

BANCA MEDIOLANUM

OUTPERFORM

Sector: Asset mgmt

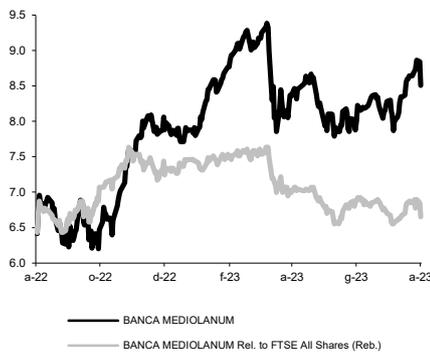
Price: Eu8.51 - Target: Eu11.00

Good Expectations for Future NII, Inflows and Dividends

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	-0.7%	-1.5%	-1.3%

BANCA MEDIOLANUM - 12M Performance



Stock Data			
Reuters code:	BMED.MI		
Bloomberg code:	BMED IM		
Performance	1M	3M	12M
Absolute	2.7%	3.8%	31.3%
Relative	-0.8%	-3.4%	3.6%
12M (H/L)	9.38/6.20		
3M Average Volume (th):	993.16		

Shareholder Data	
No. of Ord shares (mn):	743
Total no. of shares (mn):	743
Mkt Cap Ord (Eu mn):	6,320
Total Mkt Cap (Eu mn):	6,320
Mkt Float - Ord (Eu mn):	1,865
Mkt Float (in %):	29.5%
Main Shareholder:	
Doris family	40.4%

Balance Sheet Data	
Book Value (Eu mn):	3,335
BVPS (Eu):	4.49

■ **2Q23 results broadly in line but with unexciting mix:** 2Q results were broadly in line with expectations at bottom line, but with slightly lower fee income (3% below expectations), and NII (1.4% below), offset by a higher contribution from other investment income and lower expenses for bank rescue funds and taxes. In detail:

- Management fees came in at €272.7mn with a margin of 145bp on average FUM, down slightly QoQ / flat YoY; investment management fees were €52.7mn, net insurance fees €42.5mn and banking services fees €30.2mn, below our expectations. Total gross fees were €417.4mn vs. €430.6mn expected while net fees closed at €249mn vs. exp. €259mn
- NII was €189.6mn, a touch below expectations but doubling YoY and up 20% QoQ, with the cost of funding at 76bp, higher than other players
- Operating costs were up 18% in 2Q23 to €194mn, including increased marketing expenditure and the annual convention
- PBT was €241.7mn while net income was in line with expectations at €185mn.

■ **Positive indications from conference call:** 1) NII guidance for €750mn in 2023 / +10% YoY in 2024 was above expectations, despite discounting a higher-than-expected cost of funding as BMED benefits from greater reinvestment yields and mortgage repricing; 2) operating costs foreseen up 10% YoY with an implied slowdown in 2H following the +13% in 1H23; 3) Net inflows into managed assets expected at €5bn following €2.15bn in 1H23. July net inflows should have been strong overall, but still weak into managed assets. BMED is counting on the transformation of €1.9bn time deposits expiring in 2H23 and of liquidity automatically reinvested by Double Chance and Intelligent Investment Strategy to feed managed assets; 4) Capital and dividends: BMED aims to keep high capital ratios, with the CET1 ratio in the region of 20%. The company is nevertheless looking at increasing its dividend distribution, with a 2023 DPS in the region of €0.56.

■ **Still our best pick in the sector: OUTPERFORM; target €11.0:** BMED should continue to deliver strong results, even in the event of a change in direction of interest rate trends. The company is committed to continuing its strategy of moving clients' assets into managed solutions with significant equity exposure and a long-term investment horizon. The short-term headwinds on inflows are expected to reverse as term deposits expire in 2H23. This feeds into future managed assets growth and ensures better-than-industry-average inflow volumes and mix. The valuation remains extremely compelling in our view, as the stock is trading at ~8.0-8.5x expected earnings on our above-consensus estimates. The dividend yield is attractive at over 6%. We are broadly confirming our estimates, and the stock remains our best pick in the sector. OUTPERFORM; target €11.0 confirmed.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Commissions Income (Eu mn)	1,766	1,801	1,754	1,864	1,952
Total Income (Eu mn)	2,102	2,286	2,665	2,799	2,849
Net Operating Profit (Eu mn)	890	662	1,010	1,038	992
Net Profit Adj (Eu mn)	687	536	774	799	764
EPS New Adj (Eu)	0.925	0.721	1.042	1.076	1.028
EPS Old Adj (Eu)	0.925	0.721	1.042	1.076	1.028
DPS (Eu)	0.580	0.500	0.560	0.600	0.620
Market Cap/F.U.M.	8.0%	8.8%	8.0%	7.6%	7.2%
P/E Adj	9.2	11.8	8.2	7.9	8.3
Div. Yield	6.8%	5.9%	6.6%	7.1%	7.3%
ROE	25.9%	17.8%	24.5%	22.8%	19.9%