

BANCA GENERALI

OUTPERFORM

Sector: Asset mgmt

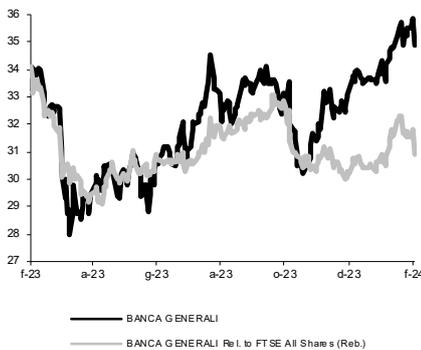
Price: Eu34.89 - Target: Eu38.50

Constructive Outlook on Recurring Business and Variable Fees

Alberto Villa +39-02-77115.431
 alberto.villa@intermonte.it

Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	1.7%	-0.4%	

BANCA GENERALI - 12M Performance



Stock Data			
Reuters code:	BGN.MI		
Bloomberg code:	BGN IM		
Performance	1M	3M	12M
Absolute	1.7%	10.6%	2.3%
Relative	0.1%	1.1%	-10.6%
12M (H/L)	35.84/27.99		
3M Average Volume (th):	215.65		

Shareholder Data	
No. of Ord shares (mn):	116
Total no. of shares (mn):	116
Mkt Cap Ord (Eu mn):	4,062
Total Mkt Cap (Eu mn):	4,062
Mkt Float - Ord (Eu mn):	1,970
Mkt Float (in %):	48.5%
Main Shareholder:	
Generali Assicurazioni	51.0%

Balance Sheet Data	
Book Value (Eu mn):	1,462
BVPS (Eu):	12.52

■ **4Q23 results in line with consensus and our expectations, DPS at €2.15.** Total income came in at €199mn (+17% YoY), slightly above consensus and our estimates, with growth driven by NII (+34% YoY), Trading & Dividends (+64% YoY) and higher performance fees (€9mn vs. €2mn in 4Q22). Total net fees were up 7.5% YoY (6.5% above our estimate) thanks partly to higher management fees (+4% YoY) offsetting the increase in fee expenses (+6% YoY). Operating costs were in line with estimates at €83mn (+11% YoY). Core operating costs were €72.4mn (+6.1% YoY), including €2.6mn in development costs at BG Suisse Private Bank. Non-core costs came to €4.6mn, mainly related to analysis of possible M&A. Net profit was €71mn (+23% YoY), in line with consensus and our estimates. FY23 DPS was €2.15 vs. our €2.10.

■ **January net inflow mix weak, with significant ongoing preference for administered assets.** The January inflow mix remained weak, with inflows to AuM significantly lower than for AuA, a continuation of 2023 trends. Net inflows into managed assets, excluding traditional Life insurance products, came to €73mn (vs. €135mn inflows in January 2023), AuA posted inflows of €307mn (vs. €206mn inflows in January 2023) and liquidity inflows were €18mn (vs. €117mn of inflows in January 2023).

■ **2024 outlook: constructive managed asset inflows and performance fees:** BGN, as expected, confirmed business plan targets and provided a 2024 outlook pointing to: 1) 2024 NII expected at ~€280mn with no plans to significantly increase remuneration of liquidity, while deposits are expected to decline by around €0.5-0.6bn to €10.5bn with some monthly volatility related to the phasing of falling interest rates and government bond offerings. The NII decline in 2025 will depend on how interest rates unwind, but BGN looks confident of avoiding a massive drop; 2) inflows expected to top €6bn in 2024 with 40-60% in managed assets thanks to increasing interest in managed products and assets under advisory and support from recruitment, with a target of ~150 new professionals to be added this year. The reorganisation of the sales network is functional to increasing productivity further and attracting high quality professionals; 3) fees margins to remain stable; 4) operating costs forecast to grow by ~6%, with a lower impact from non-core costs as the start-up phase at BG Suisse has been completed; 5) the company is looking at potential small bolt-on M&A opportunities but large deals or deployment of capital to buy Life reserves are ruled out; 6) future dividend policy expected to remain generous, with a payout above 70%; 7) the year started off well for performance fees with ~€20mn in January + February so far.

■ **OUTPERFORM; target €38.5 unchanged:** we are making minor tweaks to our 2024/2025 estimates. We are lifting our expectation on performance fees, which could still surprise even further on the upside: our new estimate is €50mn from €16mn previously. Expectations for recurring fees remain basically unchanged at €1bn, while net inflows are expected at €6.05/6.4bn for 2024/2025. BGN remains well placed to grow in the private banking segment and BG Suisse operations will contribute to the future expansion of AuM and fees. We confirm our target and recommendation on the stock based on our DCF model.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Commissions Income (Eu mn)	472	467	514	542	570
Total Income (Eu mn)	640	788	808	800	801
Net Operating Profit (Eu mn)	383	512	515	497	487
Net Profit Adj (Eu mn)	248	326	351	354	356
EPS New Adj (Eu)	2.087	2.791	3.001	3.029	3.044
EPS Old Adj (Eu)	2.087	2.784	2.951	3.040	
DPS (Eu)	1.650	2.150	2.250	2.300	2.350
Market Cap/F.U.M.	5.7%	4.9%	4.5%	4.2%	3.9%
P/E Adj	16.7	12.5	11.6	11.5	11.5
Div. Yield	4.7%	6.2%	6.4%	6.6%	6.7%
ROE	19.2%	24.4%	24.7%	23.5%	22.4%