Milan, 08 November 2024

Italian Equity Research – 3Q/9M Results

BANCA MEDIOLANUM

BUY

Sector: Asset mgmt

Price: Eu11.52 - **Target: Eu13.00**

Cruising Towards €1bn Net Profit

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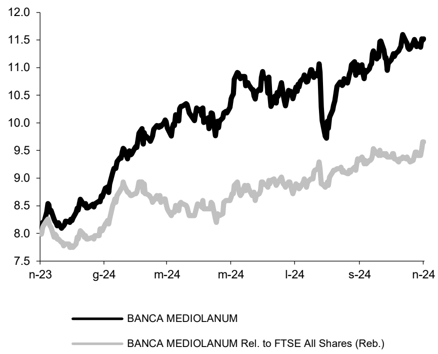
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	7.2%	2.3%	2.3%

BANCA MEDIOLANUM - 12M Performance



Stock Data			
Reuters code:			BMED.MI
Bloomberg code:			BMED IM
Performance	**1M**	**3M**	**12M**
Absolute	3.4%	14.9%	44.2%
Relative	2.9%	8.4%	24.8%
12M (H/L)			11.60/8.01
3M Average Volume (th):			983.10

Shareholder Data	
No. of Ord shares (mn):	743
Total no. of shares (mn):	744
Mkt Cap Ord (Eu mn):	8,557
Total Mkt Cap (Eu mn):	8,557
Mkt Float - Ord (Eu mn):	2,525
Mkt Float (in %):	29.5%
Main Shareholder:	
Doris family	40.4%

Balance Sheet Data	
Book Value (Eu mn):	3,691
BVPS (Eu):	4.96

- **3Q24 results better than expected, supported by performance fees and lower operating costs.** BMED posted 3Q24 results that beat estimates despite a lower-than-expected increase in NII, driven by performance fees and lower costs. In detail:
  - Net commissions at €286mn (+10% YoY) with the YoY increase driven by the insurance business (+30% YoY) and growth in management fees (+14% YoY), with higher AuM thanks to the positive trend in markets and the positive contribution from net inflows YTD.
  - Operating margin at €477mn (+5.5% YoY) with an NII contribution lower than expected at €195mn (+1% YoY; vs our €200mn).
  - Performance fees at €9.6mn vs. €8.3mn in 3Q23, while management indicated that as of Nov. 5th, performance fees accrued and not yet crystallized amounted to €230mn, well above our previous estimate for FY24.
  - Operating costs at €195mn and net profit at €224mn (+7.5% YoY), 5% above our estimates.
  - FY24 interim DPS at €0.37ps (exp. €0.30ps); projecting a higher DPS for FY24.
- **Guidance revision: higher AuM inflows, lower NII.** October inflow data with AuM at €703mn and AuA/custody at €665mn pave the way for the FY24 AuM inflow target increase to €7.5bn vs previous €6.5/7bn. The October inflow mix, despite remaining strong, was impacted by the last month of the commercial initiative on term deposits (5% gross annual rate for 6 months). The above-expectation €1.5bn gathered in term deposits drove a slight decrease in 2024 NII guidance to +8% from prev. +10% YoY, while for 2025, 3% YoY decline is now expected vs previous flat.
- **Change in estimates: FY24 net profit up 7% on higher performance fees (still well below current potential level).** We are raising our FY24/25/26 EPS by ~7%/2%/2%. Most of the revision is linked to higher performance fees following the indication of €230mn accrued fees and not yet crystallized that at least in part will be booked in 4Q. NII estimates basically aligned with updated company guidance, while in light of a €0.37 interim DPS, we increase our FY24 DPS estimate to €0.90 from previous €0.74, also projecting an extraordinary component related to performance fees.
- **Inflow & earnings momentum makes it best stock in the sector: OUTPERFORM, TP €13.** Along with the generous dividend policy once again confirmed with a higher-than-expected interim DPS, we believe that the upcoming positive newsflow on AuM inflows could sustain the stock. Hence, despite the downward revision of NII guidance, we believe that the deposit remuneration policy implemented in recent months will have ensured a steady and increasing flow of AuM inflows in the coming months. We expect this to translate into higher recurring revenues in terms of future management fees, which will more than offset the lower level of NII revenues in the short term. We confirm our BUY recommendation and TP of €13 as the stock trades at attractive valuations on 2025/2026 (P/E at 9.7x/10x or 11x at our target) despite the lower expected contribution from performance fees.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Commissions Income (Eu mn)	1,629	1,718	2,009	2,176	2,256
Total Income (Eu mn)	2,196	2,655	3,032	3,189	3,225
Net Operating Profit (Eu mn)	644	1,067	1,260	1,183	1,137
Net Profit Adj (Eu mn)	521	830	945	888	853
EPS New Adj (Eu)	0.729	1.115	1.270	1.193	1.147
EPS Old Adj (Eu)	0.729	1.115	1.185	1.166	1.121
DPS (Eu)	0.500	0.700	0.900	0.800	0.840
Market Cap/F.U.M.	11.9%	10.6%	9.7%	8.9%	8.3%
P/E Adj	15.8	10.3	9.1	9.7	10.0
Div. Yield	4.3%	6.1%	7.8%	6.9%	7.3%
ROE	17.3%	26.0%	26.6%	23.1%	20.8%

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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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BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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