

# FINECO

Sector: Asset mgmt

## NEUTRAL

Price: Eu12.68 - Target: Eu14.50

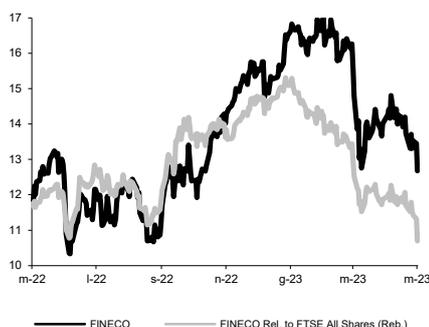
## Results in Line, Guidance Points to NII Peak in 4Q23

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### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	from 15.80 to 14.50		
	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>Chg in Adj EPS</b>	-3.2%	-2.9%	-3.4%

### FINECO - 12M Performance



### Stock Data

Reuters code:	FBK.MI
Bloomberg code:	FBK IM

Performance	1M	3M	12M
Absolute	-9.5%	-25.4%	8.0%
Relative	-9.9%	-24.6%	-10.5%
12M (H/L)	16.99/10.34		
3M Average Volume (th):	2,883.11		

### Shareholder Data

No. of Ord shares (mn):	606
Total no. of shares (mn):	610
Mkt Cap Ord (Eu mn):	7,688
Total Mkt Cap (Eu mn):	7,688
Mkt Float - Ord (Eu mn):	7,011
Mkt Float (in %):	91.2%
Main Shareholder:	
Blackrock	8.8%

### Balance Sheet Data

Book Value (Eu mn):	2,161
BVPS (Eu):	3.54

■ **1Q23 results in line with expectations:** 1Q23 results were in line with estimates and consensus: NII was Eu157.4mn vs. Eu157.3mn expected, Net fees came to Eu120.9mn vs. Eu118.5mn, of which: Management fees Eu94.8mn vs. Eu93.2mn / brokerage fees at Eu31.3mn vs. Eu29mn / banking fees at Eu14.6mn vs. Eu15.8mn. Total revenues at Eu293mn were in line with our Eu294mn forecast. Operating costs came in at Eu73.4 vs. Eu74.4mn exp., +8% YoY. Net operating profit was Eu220mn vs. Eu218.4mn (cons. Eu220mn), with pre-tax profit of Eu209.6mn vs. Eu206.6mn exp., net profit of Eu147mn vs. Eu144mn exp. (consensus Eu147mn) and a 30% tax rate. CET1 ratio 21.8%. April net inflows were Eu831mn, of which Eu267mn into managed assets and brokerage revenues down MoM to Eu12mn.

■ **Guidance adjusted to factor in lower NII due to deposit outflows:** Fineco updated guidance as follows: net financial income expected to increase 70% YoY in FY23 vs. +80% previously with a peak in 4Q23 mainly due to assumptions for FY23 deposits at Eu-2bn vs. Eu1bn previously, with the following years expected to continue to benefit from the supportive interest rate scenario. Investing: high single-digit YoY rise in revenues, with higher after-tax margins on management fees. Inflows: FAM retail net sales expected at ~Eu5bn (up from Eu4.5bn), and overall AUM net sales expected at around Eu4bn (embedding outflows in insurance wrappers) compared with Eu5bn previously. All other guidance items were basically confirmed.

■ **Main conference call messages:** 1) the CEO is confident on the inflows outlook, especially for FAM products, with clients' appetite skewed towards fixed income: positive signs in May and June expected and revised inflow guidance still pointing to strong growth for FAM that will be beneficial for margins; 2) no risks of additional outflows from deposits as level of transactional liquidity reached 89% of total (from 85% at YE22) and guidance already embeds additional competition from government bonds; 3) no intention to remunerate deposits in the future; 4) Eurovita: no significant impact expected from the rescue as the exposure is limited to 1% of clients, mainly in index-linked products.

■ **Estimates cut by around 3% on average:** we are factoring the new guidance into our 2023 estimates, with net financial income expected at Eu667mn and net commissions at Eu489mn. FY23 net profit goes to Eu600mn, implying a limited downward revision of 3%. The company expects NFI to be up slightly YoY in 2024. The change in estimates is similar for 2024 & 2025 at -2.9%/-3.4%.

■ **Overreaction to fine-tuning of guidance, but we confirm our NEUTRAL rating for now:** we think the stock reaction to 1Q23 results was excessive, but the current scenario seems more favourable for retail banks in terms of valuation catch up and earnings momentum. We update our fair value to Eu14.5ps and confirm our NEUTRAL rating. After a significant de-rating the stock is now trading at more appealing multiples of 13x/12.4x 2023/24, and at 14.6x/14.1x at target.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Commissions Income (Eu mn)	451	466	489	543	610
Total Income (Eu mn)	805	948	1,240	1,297	1,337
Net Operating Profit (Eu mn)	543	664	929	964	984
Net Profit Adj (Eu mn)	349	429	600	622	637
EPS New Adj (Eu)	0.572	0.703	0.985	1.021	1.044
EPS Old Adj (Eu)	0.572	0.703	1.017	1.052	1.081
DPS (Eu)	0.390	0.490	0.600	0.664	0.679
Market Cap/F.U.M.	13.9%	14.8%	13.5%	12.4%	11.4%
P/E Adj	22.2	18.0	12.9	12.4	12.1
Div. Yield	3.1%	3.9%	4.7%	5.2%	5.4%
ROE	20.4%	23.6%	29.5%	27.2%	25.1%