

MEDIOBANCA

Sector: Banks

NEUTRAL

Price: Eu9.96 - Target: Eu10.20

Results in Line, Solid Capital is Positive Catalyst for Next 3Y Plan

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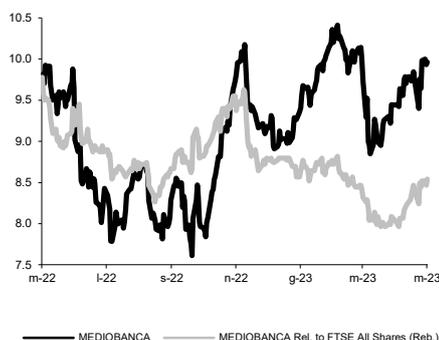
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 10.50 to 10.20		
	2023E	2024E	2025E
Chg in Adj EPS	-0.6%	0.0%	0.1%

Next Event

CMD on May 24th

MEDIOBANCA - 12M Performance



Stock Data

Reuters code:	MDBI.MI		
Bloomberg code:	MB IM		
Performance	1M	3M	12M
Absolute	5.5%	-2.3%	1.9%
Relative	5.5%	-2.0%	-14.9%
12M (H/L)	10.41/7.61		
3M Average Volume (th):	2,444.82		

Shareholder Data

No. of Ord shares (mn):	887
Total no. of shares (mn):	848
Mkt Cap Ord (Eu mn):	8,837
Total Mkt Cap (Eu mn):	8,837
Mkt Float - Ord (Eu mn):	5,947
Mkt Float (in %):	67.3%
Main Shareholder:	
Del Vecchio	19.4%

Balance Sheet Data

Tangible Equity (Eu mn):	10,171
TEPS (Eu):	11.99
CET1 Ratio Fully Loaded:	14.3%
Gross NPE Ratio:	2.4%

- Results in line, capital up further.** Revenues were in line with estimates, rising +10.4% YoY, but down -15.8% QoQ due to weak fees (-29.4% QoQ) following the slowdown in CIB activity after record 2Q22/23 results. Costs were a touch better than estimated (-1.7% vs. +6.1% YoY), and the 40bp cost of risk (vs. 52bp exp.) allowed the bank to close 3Q with net profit that was slightly higher than our estimates and consensus (€235mn vs. €212mn). Fully-loaded CET1 ratio solid at 14.4%, unrealised losses on the HTC portfolio <10bp of CET1 ratio, gross NPE ratio down slightly to 2.4%, NPE coverage ratio up to 74%, overlays untouched at €285mn (from €280mn in the previous quarter).
- Updated guidance for FY22/23.** Management gave an update on FY22/23 guidance, now envisaging: revenues in the region of €3.2bn (our est. €3.2bn), NII of approx. €1.8bn (our est. €1.78bn), fee income above €0.8bn (our est. €0.84bn), risk-adjusted gross operating profit of around €1.5bn (our est. €1.49bn), cash dividend payout of 70% (our est. 70%).
- New 3-year business plan to be presented on 24 May.** The new business plan will be presented in 2 weeks' time; we expect the main focus to be on developing the current business model, with higher integration between the IB and WM divisions; focus will also be on capital deployment, as the current capital position is already very solid (700bp vs. SREP) and is expected to improve further in 4Q22/23 and by YE, as the Danish compromise framework should be approved (c.+100bp positive impact for MB).
- Feedback from conference call.** NII is expected to grow further in the 2023/24 fiscal year thanks to Compass, 4Q22/23 should be up further QoQ thanks in part to coupons on floating-rate bonds. As for fees, the CEO expects some weakness for the next few quarters, as CIB needs to rebuild a pipeline, while the WM division should benefit from the flight-to-quality process in Italy. Overlays will be used in the next 3 years to stabilise the cost of risk, while solid capital will be redeployed to finance RWA growth, small acquisitions and the distribution policy to shareholders.
- Change in estimates.** We are leaving our 2023/25 EPS broadly unchanged, while trimming 2022/23, as we expect management to book write-downs in 4Q22/23 to exit some businesses, cleaning up the portfolio to free up resources for the next 3Y plan.
- NEUTRAL confirmed; target €10.2.** We are updating our SoP to value the banking business based on 2023/24 earnings. We think management has a strong track record of delivering solid results even in a tough environment, and the current strong capital position is good news in support of the next 3Y plan. We think the business model makes fees more resilient, but the prevailing macro scenario makes generating fees more challenging in CIB. It will be crucial to understand excess capital deployment over the next 3 years to gain a clearer picture on the equity story.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Total income (Eu mn)	2,628	2,851	3,201	3,224	3,317
Net Operating Profit (Eu mn)	1,390	1,539	1,776	1,778	1,857
Net Profit Adj (Eu mn)	808	907	983	1,013	1,083
EPS New Adj (Eu)	0.934	1.069	1.159	1.194	1.277
EPS Old Adj (Eu)	0.934	1.069	1.166	1.194	1.276
DPS (Eu)	0.660	0.750	0.810	0.900	1.000
P/E Adj	10.7	9.3	8.6	8.3	7.8
Div. Yield	6.6%	7.5%	8.1%	9.0%	10.0%
P/TE	0.80	0.81	0.83	0.81	0.78
ROTE	7.5%	8.7%	9.7%	9.7%	10.0%