

# BANCA MEDIOLANUM

**BUY**

Sector: Asset mgmt

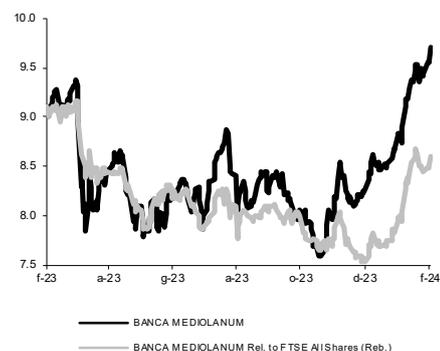
Price: Eu9.70 - Target: Eu11.80

## Strong Results and Dividends!

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	2.7%	3.0%	

### BANCA MEDIOLANUM - 12M Performance



Stock Data			
Reuters code:	BMED.MI		
Bloomberg code:	BMED IM		
Performance	1M	3M	12M
Absolute	10.0%	21.1%	6.6%
Relative	8.3%	11.6%	-6.3%
12M (H/L)	9.70/7.59		
3M Average Volume (th):	1,195.29		

Shareholder Data	
No. of Ord shares (mn):	743
Total no. of shares (mn):	744
Mkt Cap Ord (Eu mn):	7,204
Total Mkt Cap (Eu mn):	7,204
Mkt Float - Ord (Eu mn):	2,126
Mkt Float (in %):	29.5%
Main Shareholder:	
Doris family	40.4%

Balance Sheet Data	
Book Value (Eu mn):	3,550
BVPS (Eu):	4.77

- Results beat consensus and our estimates. FY23 DPS at €0.70 (our estimate €0.60), a new floor for the following years.** Net commissions income came in at €260mn (+11% YoY), in line with our estimates, driven by growth in management fees (+10% YoY) with higher AuM thanks to the positive trend in markets and the contribution from net inflows during the last part of the year. The contribution margin was €475mn (+26% YoY), in line with our estimates, mainly driven by the increase in NII (+42% YoY) and despite higher-than-expected impairments on loans (€17mn vs. €5.6mn in 4Q22). Performance fees came to €46mn vs. €5.3mn in 4Q22, above our estimate, mainly thanks to the positive market performance in December. Net adj. profit was €250mn (+81% YoY; +20% QoQ), 18% above our estimates.
- Resilient January net inflows:** total net inflows came to €645mn (vs. €685mn last year), of which €287mn into AuM (vs. €485mn last year) and €359mn into AuA (vs. €200mn last year). We have revised our FY24 net inflow estimate from €7.1bn to €7.2bn with €4.8bn into AuM, aligning it with the ~€5bn guidance provided during the conference call, while we expect €2.4bn of inflows in AuA during the year. As at 31 December, AuM/AuA came to €118bn (+14% YoY) with managed assets at €84bn and €34bn of administrated assets.
- 2024 outlook remains strong despite still-challenging environment:** during the call CEO Massimo Doris struck a very positive tone on the company's prospects, as it is experiencing a leap in size and in earnings generation putting the company in a situation to increase dividends and raise the bar for the future following the 40% DPS increase announced along with results. 2024 outlook: 1) 2024 inflows into managed assets at €5bn, with the phasing slightly skewed towards the second part of the year and supported by the transformation of liquidity gathered through term deposits; 2) NII expected up +6-8% in 2024 vs. 2023 (i.e. ~€0.8bn) from +10% previously due to lower market yields and including the impact of the 5% 6M term deposit offering, which we expect to bring in c.€2bn. For 2025, assuming the Euribor comes down to 2.5%, BMED expects NII to remain roughly flat YoY; 3) G&A expenses are expected to grow 10% YoY in 2024 as BMED is working on innovative solutions to boost family bankers' productivity; 4) tax rate expected to increase to ~25% including the impact of the introduction of the global minimum tax rate.
- BUY confirmed; target €11.8 unchanged:** our NII estimates are slightly more cautious than company guidance, but we are raising EPS by 2.7%/3.0% for 2024/2025 taking into account the further growth in recurring fees and the contribution from performance fees, as funds are getting closer to their high-water marks (HWM). BMED is still the best placed asset gatherer in Italy in our view. Despite the good recent stock performance there is still ample room for the company to re-rate to fairer multiples than the current ~9x considering the expected further growth in recurring revenues and profits. Dividends are appealing considering that BMED has now raised the bar, with future dividends expected to be above the Eu0.70 announced on 2023 earnings.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Commissions Income (Eu mn)	1,629	1,718	1,884	1,982	2,093
Total Income (Eu mn)	2,196	2,655	2,859	2,931	2,990
Net Operating Profit (Eu mn)	644	1,067	1,095	1,069	1,031
Net Profit Adj (Eu mn)	521	830	823	804	778
EPS New Adj (Eu)	0.729	1.115	1.107	1.081	1.046
EPS Old Adj (Eu)	0.729	1.065	1.078	1.050	
DPS (Eu)	0.500	0.700	0.740	0.780	0.820
Market Cap/F.U.M.	10.1%	8.9%	8.4%	7.9%	7.5%
P/E Adj	13.3	8.7	8.8	9.0	9.3
Div. Yield	5.2%	7.2%	7.6%	8.0%	8.5%
ROE	17.3%	26.5%	24.1%	22.0%	20.2%