

FINECO

Sector: Asset mgmt

NEUTRAL

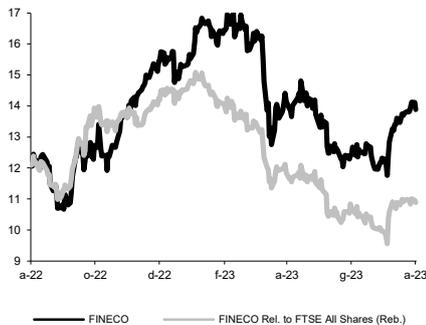
Price: Eu13.89 - Target: Eu14.50

Solid 2Q Results, Guidance Confirmed

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.7%	1.8%	1.8%

FINECO - 12M Performance



Stock Data			
Reuters code:	FBK.MI		
Bloomberg code:	FBK IM		
Performance	1M	3M	12M
Absolute	12.7%	1.1%	14.8%
Relative	9.2%	-6.1%	-12.9%
12M (H/L)	16.99/10.67		
3M Average Volume (th):	3,219.75		

Shareholder Data	
No. of Ord shares (mn):	606
Total no. of shares (mn):	610
Mkt Cap Ord (Eu mn):	8,418
Total Mkt Cap (Eu mn):	8,418
Mkt Float - Ord (Eu mn):	7,677
Mkt Float (in %):	91.2%
Main Shareholder:	
Blackrock	8.8%

Balance Sheet Data	
Book Value (Eu mn):	2,165
BVPS (Eu):	3.55

■ **2Q23 bottom line beats estimates:** revenues were in line with expectations, but lower operating costs meant gross operating profit was 2.9% ahead of expectations. Net profit was 10% better thanks to lower taxes. 2Q results in detail:

- Net financial income €171mn +1% vs. expectations and +148% YoY
- Net fees €121mn, in line, flat QoQ and +6.5% YoY
- Total revenues €307mn in line with expectations
- Operating costs €71.1mn lower than expectations of €75.5mn and up 6% YoY
- Gross operating profit €236mn, 3% better than expectations, pre-tax profit €232mn, up 67% YoY and net profit €162mn vs. €147mn expected, with a lower tax rate than forecast.

■ **Conference call indications:** FY23 guidance unchanged: 1) NII up 70% YoY, implying flat NII in 3Q/4Q vs. 2Q, which looks conservative given current interest trends and reinvestment levels. Management stuck with guidance leaving scope to outperform: we have raised our FY23 NII estimate from €667mn to €683mn. 2) Positive net inflows for €0.5bn in July, with deposits +€200mn and +€40mn into managed funds. FY23 inflow targets confirmed at €5bn for FAM and €4bn overall. 3) foreign expansion will depend on how the regulatory situation develops in the UK, with the possibility that Fineco may decide to abandon the country. 4) no negative impact expected from Eurovita; total insurance policies currently amount to €15bn and further outflows cannot be ruled out, but are incorporated in net inflow guidance. 5) Capital management: given the strong capital & liquidity ratios (CET1 23.2% / leverage ratio 4.68%) the company has various options open for the future and in the coming months management will decide whether to reimburse the maturing AT1 bond, increase dividends, or opt for a blend of dividends and buyback.

■ **Estimates up marginally:** we are lifting our 2023, 2024 and 2025 estimates marginally, by 0.7%, 1.8% and 1.8% respectively, to factor in a positive expected development for NII and increasing penetration of FAM on AuM. Fineco confirmed guidance for a management fees margin of up to ~55bp in 2024 (pre-tax ~73bp).

■ **NEUTRAL; target €14.50 confirmed:** we remain NEUTRAL on Fineco. After the recent stock bounce upside is limited in our view. We like the company and the business model but currently see more upside potential in other stocks within the sector that trade at lower multiples and boast higher dividend yields than Fineco.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Commissions Income (Eu mn)	451	466	495	556	630
Total Income (Eu mn)	805	948	1,249	1,313	1,365
Net Operating Profit (Eu mn)	543	664	937	980	1,011
Net Profit Adj (Eu mn)	349	429	604	637	659
EPS New Adj (Eu)	0.572	0.703	0.992	1.044	1.081
EPS Old Adj (Eu)	0.572	0.703	0.985	1.021	1.044
DPS (Eu)	0.390	0.490	0.600	0.679	0.703
Market Cap/F.U.M.	15.2%	16.2%	14.8%	13.6%	12.4%
P/E Adj	24.3	19.8	14.0	13.3	12.8
Div. Yield	2.8%	3.5%	4.3%	4.9%	5.1%
ROE	20.4%	23.6%	29.7%	27.7%	25.7%