

BANCA MEDIOLANUM

BUY

Sector: Asset mgmt

Price: Eu9.77 - Target: Eu11.80

Solid Results Expected in 1Q

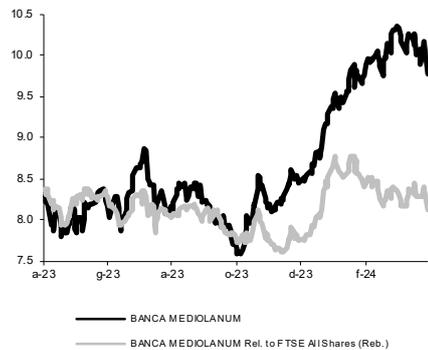
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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	0.3%	0.9%	0.8%

Next Event

Results Out 9 May 2024

BANCA MEDIOLANUM - 12M Performance



Stock Data			
Reuters code:	BMED.MI		
Bloomberg code:	BMED IM		
Performance	1M	3M	12M
Absolute	-5.2%	4.2%	13.4%
Relative	-3.3%	-6.7%	-6.3%
12M (H/L)	10.35/7.59		
3M Average Volume (th):	1,146.73		

Shareholder Data	
No. of Ord shares (mn):	743
Total no. of shares (mn):	744
Mkt Cap Ord (Eu mn):	7,257
Total Mkt Cap (Eu mn):	7,257
Mkt Float - Ord (Eu mn):	2,142
Mkt Float (in %):	29.5%
Main Shareholder:	
Doris family	40.4%

Balance Sheet Data	
Book Value (Eu mn):	3,690
BVPS (Eu):	4.96

■ **1Q24 results (May 9) expected to be supported by positive earnings momentum from NII and management fees.** We expect a solid set of results in 1Q24 thanks to BMED's ability to leverage on its diversified business model in an environment that is still punishing for inflows. In detail:

- Management fees seen at €296mn, +11% YoY, driven by higher AuM thanks to resilient 1Q24 inflows to AuM and a positive market effect.
- Insurance contribution foreseen at €40mn, almost flat QoQ and declining 12% YoY. Investment management fees at €60mn, banking fees at €42mn.
- Acquisition costs rising YoY to €153mn from last year's €144mn, leading to net commission income expected at €270mn (+3.9% QoQ / +3.4% YoY).
- At €218mn (+3.2% QoQ / +38.3% YoY), NII is still expected to be strong with interest rates declining more slowly than previously expected.
- Market-related revenue rising in 1Q24, with performance fees expected at €13mn, supported by a positive market performance vs almost zero in 1Q23.
- Profit before tax at €271mn and net profit at €204mn (+15.5% YoY).

■ **Still best net inflow trend in the industry in 1Q24, supportive mix.** Trends remained solid: 1Q24 saw inflows to managed assets at €1.2bn (+87% YoY), with €1.9bn into AuA (+14% YoY). We believe these data are resilient in a competitive landscape that remains challenging, with high yields on short-term fixed income as the main hinderance to inflows to managed asset. We believe that Mediolanum remains well placed to continue to guarantee positive net inflows to managed assets, also thanks to reinvestments of expiring term deposits.

■ **Change in estimates: FY24 net profit revised slightly upward to €826mn, mostly on higher performance fees and NII.** We are raising the contribution from performance fees for FY24 to ~€59mn thanks to resilient inflows and a positive market effect. Moreover, for 2024/2025/2026, we slightly raise net profit estimates (+0.3%/+0.9%/+0.8% respectively) as a result of higher-than-previously expected NII thanks to a scenario of a gentle downward path for interest rates.

■ **BMED a sweet spot in Italian asset gathering: BUY confirmed, TP €11.8.** The trend in 1Q24 has been supportive and BMED is expected to fully benefit from positive markets and transformation of clients' liquidity into managed assets in the coming months. NII does still have some tailwind support from reinvestments, and the bank is also increasingly repositioning towards HNWI while continuing to serve its traditional client base. The high CET1 ratio at >22% allows BMED full flexibility to further increase generous dividend distributions going forward. Stock re-rating is far from over at the current, still depressed valuations.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Commissions Income (Eu mn)	1,629	1,718	1,886	1,988	2,099
Total Income (Eu mn)	2,196	2,655	2,867	2,939	2,997
Net Operating Profit (Eu mn)	644	1,067	1,098	1,079	1,039
Net Profit Adj (Eu mn)	521	830	826	811	785
EPS New Adj (Eu)	0.729	1.115	1.110	1.090	1.055
EPS Old Adj (Eu)	0.729	1.115	1.107	1.081	1.046
DPS (Eu)	0.500	0.700	0.740	0.780	0.820
Market Cap/F.U.M.	10.1%	9.0%	8.5%	8.0%	7.6%
P/E Adj	13.4	8.8	8.8	9.0	9.3
Div. Yield	5.1%	7.2%	7.6%	8.0%	8.4%
ROE	17.3%	26.0%	23.3%	21.3%	19.6%

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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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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.

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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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Emitente	%	Long/Short
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