

FINECO

Sector: Asset mgmt

NEUTRAL

Price: Eu17.89 - Target: Eu18.00

Strong Progression in Net Inflows, Margins Yet to Follow

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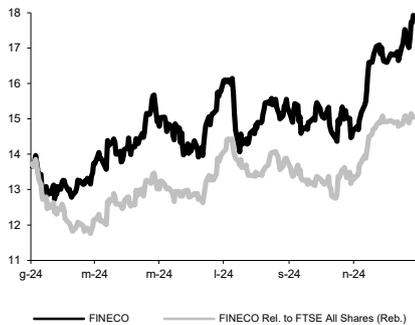
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 16.00 to 18.00		
	2024E	2025E	2026E
Chg in Adj EPS	-0.2%	-3.7%	-1.7%

Next Event

Results Out February, 06

FINECO - 12M Performance



Stock Data

Reuters code:	FBK.MI
Bloomberg code:	FBK IM

Performance	1M	3M	12M
Absolute	7.6%	15.7%	29.4%
Relative	1.0%	13.1%	10.9%
12M (H/L)	17.93/12.73		
3M Average Volume (th):	1,826.61		

Shareholder Data

No. of Ord shares (mn):	611
Total no. of shares (mn):	611
Mkt Cap Ord (Eu mn):	10,921
Total Mkt Cap (Eu mn):	10,921
Mkt Float - Ord (Eu mn):	9,960
Mkt Float (in %):	91.2%
Main Shareholder:	
Blackrock	8.8%

Balance Sheet Data

Book Value (Eu mn):	2,540
BVPS (Eu):	4.16

■ **4Q24 results due out on 6 February 2025:** we expect the top line to have started to suffer in 4Q from declining NII due to the lower-interest-rate environment. According to our estimates, the impact should have been more than offset by a positive YoY contribution from commissions thanks to investing and brokerage fees, supported respectively by an improved inflow mix and higher volumes. Bottom line YoY growth will have been dented by higher operating costs, despite a lower impact from provisions. In detail:

- NII estimated at €169mn (-6% YoY / -5% QoQ).
- Net commissions estimated up 9% YoY, with Investing fees at €99mn (+12% YoY), and a continuation of the decrease in margins to reach 70bp for the year, compared to >72bp in 2023. We believe this is driven by a downward trend common to the entire sector, with AuM inflows skewed towards short-term fixed-income products and increasing inflows to assets under advisory.
- The contribution from brokerage is estimated at €51mn (+8% YoY) with commissions seen at €30mn (+11% YoY), mainly thanks to higher volumes and despite an estimated decline in the bp attached to commissions.
- Operating charges expected to increase YoY by 16% to €96mn, mainly due to higher investments in marketing activities. Gross operating profit expected at €231mn (-3% YoY).
- Easy YoY comparison in terms of provisions. This is related to an €11mn provision booked in 4Q23 related to the Eurovita issue. Pre-tax-profit is therefore estimated at €226mn (+1% YoY) and net profit at €154mn (flat YoY).

■ **Inflows bouncing back but AuM mix still hampering margins:** after slowing in 3Q24, 4Q24 data indicate a return towards 1Q24 and 2Q24 levels, when inflows were always above €0.8bn. On the other hand, and in contrast to 1H24, we note a strong mix in recent months, with a definitive shift in preference for AuM over AuC. Despite this improvement, we believe most of the AuM inflows are still skewed to lower-margin fixed-income products. We therefore expect overall margins to remain under a certain amount of pressure in 4Q.

■ **NEUTRAL confirmed; target from €16.0 to €18.0:** Fineco is back on track in terms of its inflow mix, but the next step is to improve the quality of managed assets with a move towards more long-term investments for the benefit of clients and the bank. Another element should come from the reorganisation of low-margin insurance products that are currently dragging down investing profitability. On capital management, we expect rising dividends, with a ~70% payout, but do not expect major announcements in terms of extra dividends or buybacks following the improving trends in deposit inflows and the target to maintain a leverage ratio above 4.5%. The stock has re-rated significantly (23%/29% on 2024/2025) and we think that at ~17x earnings, the stock is fairly valued. We remain NEUTRAL, raising our target price from €16.0 to €18.0.

Key Figures & Ratios	2023A	2024E	2025E	2026E	2027E
Commissions Income (Eu mn)	490	526	577	629	677
Total Income (Eu mn)	1,238	1,311	1,273	1,324	1,363
Net Operating Profit (Eu mn)	939	976	917	947	972
Net Profit Adj (Eu mn)	609	644	616	636	655
EPS New Adj (Eu)	0.997	1.054	1.008	1.041	1.071
EPS Old Adj (Eu)	0.997	1.056	1.046	1.059	
DPS (Eu)	0.690	0.730	0.767	0.805	0.845
Market Cap/F.U.M.	18.8%	16.5%	15.1%	14.0%	12.9%
P/E Adj	17.9	17.0	17.8	17.2	16.7
Div. Yield	3.9%	4.1%	4.3%	4.5%	4.7%
ROE	29.7%	28.1%	25.0%	24.3%	23.8%

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- 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)

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Frequency of research: quarterly.

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- 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.

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OUTPERFORM:	43.28 %
NEUTRAL:	25.38 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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