BANCA MEDIOLANUM

BUY

Sector: Asset mgmt

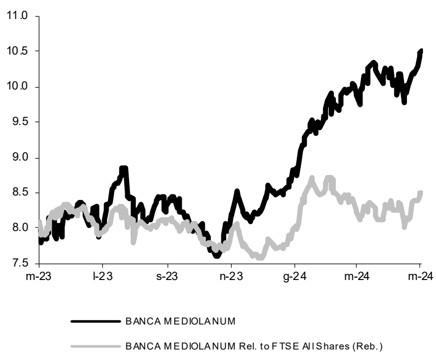
Price: Eu10.52 - **Target: Eu12.50**

1Q & April Inflows Confirm It is the Sweet Spot in Italian AM

Alberto Villa +39-02-77115.431
alberto.villa@intermonte.it

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 11.80 to 12.50
	2024E	**2025E**	**2026E**
Chg in Adj EPS	2.0%	2.4%	1.5%

BANCA MEDIOLANUM - 12M Performance



Stock Data			
Reuters code:			BMED.MI
Bloomberg code:			BMED IM
Performance	**1M**	**3M**	**12M**
Absolute	3.8%	7.2%	29.9%
Relative	2.7%	-2.7%	6.1%
12M (H/L)			10.52/7.59
3M Average Volume (th):			1,120.23

Shareholder Data	
No. of Ord shares (mn):	743
Total no. of shares (mn):	744
Mkt Cap Ord (Eu mn):	7,814
Total Mkt Cap (Eu mn):	7,814
Mkt Float - Ord (Eu mn):	2,306
Mkt Float (in %):	29.5%
Main Shareholder:	
Doris family	40.4%

Balance Sheet Data	
Book Value (Eu mn):	3,707
BVPS (Eu):	4.98

- **1Q24 results better than expected, supported by resilient NII and higher recurrent and variable fees.** BMED reported a solid set of 1Q24 operating results, mainly thanks to its ability to leverage on a diversified business model; the results also confirm the positive trend for inflows. In detail:
  - Net fee income came to €290mn (+11% YoY), better than our estimates and driven by growth of management fees (+13% YoY) with higher AuM thanks to the positive trend for financial markets and the contribution from net inflows during the first part of the year.
  - Contribution margin at €504mn (+23% YoY), better than expected, with the NII contribution at €220mn (+40% YoY), almost in line with our expectations.
  - Performance fees came to €30mn vs. almost zero contribution in 1Q23, above our estimate.
  - Net profit was €221mn (+24% YoY), 8% above our estimates.
- **Another very strong print for inflow in April, confirming the reversal of the 2023 negative trend.** April total inflows at €1bn (vs €1.1bn last year) with inflows into AuM at €621mn (vs €325mn last year) and inflows into AuA at €404mn (vs €512mn last year). We consider these data as very positive despite the fact that during the conference call, management confirmed that AuM inflows in recent months were entirely driven by bond funds in a phase of portfolio rebalancing after years of zero inflows. Equity funds are still the majority of AuM stock, and we believe that Mediolanum remains well placed to continue to guarantee positive net inflows able to sustain revenue fees in the next months.
- **Change in estimates. We have revised our FY24 net profit slightly upward to €843mn (+2% vs previous), mostly on higher performance fees and NII.** We are raising the contribution from performance fees for FY24 to ~€73mn from ~€59mn after €30mn already booked in 1Q24 and forecast accelerating inflows in 2H and a slightly positive market effect. Moreover, for FY25/26, we slightly raise net profit estimates (+2.4%/+1.5% respectively) as a result of higher-than-previously expected NII offsetting a slight downward revision of management fees (-2.0%-1.3%/-1.7% for FY24/25/26 respectively) due to minor margin erosion.
- **BMED a sweet spot in Italian asset gathering: BUY confirmed, TP €12.5.** BMED monthly inflows are strong and supported by a solid base of monthly accumulation plans; these, together with the long-term view investments, mostly in equity assets, make the company a unique player on the Italian market. We think that the re-rating of the stock is far from over and that the current multiples are attractive given the positive earnings momentum and generous dividend policy supported by very high capital ratios. Our fair value, based on a multi-stage DCF, yields a fair value of €12.5, offering further upside in the region of ~25% net of the balance of the dividend, hence we still recommend BMED as one of our favourite plays in the sector.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Commissions Income (Eu mn)	1,629	1,718	1,884	1,991	2,101
Total Income (Eu mn)	2,196	2,655	2,902	2,982	3,031
Net Operating Profit (Eu mn)	644	1,067	1,119	1,104	1,055
Net Profit Adj (Eu mn)	521	830	843	831	797
EPS New Adj (Eu)	0.729	1.115	1.133	1.117	1.071
EPS Old Adj (Eu)	0.729	1.115	1.110	1.090	1.055
DPS (Eu)	0.500	0.700	0.740	0.780	0.820
Market Cap/F.U.M.	10.9%	9.6%	9.1%	8.6%	8.2%
P/E Adj	14.4	9.4	9.3	9.4	9.8
Div. Yield	4.8%	6.7%	7.0%	7.4%	7.8%
ROE	17.3%	26.0%	23.7%	21.7%	19.7%

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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)

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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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OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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

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Emittente	%	Long/Short

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