapshot

Company Description

Allianz is a global financial services provider in the insurance and asset management businesses, serving 122M insurance customers in more than 70 countries and counting on 159,000 employees worldwide. The group is active in P&C, Life & Health and Asset Management business (through PIMCO and Allianz Global Investors).

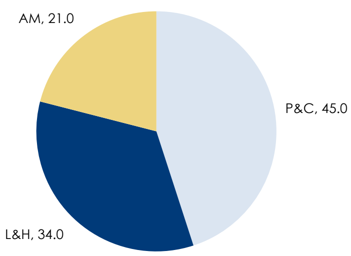
Key data

Mkt price (€)	301.60	Free float (%)	99.6
No. of shares	386.2	Major shr	Vanguard Group
52Wk range (€)	304.6/239.0	(%)	3.6
Reuters	ALVG.DE	Bloomberg	ALV GR
Performance (%)	**Absolute**		**Rel. EURO STOXX Insurance**
-1M	4.1	-1M	-1.3
-3M	7.6	-3M	0.3
-12M	25.2	-12M	3.9

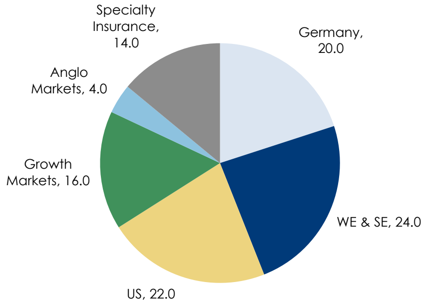
Estimates vs. consensus

EUR M (Y/E Dec)	2023	2024E	2024C	2025E	2025C	2026E	2026C
Premiums	154,410	165,608	162,668	177,619	170,085	190,064	176,688
Operating profit	14,746	15,769	15,420	16,543	16,408	17,608	17,212
Net income	8,541	9,345	9,736	9,868	10,508	10,580	11,062
Adj. EPS (€)	22.44	24.96	24.87	26.48	27.14	28.73	28.72
Net comb. ratio (%)	93.84	93.05	NM	92.80	93.00	92.55	92.70

Operating profit by segment (%)



Operating profit by region (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 06/12/2024)

Allianz – Key Data

Rating	Target price (€/sh)	Mkt price (€/sh)	Sector
BUY	Ord 345	Ord 301.60	Insurance

Values per share (EUR)	2023A	2024E	2025E	2026E
No. ordinary shares (M)	386.2	386.2	386.2	386.2
Total no. of shares (M)	386.2	386.2	386.2	386.2
Market cap (EUR M)	84,794.7	116,467.9	116,467.9	116,467.9
Adj. EPS	22.44	24.96	26.48	28.73
BVPS	133.11	144.90	153.49	163.27
TBVPS	86.87	96.35	103.63	112.68
DPS-ordinary shares (EUR)	13.80	15.00	16.00	17.50
Dividend payout (%)	61.2	58.4	59.2	59.7
Income Statement (EUR)	**2023A**	**2024E**	**2025E**	**2026E**
Op.insurance service result (P&C)	4,241.7	5,173.4	5,740.9	6,326.4
Operating investment result (P&C)	2,748.0	2,655.7	2,634.7	2,570.0
CSM release (Life)	4,966.6	5,071.2	5,382.8	5,567.9
Operating investment result (Life)	890.0	850.0	750.0	750.0
Operating result	14,745.8	15,769.4	16,543.4	17,607.9
Non-life operating result	6,908.8	7,804.0	8,350.6	8,896.4
Life operating result	5,191.4	5,377.4	5,517.2	5,725.7
Adjusted net income	8,955.8	9,776.3	10,157.5	10,867.2
Balance sheet and other (EUR)	**2023A**	**2024E**	**2025E**	**2026E**
Investments	874,674.7	901,115.0	933,193.1	955,225.6
Financial assets for U/L contracts	148,892.0	154,847.7	161,041.6	167,483.3
Insurance contracts (liabilities)	776,944.5	801,115.0	833,193.1	855,225.6
Insurance contracts (Non-life)	94,500.0	101,115.0	108,193.1	115,225.6
Insurance contracts (Life)	680,653.7	700,000.0	725,000.0	740,000.0
Contractual service margin (CSM)	53,817.9	56,482.9	59,318.3	62,216.7
Life net inflows	-5,005.0	1,000.0	1,500.0	2,000.0
AUM	2,223,687.1	2,367,968.5	2,515,127.8	2,655,030.4
Financial debt	24,800.0	24,800.0	24,800.0	24,800.0
Shareholders' net equity	58,477.0	60,756.4	63,286.8	66,118.4
Stock Market Ratios (x)	**2023A**	**2024E**	**2025E**	**2026E**
P/E	10.3	12.6	11.7	10.8
Adj. P/E	9.8	12.1	11.4	10.5
P/BVPS	1.65	2.08	1.96	1.85
P/TBV	2.53	3.13	2.91	2.68
Dividend yield (% ord)	6.3	5.0	5.3	5.8
Profitability & financial ratios (%)	**2023A**	**2024E**	**2025E**	**2026E**
Loss ratio (non-life)	69.3	68.8	68.5	68.3
Expense ratio (non-life)	24.6	24.3	24.3	24.3
Combined ratio	93.8	93.1	92.8	92.6
Undiscounted combined ratio	96.7	95.7	94.9	94.6
Cover ratio	123.5	123.5	123.5	123.5
C/I ratio (AM)	61.3	61.5	61.0	60.5
Tax rate	22.0	24.0	24.5	25.0
RoE	17.3	17.8	17.8	18.1
RoTE	27.1	27.1	26.5	26.6
Net profit/Insurance contracts	1.2	1.2	1.2	1.3
Solvency	206.0	210.0	210.8	211.7
Leverage	21.1	20.4	19.7	19.0
Interest coverage (x)	19.4	20.9	22.1	23.7
Revenues breakdown (EUR M)	**2023A**	**2024E**	**2025E**	**2026E**
Non-life business volumes	76,531.5	81,888.7	87,620.9	93,316.2
Life premiums	77,878.2	83,719.1	89,998.0	96,747.9
AM revenues	7,959.7	8,315.1	8,658.5	9,327.9
Growth (%)	**2023A**	**2024E**	**2025E**	**2026E**
Adj. EPS	33.2	11.2	6.1	8.5
Non-life business volumes	8.4	7.0	7.0	6.5
Life business volumes	3.5	7.5	7.5	7.5
AM revenues	-3.1	4.5	4.1	7.7
Insurance contracts (Life)	4.8	2.8	3.6	2.1

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

INTESA SANPAOLO

Equity

Banco BPM

At the Centre of the Consolidation Process

12 December 2024: 7:32 CET
Date and time of production

BUY

Target Price: EUR 7.9

Italy/Banks

We consider Banco BPM as the best way to play the consolidation process in Italy. UCG's bid offers protection on the downside, while the company could benefit from a likely improvement of the offering conditions or a defensive move by BAMI that would need to be accretive in order to gain the necessary shareholders' meeting approval.

Two smart moves on Anima and MPS

In November 2024, BAMI announced two smart moves that provided the basis to enhance the resilience of its profitability in a declining interest rate scenario: the bid on Anima, that in our assumptions would have a 9% EPS accretion, with an almost 60% return on the allocated capital, courtesy of the Danish Compromise that limits the capital consumption to only 30bps; and the acquisition of a 5% stake in MPS (that would increase to 9% including Anima), that positioned BAMI as the frontrunner to create the third Italian banking group, with the blessing of the government.

UCG offer needs to be improved

On 25 November, Unicredit announced an all-share offer on BAMI. As discussed in our report, Bid For BAMI: a Dish Best Served Cold?, the offer is not attractive neither for BAMI shareholders as the swap ratio offered of 0.175 represented only a 0.5% premium on the market price, nor for UCG shareholders as an all-share deal limits the EPS accretion. For these reasons we believe that the UCG offer needs to be improved, with the introduction of a cash component.

The passivity rule does not exclude BAMI's reaction, with CASA in a pivotal role

The passivity rule prevents BAMI from taking action that may contrast UCG's bid, unless authorised by the shareholders meeting. Crédit Agricole, which has a potential 15.1% stake in BAMI and has asked for authorisation to increase it up to 19.99%, plays a pivotal role in any potential deal. It may support the bid by UCG in exchange for the extension of the partnership with Amundi, the shopping branches or potential future agreements in Germany; or it could push BAMI in what we consider to be the most effective defensive move: a bid on MPS.

Best way to play the con[illegible], with limited downside risk

Solid standalone strategy (TP at EUR 7.9) and UCG's bid limit the downside risk, while the stock may benefit from an upgrade of UCG's offer, that we consider as likely, and potential transformational deals backed by the shareholders meeting.

Banco BPM – Key data

Y/E Dec (EUR)	2022A	2023A	2024E	2025E	2026E
Adj EPS	0.46	0.82	1.00	0.92	0.88
EPS	0.47	0.84	1.25	0.94	0.90
DPS	0.23	0.56	0.84	0.63	0.63
TBV PS	6.7	7.5	8.0	8.1	8.3
PPS PS	1.4	1.8	1.9	1.8	1.7
Adj. ROTE (%)	6.6	11.4	12.7	11.4	10.6
Adj P/E (x)	6.3	5.2	7.5	8.2	8.6
P/TBV (x)	0.43	0.56	0.94	0.93	0.90
Div yield (%)	8.0	13.2	11.2	8.3	8.3
P/PPPP (x)	2.0	2.3	3.9	4.3	4.4

Source: Company data and Intesa Sanpaolo Research estimates. Priced at 06/12/2024

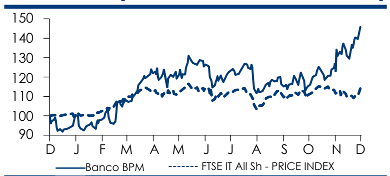
Banco BPM Key Data

Price date (market close)	06/12/2024
Target price (€)	7.9
Target upside (%)	5.19
Market price (€)	7.51
Market cap (EUR M)	11,379.0
52Wk range (€)	7.51/4.71

EPS & DPS changes

(€)	2024E	2025E	2024	2025
	EPS =	EPS =	chg%	chg%
Curr.	0.997	0.919	0	0
Prev.	0.997	0.919	-	-
	DPS =	DPS =	chg%	chg%
Curr.	0.840	0.625	0	0
Prev.	0.840	0.625	-	-

Price Perf. (RIC:BAMI.MI BB: BAMI IM)



Source: FactSet and Intesa Sanpaolo Research estimates

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See page 93 for full disclosure and analyst certification

12 December 2024: 08:00 CET
Date and time of first circulation

IMI CORPORATE & INVESTMENT BANKING

Valuation and Key Risks

Valuation basis

Our target price of EUR 7.9/sh is based on a Gordon Model, with recurrent profitability on optimal capital at 11.7%, a cost of equity at 11.5% and a g at 0%. We value at 1x the excess capital. Our valation does not incorporate any M&A premium considering that the M&A process may materialise later than expected. However, we believe that Banco BPM continues to be a potential candidate to be involved in the consolidation process, through an integration into a larger group (such as Unicredit) or a merger of equals (best fit with BPER, in our view).

Key Risks

Company specific risks:

Business plan execution risk
Possible corporate actions
The upside potential is linked to the materialisation of M&A opportunities

Sector generic risks:

Slowdown of macroeconomic scenario
Unexpected changes in interest rates and government bonds spreads
Regulatory risk

Company Snapshot

Company Description

Gruppo Banco BPM is the 3rd banking group in Italy (by number of branches, net customer loans, and direct and indirect customer funds), it serves approx. 4 million customers through a wide and complementary distribution network and a multi-channel distribution model, and it enjoys a leading position in Northern Italy, in particular in productive regions such as Lombardy, Veneto and Piedmont (with a market share of about 14%, 9% and 11%, respectively). The Group was formed on 01 January 2017, through the merger between Banco Popolare and Banca Popolare di Milano, that gave rise to a domestic leader in several value-added businesses, with a unique position to leverage a wide network of roughly 1,700 branches, a portfolio of well-known brands and cross-selling opportunities across the product factories.The Group can thus rely on a bespoke offer across all market segments, with a special focus on Corporate, Private and Retail, and Small Business customers. Its all-round offering is supported by solid combined product capabilities and [illegible] enhanced productivity, boosted by sharing commercial best practices and leveraging the established b[illegible]

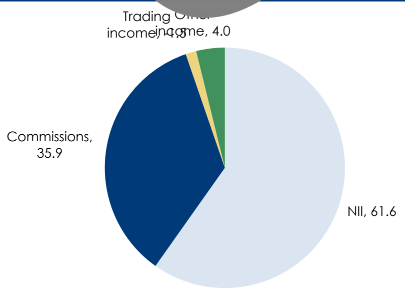
Key data

Mkt price (€)	7.51	Free float (%)	[illegible]79.5
No. of shares	1,515.2	Major shr	Crea[illegible]ari
52Wk range (€)	7.5[illegible]	(%)	[illegible]
Reuters	[illegible]MI.MI	Bloomberg	BAMI IM
Performance (%)	**Absolute**		**Rel. [illegible] All Sh**
-1M	19.0	-1M	16.0
-3M	[illegible]	-3M	21.7
-12M	[illegible]8.3	-12M	27.9

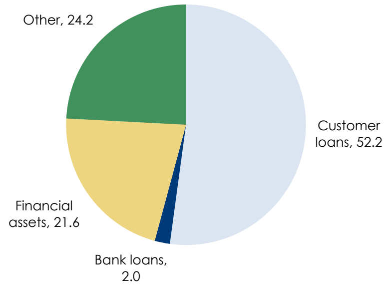
[illegible]imates vs. consens[illegible]

EU[illegible] (Y/E Dec)	2023A	2024E	2024C	2025E	2025C	2026E	2026C
Operating Profit	NA	NA	2,993.0	NA	2,732.5	NA	2,695.5
Pre-tax income	NA	NA	2,545.8	NA	2,131.0	NA	2,130.0
Net income	1,264.5	1,890.2	NA	1,416.5	NA	1,357.4	NA
Adj. EPS (€)	0.82	1.00	1.00	0.92	0.93	0.88	0.92

Total revenues breakdown (%)



Total Assets breackdown (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 06/12/2024)

Banco BPM – Key Data

Rating	Target price (€/sh)	Mkt price (€/sh)	Sector
BUY	Ord 7.9	Ord 7.51	Banks

Values per share (EUR)	2021A	2022A	2023A	2024E	2025E	2026E
No. of outstanding shares (M)	1,509.1	1,507.0	1,508.2	1,508.2	1,508.2	1,508.2
Adj. EPS	0.372	0.46	0.82	1.00	0.92	0.88
TBV PS	7.1	6.7	7.5	8.0	8.1	8.3
PPP PS	1.3	1.4	1.8	1.9	1.8	1.7
Dividend ord	0.19	0.23	0.56	0.84	0.63	0.63
Income statement (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Net interest income	2,041.6	2,314.3	3,289.2	3,414.7	3,074.5	2,976.8
Net commission/fee income	1,911.2	1,887.3	1,919.6	1,970.9	2,025.6	2,073.1
Net trading income	250.7	243.0	-79.05	-20.00	-20.00	-20.00
Total income	4,510.8	4,705.4	5,341.1	5,591.1	5,360.3	5,322.6
Total operating expenses	2,515.7	2,539.4	2,571.2	2,659.0	2,708.4	2,742.1
Gross operating income	1,972.8	2,165.8	2,770.0	2,932.1	2,651.9	2,580.5
Provisions for loan losses	887.2	682.3	558.6	475.5	500.1	525.3
Pre-tax income	921.0	1,311.5	2,040.8	2,892.5	2,111.8	2,015.1
Net income	569.1	702.6	1,264.5	1,890.2	1,416.5	1,357.4
Adj. shareholders' earnings	560.8	687.9	1,238.6	1,503.6	1,385.8	1,323.4
Composition of total income (%)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Net interest income	45.3	49.2	61.6	61.1	57.4	55.9
Trading income	5.6	5.2	-1.5	-0.4	-0.4	-0.4
Commission income	42.4	40.1	35.9	35.3	37.8	38.9
Balance sheet (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Total assets	199,815.0	189,686.0	201,606.0	214,568.0	214,351.4	214,349.2
Customer loans	109,383.0	109,455.0	105,427.0	100,857.3	101,900.6	102,931.0
Total customer deposits	120,213.0	120,639.0	120,770.0	124,393.1	124,393.1	124,393.1
Shareholders' equity	13,095.0	12,769.6	14,038.0	14,559.5	14,773.3	15,123.2
Tangible equity	10,667.0	10,196.2	11,524.0	12,080.0	12,293.8	12,643.7
Risk weighted assets	63,900.0	60,200.0	64,500.0	62,345.8	68,284.7	72,529.5
Stock market ratios (X)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Adj. P/E	6.8	6.3	[illegible]	7.5	8.2	8.6
P/TBV	0.36	0.43	0.56	0.94	0.93	0.90
P/PPP	1.9	2.0	2.3	3.9	4.3	4.4
Dividend yield (% ord)	7.5	8.0	13.2	11.2	8.3	8.3
Profitability & financial ratios (%)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
ROE	4.50	5.43	9.43	13.22	9.66	9.08
Adj. ROTE	5.48	6.59	11.41	12.74	11.37	10.61
RoRWA	0.88	1.13	2.03	2.98	2.17	1.93
Cost income ratio	55.8	54.0	48.1	47.6	50.5	51.5
Cost of risk (bps)	81.1	62.4	52.0	46.1	49.3	51.3
Tax rate	27.57	31.18	29.64	26.21	31.30	31.11
Dividend payout	50.4	49.3	67.1	67.0	66.6	69.5
Other (%)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
CET1 ratio	14.69	14.32	14.16	15.62	14.63	14.05
CET1 ratio fully loaded	13.43	12.83	14.16	15.62	14.63	14.05
Net impaired loans ratio	2.98	2.15	1.77	1.73	1.98	2.22
Net impaired loans on TBV	30.57	23.11	16.16	14.40	16.45	18.11
Growth (%)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Total income	8.6	4.3	13.5	4.7	-4.1	-0.7
Gross operating income	14.6	9.8	27.9	5.9	-9.6	-2.7
Net income	NM	23.5	80.0	49.5	-25.1	-4.2
Adj. net income	NM	22.7	80.1	21.4	-7.8	-4.5
BS growth (%)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Customers' loans	0.0	0.1	-3.7	-4.3	1.0	1.0
Customers' deposits	2.8	0.4	0.1	3.0	0	0
Shareholders' funds	7.1	-2.5	9.9	3.7	1.5	2.4
Structure (no. of)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Branches	1,508	1,504	1,436	1,386	1,336	1,286
Employees	20,437	20,157	19,761	19,511	19,261	19,011

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

INTESA SANPAOLO

Equity

Brunello Cucinelli

Healthy Growth Not Factored In

We believe its prominent positioning in the high-end luxury segment, its mantra of maintaining humanitarian working conditions and its spirit of innovation give the group an attractive and highly visible long-term growth proposition.

3Q24 sales confirmed the stock as a safe haven

Brunello Cucinelli closed 3Q24 with sales up 9.2% yoy to EUR 300M with still double-digit growth of retail (+10.5% yoy to EUR 183M). In 9M24 China sales grew substantially in line with the group, which closed up 12.7% ex-forex; North America (36% of 9M24 sales) continued to outperform other geographies closing up 17.6% yoy. Management said that the order intake for S/S25 collection was very strong providing visibility on wholesale, which represents around 34% of FY24E sales.

We see many levers to reach the targets of 10% sales growth in 2024, 2025 and 2026

In October 2024, the group confirmed its revenue growth guidance of around 10% for both FY24 and FY25, adding that it expects to maintain a revenue growth path of 10% also in FY26. We are confident that Brunello Cucinelli is poised to achieve its projected growth targets, based on several compelling factors: 1) the centrality of its RtW offering in the resilient absolute luxury segment; 2) the choice not to have evergreens and to always launch a new contemporary collection which, in our view, is particularly rewarding at this time; 3) the strong relationship with luxury wholesale which safeguards the modernity and allure of the brand; 4) its mantra of guaranteeing strong working relationships, which ensures that the company should maintain the resources for its development over time. In our model we assume a 10.5% 2023A-26E revenue CAGR, a 17% EBIT margin in FY26E and 11.5% 2023A-26E EBIT CAGR.

The 1Y P/E forward premium vs. luxury sector does not reflect the superior performance

Brunello is trading at a 1-year fwd P/E of 46.7x which is equal to a premium of around 67% vs. 90% 10Y historical average; we believe this premium should increase given the higher visibility on earnings and the widening gap in terms of growth compared to the median sector.

Brunello Cucinelli – Key data

Y/E Dec (EUR M)	2022A	2023A	2024E	2025E	2026E
Revenues	919.7	1,139.4	1,260.1	1,390.7	1,535.6
EBITDA	266.4	326.3	362.0	399.5	440.4
EBIT	134.4	187.4	210.7	235.6	261.5
Net income	80.61	114.6	124.5	141.1	159.9
Adj. EPS (EUR)	1.18	1.69	1.83	2.07	2.35
Net debt/-cash	569.5	561.1	727.8	753.9	753.6
Adj P/E (x)	44.8	46.6	52.9	46.7	41.2
EV/EBITDA (x)	15.5	18.0	20.2	18.4	16.7
EV/EBIT (x)	30.8	31.4	34.6	31.1	28.1
Div ord yield (%)	1.2	1.2	1.0	1.1	1.3
FCF Yield (%)	3.6	2.9	1.3	2.3	3.0

Source: Company data and Intesa Sanpaolo Research estimates. Priced at 06/12/2024

12 December 2024: 7:32 CET
Date and time of production

BUY

Target Price: EUR 108.0

Italy/Branded Goods

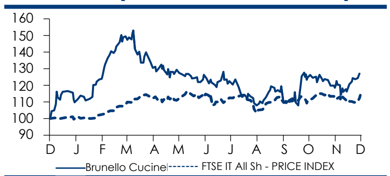
Brunello Cucinelli - Key Data

Price date (market close)	06/12/2024
Target price (€)	108.0
Target upside (%)	11.46
Market price (€)	96.90
Market cap (EUR M)	6,589.2
52Wk range (€)	116.8/77.0

EPS & DPS changes

(€)	2024E	2025E	2024	2025
	EPS =	EPS =	chg%	chg%
Curr.	1.831	2.074	0	0
Prev.	1.831	2.074	-	-
	DPS =	DPS =	chg%	chg%
Curr.	0.967	1.094	0	0
Prev.	0.967	1.094	-	-

Price Perf. (RIC:BCU.MI BB: BC IM)



Source: FactSet and Intesa Sanpaolo Research estimates

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See page 93 for full disclosure and analyst certification

12 December 2024: 08:00 CET
Date and time of first circulation

IMI CORPORATE & INVESTMENT BANKING

Valuation and Key Risks

Valuation basis

Our target price of EUR 108 is obtained as the weighted average of our DCF (EUR 113/share, WACC 6.6%, g 4% and long-term EBIT margin of 18%) and multiples valuation (EUR 103/share). At our target price, the stock would trade on a PEG 24E (P/E 24E on 23A-25E CAGR) of 5.4x vs. 6.2x of Hermes.

Key Risks

Company specific risks:

Execution risk in networking roll-out;
Small size compared to competitors;
Key person risk in relation to Mr. Brunello Cucinelli (systematic risk of fashion industry).

Sector generic risks:

Deterioration in macro scenario;
Delay in the resumption of international airline traffic;
Forex volatility.

Company Snapshot

Company Description

Brunello Cucinelli is a global well known contemporary casual chic brand positioned in the 'absolute' luxury niche with focus on Ready-to-Wear daytime. Mr Brunello Cucinelli founded the company in 1978 in Solomeo near Perugia. In the last 12 years it evolved from a product specialist famous for cashmere garments to a lifestyle brand but the exposure to apparel has been broadly stable at around 85%. In 1994, the company entered in the menswear business which now accounts for around 30% of total revenues. It distinguished itself for excellence in Made-in Italy products and for the "humanistic" long-term strategy of the founder, who produces most of the garments by recurring to first-class small and medium-size third-party artisan workshops, most of them are located in Umbria such to guarantee both quality control than flexibility of production and support to the local community. It is appreciated by its sophisticated clients who agree on the values sponsored by the brand: the idea of sustainable quality of life and products, good relationship between mankind and nature, good relationships with suppliers. In 2023 Brunello Cucinelli had a network of 125 DOS located in top tier locations. In addition, it can count on an established presence in over 500 high-level multi-brand shops and specialty stores. Cucinelli was listed on the Italian Stock Market exchange in April 2012 at a price of EUR 7.75 per share.

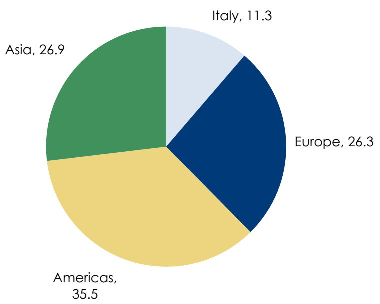
Key data

Mkt price (€)	96.90	Free float (%)	35.3
No. of shares	68.00	Major shr	Fedone Srl
52Wk range (€)	116.8/77.0	(%)	51.0
Reuters	BCU.MI	Bloomberg	BC IM
Performance (%)	**Absolute**		**Rel. FTSE IT All Sh**
-1M	6.7	-1M	4.0
-3M	16.5	-3M	11.5
-12M	27.8	-12M	11.7

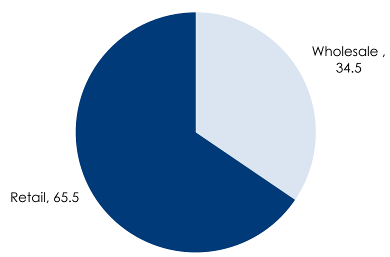
Estimates vs. consensus

EUR M (Y/E Dec)	2023A	2024E	2024C	2025E	2025C	2026E	2026C
Sales	1,139.4	1,260.1	1,267.9	1,390.7	1,398.1	1,535.6	1,546.9
EBITDA	326.3	362.0	362.3	399.5	402.4	440.4	428.4
EBIT	187.4	210.7	212.2	235.6	238.0	261.5	265.5
Pre-tax income	173.3	185.2	187.5	209.5	215.0	237.1	243.2
Net income	114.6	124.5	124.7	141.1	143.5	159.9	162.8
Adj. EPS (€)	1.69	1.83	1.83	2.07	2.11	2.35	2.39

Sales breakdown by geography in 2023 (%)



Sales breakdown by channel of distribution in 2023 (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 06/12/2024)

Brunello Cucinelli – Key Data

Rating	Target price (€/sh)	Mkt price (€/sh)	Sector
BUY	Ord 108.0	Ord 96.90	Branded Goods

Values per share (EUR)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
No. ordinary shares (M)	68.00	68.00	68.00	68.00	68.00	68.00
Total no. of shares (M)	68.00	68.00	68.00	68.00	68.00	68.00
Market cap (EUR M)	3,172.3	3,606.6	5,343.2	6,589.2	6,589.2	6,589.2
Adj. EPS	0.78	1.18	1.69	1.83	2.07	2.35
BVPS	4.6	5.6	6.5	7.4	8.5	9.7
Dividend ord	0.42	0.65	0.91	0.97	1.09	1.24
Income statement (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Revenues	712.2	919.7	1,139.4	1,260.1	1,390.7	1,535.6
EBITDA	193.3	266.4	326.3	362.0	399.5	440.4
EBIT	77.01	134.4	187.4	210.7	235.6	261.5
Pre-tax income	64.01	124.0	173.3	185.2	209.5	237.1
Net income	53.31	80.61	114.6	124.5	141.1	159.9
Adj. net income	53.31	80.61	114.6	124.5	141.1	159.9
Cash flow (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Net income before minorities	56.3	87.2	123.8	131.5	148.8	168.3
Depreciation and provisions	116.3	131.9	138.8	151.3	163.9	178.9
Others/Uses of funds	12.4	-5.2	-10.9	-15.0	-15.0	-15.0
Change in working capital	26.4	-13.0	-16.8	-66.2	-19.9	-21.3
Operating cash flow	211.4	200.9	234.9	201.6	277.8	310.9
Capital expenditure	-61.6	-72.5	-79.1	-117.2	-125.2	-115.2
Financial investments	0	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0	0
Free cash flow	149.8	128.5	155.8	84.4	152.6	195.7
Dividends	0	-32.3	-53.1	-66.1	-65.7	-74.4
Equity changes & Non-op items	-113.9	-95.9	-94.3	-185.0	-113.0	-121.0
Net change in cash	35.9	0.3	8.4	-166.7	-26.1	0.3
Balance sheet (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Net capital employed	898.7	965.7	1,014.7	1,246.9	1,356.0	1,449.5
of which associates	17.4	45.4	36.0	36.0	36.0	36.0
Net debt/-cash	569.8	569.5	561.1	727.8	753.9	753.6
Minorities	6.3	10.4	11.8	18.8	26.5	35.0
Net equity	316.1	382.5	441.8	500.2	575.5	661.0
Minorities value	6.3	10.4	11.8	18.8	26.5	35.0
Enterprise value	3,731.0	4,141.2	5,880.1	7,299.8	7,333.6	7,341.7
Stock market ratios (x)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Adj. P/E	59.5	44.8	46.6	52.9	46.7	41.2
P/CFPS	15.2	16.7	25.6	32.7	23.7	21.2
P/BVPS	10.0	9.4	12.1	13.2	11.4	10.0
Payout (%)	54	55	54	53	53	53
Dividend yield (% ord)	0.9	1.2	1.2	1.0	1.1	1.3
FCF yield (%)	4.7	3.6	2.9	1.3	2.3	3.0
EV/sales	5.2	4.5	5.2	5.8	5.3	4.8
EV/EBITDA	19.3	15.5	18.0	20.2	18.4	16.7
EV/EBIT	48.4	30.8	31.4	34.6	31.1	28.1
EV/CE	4.2	4.3	5.8	5.9	5.4	5.1
D/EBITDA	2.9	2.1	1.7	2.0	1.9	1.7
D/EBIT	7.4	4.2	3.0	3.5	3.2	2.9
Profitability & financial ratios (%)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
EBITDA margin	27.1	29.0	28.6	28.7	28.7	28.7
EBIT margin	10.8	14.6	16.4	16.7	16.9	17.0
Tax rate	12.0	29.7	28.6	29.0	29.0	29.0
Net income margin	7.5	8.8	10.1	9.9	10.1	10.4
ROCE	8.6	13.9	18.5	16.9	17.4	18.0
ROE	18.5	23.1	27.8	26.4	26.2	25.9
Interest cover	5.9	12.9	13.3	8.3	9.0	10.7
Debt/equity ratio	176.7	144.9	123.7	140.2	125.2	108.3
Growth (%)		**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Sales		29.1	23.9	10.6	10.4	10.4
EBITDA		37.8	22.5	10.9	10.4	10.2
EBIT		74.5	39.4	12.4	11.8	11.0
Pre-tax income		93.7	39.8	6.8	13.1	13.1
Net income		51.2	42.2	8.6	13.3	13.3
Adj. net income		51.2	42.2	8.6	13.3	13.3

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Equity

Ferrari

One of a Kind

12 December 2024: 7:32 CET
Date and time of production

BUY

Target Price: EUR 475

Italy/Automobiles & Components

Ferrari's distinctive features make it one of a kind in both the superluxury industry and the automotive sector. We believe Ferrari offers a safe haven to investors on the back of its order book stretching well into 2026. Its brand and luxury positioning makes the company more resilient to tariff hikes, while the USD appreciation could offer some upside despite the hedging policy. We see Ferrari's price mix also gaining further momentum and we view the new supercar F80, which marks an important milestone in Ferrari's electrification journey, as a strong contributor to 2026. Ahead of the group's CMD in 2H25, we see current prices as a compelling entry point to capture the ongoing price mix and margins growth.

Paying for visibility

In the current market scenario, we view Ferrari's strong visibility as even more important than before. Within the luxury and luxury car industry the group's order book stretches well into 2026 and looks even richer after the last model launches (Ferrari12 Cilindri and F80). We like the deliberate strategy to keep shipments below 10% yearly in China where the order book remains nonetheless steady at five quarters.

Freedom in shipments allocation and luxury positioning is a plus

Ferrari's scarcity proposition allows it to modulate shipments across countries thus limiting the risks of duties. That said, backed by a 25% share in the Luxury Performance car industry, a unique brand and pricing positioning and a more competitive cost base, we believe Ferrari will be able to pass through the potential duties in USA. We also see some potential benefits from the USD strengthening despite the hedging policy.

A Prancing Price mix momentum

We see Ferrari's price mix continuing to gain momentum. On top of the strong personalisations rate (above 19% in our view), this should be supported in 2025 by the ongoing contribution from Daytona, the ramp-up of the 12Cilindri and of SF90XX (Coupé and Spider) along with the continuation of 296GTS, the Roma Spider, the Purosangue and the 499P. Recent launches of new models, not least the F80 at a price list 3x LaFerrari and 1.8x Daytona, gives room for a stable price improvement of at least 5% across the next three years.

A well-deserved premium and a sound entry point

Backed by its distinctive features we view Ferrari's premium (4% on 25 P/E) versus Hermes as well deserved, with current prices not fully reflecting the upside potential and strong contribution to earnings in FY26 thanks also to F80. We recently improved our FY26 EBIT and EPS estimates by 4.8% and 6.1%, respectively.

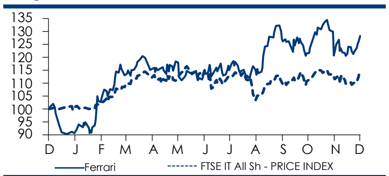
Ferrari - Key Data

Price date (market close)	06/12/2024
Target price (€)	475
Target upside (%)	9.88
Market price (€)	432.30
Market cap (EUR M)	77,986.8
52Wk range (€)	453.2/304.4

EPS - DPS changes

(€)	2024E	2025E	2024	2025
	EPS =	EPS =	chg%	chg%
Curr.	8.163	8.701	0	0
Prev.	8.163	8.701	-	-
	DPS =	DPS =	chg%	chg%
Curr.	2.480	2.800	0	0
Prev.	2.480	2.800	-	-

Price Perf. (RIC:RACE.MI BB: RACE US)



Source: FactSet and Intesa Sanpaolo Research estimates

Ferrari – Key data

Y/E Dec (EUR M)	2022A	2023A	2024E	2025E	2026E
Revenues	5,095.1	5,970.0	6,577.9	7,077.6	7,564.2
EBITDA	1,773.0	2,278.9	2,544.3	2,754.5	2,987.4
EBIT	1,227.0	1,616.9	1,844.3	2,054.5	2,237.4
Net income	939.0	1,256.9	1,472.6	1,560.6	1,700.7
Adj. EPS (EUR)	5.08	6.97	8.16	8.70	9.48
Net debt/-cash	207.3	99.25	123.3	-183.0	-483.4
Adj P/E (x)	38.6	39.5	53.0	49.7	45.6
EV/EBITDA (x)	20.7	21.9	30.8	28.2	25.9
EV/EBIT (x)	29.8	30.9	42.5	37.9	34.6
Div ord yield (%)	0.9	0.9	0.6	0.6	0.7
FCF Yield (%)	2.1	1.9	1.2	1.7	1.9

Source: Company data and Intesa Sanpaolo Research estimates. Priced at 06/12/2024

Intesa Sanpaolo Research Dept.

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See page 93 for full disclosure and analyst certification

12 December 2024: 08:00 CET
Date and time of first circulation

Valuation and Key Risks

Valuation basis

Our EUR 475 EUR target price is derived from our 2026 PE valuation (accounting a 20% premium vs current Hermes PE) discounted back at 8% rate. The discount rate corresponds to our Ferrari WACC calculation on the following assumptions (risk free rate: 3.5%, market premium 6.5%, Beta 0.7; g =3.5%; Long term Equity/CE=100%)

Key Risks

Company specific risks:

Lack of the achievement of company guidance, lower-than-expected price mix, failure in executing EV
Strong decrease of F1 contribution to group's figures. Recall costs, damaging the image and brand, and a higher cash absorption from capex and R&D
Lack of expanding lifestyle revenues /Lack of models capturing Chinese market and High FX volatility

Sector generic risks:

A strong downturn in the growth trend of HNWI and a severe global macro recession
Geopolitical USA/China conflict, Trade war between countries/ energy supply issues
Luxury multiples de-rating

Company Snapshot

Company Description

Ferrari NV designs and manufactures sports cars. The Company offers new and used vehicles, warranty programs, financial supports, and maintenance, as well as watches, apparels, earphones, caps, and other accessories. Ferrari markets its products worldwide.

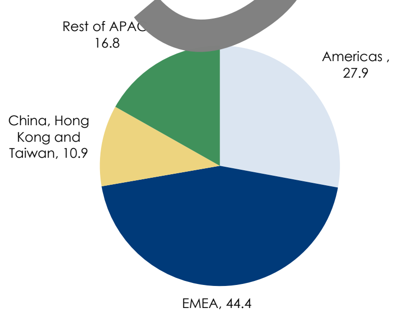
Key data

Mkt price (€)	432.30	Free float (%)	63.0
No. of shares	180.4	Major shr	Exor Spa
52Wk range (€)	453.2/304.4	(%)	[illegible]
Reuters	RACE.MI	Bloomberg	RACE IM
Performance (%)	**Absolute**		**Rel. FTSE IT All Sh**
-1M	6.0	-1M	3.3
-3M	1.6	-3M	-2.7
-12M	[illegible]	-12M	12.1

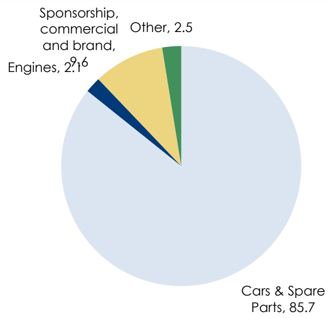
Estimates vs consensus

EUR M (Y/E Dec)	[illegible]	2024E	2024C	2025E	2025C	2026E	2026C
Sales	5,970.0	6,577.9	6,630.0	7,077.6	7,193.0	7,564.2	7,707.0
EBITDA	2,278.9	2,544.3	2,547.5	2,754.5	2,800.0	2,987.4	3,104.5
EBIT	1,616.9	1,844.3	1,867.1	2,054.5	2,066.0	2,237.4	2,308.0
Pre-tax income	1,601.9	1,829.3	1,841.0	2,038.5	2,048.5	2,221.4	2,283.0
Net income	1,256.9	1,472.6	1,456.0	1,560.6	1,594.0	1,700.7	1,781.0
Adj. EPS (€)	6.97	8.16	8.10	8.70	8.84	9.48	9.99

Shipments breakdown by geography (%)



Sales breakdown by divisiony (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 06/12/2024)

Ferrari – Key Data

Rating	Target price (€/sh)	Mkt price (€/sh)	Sector
BUY	Ord 475	Ord 432.30	Automobiles & Components

Values per share (EUR)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
No. ordinary shares (M)	184.7	184.7	180.4	180.4	180.4	180.4
Total no. of shares (M)	184.7	184.7	180.4	180.4	180.4	180.4
Market cap (EUR M)	34,224.6	36,272.5	49,654.5	77,986.8	77,986.8	77,986.8
Adj. EPS	4.51	5.08	6.97	8.16	8.70	9.48
BVPS	11.9	14.0	17.8	21.9	26.4	30.8
Dividend ord	1.35	1.81	2.44	2.48	2.80	3.00
Income statement (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Revenues	4,271.0	5,095.1	5,970.0	6,577.9	7,077.6	7,564.2
EBITDA	1,530.9	1,773.0	2,278.9	2,544.3	2,754.5	2,987.4
EBIT	1,074.9	1,227.0	1,616.9	1,844.3	2,054.5	2,237.4
Pre-tax income	1,041.9	1,178.0	1,601.9	1,829.3	2,038.5	2,221.4
Net income	832.9	939.0	1,256.9	1,472.6	1,560.6	1,700.7
Adj. net income	832.9	939.0	1,256.9	1,472.6	1,560.6	1,700.7
Cash flow (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Net income before minorities	832.9	939.0	1,256.9	1,472.6	1,551.6	1,690.9
Depreciation and provisions	456.0	546.0	662.0	700.0	700.0	750.0
Others/Uses of funds	140.7	0	0	0	0	0
Change in working capital	-50.7	-92.9	-118.3	-260.4	-27.6	-26.8
Operating cash flow	1,379.0	1,392.1	1,800.6	1,912.2	2,242.1	2,433.6
Capital expenditure	-737.0	-806.0	-869.0	-950.0	-900.0	-900.0
Financial investments	0	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0	0
Free cash flow	642.0	586.1	931.6	962.2	1,342.1	1,533.6
Dividends	-221.7	-249.4	-334.4	-440.7	-447.4	-505.1
Equity changes & Non-op items	-175.1	-246.7	-487.1	-545.5	-588.4	-728.1
Net change in cash	245.2	90.0	108.1	-24.1	306.3	300.4
Balance sheet (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Net capital employed	2,502.9	2,809.8	3,324.2	4,080.2	4,587.1	5,082.2
of which associates	0	0	0	0	0	0
Net debt/-cash	297.4	207.3	99.3	123.3	-183.0	-483.4
Minorities	5.5	9.6	9.6	9.6	9.6	9.6
Net equity	2,200.0	2,592.8	3,215.3	3,947.2	4,760.4	5,556.0
Minorities value	0	0	0	0	9.0	9.8
Enterprise value	34,607.8	36,614.6	49,902.5	78,300.4	77,812.9	77,513.2
Stock market ratios (x)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Adj. P/E	41.1	38.6	39.5	53.0	49.7	45.6
P/CFPS	26.6	24.4	25.9	35.9	34.5	31.8
P/BVPS	15.6	14.0	15.4	19.8	16.4	14.0
Payout (%)	30	36	35	30	32	32
Dividend yield (% ord)	0.7	0.9	0.9	0.6	0.6	0.7
FCF yield (%)	1.9	2.1	1.9	1.2	1.7	1.9
EV/sales	8.1	7.2	8.4	11.9	11.0	10.2
EV/EBITDA	22.6	20.7	21.9	30.8	28.2	25.9
EV/EBIT	32.2	29.8	30.9	42.5	37.9	34.6
EV/CE	13.8	13.0	15.0	19.2	17.0	15.3
D/EBITDA	0.19	0.12	0.04	0.05	Neg.	Neg.
D/EBIT	0.28	0.17	0.06	0.07	Neg.	Neg.
Profitability & financial ratios (%)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
EBITDA margin	35.8	34.8	38.2	38.7	38.9	39.5
EBIT margin	25.2	24.1	27.1	28.0	29.0	29.6
Tax rate	20.1	20.3	21.5	19.5	23.0	23.0
Net income margin	19.5	18.4	21.1	22.4	22.1	22.5
ROCE	42.9	43.7	48.6	45.2	44.8	44.0
ROE	42.1	39.2	43.3	41.1	35.8	33.0
Interest cover	32.6	25.0	107.8	123.0	128.4	139.8
Debt/equity ratio	13.5	8.0	3.1	3.1	Neg.	Neg.
Growth (%)		**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Sales		19.3	17.2	10.2	7.6	6.9
EBITDA		15.8	28.5	11.6	8.3	8.5
EBIT		14.1	31.8	14.1	11.4	8.9
Pre-tax income		13.1	36.0	14.2	11.4	9.0
Net income		12.7	33.9	17.2	6.0	9.0
Adj. net income		12.7	33.9	17.2	6.0	9.0

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

INTESA SANPAOLO

Equity

Finecobank

Accelerating Momentum, Leveraging a Well-diversified Model

12 December 2024: 7:32 CET
Date and time of production

BUY

Target Price: EUR 17.4

Italy/Asset Gatherers

The recent net inflows data clearly showed the end of clients' cash-sorting and an acceleration in AuM flows, confirming the group's strong business momentum. In the coming quarters the company may balance capital needed for a higher-than-expected business growth and cash available to be distributed, in order to maintain a leverage ratio of at least 4.5% (5.35% at end-September).

November net inflows confirmed AuM growth, combined with end of cash-sorting

In November Finecobank recorded EUR +941M in total net inflows, with EUR +387M in AuM, EUR +61M AuC and EUR +493M in direct deposits. Total net inflows YTD reached EUR +8.87Bn, with EUR +3.31Bn in AuM and EUR +234M in direct deposits. As regards AuM inflows, in November Fineco Asset Management recorded EUR 396M of retail net sales, more than offsetting the outflows from insurance products (EUR -92M). We regard November business data as strong, showing: 1) a continuation in the positive trend for AuM net inflows, for which we have a FY24E estimate of EUR +3.5Bn; 2) an acceleration of the improving trend in direct deposits, with YTD flows entering into positive territory, clearly indicating the end of cash-sorting which has penalised deposits' volumes in 2023 and the first part of 2024; 3) moreover, for Brokerage revenues the company estimates around EUR 20M in November (EUR 199M YTD, we forecast approx. EUR 206M for FY24E).

Continuing growth in clients' acquisition and above-average growth in Private Banking

November data clearly showed a continuation of growth in new clients acquired with 14,[illegible] in the month (+28% yoy), leading to 138,776 new customers YTD (+27% yoy). Moreover, we believe that thanks to its native fintech approach, the company has a competitive advantage to exploit the opportunity offered by the inter-generational wealth transfer process, as already shown by an above-average growth in Private Banking assets, with EUR 64Bn at end-September, a 191.2% progress since 2016, which allowed the company to gain market share in the segment (5.2% as of June 2024 from [illegible]% in 2016).

Well-diversified business model and Investing growth as key drivers of equity story

Our positive view on Fineco relies on the well-diversified business model, which has Brokerage as a strong revenue contributor. With a continuously growing floor thanks to an active investor base expansion, and a double-digit growth in Investing, in line with company guidance, the division in 2026E is seen to more than offset the expected lower Banking contribution due to a declining trend in NII, according to our estimates. In this respect, management stated that as regards excess capital distribution it needs more time to make a decision, given that the probability of a higher-than-expected business growth is increasing, mainly due to the end of cash-sorting and the possible switch into AuM of a significant portion of EUR 20.5Bn short-maturity client investments in Govies.

Finecobank – Key data

Y/E Dec (EUR M)	2022A	2023A	2024E	2025E	2026E
Tot net revenues	947.6	1,237.6	1,297.5	1,262.4	1,320.7
Operating profit	666.8	939.3	973.4	915.9	956.9
Net income	428.5	609.1	637.9	614.4	640.5
Adj EPS (EUR)	0.67	0.97	0.99	0.96	1.01
Cust assets (€ Bn)	107	123	137	148	158
AuM (€ Bn)	52.07	58.02	64.71	69.68	74.87
Adj P/E (x)	19.9	13.9	16.5	16.8	16.1
P/cust assets (%)	7.7	6.7	7.2	6.7	6.3
NP/cust assets (%)	0.38	0.51	0.46	0.41	0.40
Div ord yield (%)	3.7	5.2	4.4	4.4	4.6

Source: Company data and Intesa Sanpaolo Research estimates. Priced at 05/12/2024

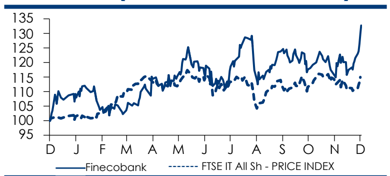
Finecobank Key Data

Price date (market close)	05/12/2024
Target price (€)	17.4
Target upside (%)	7.24
Market price (€)	16.23
Market cap (EUR M)	9,871.4
52Wk range (€)	16.2/12.6

EPS & DPS changes

(€)	2024E	2025E	2024	2025
	EPS =	EPS =	chg%	chg%
Curr.	0.985	0.963	0	0
Prev.	0.985	0.963	-	-
	DPS =	DPS =	chg%	chg%
Curr.	0.710	0.720	0	0
Prev.	0.710	0.720	-	-

Price Perf. (RIC:FBK.MI BB: FBK IM)



Source: FactSet and Intesa Sanpaolo Research estimates

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See page 93 for full disclosure and analyst certification

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Valuation and Key Risks

Valuation basis

Our valuation is based on a three-stage DDM, with a 9.7% cost of equity (RF 3.5%, ERP 6.5%) and a 3.5% terminal growth assumption (relating to the company's strong positioning to exploit the structural trends, essentially represented by digitalisation and demand for financial professional advice). Our valuation model is based on our detailed 2024E-26E estimates, followed by a seven-year transition period, characterised by conversion towards our long-term growth assumption (and related terminal pay-out of around 90%).

Key Risks

Company specific risks:

Potential lower-than-guided growth for Investing revenues, due to market conditions
A potential widening of the BTP-Bund spread;
Outflows from direct deposits

Sector generic risks:

The current difficult political, macroeconomic and financial scenario at an international level, potentially impacting clients' appetite to invest in AuM;
Regulation;
Sector pricing pressure on asset management margins.

Company Snapshot

Company Description

FinecoBank is one of the most important FinTech banks in Europe. It is a one-stop solution, offering from a single account banking, credit, trading and investment services though transactional and advisory platform developed with proprietary technologies, and combined with one of the largest financial advisory network in Italy. Fineco is a leader in brokerage in Europe and one of the most important player in Private Banking in Italy, offering tailor-made advisory services. In 2018 Fineco created its own asset management company, Fineco Asset Management (FAM), based in Dublin. Following the exit from Unicredit's group perimeter, Fineco is fully independent.

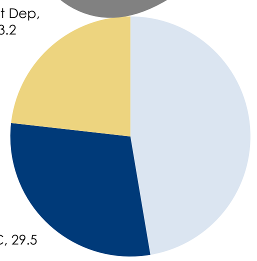
Key data

Mkt price (€)	16.23	Free float (%)	80.0
No. of shares	608.4	Major shr	BlackRock
52Wk range (€)	16.2/12.6	(%)	[illegible]
Reuters	FBK.MI	Bloomberg	FBK IM
Performance (%)	**Absolute**		**Rel. FTSE IT All Sh**
-1M	12.2	-1M	11.4
-3M	4.1	-3M	1.2
-12M	29.8	-12M	12.9

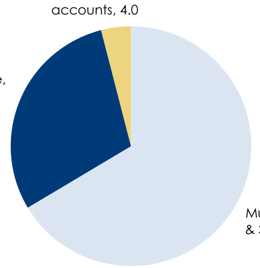
Estimates vs. consensus

EUR M (Y/E Dec)	2023A	2024E	2024C	2025E	2025C	2026E	2026C
Total net rev.	1,237.6	1,297.5	1,303.8	1,262.4	1,255.1	1,320.7	1,304.0
Operating Profit	939.3	973.4	970.1	915.9	907.2	956.9	940.5
Pre-tax income	872.2	921.1	924.7	885.5	870.6	923.2	898.3
Net income	609.1	637.9	634.2	614.4	595.9	640.5	615.6
Total cust. assets	122,556	137,169	NM	147,800	NM	157,984	NM
Adj. EPS (€)	0.97	0.99	1.02	0.96	0.96	1.01	1.00

Customers' assets breakdown (%)



AuM breakdown (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 05/12/2024)

Finecobank – Key Data

Rating		Target price (€/sh)		Mkt price (€/sh)		Sector
BUY		Ord 17.4		Ord 16.23		Asset Gatherers

Values per share (EUR)	2021A	2022A	2023A	2024E	2025E	2026E
No. ordinary shares (M)	609.8	610.0	610.0	610.5	610.5	610.5
Total no. of shares (M)	609.8	610.0	610.0	610.5	610.5	610.5
Market cap (EUR M)	9,114.4	8,174.7	8,170.3	9,905.6	9,905.6	9,905.6
Adj. EPS	0.54	0.67	0.97	0.99	0.96	1.01
BVPS	2.83	3.13	3.60	3.90	4.15	4.44
TBVPS	1.80	2.10	2.57	2.88	3.14	3.43
Dividend ord	0.39	0.49	0.69	0.71	0.72	0.74
AuMPS	90.9	85.3	95.1	106.0	114.1	122.6
Customer assets per share	176.9	174.7	200.9	224.6	242.0	258.7
Income Statement (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Net interest income	247.9	342.5	687.7	700.3	623.1	632.6
Total gross commissions	693.2	716.6	767.1	839.8	918.3	1,004.7
Management fees	530.0	536.7	584.8	662.8	740.0	814.3
Net commissions	450.8	465.6	489.9	523.3	562.8	609.1
Total costs and depreciation	258.9	280.8	298.3	324.1	346.6	363.7
Operating income	544.9	666.8	939.3	973.4	915.9	956.9
Pre-tax income	494.4	604.4	872.2	921.1	885.5	923.2
Net income	380.7	428.5	609.1	637.9	614.4	640.5
Adjusted net income	330.5	410.2	589.1	601.7	588.2	614.2
Balance sheet (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Cash & deposits	-845.4	-1,250.5	-490.6	-600.0	-450.0	-50.0
Total securities	25,931.7	27,752.9	22,991.4	23,123.3	23,418.3	23,243.3
Total loans	6,001.6	6,445.7	6,198.5	6,965.0	7,315.0	7,615.0
Funding	31,072.9	33,372.9	30,433.8	30,566.9	31,516.9	32,316.9
Provisions	245.0	302.7	366.3	414.3	439.3	465.6
Shareholders' equity	1,726.8	1,910.4	2,194.7	2,382.1	2,536.8	2,711.5
Customers' assets (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Mutual funds and individual portfol	36,542.3	32,739.1	37,827.3	41,907.8	44,536.4	46,981.7
Life reserves and pension funds	18,470.3	19,333.5	20,188.8	22,799.2	25,141.2	27,892.6
Total AuM	55,450.2	52,072.6	58,016.1	64,707.0	69,677.6	74,874.4
Total customers' assets	107,915.4	106,557.9	122,556.4	137,169.5	147,800.4	157,984.0
AuM Italy	55,450.2	52,072.6	58,016.1	64,707.0	69,677.6	74,874.4
Customers' assets (Italy)	107,915.4	106,557.9	122,556.4	137,169.5	147,800.4	157,984.0
Total net inflow	10,651.1	10,259.2	8,792.3	9,000.0	9,000.0	9,000.0
AuM net inflow	7,293.9	3,578.9	2,662.0	3,500.0	4,000.0	4,500.0
Non-managed inflow	3,357.2	6,680.3	6,130.3	5,500.0	5,000.0	4,500.0
Stock Market Ratios (x)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
P/E	23.9	19.1	13.4	15.5	16.1	15.5
Adj. P/E	27.6	19.9	13.9	16.5	16.8	16.1
P/BVPS	5.28	4.28	3.72	4.16	3.91	3.65
P/TBV	8.30	6.37	5.20	5.63	5.17	4.73
P/total AuM (%)	16.44	15.70	14.09	15.31	14.22	13.23
P/total customers' assets (%)	8.45	7.67	6.67	7.22	6.70	6.27
Dividend yield (% ord)	2.6	3.7	5.2	4.4	4.4	4.6
Profitability & financial ratios (%)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Cost income ratio	32.2	29.6	24.1	25.0	27.5	27.5
Network payout	44.2	45.3	45.7	46.1	46.2	46.5
Tax rate	16.5	29.1	30.2	30.7	30.6	30.6
ROE	19.4	22.6	28.7	26.3	23.9	23.4
RoTE	30.7	34.4	41.3	36.1	32.0	30.6
Net profit/total AuM	0.7	0.8	1.1	1.0	0.9	0.8
Net profit/total customers' assets	0.33	0.38	0.51	0.46	0.41	0.40
Dividend payout	62.5	69.8	69.1	67.9	71.5	70.5
Core Tier1 ratio	18.8	20.8	24.3	26.6	27.6	28.6
Revenues breakdown (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Net life revenues	0.0	0.0	0.0	0.0	0.0	0.0
Net asset management revenues	305.5	303.6	329.1	369.5	413.1	454.4
Net banking revenues	530.1	641.1	908.4	931.5	863.8	885.7
Net total revenues	803.8	947.6	1,237.6	1,297.5	1,262.4	1,320.7
Growth (%)		**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Adj. EPS		24.1	43.6	2.0	-2.2	4.4
Management fees		1.3	9.0	13.3	11.7	10.0
Total AuM		-6.1	11.4	11.5	7.7	7.5
Total customers' assets		-1.3	15.0	11.9	7.8	6.9

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

INTESA SANPAOLO

Equity

Generali

Constructive View … Awaiting the Investor Day in January

12 December 2024: 7:32 CET
Date and time of production

BUY

Target Price: EUR 31.0

Italy/Insurance

We expect Generali's new business plan to be centred on sustainable value creation through a clear focus on the core business (insurance and asset management) and shareholders' remuneration. We confirm our BUY rating, with a EUR 31.0 TP.

New business plan: Protection, AM and shareholders remuneration as key drivers

Generali will hold its Investor Day on 30 January 2025 in Venice. We expect the new business plan to focus on: 1) shareholders' remuneration, also taking into account the CEO Donnet's statements at the 2024 Investor Day that, looking ahead, the company will try to find the most efficient balance between M&A and buy-backs (potentially on an annual basis); 2) core insurance business, with a stronger focus on the attractive Protection line in both P&C and Life; and 3) potential changes in the Asset Management business perimeter, considering the recent press rumours about a possible agreement with Natixis.

4Q outlook: Operating profit supported by confirmed und. combined ratio guidance

The undiscounted combined ratio guidance of <96% for FY24 was confirmed by management, despite nat cats recorded in 9M 1pp above the original guidance of 2.7pp (with an undiscounted combined ratio of 96.3% in 9M24), thanks to a good technical performance coming from tariff increases and low claims frequency more than offsetting further EUR 100M extreme weather events' impact in 4Q. This should support our quarterly operating profit forecast of EUR 1.89Bn (from EUR 1,674M in 3Q24A), while we expect the non-operating component, according to management indications, to be weighed down by restructuring costs and real estate impairments.

Dividend estimates: attractive shareholders' remuneration

As we expect a strong focus on shareholders' remuneration in the new plan, our dividend estimates imply an attractive 5.3% average 2024E-26E yield at the current share price.

BUY, EUR 31 TP

Our target price incorporates a gradual conversion towards the long-term margin assumptions, given an estimated higher exposure to the more profitable Protection business. We reiterate our positive view on the stock.

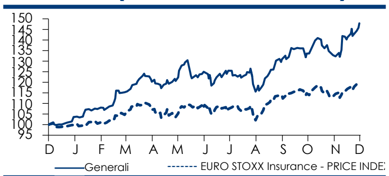
Generali - Key data

Price date (market close)	06/12/2024
Target price (€)	31.0
Target upside (%)	10.40
Market price (€)	28.08
Market cap (EUR M)	43,776.7
52Wk range (€)	28.2/19.0

EPS - DPS changes

(€)	2024E	2025E	2024	2025
	EPS =	EPS =	chg%	chg%
Curr.	2.430	2.670	0	0
Prev.	2.430	2.670	-	-
	DPS =	DPS =	chg%	chg%
Curr.	1.380	1.500	0	0
Prev.	1.380	1.500	-	-

Price Perf. (RIC:GASI.MI BB: G IM)



Source: FactSet and Intesa Sanpaolo Research estimates

Generali – Key data

Y/E Dec (EUR Bn)	2023A	2024E	2025E	2026E
Total premiums	82.47	90.81	95.46	99.79
CSM	31.81	32.75	33.74	35.43
Net comb. ratio (%)	94.0	93.8	93.2	92.6
Net income	3.75	3.80	4.09	4.42
Adj. EPS (EUR)	2.29	2.43	2.67	2.88
Solv. II ratio (%)	220.0	211.5	219.2	227.1
Adj. P/E (x)	8.1	11.6	10.5	9.8
P/TBV (x)	1.5	2.1	1.9	1.8
ROTE (%)	20.1	19.2	19.4	19.1
Div ord yield (%)	6.9	4.9	5.3	5.7

Source: Company data and Intesa Sanpaolo Research estimates. Priced at 06/12/2024

Intesa Sanpaolo Research Dept.

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See page 93 for full disclosure and analyst certification

12 December 2024: 08:00 CET
Date and time of first circulation

Valuation and Key Risks

Valuation basis

We value Generali through a SOP model, with a 9.7% cost of equity (3.2% RFR - based on the weighted average of risk-free rates for Italy, France and Germany, contributing the most part of the group's operating profit -, 1x 5-y beta - based on Factset - and 6.5% ERP). In particular, we value: 1) the P&C and Life businesses on the basis of our net profit and reserves' explicit estimates for 2024E-26E, followed by a seven-year transition period, with the growth of average reserves and net operating margin gradually converging to long-term growth (1% for both) and profitability assumptions (2.25% in P&C and 0.5% for Life) for each business; 2) the Asset Management business (excluding Weath Management, represented by Banca Generali) on the basis of our net profit and 3-party AuM explicit estimates for 2024E-26E, followed by a seven-year transition period, with the growth of average AuM and net operating margin gradually converging to long-term growth (1%) and profitability (0.25%) assumptions; 3) 51% stake in Banca Generali at the current share price; 4) we finally adjust for holding, consolidation adjustments, non-operating expenses and minorities (excluding Banca Generali).

Key Risks

Company specific risks:

Potential M&A at high prices
Life redemptions' issue, anyhow normalising
The possibility of not achieving the business plan targets

Sector generic risks:

A increasing trend in nat cats due to climatic issues
The impact on profitability and capital from competition and potential changes in regulation
Impact on business activities from the current difficult macroeconomic, geopolitical and financial scenario at an international level

Company Snapshot

Company Description

Generali is one of the largest global insurance and asset management providers. Established in 1831 in Trieste, it is present in 50 countries in the world, with a total premium income of around EUR 82.5Bn in 2023. With more than 80,000 employees and 160,000 agents serving 68M customers, the group has a leading position in Europe (Italy, Germany, France, Spain, Austria, Switzerland, Central-Eastern Europe, Portugal and Greece) and a growing presence in Asia and Latin America. Generali's ambition is to be the life-time partner to its customers, offering innovative and personalised solutions thanks to a widespread and complete distribution network.

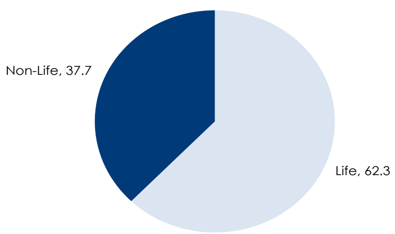
Key data

Mkt price (€)	28.08	Free float (%)	64.4
No. of shares	1,559.0	Major shr	Mediobanca
52Wk range (€)	28.2/19.0	(%)	13.1
Reuters	GASI.MI	Bloomberg	G IM
Performance (%)	**Absolute**		**Rel. EURO STOXX Insurance**
-1M	10.7	-1M	5.0
-3M	12.4	-3M	4.8
-12M	47.2	-12M	22.1

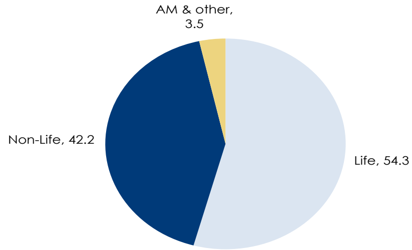
Estimates vs. consensus

EUR M (Y/E Dec)	2023	2024E	2024C	2025E	2025C	2026E	2026C
Premiums	82,468	90,814	94,257	95,461	98,193	99,789	101,862
Operating profit	6,878	7,289	7,049	7,898	7,669	8,450	8,185
Net income	3,745.0	3,803.0	3,793.3	4,092.0	4,234.8	4,418.0	4,520.4
Adj. EPS (€)	2.29	2.43	2.47	2.67	2.75	2.88	2.96
Net comb. ratio (%)	94.00	93.80	93.87	93.20	92.92	92.60	92.63

Premiums breakdown (%)



Operating profit breakdown (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 06/12/2024)

Generali – Key Data

Rating	Target price (€/sh)	Mkt price (€/sh)	Sector
BUY	Ord 31.0	Ord 28.08	Insurance

Values per share (EUR)	2023A	2024E	2025E	2026E
No. ordinary shares (M)	1,559.0	1,559.0	1,559.0	1,559.0
Total no. of shares (M)	1,559.0	1,559.0	1,559.0	1,559.0
Market cap (EUR M)	29,032.5	43,776.7	43,776.7	43,776.7
Adj. EPS	2.29	2.43	2.67	2.88
BVPS	18.58	19.58	20.82	22.16
TBVPS	12.17	13.17	14.42	15.75
DPS-ordinary shares (EUR)	1.28	1.38	1.50	1.60
Dividend payout (%)	53.3	56.6	57.2	56.5
Income Statement (EUR)	**2023A**	**2024E**	**2025E**	**2026E**
Op.insurance service result (P&C)	2,169.0	2,334.0	2,720.0	3,041.0
Operating investment result (P&C)	1,095.0	1,001.0	1,065.0	1,115.0
CSM release (Life)	3,035.0	3,194.0	3,334.0	3,500.0
Operating investment result (Life)	833.0	965.0	867.0	832.0
Operating result	6,878.0	7,289.0	7,898.0	8,450.0
Non-life operating result	2,902.0	3,000.0	3,422.0	3,773.0
Life operating result	3,734.0	4,063.0	4,142.0	4,273.0
Adjusted net income	3,575.0	3,795.0	4,162.0	4,488.0
Balance sheet and other (EUR)	**2023A**	**2024E**	**2025E**	**2026E**
Investments	466,046.0	531,999.0	554,816.0	578,172.0
Financial assets for U/L contracts	108,265.0	122,631.0	131,919.0	137,855.0
Insurance contracts (liabilities)	412,409.0	459,990.0	480,595.0	501,812.0
Insurance contracts (Non-life)	35,369.0	37,878.0	40,353.0	42,287.0
Insurance contracts (Life)	377,040.0	422,112.0	440,242.0	459,525.0
Contractual service margin (CSM)	31,807.0	32,751.0	33,743.0	35,430.0
Life net inflows	-1,313.0	8,000.0	8,000.0	8,000.0
AUM	655,783.0	721,361.0	753,822.0	787,744.0
Financial debt	10,965.0	10,050.0	10,050.0	10,050.0
Shareholders' net equity	28,968.0	30,525.0	32,466.0	34,545.0
Stock Market Ratios (x)	**2023A**	**2024E**	**2025E**	**2026E**
P/E	7.8	11.5	10.7	9.9
Adj. P/E	8.1	11.6	10.5	9.8
P/BVPS	1.00	1.43	1.35	1.27
P/TBV	1.53	2.13	1.95	1.78
Dividend yield (% ord)	6.9	4.9	5.3	5.7
Profitability & financial ratios (%)	**2023A**	**2024E**	**2025E**	**2026E**
Loss ratio (non-life)	64.9	64.4	63.9	63.4
Expense ratio (non-life)	29.1	29.4	29.3	29.2
Combined ratio	94.0	93.8	93.2	92.6
Undiscounted combined ratio	96.7	95.7	95.0	94.4
Cover ratio	113.6	113.6	113.6	113.6
C/I ratio (AM)	48.6	55.4	54.0	52.5
Tax rate	28.1	30.5	32.5	32.5
RoE	12.9	12.8	13.2	13.4
RoTE	20.1	19.2	19.4	19.1
Net profit/Insurance contracts	0.9	0.9	0.9	0.9
Solvency	220.0	211.5	219.2	227.1
Leverage	16.8	15.3	14.8	14.1
Interest coverage (x)	13.6	13.6	17.2	18.4
Revenues breakdown (EUR M)	**2023A**	**2024E**	**2025E**	**2026E**
Non-life business volumes	31,122.0	33,330.0	35,508.0	37,210.0
Life premiums	51,346.0	57,484.0	59,953.0	62,579.0
AM revenues	1,090.0	1,223.0	1,282.0	1,344.0
Growth (%)	**2023A**	**2024E**	**2025E**	**2026E**
Adj. EPS	14.5	6.1	9.9	7.9
Non-life business volumes	9.4	7.1	6.5	4.8
Life business volumes	1.5	12.0	4.3	4.4
AM revenues	-2.4	12.2	4.8	4.8
Insurance contracts (Life)	4.1	12.0	4.3	4.4

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Hermes International

Endless Style, Resilient Growth

12 December 2024: 7:32 CET
Date and time of production

BUY

Target Price: EUR 2390

France/Branded Goods

We believe that Hermès is poised to deliver strong returns for long-term investors considering its industry-leading profitability, robust cash-flow generation and an innovative growth strategy.

A defensive long-term winter

We believe that Hermès' business model offers an attractive risk/reward profile because of: 1) its positioning in the absolute luxury segment with high exposure to an ultra-rich local clientele that is very loyal to the brand; 2) the high visibility of a large part of the business (over 40% of turnover) generated by the leather goods & saddlery category, which we consider to be the most profitable for the group, with demand structurally outstripping supply due to the increase in volumes growth driven by production expansion; and 3) the growth prospects of the brand's expansion into underpenetrated product ranges (notably jewellery, beauty and home) or new business lines (such as skincare and maybe haute couture).

3Q24 sales strongly confirmed the resilience of the business model

In its history, the group has shown the most resilient growth path in the sector (+4% yoy LFL also in 2009). The 3Q24 organic sales growth of 11.3% compared to the weighted average organic growth equal to zero for the European luxury sector ex-Hermès once again demonstrates the superior growth profile of its business model.

We expect solid earnings growth in FY25 and FY26

In our view, macroeconomic challenges should prevent a strong recovery in 2025 for luxury goods demand, but we expect Hermès to be able to deliver organic growth above 10% in both 2025 and 2026, leading to EBIT growth of 11.2% and 12.1%, respectively.

DCF model and comparison with peers show attractive upside

Our DCF model (WACC 7.1%, g 4.5%, long-term EBIT margin at 42.1%) returns a fair value of EUR 2390. This corresponds to 45x 2026E P/E, which is equal to 2021-23 average trading multiples. Looking at 1-year fwd P/E, the stock maintains the 10Y average premium of 65% to the sector; in our view, the higher earnings visibility would justify an increase in the premium.

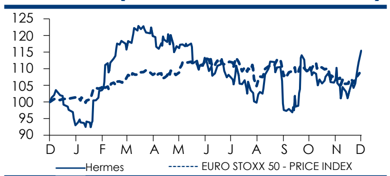
Hermes International - Key Data

Price date (market close)	06/12/2024
Target price (€)	2,390
Target upside (%)	5.80
Market price (€)	2,259.00
Market cap (EUR M)	238,481.3
52Wk range (€)	2,410.5/1,809.4

EPS - DPS changes

(€)	2024E	2025E	2024	2025
	EPS =	EPS =	chg%	chg%
Curr.	39.712	45.129	0	0
Prev.	39.712	45.129	-	-
	DPS =	DPS =	chg%	chg%
Curr.	15.885	18.051	0	0
Prev.	15.885	18.051	-	-

Price Perf. (RIC:HRMS.PA BB: RMS-FP)



Source: FactSet and Intesa Sanpaolo Research estimates

Hermes International – Key data

Y/E Dec (EUR Bn)	2022A	2023A	2024E	2025E	2026E
Revenues	11.60	13.43	14.92	16.47	18.20
EBITDA	5.41	6.40	6.85	7.58	8.45
EBIT	4.70	5.65	5.97	6.63	7.43
Net income	3.37	4.31	4.16	4.72	5.55
Adj. EPS (EUR)	32.20	41.19	39.71	45.13	53.05
Net debt/-cash	-7.812	-9.106	-9.321	-11.251	-13.893
Adj P/E (x)	39.3	44.8	56.9	50.1	42.6
EV/EBITDA (x)	22.8	28.6	33.0	29.6	26.2
EV/EBIT (x)	26.3	32.4	37.9	33.8	29.8
Div ord yield (%)	1.0	1.4	0.7	0.8	0.9
FCF Yield (%)	2.5	1.8	1.8	2.2	0

Source: Company data and Intesa Sanpaolo Research estimates. Priced at 06/12/2024

Intesa Sanpaolo Research Dept.

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12 December 2024: 08:00 CET
Date and time of first circulation

Valuation and Key Risks

Valuation basis

Our 2,390 target price is derived with a DCF model, using a 7.1% WACC (RFR at 2.95%; MRP at 6.5%), a 4.5% terminal growth rate, and LT EBIT of 42.1%. At our target price the stock would trade at a P/E 2026E of 45x which is in line with the average trading multiple in 2021-2023.

Key Risks

Company specific risks:

Potential delays in the increase of production capacity for leather goods;
Change in consumer taste which especially affects the silk&textile sector;
Execution-risk in becoming a significant player in the watch industry.

Sector generic risks:

Slowdown of Chinese growth;
New tariffs related to trade war;
Forex volatility.

Company Snapshot

Company Description

Hermès is among the most iconic brands in the world. The Group is a family-owned single-brand [illegible]xury [illegible] th[illegible]ainly produces and distributes luxury personal accessories and clothing, but has successfully expande[illegible] the [illegible]d in[illegible] the jew[illegible], watches, beauty and perfume and tableware categories. Hermès' mission is to create unique and [illegible]inal obje[illegible]. Its g[illegible] is the pursuit of excellence and uncompromising quality, in each of its métiers and services. It therefore centere[illegible]s strategy [illegible] contr[illegible]ng craftspeople and developed its production in France through 60 integrated production and training sites; overa[illegible] 2023 in-ho[illegible]e production accounted for 55% of total and 74% of production was located in France. As of 2023, the compa[illegible]ly ope[illegible]ted 225 s[illegible]es out of a total of 294. Hermès was listed on the French Stock Market exchange in December 1993.

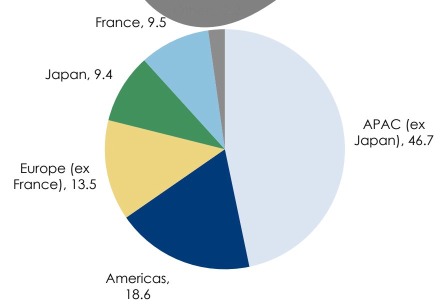
Key data

Mkt price (€)	2259.00	Free float (%)	33.3
No. of shares	105.6	Major shr	Herme[illegible]mily
52Wk range (€)	2,410.5/1,809	(%)	[illegible].7
Reuters	HR[illegible]	Bloombe[illegible]	RM[illegible]
Performance (%)	**[illegible]solute**		**[illegible]el. EU[illegible]TOXX 50**
-1M	7.9	-1M	5.2
-3M	18.3	-3M	16.7
-12M	[illegible]	[illegible]	5.6

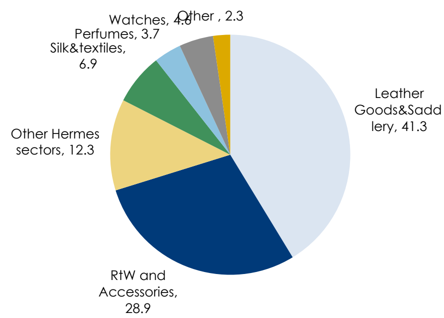
[illegible]stimates [illegible] conse[illegible]s

[illegible]Bn (Y/E Dec)	2023A	2024E	2024C	2025E	2025C	2026E	2026C
Sa[illegible]	13.43	14.92	14.90	16.47	16.53	18.20	18.22
EBITDA	6.40	6.85	6.74	7.58	7.51	8.45	8.38
EBIT	5.65	5.97	5.97	6.63	6.69	7.43	7.53
Pre-tax income	5.95	6.23	6.23	6.92	6.92	7.73	7.77
Net income	4.31	4.16	4.48	4.72	4.95	5.55	5.62
Adj. EPS (€)	41.19	39.71	42.84	45.13	47.21	53.05	53.61

Sales breakdown by geography in 2023 [illegible])



Sales breakdown by division in 2023 (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 06/12/2024)

Hermes International – Key Data

Rating	Target price (€/sh)		Mkt price (€/sh)		Sector
BUY	Ord 2390		Ord 2259.00		Branded Goods

Values per share (EUR)	2021A	2022A	2023A	2024E	2025E	2026E
No. ordinary shares (M)	104.6	104.6	104.6	104.6	104.6	104.6
Total no. of shares (M)	104.6	104.6	104.6	104.6	104.6	104.6
Market cap (EUR M)	124,602.9	132,192.4	193,242.4	236,400.0	236,400.0	236,400.0
Adj. EPS	23.37	32.20	41.19	39.71	45.13	53.05
BVPS	89.8	119.0	145.3	159.8	189.0	224.0
Dividend ord	8.00	13.00	25.00	15.88	18.05	21.22
Dividend SAV Nc	23.37	32.20	41.19	39.71	45.13	53.05
Income statement (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Revenues	8,982.0	11,602.0	13,427.0	14,921.8	16,468.1	18,196.2
EBITDA	4,144.8	5,412.0	6,398.0	6,852.9	7,583.7	8,449.3
EBIT	3,530.4	4,697.2	5,650.0	5,965.6	6,632.7	7,432.2
Pre-tax income	3,468.4	4,685.2	5,945.2	6,225.1	6,917.2	7,732.3
Net income	2,445.4	3,367.2	4,310.7	4,155.8	4,722.6	5,551.2
Adj. net income	2,445.4	3,367.2	4,310.7	4,155.8	4,722.6	5,551.2
Cash flow (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Net income before minorities	2,453.4	3,380.2	4,322.2	4,169.1	4,737.2	5,567.3
Depreciation and provisions	614.4	714.8	748.0	887.3	951.0	1,017.0
Others/Uses of funds	112.1	149.8	-322.1	-290.0	-290.0	-290.0
Change in working capital	71.5	-138.0	-580.0	-335.5	-230.3	-178.7
Operating cash flow	3,251.4	4,106.8	4,168.1	4,430.8	5,167.9	6,115.5
Capital expenditure	-529.0	-517.0	-859.0	-999.8	-1,004.6	-1,000.8
Financial investments	0	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0	0
Free cash flow	2,722.4	3,589.8	3,309.1	3,431.1	4,163.3	5,114.7
Dividends	-490.1	-851.9	-1,386.4	-2,650.2	-1,662.3	-1,889.1
Equity changes & Non-op items	-219.2	-210.0	-653.0	-549.0	-554.0	-559.0
Net change in cash	2,013.1	2,527.9	1,269.7	231.8	1,947.0	2,666.7
Balance sheet (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Net capital employed	4,143.4	4,845.1	6,097.5	7,403.8	8,542.6	9,572.2
of which associates	354.5	809.4	994.5	994.5	994.5	994.5
Net debt/-cash	-5,268.6	-7,811.8	-9,103.5	-9,321.0	-11,251.2	-13,893.3
Minorities	12.0	16.4	2.0	7.2	15.9	25.5
Net equity	9,400.0	12,440.5	15,201.0	16,717.6	19,777.9	23,440.0
Minorities value	12.0	16.4	2.0	7.2	15.9	25.5
Enterprise value	118,991.8	123,587.6	183,144.4	226,091.7	224,170.2	221,537.7
Stock market ratios (x)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Adj. P/E	51.0	39.3	44.8	56.9	50.1	42.6
P/CFPS	35.6	31.6	44.6	53.6	45.9	38.8
P/BVPS	13.3	10.6	12.7	14.1	12.0	10.1
Payout (%)	34	40	61	40	40	40
Dividend yield (% ord)	0.7	1.0	1.4	0.7	0.8	0.9
FCF yield (%)	2.9	2.5	1.8	1.8	2.2	0
EV/sales	13.2	10.7	13.6	15.2	13.6	12.2
EV/EBITDA	28.7	22.8	28.6	33.0	29.6	26.2
EV/EBIT	33.7	26.3	32.4	37.9	33.8	29.8
EV/CE	28.7	26.6	30.0	30.5	26.2	23.1
D/EBITDA	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
D/EBIT	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
Profitability & financial ratios (%)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
EBITDA margin	46.1	46.6	47.7	45.9	46.1	46.4
EBIT margin	39.3	40.5	42.1	40.0	40.3	40.8
Tax rate	29.3	27.9	27.3	33.0	31.5	28.0
Net income margin	27.2	29.0	32.1	27.9	28.7	30.5
ROCE	85.2	101.1	92.7	80.6	77.6	77.6
ROE	29.1	30.8	31.2	26.0	25.9	25.7
Interest cover	56.9	391.4	-19.1	-23.0	-23.3	-24.8
Debt/equity ratio	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
Growth (%)		**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Sales		29.2	15.7	11.1	10.4	10.5
EBITDA		30.6	18.2	7.1	10.7	11.4
EBIT		33.1	20.3	5.6	11.2	12.1
Pre-tax income		35.1	26.9	4.7	11.1	11.8
Net income		37.7	28.0	-3.6	13.6	17.5
Adj. net income		37.7	28.0	-3.6	13.6	17.5

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

INTESA SANPAOLO

Equity

Leonardo

Backed by Positive Momentum and Defence Upcycle

Backed by a favourable industry outlook (with rising defence spending across key markets), the group is continuing to show a strong plan execution, with a healthy order intake and expected FY24 efficiencies running ahead of initial targets at EUR 190M. An effective turnaround of Aerostructures could finally remove one area of concern (and cash-burn) for the group. The solid FCF mid-term potential should in our view underpin a further re-rating and justify a further narrowing of the stock's valuation discount vs. the sector. Following the JV agreement with Rheinmetall, we believe that the group's M&A pipeline could include some potential value-accretive options in terms of partnerships/JVs at the European level and bolt-on acquisitions.

Increasing defence budgets in Europe should provide medium- to long-term support

Despite some potential short-term volatility related to the ongoing conflicts, we believe that the mid-to-long term industry outlook remains favourable, supported by increasing defence budgets across European countries: if we assume that EU defence budgets could gradually increase up to 2.5% of the area GDP (NATO Europe is seen at USD 380Bn in 2024, or 2% of GDP, Source: Thales), we estimate that this should lead to a potential overall mid-single-digit FY25-30 CAGR in defence spending. As for Leonardo, this should increase visibility on order intake momentum, coupled with a further projected improvement in profitability and cash generation over the next years.

Industrial plan update in 1Q25

The group should present an update of its business plan in 1Q25, providing more details on the planned in-depth restructuring of the Aerostructures division and an industrial plan for Space activities. Compared to the recent past, we expect the company to carry out a more effective turnaround (including a cost structure repositioning, a footprint reconfiguration and supply chain restructuring, with the potential involvement of financial and/or industrial partners). This could finally remove one area of concern (and cash-burn) for the group.

Closing the valuation gap

Despite the strong rally so far, on 2025E P/E the stock is trading at a 15% discount vs. the sector average (18x, FactSet consensus); we believe it could further narrow going forward on the back of the rising visibility of the group's growth prospects ahead (estimated FY24-28E adj. EPS CAGR of +18%) and FCF mid-term potential (projected FY24-28E FCF CAGR of +17%, structurally improving compared to the recent past and more aligned to its main peers).

Leonardo – Key data

Y/E Dec (EUR Bn)	2022A	2023A	2024E	2025E	2026E
Revenues	14.71	15.29	16.80	17.74	18.83
EBITDA	1.76	1.88	2.04	2.20	2.49
EBIT	0.961	1.08	1.31	1.50	1.80
Net income	0.93	0.66	1.19	0.98	1.21
Adj. EPS (EUR)	1.21	1.32	1.48	1.75	2.15
Net debt/-cash	3.02	2.32	2.04	1.44	0.604
Adj P/E (x)	7.0	9.0	17.9	15.1	12.3
EV/EBITDA (x)	4.5	4.9	8.5	7.6	6.4
EV/EBIT (x)	8.2	8.5	13.3	11.2	8.9
Div ord yield (%)	1.7	2.4	1.1	1.1	1.1
FCF Yield (%)	11.1	9.3	4.9	5.7	6.5

Source: Company data and Intesa Sanpaolo Research estimates. Priced at 06/12/2024

12 December 2024: 7:32 CET
Date and time of production

BUY

Target Price: EUR 29.8

Italy/Aerospace & Defence

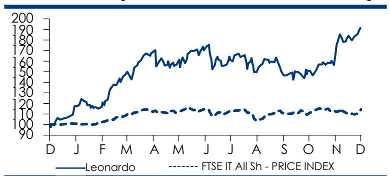
Leonardo - Key Data

Rating date (market close)	06/12/2024
Target price (€)	29.8
Target upside (%)	12.83
Market price (€)	26.41
Market cap (EUR M)	15,268.1
52Wk range (€)	26.6/13.6

EPS - DPS changes

(€)	2024E	2025E	2024	2025
	EPS =	EPS =	chg%	chg%
Curr.	1.475	1.755	0	0
Prev.	1.475	1.755	-	-
	DPS =	DPS =	chg%	chg%
Curr.	0.280	0.280	0	0
Prev.	0.280	0.280	-	-

Price Perf. (RIC:LDOF.MI BB: LDO IM)



Source: FactSet and Intesa Sanpaolo Research estimates

Intesa Sanpaolo Research Dept.

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See page 93 for full disclosure and analyst certification

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IMI CORPORATE & INVESTMENT BANKING

Valuation and Key Risks

Valuation basis

Our 29.8 TP is derived from a 2024 SOP methodology to which we apply a 10% conglomerate discount. Each division is valued on respective sector peers EV/Sales and/or EV/EBIT. We applied a 40% discount to LDO's Aeronautics division and a 10% discount to the Helicopters one. LDO's listed assets are valued at market price. Corporate costs and R&D adjustments are valued on the average EV/Sales and EV/EBIT of the main BUs. At our TP Leonardo's implied 2024 P/E stands at 20.2x

Key Risks

Company specific risks:

Failure to meet the targets and higher FOCF absorption
A poor execution in terms of the improvement in the Helicopters division and the profitability recovery of the Electronic Defence & Security Systems.
The absence of military contracts, especially in Helicopters and prolonged weakness on the civil side and in the aerostructures due also to Boeing issues
Higher-than-expected drag from Aerostructures, ATR and corporate costs

Sector generic risks:

A sharp deterioration of market conditions and stronger-than-expected supply chain issues
A sharp interest rate rise in the short term and strong FX volatility
Changes in the current geopolitical scenarios preventing also M&A or aggregation deals within Europe

Company Snapshot

Company Description

Leonardo is a global high-tech Aerospace, Defence and Security company. The consolidated industrial capabilities, together with outstanding human capital and constant attention to innovation have led the Group to become one of the top ten players in the world in Aerospace, Defence and Security, with 2021 revenues of [illegible] billion, 85% of which deriving from international markets. A sustainable business approach and a disciplined financial strategy are the main pillars on which is based the creation of value for all the stakeholders.

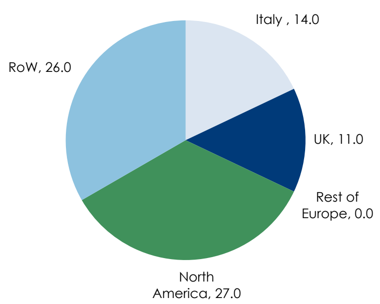
Key data

Mkt price (€)	26.41	Free float (%)	69.8
No. of shares	578.1	Major shr	Government of Italy
52Wk range (€)	26.6/13.6	(%)	30.2
Reuters	LDOF.MI	Bloomberg	LDO IM
Performance (%)	**Absolute**		**Rel. FTSE IT All Sh**
-1M	13.1	-1M	10.2
-3M	29.6	-3M	24.1
-12M	89.8	-12M	65.8

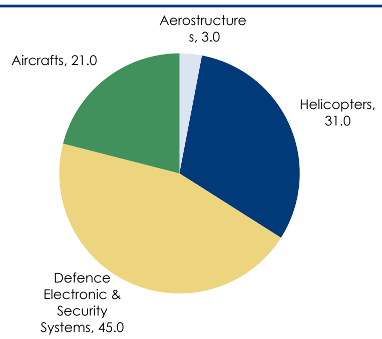
Estimates vs. consensus

EUR Bn (Y/E Dec)	2023A	2024E	2024C	2025E	2025C	2026E	2026C
Sales	15.29	16.80	17.15	17.74	18.16	18.83	19.23
EBITDA	1.88	2.04	2.03	2.20	2.27	2.49	2.52
EBIT	1.08	1.31	1.33	1.50	1.56	1.80	1.78
Pre-tax income	0.824	1.47	1.12	1.32	1.37	1.63	1.62
Net income	0.658	1.19	0.937	0.984	0.982	1.21	1.17
Adj. EPS (€)	1.32	1.48	1.57	1.75	1.74	2.15	2.08

Sales breakdown by geography (%)



Revenues breakdown by division (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 06/12/2024)

Leonardo – Key Data

Rating	Target price (€/sh)	Mkt price (€/sh)	Sector
BUY	Ord 29.8	Ord 26.41	Aerospace & Defence

Values per share (EUR)	2021A	2022A	2023A	2024E	2025E	2026E
No. ordinary shares (M)	578.2	578.2	578.2	578.2	578.2	578.2
Total no. of shares (M)	578.2	578.2	578.2	578.2	578.2	578.2
Market cap (EUR M)	3,854.5	4,853.2	6,863.0	15,269.0	15,269.0	15,269.0
Adj. EPS	1.05	1.21	1.32	1.48	1.75	2.15
BVPS	11.2	12.6	13.5	15.3	16.7	18.5
Dividend ord	0.14	0.14	0.28	0.28	0.28	0.28
Dividend SAV Nc	NA	NA	NA	NA	NA	1.00
Income statement (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Revenues	14,135.0	14,713.0	15,291.0	16,802.7	17,744.1	18,827.2
EBITDA	1,626.0	1,763.0	1,883.0	2,035.2	2,196.5	2,492.4
EBIT	911.0	961.0	1,085.0	1,305.3	1,500.6	1,795.3
Pre-tax income	753.5	983.0	824.0	1,471.3	1,320.6	1,625.3
Net income	585.0	927.0	658.0	1,189.0	984.4	1,213.0
Adj. net income	607.0	697.0	766.0	853.0	1,014.4	1,243.0
Cash flow (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Net income before minorities	586.5	932.0	695.0	1,195.0	990.4	1,219.0
Depreciation and provisions	503.0	545.0	594.0	594.9	[illegible]	597.1
Others/Uses of funds	0	0	0	0	0	0
Change in working capital	-283.0	-200.8	177.5	[illegible]	[illegible]	33.8
Operating cash flow	805.0	1,271.2	1,429.4	[illegible]	[illegible]	1,843.8
Capital expenditure	-596.0	-732.0	-794.0	[illegible]	-864.1	-850.0
Financial investments	0	0	0	[illegible]	0	0
Acquisitions and disposals	0	0	0	0	0	0
Free cash flow	209.0	539.2	635.4	744.8	866.4	993.8
Dividends	0	-80.9	-80.9	-161.9	-161.9	-161.9
Equity changes & Non-op items	-13.0	-352.0	138.0	-300.0	-100.0	0
Net change in cash	196.0	106.3	692.5	283.0	604.6	832.0
Balance sheet (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Net capital employed	9,577.0	10,316.8	10,201.3	10,945.5	11,163.5	11,382.6
of which associates	0	0	0	0	0	0
Net debt/-cash	3,122.0	3,015.7	2,323.2	2,040.3	1,435.7	603.7
Minorities	27.0	27.0	27.0	27.0	27.0	27.0
Net equity	6,428.0	7,274.1	7,851.1	8,878.2	9,700.8	10,751.9
Minorities value	0	0	0	0	0	0
Enterprise value	6,992.6	[illegible]	9,210.0	17,355.9	16,747.4	15,911.2
Stock market ratios (x)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Adj. P/E	[illegible]	7.0	9.0	17.9	15.1	12.3
P/CFPS	[illegible]	3.3	5.5	8.6	9.7	8.4
P/BVPS	[illegible]	0.66	0.88	1.7	1.6	1.4
Payout (%)	[illegible]	74	75	72	69	70
Dividend yield (% ord)	2.1	1.7	2.4	1.1	1.1	1.1
FCF yield (%)	5.4	11.1	9.3	4.9	5.7	6.5
EV/sales	0.49	0.54	0.60	1.0	0.94	0.85
EV/EBITDA	4.3	4.5	4.9	8.5	7.6	6.4
EV/EBIT	7.7	8.2	8.5	13.3	11.2	8.9
EV/CE	0.73	0.76	0.90	1.6	1.5	1.4
D/EBITDA	1.9	1.7	1.2	1.0	0.65	0.24
D/EBIT	3.4	3.1	2.1	1.6	0.96	0.34
Profitability & financial ratios (%)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
EBITDA margin	11.5	12.0	12.3	12.1	12.4	13.2
EBIT margin	6.4	6.5	7.1	7.8	8.5	9.5
Tax rate	22.2	5.2	15.7	18.8	25.0	25.0
Net income margin	4.1	6.3	4.3	7.1	5.5	6.4
ROCE	9.5	9.3	10.6	11.9	13.4	15.8
ROE	10.0	13.5	8.7	14.2	10.6	11.9
Interest cover	5.8	4.5	5.1	6.5	8.3	10.6
Debt/equity ratio	48.4	41.3	29.5	22.9	14.8	5.6
Growth (%)		**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Sales		4.1	3.9	9.9	5.6	6.1
EBITDA		8.4	6.8	8.1	7.9	13.5
EBIT		5.5	12.9	20.3	15.0	19.6
Pre-tax income		30.5	-16.2	78.6	-10.2	23.1
Net income		58.5	-29.0	80.7	-17.2	23.2
Adj. net income		14.8	9.9	11.4	18.9	22.5

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

INTESA SANPAOLO

Equity

NatWest

Positive Earnings Momentum

12 December 2024: 7:32 CET
Date and time of production

BUY

As the major Central Banks have entered an easing cycle, in 2025 European banks will need to cope with lower rates. However, we believe that, thanks to its leading market position as a major incumbent UK domestic bank, NatWest can deliver c. 26% adj EPS growth over the next 2 years ('24-'26) and a ROTE of >16% in 2026. We therefore choose NatWest as our top pick and reiterate our BUY rating with a GBp 502 TP.

Target Price: GBp 502

NII to grow despite lower rates

We think that going forward NII and NIM dynamics will be mostly driven by competition and customer behaviour. Therefore, despite lower expected rates, we forecast NatWest to grow its NII by c. 6% in both 2025 and 2026 thanks to: a) the positive incremental contribution of the hedging portfolio; b) a stabilization of the deposit mix; and c) improving trends on the asset side (loan volumes/margins).

Full privatisation in sight

After the last directed buyback of GBP 1Bn announced in November and other on-market sales, HM Treasury has reduced its ownership in NatWest to about 11% according to Bloomberg data. On our estimates NatWest should continue to be able to conduct directed buybacks in 2025 and we see an accelerated path to full privatisation that could further support the share price.

Structural strength and good EPS momentum

NatWest's shares are our preferred way to get exposure to the profitable UK banking business. Thanks to its leading and well diversified banking franchise in the UK, nicely balanced between retail and commercial, the company should be able to achieve a more stable stream of income through the cycle. Over the next years we forecast a positive earnings trajectory supported by a favourable operating leverage, as operating expenses should grow less than revenues. The positive jaws combined with a lower expected share count and a benign asset quality environment should allow the bank to deliver an adj. EPS growth of c. 26% in 2024-2026. On our 2026 estimates NatWest trades at c. 1x PTB for an expected ROTE of >16%. We are Buyers with a target price of GBp 502.

NatWest – Key data

Y/E Dec (GBP)	2022A	2023A	2024E	2025E	2026E
Adj EPS	35.76	45.75	48.78	53.42	61.76
EPS	33.83	47.95	49.84	53.42	61.76
DPS	30.3	17.0	20.9	21.8	25.3
TBV PS	263.8	291.8	325.6	360.3	400.3
PPS PS	55.4	73.7	78.6	90.8	103.8
Adj. ROTE (%)	12.6	16.4	16.0	15.8	16.2
Adj P/E (x)	6.6	5.4	8.5	7.7	6.7
P/TBV (x)	0.90	0.85	1.3	1.1	1.0
Div yield (%)	12.8	6.8	5.0	5.3	6.1
P/PPPP (x)	4.3	3.4	5.3	4.6	4.0

Source: Company data and Intesa Sanpaolo Research estimates. Priced at 06/12/2024

United Kingdom/Banks

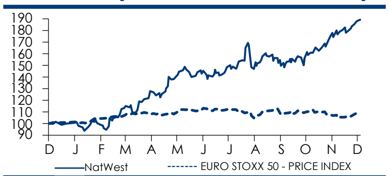
NatWest - Key data

Price date (market close)	06/12/2024
Target price (GBp)	502
Target upside (%)	21.29
Market price (GBp)	413.90
Market cap (GBP M)	34,382.7
52Wk range (GBp)	413.9/204.4

EPS - DPS changes

(p)	2024E	2025E	2024	2025
	EPS =	EPS =	chg%	chg%
Curr.	48.775	53.419	0	0
Prev.	48.775	53.419	-	-
	DPS =	DPS =	chg%	chg%
Curr.	20.882	21.804	0	0
Prev.	20.882	21.804	-	-

Price Perf. (RIC:NWG.L BB: NWG LN)



Source: FactSet and Intesa Sanpaolo Research estimates

Intesa Sanpaolo Research Dept.

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See page 93 for full disclosure and analyst certification

12 December 2024: 08:00 CET
Date and time of first circulation

Valuation and Key Risks

Valuation basis

Our target price is based on a Dividend Discount model. We use a cost of Equity of 12.3%

Key Risks

Company specific risks:

Performance of the financial markets may affect revenues
Competition both on mortgages and on deposits might meaningfully affect the financial performance of the company
Possible write-downs/write-ups on the financial asset portfolio
Overhang risk (HMT holds about 11% of the voting rights)

Sector generic risks:

Deterioration of the macroeconomic scenario
Interest rate movements
Regulatory risk

Company Snapshot

Company Description

NatWest has a leading franchise in the UK, nicely diversified among Retail, Private and Commercial & Institutional. With total assets of around GBP 700 bn and more than 61k employees, the bank has a leading position in the UK market.

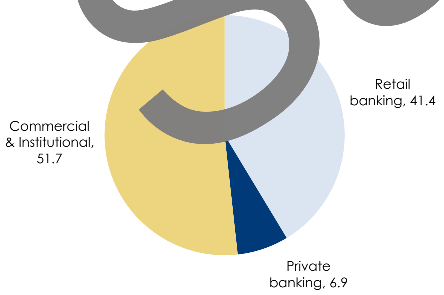
Key data

Mkt price (GBp)	413.90	Free float (%)	77.3
No. of shares	8,307.0	Major shr	HM Treas
52Wk range (GBp)	413.9/204.4	(%)	11.0
Reuters	NWG.L	Bloomberg	NWG LN
Performance (%)	**Absolute**		**Rel. EURO STOXX 50**
-1M	6.0	-1M	3.4
-3M	26.0	-3M	24.3
-12M	88.7	-12M	72.7

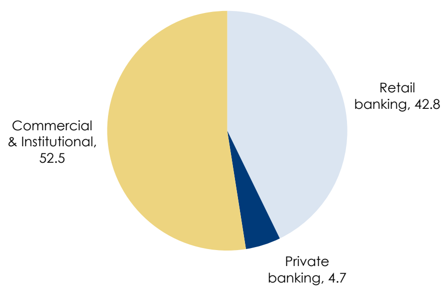
Estimates vs. consensus

GBP M (Y/E Dec)	2023A	2024E	2024C	2025E	2025C	2026E	2026C
Revenues	14,752	14,625	14,578	15,319	15,374	16,168	16,319
Pre-tax income	6,178	6,106	6,073	6,207	6,170	6,799	6,782
Net income	4,632.0	4,488.3	4,459	4,500.6	4,483	4,929.5	4,920
EPS (GBp)	47.9	49.8	49.5	53.4	52.7	61.8	60.7

Revenues by division



Earnings by division



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 06/12/2024)

NatWest – Key Data

Rating		Target price (GBp/sh)		Mkt price (GBp/sh)		Sector
BUY		Ord 502		Ord 413.90		Banks

Values per share (GBP)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
No. of outstanding shares (M)	10,021.0	9,659.0	8,792.0	8,029.8	7,714.5	7,381.5
Adj. EPS	20.86	35.76	45.75	48.78	53.42	61.76
TBV PS	306.2	263.8	291.8	325.6	360.3	400.3
PPP PS	25.1	55.4	73.7	78.6	90.8	103.8
Dividend ord	11.0	30.3	17.0	20.9	21.8	25.3
Income statement (GBP M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Net interest income	7,535.0	9,842.0	11,049.0	11,233.0	11,962.8	12,727.9
Net commission/fee income	2,120.0	2,292.0	2,330.0	2,365.0	2,424.1	2,472.6
Net trading income	317.0	1,091.0	796.0	820.2	744.1	772.4
Total income	10,429.0	13,156.0	14,752.0	14,625.6	15,319.2	16,168.2
Total operating expenses	-7,758.0	-7,687.0	-7,996.0	-8,018.5	-8,171.9	-8,330.7
Gross operating income	2,671.0	5,469.0	6,756.0	6,607.0	7,147.3	7,837.4
Provisions for loan losses	1,173.0	-337.0	-578.0	-500.3	-939.7	-1,038.1
Pre-tax income	3,844.0	5,132.0	6,178.0	6,106.7	6,207.7	6,799.3
Net income	3,312.0	3,595.0	4,632.0	4,488.2	4,500.6	4,929.5
Shareholders' earnings	2,950.0	3,340.0	4,394.0	4,192.0	4,205.2	4,661.4
Adj. shareholders' earnings	2,216.2	3,529.8	4,192.1	4,102.5	4,205.2	4,661.4
Composition of total income (%)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Net interest income	72.3	74.8	74.9	76.8	78.1	78.7
Trading income	3.0	8.3	5.4	5.6	4.9	4.8
Commission income	20.3	17.4	15.8	16.2	15.8	15.3
Balance sheet (GBP M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Total assets	781,992.0	720,053.0	692,673.0	700,965.1	710,017.8	721,378.8
Customer loans	358,990.0	366,340.0	381,433.0	388,222.5	394,822.3	403,705.8
Total customer deposits	26,279.0	20,441.0	22,190.0	22,411.9	22,636.0	22,862.4
Shareholders' equity	37,350.0	32,613.0	33,282.0	33,047.5	35,402.1	37,154.9
Tangible equity	30,627.0	25,497.0	25,668.0	25,457.5	27,812.1	29,564.9
Risk weighted assets	157.0	176.1	182,989.0	183,241.0	200,174.9	204,678.8
Stock market ratios (X)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Adj. P/E	9.7	6.6	5.4	8.5	7.7	6.7
P/TBV	0.66	0.90	0.85	1.27	1.15	1.03
P/PPP	8.1	4.3	3.4	5.3	4.6	4.0
Dividend yield (% ord)	5.4	12.8	6.8	5.0	5.3	6.1
Profitability & financial ratios (%)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
ROE	8.79	10.28	14.06	13.53	13.15	13.59
Adj. ROTE	7.15	12.58	16.39	16.05	15.79	16.25
RoRWA	2,023.9	2,158.7	5.06	2.45	2.35	2.44
Cost income ratio	-74.4	-58.4	-54.2	-54.8	-53.3	-51.5
Cost of risk (bps)	32.3	-9.0	-15.0	-12.8	-23.5	-25.7
Tax rate	-25.91	-24.84	-23.21	-26.70	-27.50	-27.50
Dividend payout	37.4	87.6	34.0	40.0	40.0	40.0
Other (%)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
CET1 ratio	18.20	14.20	13.40	13.53	13.02	13.42
Growth (%)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Total income	0.2	26.1	12.1	-0.9	4.7	5.5
Gross operating income	5.0	NM	23.5	-2.2	8.2	9.7
Net income	NM	8.5	28.8	-3.1	0.3	9.5
Adj. net income	NM	59.3	18.8	-2.1	2.5	10.8
BS growth (%)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Customers' loans	-0.4	2.0	4.1	1.8	1.7	2.2
Customers' deposits	27.5	-22.2	8.6	1.0	1.0	1.0
Shareholders' funds	-1.8	-12.7	2.1	-0.7	7.1	5.0

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Prysmian

Stay with the Leader

Within the energy and digital transition, we view Prysmian (the largest global cable provider, operating in a fragmented industry), as a 'champion' able to capture the untapped growth behind the expanding needs of energy networks, higher electrification and data transmissions. With a leading 40% market share in Transmission in a constrained capacity environment and a strong local-for-local exposure to the more profitable and faster growing US electrification market, we expect Prysmian to continue to enjoy a favourable pricing and growing volumes. Ahead of the CMD in March and potential double listing in USA, the valuation is still appealing (5% 2025E EV/EBIT discount and 12% 2025E P/E discount vs. the sector), not even incorporating the potential start of a positive Digital Solutions cycle driven by the exponential growth of datacenters.

Sitting on a EUR 19Bn backlog in Transmissions, likely exceeding a 16% margin by 202[illegible]

With an expected backlog above EUR 19Bn by FY24, Prysmian enjoys a high level of visibility in the Transmission business. The new capacity addition and a better mix of new projects will likely allow Prysmian to exceed its 16% adj. EBITDA margin target for the division. Despite the growing demand, the sector is still characterised by capacity constraints thus allowing Prysmian (the market leader with 40% share) to maintain its sound pricing power.

Living in the US

The Presidential elections do not change the group's strong prospects in the US. In Transmissions, the group's local-for-local exposure to US is now seen at 4[illegible]. For FY[illegible] we see a potential earnings upside from the USD currency. Furthermore, Trump's victory should help large domestic manufacturers, such as Prysmian, against imports.

Long-lasting trend in Power Grids

The strengthening and replacement of old networks represents the main driver behind the secular growth of Power Grids (whose business for Prysmian is 2/3 represented by MV cables) in both Europe and USA. Thanks to Prysmian's positioning in North America and to increasing volumes in the more valuable part of the Power Grid (i.e. HMV cables), we see Prysmian more than offsetting the softness of low voltage cables and delivering a further acceleration in the business in FY[illegible] thanks to the capacity additions in 2H24.

Electrification: synergies in I&C and streamlining in low value-added segments in Specialties

Synergies in services and distributions from the Encore deal (mid-cycle margin at 15%) will drive healthy growth in I&C. Potential divestments in the most cyclical Specialties cables segments and management's [illegible] appetite for high value businesses (mostly in USA and in Digital Solutions) offer room for further value creation.

Prysmian – Key data

Y/E Dec (EUR Bn)	2022A	2023A	2024E	2025E	2026E
Revenues	16.07	15.35	17.20	19.05	19.90
EBITDA	1.39	1.49	1.78	2.17	2.39
EBIT	0.849	0.860	1.38	1.74	1.94
Net income	0.50	0.53	0.87	1.07	1.22
Adj. EPS (EUR)	2.15	2.86	3.45	4.19	4.55
Net debt/-cash	1.42	1.19	4.69	3.74	2.70
Adj P/E (x)	14.2	12.8	18.7	15.4	14.2
EV/EBITDA (x)	7.1	7.6	13.1	10.4	9.1
EV/EBIT (x)	11.6	13.0	16.8	13.0	11.1
Div ord yield (%)	2.0	1.9	1.2	1.5	1.7
FCF Yield (%)	5.6	7.4	4.8	6.4	7.1

Source: Company data and Intesa Sanpaolo Research estimates. Priced at 06/12/2024

Equity

12 December 2024: 7:32 CET
Date and time of production

BUY

Target Price: EUR 76.6

Italy/Capital Goods

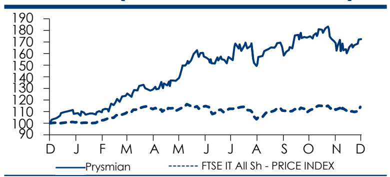
Prysmian - Key Data

Price date (market close)	06/12/2024
Target price (€)	76.6
Target upside (%)	18.76
Market price (€)	64.50
Market cap (EUR M)	18,351.4
52Wk range (€)	68.6/37.4

EPS & DPS changes

(€)	2024E	2025E	2024	2025
	EPS =	EPS =	chg%	chg%
Curr.	3.452	4.186	0	0
Prev.	3.452	4.186	-	-
	DPS	DPS =	chg%	chg%
Curr.	0.750	0.950	-	0
Prev.	-	0.950	-	-

Price Perf. (RIC:PRY.MI BB: PRY IM)



Source: FactSet and Intesa Sanpaolo Research estimates

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12 December 2024: 08:00 CET
Date and time of first circulation

Valuation and Key Risks

Valuation basis

Our EUR 76.6 TP is derived from a blended average of a 2025 P/E, EV/EBITDA and EV/EBIT sector comparison (P/E 18.7x, EV/EBITDA 11.4x, EV/EBIT 14.6x; FactSet) and a rolled over 2025-27E DCF model. Our DCF model is based on a 8.1% WACC, which factors in a 3.75% RFR, a 6.5% MRP, a 0.85 beta, a g at 2.5% and a Debt/CE structure at 22%.

Key Risks

Company specific risks:

Postponement in Transmissions Project /execution issues Transmissions and /or in the deployment of Prysmian's additional capacity also in Medium Voltage
Stronger-than-expected pricing normalisation in Electrification /Stronger-than-expected copper impact in wc/ Low execution on synergies
Low execution in orders due to capacity issues/ Class action in UK /ESG ratings downgrades
Lower-than-expected volumes growth in Telecom Cables and further pricing deterioration

Sector generic risks:

Significant slowdown in EMEA economy
Higher competition from Asian players particularly in TLC
Political election that can change Government approach toward the Energy transition and the Digitalisation Process

Company Snapshot

Company Description

Prysmian is a world leader in the energy and telecom cable systems industry. With almost 140 years of experience, sales of over EUR 12Bn, about 29,000 employees in over 50 countries and 112 plants, the group is strongly positioned in high-tech markets and offers a wide range of products, services, technologies and know-how. It operates in the businesses of underground and submarine cables and systems for power transmission and distribution, special cables for applications in many different industries and medium and low voltage cables for the construction and infrastructure sectors. For the telecommunications industry, the group manufactures cables and accessories for voice, video and data transmission, offering a comprehensive range of optical fibres, optical and copper cables and connectivity systems. Prysmian is a public company, listed on the Italian Stock Exchange in the FTSE MIB index.

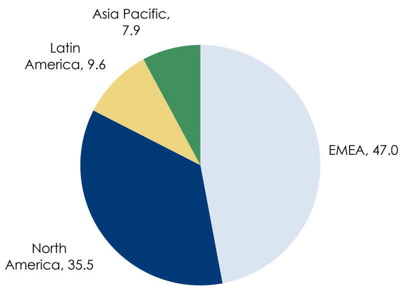
Key data

Mkt price (€)	64.50	Free float (%)	95.8
No. of shares	284.5	Major shr	[illegible]nent Management
52Wk range (€)	68.6/37.4	(%)	3.0
Reuters	PRY.MI	Bloomberg	PRY IM
Performance (%)	**Absolute**		**Rel. FTSE IT All Sh**
-1M	2.1	-1M	-0.5
-3M	[illegible]	-3M	4.3
-12M	72.5	-12M	50.7

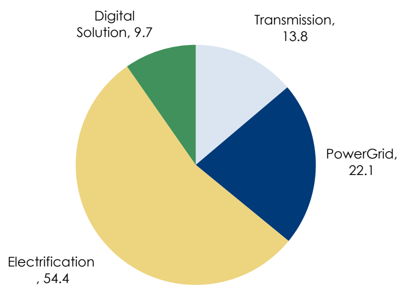
Estimates vs. consensus

EUR Bn (Y/E Dec)	2023A	2024E	2024C	2025E	2025C	2026E	2026C
Sales	15.35	17.20	16.66	19.05	19.16	19.90	20.55
EBITDA	1.49	1.78	1.91	2.17	2.32	2.39	2.50
EBIT	0.860	1.38	1.45	1.74	1.84	1.94	2.00
Pre-tax income	0.764	1.18	1.21	1.49	1.53	1.69	1.70
Net income	0.529	0.872	0.885	1.07	1.11	1.22	1.22
Adj. EPS (€)	2.86	3.45	3.23	4.19	3.91	4.55	4.44

Sales breakdown by geography ex Projects (%)



EBITDA breakdown by division (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 06/12/2024)

Prysmian – Key Data

Rating	Target price (€/sh)	Mkt price (€/sh)	Sector
BUY	Ord 76.6	Ord 64.50	Capital Goods

Values per share (EUR)	2021A	2022A	2023A	2024E	2025E	2026E
No. ordinary shares (M)	268.1	268.1	268.1	284.5	284.5	284.5
Total no. of shares (M)	268.1	268.1	268.1	284.5	284.5	284.5
Market cap (EUR M)	8,009.3	8,229.2	9,839.3	18,351.4	18,351.4	18,351.4
Adj. EPS	1.28	2.15	2.86	3.45	4.19	4.55
BVPS	10.9	13.4	14.1	15.7	18.8	22.2
Dividend ord	0.55	0.60	0.70	0.75	0.95	1.10
Dividend SAV Nc	NA	NA	NA	-1.00	NA	1.00
Income statement (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Revenues	12,736.0	16,067.0	15,354.0	17,202.9	19,054.4	19,895.9
EBITDA	926.9	1,387.0	1,485.0	1,779.9	2,172.6	2,387.1
EBIT	571.9	849.1	860.0	1,384.2	1,740.1	1,942.6
Pre-tax income	475.9	739.1	764.0	1,184.2	1,487.9	1,690.4
Net income	307.9	504.1	529.0	872.1	1,072.5	1,219.3
Adj. net income	342.8	577.7	765.6	982.3	1,190.9	1,293.3
Cash flow (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Net income before minorities	309.9	509.1	547.0	900.0	1,101.0	1,250.9
Depreciation and provisions	329.0	368.9	358.0	394.7	432.5	444.5
Others/Uses of funds	123.1	0	347.0	0	0	0
Change in working capital	-127.0	36.0	96.1	227.8	313.7	268.5
Operating cash flow	635.0	914.0	1,348.2	1,522.5	1,847.3	1,963.9
Capital expenditure	-275.0	-452.0	-624.0	-650.0	-679.6	-651.9
Financial investments	0	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0	0
Free cash flow	360.0	462.0	724.2	872.5	1,167.6	1,312.0
Dividends	-134.1	-147.5	-160.9	-187.7	-213.4	-270.3
Equity changes & Non-op items	0	28.4	-334.2	-4,183.7	-2.6	-1.8
Net change in cash	225.9	342.9	229.1	-3,498.9	951.7	1,040.0
Balance sheet (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Net capital employed	4,848.9	5,188.0	5,152.8	9,369.7	9,303.1	9,242.0
of which associates	0	0	0	0	0	0
Net debt/-cash	1,759.9	1,417.0	1,187.9	4,686.8	3,735.1	2,695.0
Minorities	174.0	186.0	191.0	208.6	225.2	244.1
Net equity	2,915.0	3,585.0	3,780.9	4,474.3	5,342.9	6,302.9
Minorities value	174.0	186.0	191.0	206.0	224.2	244.7
Enterprise value	9,943.1	9,832.2	11,218.2	23,244.2	22,639.7	21,620.2
Stock market ratios (x)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Adj. P/E	23.4	14.2	12.8	18.7	15.4	14.2
P/CFPS	11.9	8.7	10.8	13.3	11.3	10.6
P/BVPS	2.7	2.3	2.6	4.1	3.4	2.9
Payout (%)	48	32	35	24	25	26
Dividend yield (% ord)	1.8	2.0	1.9	1.2	1.5	1.7
FCF yield (%)	4.5	5.6	7.4	4.8	6.4	7.1
EV/sales	0.78	0.61	0.73	1.4	1.2	1.1
EV/EBITDA	10.7	7.1	7.6	13.1	10.4	9.1
EV/EBIT	17.4	11.6	13.0	16.8	13.0	11.1
EV/CE	2.1	1.9	2.2	2.5	2.4	2.3
D/EBITDA	1.9	1.0	0.80	2.6	1.7	1.1
D/EBIT	3.1	1.7	1.4	3.4	2.1	1.4
Profitability & financial ratios (%)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
EBITDA margin	7.3	8.6	9.7	10.3	11.4	12.0
EBIT margin	4.5	5.3	5.6	8.0	9.1	9.8
Tax rate	34.9	31.1	28.4	24.0	26.0	26.0
Net income margin	2.4	3.1	3.4	5.1	5.6	6.1
ROCE	11.8	16.4	16.7	14.8	18.7	21.0
ROE	11.9	15.5	14.4	21.1	21.8	20.9
Interest cover	6.0	7.7	9.0	6.9	6.9	7.7
Debt/equity ratio	57.0	37.6	29.9	100.1	67.1	41.2
Growth (%)		**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Sales		26.2	-4.4	12.0	10.8	4.4
EBITDA		49.6	7.1	19.9	22.1	9.9
EBIT		48.5	1.3	60.9	25.7	11.6
Pre-tax income		55.3	3.4	55.0	25.6	13.6
Net income		63.7	4.9	64.8	23.0	13.7
Adj. net income		68.5	32.5	28.3	21.2	8.6

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Technogym

Come On, You Can Do It!

Technogym fits the selection criteria as it benefits from the secular expansion of wellness/healthy lifestyles and basically no competition at the top end of the equipment market. It guided for an acceleration in the penetration of North America from 2025, which should be backed by an improving macro outlook there while the risk of US tariffs on EU imports does not seem to be on the horizon. Its low exposure to China, unlike many luxury/branded goods companies, has been a positive in 2H24. The solid balance sheet supports its growth trajectory and valuation levels. For all these reasons, we believe the ongoing multiples expansion is well-deserved.

On a growth path: secular trends and high-end positioning

According to various sources (Allied Research, Preminence, etc.), the global fitness equipment market is expected to grow at a mid-single-digit rate over the next decade, driven by increasing health awareness, technological developments and urbanisation projects. The premium/luxury segment should grow faster, as it is less affected by the high cost of fitness equipment and counterfeit products. We think that Technogym is well positioned to benefit from these secular trends, thanks to its premium brand, innovative DNA and expanding ecosystem. The company is on track to achieve its BP target of a 10% CAGR over 2023-25, i.e. 2x its reference market.

Ready to accelerate its penetration in the Americas

North America (13% of sales) performed below the group average in 2023, in line in 2024 and is guided to be above in 2025. LATAM (3%) is also growing at a double-digit rate. The two regions have been reported together since 3Q24. Although the wealthiest fitness market in the world, the US market is not mature yet and should also benefit from the secular trends. Technogym should be ready for an acceleration now that the reorganisation of its local operations has been completed. It is targeting luxury hotels and residential, HNWIs and the high-end of clubs, while taking care to avoid brand and margin dilution. The company is starting from a low base, which leaves room for improvement despite execution risk.

Multiple expansion is well-deserved

Last year's rerating was driven by the entry of new shareholders (NIF, Glasenberg), a reassuring delivery and declining interest rates, not by major earnings revisions, thus implying a multiples expansion. The stock now trades at a 2025 P/E of 20.4x, still below a median of 21.9x since the 2016 IPO and 25.5x of our luxury sample over the same period. Cash conversion is ~60% and net cash is ~10% of the market cap.

Technogym – Key data

Y/E Dec (EUR M)	2022A	2023A	2024E	2025E	2026E
Revenues	721.5	808.1	885.0	964.5	1,049.3
EBITDA	129.4	151.6	170.1	190.1	210.7
EBIT	82.75	97.38	115.9	132.9	150.5
Net income	63.59	67.75	87.98	101.1	114.8
Adj. EPS (EUR)	0.33	0.36	0.44	0.50	0.57
Net debt/-cash	-121.6	-126.9	-151.3	-193.9	-238.3
Adj P/E (x)	21.3	22.5	23.2	20.4	18.0
EV/EBITDA (x)	10.0	10.0	11.3	9.9	8.8
EV/EBIT (x)	15.6	15.6	16.6	14.2	12.3
Div ord yield (%)	3.6	3.2	3.2	3.7	4.2
FCF Yield (%)	3.9	3.9	4.4	5.3	5.8

Source: Company data and Intesa Sanpaolo Research estimates. Priced at 06/12/2024

Equity

12 December 2024: 7:32 CET
Date and time of production

BUY

Target Price: EUR 11.2

Italy/Personal Care

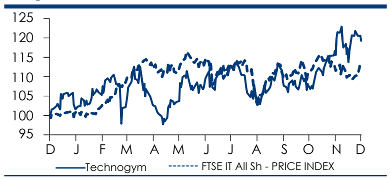
Technogym Key Data

Price date (market close)	06/12/2024
Target price (€)	11.2
Target upside (%)	8.95
Market price (€)	10.28
Market cap (EUR M)	2,066.3
52Wk range (€)	10.6/8.4

EPS - DPS changes

(€)	2024E	2025E	2024	2025
	EPS =	EPS =	chg%	chg%
Curr.	0.443	0.503	0	0
Prev.	0.443	0.503	-	-
	DPS =	DPS =	chg%	chg%
Curr.	0.333	0.382	0	0
Prev.	0.333	0.382	-	-

Price Perf. (RIC:TGYM.MI BB: TGYM IM)



Source: FactSet and Intesa Sanpaolo Research estimates

Intesa Sanpaolo Research Dept.

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See page 93 for full disclosure and analyst certification

12 December 2024: 08:00 CET
Date and time of first circulation

Valuation and Key Risks

Valuation basis

Our TP is derived from a 10-year DCF model, based on our explicit forecasts, a 6.7% sales CAGR over 2026-33, an exit adj. EBITDA margin of 21.3%, a WACC of 9.4% (RFR 3.5%, MRP 6.5%, beta 0.9, equity proportion 100%) and g of 2.0%.

Key Risks

Company specific risks:

Execution of expansion plans in the US and new markets
Potential supply bottlenecks connected to growth
A one-man show

Sector generic risks:

Macro headwinds
Inflationary pressure

Company Snapshot

Company Description

Founded in 1983, Technogym is a world leading international supplier of technology and design-driven products and services in the Wellness and Fitness industry. Technogym provides a complete range of cardio, strength and functional equipment alongside a digital cloud-based platform allowing consumers to connect with their personal wellness experience anywhere, both on the equipment and via mobile when outdoors. Over 55 million people train with Technogym in 85,000 professional locations and 400,000 private homes world-wide. Technogym has been Official Supplier to the last nine Olympic Games.

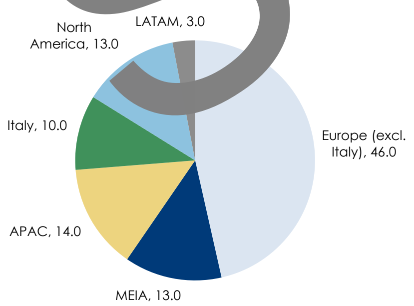
Key data

Mkt price (€)	10.28	Free float (%)	66.2
No. of shares	201.0	Major shr	Wellness
52Wk range (€)	10.6/8.4	(%)	33.8
Reuters	TGYM.MI	Bloomberg	TGYM IM
Performance (%)	**Absolute**		**Rel. FTSE All Sh**
-1M	3.2	-1M	[illegible]
-3M	10.8	-3M	[illegible]
-12M	19.3	-12M	4.2

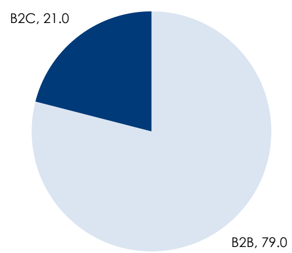
Estimates vs. consensus

EUR M (Y/E Dec)	2023A	2024E	2024C	2025E	2025C	2026E	2026C
Sales	808.1	885.0	886.0	964.5	962.2	1,049.3	1,023.8
EBITDA	[illegible]	170.1	171.2	190.1	190.5	210.7	208.2
EBIT	97.38	115.9	116.9	132.9	134.8	150.5	150.0
Pre-tax income	94.51	119.3	118.7	136.7	135.7	154.8	150.7
Net income	67.75	87.98	87.08	101.1	99.89	114.8	110.6

Sales breakdown by area in 2023 (%)



Sales breakdown by segment in 2023 (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 06/12/2024)

Technogym – Key Data

Rating	Target price (€/sh)	Mkt price (€/sh)	Sector
BUY	Ord 11.2	Ord 10.28	Personal Care

Values per share (EUR)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
No. ordinary shares (M)	201.0	201.0	201.0	201.0	201.0	201.0
Total no. of shares (M)	201.0	201.0	201.0	201.0	201.0	201.0
Market cap (EUR M)	1,988.5	1,406.3	1,631.1	2,066.3	2,066.3	2,066.3
Adj. EPS	0.25	0.33	0.36	0.44	0.50	0.57
BVPS	1.6	1.7	1.8	1.9	2.1	2.3
Dividend ord	0.16	0.25	0.26	0.33	0.38	0.43
Income statement (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Revenues	611.4	721.5	808.1	885.0	964.5	1,049.3
EBITDA	118.9	129.4	151.6	170.1	190.1	210.7
EBIT	78.90	82.75	97.38	115.9	132.9	150.5
Pre-tax income	79.73	83.31	94.51	119.3	136.7	154.8
Net income	63.06	63.59	67.75	87.98	101.1	114.8
Adj. net income	51.22	66.13	72.56	89.04	101.1	114.8
Cash flow (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Net income before minorities	63.3	63.9	71.3	90.0	103.1	116.8
Depreciation and provisions	40.0	46.6	54.2	54.2	57.2	60.3
Others/Uses of funds	-19.7	-24.4	-14.4	-11.5	-6.5	-6.5
Change in working capital	-6.5	3.7	-16.3	-7.4	-4.8	-5.1
Operating cash flow	77.0	89.8	94.8	125.4	149.1	165.4
Capital expenditure	-27.7	-34.3	-35.3	-35.4	-40.5	-45.1
Financial investments	0	0	0	0	0	0
Acquisitions and disposals	31.5	0	3.7	0	0	0
Free cash flow	80.8	55.5	63.2	90.0	108.6	120.3
Dividends	-44.2	-32.2	-51.3	-52.4	-66.0	-75.8
Equity changes & Non-op items	0	2.2	-6.6	-13.1	0	0
Net change in cash	36.6	25.5	5.3	24.4	42.6	44.4
Balance sheet (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Net capital employed	215.5	224.4	236.8	236.9	231.4	227.9
of which associates	0	0	0	0	0	0
Net debt/-cash	-96.0	-121.6	-126.9	-151.3	-193.9	-238.3
Minorities	1.7	2.0	9.2	11.2	13.2	15.2
Net equity	309.8	343.9	354.5	377.0	412.1	451.1
Minorities value	1.7	2.0	9.2	11.2	13.2	15.2
Enterprise value	1,897.3	1,289.4	1,516.0	1,928.8	1,888.2	1,845.7
Stock market ratios (x)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Adj. P/E	38.8	21.3	22.5	23.2	20.4	18.0
P/CFPS	20.0	13.5	14.4	15.1	13.5	12.2
P/BVPS	6.4	4.1	4.5	5.3	4.9	4.4
Payout (%)	51	81	77	75	75	75
Dividend yield (% ord)	1.6	3.6	3.2	3.2	3.7	4.2
FCF yield (%)	4.1	3.9	3.9	4.4	5.3	5.8
EV/sales	3.1	1.8	1.9	2.2	2.0	1.8
EV/EBITDA	16.0	10.0	10.0	11.3	9.9	8.8
EV/EBIT	24.0	15.6	15.6	16.6	14.2	12.3
EV/CE	8.8	5.7	6.4	8.1	8.2	8.1
D/EBITDA	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
D/EBIT	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
Profitability & financial ratios (%)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
EBITDA margin	19.4	17.9	18.8	19.2	19.7	20.1
EBIT margin	12.9	11.5	12.1	13.1	13.8	14.3
Tax rate	20.7	23.3	24.6	24.6	24.6	24.6
Net income margin	10.3	8.8	8.4	9.9	10.5	10.9
ROCE	36.6	36.9	41.1	48.9	57.4	66.0
ROE	21.1	19.5	19.4	24.1	25.6	26.6
Interest cover	-95.3	-148.6	34.0	-34.5	-34.4	-34.5
Debt/equity ratio	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
Growth (%)		**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Sales		18.0	12.0	9.5	9.0	8.8
EBITDA		8.8	17.2	12.2	11.8	10.8
EBIT		4.9	17.7	19.1	14.6	13.2
Pre-tax income		4.5	13.5	26.2	14.6	13.2
Net income		0.8	6.6	29.8	15.0	13.5
Adj. net income		29.1	9.7	22.7	13.6	13.5

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

INTESA SANPAOLO

Equity

Tenaris

Riding the New Wave

12 December 2024: 7:32 CET
Date and time of production

BUY

Target Price: EUR 22.1

Tenaris is well-positioned to outperform in 2025, thanks to: 1) a leading position in the US, where it generates almost 50% of its sales, which should see an increase in both volumes and pricing thanks to the new Administration; 2) Significant opportunities in Argentina where the oil pipeline projects of Vaca Muerta are finally starting; 3) >USD 4Bn of net cash, which gives Tenaris the possibility to finalise new acquisitions and to sustain an increasing shareholders' remuneration on top of the recently announced USD 700M buyback; 4) Major maintenance actions have been completed and Tenaris is now ready to fully exploit a positive market trend; 5) a stronger USD.

Promising outlook: recovery in the US, sustained business in the Middle East, Argentina

The negative trend seen in 2024 is expected to reverse in 2025, due to increased shipments in North America (47% of revenues in 9M24) and the Middle East (26%), as well as a rebound in OCTG prices in North America. This rebound may be sustained by the policy of the new US administration, which could impose new duties on OCGT and steel imports while drilling in the US could increase following Mr. Trump's signature policy "drilling, baby, drilling". We also expect improvement in Latam driven by the oil pipeline project in Argentina.

We expect sales to grow by 9% and EBITDA by 15% in 2025

Our estimates are based on a volumes' growth of approximately 6% and OCGT [illegible] rising by an average of 4% in 2025. However, this could be a conservative estimate, depending on the effectiveness of the new US administration in encouraging increased drilling activity and raising duties on OCGT imports, which were the main reason for the OCGT price decline in 2024. Net income is expected to reach USD [illegible]

Solid base for shareholders' remuneration; Shares still undervalued

Tenaris is sitting on a cash pile above USD 4[illegible] and, according to the CEO, there is no visible target for M&A or major operations at the moment and it is therefore logical and rationale to proceed [illegible] buyback plan and an increase in dividend. Tenaris is still undervalued in our view, still not incorporating the potential upside in North America (consensus is 15% below our estimates) and trading at 2025-26 multiples below the average of the industry (2024/25 average EV/EBITDA 4.6x vs. 5.4).

Italy/Oil Equipment & Services

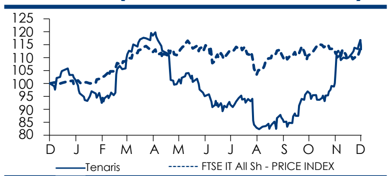
Tenaris - Key data

Price date (market close)	06/12/2024
Target price (€)	22.1
Target upside (%)	22.44
Market price (€)	18.05
Market cap (EUR M)	21,308.7
52Wk range (€)	18.6/12.5

EPS - DPS changes

($)	2024E	2025E	2024	2025
	EPS =	EPS =	chg%	chg%
Curr.	1.926	2.124	0	0
Prev.	1.926	2.124	-	-
	DPS	DPS =	chg%	chg%
Curr.	0.600	0.700	-	0
Prev.	-	0.700	-	-

Price Perf. (RIC:TENR.MI BB: TEN IM)



Source: FactSet and Intesa Sanpaolo Research estimates

Tenaris – Key data

Y/E Dec (USD Bn)	2022A	2023A	2024E	2025E	2026E
Revenues	11.76	14.87	12.84	14.02	14.22
EBITDA	3.65	4.86	3.04	3.49	3.61
EBIT	2.96	4.32	2.43	2.86	2.95
Net income	2.55	3.92	1.99	2.36	2.36
Adj. EPS (USD)	2.19	3.24	1.93	2.12	2.20
Net debt/-cash	-0.921	-3.422	-3.954	-3.918	-5.571
Adj P/E (x)	6.6	4.9	9.9	9.0	8.6
EV/EBITDA (x)	4.4	3.2	5.8	5.0	4.2
EV/EBIT (x)	5.5	3.6	7.3	6.1	5.1
Div ord yield (%)	3.5	3.8	3.1	3.7	3.7
FCF Yield (%)	4.4	17.9	9.9	6.3	10.8

Source: Company data and Intesa Sanpaolo Research estimates. Priced at 06/12/2024

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See page 93 for full disclosure and analyst certification

12 December 2024: 08:00 CET
Date and time of first circulation

IMI CORPORATE & INVESTMENT BANKING

Valuation and Key Risks

Valuation basis

Our EUR TP is based on the average of our DCF and multiples-based (on 2025-26E EV/EBITDA) approaches with Ternium and Usiminas valued at current market prices. In our DCF model we calculated a WACC at 9.0% with a RFR at 3.50% and a MRP at 6.5%. Terminal value is based on a 'g' at 1%. Our relative valuation is based on an international peers sample, which includes Baker Hughes, NOV, JFE Holding, Vallourec, Thyssenkrupp and other smaller companies.

Key Risks

Company specific risks:

High dependence on the oil and gas industry
High dependence on North American market
High inflation and currency control measures in Argentina
Potential antidumping and countervailing duty proceedings

Sector generic risks:

Future legislation on greenhouse gas emissions and climate change could impact on the demand for fossil fuels
Government initiatives to promote the use of alternative energy sources
Exposure to oil price changes

Company Snapshot

Company Description

Tenaris is a leading manufacturer of pipes and related services for the world's energy industry and certain other industrial applications. The company's manufacturing system integrates steelmaking, pipe rolling and forming, heat treatment, threading and finishing across 16 countries with a capacity of around 8M tons and a market share of >20% worldwide. Tenaris also has an R&D network focused on enhancing our product portfolio and improving our production processes and is based in more than 30 countries worldwide with around 30,000 employees.

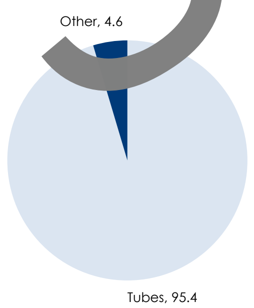
Key data

Mkt price (€)	18.05	Free float (%)	39.5
No. of shares	1,180.5	Major shr	ROCCA FAMILY
52Wk range (€)	18.6/12.5	(%)	60.4
Reuters	TENR.MI	Bloomberg	TEN IM
Performance (%)	**Absolute**		**Rel. FTSE IT All Sh**
-1M	9.3	-1M	6.6
-3M	40.1	-3M	34.1
-12M	15.7	-12M	1.1

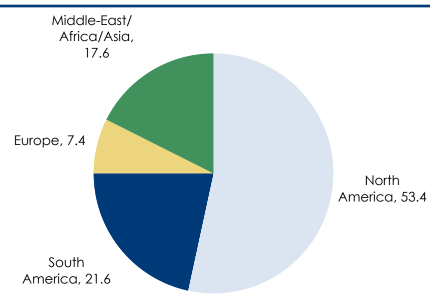
Estimates vs. consensus

USD Bn (Y/E Dec)	2023A	2024E	2024C	2025E	2025C	2026E	2026C
Sales	14.87	12.84	12.26	14.02	12.18	14.22	12.26
EBITDA	4.86	3.04	2.99	3.49	2.87	3.61	3.01
EBIT	4.32	2.43	2.31	2.86	2.24	2.95	2.31
Pre-tax income	4.63	2.55	2.44	3.10	2.46	3.19	2.59
Net income	3.92	1.99	2.00	2.36	1.93	2.36	2.09
Adj. EPS ($)	3.24	1.93	1.83	2.12	1.78	2.20	1.86

Sales breakdown by business (%)



Tubes Sales By Geographic Area



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 06/12/2024)

Tenaris – Key Data

Rating	Target price (€/sh)	Mkt price (€/sh)	Sector
BUY	Ord 22.1	Ord 18.05	Oil Equipment & Services

Values per share (USD)	2021A	2022A	2023A	2024E	2025E	2026E
No. ordinary shares (M)	1,180.5	1,180.5	1,180.5	1,126.7	1,108.9	1,069.8
Total no. of shares (M)	1,180.5	1,180.5	1,180.5	1,126.7	1,108.9	1,069.8
Market cap (USD M)	12,374.3	16,997.6	18,692.4	21,483.6	21,142.7	20,397.9
Adj. EPS	0.93	2.19	3.24	1.93	2.12	2.20
BVPS	10.1	11.8	14.3	15.3	16.6	18.9
Dividend ord	0.41	0.51	0.60	0.60	0.70	0.70
Income statement (USD M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Revenues	6,521.2	11,763.0	14,869.0	12,839.8	14,021.8	14,220.7
EBITDA	1,359.3	3,648.4	4,864.9	3,043.6	3,490.7	3,607.4
EBIT	707.6	2,964.0	4,316.4	2,433.6	2,862.4	2,953.9
Pre-tax income	1,242.8	3,166.6	4,632.8	2,545.3	3,095.3	3,188.9
Net income	1,100.3	2,554.0	3,918.1	1,987.2	2,355.3	2,358.3
Adj. net income	1,093.2	2,586.3	3,820.4	2,170.3	2,355.3	2,358.3
Cash flow (USD M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Net income before minorities	1,053.4	2,549.4	3,957.8	2,036.2	2,414.4	2,423.6
Depreciation and provisions	651.7	684.4	548.5	610.0	628.3	653.4
Others/Uses of funds	167.4	-23.8	-980.9	15.5	-157.2	-150.0
Change in working capital	-1,194.8	-1,870.7	156.7	183.8	-839.8	5.9
Operating cash flow	165.1	1,130.7	3,682.2	2,845.6	2,045.0	2,933.0
Capital expenditure	-239.5	-378.4	-619.4	-710.3	-705.0	-725.8
Financial investments	0	0	0	0	0	0
Acquisitions and disposals	0	0	289.4	0	0	0
Free cash flow	-74.4	752.2	3,352.2	2,135.2	1,340.0	2,207.2
Dividends	-318.7	-531.2	-637.5	-708.3	-676.0	-554.4
Equity changes & Non-op items	0	0	-213.7	-895.3	-700.0	0
Net change in cash	-393.2	221.0	2,501.0	531.7	-36.0	1,652.8
Balance sheet (USD M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Net capital employed	11,405.4	13,113.2	13,608.2	13,541.5	14,737.4	14,973.3
of which associates	0	0	0	0	0	0
Net debt/-cash	-700.3	-921.3	-3,422.2	-3,953.9	-3,917.9	-5,570.7
Minorities	145.1	128.7	187.5	236.5	295.6	360.9
Net equity	11,960.6	13,905.7	16,843.0	17,258.9	18,359.7	20,183.1
Minorities value	145.1	128.7	187.5	236.5	295.6	360.9
Enterprise value	11,819.1	16,205.0	15,457.6	17,766.2	17,520.4	15,188.1
Stock market ratios (x)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Adj. P/E	11.3	6.6	4.9	9.9	9.0	8.6
P/CFPS	10.4	5.6	4.1	8.1	6.9	6.6
P/BVPS	1.0	1.2	1.1	1.2	1.2	1.0
Payout (%)	44	24	18	34	33	32
Dividend yield (% ord)	3.9	3.5	3.8	3.1	3.7	3.7
FCF yield (%)	-0.6	4.4	17.9	9.9	6.3	10.8
EV/sales	1.8	1.4	1.0	1.4	1.2	1.1
EV/EBITDA	8.7	4.4	3.2	5.8	5.0	4.2
EV/EBIT	16.7	5.5	3.6	7.3	6.1	5.1
EV/CE	1.0	1.2	1.1	1.3	1.2	1.0
D/EBITDA	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
D/EBIT	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
Profitability & financial ratios (%)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
EBITDA margin	20.8	31.0	32.7	23.7	24.9	25.4
EBIT margin	10.9	25.2	29.0	19.0	20.4	20.8
Tax rate	15.2	19.5	14.6	20.0	22.0	24.0
Net income margin	16.9	21.7	26.4	15.5	16.8	16.6
ROCE	6.2	22.6	31.7	18.0	19.4	19.7
ROE	9.5	19.7	25.5	11.7	13.2	12.2
Interest cover	-31.2	490.7	-19.5	-19.1	-38.2	-34.8
Debt/equity ratio	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.
Growth (%)		**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Sales		80.4	26.4	-13.6	9.2	1.4
EBITDA		NM	33.3	-37.4	14.7	3.3
EBIT		NM	45.6	-43.6	17.6	3.2
Pre-tax income		NM	46.3	-45.1	21.6	3.0
Net income		NM	53.4	-49.3	18.5	0.1
Adj. net income		NM	47.7	-43.2	8.5	0.1

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

INTESA SANPAOLO

Equity

Veolia

Float like a Butterfly and Sting like a Bee

12 December 2024: 7:32 CET
Date and time of production

BUY

Target Price: EUR 35.0

France/Multi-Utilities

We select Veolia as our top pick due to its: 1) leadership role in Water and Waste markets worldwide, granting it pricing power and a solid volumes' stream; 2) well-diversified footprint, limiting country/business specific risk, with substantial exposure to the US; 3) sizeable immunity to adverse macro conditions thanks to tariffs' indexation, operational efficiency and internal volumes hedging.

Diversified portfolio eases risks; Leadership leaves the opportunity door open

We believe VIE's strategy and business model, in which the company is diversifying its international exposure (less than 10% capital employed exposure by country, except for the US), maintaining its presence in a country only if positioned among the top-3 players and serving different type of industries, fits well with the triple challenge we identified for 2025. This approach allows VIE to better adapt to market cycles and sector momentum, enabling it to reap the benefits during expansion times and ease the risks during gloomy ones. Moreover, if we add to the equation its distinctive know-how in Water-Waste-Energy fields (also boosted by business integration/overlapping) and its unique product/technological offering and quality service, we consider VIE as a leader in its fields, which translates into pricing power and high customer loyalty (avg. 90% contracts/concessions renewal rate).

High macro-immunity and operational excellence safeguard margins and returns

VIE's positioning and business model in Water-Waste-Energy sectors provides high resilience to macro headwinds. The essential nature of the services and VIE's integration along the businesses' value chain give an a-cyclical feature to volumes dynamics and protects it from tariffs' changes/volatility through indexation mechanisms. As a result, we see the price-volumes mix and ultimately margins as safeguarded in challenging backdrops, while strict investment criteria (IRR >=WACC+4%) and operating excellence support healthy returns and efficiency gains.

Poor stock performance led by France political risk, not by fundamentals deterioration

As the market negatively discounted French political risk (VIE has underperformed the Euro Stoxx 600 Utilities Index by c.10% since June), while 2024-25 consensus only marginally repositioned downwards (adj. EPS down by 2%/3%), mainly due to asset rotation effects rather than an operating trend slump, we see the stock as overly penalised at current levels. VIE currently trades on 2024E-25E adj. EV/EBITDA (including hybrids) of 6.4-6.1x and adj. P/E of 13.6-12.7x: the latter implies a discount of 12-18% vs. 2022-24 YTD average (or post-merger with Suez), which we believe could narrow given VIE's solid fundamentals and the potential return of the French market to trade in line with the broader Euro area.

Veolia - Key Data

Price date (market close)	06/12/2024
Target price (€)	35.0
Target upside (%)	23.89
Market price (€)	28.25
Market cap (EUR M)	20,492.9
52Wk range (€)	31.5/27.0

EPS - DPS changes

(€)	2024E	2025E	2024	2025
	EPS =	EPS =	chg%	chg%
Curr.	2.050	2.202	0	0
Prev.	2.050	2.202	-	-
	DPS =	DPS =	chg%	chg%
Curr.	1.410	1.510	0	0
Prev.	1.410	1.510	-	-

Price Perf. (RIC:VIE.PA BB: VIE FP)

Source: FactSet and Intesa Sanpaolo Research estimates

Veolia – Key data

Y/E Dec (EUR Bn)	2022A	2023A	2024E	2025E	2026E
Revenues	42.89	45.35	45.71	47.98	50.55
Adj. EBITDA	6.20	6.54	6.80	7.18	7.55
Adj. EBIT	3.06	3.35	3.57	3.82	4.09
Adj. Net income	1.16	1.34	1.50	1.61	1.75
Adj. EPS (EUR)	1.63	1.84	2.05	2.20	2.39
Net debt/-cash	18.14	17.90	18.47	18.87	19.64
Adj P/E (x)	15.8	15.2	13.8	12.8	11.8
EV/Adj. EBITDA (x)	6.8	6.5	6.2	6.0	5.7
EV/Adj. EBIT (x)	14.5	13.8	14.3	12.5	11.0
Div ord yield (%)	4.3	4.5	5.0	5.3	5.8
FCF Yield (%)	5.6	5.6	4.9	6.1	7.3

Source: Company data and Intesa Sanpaolo Research estimates. Priced at 06/12/2024

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See page 93 for full disclosure and analyst certification

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IMI CORPORATE & INVESTMENT BANKING

Valuation and Key Risks

Valuation basis

Our EUR 35 TP is derived through a double SOP methodology (by geography and by business), based on a DCF for each macro-division. Our valuation implies 2024E-25E adj. EV/EBITDA and adj. P/E multiples of 8.6/8.1x and 17.1/15.9x, vs. 2018-2024YTD yearly average of 6.1x and 17x (of which 6x and 15.1x over 2022-24YTD post Suez integration). We assume financial/other assets and funds at 2023A BV, while we apply 1.65x 2023A BV to Associates and Minorities. We apply a weighted average WACC of 5.8% and average g of 0.55%, assuming French and US-based activities plus/minus specific country risk premiums, risk-free and inflation rates.

Key Risks

Company specific risks:

Economy slowdown impacting waste industrial-based volumes;
Contracts/concessions non-renewal and pricing pressure;
Projects/M&A execution & Suez integration delivery;
Environmental liabilities; Forex exposure;

Sector generic risks:

Interest rates increase affecting cost of financing and IRRs;
Inflationary effect on cost base & volatility in energy prices;
Regulatory/Political risk;

Company Snapshot

Company Description

Veolia Environnement SA engages in the management of water supplies and distribution systems and provides waste management services. It operates through the following business segments: Water, Environmental Services, and Energy Services. The Water segment integrates drinking water and waste water activities such as water distribution, water and waste water treatment, industrial process water, and manufacture of water treatment equipment and systems. The Environmental Services segment collects, processes, and disposes household, trade, and industrial waste. The Energy Services segment includes heat production and distribution, energy optimization and related services, and electricity production. The company was founded on December 14, 1853 and is headquartered in Paris, France.

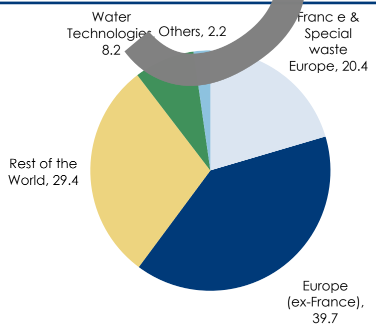
Key data

Mkt price (€)	28.25	Free float (%)	97.0
No. of shares	725.4	Major shr	CDC
52Wk range (€)	31.5/27.0	(%)	4.3
Reuters	VIE.PA	Bloomberg	VIE FP
Performance (%)	**Absolute**		**Rel. EURO STOXX 50**
-1M	-2.9	-1M	[illegible]
-3M	-4.6	-3M	-5.8
-12M	-4.2	-12M	-12.3

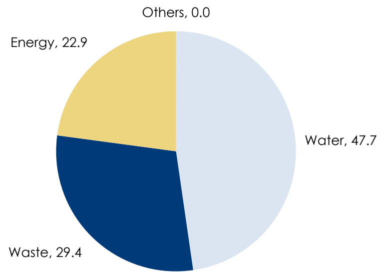
Estimates vs. consensus

EUR Bn (Y/E Dec)	2023A	2024E	2024C	2025E	2025C	2026E	2026C
Sales	45.35	45.71	45.51	47.98	47.50	50.55	49.65
Adj. EBITDA	6.54	6.80	6.77	7.18	7.19	7.55	7.57
Adj. EBIT	3.35	3.57	3.54	3.82	3.86	4.09	4.11
Pre-tax income	2.38	2.60	2.57	2.78	2.88	3.00	3.12
Adj. Net income	1.34	1.50	1.52	1.61	1.65	1.75	1.79
Adj. EPS (€)	1.84	2.05	2.00	2.20	2.22	2.39	2.41

EBITDA breakdown by geography (%)



EBITDA breakdown by business (%)



Source: Company data, Intesa Sanpaolo Research estimates and Bloomberg consensus data (priced at market close of 06/12/2024)

Veolia – Key Data

Rating	Target price (€/sh)	Mkt price (€/sh)	Sector
BUY	Ord 35.0	Ord 28.25	Multi-Utilities

Values per share (EUR)	2021A	2022A	2023A	2024E	2025E	2026E
No. ordinary shares (M)	618.0	714.6	725.4	732.7	732.7	732.7
Total no. of shares (M)	618.0	714.6	725.4	732.7	732.7	732.7
Market cap (EUR M)	15,798.2	18,411.8	20,298.6	20,697.8	20,697.8	20,697.8
Adj. EPS	1.45	1.63	1.84	2.05	2.20	2.39
BVPS	18.6	17.1	17.0	17.3	17.8	18.5
Dividend ord	1.00	1.12	1.25	1.41	1.51	1.64
Income statement (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Revenues	28,508.0	42,885.1	45,350.2	45,713.2	47,978.1	50,548.5
Adj. EBITDA	4,234.0	6,196.0	6,543.0	6,804.6	7,176.5	7,552.6
Adj. EBIT	1,766.0	3,062.0	3,346.0	3,571.6	3,817.7	4,091.9
Adj. Pre-tax income	1,384.0	2,039.0	2,381.0	2,598.5	2,781.5	3,003.0
Net income	404.0	716.0	937.2	1,364.2	1,531.4	1,693.7
Adj. net income	896.0	1,162.0	1,335.4	1,502.0	1,613.6	1,753.0
Cash flow (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Net income before minorities	562.0	1,079.0	1,383.6	1,772.1	1,948.3	2,132.9
Depreciation and provisions	2,214.0	3,025.2	3,060.0	3,108.4	3,243.4	3,358.4
Others/Uses of funds	395.0	-31.2	234.4	166.9	96.7	66.2
Change in working capital	382.0	48.0	195.0	-104.1	-40.2	-5.9
Operating cash flow	3,553.0	4,121.0	4,873.0	4,943.3	5,248.1	5,551.7
Capital expenditure	-2,212.0	-3,089.0	-3,730.0	-3,927.5	-3,993.3	-4,035.4
Financial investments	0	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0	0
Free cash flow	1,341.0	1,032.0	1,143.0	1,015.8	1,254.9	1,516.3
Dividends	-558.0	-1,079.0	-1,351.0	-1,427.2	-1,562.4	-1,674.9
Equity changes & Non-op items	2,902.0	-8,559.0	443.0	-159.0	-90.4	-612.6
Net change in cash	3,685.0	-8,606.0	235.0	-570.4	-398.0	-771.2
Balance sheet (EUR M)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Net capital employed	22,302.0	33,904.9	32,605.0	33,544.9	34,432.9	35,788.9
of which associates	1,592.4	1,984.8	1,713.0	1,368.0	1,568.0	2,018.0
Net debt/-cash	9,532.0	18,138.0	17,903.0	18,473.4	18,871.4	19,642.7
Minorities	1,252.0	2,612.2	2,391.0	2,393.0	2,497.2	2,607.0
Net equity	11,518.0	12,254.7	12,311.0	12,678.4	13,064.3	13,539.2
Minorities value	1,252.0	2,612.2	2,391.0	2,393.0	2,497.2	2,607.0
Enterprise value	24,989.8	37,177.2	38,879.6	40,196.2	40,498.4	40,929.5
Stock market ratios (x)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Adj. P/E	17.6	15.8	15.2	13.8	12.8	11.8
P/CFPS	5.1	4.4	4.6	4.5	4.3	4.0
P/BVPS	1.4	1.5	1.6	1.6	1.6	1.5
Payout (%)	69	69	68	69	69	69
Dividend yield (% ord)	3.9	4.3	4.5	5.0	5.3	5.8
FCF yield (%)	8.5	5.6	5.6	4.9	6.1	7.3
EV/sales	0.88	0.87	0.86	0.88	0.84	0.81
EV/Adj. EBITDA	6.7	6.8	6.5	6.2	6.0	5.7
EV/Adj. EBIT	18.8	14.5	13.8	14.3	12.5	11.0
EV/CE	1.1	1.1	1.2	1.2	1.2	1.1
D/Adj. EBITDA	2.3	2.9	2.7	2.7	2.6	2.6
D/Adj. EBIT	5.4	5.9	5.4	5.2	4.9	4.8
Profitability & financial ratios (%)	**2021A**	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
EBITDA margin	13.0	12.7	13.2	14.1	14.2	14.2
EBIT margin	4.7	6.0	6.2	6.1	6.8	7.4
Tax rate	23.8	25.2	25.2	26.5	27.0	27.0
Net income margin	1.4	1.7	2.1	3.0	3.2	3.4
ROCE	6.0	7.8	8.6	8.4	9.4	10.4
ROE	4.3	6.0	7.6	10.9	11.9	12.7
Interest cover	-3.9	-3.6	-4.5	-4.2	-4.4	-4.8
Debt/equity ratio	74.6	122.0	121.8	122.6	121.3	121.7
Growth (%)		**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Sales		50.4	5.7	0.8	5.0	5.4
EBITDA		46.5	9.8	7.9	5.7	5.5
EBIT		93.2	9.6	-0.4	15.5	14.9
Pre-tax income		47.3	16.8	9.1	7.0	8.0
Net income		77.2	30.9	45.6	12.3	10.6
Adj. net income		29.7	14.9	12.5	7.4	8.6

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

Notes

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The Intesa Sanpaolo SpA Equity Research Department values the companies for which it assigns recommendations as follows:

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Equity rating key: (long-term horizon: 12M)

From 22 November 2024, in its recommendations, Intesa Sanpaolo SpA uses a relative rating system on a 12M horizon, whose key is reported below. Intesa Sanpaolo's investment ratings reflect the analyst's/analyst's team assessment of the stock's total return (the upside or downside differential between the current share price and the target price plus projected dividend yield in a 12M view) as well as its attractiveness for investment relative to other stocks within its coverage cluster.

A stock's coverage cluster is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector or other classification. The list of all stocks in each coverage cluster is available on request.

Equity Rating Key (long-term horizon: 12M)

Long-term rating	Definition
BUY	BUY stocks are expected to have a total return of at least 10% and are considered the most attractive stocks in the analyst's/analyst's team cluster in a 12M period
HOLD	HOLD stocks are expected to have a total return of at least 0% and are less attractive stocks than BUY rated stocks in the analyst's/analyst's team cluster in a 12M period
SELL	SELL stocks are the least attractive in a coverage cluster in a 12M period.
RATING SUSPENDED	The investment rating and target price for this stock have been suspended as there is not a sufficient fundamental basis to determine an investment rating or target price. The previous investment rating and target price, if any, are no longer in effect for this stock.
NO RATING (NR)	The company is or may be covered by the Research Department but no rating or target price is assigned either voluntarily or to comply with applicable regulations and/or firm policies in certain circumstances.
TENDER SHARES (TS)	We advise investors to tender the shares to the offer.
TARGET PRICE	The market price that the analyst believes the share may reach within a 12M time horizon.
MARKET PRICE	Closing price on day prior to issue date of the report, as indicated on the first page, except where otherwise indicated.
Note	Intesa Sanpaolo assigns ratings to stocks as outlined above on a 12M horizon based on a number of fundamental drivers including, among others, updates to earnings and valuation models. Exceptions to the bands above may occur during specific periods of market, sector or stock volatility or in special situations. Short-term price movements alone do not imply a reassessment of the rating by the analyst.

Important Note: The current rating system has been in place since 22 November 2024. Please refer to the ISP Equity Rating informative note for further details at the following link: https://group.intesasanpaolo.com/it/research/equity---credit-research. Previously Intesa Sanpaolo used an absolute rating system based on the following ratings: BUY (if the target price is 10% higher than the market price), HOLD (if the target price is in the range 10% below or 10% above the market price), SELL (if the target price is 10% lower than the market price). After the 22 November 2024, analysts will review and assign ratings on their coverage according to the rating system presented above. For additional details about the old ratings system, please access research reports dated before 22 November at https://cardea.intesasanpaolo.com/homepage/#/public or contact the research department.

Historical recommendations and target price trends (3Y)

This report is a compendium report or may include excerpts from previously published reports: in this report, we confirm the ratings and target prices assigned in the latest company reports (or alternatively such ratings and target prices may be placed Under Review). The 3Y rating and target price history chart(s) for the companies included in this report can be found at Intesa Sanpaolo's website/Research/Regulatory disclosures: https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/tp-and-rating-history--12-months-.

Equity rating allocations (long-term horizon: 12M)

Intesa Sanpaolo Research Rating Distribution (at October 2024)

Number of companies considered: 158	BUY	HOLD	SELL
Total Equity Research Coverage relating to last rating (%)*	69	31	0
of which Intesa Sanpaolo's Clients (%)**	64	41	0

* Last rating refers to rating as at end of the previous quarter; ** Companies on behalf of whom Intesa Sanpaolo and the other companies of the Intesa Sanpaolo Group have provided corporate and Investment banking services in the last 12 months; percentage of clients in each rating category

Equity Research Publications in Last 12M

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Our Mid Corporate Definition

Italy is characterised by a large number of non-listed and listed micro, small and medium-sized companies. Looking at the revenues of these Italian companies, around 5,000 companies eligible for listing have revenues below EUR 1,500M based on Intesa Sanpaolo elaborations. We define these companies as 'Mid Corporate'. Looking more specifically at Italian listed companies, we include in our Mid Corporate segment all STAR companies and those with a market capitalisation of around EUR 1Bn.

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