

FINECO

Sector: Asset mgmt

NEUTRAL

Price: Eu11.35 - Target: Eu13.00

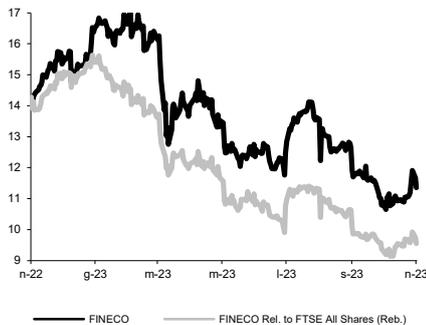
Peak Profits? Probably, but Stock Turning Point Getting Closer

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 14.00 to 13.00		
	2023E	2024E	2025E
Chg in Adj EPS	-1.6%	-5.7%	-6.9%

FINECO - 12M Performance



Stock Data

Reuters code:	FBK.MI		
Bloomberg code:	FBK IM		
Performance	1M	3M	12M
Absolute	4.4%	-16.4%	-20.5%
Relative	2.3%	-15.4%	-39.5%
12M (H/L)	16.99/10.65		
3M Average Volume (th):	3,185.81		

Shareholder Data

No. of Ord shares (mn):	606
Total no. of shares (mn):	610
Mkt Cap Ord (Eu mn):	6,881
Total Mkt Cap (Eu mn):	6,881
Mkt Float - Ord (Eu mn):	6,276
Mkt Float (in %):	91.2%
Main Shareholder:	
Blackrock	8.8%

Balance Sheet Data

Book Value (Eu mn):	2,155
BVPS (Eu):	3.53

■ 3Q23 results a touch above expectations:

- Total revenues came to €316mn, +44% YoY/+3% QoQ, mainly driven by NII (+114% YoY) and a positive contribution from net commissions. Net financial income was €180mn (+114% YoY; +5% QoQ) with no capital gains recorded in 3Q23. Net commissions were €120mn (+5% YoY / -1% QoQ) mainly thanks to higher investing fees at €84.7mn (+6% YoY) and higher banking fees (+3% YoY). Operating costs at €71.8mn were slightly better than expected with a cost/income ratio at 22.6%, up 5.1% YoY.
- Operating profit came in at €244.8mn, 4.4% above expectations, pre-tax profit was €205.5mn. Adj. net profit rose +81.5% YoY to €143mn, 10% above forecast.
- October net inflows were weak at €495.5mn, with €909mn of outflows from deposits (€-3.8bn YTD), AuC up €1.4bn. AuM inflows were weak at €13mn, still hit by outflows from insurance products (€-216mn) but FAM was also weak at €47mn. New client recruitment numbers were strong in October at 11.8k.

■ **Guidance update: FY23 broadly confirmed, inflows revised down:** Net financial income up +70% (confirmed) in line with expectations. Investing revenues up high single digit YoY (confirmed). AuM net inflows at around €3bn (previous guidance €4bn), in line with our €3.05bn estimate. No guidance on deposits provided vs. previous indication for -€2bn outflows: our estimate raised to -€4bn from -€3.7bn.

■ **FY24 guidance:** NII revised down, now pointing to a slight YoY decline, vs. the previous expectation that they would continue to benefit from the interest rate scenario. No precise inflow guidance was provided: the company now expects robust, high quality inflows, with a mix skewed towards AuM, vs. the previous indication of €5bn (FAM €4.5bn). Investing revenues seen up mid-to-high single-digit, in line with previous indications. Operating costs seen up 6% excluding additional marketing investments and strategic discontinuity. Dividends expected to grow in the future, bolstered by the strong capital position. Systemic charges expected to decline going forward, especially from 2025.

■ **Estimates trimmed to align to new guidance:** we are revising our estimates to take conference call indications into account: more cautious on NII (now estimated down 3% YoY in 2024), lower expectations on brokerage, investing revenues growth still in line with guidance at +7% YoY. Our 2023/24/24 EPS revision is -1.6%/-5.7%/-6.9%.

■ **NEUTRAL confirmed for now, target set to €13ps:** momentum on the stock remains hindered by short-term headwinds on the inflow mix and growing expectations that 2023 may represent peak earnings for Fineco. We believe this is in large part discounted in the current depressed trading multiples of around 11x earnings. A turning point for the equity story may materialise in the coming months, as and when interest rates start to decline, implying a hit to NII but renewed interest in quality AM plays vs. traditional banks, which are taking full advantage through NII and the low cost of risk. We remain NEUTRAL, setting a target price of €13 (from €14) on the back of our lowered estimates.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Commissions Income (Eu mn)	451	466	476	521	585
Total Income (Eu mn)	805	948	1,230	1,255	1,266
Net Operating Profit (Eu mn)	543	664	917	919	910
Net Profit Adj (Eu mn)	349	429	594	599	612
EPS New Adj (Eu)	0.572	0.703	0.975	0.982	1.003
EPS Old Adj (Eu)	0.572	0.703	0.991	1.042	1.077
DPS (Eu)	0.390	0.490	0.600	0.639	0.652
Market Cap/F.U.M.	12.4%	13.2%	12.4%	11.4%	10.6%
P/E Adj	19.8	16.1	11.6	11.6	11.3
Div. Yield	3.4%	4.3%	5.3%	5.6%	5.7%
ROE	20.4%	23.6%	29.2%	26.4%	24.5%