

# MEDIOBANCA

Sector: Banks

## OUTPERFORM

Price: Eu11.64 - Target: Eu13.70

## Capital-light business model gaining traction

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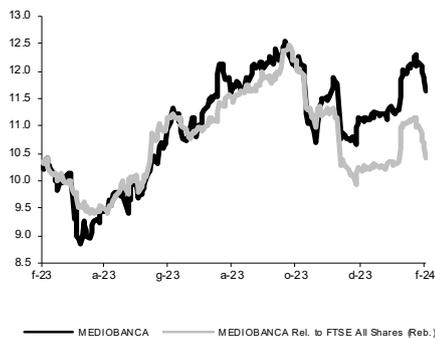
### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	2.6%	2.4%	2.2%

### Next Event

3Q23/24 results Out next 9 May 2024

### MEDIOBANCA - 12M Performance



### Stock Data

Reuters code:	MDBI.MI		
Bloomberg code:	MB IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	3.1%	1.0%	12.3%
Relative	0.8%	-7.9%	0.5%
12M (H/L)	12.53/8.85		
3M Average Volume (th):	3,418.00		

### Shareholder Data

No. of Ord shares (mn):	831
Total no. of shares (mn):	831
Mkt Cap Ord (Eu mn):	9,669
Total Mkt Cap (Eu mn):	9,669
Mkt Float - Ord (Eu mn):	6,507
Mkt Float (in %):	67.3%
Main Shareholder:	
Del Vecchio	19.4%

### Balance Sheet Data

Tangible Equity (Eu mn):	10,415
TEPS (Eu):	12.53
CET1 Ratio Fully Loaded:	15.1%
Gross NPE Ratio:	2.4%

- **Mediobanca's 2Q23/24 is the first evidence that its capital-light business model works: not only was the bottom line ahead of expectations but its CET1r improved (net of frontloaded SBB, cash DPS, and CF's AIRB adoption).**
- **Solid 2Q, capital-light gaining traction.** Mediobanca unveiled a solid set of 2Q23/24 results with a bottom line of €260m, +7% A/E. The beat is broadly based with NII & fees both higher A/E and operating profit rising to €475m, +3% A/E. Net NPLs/loans 1.5%, CoR in 6M at 166 bp with €0.2bn overlays intact. The key focus on capital-light growth continues: WM TFAs +€5.5bn to €94bn, driven by inflows of AuM/AuA (NNM €4.2bn, 50% of which high quality), which totalled €66bn (up +21% Y/Y, +7% QoQ); RWAs down 5% due to optimization in investment banking (density down 15pp to 46% due to increasingly selective approach to new loans and implementation of risk mitigation measures). This enabled MB to reach a 15.3% CET1r (PF, incl. the Danish Compromise seen as permanent [benefit of some 100bp], net of the dividend payout of 70%).
- **Sound capital generation + solid shareholder remuneration.** The CET1r came out at 15.3%: 150bp of capital generation (+120bp organic, +45bp RWA, +35 business growth, -50bp for Generali) and -125bp technically upfronted headwinds related to DPS (-85bp), SBB (-45bp), Arma (-55bp), AIRB first-time adoption in CF (-25bp).
- **DDL Capitali may interfere with governance.** Right after the MB board renewal saga, CEO Nagel highlighted to the press the risks from introduction of the new DDL Capitali (to be greenlighted by the end of February) on governance of companies that appoint the majority of directors from board lists, which is key for banks such as MB. Nagel warned that it may bring problems: even if the board slate wins, CEO & Chairman could be excluded, giving minority shareholders their preference.
- **OUTPERFORM and €13.7/s TP confirmed.** Mediobanca remains one of the few key picks among banks for 2024: as Euribor rates fall, exposure to WM appears to be becoming one of the key drivers of banks' profitability. MB can also count on a 100% payout, one of the strongest balance sheets among Italian banks, a strict approach on M&A, improving CET1r fostered by its capital-light business model, and the hedge to its P&L guaranteed by Generali: this should drive investors' attention, in our view, and enable MB to come out ahead of the banking pack in 2024.

Key Figures & Ratios	2021A	2022A	2023A	2024E	2025E
Total income (Eu mn)	2,628	2,851	3,305	3,569	3,698
Net Operating Profit (Eu mn)	1,390	1,539	1,891	2,044	2,146
Net Profit Adj (Eu mn)	808	907	1,127	1,229	1,300
EPS New Adj (Eu)	0.934	1.069	1.328	1.478	1.623
EPS Old Adj (Eu)	0.934	1.069	1.328	1.441	1.585
DPS (Eu)	0.660	0.750	0.850	1.000	1.100
P/E Adj	12.5	10.9	8.8	7.9	7.2
Div. Yield	5.7%	6.4%	7.3%	8.6%	9.5%
P/TE	0.98	0.99	0.93	0.93	0.89
ROTE	7.9%	9.1%	10.6%	11.8%	12.4%