

# BANCA GENERALI

Sector: Asset mgmt

# OUTPERFORM

Price: Eu29.76 - Target: Eu37.00

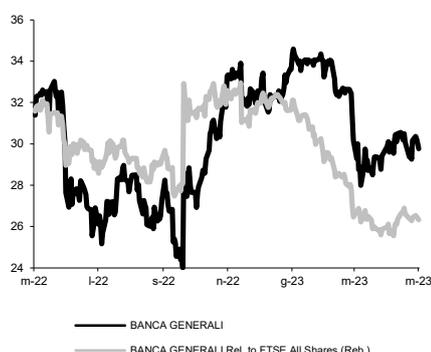
## Tailwinds from NII, Headwinds from Inflow Mix

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### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	Unchanged		
	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>Chg in Adj EPS</b>	3.5%	2.4%	-0.4%

### BANCA GENERALI - 12M Performance



### Stock Data

Reuters code:	BGN.MI		
Bloomberg code:	BGN IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	-0.4%	-10.4%	-5.9%
Relative	1.2%	-9.6%	-18.9%
12M (H/L)	34.59/24.01		
3M Average Volume (th):	291.15		

### Shareholder Data

No. of Ord shares (mn):	116
Total no. of shares (mn):	116
Mkt Cap Ord (Eu mn):	3,465
Total Mkt Cap (Eu mn):	3,465
Mkt Float - Ord (Eu mn):	1,680
Mkt Float (in %):	48.5%
Main Shareholder:	
Generali Assicurazioni	51.0%

### Balance Sheet Data

Book Value (Eu mn):	1,379
BVPS (Eu):	11.51

■ **1Q23 results slightly better than expected overall** on higher NII, management fees in line, and higher performance & trading income, partially offset by higher provisions. Total revenues at Eu193mn vs our Eu178.6mn, NII higher at Eu71mn (+24% QoQ) vs exp Eu63.5mn. Gross commissions at Eu243mn vs exp Eu236mn, with management fees at Eu200mn, banking & entry fees higher at Eu38m vs Eu34mn, and performance fees at Eu5mn vs exp Eu2mn. Fee expenses at Eu 125mn vs exp Eu122.4mn. Trading income at Eu4mn vs exp Eu1.5mn. Operating costs Eu64mn vs exp Eu62mn. Operating profit at Eu129.5mn vs exp Eu116.6mn (cons Eu119mn), pre-tax at Eu114mn (exp Eu102.8mn), and net profit Eu83mn vs exp Eu77.3mn. Net inflows for April at Eu476mn (YTD Eu2bn) with managed assets at Eu24mn (YTD Eu-298mn), deposits down Eu120mn (YTD Eu-1bn) and administered assets at Eu572mn (YTD Eu3.3bn). Net inflow mix remains penalizing although the bleeding from traditional life in April at Eu-95mn is sequentially better than -200mn suffered in March.

■ **Messages from conference call:** 1) NII guidance for 2023 upgraded to Eu230mn from >Eu200mn. The new guidance is based on very conservative assumptions on the cost of funding for FY23 at 100bps vs 24bps in 1Q23. Sensitivity to a change of 10bps in cost of funding is equal to +/-Eu8mn. BGN is assuming to end FY'23 with deposits at Eu10/11bn from current Eu11bn. 2) Net inflow outlook: management confident of improving the mix in 2H23 thanks to stabilization of markets, the attractive proposition of some flexible funds that are performing well, and a higher contribution from recruitment. On traditional life policies, the company is experiencing a significant sequential reduction of outflows and is pointing to a much better trend in 2H23. 3) Outlook for fees: BGN is responding to the client switch to administered assets by increasing assets under advisory, which reached Eu7.8bn (9% of total assets). 4) Provisions: BGN booked Eu10mn in generic provisions for reasons of prudence; for the full year, expectations are for Eu30/35mn (in line with our expectations). 5) Tax rate seen at the upper end of the 24/25% guidance given the higher contribution from NII and the lower one from performance fees, expected at Eu20/30mn in FY23 (in line with est.). 6) M&A: BGN looked at some bolt-on acquisitions but did not find the right target.

■ **Action on estimates: +4% in 2023 on higher NII.** We are updating our estimate on NII, increasing our FY'23 expectation above guidance to Eu242mn as we think the spike in cost of funding will be limited. Outlook for inflows remains challenging in the short term due to the competition from fixed income and government bonds in particular, which could attract part of current liquidity.

■ **Target unchanged, OUTPERFORM, tp Eu37.** We confirm our target at Eu37, implying a multiple at target of 12.8x/11.5x on 2023/2024, which we deem more appropriate for a stable and resilient private banking business. The turning point for the stock could come from improving indications from monthly inflows which the company expects in 2H23 already but we also depend on how financial markets unfold.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Commissions Income (Eu mn)	667	472	496	548	587
Total Income (Eu mn)	779	640	730	792	804
Net Operating Profit (Eu mn)	532	372	447	493	495
Net Profit Adj (Eu mn)	373	248	312	351	354
EPS New Adj (Eu)	3.168	2.087	2.601	2.901	2.904
EPS Old Adj (Eu)	3.168	2.012	2.473	2.821	2.985
DPS (Eu)	1.950	1.650	1.900	2.100	2.150
Market Cap/F.U.M.	5.9%	6.2%	5.9%	5.5%	5.2%
P/E Adj	9.4	14.3	11.4	10.3	10.2
Div. Yield	6.6%	5.5%	6.4%	7.1%	7.2%
ROE	30.3%	19.3%	23.3%	24.6%	23.3%