

# BANCA MEDIOLANUM

# OUTPERFORM

Sector: Asset mgmt

Price: Eu9.10 - Target: Eu11.00

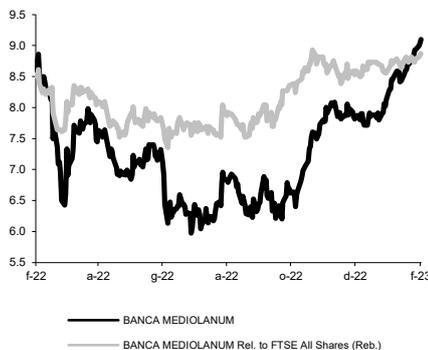
## Strong Results and Guidance

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### Stock Rating

<b>Rating:</b>	Unchanged	
<b>Target Price (Eu):</b>	from 10.60 to 11.00	
	<b>2023E</b>	<b>2024E</b>
<b>Chg in Adj EPS</b>	7.2%	2.8%

### BANCA MEDIOLANUM - 12M Performance



### Stock Data

Reuters code:	BMED.MI		
Bloomberg code:	BMED IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	12.0%	17.1%	6.7%
Relative	4.0%	2.4%	4.4%
12M (H/L)	9.10/5.97		
3M Average Volume (th):	1,257.15		

### Shareholder Data

No. of Ord shares (mn):	743
Total no. of shares (mn):	743
Mkt Cap Ord (Eu mn):	6,758
Total Mkt Cap (Eu mn):	6,758
Mkt Float - Ord (Eu mn):	1,994
Mkt Float (in %):	29.5%
Main Shareholder:	
Doris family	40.4%

### Balance Sheet Data

Book Value (Eu mn):	3,348
BVPS (Eu):	4.51

■ **4Q/FY22 better than expected:** BMED closed 2022 with better-than-expected results. Details on 4Q:

- Management fees Eu316mn, flat QoQ and -5% YoY, with a slight improvement in margins to 206bp in 2022 (211bp in 4Q22) thanks to the mix effect, which showed a shift in AuM from liquidity to equity.
- NII at Eu154mn (+73% QoQ and +111% YoY).
- Costs higher than expected at Eu188mn to finance very strong asset growth.
- Pre-tax profit at Eu194mn (8% better than expected) and net profit of Eu150mn, bringing FY22 profit to Eu522mn.
- CET1 ratio at 20.6%, DPS proposed at Eu0.50 (Eu0.26 balance to be paid in the spring). The Eu0.50 dividend is the minimum level on the current year, and we can expect a DPS of Eu0.54 or even higher depending on how 2023 progresses after a very strong start.

■ **Positive 2023 guidance:** net inflows are expected to rise by Eu1bn in terms of overall inflows (Eu8.3bn in 2022) and inflows to managed funds (Eu6bn in 2022) thanks to growth in networks and clients in both Italy and Spain. NII is foreseen coming to at least Eu700mn, with a conservative Euribor 6M projection of 2.65%, while the cost of funding is forecast to come to 40bp. Margins on fees may grow slightly thanks in part to a market recovery favouring higher-margin products. Costs are expected to increase by 9-10%, with the cost/income ratio falling, while a 22.0-22.5% tax rate is projected. CEO Doris is not concerned by a drop in deposits linked to investments in liquidity directly in bonds by customers: currently around Eu150-200mn a month is invested in bonds, but this is a problem for the prospects for inflow growth, especially in managed funds.

■ **Potential ban on inducements should be manageable, according to the company:** the CEO is not worried on a potential ban on inducements, as part of the assets linked to unit-linked and managed funds are priced with a model that is already compatible with the potential regulatory changes.

■ **January 2023 net inflows remain solid and up YoY:** BMED net inflows totalled Eu685mn, up from Eu567mn in January last year. Net inflows to managed assets were Eu485mn. Loans disbursed were Eu232mn, broadly flat YoY, and general insurance premiums remained basically stable at Eu12mn.

■ **Estimates up, OUTPERFORM confirmed; target from Eu10.6 to Eu11:** results were very solid, exceeding our expectations with positive indications on 2023, leading us to make significant revisions to our earnings estimates: +7.2% to €763mn for 2023 and +2.8% to €785mn for 2024. OUTPERFORM confirmed, target raised to €11.0 from Eu10.6. Banca Mediolanum remains our best pick in the sector, with very attractive multiples and highly visible growth prospects. At target the stock would still trade at an appealing ~9x 2023 and 8.6x 2024 earnings, with a dividend yield of around 6%.

Key Figures & Ratios	2020A	2021A	2022A	2023E	2024E
Commissions Income (Eu mn)	1,507	1,766	1,801	1,911	2,081
Total Income (Eu mn)	1,791	2,102	2,286	2,694	2,841
Net Operating Profit (Eu mn)	523	890	662	996	1,012
Net Profit Adj (Eu mn)	433	687	536	773	785
EPS New Adj (Eu)	0.575	0.925	0.721	1.041	1.056
EPS Old Adj (Eu)	0.575	0.925	0.697	0.971	1.028
DPS (Eu)	0.780	0.580	0.500	0.540	0.550
Market Cap/F.U.M.	10.2%	8.6%	9.4%	8.3%	7.6%
P/E Adj	15.8	9.8	12.6	8.7	8.6
Div. Yield	8.6%	6.4%	5.5%	5.9%	6.0%
ROE	18.4%	25.9%	17.8%	24.4%	22.2%