

BANCA GENERALI

Sector: Asset mgmt

OUTPERFORM

Price: Eu33.58 - Target: Eu37.00

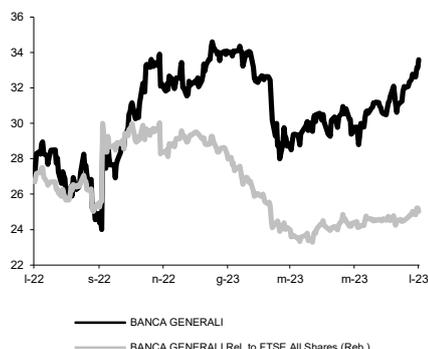
3Q Results Boosted by NII. Confidence on Outlook for Inflows

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Stock Rating

| | | | |
|---------------------------|--------------|--------------|--------------|
| Rating: | Unchanged | | |
| Target Price (Eu): | Unchanged | | |
| | 2023E | 2024E | 2025E |
| Chg in Adj EPS | 0.5% | 0.1% | 1.2% |

BANCA GENERALI - 12M Performance



Stock Data

| | | | |
|-------------------------|-------------|-----------|------------|
| Reuters code: | BGN.MI | | |
| Bloomberg code: | BGN IM | | |
| Performance | 1M | 3M | 12M |
| Absolute | 9.0% | 10.1% | 25.8% |
| Relative | 1.6% | 2.3% | -8.5% |
| 12M (H/L) | 34.59/24.01 | | |
| 3M Average Volume (th): | 238.80 | | |

Shareholder Data

| | |
|---------------------------|-------|
| No. of Ord shares (mn): | 116 |
| Total no. of shares (mn): | 116 |
| Mkt Cap Ord (Eu mn): | 3,910 |
| Total Mkt Cap (Eu mn): | 3,910 |
| Mkt Float - Ord (Eu mn): | 1,896 |
| Mkt Float (in %): | 48.5% |
| Main Shareholder: | |
| Generali Assicurazioni | 51.0% |

Balance Sheet Data

| | |
|---------------------|-------|
| Book Value (Eu mn): | 1,367 |
| BVPS (Eu): | 11.41 |

■ **2Q23 results:** BGN reported solid 2Q23 results, stronger than expected thanks to NII and trading, net fees, and operating costs in line with expectations. In detail:

- Total revenues at €199mn (2Q23) / €392mn (1H23) vs consensus on €386mn. NII at €80.5mn, better than €76mn expected; management fees at €200.9mn vs €199.7mn, banking and entry fees €39.7mn vs €38.7mn. Total gross fees at €243.2mn and net fees at €112.6mn, both in line with expectations
- Operating costs at €63.6mn (+6.2% YoY) vs forecast of €63.7mn
- Operating profit at €135.4mn, better than €126mn exp. / cons on €127.7mn
- Pre-tax profit €125.3mn vs €116.4mn expected, net profit €92mn vs €85.9mn expected for 2Q23, or €175mn for 1H23 vs cons €168.5mn
- CET1 ratio at 17.3% and total capital ratio at 18.5%, already discounting the 1H23 dividend accrual of €1.2ps ~81% payout ratio

■ **Business plan guidance reaffirmed while 2023 NII seen at €250/260 still looks conservative.** BGN is benefitting significantly from the interest rate scenario. NII was €151mn in 1H23, therefore the mid-point of the new guidance of €255mn (up from previous €230mn) still looks conservative: the upward revision is based on an assumption for annual client deposit remuneration of 70bps (was 31bps in 1H23), expected to increase to 90/100bps in 2024; we believe this still incorporates some upside potential. The deposit base is expected at €10/11bn. Net inflows for 2023 are seen at €5.7/6.7bn (unch.) and the mix should improve thanks to the reinvestment of short dated fixed-income investments and the expected reversal of 1H outflows from insurance products amounting to Eu1bn in the period. The outlook for recruitment is not expected to improve until the end of this year, while BGN will continue to push in-house funds vs third party with the prospect of a recovery in margins (170/180bps vs 110bps). Private bank in Switzerland expected to take off by YE23 with expectations of e1bn net inflows in 12 months and €5/6bn in 5Y.

■ **Generous dividend policy could push yield above 7%.** BGN accrued a DPS of Eu1.2 in 1H23: the payout is expected at 100% for recurrent earnings and 80% for variable. Assuming a stable and supportive market performance, BGN could deliver a DPS adding up to ca. €2.2/2.4bn and equating to a ballpark yield of 7%. Visibility on dividends is supported by high capital ratios with the CET1 comfortably above 17%.

■ **Dividends and gradual improvement in inflows to underpin the stock: OUTPERFORM confirmed.** We are leaving our estimates broadly unchanged even though we are increasing NII to Eu270mn (above company guidance) but reducing performance fees and marginally increasing fees paid out to the network. We see room for delivery of solid dividends and the expected gradual improvement in inflows due to the reversal of trends in insurance and the recapturing of some direct investments at maturity could drive a re-rating from current depressed multiples. We stick to our OUTPERFORM rating with the target price confirmed at €37.

| Key Figures & Ratios | 2021A | 2022A | 2023E | 2024E | 2025E |
|------------------------------|-------|-------|-------|-------|-------|
| Commissions Income (Eu mn) | 667 | 472 | 478 | 535 | 581 |
| Total Income (Eu mn) | 779 | 640 | 762 | 812 | 815 |
| Net Operating Profit (Eu mn) | 532 | 372 | 476 | 511 | 504 |
| Net Profit Adj (Eu mn) | 373 | 248 | 324 | 359 | 356 |
| EPS New Adj (Eu) | 3.168 | 2.087 | 2.705 | 2.975 | 2.926 |
| EPS Old Adj (Eu) | 3.168 | 2.087 | 2.691 | 2.971 | 2.891 |
| DPS (Eu) | 1.950 | 1.650 | 2.100 | 2.250 | 2.300 |
| Market Cap/F.U.M. | 6.7% | 7.0% | 6.8% | 6.4% | 6.0% |
| P/E Adj | 10.6 | 16.1 | 12.4 | 11.3 | 11.5 |
| Div. Yield | 5.8% | 4.9% | 6.3% | 6.7% | 6.8% |
| ROE | 30.3% | 19.3% | 24.4% | 25.5% | 23.9% |