

MEDIOBANCA

Sector: Banks

NEUTRAL

Price: Eu9.78 - Target: Eu10.50

A Transitional Quarter, Next Catalyst new CMD

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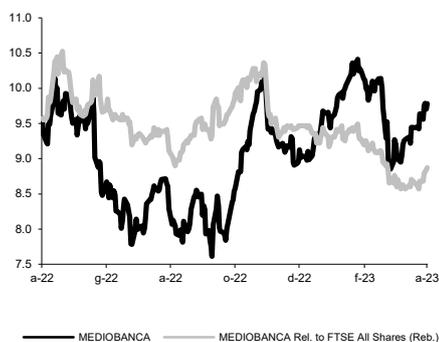
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 9.50 to 10.50		
	2023E	2024E	2025E
Chg in Adj EPS	-3.5%	3.5%	2.9%

Next Event

 Results Out May 11th

MEDIOBANCA - 12M Performance



Stock Data

Reuters code:	MDBI.MI		
Bloomberg code:	MB IM		
Performance	1M	3M	12M
Absolute	5.5%	2.1%	2.1%
Relative	1.4%	-5.0%	-8.2%
12M (H/L)	10.41/7.61		
3M Average Volume (th):	2,493.03		

Shareholder Data

No. of Ord shares (mn):	887
Total no. of shares (mn):	848
Mkt Cap Ord (Eu mn):	8,675
Total Mkt Cap (Eu mn):	8,675
Mkt Float - Ord (Eu mn):	5,838
Mkt Float (in %):	67.3%
Main Shareholder:	
Del Vecchio	19.4%

Balance Sheet Data

Tangible Equity (Eu mn):	10,143
TEPS (Eu):	11.96
CET1 Ratio Fully Loaded:	14.3%
Gross NPE Ratio:	2.4%

- 3Q22/23 preview (results out on 11 May).** We expect NII to have grown QoQ (with a further boost expected in 4Q22/23 thanks to inflation-linked bonds coupons) while fees should be weak (as already indicated by management in the last results conference call) due to rebuilding of the CIB pipeline, which is expected to show results through fees on the P&L in a couple of quarters. Trading is also expected to show weak quarterly figures due to market volatility, while trends in costs and the cost of risk should partially offset the weaker top line. We expect Mediobanca to have closed the quarter with net profit of Eu212mn and a further increase in the fully-loaded CET1 ratio to 14.2%. We think FY22/23 guidance on profit (EPS Eu1.10) and dividends (70% payout) is clearly within reach, even assuming the booking of some provisions in 4Q to free up resources for the next 3-year plan (for example, linked to the disposal of some non-core assets).
- Change in estimates.** We are updating our 2022/23 estimates (-3.5%) as we expect fees to suffer in the final part of the financial year (CIB), partially offset by lower costs and a better cost of risk due to continuing positive trends in default rates and asset quality (Compass). As for 2024/25, we are fine-tuning our estimates to incorporate a better NII trend, which should show a more gradual slowdown than previously expected, while we are taking a more cautious approach on fees which are still susceptible to trends in capital markets.
- Solid capital, room to pay annual profit in full.** Mediobanca's quarterly figures should show a further improvement in capital ratios. We expect some streamlining of the business, with negative EVA to help optimise capital ratios further, which would provide even more flexibility on capital distribution (we currently only estimate a 70% payout). We don't expect a transformational deal to feature in the next 3-year plan, which should instead focus on organic growth, with potential bolt-on acquisitions that would not jeopardise the bank's ability to distribute profits without reducing excess capital (expected to increase further thanks to the Danish Compromise). Disposal of the stake in Generali remains an option to finance major acquisitions in the future, but does not seem to be on the cards (and is less likely due to the RoAC of 15-20%).
- NEUTRAL confirmed; target 10.5.** We are updating our SoP, based on 2023 numbers and carrying out a MTM of the investment portfolio (i.e. the Generali stake). We think the bank is in good shape to deliver solid results over the next 3 years thanks to more stable revenue generation, overlays (expected to be untouched in the 2022/23 fiscal year and currently equal to EU 280mn) and excess capital. We think the potential for a re-rating from the current level is linked to management's ability to leverage current business lines to empower revenue generation after the investments over the last 3 years to grow some business lines (CIB and especially the WM division). The next real catalyst for the stock is the 3-year Capital Markets Day, which is scheduled for 25 May.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Total income (Eu mn)	2,628	2,851	3,214	3,237	3,330
Net Operating Profit (Eu mn)	1,390	1,539	1,774	1,776	1,855
Net Profit Adj (Eu mn)	808	907	989	1,012	1,082
EPS New Adj (Eu)	0.934	1.069	1.166	1.194	1.276
EPS Old Adj (Eu)	0.934	1.069	1.209	1.154	1.240
DPS (Eu)	0.660	0.750	0.850	0.900	1.000
P/E Adj	10.5	9.1	8.4	8.2	7.7
Div. Yield	6.7%	7.7%	8.7%	9.2%	10.2%
P/TE	0.79	0.80	0.82	0.80	0.77
ROTE	7.5%	8.7%	9.8%	9.7%	10.0%