BANCA GENERALI

OUTPERFORM

Sector: Asset mgmt

Price: Eu35.62 - **Target: Eu40.00**

Starting off on the right foot

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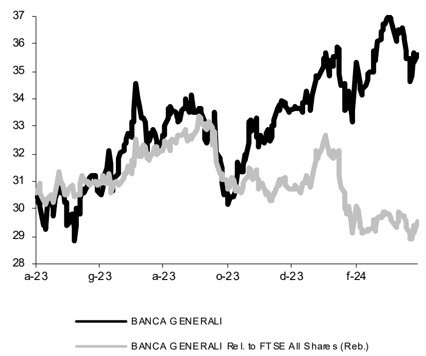
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 38.50 to 40.00
	2024E	**2025E**	**2026E**
Chg in Adj EPS	3.6%	2.3%	0.8%

Next Event

Results Out May 9, 2024

BANCA GENERALI - 12M Performance



Stock Data			
Reuters code:			BGN.MI
Bloomberg code:			BGN IM
Performance	**1M**	**3M**	**12M**
Absolute	-3.0%	1.7%	16.8%
Relative	-1.0%	-9.2%	-2.9%
12M (H/L)			36.99/28.80
3M Average Volume (th):			330.26

Shareholder Data	
No. of Ord shares (mn):	116
Total no. of shares (mn):	116
Mkt Cap Ord (Eu mn):	4,147
Total Mkt Cap (Eu mn):	4,147
Mkt Float - Ord (Eu mn):	2,011
Mkt Float (in %):	48.5%
Main Shareholder:	
Generali Assicurazioni	51.0%

Balance Sheet Data	
Book Value (Eu mn):	272
BVPS (Eu):	1,259.89

- **1Q24 results (due out on 9 May 2024) supported by performance fees.** 1Q24 results are expected to show a reversal of the 2023 trend in terms of performance fees, and a continuation of the trend in terms of the NII contribution. The YoY performance fees comparison should be very easy given the very low contribution last year and the positive market performance in 1Q24. Profitability is expected to have held up quite well. In more detail:
  - NII expected at €83.3mn vs. €71.0mn in 1Q23
  - Total net fees at €147.9mn with management fees at €205.5mn (+2.8% YoY); banking and brokerage fees at €30.1mn (+4.1% YoY); variable fees at €40.7mn (vs. €5.0mn in 1Q23). Fee expenses expected at €138.9mn (+11.3% YoY)
  - Total income at €234.5mn vs. €193.2mn last year and €199.1mn in 4Q24
  - Operating costs expected at €70.9mn with a cost/income ratio of 30.3%
  - Operating profit expected at €163.5mn, pre-tax profit at €136.4mn, net profit of €102.0mn compared to €83.0mn for 1Q24.
- **Resilient 1Q24 Inflows in a continuing tricky market environment.** 1Q24 net inflows into managed assets came to €651mn (vs €109mn in 1Q23), inflows to administered assets came to €1.1bn (vs €2.1bn in 1Q23) with ~€0.4bn linked to BTP Valore in March. Excluding the one-off effect of BTP Valore, 1Q24 data show a recovery trend vs 2023. For FY24, we confirm the estimate of inflows of €4.5bn to AuC (-22% vs. FY23) and an improvement of AuM inflows (€3.0bn in FY24); for deposits, we estimate outflows of ~€600mn (-50% YoY).
- **Change in estimates.** We are including a better contribution from performance fees in our estimates to take account of higher-than-previously-expected AuM, mainly thanks to a positive market effect in 1Q24. We are also slightly raising our NII estimates for FY24 and FY25 (+2.2%/+1.6% respectively) including a slower declining rates path than previously expected. EPS '24/'25/'26 +3.6%/+2.6%/+0.8%.
- **OUTPERFORM, target raised to €40 from €38.5.** We confirm our OUTPERFORM rating and raise the TP to €40 from €38.5 following positive expectations on 1Q24 and FY24. BGN suffered in 2023 from the pressure on outflows in insurance products but the environment is gradually normalizing, and BGN is still well positioned to exploit a positive trend for inflows and commissions. Valuations are attractive although multiples are higher than for some other names in the sector considering the high-end positioning of the company.

Key Figures & Ratios	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Commissions Income (Eu mn)	472	467	533	556	576
Total Income (Eu mn)	640	788	834	818	807
Net Operating Profit (Eu mn)	383	512	532	508	491
Net Profit Adj (Eu mn)	248	326	363	362	359
EPS New Adj (Eu)	2.087	2.791	3.110	3.099	3.069
EPS Old Adj (Eu)	2.087	2.791	3.001	3.029	3.044
DPS (Eu)	1.650	2.150	2.250	2.300	2.350
Market Cap/F.U.M.	5.8%	5.0%	4.6%	4.3%	3.9%
P/E Adj	17.1	12.8	11.5	11.5	11.6
Div. Yield	4.6%	6.0%	6.3%	6.5%	6.6%
ROE	nm	nm	nm	nm	nm

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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.

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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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OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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