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Oggetto	:	EQUITA ends the Q1'23 with growth in Net Revenues, high Return on Tangible Equity and strong Capital Ratios. Ascertainment of independence

Testo del comunicato

Vedi allegato.

EQUITA
WE KNOW HOW

PRESS RELEASE

EQUITA ends the first quarter of 2023 with growth in Consolidated Net Revenues, high Return on Tangible Equity and strong Capital Ratios

- Consolidated Net Revenues at €19.3 million (+5% vs Q1'22)
- Consolidated Net Profits[1] at €3.9 million, with net profitability at 20%
- Return on Tangible Equity (ROTE) at 26% and IFR Ratio 5.5 times above the minimum requirements

Management confirms targets for business growth and diversification, discipline on costs, and shareholder remuneration as outlined in the *EQUITA 2024* business plan

The Board of Directors ascertains the independence of Directors and Statutory Auditors of the Company

50 YEARS OF INDEPENDENT THINKING

2023 marks our 50th anniversary, a key milestone for an investment bank such as EQUITA. Our culture of independence and entrepreneurship defines our firm and drives our client-centric approach, supporting investors, financial institutions, listed companies and entrepreneurs.

Milan, May 11th, 2023

Andrea Vismara, Chief Executive Officer at EQUITA, commented: *"These results represent our second best Q1 in terms of Net Revenues and one of the best Q1 in terms of Net Profits since our IPO, demonstrating our resilience to volatility in the market. We continue to strengthen our business model and market position as the leading independent investment bank in Italy, with the same commitment and enthusiasm that has distinguished EQUITA over the last 50 years".*

"The results of the first quarter 2023 are in line with our growth objectives and the targets set in the EQUITA 2024 business plan. Long-term remuneration of shareholders remains a top priority and a key aspect of our investment case".

The Board of Directors of EQUITA Group S.p.A. (the "**Company**" and, together with its subsidiaries, "**EQUITA**" or the "**Group**") approved the first quarter results of the Group as of 31 March 2023.

(Next -->)

Consolidated Net Revenues (divisional breakdown)

(€m)	Q1'23	Q1'22	% Var
Global Markets	**11,2**	**9,9**	**13%**
o/w Sales & Trading	5,8	6,4	(9%)
o/w Client Driven Trading & Market Making	4,1	3,7	13%
o/w Directional Trading	1,3	(0,1)	n.m.
Investment Banking	**6,2**	**6,7**	**(7%)**
Alternative Asset Management	**1,8**	**1,8**	**1%**
o/w Asset management fees	1,6	1,7	(7%)
o/w Investment Portfolio & Other (1)	0,3	0,1	n.m.
o/w Performance fees	-	-	n.m.
Consolidated Net Revenues	**19,3**	**18,4**	**5%**
o/w Client Related (S&T, CD&MM, IB...)	17,7	18,4	(4%)
o/w Non-Client Related (Directional Trading)	1,3	(0,1)	n.m.
o/w Investment Portfolio & Other (1)	0,3	0,1	n.m.
o/w Performance fees	-	-	n.m.

(1) Includes some minor impacts coming from AAM activities not relatedto the pure asset management business

Consolidated Net Revenues grew 5% year-on-year, from €18.4 million in Q1'22 to €19.3 million in Q1'23. **Net Revenues linked to clients**[2] **reached €17.7 million** (€18.4 in Q1'22, -4%).

The **Global Markets** division – which includes Sales & Trading, Client Driven Trading & Market Making and Directional Trading – recorded Net Revenues of €11.2 million in Q1'23 (€9.9 million in Q1'22, +13%). Net Revenues linked to business with clients[3] reached €10.0 million, in line with the previous year (€10.0 million in Q1'22, -1%).

Brokerage activities on behalf of clients confirmed the EQUITA's **strong position in the domestic market, recording significant market shares across all relevant segments** (8% on the Italian Stock Exchange – Euronext Milan, 13% on Euronext Growth Milan, 9% on bonds and 14% on equity options) [4]. In the same period, overall Italian market volumes on cash equities were down 14% on Euronext Milan and 39% on Euronext Growth Milan, while volumes on fixed income instruments were up 125% year on year [5].

Sales & Trading revenues, net of commissions and interest expenses, reached €5.8 million in Q1'23 (€6.4 million in Q1'22, -9%) while **Client Driven Trading & Market Making** [6] net revenues rose to €4.1 million (€3.7 million in Q1'22, +13%), thanks to higher levels of client trading activities in fixed income financial instruments, certificates and derivatives. **Directional Trading** recorded €1.3 million in Net Revenues in Q1'23 (€-0.1 million in Q1'22), in line with the historical average of previous first quarters. In Q1'23, the Directional Trading performance included €0.4 million income from a €38 million fixed income portfolio built mainly between July and September 2022, to be held to maturity, to profit from the market opportunity offered by corporate bonds.

The **Investment Banking** division recorded €6.2 million in Net Revenues (€6.7 million in Q1'22, -7%), notwithstanding **the challenging market circumstances at global level, especially in M&A advisory**. M&A in Italy experienced a significant drop in the number of deals and volumes, with 258 transactions and €7 billion in value, compared with 327 transactions in Q1'22 (-21%) and €17 billion in value in Q1'22 (-57%). Equity Capital Markets in Italy were almost in line with the previous year, both in terms of number of deals (11 in Q1'23, 10 in Q1'22) and volumes (€0.8 billion in Q1'23, €0.9 billion in Q1'22). Debt Capital Markets recorded a positive performance, with overall corporate issues increasing from 12 in Q1'22 to 15 in Q1'23 and volumes growing from €7.9 billion in Q1'22 to €10.1 billion in Q1'23.[7]

With reference to the different teams of the Investment Banking division, capital markets activities were up year-on-year thanks to the positive contribution of several Equity Capital Markets and Debt Capital Markets & Debt Advisory transactions, as well as Corporate Broking, which positively contributed to the net revenues

[1] Excludes the impacts for the cash-settlement of the incentive plan EQUITA Group 2020-2022 based on stock options and addressed to Top Management
[2] Excluding Directional Trading activities, the impacts of the Investment Portfolio linked to Alternative Asset Management activities as of 31 December 2022, and performance fees from asset management activities
[3] Sales & Trading and Client Driven Trading & Market Making, and excluding Directional Trading
[4] Source: ASSOSIM
[5] Source: ASSOSIM. Figure on equities refers to the Italian Stock Exchange – Euronext Milan. Figure on bonds refers to DomesticMOT, EuroMOT and ExtraMOT Italian markets in total
[6] "Client Driven Trading & Market Making" and "Directional Trading" are an internal reporting representation of Proprietary Trading
[7] Source: EQUITA on Dealogic (Equity Capital Markets), Bondradar (Debt Capital Markets) and KPMG (M&A) data.

of the division. M&A Advisory instead was impacted by the difficult underlying market in Italy, although EQUITA outperformed the overall market in Q1'23 with a more resilient performance.

Despite the difficult market circumstances, in the first quarter of 2023 EQUITA completed several high-profile mandates. EQUITA assisted, *inter alia*, Racing Force Group as Joint Bookrunner with its rights issue through a primary accelerated book-building procedure; Gentili Mosconi as Sole Global Coordinator, Joint Bookrunner and Euronext Growth Advisor with its admission to Euronext Growth Milan; ENI as dealer in the issue of €2 billion of notes; AMCO – Asset Management Company as Joint Lead Manager and Joint Bookrunner in the issue of €500 million of senior unsecured notes; DeA Capital and Prima Industrie as Financial Advisor with the fairness assessment of the consideration offered in the respective takeovers, and Atlantia as Financial Advisor in a transaction to improve the group's financial capital structure.

The **Alternative Asset Management** division recorded €1.8 million in Net Revenues in Q1'23 (€1.8 million in Q1'22, +1%). Assets under management reached €935 million as of 31 March 2023 (€921 million as of 31 December 2022, +2%), with an increasing mix toward proprietary, illiquid, and more profitable assets. **Revenues linked to asset management fees** – Portfolio Management, Private Debt and Private Equity - were at €1.6 million in Q1'23, down 7% year-on-year, driven by the lower amount of assets under management in Q1'23 compared to Q1'22 in the *Portfolio Management* funds, especially the closed-end UCITS which are subject to drawdowns in volatile market environments and not allowed to receive inflows after closing. This was partially offset by new assets and commitments from illiquid funds such as the EQUITA Private Debt Fund II and the private equity fund EQUITA Smart Capital - ELTIF. The Investment Portfolio[8], equal to approximately €9.7 million as of 31 March 2023 contributed to the results of the Alternative Asset Management division with €0.3 million Net Revenues in Q1'23 (€0.1 million in Q1'22).

The **EQUITA Private Debt Fund II is expected to complete its first investment abroad** this year, in Germany, alongside a leading pan-European private debt investor. The team is expected to complete the deployment of capital by the end of the first semester of 2023 and is starting the **marketing activities to launch its third fund**.

The **Research Team** continues to **support all business areas of the Group, assisting institutional investors with research reports and insights** on more than 120 Italian companies and 40 foreign listed companies. The team has also added several debt instruments to its coverage, building a significant presence in the fixed income domain and expanding to more fixed income issuers.

Consolidated Profit & Loss (Reclassified)

Personnel costs[9,10] increased from €8.5 million in Q1'22 to €8.9 million in Q1'23 (+5%), following the increase in Net Revenues. The Compensation/Revenue ratio was 46.0% (45.9% in Q1'22) and the number of professionals reached 190 as of 31 March 2023 (188 as of 31 December 2022 and 176 as of 31 March 2022). **Other operating costs** increased from €4.5 million in Q1'22 to €5.0 million in Q1'23 (+12%). Information Technology expenses were up 8% year-on-year, mainly driven by the migration to the Euronext platform and some inflation-linked adjustments on info-providing supply contracts. Trading fees were up 7%, mainly due to by the increase in Client-Driven Trading activities on fixed income instruments. Other costs were up 16%,

[8] The Investment Portfolio includes the investments made by the Group in the Alternative Asset Management products that have been already launched, such as private debt funds for instance, with the purpose of further aligning EQUITA's and investors' interests
[9] Excludes compensation of Board of Directors and Statutory Auditors. Those items are included in Other operating costs.
[10] Excludes the provisions for the cash-settlement of the incentive plan EQUITA Group 2020-2022 based on stock options and addressed to Top Management

Profit & Loss (reclassified, €m)	Q1'23	Q1'22	% Var	% Q1'23	% Q1'22
Consolidated Net Revenues	**19,3**	**18,4**	**5%**	**100%**	**100%**
Personnel costs (1)(3)	(8,9)	(8,5)	5%	(46%)	(46%)
Other operating costs (2)	(5,0)	(4,5)	12%	(26%)	(24%)
of which Information Technology	(1,6)	(1,5)	8%	(8%)	(8%)
of which Trading Fees	(0,9)	(0,8)	7%	(5%)	(5%)
of which Other (marketing, governance...) (2)	(2,5)	(2,1)	16%	(13%)	(11%)
Total Costs (3)	**(13,9)**	**(12,9)**	**7%**	**(72%)**	**(70%)**
Consolidated Profit before taxes (3)	**5,4**	**5,5**	**(1%)**	**28%**	**30%**
Income taxes (3)	(1,5)	(1,5)	(1%)	(8%)	(8%)
Minorities	(0,0)	(0,1)	n.m.	(0%)	(1%)
Consolidated Net Profit (3)	**3,9**	**3,8**	**1%**	**20%**	**21%**
Long-term Incentive Plan (LTIP) (4)	(0,1)	-	n.m.	(0%)	-
Consolidated Net Profit (incl. LTIP)	**3,8**	**3,8**	**(2%)**	**20%**	**21%**

(1) Excludes compensation of Board of Directors and Statutory Auditors
(2) Includes compensation of Board of Directors and Statutory Auditors, net recoveries on impairment of tangible/intangibles assets and operating income/expenses
(3) Excludes the provisions for the cash-settlement of the incentive plan Equita Group 2020-2022 addressed to Top Management ("LTIP")
(4) Post-taxes cash impact related to the incentive plan

from €2.1 million in Q1'22 to €2.5 million in Q1'23, due to the gradual return to in-presence client marketing activities such as roadshows and conferences, and some inflation-linked supply contracts. The **Cost/Income ratio**[11] **was 71.8% in Q1'23** (70.1% in Q1'22).

Consolidated Profit Before Taxes[10] **was €5.4 million in Q1'23** (€5.5 million in Q1'22, -1%). **Consolidated Net Profit** [9] **was €3.9 million** (€3.8 million in Q1'22, +1%). Including the impacts of the long-term incentive plan to Top Management ("LTIP"), Consolidated Net Profit was €3.8 million, in line with the previous year (€3.8 million in Q1'22, -1%).

The awarding of the stock options follows the achievement of all the targets set in the plan: i) IFR Ratio 2020-2022 above 200% in every year (533% IFR Ratio, above minimum threshold every year)[12], ii) Average Return on Tangible Equity 2020-2022 above 15% (33% per year on average), and iii) Total Shareholder Return above 10% per year in the period 30 April 2020 – 30 April 2023 (27% per year on average). It is worth noting that the impact of the LTIP is aimed at reducing the dilution of the plan which will award 1,300,000 stock options to beneficiaries in May 2023. These incentives are not considered as additional remuneration, but an award already vested.

Q1'23 results are in line with the strategic objectives announced on 17 March 2022 with the *EQUITA 2024* business plan, including the shareholders' remuneration targets (*"[...] average dividend of at least €0.30 per share [...]"*).[13]

Consolidated Shareholders' Equity

Consolidated Shareholders' Equity was €108.5 million as of 31 March 2023 and the Average Return on Tangible Equity (ROTE) was 26%. **The capital strength of the Group was confirmed among the highest in the market, with the IFR ratio approximately 5.5 times the minimum requirements**, pursuant to the EU 2033/19 Regulation (IFR).

[11] Ratio between Total Costs and Consolidated Net Revenues
[12] Following the change in regulation and the subsequent resolution of the Shareholders' Meeting, Total Capital Ratio was substituted with IFR ratio
[13] See the *Equita 2024* three-year business plan targets announced on 17 March 2022: "€50+ million in dividends to be distributed in the three-year period 2022-2024, with an average yearly dividend above €0.30 per share"

Outlook on H1'23

As of today, the Global Markets division is growing year-on-year, led by the performance of proprietary trading activities on behalf of clients (Client Driven Trading & Market Making) and Directional Trading; these areas are more than compensating for the lower levels in brokerage activities from investors in the Italian stock market (YTD April 2023 vs. YTD April 2022: -22% on Euronext Milan, -33% on Euronext Growth Milan; source: Assosim). With respect to the Investment Banking division, since 31 March 2023 the team has acted with senior roles in the IPOs of Ecomembrane and Lottomatica. Looking to the coming months, the pipeline of capital markets transactions and M&A deals is interesting. Despite this, it is worth remembering that the performance recorded in H1'22 by the Investment Banking team was the best H1 since IPO (€24 million Net Revenues compared to an average of €11 million Net Revenues). H1'22 results were positively impacted by the contribution of EQUITA K Finance, which benefitted from some very large and remunerative mandates. On the Alternative Asset Management side, fundraising of illiquid assets will continue with EQUITA Smart Capital – ELTIF expected to final close its fundraising by 30 June 2023. The team will also start to market its third private debt fund and, in parallel, it is also expected to announce a new asset class by the end of the first semester of 2023.

Ascertainment of independence of Directors and Statutory Auditors of the Company

The Board of Directors of the Company ascertained, based on the declarations submitted by Directors and Statutory Auditors of the Company, that the requirements set forth by Article 13 of the Legislative Decree No. 58/98 ("**TUF**") are met.

More in detail, the Board of Directors verified, pursuant to Article 148, paragraph 3, of the TUF (as recalled by Article 147-ter, paragraph 1, of the TUF itself), the independence of Paolo Colonna, Silvia Demartini and Michela Zeme, members of the Board of Directors of the Company. The Board of Directors also ascertained that any of the abovementioned Directors are included in any of the provision set forth in Recommendation no. 7 of the Corporate Governance Code approved by the Corporate Governance Committee last January 2020, including the cases where the quantitative and qualitative criteria approved by the Board of Directors of the Company during the meeting of 20 April 2023 apply.

During the meeting, the Board of Directors was also notified that the Board of Statutory Auditors ascertained the independence of Franco Fondi, Laura Acquadro and Andrea Conso, Standing Auditors of the Board of Statutory Auditors of the Company.

The correct application of criteria and procedures adopted by the Board of Directors of the Company to assess and ascertain the independence of its members was verified by the Board of Statutory Auditors during the meeting.

* * *

According to paragraph 2 of Article 154-bis of the Consolidated Finance Law, the Executive appointed to draft corporate accounts, Stefania Milanesi, stated that the accounting information herein included tallies with the company's documentary evidence, ledgers and accounts. Additional financial information are not audited.

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EQUITA

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EQUITA is the leading independent Italian investment bank and an alternative asset management platform, serving listed and private companies, financial institutions, private equity groups and institutional investors, in Italy and abroad. Founded in 1973, EQUITA offers a wide range of services and products, including financial advisory in mergers and acquisitions, equity and debt capital market transactions, debt restructuring, institutional sales and trading, proprietary trading, equity and fixed income research, corporate broking, private debt and private equity funds, portfolio management solutions. EQUITA distinguishes from competitors for its independence, integrity, expertise, client-centric approach, ability to find the best solution in complex situations, as well as for its unparalleled access to capital markets, network of investors, financial sponsors and corporates, and management team who represent the largest shareholder of the group. EQUITA is listed on the STAR segment of Euronext Milan under the ticker "EQUI:MI".

Consolidate Income Statement – EQUITA Group

Profit & Loss	31-Mar-23	31-Mar-22
110 Net Income	**19.300.598**	**18.536.205**
120 Net losses/recoveries on impairment	(47.956)	2.838
a) financial assets at amortized cost	(47.956)	2.838
130 Net Result of financial activities	**19.252.642**	**18.539.044**
140 Administrative expenses	(13.473.053)	(12.560.994)
a) personnel expenses (1) (2)	(9.261.151)	(8.735.583)
b) other administrative expenses	(4.211.902)	(3.825.412)
150 Net provisions for risks and charges	-	-
160 Net (losses) recoveries on impairment of tangible assets	(360.012)	(326.820)
170 Net (losses) recoveries on impairment of intangible assets	(69.518)	(101.271)
180 Other operating income and expense	(44.691)	(32.031)
190 Operating costs	**(13.947.274)**	**(13.021.116)**
200 Profit (loss) on equity investments (1)	-	-
240 Profit (loss) on ordinary operations before tax	**5.305.368**	**5.517.927**
250 Income tax on ordinary operations	(1.499.347)	(1.547.430)
260 Net Profit (loss) on ordinary operations after tax	**3.806.021**	**3.970.497**
280 Net Profit (loss) of the period	**3.806.021**	**3.970.497**
290 Net Profit (loss) of the period - Third parties interests	**42.944**	**131.565**
300 Net profit (loss) of the period - Group	**3.763.077**	**3.838.932**

(1) The item "Personnel expenses" includes compensation of the Board of Directors and Statutory Board; in the reclassified profit & loss such expenses have been included in "Other operating expenses". This item also include the impacts of the long-term incentive plan Equita Group 2020-2022.

Consolidated Balance Sheet – EQUITA Group

Assets	31-Mar-23	31-Dec-22
10 Cash and cash equivalents	106.299.430	107.944.782
20 Financial assets at fair value with impact on P&L	90.361.759	111.713.663
a) financial assets held for trading	80.199.529	102.138.408
b) financial assets at fair value	-	-
c) other financial assets mandatory at fair value	10.162.230	9.575.255
40 Financial assets at amortized cost	127.988.330	99.550.333
a) banks	64.749.254	46.394.967
b) financial companies	45.518.491	30.652.845
c) clients	17.720.585	22.502.521
50 Hedging derivatives	137.486	146.474
70 Equity investments	46.267	46.267
80 Tangible assets	6.047.940	4.140.864
90 Intangible assets	26.829.147	26.901.934
of which: Goodwill	*24.153.008*	*24.153.008*
100 Tax assets	8.064.559	7.520.436
a) current	5.506.017	4.961.894
b) deferred	2.558.542	2.558.542
120 Other assets	39.230.451	41.566.005
Total assets	**405.005.370**	**399.530.757**

Liabilities and shareholders' equity	31-Mar-23	31-Dec-22
10 Financial liabilities at amortized cost	206.868.482	205.731.240
a) debt	206.868.482	205.731.240
20 Financial trading liabilities	15.590.763	15.540.760
40 Hedging derivatives	-	-
60 Tax liabilities	5.328.525	3.626.449
a) current	4.635.006	2.932.930
b) deferred	693.519	693.519
80 Other liabilities	62.728.270	64.428.329
90 Employees' termination indemnities	2.186.979	2.069.142
100 Allowance for risks and charges	3.833.991	3.833.991
c) other allowances	3.833.991	3.833.991
Total Liabilities	**296.537.010**	**295.229.911**
110 Share capital	11.602.674	11.587.376
120 Treasury shares (-)	(3.275.021)	(3.926.926)
140 Share premium reserve	22.454.574	20.446.452
150 Reserves	73.782.233	58.819.101
160 Revaluation reserve	97.880	106.868
170 Profit (loss) of the period	3.806.021	17.267.975
180 Third parties' equity	-	-
Shareholders' Equity	**108.468.361**	**104.300.846**
Total liabilities and shareholders' equity	**405.005.370**	**399.530.757**

Fine Comunicato n.20115-36	Numero di Pagine: 10