Milan, 13 October 2023

Italian Equity Research – 3Q23 Preview

FINECO

NEUTRAL

Sector: Asset mgmt

Price: Eu11.15 - **Target: Eu14.00**

3Q Expected in Line with FY Trends

Alberto Villa +39-02-77115.431
alberto.villa@intermonte.it

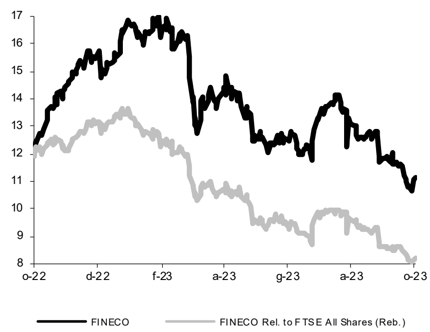
- **3Q expected in line with expectations:** We expect 3Q results (out 7 November) to confirm the trend foreseen for FY23 with further growth of NII and a slight rise in net commissions, higher operating costs and the bottom line by the seasonal effect of provisions for the bank deposit guarantee scheme which are concentrated in 3Q. in detail:
  - NII expected at Eu173mn +105% YoY / +1% QoQ thanks to favourable trends for interest rates and despite volumes penalised by outflows from deposits
  - Net fees foreseen at 118mn +3% YoY / -3% QoQ with a good trend for brokerage and asset management but a reduction of banking commissions
  - Trading profit at Eu16.5mn
  - Operating costs +7% YoY / +2% QoQ due to cost inflation and slightly above the growth trend foreseen for the full year with cost/income at 24%
  - Gross operating profit at Eu235mn +55% YoY / flat QoQ
  - Provisions for the bank deposit guarantee scheme expected at Eu44mn vs Eu42mn in 3Q22
  - Net profit at Eu132mm (9M23 at Eu444mn), sharply up on Eu80mn in 3Q22
- **3Q Net inflows** at Eu 305mn (-63% YoY) in terms of AuM, inflows for Eu 2.1bn (+136% YoY) to administered assets, with liquidity outflows at Eu 820mn vs inflows of Eu 140mn in 3Q22. YTD Eu 2.3bn of inflows to AuM (-11% YoY), Eu 7.4bn to administered (+95% YoY), and liquidity outflows of Eu 2.9bn. The same trends were also confirmed in September, with inflows to AuM at Eu 113mn and down from over Eu 200mn recorded in Sep-22. The trend in favour of assets under administration continues, with inflows at Eu 836mn (+103% YoY) and outflows from deposits of Eu 502mn. Despite the seasonally weak month, our expectations were for a better mix. Inflows continue to be strongly concentrated in AuA, confirming at this stage customers' preference for fixed-income direct investments and Fineco's exposure to this trend. We have revised our FY23 as follows: Eu 3.05bn inflows into managed assets and Eu 3.7bn deposits outflows.
- **NEUTRAL confirmed, tp Eu14.0 from Eu14.5:** we are making minor tweaks to our estimates at -0.1%/-0.2%/-0.4% for 2023/2024/2025 confirming our expectations that the bank will continue to grow TFA overtime and that the inflows mix would gradually improve following a challenging business environment in 2023. We believe a positive turning point on the stock would come from a stabilization of market yields while in the short term the earnings trend remains more favourable for retail banks. We set a new target price of Eu14.0 from Eu14.5 to take into account higher free risk increased at 4.5% from previous 4.0%. Current Fineco's trading multiples are appealing at 11.3x/10.7x P/E 23/24 and well below historical average. At target Fineco would be trading at 14.0x/13.3x. We expect a re-rating is possible going forward once inflows

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 14.50 to 14.00
	2023E	**2024E**	**2025E**
Chg in Adj EPS	-0.1%	-0.2%	-0.4%

Next Event

Results Out November 7, 2023

FINECO - 12M Performance



Stock Data			
Reuters code:			FBK.MI
Bloomberg code:			FBK IM
Performance	**1M**	**3M**	**12M**
Absolute	-5.5%	-16.8%	-6.5%
Relative	-4.9%	-15.8%	-42.7%
12M (H/L)			16.99/10.65
3M Average Volume (th):			2,934.90

Shareholder Data	
No. of Ord shares (mn):	606
Total no. of shares (mn):	610
Mkt Cap Ord (Eu mn):	6,763
Total Mkt Cap (Eu mn):	6,763
Mkt Float - Ord (Eu mn):	6,168
Mkt Float (in %):	91.2%
Main Shareholder:	
Blackrock	8.8%

Balance Sheet Data	
Book Value (Eu mn):	2,164
BVPS (Eu):	3.55

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Commissions Income (Eu mn)	451	466	494	554	627
Total Income (Eu mn)	805	948	1,249	1,311	1,362
Net Operating Profit (Eu mn)	543	664	937	978	1,008
Net Profit Adj (Eu mn)	349	429	604	635	657
EPS New Adj (Eu)	0.572	0.703	0.991	1.042	1.077
EPS Old Adj (Eu)	0.572	0.703	0.992	1.044	1.081
DPS (Eu)	0.390	0.490	0.600	0.677	0.700
Market Cap/F.U.M.	12.2%	13.0%	12.1%	11.3%	10.5%
P/E Adj	19.5	15.9	11.3	10.7	10.4
Div. Yield	3.5%	4.4%	5.4%	6.1%	6.3%
ROE	20.4%	23.6%	29.6%	27.6%	25.7%