

FINECO

Sector: Asset mgmt

Steady as She Goes

NEUTRAL

Price: Eu16.91 - Target: Eu17.60

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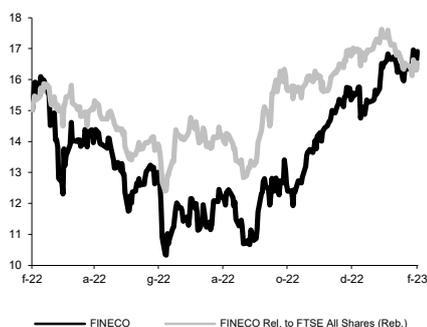
Stock Rating

Rating:	Unchanged	
Target Price (Eu):	from 17.30 to 17.60	
	2023E	2024E
Chg in Adj EPS	5.8%	-0.2%

Next Event

 Results Out May 8th

FINECO - 12M Performance



Stock Data

Reuters code:	FBK.MI		
Bloomberg code:	FBK IM		
Performance	1M	3M	12M
Absolute	2.5%	18.4%	12.7%
Relative	-5.3%	3.0%	10.3%
12M (H/L)	16.95/10.34		
3M Average Volume (th):	1,895.16		

Shareholder Data

No. of Ord shares (mn):	606
Total no. of shares (mn):	610
Mkt Cap Ord (Eu mn):	10,252
Total Mkt Cap (Eu mn):	10,252
Mkt Float - Ord (Eu mn):	9,350
Mkt Float (in %):	91.2%
Main Shareholder:	
Blackrock	8.8%

Balance Sheet Data

Book Value (Eu mn):	2,197
BVPS (Eu):	3.60

■ **4Q results stronger than expected.** Net profit in 4Q was €126mn, up 38% YoY and 12% better than our estimate. The beat was driven by higher revenues, with net financial income at €131mn (up 109% YoY and +9% vs our estimate), net commissions of €109mn (down 6% YoY, 10% better than our estimate) and trading profit at €13.7mn (-27% YoY, our estimate was €12.3mn). Operating costs were in line at €77mn (+7% YoY), while the tax rate was slightly higher than expected at €30.5% vs our 29%. Management will propose a €49c dividend (our expectation €48c). Net inflows in January were €746mn, of which €701mn into managed assets and €320mn into AuC (€69mn of these into 3rd-party deposits), with €276mn in outflows from direct deposits.

■ **2023 NFI guidance raised... with zero deposit beta confirmed.** 2023 NFI guidance was raised to +80% (was +70%) vs the FY22 figure (which was about €10mn higher than November guidance), implying an increase of ca. €60mn in management expectations for 2023. Banking fees are expected stable vs 2022, while investing revenues are seen growing high single digit thanks to inflows (around €5.0bn AuM, with FAM retail sales around €4.5bn) and higher margins YoY. Operating costs are seen 6% higher, not including additional costs for FAM (ca €2.0mn), the UK business (ca. €3.0mn), expansion in Germany, and potential additional marketing expenses. The tax rate is seen increasing 1.5%/2.0% due to the higher share of revenues generated in Italy (related to NII growth). The CEO confirmed the Fineco model does not imply remuneration of client liquidity, with deposit beta expected to remain at zero despite the higher rates and the changing environment for deposit remuneration. However, FBK offers clients products that enable them to obtain rates close to the market as well as 3rd-party deposits for clients chasing liquidity remuneration.

■ **Strong start for inflows and potential for extra dividend.** Very strong net inflows in January at Eu746mn overall and Eu701mn into managed assets. FY23 net inflow guidance of Eu5bn could therefore turn out to be cautious if markets stabilize. On shareholder remuneration, the CEO ruled out buybacks while excess capital could be paid out in the future (but no commitment on timing). On the potential inducement ban, the CEO noted that Fineco would be much better positioned than banks and other asset gatherers thanks to higher transparency and an existing advisory fee-only model on more than Eu20bn of TFA.

■ **Visible 2023 guidance prompts a +5.8% EPS'23 change.** We raise our NFI estimate by 7.6% to match company guidance, with commissions also slightly higher, although this could prove conservative if inflows remain as strong as in January, and with positive market performances. EPS'23 up almost 6%, 2024 unchanged. We expect consensus to raise estimates by +8/+10%.

■ **NEUTRAL confirmed, TP raised to Eu17.6.** We adjust our fair value to account for the higher 2023 estimates. At our FV, the stock would be trading at ~17x 2023 earnings. Fineco is proving to be very well equipped to fully benefit from the current yield environment and is expected to deliver a leap in profits in 2023.

Key Figures & Ratios	2020A	2021A	2022A	2023E	2024E
Commissions Income (Eu mn)	379	451	466	493	536
Total Income (Eu mn)	748	805	948	1,284	1,325
Net Operating Profit (Eu mn)	502	543	664	976	1,000
Net Profit Adj (Eu mn)	325	349	429	637	652
EPS New Adj (Eu)	0.532	0.572	0.703	1.044	1.069
EPS Old Adj (Eu)	0.532	0.572	0.681	0.987	1.071
DPS (Eu)	0.530	0.390	0.490	0.600	0.695
Market Cap/F.U.M.	22.6%	18.5%	19.7%	17.7%	16.0%
P/E Adj	31.8	29.6	24.1	16.2	15.8
Div. Yield	3.1%	2.3%	2.9%	3.5%	4.1%
ROE	21.1%	20.4%	23.6%	31.0%	27.8%