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Societa' : EQUITA GROUP

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Oggetto : EQUITA approves nine months 2024 results.
Full-year Net Profit expected to be coherent
with the shareholder remuneration target

Testo del comunicato

Vedi allegato

PRESS RELEASE

EQUITA approves nine months 2024 results: Net Revenues at €56 million, Net Profits at €10 million and Return on Tangible Equity (ROTE) at 25%

2024 Net Profits to be coherent with shareholder remuneration target announced in March 2022

The improving market conditions and the strengthening of all EQUITA's divisions support a potential significant improvement in Group's results starting from 2025

Milan, November 12th, 2024

Andrea Vismara, Chief Executive Officer at EQUITA, commented: *"We are really satisfied with the results achieved to date. The Group recorded €56 million in Net Revenues and €10 million in Net Profits in the first nine months of 2024. This adds to the fundraising of new Alternative Asset Management products and the build-up of the Investment Banking pipeline for the next year. This confirms EQUITA's strong positioning in all areas of business. The early evidence of improving market conditions and the strengthening of all EQUITA's divisions allow us to look to 2025 with optimism".*

The Board of Directors of EQUITA Group S.p.A. (the "**Company**" and, together with its subsidiaries, "**EQUITA**" or the "**Group**") approved the nine months financial results as of 30 September 2024.

Consolidated Net Revenues

In the first nine months of 2024, the Group recorded €55.7 million in Consolidated Net Revenues (-6% vs 9M'23) and **€50.4 million in Net Revenues linked to clients**¹ (-6% vs 9M'23).

The **Global Markets** division – which includes Sales & Trading, Client-Driven Trading & Market Making and Directional Trading – recorded €29.9 million Net Revenues in 9M'24 (€29.0 million in 9M'23, +3%). Net Revenues linked to clients grew by 8% year-on-year and reached €26.0 million (€24.0 million in 9M'23).

As of 30 September 2024, **EQUITA continued to top rank as leading independent broker in Italy, confirming its significant market shares in all relevant segments** (Euronext Milan: 8.2%; Euronext Growth

¹ Excluding the contribution of Directional Trading, Investment Portfolio linked to Alternative Asset Management initiatives and performance fees from asset management business.

Milan: 7.1%; bond market: 6.1%; cash equity options: 12.5%).² The team was also awarded as **#1 broker in the 2024 Institutional Investor – Extel survey for its trading and execution services, and among the top brokers for sales and corporate access services.**

(€m)	9M'24	9M'23	% Var	3Q'24	3Q'23	% Var
Global Markets	29,9	29,0	3%	8,6	8,3	4%
o/w Sales & Trading	15,8	14,5	8%	4,4	4,2	5%
o/w Client Driven Trading & Market Making	10,3	9,5	8%	3,2	2,2	45%
o/w Directional Trading	3,9	4,9	(21%)	0,9	1,8	(50%)
Investment Banking	19,8	24,0	(18%)	4,3	6,2	(31%)
Alternative Asset Management	6,0	6,5	(7%)	1,9	2,1	(10%)
o/w Asset management fees	4,6	5,3	(13%)	1,6	1,6	(4%)
o/w Investment Portfolio & Other ⁽¹⁾	1,1	1,2	(10%)	0,0	0,5	n.m.
o/w Performance fees	0,3	-	n.m.	0,3	-	#DIV/0!
Consolidated Net Revenues	55,7	59,5	(6%)	14,8	16,6	(11%)
o/w Client Related (S&T, CD&MM, IB...)	50,4	53,4	(6%)	13,6	14,3	(5%)
o/w Non-Client Related (Directional Trading)	3,9	4,9	(21%)	0,9	1,8	(50%)
o/w Investment Portfolio & Other ⁽¹⁾	1,1	1,2	(10%)	(0,0)	0,5	n.m.
o/w Performance fees	0,3	-	n.m.	0,3	-	n.m.

(1) Includes minor impacts deriving from AAM activities not related to the fees / asset management business

Sales & Trading revenues, net of commissions and interest expenses, increased by 8% year-on-year, from €14.5 million in 9M'23 to €15.8 million in 9M'24. As recorded in the first part of the year, the overall performance was impacted by the **good level of investors' activity on large caps** (mainly banks and blue chips) which more than offset the **weak trading volumes on Italian mid and small caps. Client Driven Trading & Market Making** ³ Net Revenues were up to €10.3 million in 9M'24 (€9.5 million in 9M'23, +8%) thanks to the good performance recorded in 3Q'24, following higher clients' trading activity on equities and bonds. **Directional Trading** contributed to Global Markets' result with €3.9 million in Net Revenues (€4.9 million in 9M'23, -21%) and included approximately €0.5 million in net income (€0.6 million in 9M'23) associated to a proprietary held-to-collect fixed income portfolio, which was built in 2022 to benefit from a significant and temporary bearish bond market. It is worth noting that between May and July 2024, some of the bonds were repaid.

In 3Q'24 the Global Markets division recorded €8.6 million in Net Revenues (€8.3 million in 3Q'23, +4%). The positive result was driven by the year-on-year increase in business with clients (*Sales & Trading* +5%, *Client-Driven Trading* +45%), coupled with a positive contribution from Directional Trading (€0.9 million).

The **Investment Banking** division recorded €19.8 million in Net Revenues (€24.0 million in 9M'23, -18%), with M&A advisory and Debt Capital Markets being the greatest fee contributors, partially offsetting the soft performance of Equity Capital Markets. Looking to market data, **Italy experienced a significant increase in M&A values** (€61 billion in 9M'24, €25 billion in 9M'23, +147%; source: KPMG) **driven by the return to market of medium-large deals**. However, M&A remained almost in line with the previous year in terms of number of deals (1.016 deals in 9M'24 vs 1.007 deals in 9M'23, +1%; source: KPMG), indicating **still soft volumes on smaller transactions**, despite overall positive expectations for the coming months. **Debt Capital Markets** in Italy **increased both in terms of number of deals** (from 45 in 9M'23 to 53 in 9M'24, +18%) **and values** (from €27.3 billion in 9M'23 to €30.2 billion in 9M'24, +11%; source: EQUITA on Bondradar data). **Equity Capital Markets'** business increased as well, both in terms of number of deals and values (from 35 to 50 and from €2.3 billion to €5.6 billion respectively, 9M'23 vs 9M'24; source: EQUITA on Dealogic data), but such statistics were mainly driven by very few large accelerated bookbuilding transactions – all back-stopped – and confirmed **still difficult market conditions for IPOs on Euronext Milan**, with just one transaction completed in 9M'24 (source: EQUITA on Dealogic data).

² Source: AMF Italia. Figures refer to brokered volumes on behalf of third parties.

³ "Client-Driven Trading & Market Making" and "Directional Trading" are an internal reporting representation of Proprietary Trading

In addition to the deals already announced in 1H'24, in 3Q'24 EQUITA completed **several high-profile mandates**, including some cross-border transactions. The Investment Banking team assisted as financial advisor: **Groupe CRIT** in the takeover of Openjobmetis, the independent directors of **Alkemy** with the public tender offer launched by Retex on company's shares, **Clessidra Private Equity** with the acquisition of Molino Nicoli, **Naturalia Tantum** with the entry of H.I.G. Capital in the company's share capital as majority shareholder, **AXA Italia** with the acquisition of Nobis, **Trinity International Education** with the acquisition of St. Andrew's College Language Schools, the **Barbieri family** in the sale of Giulio Barbieri to Gruppo BAT (ProA Capital's portfolio company), **Star Capital** in the sale of GLM to Remus Holding and **Mantero** with the acquisition of Maglificio ITES.

In 3Q'24 the Investment Banking division recorded €4.3 million in Net Revenues (€6.2 million in 3Q'23, -31%). The year-on-year performance was mainly driven by the soft result of the midmarket M&A business, which compares to the very positive third quarter of last year, with 56% of full-year Net Revenues in midmarket M&A recorded in 3Q'23.

The **Alternative Asset Management** division recorded Net Revenues of €6.0 million in 9M'24 (€6.5 million in 9M'23, -7%). Assets under management increased to €1,020 million as of 30 September 2024 (€891 million as of 31 December 2023 and €917 million as of 30 September 2023) and **proprietary, illiquid products** – which benefit from an intrinsic higher profitability – represented 56% of those assets. This percentage has increased over the year, thanks to the **first closings of EQUITA Green Impact Fund** (EGIF, €100 million) **and EQUITA Private Debt Fund III** (EPD III, €106 million) which were completed in June and September 2024 respectively. In addition to the €206 million funds raised to date, several institutional investors have confirmed their commitments for additional €70 million. EGIF and EPD III will continue their fundraising also in 2025.

Asset management fees (liquid strategies, private debt, private equity and renewable infrastructures – excluding performance fees) were down 13% year-on-year (€4.6 million in 9M'24, €5.3 million in 9M'23) due to the comparison with the previous year which included an equalization fee deriving from the final closing of EQUITA Smart Capital – ELTIF in 2Q'23, in addition to the change in the calculation methodology of management fees on EPD II (from commitment to invested capital) and the decrease in management fee applicable to EPD pursuant to fund rules, considering the approaching deadline of the fund (2026).

The **Investment Portfolio**⁴, equal to approximately €19 million as of 30 September 2024 (€16 million as of 31 December 2023 and €10 million as of 30 June 2023), contributed to the results of the Alternative Asset Management division with €1.1 million in Net Revenues (€1.2 million in 9M'23, -10%).

It is worth noting that the result of the Alternative Asset Management division included €0.3 million performance fees linked to "Euromobiliare Equity Selected Dividend" fund. The fund was managed by EQUITA but in September 2024 Euromobiliare internalised it considering the approaching deadline of June 2025. Moreover, in the nine months of 2024 the private debt team confirmed its top positioning by ranking #1 in the "Europe Direct Lender Subordinated" ranking and #3 in the "Southern Europe Direct Lender" and "Italy Direct Lender" rankings (source: Debtwire, 9M'24 LTM).

In 3Q'24 the Alternative Asset Management recorded €1.9 million in Net Revenues, down year-on-year (€2.5 million, -44%) for the reasons stated above.

The **Research Team continued to support all areas of business and assisted institutional investors with research reports and insights** on more than 150 Italian (ca. 96% of the Italian total market capitalization) and foreign listed companies, as well as on debt instruments. The team was ranked **#1 in the 2024 Institutional Investor - Extel survey** for its **research on small and mid-caps**.

⁴ The Investment Portfolio includes the investments made by the Group in the Alternative Asset Management products that have been launched, with the purpose of further aligning EQUITA's and investors' interests.

Consolidated Profit & Loss (Reclassified)

Profit & Loss (reclassified, €m)	9M'24	9M'23	% YoY	% 9M'24	% 9M'23	3Q'24	% YoY vs 3Q'24	% YoY vs 2Q'24
Global Markets	29,9	29,0	3%	54%	49%	8,6	4%	(23%)
Investment Banking	19,8	24,0	(18%)	35%	40%	4,3	(31%)	(61%)
Alternative Asset Management	6,0	6,5	(7%)	11%	11%	1,9	(10%)	33%
Consolidated Net Revenues	55,7	59,5	(6%)	100%	100%	14,8	(11%)	(38%)
Personnel costs ⁽¹⁾⁽³⁾	(26,4)	(28,1)	(6%)	(47%)	(47%)	(7,5)	(7%)	(31%)
Other operating costs ⁽²⁾	(15,3)	(16,3)	(6%)	(27%)	(27%)	(4,9)	(6%)	(11%)
of which Information Technology	(5,0)	(4,6)	8%	(9%)	(8%)	(1,7)	14%	(4%)
of which Trading Fees	(2,3)	(2,4)	(2%)	(4%)	(4%)	(0,6)	(9%)	(20%)
of which Non-Recurring	-	(0,8)	n.m.	-	(1%)	-	-	-
of which Other (marketing, governance,...) ⁽²⁾	(8,0)	(8,5)	(6%)	(14%)	(14%)	(2,6)	(14%)	(13%)
Total Costs ⁽³⁾	(41,6)	(44,3)	(6%)	(75%)	(75%)	(12,3)	(7%)	(25%)
Consolidated Profit before taxes ⁽³⁾	14,0	15,1	(7%)	25%	25%	2,5	(29%)	(66%)
Income taxes ⁽³⁾	(4,1)	(4,5)	(9%)	(7%)	(8%)	(0,7)	(37%)	(68%)
Minorities	-	(0,6)	n.m.	-	(1%)	-	-	-
Long-term Incentive Plan (LTIP)	-	(0,3)	n.m.	-	(0%)	-	-	-
Consolidated Net Profit (incl. LTIP)	9,9	9,7	2%	18%	16%	1,8	3%	(65%)
Adj. Consolidated Net Profit (ex. one-offs and LTIP)	9,9	10,6	(6%)	18%	18%	1,8	(6%)	(65%)

(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

Personnel Costs^{5,6} decreased from €28.1 million in 9M'23 to €26.4 million in 9M'24 (-6%), in line with the trend recorded in Consolidated Net Revenues. The number of professionals reached 195 as of 30 September 2024 (195 as of 31 December 2023 and 196 as of 30 September 2023). **The Normalized Compensation/Revenue ratio was 48.0%** (47.5% in 9M'23)⁷. **Othe Operating Costs** decreased by 6%, down from €16.3 million to €15.3 million, thanks to lower non-recurring expenses (c. €0.8 million recorded in 2Q'23, mainly linked to the Group's 50th anniversary). Among operating costs, Information Technology expenses increased by 8% (€5.0 million in 9M'24, €4.6 million in 9M'23), driven by some variable info providing costs derived from higher post trading activities. Trading fees ⁸ stood at the same level year-on-year (€2.3 million in 9M'23 and €2.3 million in 9M'24, -2%) thanks to some initiatives aimed at improving efficiency on equity trading and despite growing volumes in Sales & Trading and Client-Driven Trading & Market Making. **Cost/Income ratio⁹ was 74.8%** (74.6% in 9M'23, 73.2% excluding non-recurring expenses).

Consolidated Profit Before Taxes was €14.0 million (€15.1 million in 9M'23, -7%), **Consolidated Net Profit was €9.9 million** (€9.7 million in 9M'23, +2%) and **Net margin increased to 18%** (16% in 9M'23). Adjusted Consolidated Net Profit – which excludes post-taxes impact of non-recurring expenses and long-term incentive plan addressed to Top Management ("LTIP") – was €9.9 million (€10.6 million in 9M'23, -6%), with an adjusted net margin of 18%, in line with the previous year.

Looking to the third quarter of 2024, Consolidated Net Profit increased by 3% year-on-year and reached €1.8 million (€1.7 million in 3Q'24).

⁵ Excludes compensation of Board of Directors and Statutory Auditors. Those items are included in Other operating costs.

⁶ Excludes the provisions for the cash-settlement of the long-term incentive plan ("LTIP").

⁷ Excludes incomes attributable to shareholders which do not contribute to the remuneration of the Group's professionals.

⁸ Item directly linked to the Net Revenues of the Global Markets.

⁹ Ratio between Total Costs and Consolidated Net Revenues.

Consolidated Shareholders' Equity

Consolidated Shareholders' Equity was €99.5 million as of 30 September 2024, the Average Return on Tangible Equity (ROTE) was 25%, and the Group's **solid capital position was confirmed by an IFR ratio of 3.6x** (4.0x in 9M'23), **well above minimum requirements**.¹⁰

Outlook

Taking into consideration the contribution of the business for the rest of the year, **Group's management expects 2024 Net Profits to be coherent with the shareholder remuneration target announced in March 2022**, despite the still tough market environment, which is gradually improving, and the comparison with the fourth quarter of 2023 which recorded very positive results.

Moreover, on the basis of the early evidence of some improvements experienced in other international financial markets and taking into consideration the good pipeline in investment banking, the positive contribution of the brokerage business and the increase in management fees deriving from the fundraising of new illiquid, proprietary products such as EPD III and EGIF, the management confirms its **cautious optimism to see significant improvements in Group's results from 2025**.

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

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EQUITA is the leading independent Italian investment bank. As the go-to partner for investors, institutions, listed companies, corporates and entrepreneurs, EQUITA acts as broker, financial advisor and alternative asset management platform by offering a broad range of financial services that include M&A and corporate finance advisory, access to capital markets, insights on financial markets, trading ideas and investment solutions, assisting clients with their financial projects and strategic initiatives in Italy and abroad. Drawing on half a century of experience, EQUITA is committed to promoting the role of finance by creating value for the economy and the entire financial system, thanks to its deep understanding of markets, strategic transactions, and sustainability. EQUITA has a unique business model, with research at the core of the strategy and clients access to a leading trading floor constantly connected with financial markets globally, a successful track-record in the execution of investment banking transactions – enhanced also by the international partnership with Clairfield who identifies cross-border opportunities for Italian and foreign companies – and proven expertise in the management of investment funds, especially in illiquid asset classes like private debt, private equity, infrastructures and renewables. EQUITA stands out for its independence and integrity, the commitment of its professionals to best-serve clients, and the concept of "partnership" that sees its managers and employees as shareholders of an investment bank listed on the Italian Stock Exchange as "STAR" company. Visit www.equita.eu to learn more... because WE KNOW HOW.

¹⁰ IFR ratio is calculated pursuant to EU 2033/19 Regulation. Starting from 2024, the IFR ratio calculation methodology has changed and the previous year ratio has been recalculated accordingly.

Consolidate Income Statement – EQUITA Group

Profit & Loss	30-Sep-24	30-Sep-23
10 Net trading income	5.705.275	6.483.179
40 Commission income	1.347.106	1.004.151
50 Commission income	45.751.345	49.471.183
60 Commission expense	(5.255.639)	(5.561.429)
70 Interest and similar income	9.496.732	7.038.941
80 Interest and similar expense	(9.052.603)	(7.122.994)
90 Dividends and similar income	7.513.896	8.082.193
110 Net Income	55.506.113	59.395.225
120 Net losses/recoveries on impairment	(77.145)	(79.713)
a) financial assets at amortized cost	(77.145)	(79.713)
130 Net Result of financial activities	55.428.968	59.315.513
140 Administrative expenses	(39.879.911)	(42.742.515)
a) personnel expenses ⁽¹⁾	(26.818.940)	(28.995.158)
b) other administrative expenses	(13.060.970)	(13.747.357)
150 Net provisions for risks and charges	-	-
160 Net (losses) recoveries on impairment of tangible assets	(1.363.955)	(1.288.376)
170 Net (losses) recoveries on impairment of intangible assets	(132.593)	(210.754)
180 Other operating income and expense	(40.098)	(353.712)
190 Operating costs	(41.416.558)	(44.595.357)
240 Profit (loss) on ordinary operations before tax	14.012.411	14.720.155
250 Income tax on ordinary operations	(4.132.431)	(4.418.536)
260 Net Profit (loss) on ordinary operations after tax	9.879.980	10.301.619
280 Net Profit (loss) of the period	9.879.980	10.301.619
290 Net Profit (loss) of the period - Third parties interests	-	582.040
300 Net profit (loss) of the period - Group	9.879.980	9.719.579

(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	30-Sep-24	31-Dec-23
10 Cash and cash equivalents	87.469.867	130.481.458
20 Financial assets at fair value with impact on P&L	105.414.905	77.384.280
a) financial assets held for trading	83.420.156	55.043.256
b) financial assets at fair value	-	-
c) other financial assets mandatory at fair value	21.994.750	22.341.024
40 Financial assets at amortized cost	112.402.496	101.248.810
a) banks	72.159.192	66.423.042
b) financial companies	16.176.817	15.122.256
c) clients	24.066.487	19.703.512
50 Hedging derivatives	45.148	106.079
70 Equity investments	628.160	628.160
80 Tangible assets	5.124.657	5.982.648
90 Intangible assets	26.688.550	26.606.916
<i>of which: Goodwill</i>	<i>24.153.008</i>	<i>24.153.008</i>
100 Tax assets	3.332.985	3.237.194
a) current	1.672.415	1.199.047
b) deferred	1.660.570	2.038.147
120 Other assets	25.835.023	34.042.397
Total assets	366.941.790	379.717.941
Liabilities and shareholders' equity	30-Sep-24	31-Dec-23
10 Financial liabilities at amortized cost	167.020.511	193.785.598
a) debt	167.020.511	193.785.598
20 Financial trading liabilities	46.789.325	20.067.070
40 Hedging derivatives	-	-
60 Tax liabilities	2.759.345	1.331.729
a) current	2.043.647	623.424
b) deferred	715.698	708.305
80 Other liabilities	47.301.723	50.788.482
90 Employees' termination indemnities	1.939.396	1.941.659
100 Allowance for risks and charges	1.605.525	3.234.663
c) other allowances	1.605.525	3.234.663
Total Liabilities	267.415.826	271.149.201
110 Share capital	11.925.048	11.678.163
120 Treasury shares (-)	(2.632.237)	(3.171.237)
140 Share premium reserve	28.312.407	23.373.173
150 Reserves	52.014.076	56.670.729
160 Revaluation reserve	26.691	56.243
170 Profit (loss) of the period	9.879.980	16.753.969
180 Third parties' equity	-	3.207.700
Shareholders' Equity	99.525.964	108.568.740
Total liabilities and shareholders' equity	366.941.790	379.717.941

Fine Comunicato n.20115-70-2024

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