BANCA MEDIOLANUM

BUY

Sector: Asset mgmt

Price: Eu8.20 - **Target: Eu11.00**

Confident of Delivering Strong Earnings in the Future: BUY

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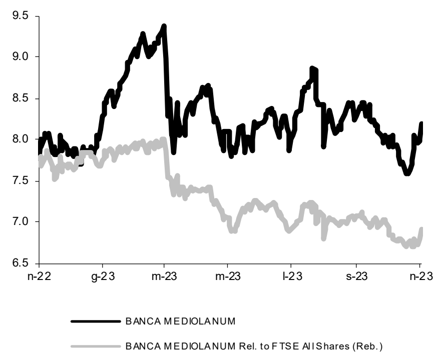
Stock Rating			
Rating:			from OUTPERFORM to BUY
Target Price (Eu):			Unchanged
	2023E	**2024E**	**2025E**
Chg in Adj EPS	0.5%	-1.0%	1.3%

BANCA MEDIOLANUM - 12M Performance



Stock Data			
Reuters code:			BMED.MI
Bloomberg code:			BMED IM
Performance	**1M**	**3M**	**12M**
Absolute	3.5%	0.9%	5.3%
Relative	-0.1%	0.0%	-13.5%
12M (H/L)			9.38/7.59
3M Average Volume (th):			849.40

Shareholder Data	
No. of Ord shares (mn):	743
Total no. of shares (mn):	744
Mkt Cap Ord (Eu mn):	6,091
Total Mkt Cap (Eu mn):	6,091
Mkt Float - Ord (Eu mn):	1,797
Mkt Float (in %):	29.5%
Main Shareholder:	
Doris family	40.4%

Balance Sheet Data	
Book Value (Eu mn):	3,321
BVPS (Eu):	4.46

- **3Q23 results a touch better.** Banca Mediolanum 3Q23 results were above our estimates with net profit of €218mn vs €189mn expected, mainly thanks to higher commissions and lower acquisition costs. Contribution margin up 37% YoY, mainly driven by NII (+115% YoY). Weak October net inflows at €186mn.
  - Net commissions at €260m (+7% YoY; +5% QoQ), 4% above our estimates. The YoY increase was driven by growth of management fees (+11% YoY) thanks to AuM shifting from the money market to equity, more than offsetting the 10% YoY increase in acquisition costs (lower than our estimates)
  - Contribution margin at €452m (+37% YoY; +5% QoQ), 3% above our estimates, mainly driven by the strong increase in NII (+115% YoY) as well as growth of net commissions (+7% YoY) despite lower banking fees
  - Net profit at €218m (+60% YoY; +18% QoQ), 15% above our estimates
  - October saw weak net inflows at €186mn, of which €139mn into managed assets and €47mn into administrated assets, leading to October YTD net inflows at €8.4bn, o/w €3.0bn into AuM.
- **Conference call takeaways: (i)** NII guidance confirmed and pointing to further progression in 2024 at +10% YoY despite increasing commercial initiatives (funding cost at 100bps vs ~70bps in 9M23) thanks to sticky deposit volumes and improving yields on investments; **(ii)** transformation of expiring term deposits into managed assets continues despite taking longer: 2Y to transform 70% is the new expectation; **(iii)** net inflows into managed assets expected at Eu3.5bn but better results in 2024, while acquisition costs should grow in line with inflow performance; **(iv)** performance fees to remain low due to continuing average 13% distance from HWM.
- **Change in estimates.** We basically confirm our expectations, which were well above market consensus. These are driven by the solid indications provided during the call and the evidence that the company will be able to manage higher NII even in the future and in a context of stable rates.
- **Cheap and high quality: upgrade to BUY from Outperform, TP €11 unchanged**. We are lifting the recommendation on the stock to BUY as we believe BMED is perfectly placed to benefit from a scenario of stable, high rates supporting NII but that will gradually amount to a lower headwind on AuM net inflows considering the automatic switching of existing liquidity into managed assets from products, the transformation of expiring term deposits, and the acquisition of new customers over the coming quarters. The stock trades at undemanding multiples, sits on a very comfortable capital and liquidity position and has low exposure to a potential deterioration of the credit cycle with no exposure to corporate lending. We think BMED is and remains the most interesting opportunity in the asset gathering space and could benefit from some unwinding of bets from retail banks into commission-geared names. We raise the recommendation to BUY from Outperform, Eu11 target price offering 37% upside on current prices.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Commissions Income (Eu mn)	1,766	1,688	1,708	1,823	1,909
Total Income (Eu mn)	2,102	2,265	2,634	2,796	2,847
Net Operating Profit (Eu mn)	890	672	1,013	1,043	1,020
Net Profit Adj (Eu mn)	687	541	779	792	775
EPS New Adj (Eu)	0.925	0.729	1.047	1.065	1.042
EPS Old Adj (Eu)	0.925	0.721	1.042	1.076	1.028
DPS (Eu)	0.580	0.500	0.575	0.600	0.620
Market Cap/F.U.M.	7.7%	8.5%	7.8%	7.4%	7.0%
P/E Adj	8.9	11.3	7.8	7.7	7.9
Div. Yield	7.1%	6.1%	7.0%	7.3%	7.6%
ROE	25.9%	18.0%	24.7%	22.7%	20.3%