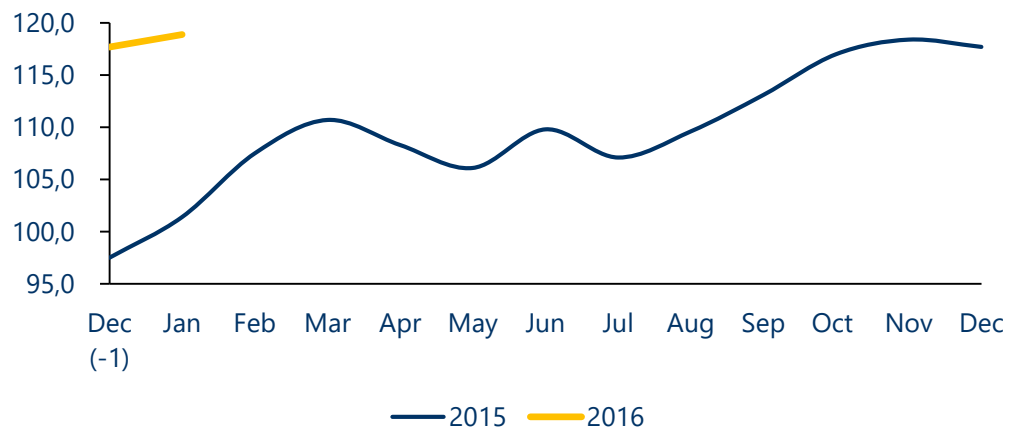


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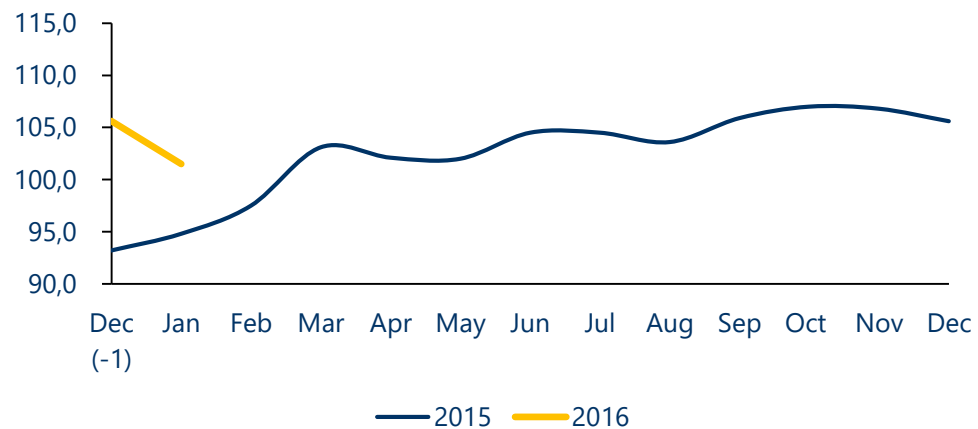
Marco Baccaglio, CFA
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High confidence, weak facts

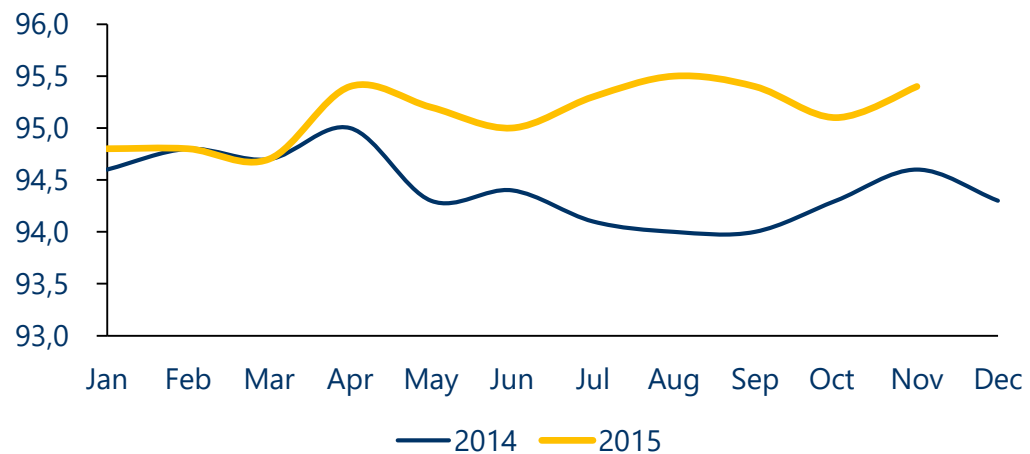
Consumer confidence



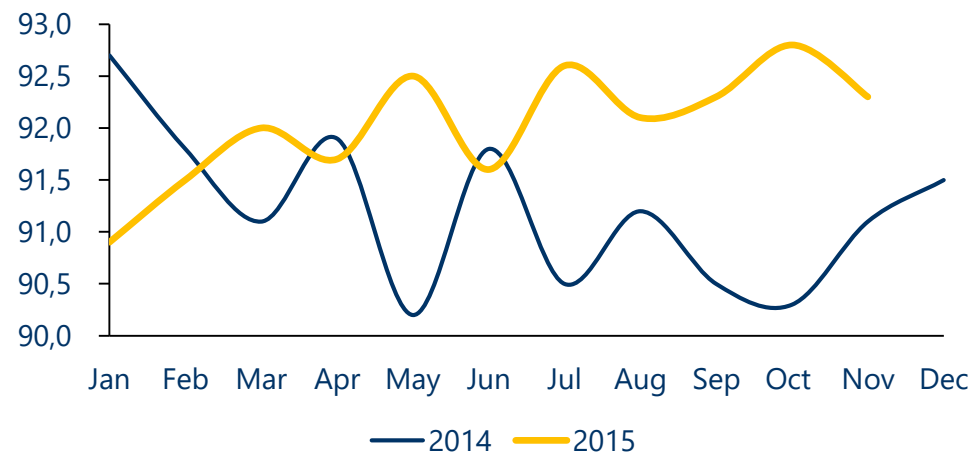
Business confidence index



Retail sales index

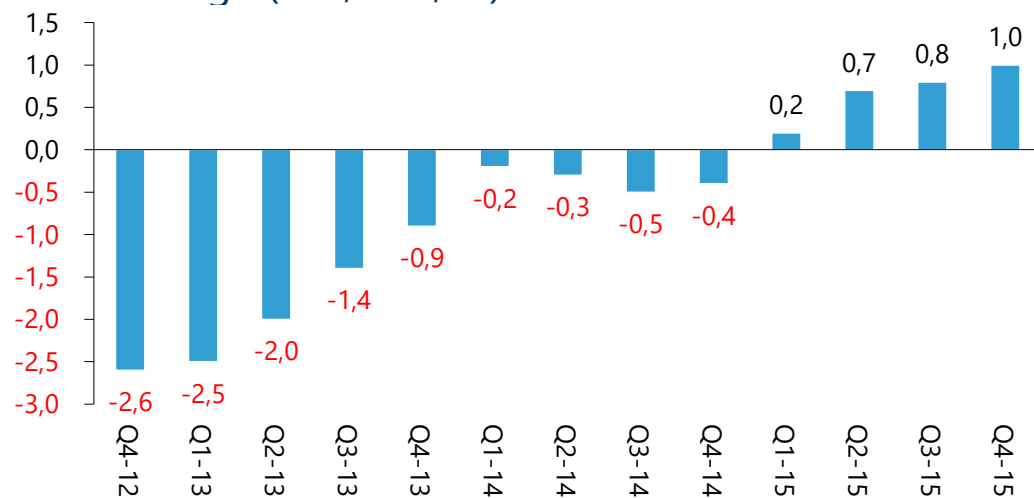


Industrial production

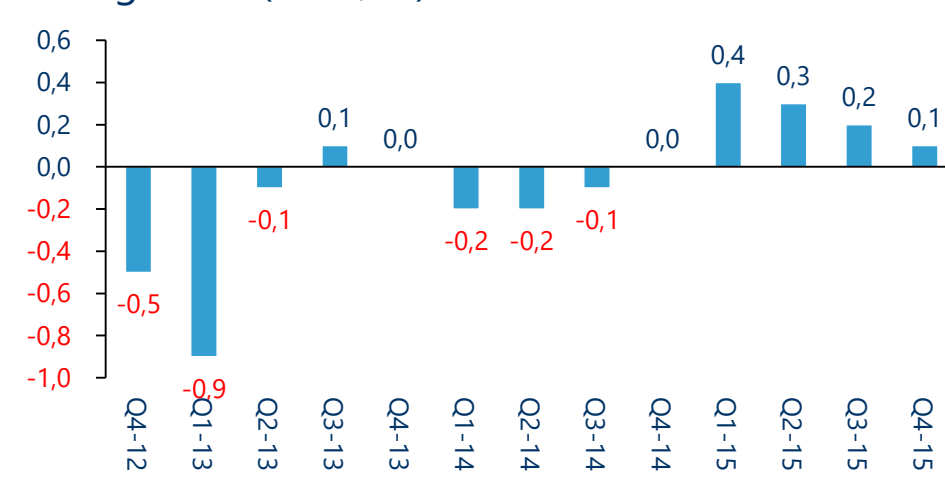


GDP and labour data

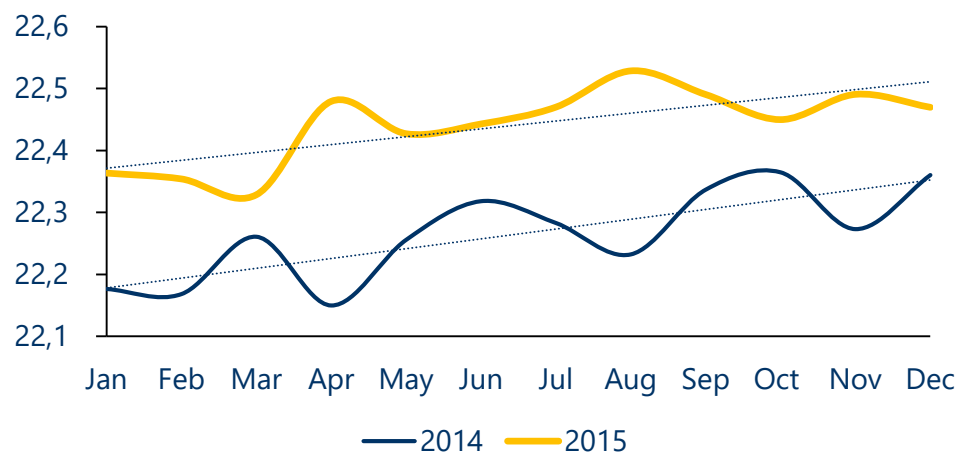
GDP Change (YoY, real, %)



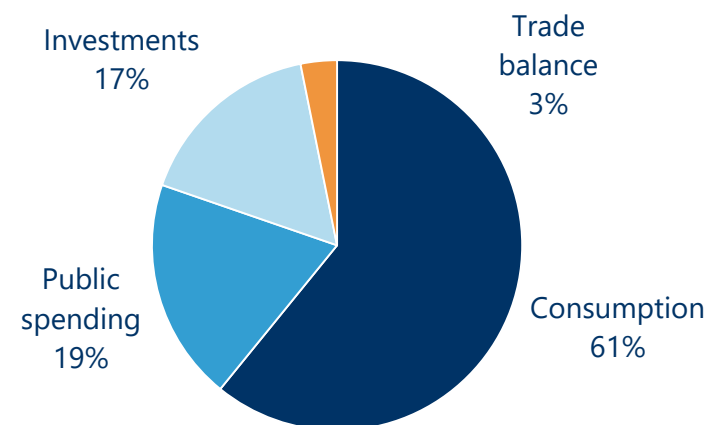
GDP growth (QoQ, %)



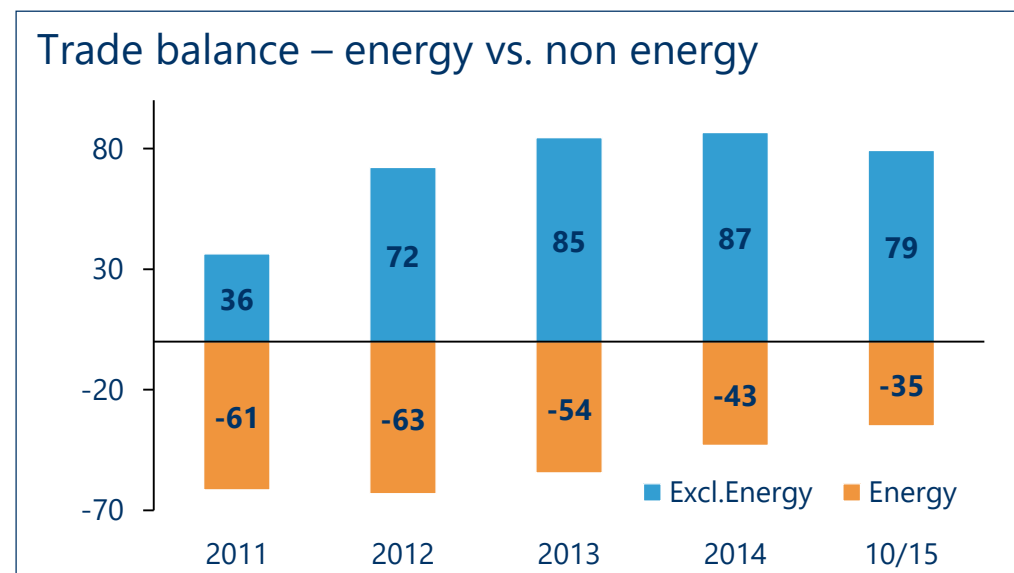
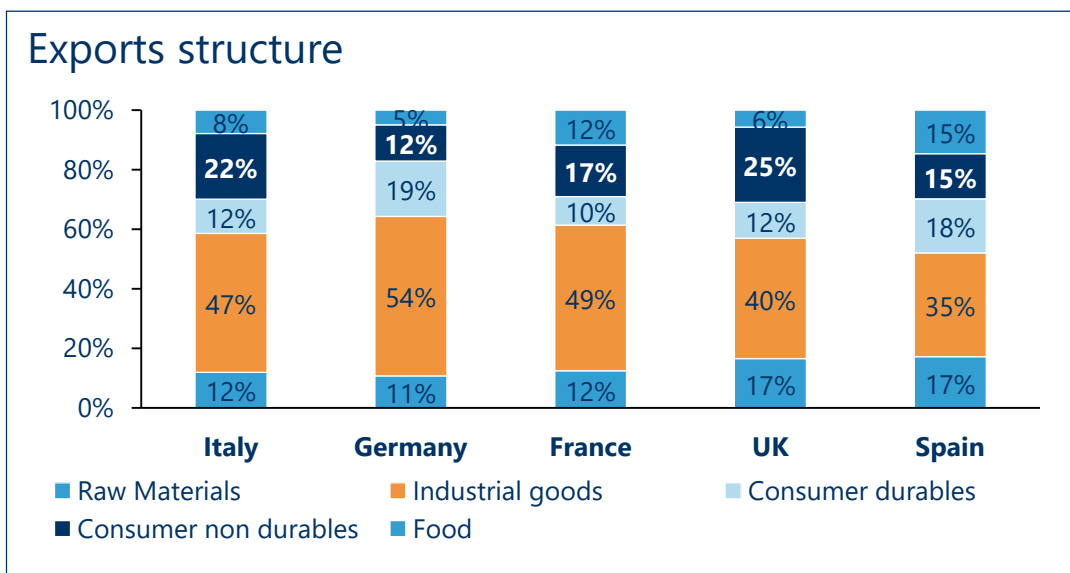
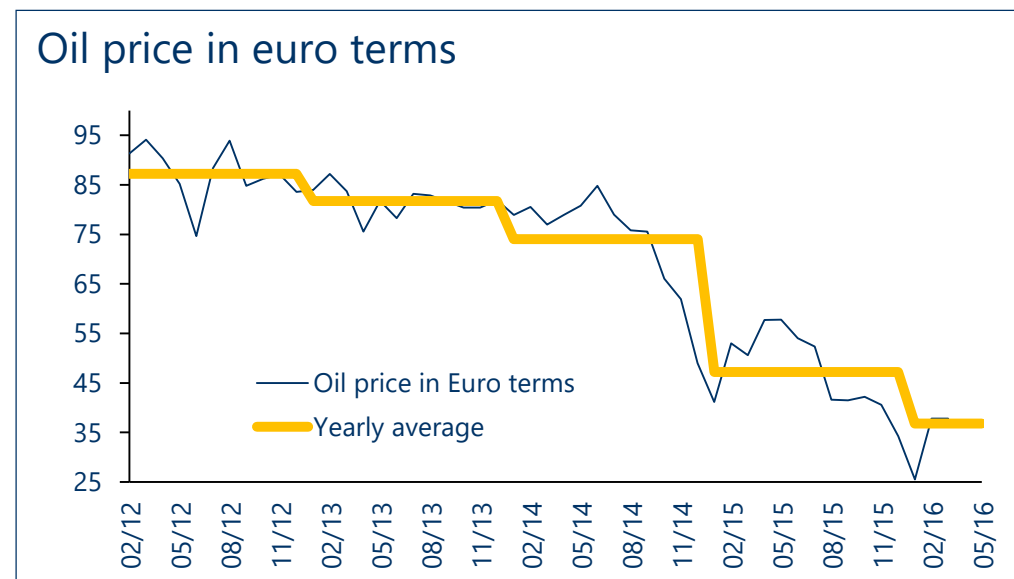
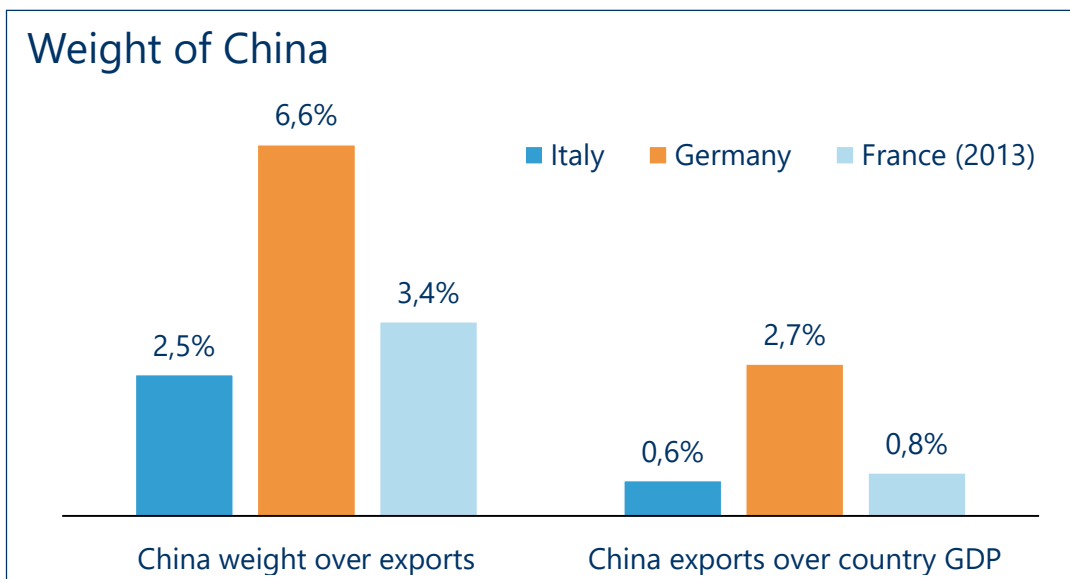
Employed people (million)



Italia GDP by component

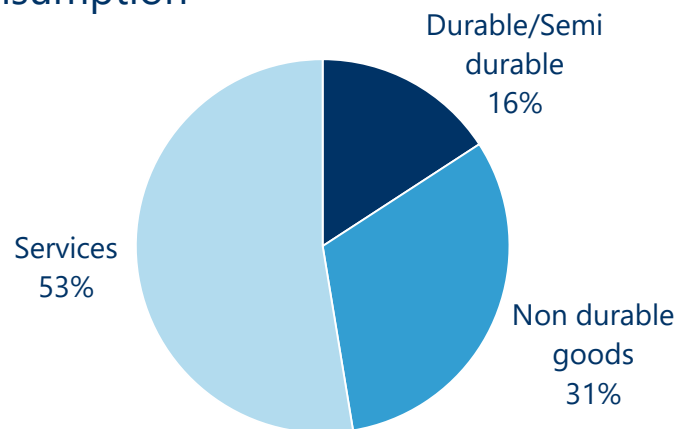


Trade balance: several reasons to be reassured

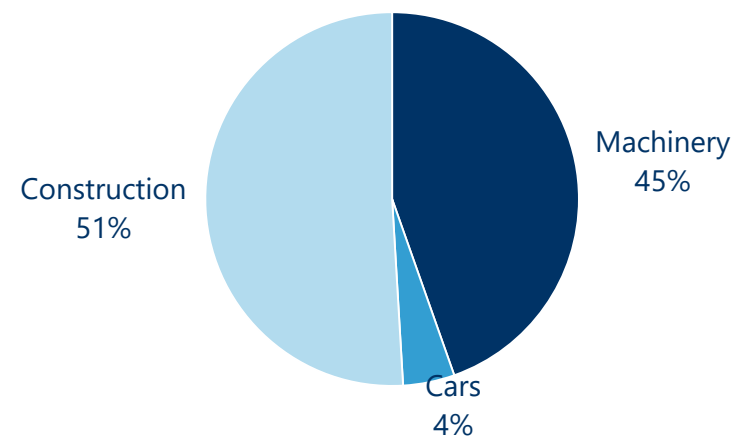


What room for recovery?

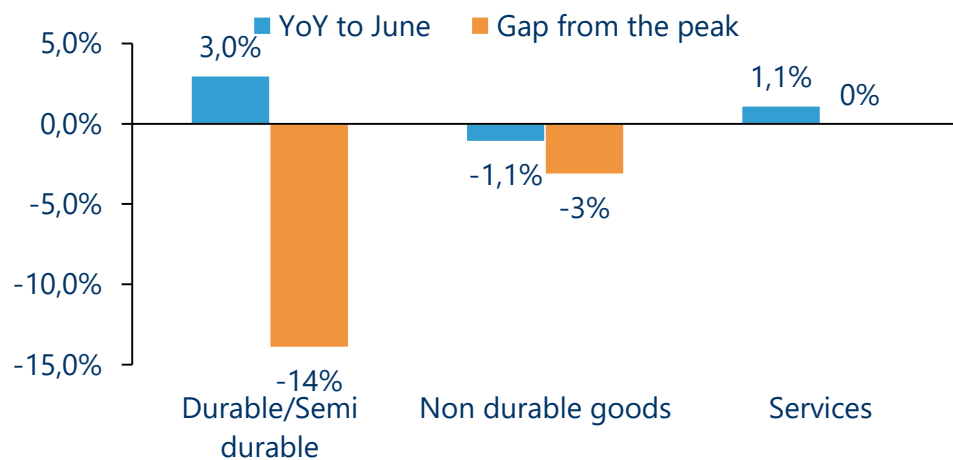
Private consumption



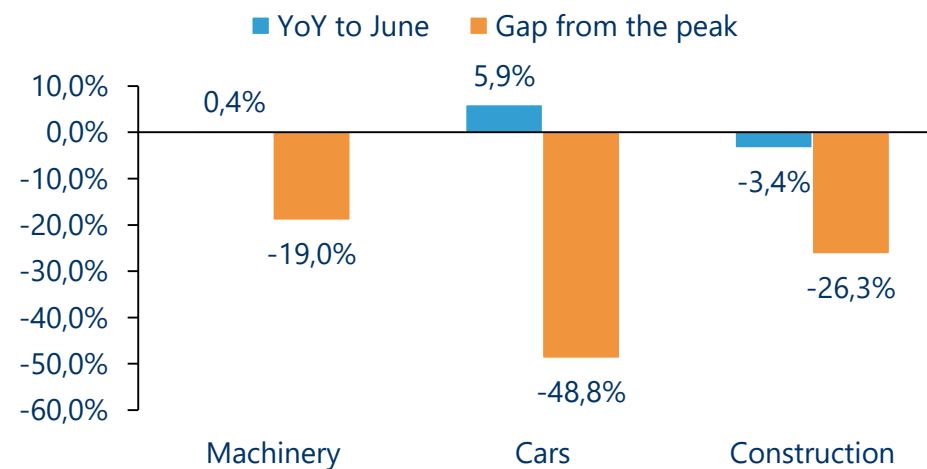
Investments



Consumption (gap from peak, nominal)



Investments (gap from peak, nominal)



Italian government budget 2014-18

(EURbn)	Actual				09/15	Forecast		
	2011	2012	2013	2014		2015E	2016E	2017E
Revenues	757	781	782	777	782	786	819	841
Tax	458	486	480	486	490	497	526	543
Social contributions	216	216	215	216	218	216	218	223
Other	63	64	68	69	68	68	69	70
Capital income	11	6	9	6	6	5	5	4
Expenditure	814	830	827	826	827	827	842	845
Opex	301	296	298	298	298	294	298	299
Social costs	304	311	320	328	333	338	343	351
Other expenses	61	64	66	66	66	66	67	65
Current expenses	666	671	684	692	697	698	707	715
Public investments	62	65	58	59	57	60	64	60
Interest payments	76	84	78	75	71	69	71	69
Primary balance	19	35	33	26	25	28	48	65
<i>Surplus/(Deficit) /GDP</i>	1.2%	2.2%	2.0%	1.6%	1.6%	1.7%	2.8%	3.8%
Total balance	(57)	(49)	(45)	(49)	(46)	(41)	(23)	(4)
<i>Surplus/(Deficit) / GDP</i>	(3.5%)	(3.0%)	(2.8%)	(3.0%)	(2.8%)	(2.5%)	(1.4%)	(0.2%)
GDP (SEC 2010)	1,639	1,615	1,609	1,616	1,626	1,639	1,688	1,738
<i>Nominal growth</i>	2.1%	(1.4%)	(0.4%)	0.4%		1.4%	3.0%	3.0%
<i>Deflator</i>	1.5%	1.4%	1.4%	0.8%		0.7%	1.7%	1.8%
<i>Real growth</i>	0.6%	(2.8%)	(1.7%)	(0.4%)		0.7%	1.3%	1.2%
Debt (after EU aids)	1,908	1,990	2,070	2,135		2,172	2,201	2,212
<i>Debt/GDP after EU aids</i>	116.4%	122.2%	127.9%	132.1%		132.5%	130.4%	127.2%

- Healthy primary surplus
- Better nominal GDP than real GDP
- Lower cost of debt
- Renzi: a “new approach”, particularly in communicating results

Key reforms impact

Expected impact of reforms

(% of GDP, %)	By 2020	By 2025	Long term
GDP	1.8	3.1	7.2
Consumption	2.3	3.7	5.4
Investments	2.1	3.3	8.2
Jobs	1.6	2.2	3.7

Expected cost of reforms

(EUR bn)	2015E	2016E	2017E	2018E	2019E
Spending review/tax reform	13.3	27.3	34	35.4	31.3
Infrastructures	-0.4	-0.4	-1.5	-2.3	-0.4
Labour/Pensions	-22	-25.2	-25.5	-24	-21.2
Innovation/human capital	-1.6	-4	-4.3	-4.3	-4.2
Support to businesses	-1.5	-2	-2.1	-2.1	-1.5
Other	3	1.4	0.9	1	0.6
Deficit/Surplus	-9.2	-3	1.6	3.7	4.5
Italian GDP	1,639	1,688	1,738	1,789	1,841
<i>as a % of GDP</i>	<i>-0.60%</i>	<i>-0.20%</i>	<i>0.10%</i>	<i>0.20%</i>	<i>0.20%</i>

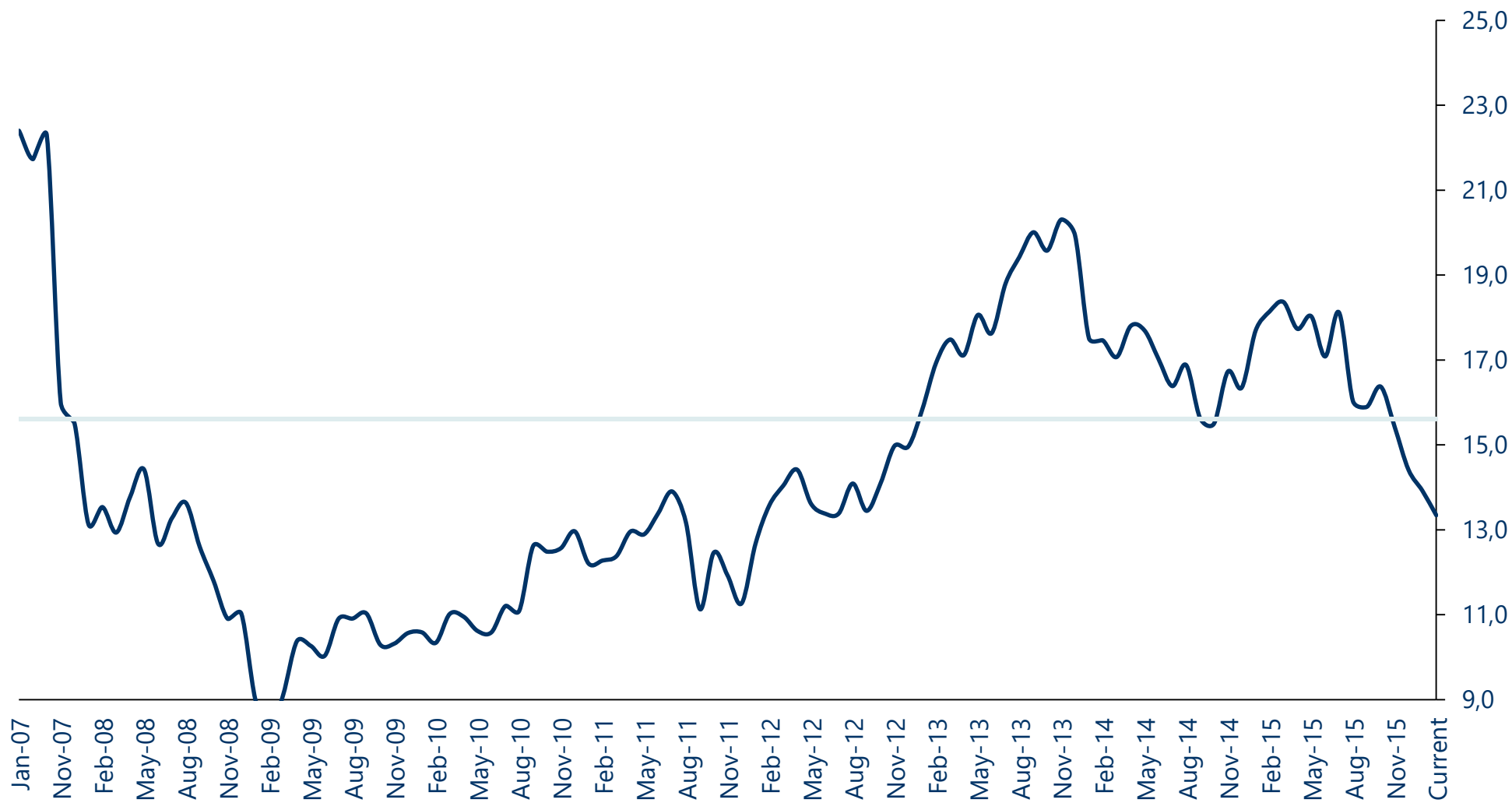
Labour reform

Sector	New rules	Impact
Labour contracts	New open-ended contract Exit costs for the employer proportional to the employment period (2 months per year of employment, min 4 max 24 months)	Easier for employers to hire on open-ended contracts
Contract termination	Re-instatement of fired employees into their job only if proven racial discrimination	Higher flexibility of labour Lower discretion of the Court in litigations
Welfare	New unemployment subsidy of 75% of salary (max EUR1,300) Declining by 3% per month, lasting 24 months (18 from 2017)	No significant impact (replacing other measures)

Labour cost with reform and tax cuts

(EUR)	Contract details	New hire	Existing contract
		EUR24,000 yearly gross	EUR24,000 yearly gross
Before cuts (2013)	Firm cost	2633	2633
	Net salary	1308	1308
	Total tax	1325	1325
After cuts (2015)	Firm cost	1983	2575
	Net salary	1483	1483
	Total tax	500	1092
Change	Total tax	-62%	-18%
	Net salary	13%	13%

Volatile stockmarket valuations [Luxury goods sector EV/EBIT]



A few remarks – how to fight volatility

- **Reduce quarterly reports size.** Quarterly results add volatility to estimates (particularly for seasonal businesses), push investors to focus on short term, absorb analysts time on maintenance.

Reduce the set of reported figures (only sales or operational items), avoid estimated items such as taxes, focus the reporting on business trends rather than on economic performance

- **Simplify segment reporting and build standard KPIs.** Investors need consistent and stable set of data for segment reporting.

Stick to maximum two segments for sales and provide at least one of these for earnings. Provide constant FX trends and organic growth where relevant

- **Sensitivity analysis:** big swings in currencies, raw materials and macro (last but not least inflation). Make sure investors understand how these drivers work for your companies

More detailed geographical breakdown or provide a guidance for FX impact “If current spot rates were to continue for the remainder of the year...”

A few remarks

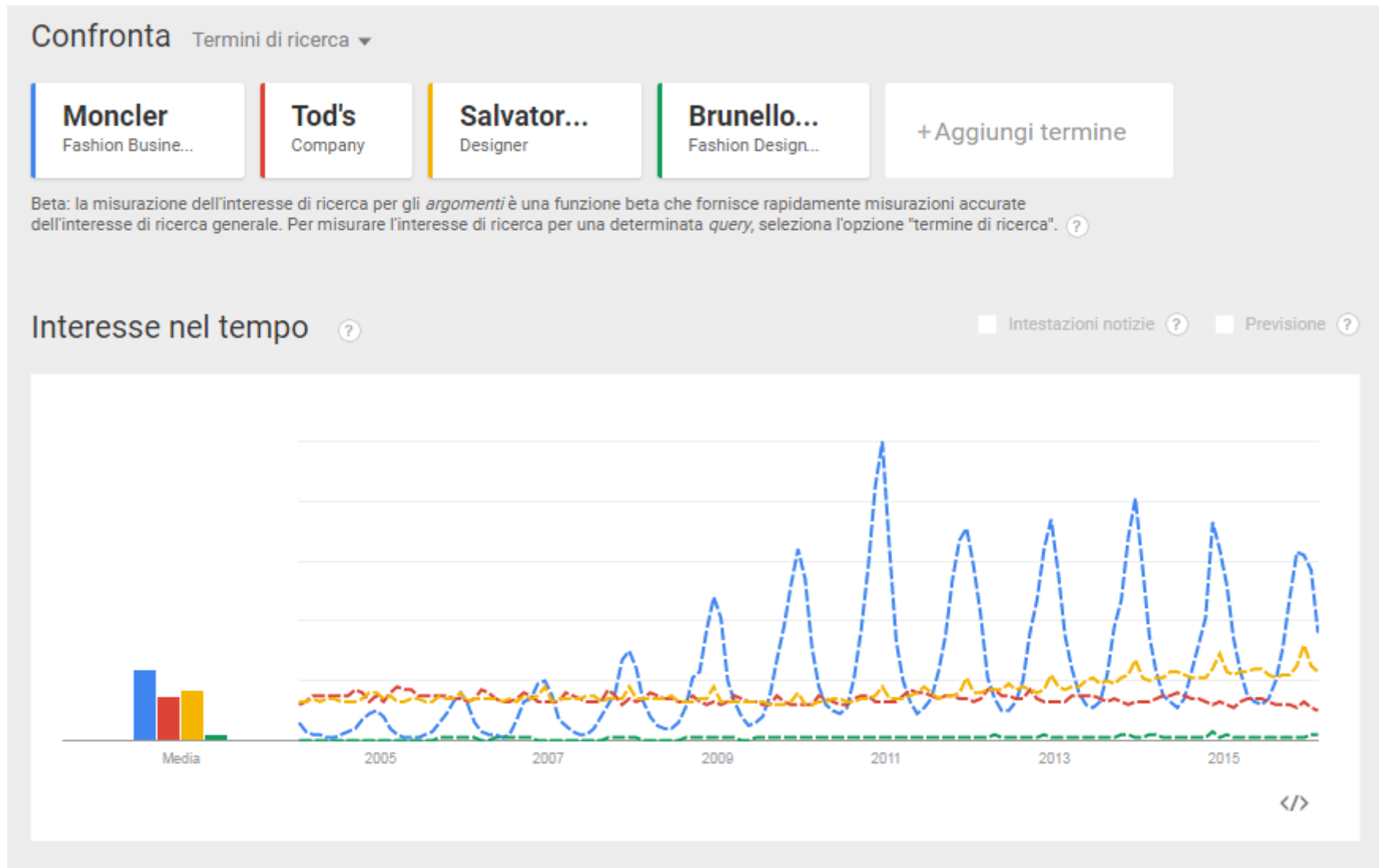
- **Big data.** External data becomes increasingly available, influencing investment decisions, sometimes with misleading signals.

Actively review what are key alternative datasets in the market, decide whether it is the case to provide own data, even if price sensitive, to reduce the gap between expectations and actual results

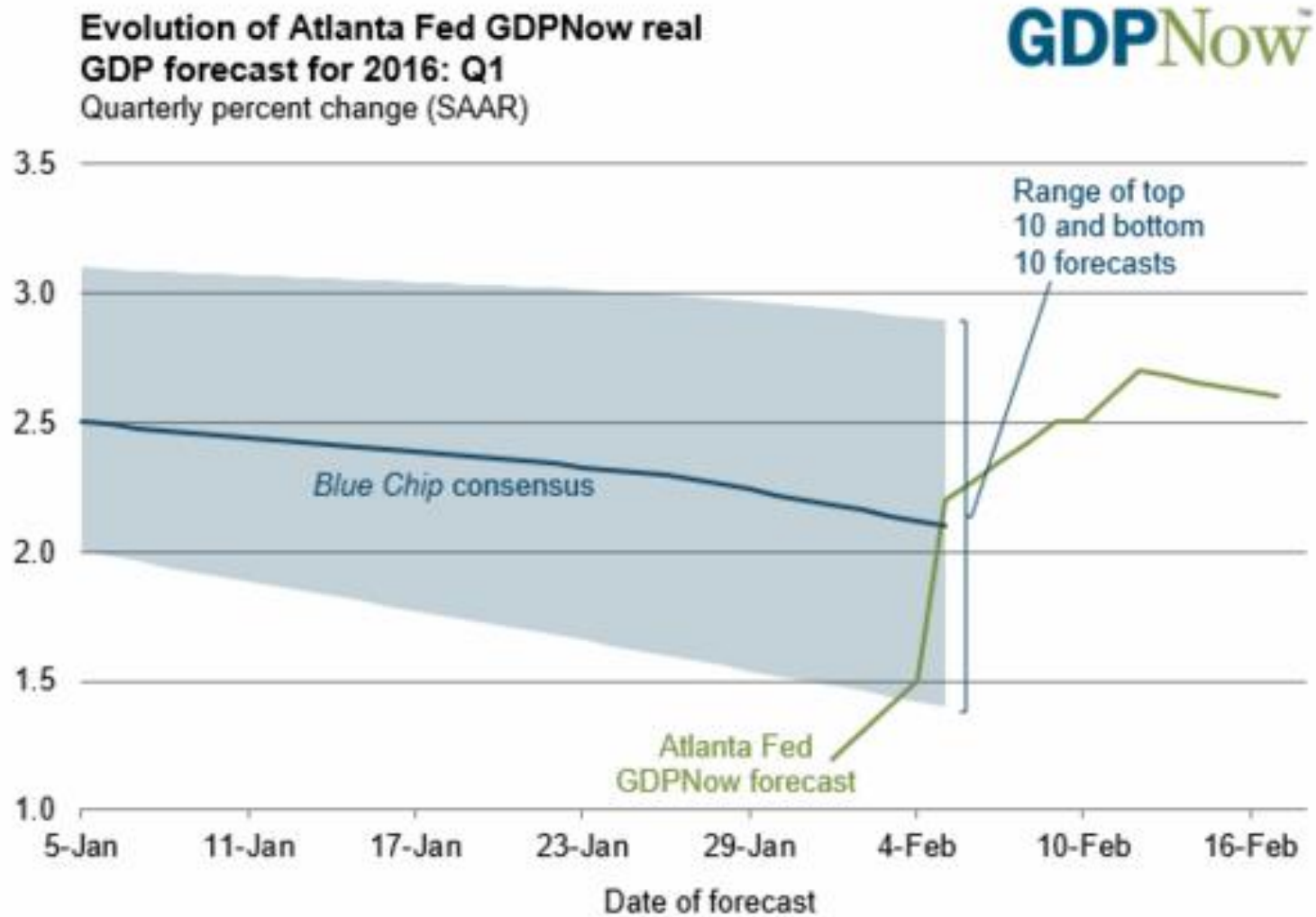
- **Focus on strategy.** Year-end results are an opportunity to state key strategic decisions and investments.

Several companies do not hold big capital market days but rather offer an annual update of strategy within results calls or meetings. Investments, growth outlook, M&A policy, dividend policy. Give investors the tools to well "define" your stock.

Big data (example: Google Trends)

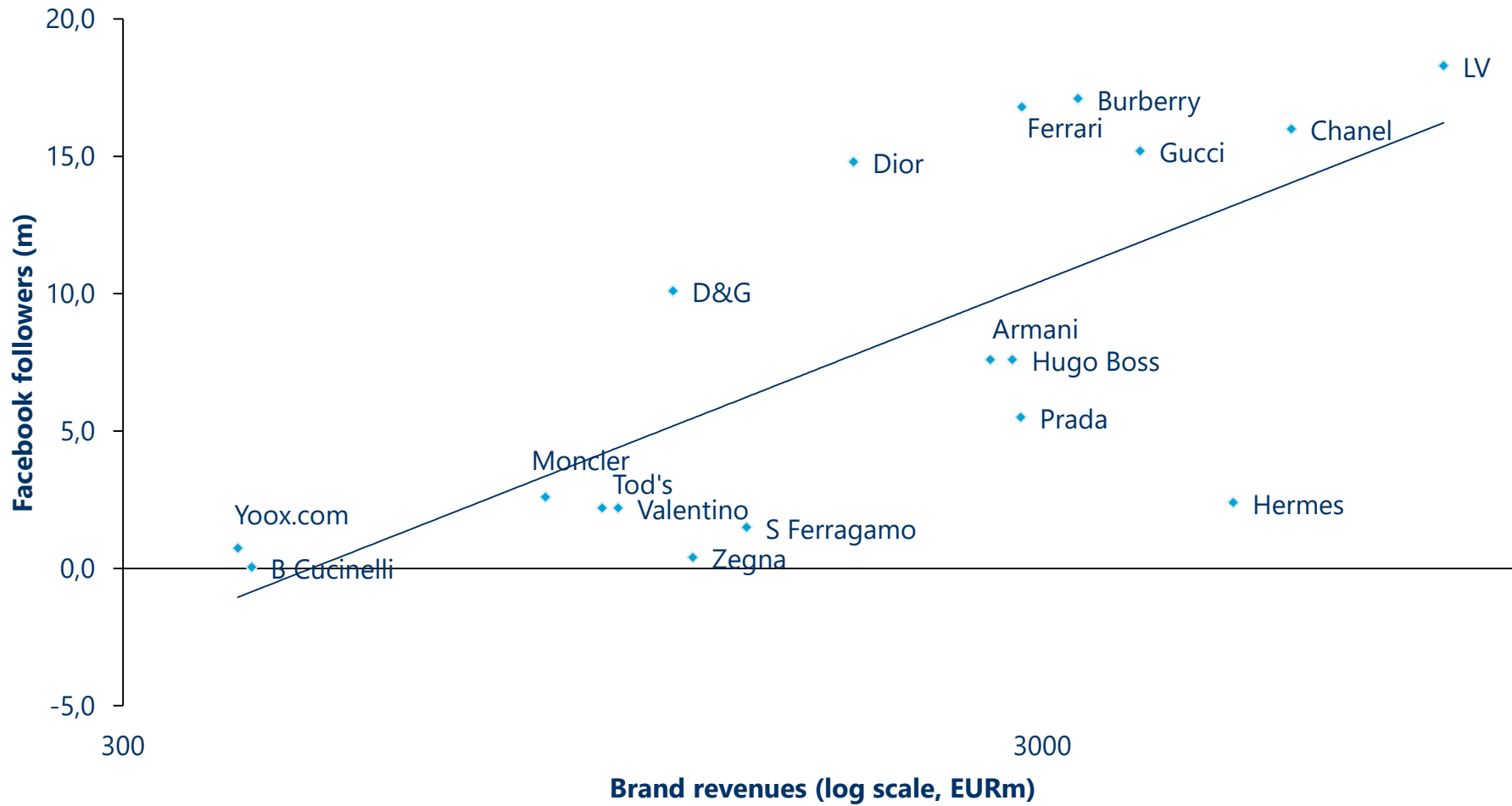


Real time forecast



Sources: *Blue Chip Economic Indicators* and *Blue Chip Financial Forecasts*

New ways to look at business



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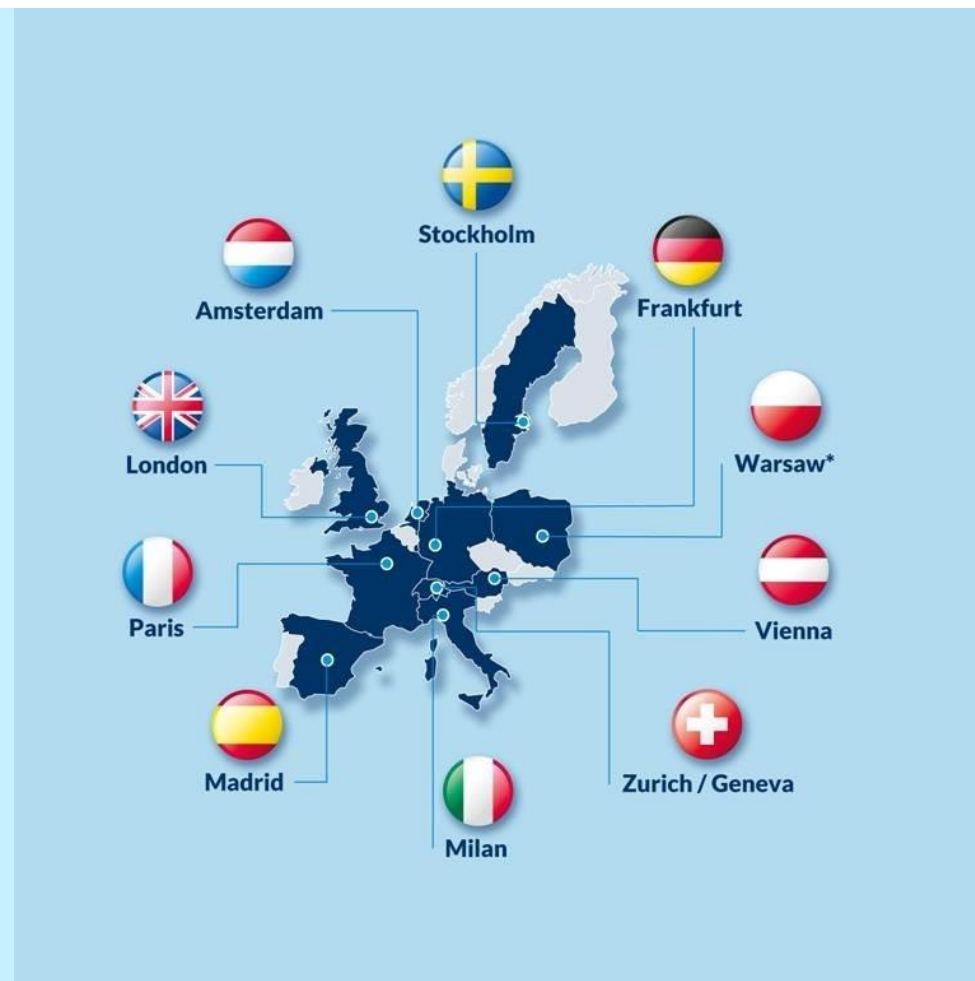
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