Intermonte

Milan, 10 February 2023

Italian Equity Research – 4Q22 Results

BANCA GENERALI

OUTPERFORM

Sector: Asset mgmt

Price: Eu34.04 - **Target: Eu37.00**

4Q Supported by Resurgence in NII

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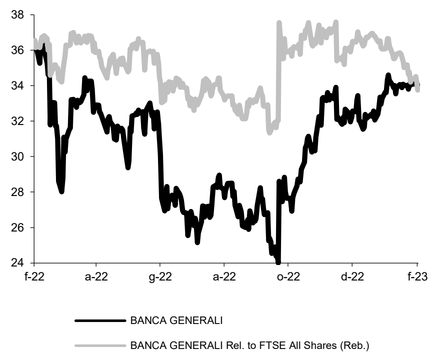
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 33.00 to 37.00
	2022E	**2023E**	**2024E**
Chg in Adj EPS	3.8%	5.6%	3.4%

BANCA GENERALI - 12M Performance



Stock Data			
Reuters code:			BGN.MI
Bloomberg code:			BGN IM
Performance	**1M**	**3M**	**12M**
Absolute	1.2%	7.1%	-6.9%
Relative	-7.0%	-8.5%	-7.7%
12M (H/L)			36.56/24.01
3M Average Volume (th):			297.49

Shareholder Data	
No. of Ord shares (mn):	116
Total no. of shares (mn):	116
Mkt Cap Ord (Eu mn):	3,963
Total Mkt Cap (Eu mn):	3,963
Mkt Float - Ord (Eu mn):	1,922
Mkt Float (in %):	48.5%
Main Shareholder:	
Generali Assicurazioni	51.0%

Balance Sheet Data	
Book Value (Eu mn):	1,380
BVPS (Eu):	11.52

- **4Q results benefit from strong contribution from NII:** BGN captured the positive developments on yields by delivering 4Q NII that beat expectations, coming to Eu57.2mn. Gross fees were Eu234mn thanks to good delivery on management fees, which came in at Eu197.6mn, flattish YoY with stable margins, while banking and entry fees came to Eu35mn and total commissions reached Eu234mn, with passive fees at Eu124mn. Operating costs were a touch better than expected at Eu75mn, leading to operating profit of Eu95.5mn. Net profit closed at Eu57.6mn. Total assets stood at Eu83.1bn at YE22, with managed assets at Eu55.5bn including Eu15.4bn in traditional life policies. The CET1 ratio came to 15.6%, down from 16.3% last year. The company's proposal of a Eu1.65 DPS with a 90% payout ratio fell short of our expectations.
- **Guidance points to NII above Eu200mn and net inflows at Eu5.7-6.7bn:** the company has indicated 2023 NII guidance at above Eu200mn but with conservative assumptions: Euribor at 3.2%, cost of risk seen at 130bp. Our 2023 NII estimate is Eu217mn. Net inflows are expected to come to Eu5.7-6.7bn, of which 60% into managed assets; BGN aims to recruit 150 new professionals with stable costs. Net inflows coming from recruitment are expected at 25-30% of the total. As for dividends, the company has confirmed the payout of 70-80% of recurring net profit and 50-100% of variable profit. On a cash basis, in 2023 shareholders will cash in Eu1.80, of which Eu0.80 on 20 February 2023 and Eu1.00 this spring. Overall, BGN remains committed to distributing Eu7.5-8.5ps in the 2022-2025 business plan period.
- **OUTPERFORM; target Eu37:** we are lifting our estimates by almost 6% to factor in a higher contribution from NII. We are also incorporating slightly better expectations for asset performance and a marginally declining average management fee at around 145bp. Following the increase in our estimates, we are setting a target price of Eu37 from Eu34, based on a DCF (WACC at 10% / g at 2%) which implies 2023/24 earnings multiples of 13.8x/12.2x. Our current estimates imply a very limited contribution to earnings from performance fees.

Key Figures & Ratios	2020A	2021A	2022E	2023E	2024E
Commissions Income (Eu mn)	508	667	472	499	556
Total Income (Eu mn)	618	779	640	731	796
Net Operating Profit (Eu mn)	386	532	372	447	497
Net Profit Adj (Eu mn)	275	373	248	313	352
EPS New Adj (Eu)	2.351	3.168	2.087	2.611	2.915
EPS Old Adj (Eu)	2.351	3.168	2.012	2.473	2.821
DPS (Eu)	3.300	1.950	1.650	1.900	2.100
Market Cap/F.U.M.	7.4%	6.8%	7.1%	6.5%	6.2%
P/E Adj	14.5	10.7	16.3	13.0	11.7
Div. Yield	9.7%	5.7%	4.8%	5.6%	6.2%
ROE	26.1%	30.3%	19.3%	23.4%	24.6%