

BANCA MEDIOLANUM

BUY

Sector: Asset mgmt

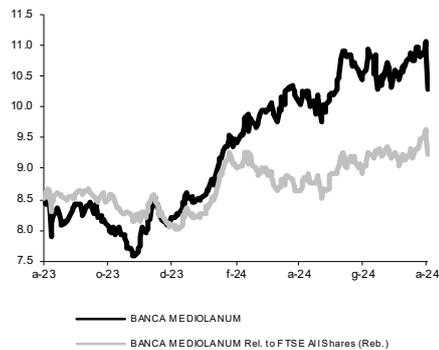
Price: Eu10.29 - Target: Eu13.00

Pushing Ahead on Inflows and Commissions

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 12.50 to 13.00		
	2024E	2025E	2026E
Chg in Adj EPS	4.6%	4.3%	4.7%

BANCA MEDIOLANUM - 12M Performance



Stock Data			
Reuters code:	BMED.MI		
Bloomberg code:	BMED IM		
Performance	1M	3M	12M
Absolute	-2.8%	1.1%	20.9%
Relative	-0.4%	3.6%	9.3%
12M (H/L)	11.07/7.59		
3M Average Volume (th):	1,403.63		

Shareholder Data	
No. of Ord shares (mn):	743
Total no. of shares (mn):	744
Mkt Cap Ord (Eu mn):	7,644
Total Mkt Cap (Eu mn):	7,644
Mkt Float - Ord (Eu mn):	2,256
Mkt Float (in %):	29.5%
Main Shareholder:	
Doris family	40.4%

Balance Sheet Data	
Book Value (Eu mn):	3,746
BVPS (Eu):	5.04

■ **2Q24 results better than expected, supported by growth trend in commissions.** BMED reported a supportive set of 2Q24 results that paves the way to a raise in FY24 guidance. We believe that the indications confirm BMED's ability to navigate uncertain scenarios while selecting and exploiting positive market trends. In detail:

- Net commission income came to €297mn (+20% YoY), better than our estimates and driven by growth of management fees (+16% YoY) with higher AuM thanks to the positive trend for financial markets and the best-in-class positioning of net inflows (inflows to AuM at €1.9bn in 2Q24 vs €803mn in 2Q23).
- Contribution margin at €501mn (+16% YoY), slightly better than expected, with the NII contribution at €198mn (+4.4% YoY), in line with our expectations.
- Performance fees came to €12mn vs. zero contribution in 2Q23, slightly above our estimate.
- Net profit was €229mn (+24% YoY), 9% above our estimate.

■ **Guidance on net inflows revised upwards thanks to strong trends.** BMED indicated to expect net inflows at €6.0/7.5bn into managed assets following €3bn in 1H: the new guidance is higher than expected and benefits from the success of the time deposit at 5% with €2.2bn expiring through 2H24, in addition to €1.1bn client-held govies maturing in 2H as well: this is driving an expectation of further growth in managed assets, feeding into commissions. We have raised our expectations for FY24 to €6.6bn AuM inflows. July net inflows into managed assets were indicated as spectacular. Spain was also very strong in 1H and is expected to remain positive in 2H. NII is expected to grow ~10% in FY24 following the higher cost of funding (time deposits and temporary suspension of mortgage rate payments by some clients) and to be stable in FY25 (vs our previous expectation of -5% YoY). BMED is guiding for a C/I ratio at ~40%. The dividend is expected to grow YoY and continue this trend in the future thanks to a supportive CET1 ratio at 23.7%.

■ **Change in estimates. We have revised up our FY24 net profit, mainly on higher commissions.** We are raising EPS by ~4/5%. Positively, most of the revision is linked to higher commissions, with gross commissions up 5/6% compared to our previous estimates. NII estimates basically confirmed. Theoretical performance fees would amount to ~€140mn but we keep a much more cautious stance with performance fees projected for the time being at €41mn for 2H24.

■ **BMED remains a very solid story at attractive valuations: TP raised to €13.** We look forward to a re-rating of this stock following consistently strong earnings and inflow releases. The upcoming newsflow expected to sustain the stock is linked to positive net inflow trends into managed assets. We also expect a generous dividend policy to continue with the interim to be announced with 3Q results, which could hint at the FY DPS. Our fair value, based on a multi-stage DCF, yields a fair value of €13, offering relevant upside in the region of ~26%. BMED remains one of our favourite plays in the sector.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Commissions Income (Eu mn)	1,629	1,718	1,988	2,091	2,233
Total Income (Eu mn)	2,196	2,655	3,028	3,118	3,188
Net Operating Profit (Eu mn)	644	1,067	1,172	1,153	1,109
Net Profit Adj (Eu mn)	521	830	881	867	834
EPS New Adj (Eu)	0.729	1.115	1.185	1.166	1.121
EPS Old Adj (Eu)	0.729	1.115	1.133	1.117	1.071
DPS (Eu)	0.500	0.700	0.740	0.780	0.820
Market Cap/F.U.M.	10.7%	9.4%	8.7%	8.1%	7.6%
P/E Adj	14.1	9.2	8.7	8.8	9.2
Div. Yield	4.9%	6.8%	7.2%	7.6%	8.0%
ROE	17.3%	26.0%	24.6%	22.3%	20.1%

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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.

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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.

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

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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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