Intermonte

Milan, 13 November 2024

Italian Equity Research – 1Q24/25 Results

MEDIOBANCA

OUTPERFORM

Sector: Banks

Price: Eu14.31 - **Target: Eu16.70**

1Q Results: Focusing on WM strategy

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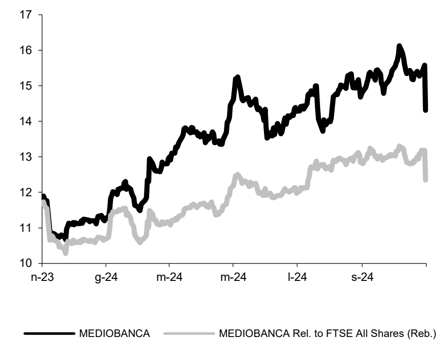
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 17.00 to 16.70
	2025E	**2026E**	**2027E**
Chg in Adj EPS	-3.0%	-1.3%	

MEDIOBANCA - 12M Performance



Stock Data			
Reuters code:			MDBI.MI
Bloomberg code:			MB IM
Performance	**1M**	**3M**	**12M**
Absolute	-7.2%	2.0%	24.0%
Relative	-5.2%	-3.0%	6.5%
12M (H/L)			16.13/10.67
3M Average Volume (th):			1,996.22

Shareholder Data	
No. of Ord shares (mn):	833
Total no. of shares (mn):	833
Mkt Cap Ord (Eu mn):	11,919
Total Mkt Cap (Eu mn):	11,919
Mkt Float - Ord (Eu mn):	8,022
Mkt Float (in %):	67.3%
Main Shareholder:	
Del Vecchio	19.4%

Balance Sheet Data	
Tangible Equity (Eu mn):	10,245
TEPS (Eu):	12.30
CET1 Ratio Fully Loaded:	15.2%
Gross NPE Ratio:	2.5%

Mediobanca unveiled a set of 1Q24/25 results slightly below estimates, but with confirmation of a very strong shareholder payout policy based on stronger capital guidance (CET1r to 15.5/16%). The Group is moving clients' liquidity into WM, which is our case study on Italian banks and why we put MB among our best pick ideas. The other side of the coin is that the NII is technically lower temporarily (Corporate & Investment Banking still weak but the trading line is edging higher) pending a stronger recovery of net fees based on the above change. Consumer Lending is on the right track, CIB has a strong pipeline, WM should benefit from the aforementioned "asset swap" and, last but not least...Generali, with a very low contribution in this quarter. Another buyback (on top of the one in the business plan worth €1bn - 80% of shares for cancellation) may be decided by the end of the fiscal year. We are sticking to our OUTPERFORM recommendation and reducing our TP to €16.70.

- **1Q24/25 results.** Mediobanca posted operating results slightly below expectations/consensus published by the company. NII appears less resilient than forecast due to a reduction of volumes, although Consumer Finance (CF) remains solid in terms of high profitability, likewise we see a certain seasonality in commissions, mainly due to a fall in CIB that suffers by comparison with a very strong 4Q. Nevertheless, in terms of WM, we see very strong trends in the shift from direct to indirect inflows, and stable trends for fee revenues. As expected, the contribution from Generali remains lower. For that reason, and OpEx slightly above expectations, we see operating profit down -3.4% A/E. CoR up slightly to 51bps and net profit to Eu330mn, and contraction of loan and deposit volumes. CET1r grew slightly compared to expectations, landing at 15.4%.
- **Divisional Results (p.5):** Wealth Management (WM) grew significantly, with €2.6bn in net new money driven by corporate activities and new hires, leading to a 5% YoY revenue rise. CIB saw a 30% revenue increase, underpinned by strong advisory fees and deal activity, alongside selective loan growth. CF posted record new loans at €2.1bn, with an 8% revenue increase. Generali's contribution normalized, with a 20% revenue decline but stable returns. The Holding Function faced lower trading income, affected by funding costs related to deposit promotions.
- **Change in Estimates.** We are revising our estimates slightly downward to reflect NII seen in line with FY24/25, even if supported by strong trends in CF. Fees, on the other hand, are seen growing 14.17% YoY given the expected pipeline in CIB and the positive inflows in WM, a clear focus for MB management. We are also publishing FY26/27 for the first time, which embeds further growth in Fee income, as well as in Insurance income, while NII is seen broadly flat.
- **OUTPERFORM confirmed TP to €16.70:** Decreasing rates are forcing banks to focus on fee-based low-capital absorbing business, and we believe Mediobanca is on the right track for it. The capital base is improving above our projections, giving MB further upside in terms SBB. We are updating our valuation, based on a Gordon Growth Model at FY26/27. At TP stock is trading at 1.33/1.26x its FY25/26 TE.

Key Figures & Ratios	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
Total income (Eu mn)	3,305	3,607	3,746	3,840	3,869
Net Operating Profit (Eu mn)	1,891	2,065	2,144	2,223	2,241
Net Profit Adj (Eu mn)	1,127	1,273	1,386	1,440	1,441
EPS New Adj (Eu)	1.328	1.529	1.708	1.827	1.829
EPS Old Adj (Eu)	1.328	1.529	1.761	1.851	
DPS (Eu)	0.850	1.070	1.195	1.279	1.280
P/E Adj	10.8	9.4	8.4	7.8	7.8
Div. Yield	5.9%	7.5%	8.4%	8.9%	8.9%
P/TE	1.14	1.16	1.13	1.08	1.04
ROTE	10.6%	12.4%	13.5%	13.8%	13.2%

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- 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)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.
Frequency of research: quarterly.
Reports on all companies listed on the S&PMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.
A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.
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BUY: stock expected to outperform the market by over 25% over a 12 month period;
OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
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.
Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (61 in total) is as follows:

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OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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