Intermonte

Milan, 06 November 2024

Italian Equity Research – 3Q/9M24 Results

FINECO

NEUTRAL

Sector: Asset mgmt

Price: Eu14.46 - **Target: Eu16.00**

Turning Point for Deposits, Decision on Excess Capital Delayed

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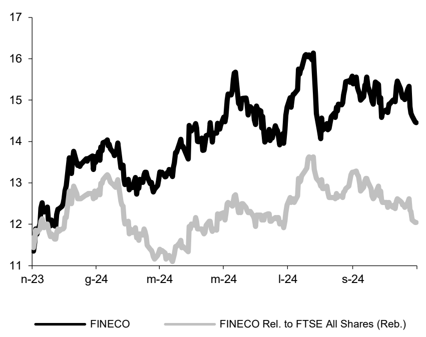
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	2.9%	1.5%	0.9%

FINECO - 12M Performance



Stock Data			
Reuters code:			FBK.MI
Bloomberg code:			FBK IM
Performance	**1M**	**3M**	**12M**
Absolute	-1.6%	1.4%	21.4%
Relative	-3.9%	-8.1%	1.7%
12M (H/L)			16.14/11.35
3M Average Volume (th):			1,626.39

Shareholder Data	
No. of Ord shares (mn):	611
Total no. of shares (mn):	611
Mkt Cap Ord (Eu mn):	8,827
Total Mkt Cap (Eu mn):	8,827
Mkt Float - Ord (Eu mn):	8,050
Mkt Float (in %):	91.2%
Main Shareholder:	
Blackrock	8.8%

Balance Sheet Data	
Book Value (Eu mn):	2,382
BVPS (Eu):	3.90

- **3Q24 results almost in line, with YoY net profit growth driven by solid commissions and lower provisions. Good inflow mix confirmed in October**
  - Total revenues at €326mn (+3.1% YoY / +0.5% vs our estimates) with NII at €178mn (+1.4% YoY / in line with our estimates). Net commissions up 8% YoY and in line with our expectations. Investing fees at €94mn (+11% YoY) with confirmation of margin decline vs last year, mainly due to a mix skewed towards short-term fixed income products. Brokerage contribution (€49mn, +8% YoY) was strong on commissions (€25mn, +5% YoY).
  - Operating costs were up double-digit in 3Q, also on higher marketing expenses, while provisions were very low thanks to the bringing-forward to 1Q of the one-off contribution to the DGS. Pre-tax-profit came in at €243mn (+18% YoY) and net profit at €170mn (+17% YoY), some 3% better than expected and 6% ahead of consensus.
  - October net inflows were strong at €1bn, with €430mn of AuM and flat deposits confirming an improving mix already seen during the summer months. Record new client adds at 15.1k in October (YTD 124k) as Fineco gains traction in acquiring clients, also thanks to the trading-only platform Fineco X.
- **FY24 guidance basically confirmed but decision on excess capital postponed on stronger growth prospects.** Fineco decided to postpone a decision on the partial distribution of excess capital to at least 2025 in order to preserve capital in case of a stronger increase in deposits that might put some pressure on the leverage ratio. The LR now stands at a comfortable 5.35% and Fineco aims to keep it at ~4.5% in the future. In our view, a share buyback remains the most likely utilization decision.
- **Adj. EPS up +2.9%/+1.5%/+0.9% for ‘24/’25/’26, mainly on higher NII, lower banking fees, and softer investing fees**. Our estimate revisions are mainly related to a slower decline in NII than previously expected, including high customer acquisition and consequently higher deposit inflows. We are lowering banking fees and investing margin, reducing net fee income accordingly, while confirming a rising contribution from brokerage. We also revise total inflows for FY24 to €10.1bn with the mix slightly shifted towards AuM vs AuC in the last two months of the year, while for 2025/2026 we are increasing our estimates for deposit inflows.
- **NEUTRAL, TP €16 confirmed: awaiting stronger momentum from commissions.** We like the additional confidence on the acceleration of the growing customer base and the fact that deposits are expected to soar again. At the same time, we note that the expansion of investing margins is taking longer than expected to materialize, hence with a contribution to revenues still skewed towards NII and trading. We expect positive momentum on inflows in the coming months, but we will reconsider becoming more constructive once net commissions prevail over net financial income to justify the premium at which the stock is trading compared to domestic peers. Estimates basically unchanged as well as our price target based on DDM, value map, and a premium to peers’ multiples of €16, supporting our NEUTRAL rating.

Key Figures & Ratios	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Commissions Income (Eu mn)	466	490	526	573	621
Total Income (Eu mn)	948	1,238	1,309	1,299	1,331
Net Operating Profit (Eu mn)	667	939	983	950	963
Net Profit Adj (Eu mn)	429	609	645	639	647
EPS New Adj (Eu)	0.703	0.997	1.056	1.046	1.059
EPS Old Adj (Eu)	0.703	0.997	1.026	1.031	1.050
DPS (Eu)	0.490	0.690	0.750	0.788	0.827
Market Cap/F.U.M.	17.0%	15.2%	13.8%	12.7%	11.8%
P/E Adj	20.5	14.5	13.7	13.8	13.6
Div. Yield	3.4%	4.8%	5.2%	5.4%	5.7%
ROE	23.6%	29.7%	28.2%	26.0%	24.8%

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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)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&PMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

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.

Explanation of our ratings system:

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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As at 30 September 2024 Intermonte's Research Department covered 125 companies. Intermonte's distribution of stock ratings is as follows:

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

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (61 in total) is as follows:

BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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