

MEDIOBANCA

Sector: Banks

NEUTRAL

Price: Eu10.37 - Target: Eu10.50

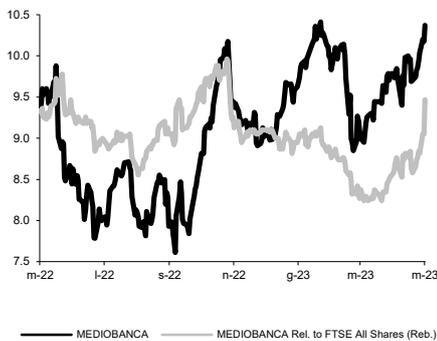
Capital-Light Business, Higher Payout the Key Pillars of 3YPlan

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 10.20 to 10.50		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	11.7%	15.3%

MEDIOBANCA - 12M Performance



Stock Data

Reuters code:	MDBI.MI		
Bloomberg code:	MB IM		
Performance	1M	3M	12M
Absolute	6.0%	5.5%	11.1%
Relative	9.7%	7.7%	1.3%
12M (H/L)	10.41/7.61		
3M Average Volume (th):	2,593.95		

Shareholder Data

No. of Ord shares (mn):	887
Total no. of shares (mn):	848
Mkt Cap Ord (Eu mn):	9,199
Total Mkt Cap (Eu mn):	9,199
Mkt Float - Ord (Eu mn):	6,191
Mkt Float (in %):	67.3%
Main Shareholder:	
Del Vecchio	19.4%

Balance Sheet Data

Tangible Equity (Eu mn):	9,671
TEPS (Eu):	11.40
CET1 Ratio Fully Loaded:	14.7%
Gross NPE Ratio:	2.4%

- 2023-26 business plan: focus on capital-light business and higher shareholder remuneration.** The 3-year plan envisages a 6% 2023-26 revenues CAGR, flat C/I ratio (44%), and solid capital (14.5% by YE26) driven by flat RWA thanks to a greater weight of capital-light revenues (advisory in CIB division, higher TFA in WM division). 2023-26 EPS CAGR +15% (2026 EPS expected at Eu1.80). Shareholder remuneration indicated increasing from a 70-80% payout over the last 4 years to 90-100% for a cumulative 3Y payout of Eu3.7bn (Eu2.7bn cash dividend, Eu1bn buyback).
- WM division.** The synergies between the CIB and WM divisions, the increase in private bankers (+300 to 1,500 in total) and the MB brand should attract clients and AuM (from Eu57bn to Eu85bn) with revenues passing from Eu0.8bn to Eu1bn, the C/I ratio from 68% to 60%, and a flat gross fee margin (at 0.9%). AuM trends and fee forecasts do not factor in any positive AuM performance.
- CIB division:** the acquisition of Arma (digital advisory boutique) will help increase the weight of capital-light revenues (from 28% to 40% of total revenues) with a larger portion of income from abroad (from 40% to 55% of total), RWA is expected to go down (-13%), while an +11% revenues CAGR is foreseen for the division (+7% ex-Arma).
- Consumer credit.** Synergies expected in the BNPL business, which should help Compass acquire new clients and develop business abroad, while maintaining its usual strong risk control. Franchise to be increased slightly, with more than 50% of new production (Eu9.3bn in 2026 vs. Eu7.8bn in 2023) to be delivered through the direct channel. Revenues expected at Eu1.3bn in 2026 (2023-26 CAGR +5%).
- Shareholder remuneration.** Management confirmed a 70% payout in cash dividends, while c.20-25% of the buyback should be executed in Y1, with the remainder in the following 2 years; the aim is to cancel 80% of the shares bought back (the other 20% will serve the Arma acquisition deferred payment and the employee incentive scheme). The capital buffer (100bp vs. minimum CET1 ratio threshold at 13.5%) may help fund bolt-on acquisitions. For larger deals the threshold could be lowered (if the M&A target is a capital-light business) and be financed through the sale of the Generali stake (which currently benefits from positive capital treatment thanks to the Danish Compromise).
- Our estimates vs. company guidance.** We remain 8% below 2026 EPS guidance due to lower revenue assumptions (spread over the 3 divisions). As for capital distribution, we are 5% below guidance. We are raising our 2024/25 restated bnet profit estimates by 9% on average (higher in terms of EPS due to buyback).
- NEUTRAL confirmed; target Eu10.5 (from Eu10.2).** We think MB's solid balance sheet will support the capital distribution plan, and any M&A deal could be financed by the sale of the Generali stake. Despite the increase in EPS estimates, we remain NEUTRAL as the updated SoP offers limited upside. WM division growth assumptions (Eu10bn of annual inflows) and capital market trends are the main risks for the delivery of the plan.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Total income (Eu mn)	2,628	2,851	3,201	3,381	3,504
Net Operating Profit (Eu mn)	1,390	1,539	1,776	1,874	1,970
Net Profit Adj (Eu mn)	808	907	983	1,105	1,180
EPS New Adj (Eu)	0.934	1.069	1.159	1.333	1.472
EPS Old Adj (Eu)	0.934	1.069	1.159	1.194	1.277
DPS (Eu)	0.660	0.750	0.810	0.930	1.050
P/E Adj	11.1	9.7	8.9	7.8	7.0
Div. Yield	6.4%	7.2%	7.8%	9.0%	10.1%
P/TE	0.84	0.85	0.91	0.86	0.79
ROTE	7.5%	8.7%	10.2%	11.0%	11.2%