

FINECO

Sector: Asset mgmt

NEUTRAL

Price: Eu14.24 - Target: Eu15.80

Good 1Q23, Attention on Inflow Mix and Deposit Beta

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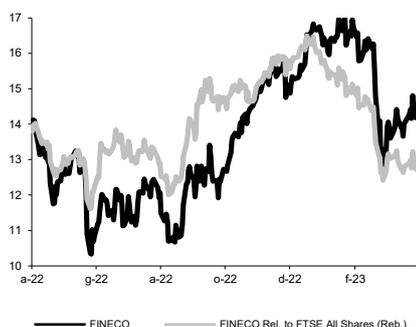
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 17.60 to 15.80		
	2023E	2024E	2025E
Chg in Adj EPS	-2.6%	-1.6%	-2.6%

Next Event

1Q23 Results Out May 9, 2023

FINECO - 12M Performance



Stock Data

Reuters code:	FBK.MI		
Bloomberg code:	FBK IM		
Performance	1M	3M	12M
Absolute	11.7%	-13.8%	2.4%
Relative	2.7%	-20.4%	-8.5%
12M (H/L)	16.99/10.34		
3M Average Volume (th):	2,770.06		

Shareholder Data

No. of Ord shares (mn):	606
Total no. of shares (mn):	610
Mkt Cap Ord (Eu mn):	8,636
Total Mkt Cap (Eu mn):	8,636
Mkt Float - Ord (Eu mn):	7,876
Mkt Float (in %):	91.2%
Main Shareholder:	
Blackrock	8.8%

Balance Sheet Data

Book Value (Eu mn):	2,180
BVPS (Eu):	3.58

■ **1Q23 results due out on 9 May.** In 1Q23, overall net inflows came to Eu2,740mn, but with the mix skewed to assets under administration (Eu2,930mn); inflows to managed products held up well (Eu1,040mn) while deposits suffered outflows (Eu1,230mn). We expect 1Q23 results to show:

- Total revenues at Eu294mn (+11% QoQ/ +15% YoY) with NII up +20% QoQ / +46% YoY to Eu157.3mn, and the FY23 growth estimate still around +80% YoY to Eu697mn;
- Net fees at Eu118.5mn, broadly flat QoQ and YoY. Management fees expected at Eu93.2mn, slightly higher thanks to greater penetration of FAM products on the total to the detriment of insurance products, while for brokerage fees we expect Eu29mn, up 27% QoQ but down 11% YoY; banking fees expected at Eu15.8mn, higher QoQ and YoY;
- Operating costs at Eu74.4mn, up c.8% YoY, partly due to the stepping-up of some marketing initiatives;
- Net operating profit expected at Eu218.4mn, pre-tax profit for risk expected at Eu206.6mn; net profit at Eu144mn with a tax rate of 30.4% influenced by the high NII contribution.

■ **Inflow mix, cost of funding & NII and Eurovita rescue plan under the spotlight:** Fineco is expected to basically confirm 2023 guidance despite a more uncertain scenario. The main points to focus on will be how well the net inflows mix holds up: the shift from deposits to administered assets is likely to continue in 1H23, while in managed assets we expect FAM to represent the lion's share of inflows, with outflows potentially continuing in the insurance segment, a positive combination for profit margins. The Eurovita rescue plan is still under discussion with other counterparties, i.e. distributor banks and insurance companies; the potential risk for Fineco would be an acceleration of outflows from traditional life products and a commitment to inject capital into the company to restore solvency margins. The impact is expected to be manageable, with the main risk being a negative one-off in the region of 2-3% of the current market cap.

■ **Estimates fine-tuned:** we are trimming estimates by -2.6%, -1.6% and -2.6% for 2023, 2024 and 2025 due to a fine-tuning of estimates, in particular for trading profit and risk provisions, while expectations for NII and net commissions are broadly confirmed. As far as costs are concerned, we are factoring in slightly higher inflation due to marketing activities.

■ **NEUTRAL; target from Eu17.6 to Eu15.8.** We confirm our NEUTRAL recommendation on the stock, with the target price lowered to Eu15.8ps. This revision comes on the back of the cut in estimates and lower sector multiples. Implied multiples at the new target are 15.4x/15x on 2023/2024 earnings, while the stock is currently trading at 14.0x/13.5x. We believe the business model remains sound and the main challenge will be the transformation of administered assets into managed assets to boost the contribution of investments to overall profitability.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Commissions Income (Eu mn)	451	466	491	550	622
Total Income (Eu mn)	805	948	1,272	1,322	1,366
Net Operating Profit (Eu mn)	543	664	961	992	1,016
Net Profit Adj (Eu mn)	349	429	620	641	659
EPS New Adj (Eu)	0.572	0.703	1.017	1.052	1.081
EPS Old Adj (Eu)	0.572	0.703	1.044	1.069	1.110
DPS (Eu)	0.390	0.490	0.600	0.684	0.703
Market Cap/F.U.M.	15.6%	16.6%	15.1%	13.7%	12.5%
P/E Adj	24.9	20.3	14.0	13.5	13.2
Div. Yield	2.7%	3.4%	4.2%	4.8%	4.9%
ROE	20.4%	23.6%	30.3%	27.7%	25.6%