

MEDIOBANCA

Sector: Banks

OUTPERFORM

Price: Eu11.28 - Target: Eu13.70

Hat-Trick Completed, Time to Make it 4

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Stock Rating

Rating: from NEUTRAL to OUTPERFORM

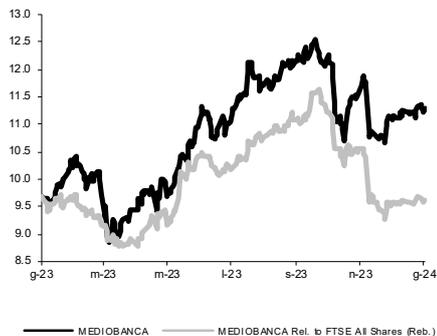
Target Price (Eu): from 12.75 to 13.70

	2024E	2025E	2026E
Chg in Adj EPS	-3.4%	-3.3%	-3.9%

Next Event

 1H23-24 results out 9th Feb 2023

MEDIOBANCA - 12M Performance



Stock Data

Reuters code: MDBI.MI

Bloomberg code: MB IM

Performance	1M	3M	12M
Absolute	1.2%	-8.0%	16.6%
Relative	0.4%	-15.4%	-0.4%
12M (H/L)	12.53/8.85		
3M Average Volume (th):	3,500.25		

Shareholder Data

No. of Ord shares (mn): 830

Total no. of shares (mn): 830

Mkt Cap Ord (Eu mn): 9,368

Total Mkt Cap (Eu mn): 9,368

Mkt Float - Ord (Eu mn): 6,304

Mkt Float (in %): 67.3%

Main Shareholder:

Del Vecchio 19.4%

Balance Sheet Data

Tangible Equity (Eu mn): 10,405

TEPS (Eu): 12.53

CET1 Ratio Fully Loaded: 15.6%

Gross NPE Ratio: 2.4%

■ **We enter 2024 with banks poised to benefit from a tailwind due to positive interest rates, speculative appeal related to BoD renewals vs. potential consolidation, cash dividends and approaching buybacks: we therefore reiterate a s/t positive stance on financials in general and expect banks to post good 1H24 performances. In the likely context of declining interest rates, Mediobanca is our new play: WM exposure is growing, enhancing the capital-light business model that is now part of the Group's new DNA. Last, but not least, the governance renewal saga is over, and we assume management needs to over-deliver, as it did with its last 3 business plans. Hence...**

■ **...upgrade to OUTPERFORM:** among Italian banks, Mediobanca is entering our key list of stocks to back in 2024. MB ticks all the boxes on our wish list, given its well-diversified sources of revenues, focus on capital-light WM, balance sheet strength, excess capital position and improving payout policy. We argue management is aware of an allegedly challenging shareholders' base, which puts delivery of targets firmly under the spotlight. Having said that, we are accustomed to MB over-delivering, as happened with the last 3 business plans... hence our upgrade.

■ **Over-delivery:** MB has a proven long-term track record of outstripping its targets. It over-delivered on its last 3 business plans despite volatile and challenging macro scenarios. In our view, this was due to MB's business diversification, which looks resilient and suitable for most macro frameworks. The group is now adopting a transformational shift in its DNA towards a capital-light business model that may drive a stock re-rating towards improving AM industry multiples.

■ **Growing exposure to WM:** bearing in mind MB's business diversification, our positive stance is due to its revenue footprint: the WM contribution has more than doubled in recent business plans, with TFAs up 40% to €85bn, and the bar is set to be raised even further. To put things into perspective some one third of MB's bottom line is technically Generali-related, and another 15% is due to the private banking business. It will take some time, but sooner or later the perception of MB as a WM player will take hold.

■ **Capital-light business model:** MB has gradually been shifting towards capital-light businesses, translating into a stronger focus on WM and a lower penchant for capital-consuming C-IB transactions now with a more advisory bias. Consumer inelasticity to rate decrease (18month time lag) is also another investment angle to consider. This means a flattish 3Y RWA structure, and the possibility to distribute more or less all of the capital generated, leaving external growth as an opportunity to exploit through the current capital buffer.

■ **Upgrade to OUTPERFORM; target to €13.70:** as interest rates fall, exposure to AM is duly rewarded. If we put this in the context of a 100% payout, a strong balance sheet, renewed governance, a rigid appetite for M&A, record-high regulatory capital ratios and one third of the bottom line coming from an insurer, the appeal is self-explanatory. While we believe technically all banks have some 6-9 months of residual limbo (high interest rates, low CoR), MB can emerge ahead of the pack.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Total income (Eu mn)	2,851	3,305	3,538	3,666	3,808
Net Operating Profit (Eu mn)	1,539	1,891	2,013	2,114	2,228
Net Profit Adj (Eu mn)	907	1,127	1,196	1,267	1,336
EPS New Adj (Eu)	1.069	1.328	1.441	1.585	1.759
EPS Old Adj (Eu)	1.069	1.328	1.491	1.639	1.830
DPS (Eu)	0.750	0.850	1.000	1.100	1.200
P/E Adj	10.5	8.5	7.8	7.1	6.4
Div. Yield	6.6%	7.5%	8.9%	9.8%	10.6%
P/TE	0.96	0.90	0.90	0.86	0.82
ROTE	9.1%	10.6%	11.5%	12.1%	12.9%