Intermonte

Milan, 08 May 2024

**Italian Equity Research – 1Q24 Results**

# FINECO

# NEUTRAL

*Sector: Asset mgmt*

Price: Eu14.48 - **Target: Eu15.00**

## Opportunity ahead … if rates go down!

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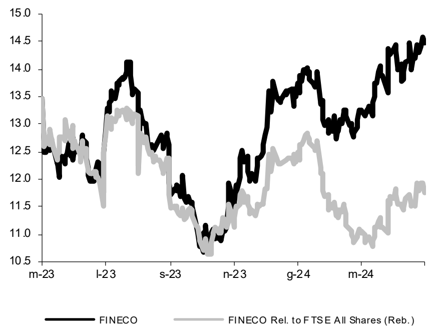
| Stock Rating | | | |
|---|---|---|---|
| **Rating:** | | | Unchanged |
| **Target Price (Eu):** | | | from 14.50 to 15.00 |
| | **2024E** | **2025E** | **2026E** |
| **Chg in Adj EPS** | 5.0% | 0.5% | 2.3% |

**FINECO - 12M Performance**




| Stock Data | | | |
|---|---|---|---|
| Reuters code: | | | FBK.MI |
| Bloomberg code: | | | FBK IM |
| **Performance** | **1M** | **3M** | **12M** |
| Absolute | 1.6% | 12.1% | 7.1% |
| Relative | 0.8% | 1.9% | -16.5% |
| 12M (H/L) | | | 14.59/10.65 |
| 3M Average Volume (th): | | | 2,509.70 |

| Shareholder Data | |
|---|---|
| No. of Ord shares (mn): | 611 |
| Total no. of shares (mn): | 611 |
| Mkt Cap Ord (Eu mn): | 8,842 |
| Total Mkt Cap (Eu mn): | 8,842 |
| Mkt Float - Ord (Eu mn): | 8,064 |
| Mkt Float (in %): | 91.2% |
| Main Shareholder: | |
| Blackrock | 8.8% |

| Balance Sheet Data | |
|---|---|
| Book Value (Eu mn): | 2,354 |
| BVPS (Eu): | 3.85 |

- **1Q24 results above expectations, with an improving tone on FY24 revenue guidance.** Total revenues €327mn (+11% YoY / +2% vs our estimates), mainly driven by NII (+15% YoY / +2% vs our estimates) and with a positive contribution from net commissions (+6% YoY / in line with our estimates). Net commissions at €129mn (+6% YoY / in line with our estimate), mainly thanks to higher investing fees at (+14% YoY) and higher brokerage fees (+5% YoY), offsetting a 18% decline in banking fees. Operating profit at €248mn (+13% YoY / +4% vs our expectations) impacted by systemic charges booked for the whole year in 1Q24 (€6.6mn to SRF and €35mn to DGS). Net profit at €147mn (flat YoY / +9% vs our expectations). Excluding systemic charges, net profit was up 12% YoY. FY24 revenues are no longer expected to match FY23, but to set a new record, with an improvement of the mix in favour of commissions.
- **April inflow mix still weak but no more outflows from deposits.** 2Q24 started with April showing a continuation of the weak inflow mix, but a reversal of the trend for outflows from deposits. Total net inflows in April were €844mn (vs €831mn in April '23), with €38mn of inflows to deposits (vs €191mn outflows in April 23). AuM inflows were €195mn (vs €267mn last year). 2023 and 1Q24 AuC inflow trends continued, with €610mn of inflows in April (vs €755mn in April 2023). The implied market performance was slightly positive in April (-0.8% on overall TFA, -1.2% on AuM and -0.8% on AuC).
- **Adj. EPS lifted by 5% on 2024 thanks to higher revenues (mainly NII).** Fineco provided updated guidance indicating record revenues expected in 2024 and hence an improvement of outlook compared to the previous flattish. This uptick is expected to be driven mostly by higher NII. In our estimates we include a higher contribution from revenues from NII, now expected to decline only marginally to €664mn (-3.5% YoY) thanks to higher for longer yields. Fineco confirmed guidance on the other items, and we expect net commissions at €555mn (+13% YoY) with brokerage at €123.4mn showing healthy trends, investing at €376mn (+14% YoY) picking up on gradually improving inflows, and a positive market effect and mix given the growing contribution from FAM products. Banking commissions are expected flattish YoY. Fineco continues to grow its customer base and Fineco is now introducing certificates, which could turn to be a positive contributor, boosting opportunities for advisory fees. Fineco is actively working on ~€5bn in customer investments in bonds maturing this year which management sees as a gigantic opportunity to boost managed assets flows over time.
- **NEUTRAL, TP up to €15 from €14.5.** Fineco is a great company, and the growing customer base is testament to the very sound business model. Fineco trades at around 14.5x earnings, which we consider a fair multiple considering that in the asset gathering space other players enjoy positive trends on much lower valuations. In the second part of the year, Fineco is expected to provide a clear indication on how to return part of the excess capital and this could contribute to a more constructive view on the stock. NEUTRAL, TP lifted to €15.0 from €14.5.

| Key Figures & Ratios | 2022A | 2023A | 2024E | 2025E | 2026E |
|---|---|---|---|---|---|
| Commissions Income (Eu mn) | 466 | 490 | 555 | 596 | 646 |
| Total Income (Eu mn) | 948 | 1,238 | 1,279 | 1,260 | 1,296 |
| Net Operating Profit (Eu mn) | 667 | 939 | 951 | 912 | 935 |
| Net Profit Adj (Eu mn) | 429 | 609 | 618 | 613 | 628 |
| EPS New Adj (Eu) | 0.703 | 0.997 | 1.012 | 1.004 | 1.028 |
| EPS Old Adj (Eu) | 0.703 | 0.997 | 0.963 | 0.998 | 1.005 |
| DPS (Eu) | 0.490 | 0.690 | 0.750 | 0.788 | 0.827 |
| Market Cap/F.U.M. | 17.0% | 15.2% | 14.7% | 13.6% | 13.0% |
| P/E Adj | 20.6 | 14.5 | 14.3 | 14.4 | 14.1 |
| Div. Yield | 3.4% | 4.8% | 5.2% | 5.4% | 5.7% |
| ROE | 23.6% | 29.7% | 27.2% | 25.3% | 24.6% |

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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.
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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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As at 31 March 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

| | |
|---|---|
| BUY: | 25.21 % |
| OUTPERFORM: | 46.22 % |
| NEUTRAL: | 27.73 % |
| UNDERPERFORM | 00.84 % |
| SELL: | 00.00 % |

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (50 in total) is as follows:

| | |
|---|---|
| BUY: | 38.78 % |
| OUTPERFORM: | 51.02 % |
| NEUTRAL: | 10.20 % |
| UNDERPERFORM | 00.00 % |
| SELL: | 00.00 % |

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| Emittente | % | Long/Short |
|---|---|---|



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