

# MEDIOBANCA

Sector: Banks

## NEUTRAL

Price: Eu12.06 - Target: Eu12.40

## 1Q results: Governance saga overshadows positive momentum

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### Stock Rating

**Rating:** Unchanged

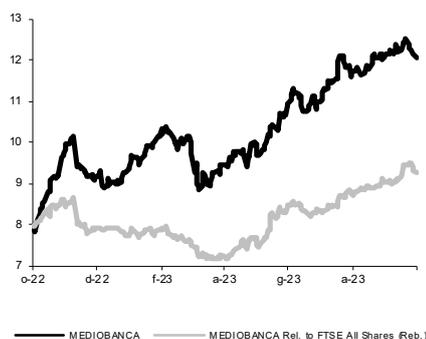
**Target Price (Eu):** Unchanged

	2024E	2025E	2026E
Chg in Adj EPS	0.0%	0.0%	0.0%

### Next Event

Results Out 26 October

### MEDIOBANCA - 12M Performance



### Stock Data

Reuters code: MDBI.MI

Bloomberg code: MB IM

Performance	1M	3M	12M
Absolute	0.0%	9.5%	51.4%
Relative	2.3%	10.6%	21.6%
12M (H/L)		12.53/7.84	
3M Average Volume (th):		2,562.43	

### Shareholder Data

No. of Ord shares (mn): 829

Total no. of shares (mn): 848

Mkt Cap Ord (Eu mn): 9,995

Total Mkt Cap (Eu mn): 9,995

Mkt Float - Ord (Eu mn): 6,727

Mkt Float (in %): 67.3%

Main Shareholder:

Del Vecchio 19.4%

### Balance Sheet Data

Tangible Equity (Eu mn): 11,055

TEPS (Eu): 13.03

CET1 Ratio Fully Loaded: 15.9%

Gross NPE Ratio: 0.0%

■ **1Q23/24 Vs BoD renewal:** MB's 1Q23/24 (out next 26 Oct.) risks losing momentum given the saga surrounding the renewal of the BoD of the Group. Our gut feeling is that the outgoing board will present a sound set of numbers: this would be strategically helpful, as MB enters its new business plan just as the existing BoD's mandate expires and at the same time as governance issues with the principal shareholder overshadow board renewal. In any case, net of one-off NII in the last quarter (€30m for the coupon on an inflation-linked bond), the quarter should again see a certain weakness in terms of IB fees vs WM moving sideways alongside a market that seems to favour AuA vs AuM. Things should normalize in the coming quarters due to the consolidation of Arma Partners (some €100m of net fees yearly). All in all, we expect the bottom line above €0.3bn: consumer lending provisions may hit the P&L but existing overlays may be used to absorb the impact.

■ **Regulatory capital ratios** are expected to be "down" from 15.9% in June 2023, but we do not consider this to be a critical issue for the stock given the following: 1) €200m buyback to be greenlighted by the end of October (-40/50bp); 2) the AIRB adoption for Compass RWAs (-25bp).

■ **Windfall tax:** It is not yet clear whether MB is paying or provisioning 2.5x the tax to non-distributable reserves. Whatever it does, we do not see as material for the Company given the amount of tax due (€80m).

■ **Governance scenario: counting votes at October 28 AGM.** The outcome of the upcoming AGM is still uncertain. We think some stake building has supported the stock price lately, and the last date to buy shares for voting at the AGM should be 17<sup>th</sup> October (record date 19<sup>th</sup> October). If the list promoted by Delfin wins a majority the second list promoted by the outgoing BoD will still have a majority in the new BoD, with 9 seats vs. 5 from the Delfin list. Nonetheless, the governance could still be complex given the composition of the new BoD between members supporting current management, independent directors and board members appointed by the largest shareholder.

■ **S/T weakness approaching?** However, the BoD renewal plays out, the endgame will likely put some downside pressure on the stock, at least in the short term, surely removing any scenario regarding a potential stake-building process in the light of the approaching general meeting. MB Group is trading at (2025) less than 0.9x P/T-NAV and 8x earnings, while the banking business (i.e. the MB Group ex-Generali) is trading at less than 0.8x P/T-NAV and 8.6x earnings.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Total income (Eu mn)	2,851	3,305	3,520	3,613	3,756
Net Operating Profit (Eu mn)	1,539	1,891	1,995	2,060	2,175
Net Profit Adj (Eu mn)	907	1,127	1,218	1,273	1,358
EPS New Adj (Eu)	1.069	1.328	1.469	1.588	1.762
EPS Old Adj (Eu)	1.069	1.328	1.469	1.588	1.762
DPS (Eu)	0.750	0.850	1.000	1.100	1.200
P/E Adj	11.3	9.1	8.2	7.6	6.8
Div. Yield	6.2%	7.0%	8.3%	9.1%	10.0%
P/TE	0.99	0.93	0.87	0.82	0.76
ROTE	8.7%	10.2%	10.6%	10.8%	11.1%