

MEDIOBANCA

Sector: Banks

NEUTRAL

Price: Eu11.96 - Target: Eu12.40

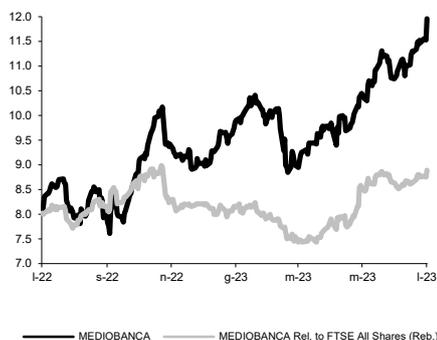
Eu1.2bn Adj Profit, a Good Starting Point for new 3Y Plan

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 11.80 to 12.40		
	2024E	2025E	2026E
Chg in Adj EPS	5.4%	3.5%	

MEDIOBANCA - 12M Performance



Stock Data

Reuters code:	MDBI.MI		
Bloomberg code:	MB IM		
Performance	1M	3M	12M
Absolute	11.0%	21.4%	49.0%
Relative	3.5%	13.6%	14.8%
12M (H/L)	11.96/7.61		
3M Average Volume (th):	2,803.74		

Shareholder Data

No. of Ord shares (mn):	829
Total no. of shares (mn):	848
Mkt Cap Ord (Eu mn):	9,908
Total Mkt Cap (Eu mn):	9,908
Mkt Float - Ord (Eu mn):	6,668
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:	14.7%
Gross NPE Ratio:	2.4%

■ **Results in line with estimates.** MB closed FY22/23 with net profit of Eu1,027mn, or Eu1.2bn adjusted (stated EPS Eu1.21, +15% YoY) which allowed payment of a DPS of Eu0.85 (+13% YoY / 70% payout) and the announcement of a Eu200mn buyback programme starting after the October AGM. 4Q22/23 revenues were up +17% QoQ driven by high NII (+10% QoQ), flattish fees and a much better contribution from the insurance business (partly due to one-off items). Costs were slightly better than est. (+10% QoQ) while the cost of risk was broadly in line (46bp) as was net profit (Eu236mn vs. Eu237mn est.) due to a one-off tax paid in Monaco. The fully-loaded CET1 ratio (including the permanent positive impact of the Danish compromise) improved by a further +50bp QoQ to 15.9%. Loans grew +2% YoY, the gross NPL ratio was stable at 2.5% with 72% coverage ratio and the stock of overlays were largely unchanged at Eu270mn.

■ **Management guidance for 2023/24.** NII is expected to grow at a mid-to-high single-digit rate, while fees should be boosted by the Arma consolidation (expected in 2Q23/24, equivalent to c.Eu60mn of revenues for FY23/24) and solid WM trends (growing TFAs with Eu9-10bn NNM). Flat C/I ratio and cost of risk expected in 2023/24, the latter thanks to solid asset quality trends and a partial release of overlays, mainly in the CF division (c.Eu60mn out of Eu270mn in total). As for capital and shareholder remuneration, the CET1 ratio is expected above 15.5%, including a Eu200mn buyback and acquisitions, with the cash payout ratio confirmed at 70%.

■ **Conference call feedback.** CEO Nagel is open to taking on a new mandate (BoD renewal in October), FY22/23 results represent a nice starting point to achieve FY26 targets (adj. EPS Eu1.42 vs. Eu1.80 exp. in 2026). 2023/24 revenues are expected to grow 5% YoY, in line with the 2023/26 CAGR embedded in the plan, while an improving outlook on CIB and Arma will provide material support to fees; as for the insurance business, last quarter's result is sustainable net of one-offs, while expected NII growth will be a mix of repricing of consumer credit loans, WM contribution and better ALM activity (higher contribution from the financial portfolio) with the customer spread expected to improve by +10-20bp in 2023/24.

■ **Change in estimates.** We are fine-tuning our 2023/24 EPS estimates (+5.4%) on the back of a different revenue mix (higher NII and lower fees) and a better cost of risk due to no pick-up in default rates and usage of overlays. We are raising EPS estimates for 2024/25 by +3.5% while our 2026 numbers are slightly below company guidance.

■ **NEUTRAL confirmed; target raised from Eu 11.80 to Eu 12.40.** We are updating our SoP to factor in a further re-rating of the Generali stake and better numbers from the banking business. We are also updating our buyback projections (Eu1bn in 3Y already in our estimate, but starting with Eu200mn for the first fiscal year of the business plan). We welcome the more positive outlook on CIB and solid growth in WM, which should support the equity story. Capital distribution remains interesting and sustainable. We remain NEUTRAL on the stock due to the limited upside on our new TP; we don't see the renewal of the BoD as a catalyst (no stake building).

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	1.212	1.394	1.534	
DPS (Eu)	0.750	0.850	1.000	1.100	1.200
P/E Adj	11.2	9.0	8.1	7.5	6.8
Div. Yield	6.3%	7.1%	8.4%	9.2%	10.0%
P/TE	0.98	0.92	0.87	0.79	0.73
ROTE	8.7%	10.2%	10.6%	10.5%	10.7%