Intermonte

Milan, 11 May 2023

Italian Equity Research – 1Q23 Results

BANCA MEDIOLANUM

OUTPERFORM

Sector: Asset mgmt

Price: Eu7.92 - **Target: Eu11.00**

1Q23 Results Broadly in Line. Positive Indications from Call

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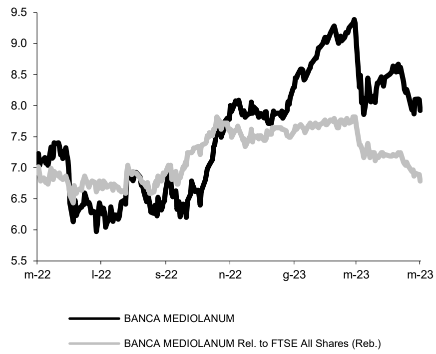
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2023E	**2024E**	**2025E**
Chg in Adj EPS	0.8%	3.4%	

BANCA MEDIOLANUM - 12M Performance



Stock Data			
Reuters code:			BMED.MI
Bloomberg code:			BMED IM
Performance	**1M**	**3M**	**12M**
Absolute	-6.2%	-12.2%	14.6%
Relative	-6.2%	-11.9%	-2.2%
12M (H/L)			9.38/5.97
3M Average Volume (th):			1,303.84

Shareholder Data	
No. of Ord shares (mn):	743
Total no. of shares (mn):	743
Mkt Cap Ord (Eu mn):	5,885
Total Mkt Cap (Eu mn):	5,885
Mkt Float - Ord (Eu mn):	1,737
Mkt Float (in %):	29.5%
Main Shareholder:	
Doris family	40.4%

Balance Sheet Data	
Book Value (Eu mn):	3,355
BVPS (Eu):	4.52

- **1Q23 a touch above at net profit level:** 1Q23 results highlighted some reclassifications due to the first-time application of IFRS 17 with lower management fees benefitting insurance revenues and lower SG&A costs. Operating profit and net profit were not significantly affected with net profit in 1Q23 at Eu178mn compared to our/consensus expectation of Eu170mn. CET1 ratio at 20.6%.

  Overall net inflows in April at Eu837mn (YTD Eu3.8bn) with managed at Eu325mn (YTD Eu1.7bn).

- **Reassuring messages from conf call:** 1) **NII:** FY23 NII expected at over Eu700mn (ca. Eu730/740mn) considering that some of the rise will be used to finance commercial initiatives aimed at gaining new customers; a positive trend for NII is expected in FY24 too thanks to the reinvesting of the existing portfolio (ca. Eu24bn of investments are sensitive to interest rates) and the contribution from floating mortgages. On the latter the expected sequential increase is substantially driven by the higher interest rates on mortgages. 2) **Inflows/AuM:** Overall FY23 net inflows expected above those in 2022 and a positive recovery of managed is foreseen in 2H23 thanks to the conversion to deposits to 6M terms that will start to expire in 2H23: subsequent conversion to managed products is expected to be above the historical 70% average. Competition from BTP and fixed income is merely a matter of course and is not particularly worrying given that the network is still focused on conversion into managed funds. On Monday 15 May the national convention will take place in Turin at which new products will be presented. BMED aims at keeping a significant portion of assets into equities with AuM in mutual funds and unit linked that increased 4% compared to YE22 at Eu65.5bn. 3) **Capital:** BMED capital position remains very sound with CET1 ratio above 20%, liquidity cover ratio at 336% and leverage ratio at 6.1%. Future dividends not impacted by IFRS 17. 4) **Lending:** mortgages stock increase by 2% in 1Q23 to Eu11.7bnwith total lending up 1% to Eu16.6bn. Gross NPW stood at 1.3% with annualized cost of risk at 16bps. Despite the increase in rates, BMED is confident to keep cost of risk under control given the exposure only to retail clients and residential segment.

- **OUTPERFORM confirmed tp Eu11.0 as stock is cheap and well positioned to deliver positive results:** 1Q23 results confirm the company's positive commercial trends. We slightly raise our estimates on the stock factoring the adjustments related to IFRS17 reclassification. Banca Mediolanum remains among our favourites in the sector trading at appealing multiples: 7.6x/7.3x earnings with a very limited expected contribution from performance fees and well below historical average.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Commissions Income (Eu mn)	1,766	1,801	1,776	1,960	2,100
Total Income (Eu mn)	2,102	2,286	2,672	2,860	2,950
Net Operating Profit (Eu mn)	890	662	1,006	1,049	1,001
Net Profit Adj (Eu mn)	687	536	780	811	774
EPS New Adj (Eu)	0.925	0.721	1.049	1.092	1.042
EPS Old Adj (Eu)	0.925	0.721	1.041	1.056	
DPS (Eu)	0.580	0.500	0.540	0.550	1.550
Market Cap/F.U.M.	7.5%	8.2%	7.2%	6.6%	6.1%
P/E Adj	8.6	11.0	7.6	7.3	7.6
Div. Yield	7.3%	6.3%	6.8%	6.9%	19.6%
ROE	25.9%	17.8%	24.6%	22.8%	21.7%