

Italy Asset Managers: The Italian summer months continue to support growth drivers for FBK (Buy) and BGN (Buy)

July and August saw 11% annualised growth in AuM for FBK – reaching €730mn of net flows, 7% for BGN and BMED with €580mn and €670mn, respectively, and 6% growth for AZM, closing with €437mn of net inflows.

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Market share gains continue for BGN and FBK

The growth acceleration discussed in detail in our sector [initiation note](#) from August continued after 1H20. As clients continued to shift money on the back of the service disruption of some small local banks during the months of lockdown, in July FBK was responsible for 23% of the net inflows of the entire industry, while its AuM market share as of December was 9% and its flow market share in Jan-Jun was 18%. Similarly, BGN generated 16% of the inflows of the sector, while its AuM market share as of Dec-19 was 11%.

We continue to expect FBK and BGN to generate the highest AuM growth across the peer group, supported by the market share expansion as well as by the growth of their internally managed products, FAM and Lux IM, which continued to outperform the market in July and August. We expect this will drive average annual AuM organic growth of 10% and 6% for FBK and BGN, respectively, over 2020-22.

Additional factors fueling growth

We also highlight that FBK reported €13.4mn in brokerage revenues in August, +11% YoY. The firm's efforts to expand in the UK market continue, with FBK expanding its product offer. We expect FBK to reach 40k clients by 2022.

Separately, we note that local press ([Bluerating](#)) reported that BGN stepped up its recruiting activities, adding 17 new advisors in July. Additionally, in June BGN hired a new head of distribution. We believe BGN is best placed to accelerate its recruiting activities, which would be supportive of the firm's organic growth in 2021-22.

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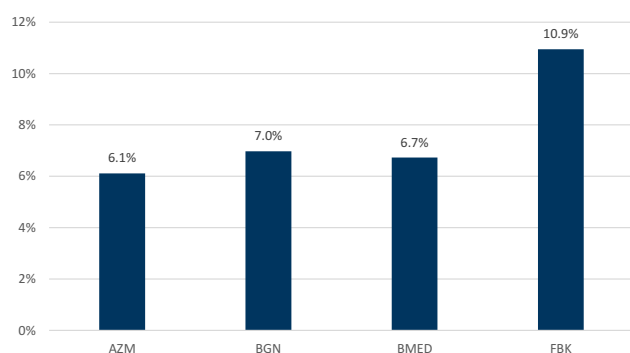
FBK and BGN continue to outperform

Following the strong growth achieved in 1H20 and discussed in detail in our sector initiation note from August, FBK again achieved the highest relative AuM growth in July/August. The firm achieved an annualised increase of c.11%, with a total of €730mn mainly concentrated in July. Over the same period, BGN and BMED reached €580mn and €670mn respectively, representing annualised growth of c.7% for both firms. Finally, AZM reached €437mn, c.6% annualised growth.

We continue to expect FBK and BGN to generate the highest AuM growth across the peer group, supported by the market share expansion both on the banking and investment management side, as well as by the growth of their in-house asset management products. We forecast an annual 10% and 6% growth for FBK and BGN respectively on average in 2020-22.

Exhibit 1: July and August saw sustained growth across the peer group

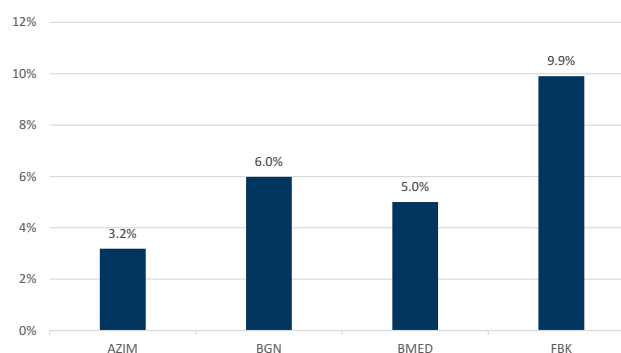
AuM organic growth



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 2: We expect FBK to grow at an average annual rate of 10% and BGN at 6% till 2022

Average 2020-22 organic growth



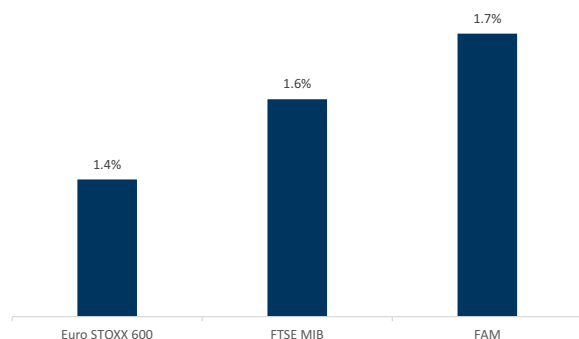
Source: Goldman Sachs Global Investment Research

Additionally, FBK and BGN's in-house products, Fineco Asset Management (FAM) and Lux IM respectively, have continued to outperform the relevant benchmarks over the months of July and August. We believe these are important growth drivers for the two firms as their current penetration across the firm's AuM is limited (35% for FAM and 23% for Lux IM) and as both companies are launching new products to meet evolving clients' demand.

FAM was up 1.7% in July and August and Lux IM was up 3.6% vs. the FTSE MIB up 1.6% and the Euro STOXX 600 up 1.4%.

Exhibit 3: FAM funds that are available to track in Bloomberg continue to outperform the relevant benchmarks...

YTD return, %

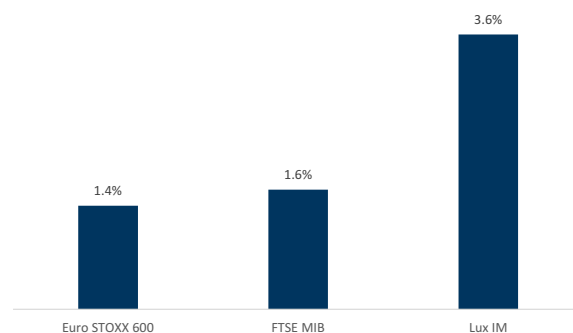


Note that Bloomberg tracks €1.9bn or 13% of FAM total AuM.

Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 4: ...and BGN's Lux IM funds have outperformed in a similar fashion

YTD return, %



Bloomberg tracks €5.0bn or 46% of Lux IM total AuM.

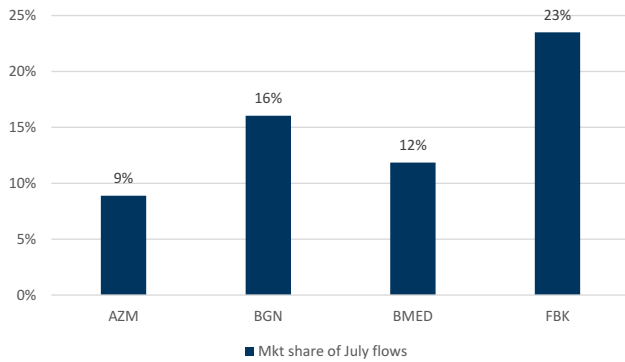
Source: Bloomberg, Goldman Sachs Global Investment Research

Accelerating growth continues

We argued in our [initiation note](#) from August that the global pandemic accelerated some of the growth trends of the asset gatherers, in particular for FBK. We believe the lockdown measures triggered incremental demand for high-quality digital services across the market. As the majority of banks in Italy closed their branches during March and April, and struggled to offer services to customers in a crucial period for the industry, some customers have shifted their wealth to more technologically adept players, such as FBK, which registered no downtime during the critical months of March and April. These circumstances resulted in the company attracting wealthier clients than it usually targets, looking for efficient online services. The higher growth for FBK, which we believe the market is underestimating, accelerated further in the month of July, where FBK booked 23% of the industry flows (resulting in 19% of industry flows since the beginning of the year), against its AuM market share as of December 2019 of 9%.

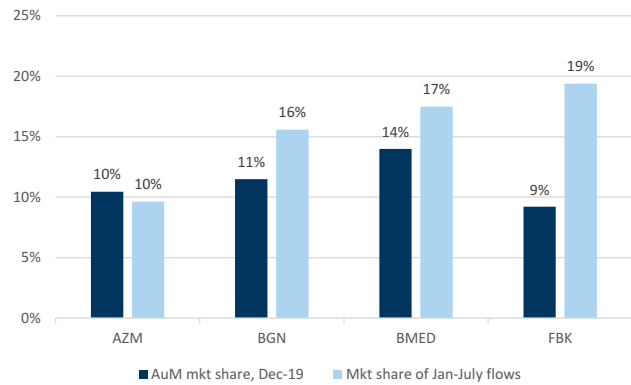
We note that BGN has also been a strong beneficiary of the trend due to its offering and digital innovation. The company booked 16% of the industry flows since the beginning of the year, stable at 16% during July, against its AuM market share of 11% from December 2019.

Exhibit 5: July flows show even further acceleration of the trend



Source: Assoreti

Exhibit 6: Resulting in 19% market share in Jan-Jul 2020
Market share



Source: Assoreti

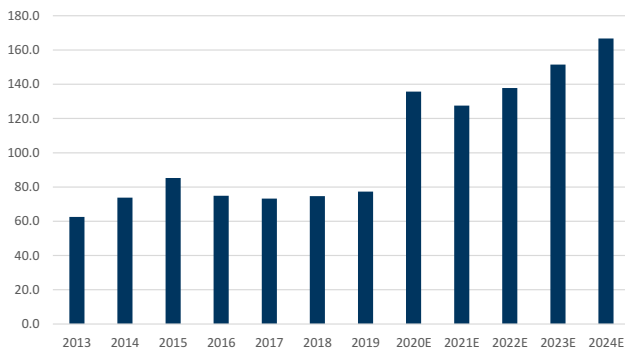
New developments which should fuel further growth

FBK: FBK achieved €13.4mn in brokerage revenues in August, +11% YoY. The firm’s efforts to expand in the UK market continue, with FBK adding Fidelity International and Algebris funds to its UK offering in September, in addition to Aberdeen, M&G and Threadneedle funds included over the past few months.

As analysed in more details in our [initiation note](#), we expect FBK’s brokerage commissions to grow by 21% (2019-22E CAGR) over the coming two years, supported by: i) higher levels of volatility, ii) growth of its home market where retail investors’ interest for financial markets is still relatively low, iii) expansion in the UK where we expect the firm to reach c.40k clients by 2022 due to its compelling offering and marketing efforts. FBK so far has reached 7.6k clients, mainly acquired from the largest UK banks. The firm estimates that c.£23bn of AuM shifted from traditional UK banks into the D2C market.

Exhibit 7: We expect FBK’s brokerage commissions to grow by 21% (2019-22E CAGR) over the coming two years

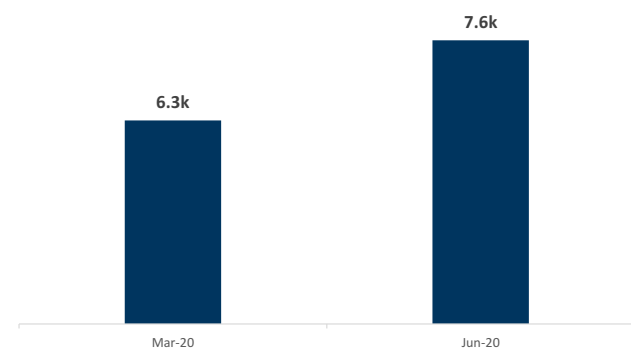
FBK broking commissions (£mn)



Source: Company data, Goldman Sachs Global Investment Research

Exhibit 8: Total current accounts in the UK have increased to 7.6k in Jun-20; We expect FBK to reach 40k by 2022

Total UK current accounts



Source: Company data, Goldman Sachs Global Investment Research

BGN. BGN has recently accelerated its recruitment activity. During the month of July alone local press ([Bluerating](#)) reported that BGN added 17 new advisors. Additionally, in

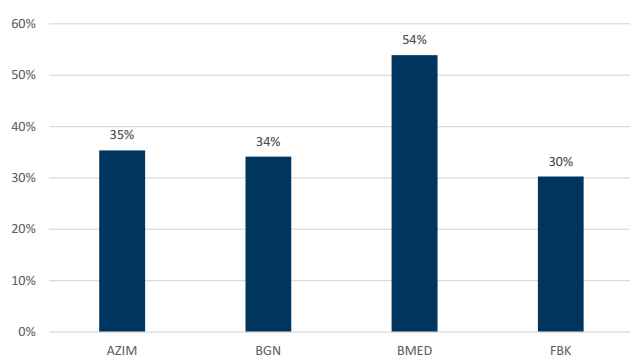
June BGN hired a new head of distribution. We believe BGN is best placed to accelerate its recruiting activities, which would be supportive of the firm's organic growth in 2021-22. We do however flag that in the current macro environment recruiting remains to some extent slower. We expect an organic AuM growth of c.7% in 2021-22.

EPS growth supported by operating leverage

We expect FBK to benefit from significant operating leverage over the coming years due to its digital efforts and leveraging on the investments made on its platforms. This should in our view help sustain strong EPS growth which we estimate at 13% across 2019-22 (CAGR).

Exhibit 9: With BGN and FBK also having the lowest CIR in the group...

Cost Income rate 2020



Source: Goldman Sachs Global Investment Research

Exhibit 10: We estimate FBK will see a 13% EPS CAGR from 2019-2022

EPS CAGR, %

Company	EPS CAGR 2019-22	EPS CAGR 2020-22
AZMT	-10%	-2%
BGN	-1%	7%
BMED	-13%	15%
FBK	13%	7%

Source: Goldman Sachs Global Investment Research

The below table summarizes our estimate changes for the Italian asset gatherers, whose numbers we update post the reporting of August flows.

Exhibit 11: Summary of estimate and PT changes

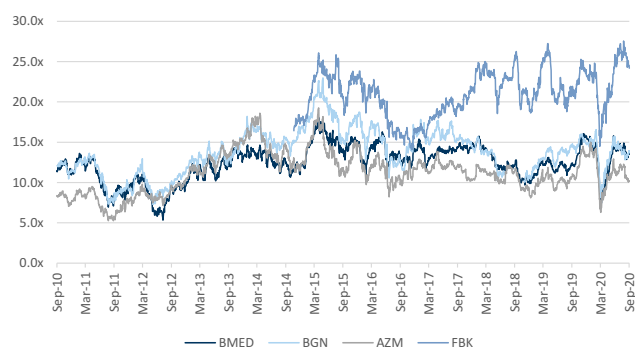
Company	Cur.	Price Current	Rating	12M PT			Upside/Downside	Cur.	EPS (new)			EPS (old)			New vs. old (%)		
				New	Old	%			2020E	2021E	2022E	2020E	2021E	2022E	2020E	2021E	2022E
Azimut	€	16.81	Neutral	18.10	18.00	1%	7.7%	€	1.74	1.62	1.68	1.72	1.60	1.69	1.1%	1.2%	-0.7%
Banca Mediolanum	€	6.62	Neutral	7.30	7.00	4%	10.4%	€	0.44	0.54	0.58	0.43	0.52	0.56	1.9%	4.8%	4.6%
Banca Generali	€	27.46	Buy	30.50	30.00	2%	11.1%	€	2.03	2.20	2.32	2.02	2.18	2.30	0.6%	0.9%	0.9%
FinecoBank	€	11.84	Buy	14.80	14.80	0%	25.1%	€	0.56	0.59	0.64	0.56	0.59	0.64	0.3%	0.4%	0.4%

Source: Datastream, Goldman Sachs Global Investment Research

Valuation and risks

We value the Italian asset gatherers with a P/E applied to our average 2021-22E EPS, which is the same approach we use for the majority of the other European asset managers under our coverage. The four Italian asset gatherers under our coverage trade between 10x (AZM) and 24x (FBK) on Datastream consensus NTM P/E.

Exhibit 12: Italian asset gatherers NTM historical valuation... FBK continues to trade at a premium to the other three NTM P/E



Source: Datastream, Goldman Sachs Global Investment Research

Exhibit 13: All four companies are currently trading at relatively similar levels to their historical NTM P/E averages, with the exception of FBK which trades at a slight premium NTM P/E

Time period	BMED	BGN	AZM	FBK
5 year average	13.2x	14.4x	11.3x	20.9x
3 year average	12.8x	13.5x	10.9x	22.3x
1 year average	13.3x	13.9x	11.6x	22.7x
Current P/E	13.6x	13.9x	10.2x	24.2x
GS target multiple	13.0x	13.5x	11.0x	24.0x

Source: Datastream, Goldman Sachs Global Investment Research

Azimut (Neutral):

- **Valuation:** Our 12-month P/E based price target is €18.10 (last close €16.81), applying an 11x multiple to average 2021/22E EPS, and implies 9% upside.
- **Risks:** The main upside and downside risks to our investment case are higher/lower flows, especially in relation to the private markets segment, a better- or worse-than expected macro environment, and better- or worse- than expected emerging market performance.

Banca Generali (Buy):

- **Valuation:** Our 12-month P/E based price target is €30.50 (last close €27.46), using a 13.5x multiple applied to average 2021/22E EPS, and implies 12% upside from current market levels.
- **Risks:** The main downside risks to our investment case are a worsening macro environment, lower-than-expected demand for Lux IM, lack of demand in Switzerland, adverse regulation, and technological issues.

Banca Mediolanum (Neutral):

- **Valuation:** Our 12-month P/E based price target is €7.30 (last close €6.62), applying a 13x multiple to average 2021/22E EPS, and implies 12% upside.
- **Risks:** The main risks to our investment case are higher/lower flows, especially in the insurance business, a better- or worse-than-expected macro environment, and accretive/dilutive M&A.

FinecoBank (Buy):

- **Valuation:** Our 12-month P/E based price target is €14.80 (last close €11.84), using a 24x multiple applied to an average of 2021-22E EPS, and implies 22% upside potential.
- **Risks:** The main downside risks to our investment case are a worsening macro

environment, lower demand than expected for FAM, lower volatility, slower-than-expected UK growth, and more competition in terms of players that offer the same multi-channel products as FBK.

Disclosure Appendix

Reg AC

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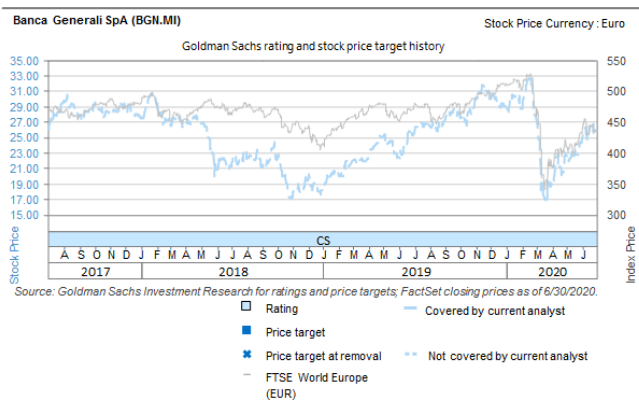
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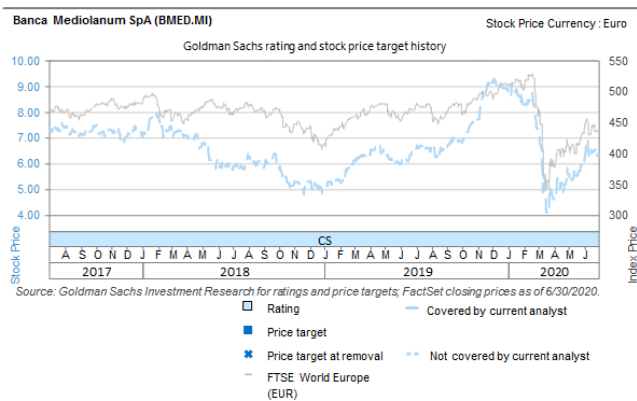
	Rating Distribution			Investment Banking Relationships		
	Buy	Hold	Sell	Buy	Hold	Sell
Global	47%	36%	17%	65%	58%	54%

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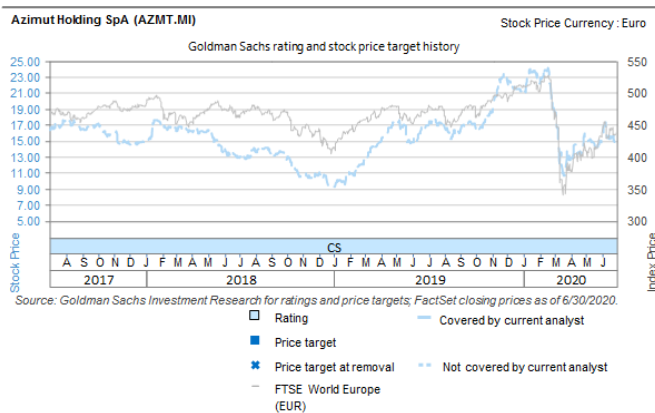
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