

# BANCA GENERALI

Sector: Asset mgmt

# OUTPERFORM

Price: Eu40.68 - Target: Eu46.00

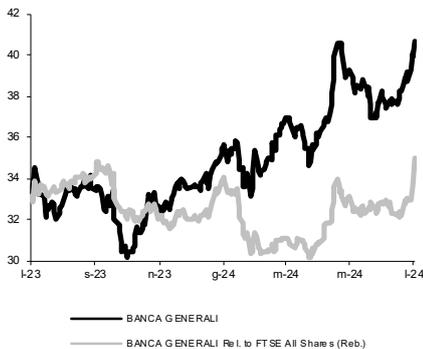
## “The Place To Be”

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### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 43.00 to 46.00		
	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>Chg in Adj EPS</b>	8.6%	0.9%	2.2%

### 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	7.2%	12.9%	22.8%
Relative	7.0%	13.2%	6.6%
12M (H/L)	40.68/30.18		
3M Average Volume (th):	196.18		

### Shareholder Data

No. of Ord shares (mn):	116
Total no. of shares (mn):	116
Mkt Cap Ord (Eu mn):	4,736
Total Mkt Cap (Eu mn):	4,736
Mkt Float - Ord (Eu mn):	2,297
Mkt Float (in %):	48.5%
Main Shareholder:	
Generali Assicurazioni	51.0%

### Balance Sheet Data

Book Value (Eu mn):	1,294
BVPS (Eu):	1,293.91

■ **2Q24 better than consensus and our estimates, mostly on higher variable fees.** BGN reported sound results with the contribution from performance fees much better than expected, while recurring fees are developing well. In detail:

- Total income came to €238mn (+19% YoY), above consensus and our estimate, driven by variable fees (€40mn vs. €3mn in 2Q23) and recurring fees, more than offsetting a slight decrease in NII (-3% YoY and -2% QoQ).
- Net recurring fees were €115mn, with management fees at €212mn (+5% YoY), advisory fees at €12mn (+21% YoY) and banking and brokerage fees at €34mn (+14% YoY). Fee expenses came to €142mn (+9% YoY).
- Total net fees (incl. variable) came to €155mn (+38% YoY), above our estimate.
- Operating costs were €68.3mn with a C/I ratio of 28.8%, better than our 32.0%.
- Operating profit was €169mn and net profit €118mn (+28% YoY), better than our expectations and consensus.

■ **Visibly recovering inflows in 1H24: guidance for FY24 lifted to >€6.5bn.** 1H24 net inflows to AuM came to €1.4bn vs. €640mn in 1H23, mainly thanks to the sharp reduction in outflows from traditional insurance products and a good contribution from Mutual Funds, while inflows to AuA came to €1.9bn vs. €3.9bn in 1H23. The mix is still skewed towards AuA, but the improving trend is clearly visible. Summer months are expected to be seasonally light but still provide positive indications on the mix towards managed assets and in-house financial wrappers in particular, confirming positive momentum for BGN. Inflows are also expected to be supported by recruitment (€1bn in 1H24) with 94 new additions in 1H and expectations for more than 150 new advisors this year.

■ **2024 guidance lifted slightly. EPS24 raised on higher performance fees but solid operating trends expected into 2025/2026.** BGN updated 2024 guidance for NII, margins, inflows and dividends (more details later in this report). Margins should hold up well thanks to a favourable mix towards in-house funds and the contribution from Switzerland. We are raising 2024 EPS by 8.6% to include a higher performance fees contribution: 1H24 was strong and July positive (~€10mn). We are lifting our NII estimate slightly above new guidance, to €304mn. 2025/26 EPS up +0.9%/+2.2%.

■ **OUTPERFORM confirmed as we share the view BGN is the place to be: target €46 from €43.** We confirm our OUTPERFORM rating on the stock despite the recent strong performance. BGN is well placed to deliver AuM growth and capture demand for advisory. BGN is also proving to be a leading light in private banking, attracting advisors from other networks and banks, in particular with younger profiles. Although we are modelling lower future earnings due to decreasing performance fees, the recurring profitability is expected to increase nicely in the coming years. Generous future dividends further enhance the equity story. At target the stock would be trading at roughly 13.5x P/E 2024.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Commissions Income (Eu mn)	472	467	595	562	598
Total Income (Eu mn)	640	788	911	856	871
Net Operating Profit (Eu mn)	383	512	597	538	535
Net Profit Adj (Eu mn)	248	326	397	370	374
EPS New Adj (Eu)	2.087	2.791	3.401	3.167	3.201
EPS Old Adj (Eu)	2.087	2.791	3.131	3.140	3.133
DPS (Eu)	1.650	2.150	2.300	2.400	2.400
Market Cap/F.U.M.	8.5%	8.2%	7.8%	7.3%	6.9%
P/E Adj	19.5	14.6	12.0	12.8	12.7
Div. Yield	4.1%	5.3%	5.7%	5.9%	5.9%
ROE	22.7%	28.5%	31.7%	28.8%	29.2%

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

Explanation of our ratings system:

BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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As at 30 June 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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