

# BANCA GENERALI

# OUTPERFORM

Sector: Asset mgmt

Price: Eu32.40 - Target: Eu37.00

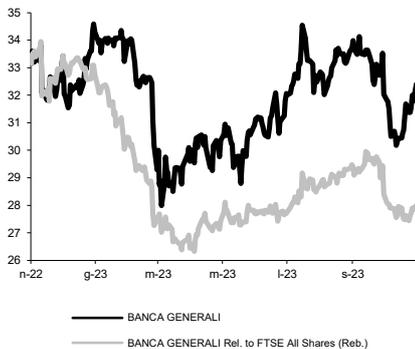
## 3Q in Line. Inflows Tough in the S/T. New Swiss Engine Ready

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### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	Unchanged		
	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>Chg in Adj EPS</b>	2.9%	-3.4%	-3.2%

### BANCA GENERALI - 12M Performance



### Stock Data

Reuters code:	BGN.MI		
Bloomberg code:	BGN IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	1.2%	-0.2%	-2.8%
Relative	-1.5%	-2.1%	-19.1%
12M (H/L)	34.59/27.99		
3M Average Volume (th):	185.81		

### Shareholder Data

No. of Ord shares (mn):	116
Total no. of shares (mn):	116
Mkt Cap Ord (Eu mn):	3,772
Total Mkt Cap (Eu mn):	3,772
Mkt Float - Ord (Eu mn):	1,829
Mkt Float (in %):	48.5%
Main Shareholder:	
Generali Assicurazioni	51.0%

### Balance Sheet Data

Book Value (Eu mn):	1,377
BVPS (Eu):	11.49

■ **3Q results broadly in line.** 3Q results in line with consensus and our estimates. Total income up 27% YoY. Weak October net inflows of €311mn, o.w. €241mn outflows related to AuM and €552mn into administrated assets. FY23 guidance confirmed. Total income at €197m (+27% YoY), slightly above consensus and our estimates, with growth driven by NII (+113% YoY). Net fees at €117m (+3% YoY), slightly above our estimates, with performance driven by an increase in management fees (+4% YoY) and also by higher performance fees (€2.7mn). Net profit at €80mn (+35% YoY), in line with consensus and our estimates.

■ **Weak October net inflows** at €311mn (-39% YoY and €4.7bn YtD) with AuC +€552mn and outflows from AuM at €241mn.

■ **Guidance for 2023 NII lifted to Eu300mn, unchanged for 2024 at Eu270/280mn.** 2023 NII seen at ~€300mn, well above previous guidance and our current estimate of €270mn as remuneration of customer deposits now expected at 45-55 bps (vs. previous 70bps). 2024 NII guidance confirmed at €270/280mn with underlying assumptions for outflows from deposits at €1bn in 2024 and cost of funding 0.7/0.8%.

■ **Indications on net inflows, profitability, and entry to Swiss market.** Traditional and insurance wrappers should benefit from new product launches but short-term flows to remain skewed towards AuC. BGN sees the opportunity of transforming part of short maturities into financial and insurance wrappers. Private markets are at risk of a bubble, so BGN is very cautious on this asset class. Recruitment: contribution below 20% of total inflows in 2023; should normalize in 2024.

BG Suisse is expected to boost AuM and profitability starting from 2024 by focusing on private bankers for Swiss and Italian clients. Target for 2026 is €3.6/4.1bn in AuM starting from €1.1bn in 9M23. Inflows expected at €500-700m in 2024, ~€1bn per year from 2025 onwards. New Swiss recruitment: 20-30 private bankers at BG Suisse for the 2024-2026 period.

■ **Change in estimates.** EPS'23 +2.9% to include higher contribution from NII, while reducing net fees as a combination of lower gross fees expected to be penalized by lower average AuM and slightly lower margins but also lower expenses.

2024/2025: EPS revised down -3.4%/-3.2% to factor some further headwinds into the net inflow mix. Our estimates embed the contribution expected by Swiss operations and a gradual stabilization of the contribution from performance fees: €34/48mn in 2024/2025 from €17mn now expected in 2023.

■ **OUTPERFORM, TP €37.** We confirm our outperform rating as the stock trades at appealing multiples compared to history albeit above other Italian asset gatherers. Short-term momentum for inflows remains difficult but with the new initiative in Switzerland starting to contribute in 2024, the revamping of the contribution from recruitment and lower pressure from administered assets should enable normalisation of flows in 2024. We set a DCF-based target price of €37: at target, the stock would be trading at 12x 2024 earnings.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Commissions Income (Eu mn)	667	472	467	498	544
Total Income (Eu mn)	779	640	784	794	783
Net Operating Profit (Eu mn)	537	383	511	505	483
Net Profit Adj (Eu mn)	373	248	333	347	345
EPS New Adj (Eu)	3.168	2.087	2.783	2.874	2.832
EPS Old Adj (Eu)	3.168	2.087	2.705	2.975	2.926
DPS (Eu)	1.950	1.650	2.100	2.250	2.300
Market Cap/F.U.M.	6.4%	6.7%	6.8%	6.5%	6.1%
P/E Adj	10.2	15.5	11.6	11.3	11.4
Div. Yield	6.0%	5.1%	6.5%	6.9%	7.1%
ROE	30.3%	19.3%	25.0%	24.6%	23.2%