

Intermonte Partners

Weak 1H23 as Expected. No DPS Concern Thanks to Capital Strength

1H23 results were weak as expected in a challenging macro environment. Management's reference to some tangible evidence of recovery in the first part of 2H and, above all, the confirmation of a 2023 flat dividend, in our view represent reassuring messages for investors. We confirm our BUY rating.

1H23 results in line with our estimates

In 1H23, Intermonte Partners reported a consolidated net profit after minorities of EUR 1.1M, in line with our estimate, despite a pre-tax profit of EUR 1.9M, below our forecast of EUR 2.1M. Net revenues totalled EUR 14.8M, bang in line with our expectations, also with reference to the different business segments, while operating costs amounted to EUR 12.8M, only slightly higher than our EUR 12.7M projection. The group maintains a very solid capital position, with an IFR ratio of 5.5x at end-June 2023.

Company outlook: improving revenue trend in 2H and reassuring message on dividend

As regards the outlook, the company's 1H results' press release points out that July and August 2023 enjoyed an increase of approx. 50% yoy in revenues, trimming the yoy decline to around 15% for the first eight months of the year. In this scenario, the company expects its full-year revenue trend to be better than in 1H23 (-30.4% yoy). As far as the dividend is concerned, considering its solid capital position and the business recovery seen at the beginning of 2H, the group envisages the distribution of a dividend in line with the previous year (EUR 0.26/share, implying a 10.8% yield at the current share price), unless there is a further sharp deterioration in macroeconomic and market scenarios.

P&L estimates downgraded due to challenging scenario, 2023E dividend unchanged

Following the release of 1H23 results and the company's outlook for the current year, we took a more cautious stance on FY23E, reducing our FY23E net profit forecast to EUR 5.5M (which implies a EUR 4.4M in 2H23E from EUR 1.1M in 1H23A) from EUR 7.4M. However, we maintain our assumption of a stable 2023E EUR 0.26/sh. dividend, thanks to the solid group's capital position (more than EUR 33M excess capital), which allows the company to distribute reserves without a significant impact on its IFR ratio. We also downgraded our estimates for both FY24E and FY25E, with an average -13% reduction in net profit expectations, which however imply a +38.5% yoy growth in 2024E net income, followed by another +23.3% yoy progress in 2025E.

Valuation: BUY rating confirmed, new TP EUR 2.8

Following our estimates' revision, we reduced our **target price** to **EUR 2.8** (from EUR 3.0). Given an upside potential above 16% from the current share price, **we confirm our BUY rating**. The generous distribution to shareholders, relying on a sound capital position, represents a key support for the equity story.

19 September 2023: 11:16 CET
Date and time of production

BUY

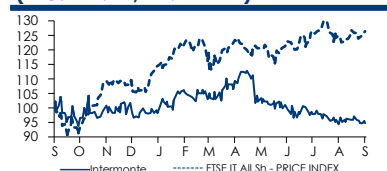
Target Price: EUR 2.8
(from EUR 3.0)

Italy/Brokerage & Investment
Banking
Company Results

EGM

Price Performance

(RIC: INT.MI, BB: INT IM)



Intermonte Partners - Key Data

Price date (market close)	14/09/2023
Target price (€)	2.8
Target upside (%)	16.18
Market price (€)	2.41
Market cap (EUR M)	77.84
52Wk range (€)	2.87/2.38

Y/E Dec (EUR)	FY22A	FY23E	FY24E
Adj EPS	0.20	0.17	0.24
EPS	0.21	0.17	0.24
DPS	0.26	0.26	0.26
TBV PS	1.6	1.5	1.5
PPS PS	0	0	0
Adj. ROTE (%)	12.1	11.1	16.0
Adj P/E (x)	13.0	14.0	10.1
P/TBV (x)	1.6	1.6	1.6
Div yield (%)	10.0	10.8	10.8

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

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1H23 Results

In 1H23, Intermonte Partners reported a consolidated net profit after minorities of EUR 1.1M, in line with our estimate, despite a pre-tax profit of EUR 1.9M, below our forecast of EUR 2.1M. The key points of results were:

1H23 results basically in line with our estimates

- **EUR 14.8M total net revenues**, declining by 30.4% yoy, bang in line with our expectations, also with reference to the different business segments, with Investment Banking revenues falling the most (-50.2% yoy) – also adversely affected by the closing of some M&A deals in July and August – whereas Sales & Trading was down -23.8% yoy; Global Markets' revenues declined by -20.5% yoy, also due to a yoy tough comparison base, whereas Digital Division & Advisory kept growing (+2.9% yoy);
- **EUR 12.8M operating costs**, only slightly higher than our EUR 12.7M estimate, declining by approx. 9% yoy, showing a different mix versus our projection, with higher than expected staff costs (EUR 8.6M vs. EUR 8.3M estimated) and lower G&A expenses (EUR 4.2M vs. EUR 4.4M forecast);
- **Solid IFR ratio**, around 5.5x at 30 June 2023, up from 3.9x at end-June 2022.

Intermonte Partners - 1H23 results

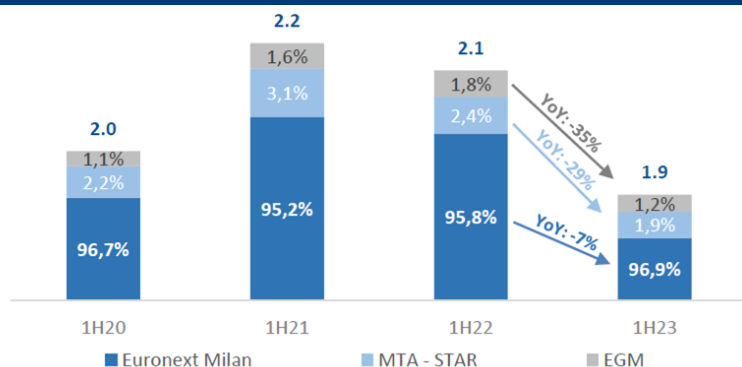
EUR M	1H22A	FY22A	1H23A	1H23E	1H A/E %	1H yoy %
Sales & Trading	7.9	13.6	6.0	6.0	-0.7	-23.8
Global Markets	4.1	9.1	3.3	3.3	0.0	-20.5
Investment Banking	7.5	11.2	3.7	3.7	-0.3	-50.2
Digital & Advisory	1.7	3.7	1.7	1.8	-0.1	2.9
Total net revenues	21.2	37.6	14.8	14.8	-0.4	-30.4
Personnel expenses	9.4	18.0	8.6	8.3	3.9	-8.5
G&A expenses	4.7	9.3	4.2	4.4	-3.7	-9.7
Total costs	14.1	27.3	12.8	12.7	1.2	-8.9
Pre-tax profit	7.1	10.3	1.9	2.1	-9.8	-72.9
Net profit	4.2	6.6	1.1	1.1	0.7	-73.9

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

Revenue analysis

Looking in more detail at revenue performance by business units, Sales & Trading revenue decline was due to a sharp decrease in markets' volumes registered in 1H23, especially in Italian Cash Equity (-8% yoy, with Euronext Growth Milan -35% yoy, and STAR segment -29% yoy, according to company presentation). The company also underlined that anyhow it was able to outperform its core reference market, increasing the group's market share in EGM to 10.2% (from 8.8% in 1H22).

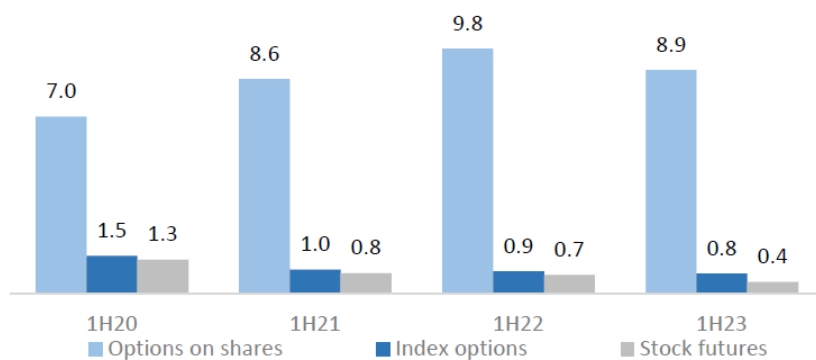
Sales & Trading

Borsa Italiana: Total stock market turnover (EUR Bn)

Source: Company data based on Assosim and Factset data

In 1H, over 1,050 clients were served by the Sales & Trading business unit, of which more than 440 institutional clients, 60% of them operating on foreign markets (up from around 50% in 1H22, and 40% in FY21), mainly the UK and the US.

Global Markets revenues declined by -20.5% yoy, also due to a tough comparison base with 1H22, and a generally weak market making activity from institutional clients. Non-Client Driven trading activity had a positive result in 1H23, partially offsetting weak institutional client activity.

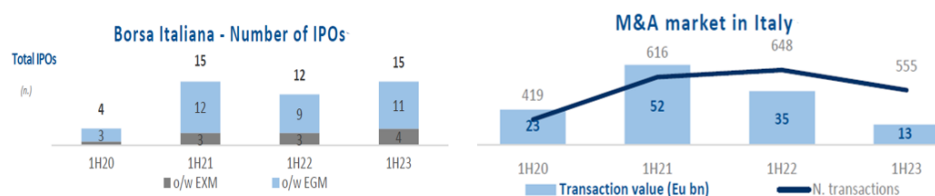
Global Markets**Borsa Italiana: Number of contracts traded (Contracts M)**

Source: Assosim data as of 1H23

Unsurprisingly, Investment Banking unit registered a significant revenue decline in 1H, due to a general contraction of activity in both ECM and M&A in Italy.

Investment Banking

Investment Banking Activity in Italy in 1H23

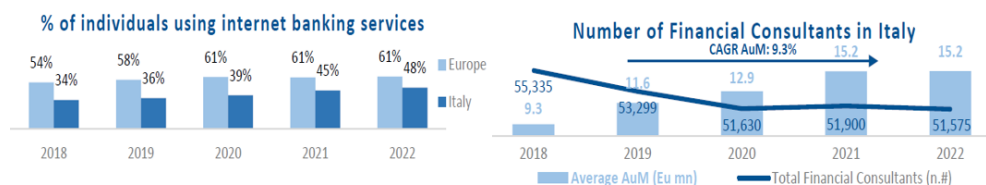


Source: Borsa Italiana, KPMG

Digital Division & Advisory unit confirmed its growth profile in 1H23, reaching EUR 1.7M revenues, which represented almost 12% of group revenues vs 7.8% in 1H22. Growth was fueled by an acceleration of business activity in investment solutions, whereas it has been temporarily negatively affected by a rebranding initiative of some products.

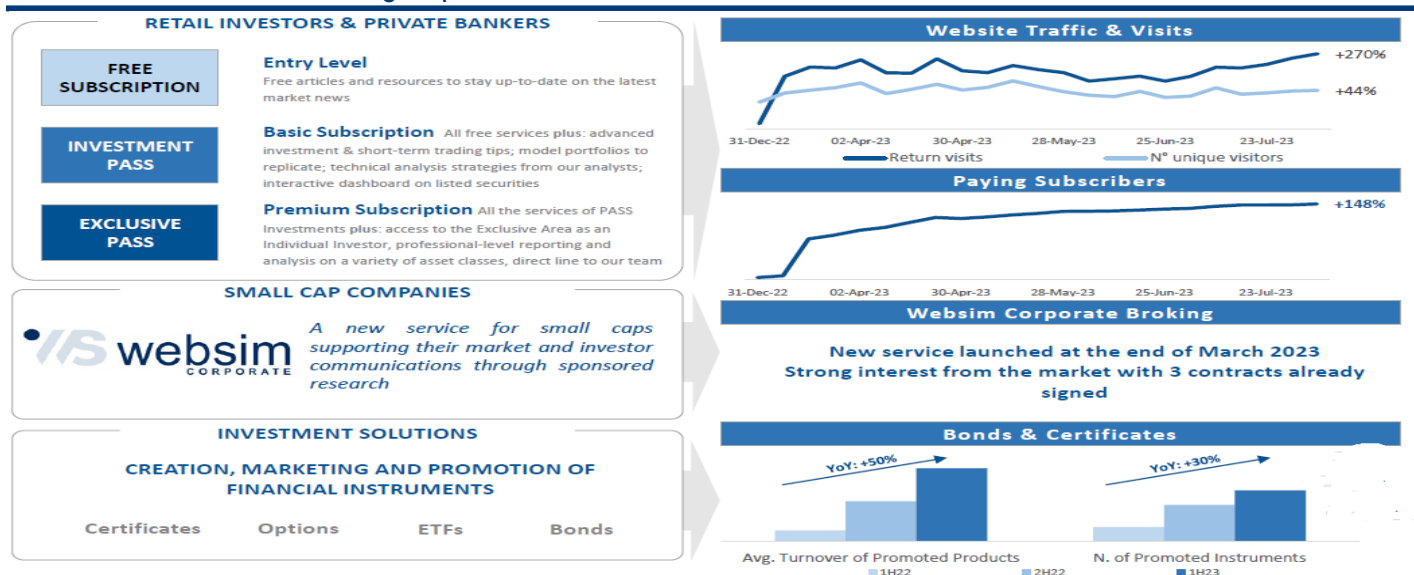
Digital Division & Advisory

Intermonte Partners – Internet use (Europe/Italy) and financial consultants in Italy



Source: Company data on Eurostat and OCF data

Intermonte Partners – Broad new range of products and services

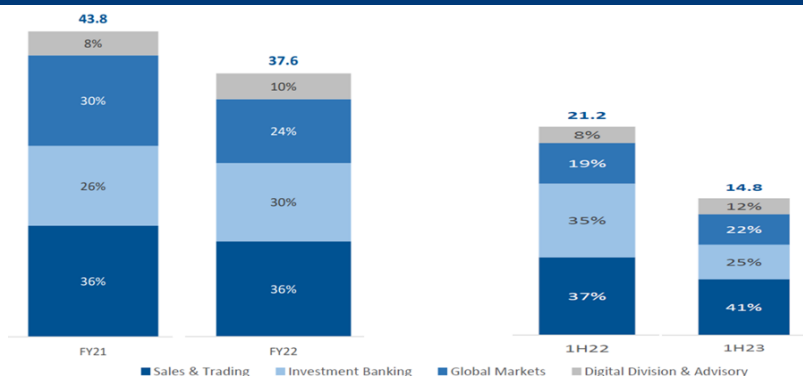


Source: Company data

All in all, the group presented the following more balanced and diversified revenue mix over the last few years.

Revenue mix

Intermonte Partners – FY and 1H breakdown in revenues (EUR M)

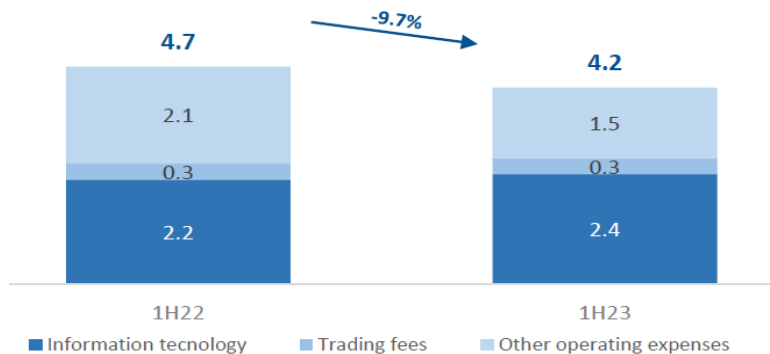


Source: Company data

Operating costs' analysis

Operating costs fell by 8.9% yoy in 1H23 to EUR 12.8M (vs EUR 14.1M in 1H22), driven by lower operating expenses (-9.7% yoy to EUR 4.2M), due to efficiency gains and lower energy costs, whereas IT costs grew by 5% yoy, due to the need to support Digital Division ramp-up. Personnel costs declined by 8.5% yoy to EUR 8.6M (vs. EUR 9.4M in 1H22), despite the negative impact on fixed salary coming from both the increase in employee headcount (13 new hires in 1H23, +4 net yoy) and the new Company Welfare Plan.

Intermonte Partners – Operating expenses 1H23 evolution



Source: Company data

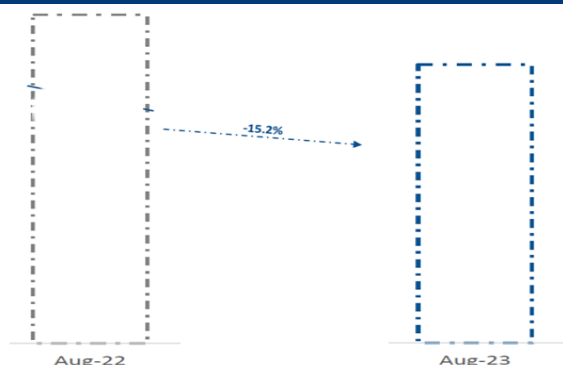
Earnings Outlook

Management outlook

As regards the outlook, the company's 1H results' press release pointed out that July and August 2023 enjoyed an increase in revenues of approx. 50% yoy, trimming the yoy decline to around 15% for the first eight months of the year. In particular: 1) according to the company, Global Markets' trend has significantly improved since the end of 1H23 and, as of 31 August 2023, the segment revenues were broadly flat on a yoy basis; 2) thanks to the closing of some M&A deals in July and August, Investment Banking division's revenues were down by 15% yoy as of end-August, significantly reducing the negative yoy variation compared to 1H.

Significant revenue recovery in July and August

Intermonte Partners – Revenue development in first 8 months 2023

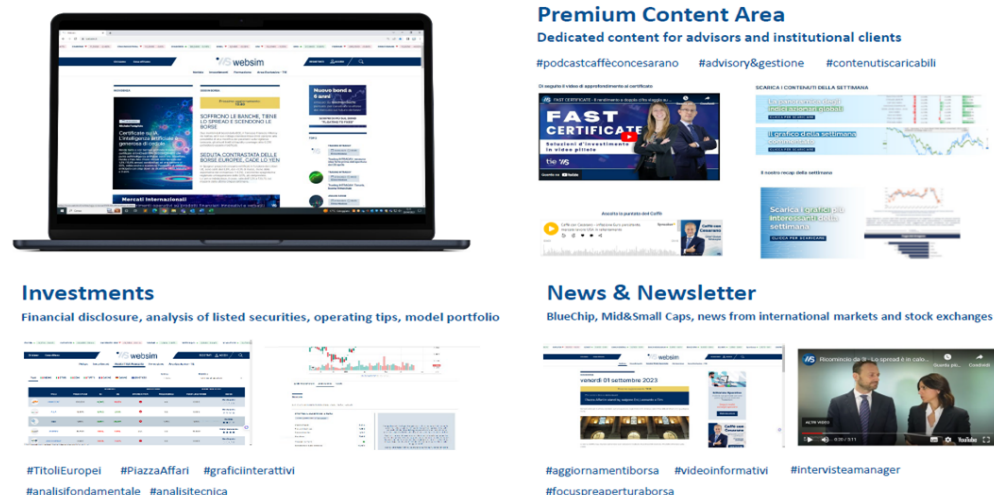


Source: Company data

In this scenario, the company expects its full-year revenue trend to be better than in 1H23, adding that this result should be driven by a strong pipeline in the Investment Banking sector, expectations for a gradual normalisation of Sales & Trading activity (which should benefit from a continuing increase in the number of clients, and an improving market share in the mid/small caps segment), and a positive contribution from Global Markets activity, thanks in part to the implementation of new market strategies. Finally, the Digital Division & Advisory should continue to grow, bolstered by the new website (in the three months following its launch in March 2023 the number of subscribers to the platform increased by nearly 150% vs. end-2022) and further services on the launch pad.

2H outlook

Intermonte Partners – Websim: launch of redesigned website (March 2023)



Source: Company data

As far as the dividend is concerned, considering its solid capital position and the business recovery seen at the beginning of 2H23, the group envisages the distribution of a dividend in line with the previous year, unless there is a further sharp deterioration in macroeconomic and market scenario.

Estimates' revision

Following the release of 1H23 results and the company's outlook for the current year, we took a more cautious stance on FY23E, with total net revenues of EUR 35.2M (vs. EUR 40M previously), implying a decline of -6.5% yoy. As a result, and although we also incorporated a more optimistic cost evolution (EUR 26.6M vs. EUR 28.4M previously), we reduced our FY23E net profit forecast to EUR 5.5M from EUR 7.4M.

In line with company guidance, we continue to expect a stable dividend (EUR 0.26/sh.) for 2023E. Such an assumption implies a dividend distribution of approx. EUR 8.3M, of which EUR 5.5M FY23E net profit and around EUR 2.8M coming from reserves. We are confident in our expectation, as in the 1H results' presentation, the company stated that the group excess capital is above EUR 33M when comparing the IFR ratio level (550% at end-June 2023) to the group internal capital ratio target (187.5%) and more than EUR 41M when referring to the SREP requirement.

We also downgrade our estimates for both FY24E and FY25E, with an average -13% reduction in net profit expectations. Our forecasts imply a +38.5% yoy growth in 2024E net income, followed by another +23.3% yoy progress in 2025E. We also slightly reduced our 2024E-25E DPS estimates to EUR 0.26 (still implying a pay-out ratio above 100%, feasible thanks to the solid group's capital position) and EUR 0.28, respectively, from EUR 0.27 and EUR 0.285.

Our forecasts (shown in detail in the table on the following page), incorporate a double-digit 2022A-25E CAGR for IB and DD&A revenues (+13% and +20.4%, respectively). As a result, the more market-related sources of revenues (Sales & Trading and Global Markets) should reduce their weighting to slightly more than 50% in FY25E (from 60% in FY22A), with Investment Banking up to around 35% (from 30%) and DD&A reaching approx. 14% (from 10% in 2022A).

Reassuring message on dividend, with 2023 confirmed in line with last year

2023E: downgrade in P&L estimates...

...with stable dividend expected

2024E-25E estimates' revision

Intermonte Partners – New vs. old estimates

%	2023E chg.	2024E chg.	2025E chg.
Total net revenues	-11.8	-7.5	-6.5
Total operating costs	-6.3	-3.7	-2.7
Pre-tax profit	-25.5	-15.9	-14.1
Net profit	-25.6	-14.5	-11.0

E: estimates; Source: Intesa Sanpaolo Research

Intermonte Partners – New vs. old detailed estimates

EUR M	2022A	2023E new	2024E new	2025E new	2023E old	2024E old	2025E old
Sales & Trading	13.6	11.0	11.6	11.9	13.5	14.0	14.5
Global Markets	9.1	9.0	10.0	11.0	10.1	10.5	11.5
Investment Banking	11.2	11.2	14.0	16.2	11.9	13.8	16.3
Digital divisions & Advisory	3.7	4.0	5.0	6.5	4.5	5.5	6.5
Total net revenues	37.6	35.2	40.5	45.6	40.0	43.9	48.8
Personnel costs	18.0	17.3	19.2	21.7	18.9	20.4	22.6
Administrative expenses	9.3	9.4	9.6	9.8	9.5	9.6	9.7
Total operating costs	27.3	26.6	28.9	31.5	28.4	30.0	32.4
Profit before taxes	10.3	8.6	11.7	14.1	11.5	13.9	16.5
Net profit after minorities	6.6	5.5	7.7	9.5	7.4	9.0	10.6
DPS (EUR)	0.26	0.26	0.26	0.28	0.26	0.27	0.285

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

Valuation

Our **new target price of EUR 2.8** derives from a 3-stage DDM, confirmed by a peer comparison with Equita, which we consider as the closest comparable. Given an upside potential slightly above 16%, **we confirm our BUY rating**.

New TP EUR 2.8 (from EUR 3.0), BUY rating confirmed

Intermonte Partners - DDM

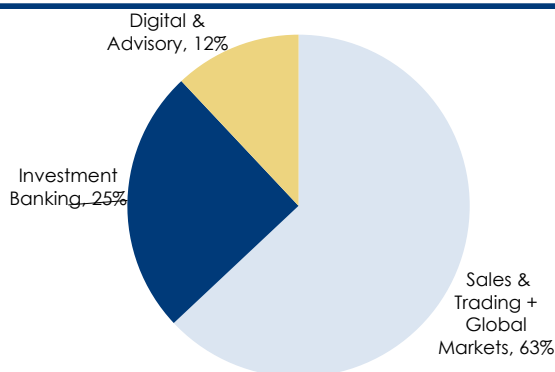
%	Weighting	
Adj. RoTE 2022	12.6	
Dividend payout on adj. net profit 2022	129.9	
Short-term (2022A-25E) EPS CAGR	14.1	
RoTE at end of short-term period (2025E)	20.2	
Medium-term (2026E-32E) pay-out	100.0	
Medium-term (2025E-32E) EPS CAGR	0.0	
RoTE at end of medium-term period (2032E)	19.8	
Short-term fair value (EUR M)	21.8	24.0
Medium-term fair value (EUR M)	34.9	38.2
Terminal value (EUR M)	34.5	37.8
DDM fair value (EUR M)	91.2	100.0
DDM target price (EUR)	2.8	

Source: Intesa Sanpaolo Research estimates

The closest comparable to Intermonte is Equita Group, in our view, as it: 1) is based in Italy and listed on the Italian market; 2) has a very similar business mix (despite differences in business segments' contribution, as shown in the below-attached chart); and 3) is mainly active with Italian clients.

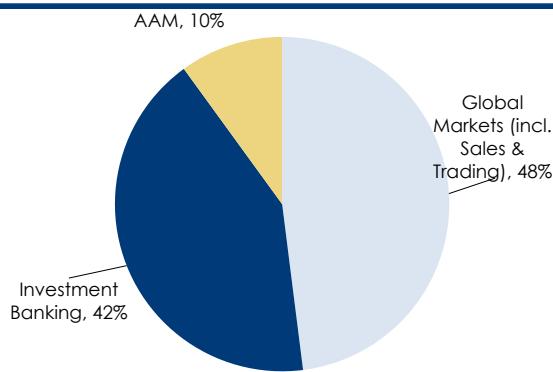
Multiples' analysis

Intermonte Partners – 1H23 revenue mix



Source: Company data

Equita Group – 1H23 revenue mix



Source: Company data

Based on the average of the results obtained through Equita's 2024E P/E and 2023E P/TBV and dividend yield, we obtain a multiple analysis' fair value of EUR 90.8M or **EUR 2.8**.

Multiple analysis' fair value

Intermonte Partners - Fair value based on Equita's multiples

EUR M	2023E	2024E	2023E	2024E	2023E	2024E
Net profit	5.5	7.7				
Equita P/E (x)	11.2	9.4				
Tangible book value			48.6	47.7		
Equita P/TBV (x)			2.3	2.2		
Dividends					8.3	8.3
Equita div. yield (%)					9.4	10.5
Fair value	62.3	72.3	111.1	106.0	89.1	79.7
Average fair value (EUR M)	90.8					
Average fair value (EUR)	2.8					

Priced at market close of 14 September 2023; E: estimates; Source: Intesa Sanpaolo Research

Valuation and Key Risks

Valuation basis

We value Intermonte Partners through the average of a three-stage Dividend Discount Model (DDM) and a peer comparison, based on the multiples of Equita (which we consider the closest comparable). Our DDM has our 2023E-25E explicit estimates as a starting point, followed by a 7-year transitional period with adj. net profit and tangible net equity gradually developing consistently with our terminal payout assumption of 100%. Our DDM valuation model incorporates a 10.5% cost of equity (4% RFR, 6.5% ERP).

Key Risks

Company specific risks:

- Mainly focused on the Italian market
- Its end-markets are volatile in nature
- Limited stock liquidity

Sector generic risks:

- Geopolitical and financial risks
- Technology risks
- Regulatory risks

Company Snapshot

Company Description

Intermonte is an independent investment bank, with a leading position (reflecting its 28 years of history) in financial services and brokerage dedicated to institutional investors and SMEs. Intermonte, which can count on approx. 140 employees, is active in four business areas: Sales & Trading, Global Markets, Investment Banking, Digital & Advisory. The company also has a strong and highly-qualified Research team.

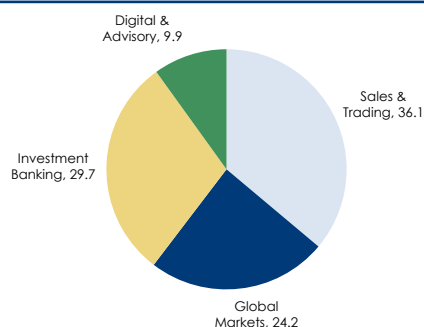
Key data

Mkt price (€)	2.41	Free float (%)	38.9
No. of shares	32.30	Major shr	Sh.s' Pact
52Wk range (€)	2.87/2.38	(%)	21.3
Reuters	INT.MI	Bloomberg	INT IM
Performance (%)	Absolute		Rel. FTSE IT All Sh
-1M	0.4	-1M	-0.8
-3M	-5.9	-3M	-8.4
-12M	-5.3	-12M	-25.1

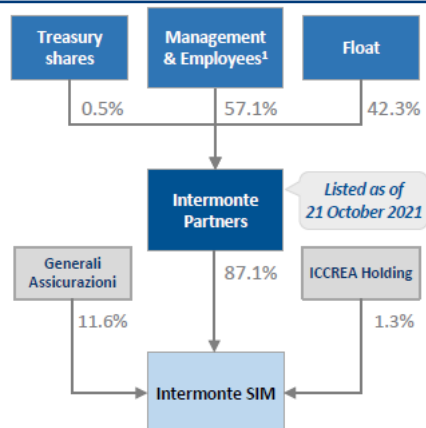
Estimates vs. consensus

EUR M (Y/E Dec)	2022A	2023E	2023C	2024E	2024C	2025E	2025C
Total income	37.65	35.25	NM	40.55	NM	45.64	NM
Operating costs	27.32	26.64	NM	28.86	NM	31.49	NM
Gross op. inc.	10.33	8.61	NM	11.69	NM	14.15	NM
LLP	0.00	0.00	NM	0.00	NM	0.00	NM
Net income	6.61	5.54	NM	7.68	NM	9.47	NM
Adj. EPS (€)	0.20	0.17	NM	0.24	NM	0.30	NM

Revenues breakdown by division (FY22, %)



Intermonte group structure and shareholding basis (June 2023)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 14/09/2023)

Intermonte Partners – Key Data

Rating BUY	Target price (€/sh) Ord 2.8		Mkt price (€/sh) Ord 2.41		Sector Brokerage & Investment	
Values per share (EUR)	2020A	2021A	2022A	2023E	2024E	2025E
No. of outstanding shares (M)	36.20	36.20	36.20	32.30	32.30	32.30
Adj. EPS	0.255	0.281	0.200	0.173	0.239	0.295
TBV PS	2.0	1.7	1.6	1.5	1.5	1.5
PPP PS	0	0	0	0	0	0
Dividend ord	0.19	0.26	0.26	0.26	0.26	0.28
Income statement (EUR M)	2020A	2021A	2022A	2023E	2024E	2025E
Net interest income	0.00	0.00	0.00	0.00	0.00	0.00
Net commission/fee income	40.71	43.82	37.65	35.25	40.55	45.64
Net trading income	0.00	0.00	0.00	0.00	0.00	0.00
Total income	40.71	43.82	37.65	35.25	40.55	45.64
Total operating expenses	28.48	31.99	27.32	26.64	28.86	31.49
Gross operating income	12.22	11.83	10.33	8.61	11.69	14.15
Provisions for loan losses	0.00	0.00	0.00	0.00	0.00	0.00
Pre-tax income	12.22	11.83	10.33	8.61	11.69	14.15
Net income	7.75	7.24	6.61	5.54	7.68	9.47
Shareholders' earnings	0.00	0.00	0.00	0.00	0.00	0.00
Adj. shareholders' earnings	9.04	9.03	6.38	5.54	7.68	9.47
Composition of total income (%)	2020A	2021A	2022A	2023E	2024E	2025E
Net interest income	0	0	0	0	0	0
Trading income	0	0	0	0	0	0
Commission income	100.0	100.0	100.0	100.0	100.0	100.0
Balance sheet (EUR M)	2020A	2021A	2022A	2023E	2024E	2025E
Total assets	277.7	332.3	202.9	220.0	297.5	298.8
Customer loans	105.8	167.9	93.1	119.8	130.0	135.0
Total customer deposits	85.4	148.2	56.0	102.9	98.1	101.3
Shareholders' equity	70.0	53.8	51.8	48.8	47.9	48.7
Tangible equity	69.9	53.7	51.7	48.6	47.7	48.5
Risk weighted assets	263.0	119.3	121.7	105.3	107.9	110.6
Stock market ratios (X)	2020A	2021A	2022A	2023E	2024E	2025E
Adj. P/E	NA	10.5	13.0	14.0	10.1	8.2
P/TBV	NA	1.76	1.60	1.59	1.62	1.59
P/PPP	NA	NA	NA	NA	NA	NA
Dividend yield (% ord)	NA	8.8	10.0	10.8	10.8	11.6
Profitability & financial ratios (%)	2020A	2021A	2022A	2023E	2024E	2025E
ROE	11.26	11.70	12.51	11.02	15.89	19.61
Adj. ROTE	13.14	14.61	12.10	11.06	15.95	19.69
RoRWA	3.10	3.79	5.48	4.88	7.21	8.67
Leverage	0	0	0	0	0	0
Cost income ratio	70.0	73.0	72.6	75.6	71.2	69.0
Tax rate	25.93	26.13	25.63	26.04	25.75	25.45
Dividend payout	85.8	115.4	125.3	150.5	108.7	94.9
Other (%)	2020A	2021A	2022A	2023E	2024E	2025E
CET1 ratio	27.19	39.90	38.78	46.92	45.16	44.50
CET1 ratio fully loaded	27.19	39.90	38.78	46.92	45.16	44.50
Net impaired loans ratio	0.00	0.00	0.00	0.00	0.00	0.00
Net impaired loans on TBV	0.00	0.00	0.00	0.00	0.00	0.00
Growth (%)	2020A	2021A	2022A	2023E	2024E	2025E
Total income	17.0	7.6	-14.1	-6.4	15.0	12.5
Gross operating income	48.2	-3.2	-12.7	-16.7	35.9	21.0
Net income	45.1	-6.6	-8.7	-16.1	38.5	23.3
Adj. net income	69.1	-0.1	-29.4	-13.1	38.5	23.3
BS growth (%)	2020A	2021A	2022A	2023E	2024E	2025E
Customers' loans	4.8	58.7	-44.6	28.7	8.5	3.8
Customers' deposits	-30.0	73.6	-62.2	83.7	-4.6	3.2
Shareholders' funds	3.2	-23.1	-3.7	-5.8	-1.9	1.8
Structure (no. of)	2020A	2021A	2022A	2023E	2024E	2025E
Employees	130	135	136	139	142	145

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

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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.

Equity Research Publications in Last 12M

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<https://group.intesasanpaolo.com/en/research/RegulatoryDisclosures/archive-of-intesa-sanpaolo-group-s-conflicts-of-interest0>

Valuation methodology (long-term horizon: 12M)

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

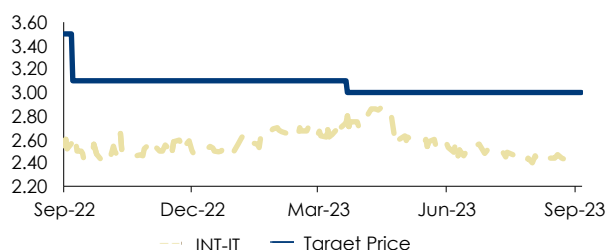
In its recommendations, Intesa Sanpaolo SpA uses an "absolute" rating system, whose key is reported below:

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

Long-term rating	Definition
BUY	If the target price is 10% higher than the market price.
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Historical recommendations and target price trends (long-term horizon: 12M)

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Target price and market price trend (-1Y)**Historical recommendations and target price trend (-1Y)**

Date	Rating	TP (EUR)	Mkt Price (EUR)
04-Apr-23	BUY	3.0	2.8
20-Sep-22	BUY	3.1	2.6

Equity rating allocations (long-term horizon: 12M)**Intesa Sanpaolo Research Rating Distribution (at July 2023)**

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Total Equity Research Coverage relating to last rating (%)*	77	23	0
of which Intesa Sanpaolo's Clients (%)**	71	52	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

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