

Company Note

Mediobanca

4Q19/20 Results

In 4Q19/20 Mediobanca reported solid results that showed a resilient NII, lower than expected loan loss provisions and a very solid CET1 ratio, which we think would allow a generous capital return policy to shareholders (in cash dividends and buyback) when the regulator allows it. M&A remains an option for Mediobanca. Management confirmed the business plan targets and provided a positive outlook for FY20/21. We raise our adj. EPS by 12% in FY20/21E, 6% in FY 21/22E and 7% in FY22/23E.

4Q19/20 results

In 4Q19/20, Mediobanca reported a solid set of results: net income came in at EUR 48M, broadly in line with our estimates (EUR 43M) and above FactSet consensus (EUR 38M). Results were penalised by the impairment of the goodwill of RAM (EUR -65M, non-cash item, with no impact on the capital base). On the other hand, we see three positive elements: 1) resilience of NII, despite a halved new production in Consumer Finance; 2) lower than expected loan loss provisions and improvement of FY20/21 guidance; and 3) a very strong capital base (CET1 FL at 14.5%, +170bps qoq), which we estimate could allow an over 10% capital return policy (when regulator allows it) as well as M&A activity.

BP target confirmed and positive outlook

Mediobanca confirmed its business plan targets (with a different trajectory) that foresee a 4% revenues CAGR, a 4% EPS CAGR, a 2023T ROTE of 11% and a CET1 ratio at 13.5% in 2023T. M&A continues to be an option. The outlook for FY20/21 is better than our expectations: 1) NII is expected to decline at a single digit, mainly due to lower volumes in Consumer Finance; 2) fees are expected to benefit from the pipeline of CIB deals and the growth of AUM; 3) the cost income ratio is expected below 50%; and 4) the cost of risk guidance has been improved (close to 82bps vs. 100bps expected).

Valuation

We confirm **our rating of ADD and raise our target price to EUR 8.3/share** vs. EUR 8.0/sh. Our positive stance is supported by: 1) the business diversification that provides a good resilience to revenues; 2) the strong capital base/generous capital return strategy; 3) a strong asset quality in CIB and WM; and 4) the undemanding valuation (5.7x FY21/22 P/E excluding PI).

31 July 2020: 13:35 CET  
Date and time of production

ADD

Target Price: EUR 8.3  
(from EUR 8.0)

Italy/Banks  
Update

Price Performance  
(RIC: MDBI.MI, BB: MB IM)



Mediobanca - Key Data

Price date (market close)	29/07/2020		
Target price (EUR)	8.3		
Target upside (%)	19.63		
Market price (EUR)	6.94		
Market cap (EUR M)	6,155.5		
52Wk range (EUR)	11.0/4.2		
Price performance %	1M	3M	12M
Absolute	6.2	25.8	-25.5
Rel. to FTSE IT All Sh	4.1	14.5	-18.6

Y/E Jun (EUR M)	19/20A	20/21E	21/22E
Total income	2,513.0	2,429.9	2,605.6
Gross op profit	1,324.1	1,209.7	1,346.7
Pre-tax income	795.3	761.2	944.3
Net income	600.4	586.6	733.5
Adj EPS (EUR)	0.77	0.68	0.85
TBV PS (EUR)	10.4	11.0	11.3
Adj P/E (x)	10.9	10.2	8.1
P/TBV (x)	0.81	0.63	0.61
Div ord (EUR)	0	0.55	0.57
Div ord yield (%)	0	7.9	8.3

Source: Company data, FactSet and Intesa Sanpaolo Research estimates

Intesa Sanpaolo Research Dept.

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Sample

## 4Q19/20 Results

In 4Q19/20, Mediobanca reported a solid set of results: net income came in at EUR 48M, broadly in line with our estimates (EUR 43M) and above FactSet consensus (EUR 38M). Positive surprises came from total income and loan loss provisions, offset by the impairment of the goodwill of RAM that negatively impacted the 4Q19/20 bottom line for EUR 65M (non-cash item, with no impact on the capital base).

In FY19/20, Mediobanca reported a net income of EUR 600M for a ROTE of 6.7%. The company stated that the FY19/20 pre-tax income was negatively impacted by EUR 285M non-recurring items, of which EUR 220M due to the COVID-19 outbreak (half of which due to higher loan loss provisions) and EUR 65M due to RAM impairment. Normalised for these two items, pre-tax income would have been broadly in line with FY18/19 and revenues and gross operating income would have increased by 3% and 4%, respectively.

### Mediobanca – 4Q/FY19-20 results

EUR M	4Q19A	3Q20A	4Q20A	4Q20E	4Q20C	4Q A/E %	4Q A/C %	4Q qoq %	4Q yoy %	FY20A	FY20C
Net Interest Income	349	360	361	344	341	4.8	5.7	0.1	3.4	1,442	1,407
Commission income	150	159	143	136	135	5.0	5.9	-10.0	-4.5	630	623
Trading income	46	-3	47	43	30	11.3	58.0	NM	2.6	136	NA
Income from associated	96	66	55	14	NM	301.2	NA	-16.7	-43.2	304	NA
Total income	641	582	606	536	524	13.0	15.6	4.1	-5.5	2,513	2,443
Operating Costs	309	300	298	305	318	-2.4	-6.3	-0.6	-3.6	1,189	1,208
Gross Operating Income	332	282	308	231	206	33.4	49.5	9.1	-7.2	1,324	1,235
LLP	61	100	165	181	176.5	-8.6	-6.3	65.4	170.3	375	382
Pre-tax Income	258	101	77	58	55	32.1	40.4	-23.3	-70.0	795	775
Net income	197	85	48	43	37.5	12	28.5	-43.0	-75.5	600	591
CoR (bps)	56	85	141	154	NA	NM	NA	NM	NM	84	NM
CET1 FL (%)	12.8	12.7	14.5	13.4	NA	8.2	NA	14.5	13.3	14.5	NM

A: actual; E: estimates; C: FactSet consensus; Source: Company data and Intesa Sanpaolo Research

The main positive surprises come from total income, loan loss provisions and capital base.

- Stronger than expected total income:** total income came in above expectations, mainly thanks to the stronger than expected contribution from equity accounted companies (that, unusually, incorporated the writeback to shares and AFS funds reported by Generali in June). However, the main positive news came from the NII, which remains stable qoq (vs. -4.6% qoq expected), thanks to a stronger than expected performance of Consumer Finance that managed to keep NII broadly stable qoq despite a halved new production in the quarter. Also commission income (down by 4.5% yoy) came in above our expectations, thanks to a resilience in Wealth Management business that recovered part of AUM/AUA lost in 1Q20;
- Lower than expected loan loss provisions:** in 4Q19/20, Mediobanca reported a cost of risk of 141bps vs. 154bps expected. The quarter showed a significant and expected increase in cost of risk of Consumer Finance business (361bps vs. 223bps in 3Q19/20) and CIB (70bps vs. 37bps in 3Q19/20). 4Q19/20 provisions embed the update of the macro scenario mainly impacting CIB and the increase of the coverage on performing loans in Consumer Finance: group coverage ratios increased on Stage 1 (+9bps to 55bps) and Stage 3 (+20bps to 55.3%) and slightly declined on Stage 2 (-30bps to 10.2%).

**Stronger than expected total income.**

**Lower than expected loan loss provisions**

In FY19/20, the cost of risk was 82bps from 52bps in FY18/19. Management improved the cost of risk guidance for FY20/21 from 100bps to "closer to 82bps rather than

100bps". We understood that management expects a cost of risk broadly in line with 82bps reported in FY19/20, i.e. 10-20bps below previous expectations;

- **Solid capital position.** The capital position remained very solid, with a CET1 ratio FL at 14.5%, +170bps qoq, benefitting from regulatory changes (of which 50bps on lower reductions for the Generali stake that will be reduced to 10bps from next year) and the recovery of dividend accrued in the previous quarters (50bps), in line with ECB ban on dividend payment and shares buyback in 2020. CET1 phased in improved by 220bps qoq to 16.1%, well above the company's 2023T target of 13.5%, leaving significant room for a generous capital return to shareholders and M&A.

#### Solid capital position

Sample

## Earnings Outlook

### Business plan guidance confirmed and positive outlook

Management confirmed its 2023 business plan targets, that, due to the COVID-19 outbreak, could be reached following a different than originally planned trajectory. Mediobanca's business plan foresees a 4% revenues CAGR, a 4% EPS CAGR, a 2023T ROTE of 11% and a CET1 ratio at 13.5% in 2023T. Coherently with the ECB recommendation, Mediobanca will not pay dividends or buyback shares in 2020. Without providing any numerical guidance, management stated that next year's dividend policy may be generous, as it could distribute the entire capital generated during the year and buyback shares up to 3% of outstanding shares. The confirmed business plan target is to distribute capital in excess to 13.5% at 2023: this level could be reached through cash dividends, shares buyback and potential M&A. Clearer indications on the dividend policy could be provided in February 2021.

### Business plan targets confirmed

Starting from a solid 16.1% CET1 ratio phased-in reported in June 2020, or 14.5% CET1 FL, we believe the company has ample room to generously return capital to investors. We calculate that also assuming a 100% payout ratio and a 3% buyback with cancellation of shares, June 2021 CET1 phased-in would remain close to 15% and CET1 FL above 13%, leaving room for potential M&A. In such a simulation, the capital return to shareholders would amount to 13% of the current market cap.

### Our simulation on capital return potential

#### Capital return potential - A simulation

EUR M	June 21E
RWA	48,420
CET1 capital before dividends	8,042
CET1 ratio before dividend (%)	16.6
Dividend payout (%)	100
Cash dividends	-587
CET1 phased in ratio post dividends (%)	15.4
Share buyback/cancellation	3
Shares buyback/cancellation	-185
CET1 ratio phased in post dividends and buyback (%)	15.0
Total potential capital return to shareholders	771
Capital return on market cap (%)	13

Source: Intesa Sanpaolo Research estimates

We acknowledge the bank has room for a significant return of capital to shareholders. However, in our estimates, we keep a more prudent approach, waiting for clarifications from the regulator on the possibility to restart dividend distribution and shares buybacks in 2021. We also highlight that Mediobanca already owns 26.6M own shares (i.e. 3% of outstanding shares, booked at approximately EUR 0.2Bn and deducted from the capital): any additional shares buyback would necessarily imply the cancellation of own shares and the approval of the shareholders meeting (i.e. not before October 2021, in our view). In our estimates, we assume the confirmation of EUR 55/cent DPS as foreseen in the company business plan for FY20/21 that would imply a significant 80% pay-out ratio and an attractive dividend yield of 7.9%, without considering any potential shares buyback.

Mediobanca's management considers the COVID-19 outbreak as an accelerator of M&A as some assets could have come up for sale in order to face the effects of the economic downturn. Mediobanca continues to be interested in M&A, where it could reinvest part of its excess capital. Management reiterated that it is not interested in purchasing a commercial bank, although it could from partnerships and/or purchase small stakes in commercial banks in order to foster the distribution of Mediobanca's consumer banking products.

### M&A strategy

The outlook for FY20/21 is better than our expectations, in detail:

**Outlook slightly better than expected**

- NII is expected to decline at a single digit, mainly due to lower volumes in Consumer Finance. Management expects NII to decline in the first 2 quarters of FY20/21 and partially recover afterwards, following the rebuilding of the Consumer Finance loan book. We improve our NII expectation from -6% yoy to -5% yoy, following the better than expected results of Consumer Finance in 4Q19/20;
- Fees are expected to benefit from the strong pipeline of CIB deals that should be finalised in FY20/21 and the growth of AUM. We raise our estimate of commissions and fee income from -2% yoy to +1% yoy;
- The cost income ratio is expected to remain below 50% in FY20/21;
- The cost of risk guidance has been improved from 100bps to "close to 82bps" reported in FY19/20, thanks to the positive performance of loans under moratorium and expected writebacks in CIB. We expect 84bps in FY20/21 vs. 100bps previously assumed.

All in all, we understood that FY20/21 net income should be close to FY19/20 results of EUR 600M (vs. EUR 522M in our previous estimates).

### Estimates revision

We upwards revise our adjusted EPS estimate by 12%, 6% and 7%, on lower loan loss provisions and lower operating costs, while higher NII and commission income is broadly offset by a lower contribution from equity accounted companies (approximately EUR 40M anticipated in FY19/20).

### Mediobanca – FY20/21E estimates

EUR M	FY19/20A	FY20/21E	FY21/22E	FY22/23E
Net interest income	1,442	1,373	1,423	1,542
Net treasury income	136	163	163	163
Net fee and commission income	630	634	683	720
Equity-accounted companies	304	261	336	353
<b>Total income</b>	<b>2,513</b>	<b>2,430</b>	<b>2,606</b>	<b>2,777</b>
Labour costs	-599	-616	-631	-646
Administrative expenses	-590	-604	-628	-653
<b>Operating costs</b>	<b>-1,189</b>	<b>-1,220</b>	<b>-1,259</b>	<b>-1,300</b>
Gains/losses on disposal of AFS shares	0	0	0	0
Loan loss provisions	-375	-392	-345	-378
Provisions for other financial assets	-21	0	0	0
Other income (losses)	-133	-57	-57	-57
<b>Profit before tax</b>	<b>795</b>	<b>761</b>	<b>944</b>	<b>1,042</b>
Income tax for the period	-191	-170	-207	-233
Minority interest	-4	-4	-4	-4
<b>After-tax Net Income</b>	<b>600</b>	<b>587</b>	<b>733</b>	<b>805</b>

A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

### Mediobanca – FY20/21-FY22/23E estimates revision

	FY20/21E	FY21/22E	FY22/23E	FY20/21E	FY21/22E	FY22/23E	FY20/21E	FY21/22E	FY22/23E
	NEW	NEW	NEW	OLD	OLD	OLD	chg %	chg %	chg %
Total income	2,430	2,606	2,777	2,423	2,594	2,750	0	0	1
Operating costs	-1,220	-1,259	-1,300	-1,255	-1,297	-1,343	-3	-3	-3
Gross op. profit	1,210	1,347	1,477	1,168	1,297	1,408	4	4	5
Loan Loss Provision	-392	-345	-378	-472	-367	-397	-17	-6	-5
EPS	0.68	0.85	0.94	0.61	0.80	0.87	12	6	7
Adj. EPS	0.68	0.85	0.94	0.61	0.80	0.87	12	6	7

E: estimates; Source: Intesa Sanpaolo Research

## Valuation

We valued Mediobanca based on a sum of the parts. All divisions, except for PI, are valued based on their recurrent return on optimal capital assumed in line with our FY21/22E estimates. We assume a 12% optimal capital and a cost of equity at 11.1% (RFR of 1.5%, MRP of 7.5% and a 5Y adj. Beta of 1.28), vs. 10.9% in our previous valuation. We valued the PI division by applying a 20% discount to the market price of the investments. Capital in excess of 12% has been valued at 1x.

**New TP EUR 8.3/share; ADD**

**We increase our target price to EUR 8.3/share from EUR 8.0/share and we confirm our ADD rating, based on an upside potential of almost 20%.**

### Mediobanca - Sum-of-the-parts (FY21/22E)

FEUR M	Allocated capital	Net income	ROAC	COE	Theoretical multiple	Implied P/E	Value	NPV
CIB	2,540	202	8.1	13.7	0.6	7.4	1,499	1,160
CB	1,491	280	19.8	10.5	1.9	10.0	2,809	2,301
PI	2,269	335	14.8	9.0	1.5	10.5	3,500	2,800
WM	686	91	13.7	10.5	1.3	9.9	895	733
HF	371	-184	-48.8	10.5	-4.7	9.4	-1,724	-1,412
Free capital	955	10	1.0	11.1	1.0		955	773
<b>Group</b>	<b>7,679.4</b>	<b>733.5</b>	<b>9.6</b>	<b>11.1</b>	<b>1.0</b>	<b>10.8</b>	<b>7,935</b>	<b>6,356</b>
Dividends							963	780
Total value							8,898	7,136
<b>Per share</b>							<b>10.3</b>	<b>8.3</b>
Upside/-downside %								19.6

Source: Intesa Sanpaolo Research estimates

We confirm our positive stance on the stock, which is supported by: 1) the business diversification, that provides a good resilience to revenues; 2) the strong capital base, that would allow the company to absorb unexpected impacts on asset quality or market swings and to restore a generous dividend policy and buy-back programme as soon as the regulator allows it; 3) a strong asset quality in CIB and WM, that allows the company to offset the expected deterioration in the consumer banking business; 4) growth opportunities by leveraging on the potential relocation of capital; and 5) an undemanding valuation, with the stock trading at 0.63x June 2021E TBV and 8.1x FY21/22E P/E, or 5.7x FY21/22E P/E excluding PI.

## ESG Angle

- **ESG targets.** The group has set its ESG targets with the intention of contributing to six of the 17 Sustainable Development Goals (SDGs), and include:
  - Training: increase in employees' training hours up to 25%;
  - Diversity: approx. 50% of female candidates are to be considered for external hirings and all suitable female candidates are considered;
  - Sustainable and responsible investments: 100% of new investments in AUM are to be screened using ESG as well as financial criteria; EUR 700M are to be invested in outstanding Italian SME; ESG qualified products in client portfolios to represent up to 30%;
  - Local communities: EUR 4M/year invested in projects with a positive social or environmental impact; increase of at least 20% in AUM of MB Social Impact Fund;
  - Responsible procurement and production: 40% of procurement expenses are to be assessed with CRS criteria; improvement in Customer Satisfaction in CheBanca!;
  - Environment: focus on the use of energy (reduction of CO2 emissions, 92% of energy from renewable sources and hybrid cars for 90% of MB fleet); EUR 500M ESG Bonds issue; issue of a carbon neutral fund by RAM; CheBanca! green mortgages up by 50%.
- **ESG commitment** Mediobanca's 2019-23 business plan and LTIP approved in November 2019 include ESG targets, for the first time;
- **ESG positioning.** Among European banks, Mediobanca ranks second in Sustainalytics rating, 24<sup>th</sup> in MSCI ranking, 25<sup>th</sup> in Bloomberg ESG ranking and 27<sup>th</sup> in Robeco SAM ranking.

## Mediobanca – Key Data

Rating ADD	Target price (EUR/sh) Ord 8.3	Mkt price (EUR/sh) Ord 6.94			Sector Banks
<b>Values per share (EUR)</b>	<b>2018/19A</b>	<b>2019/20A</b>	<b>2020/21E</b>	<b>2021/22E</b>	<b>2022/23E</b>
No. of outstanding shares (M)	887.2	887.2	887.2	887.2	887.2
No. of f.d. shares (M)	887.2	887.2	887.2	887.2	887.2
Market cap (EUR M)	7,426.6	7,427.1	6,155.6	6,155.6	6,155.6
Adj. EPS	0.95	0.77	0.68	0.85	0.94
TBV PS	10.4	10.4	11.0	11.3	11.7
PPP PS	1.6	1.5	1.4	1.6	1.7
Dividend ord	0.47	0	0.55	0.57	0.60
<b>Income statement (EUR M)</b>	<b>2018/19A</b>	<b>2019/20A</b>	<b>2020/21E</b>	<b>2021/22E</b>	<b>2022/23E</b>
Net interest income	1,395.6	1,442.2	1,372.6	1,423.4	1,541.7
Net commission/fee income	611.2	630.2	633.9	683.4	720.1
Net trading income	196.7	136.3	162.5	162.5	162.5
Total income	2,524.7	2,513.0	2,429.9	2,605.6	2,777.2
Total operating expenses	1,161.9	1,188.9	1,220.2	1,258.9	1,299.9
Gross operating income	1,362.8	1,324.1	1,209.7	1,346.7	1,477.3
Provisions for loan losses	222.6	374.9	391.6	345.1	377.8
Pre-tax income	1,084.1	795.3	761.2	944.3	1,042.3
Net income	823.0	600.4	586.6	733.5	805.4
Adj. net income	834.0	665.4	586.6	733.5	805.4
<b>Composition of total income (%)</b>	<b>2018/19A</b>	<b>2019/20A</b>	<b>2020/21E</b>	<b>2021/22E</b>	<b>2022/23E</b>
Net interest income	55.3	57.4	56.5	54.6	55.5
Trading income	7.8	5.4	6.7	6.2	5.9
Commission income	24.2	25.1	26.1	26.2	25.9
<b>Balance sheet (EUR M)</b>	<b>2018/19A</b>	<b>2019/20A</b>	<b>2020/21E</b>	<b>2021/22E</b>	<b>2022/23E</b>
Total assets	78,244.7	78,949.7	79,992.1	79,996.0	79,968.5
Customer loans	44,393.7	46,685.1	46,946.3	49,613.8	52,116.6
Total customer deposits	40,980.9	42,558.4	42,151.0	41,751.0	41,351.0
Shareholders' equity	9,809.2	9,648.6	10,232.8	10,489.1	10,789.1
Tangible equity	9,069.3	8,908.7	9,492.9	9,749.2	10,049.2
Risk weighted assets	46,309.9	48,030.5	48,419.9	49,806.2	51,762.3
<b>Stock market ratios (X)</b>	<b>2018/19A</b>	<b>2019/20A</b>	<b>2020/21E</b>	<b>2021/22E</b>	<b>2022/23E</b>
Adj. P/E	8.8	10.9	10.2	8.1	7.4
P/TBV	0.80	0.81	0.63	0.61	0.59
P/PPP	5.4	5.5	4.9	4.4	4.0
Dividend yield (% ord)	5.6	0	7.9	8.3	8.7
<b>Profitability &amp; financial ratios (%)</b>	<b>2018/19A</b>	<b>2019/20A</b>	<b>2020/21E</b>	<b>2021/22E</b>	<b>2022/23E</b>
ROE	8.46	6.17	5.90	7.08	7.57
Adj. ROE	9.28	7.40	6.38	7.62	8.14
RoRWA	1.76	1.27	1.22	1.49	1.59
Leverage	11.70	11.39	11.98	12.30	12.68
Cost income ratio	46.0	47.3	50.2	48.3	46.8
Cost of risk (bps)	52	82	84	71	74
Tax rate	23.66	24.03	22.39	21.90	22.33
Dividend payout	49.8	0	80.1	67.3	64.3
<b>Other (%)</b>	<b>2018/19A</b>	<b>2019/20A</b>	<b>2020/21E</b>	<b>2021/22E</b>	<b>2022/23E</b>
CET1 ratio	14.09	16.13	15.61	15.42	15.13
CET1 ratio fully loaded	12.80	14.50	14.03	13.92	13.73
Net impaired loans ratio	2.65	2.52	0.00	0.00	0.00
Net impaired loans on TBV	12.96	13.19	0.00	0.00	0.00
<b>Growth (%)</b>	<b>2018/19A</b>	<b>2019/20A</b>	<b>2020/21E</b>	<b>2021/22E</b>	<b>2022/23E</b>
Total income	4.4	-0.5	-3.3	7.2	6.6
Gross operating income	4.5	-2.8	-8.6	11.3	9.7
Net income	-4.7	-27.0	-2.3	25.0	9.8
Adj. net income	7.3	-20.2	-11.8	25.0	9.8
<b>BS growth (%)</b>	<b>2018/19A</b>	<b>2019/20A</b>	<b>2020/21E</b>	<b>2021/22E</b>	<b>2022/23E</b>
Customers' loans	7.9	5.2	0.6	5.7	5.0
Customers' deposits	7.1	3.8	-1.0	-0.9	-1.0
Shareholders' funds	1.7	-1.6	6.1	2.5	2.9
<b>Structure (no. of)</b>	<b>2018/19A</b>	<b>2019/20A</b>	<b>2020/21E</b>	<b>2021/22E</b>	<b>2022/23E</b>
Branches	309	282	282	282	282
Employees	4,805	4,920	4,910	4,958	5,008

NM: not meaningful; NA: not available; Neg.: negative; A: actual; E: estimates; Source: Company data and Intesa Sanpaolo Research

## Company Snapshot

### Company Description

Founded in 1946 by three state-owned banks (Comit, Credit and Banco di Roma), Mediobanca's business activity focuses in 4 areas: 1) Wealth Management: the group priority, gathering all AM driven businesses and serving the full range of customers, including Affluent & Premier since 2008, with the set up of CheBanca!, the multi-channel digital bank, that, in 2017 doubled its size acquiring a selected perimeter of Italian retail business of Barclays and Private & HNWI, through Banca Esperia, Cairn Capital (London based credit specialist, acquired in 2015) and RAM Active Investments (Geneva based leading European systematic asset manager, acquired in 2018); 2) Consumer credit: through Compass, one of the top three consumer lending Italian players, that in 2018 acquired a ~20% stake in BFI (Indonesia) to enter a second market with great potential; 3) Corporate and Investment Banking: with offices in Milan, Paris (2004), New York (2006), Madrid (2007), Frankfurt (2007) and London (2008) and s partnership with Messier Maris & Associés in France (2019); 4) Principal Investing: represented by a 13% stake in Generali.

### Key data

Mkt price (EUR)	6.94	Free float (%)	64.8
No. of shares	887.2	Major shr	DEL VECCHI
52Wk range (EUR)	11.0/4.2	(%)	9.9
Reuters	MDBI.MI	Bloomberg	MBIM
<b>Performance (%)</b>	<b>Absolute</b>	<b>Rel. FTSE IT All Sh</b>	
-1M	6.2	-1M	4.1
-3M	25.8	-3M	14.5
-12M	-25.5	-12M	-18.6

### Key Risks

#### Company specific risks:

- Potential M&A risk
- Events impacting Generali's profitability/market price

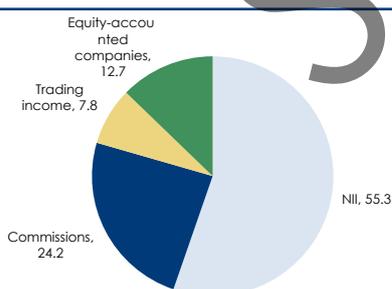
#### Sector generic risks:

- Economy downturn
- Competition
- Regulatory risk

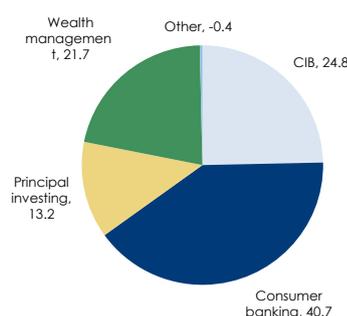
### Estimates vs. consensus

EUR M (Y/E Jun)	2020A	2021E	2021C	2022E	2022C	2023E	2023C
Total income	2,513.0	2,429.9	2,381.5	2,605.6	2,491.7	2,777.2	2,660.0
Operating costs	1,188.9	1,220.2	1,224.0	1,258.9	1,243.0	1,299.9	1,270.0
Gross op. inc.	1,324.1	1,209.7	1,141.6	1,346.7	1,243.0	1,477.3	1,390.0
LLP	374.9	391.6	471.0	345.1	366.7	377.8	397.0
Net income	600.4	586.6	513.0	733.5	642.7	805.4	752.0
EPS (€)	0.77	0.68	0.62	0.85	0.79	0.94	0.87

### Total revenues breakdown (%)



### Revenues by division (%)



Source: Company data, Intesa Sanpaolo Research estimates and FactSet consensus data (priced at market close of 29/07/2020)

## Notes

Sample

## Notes

Sample

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HOLD	If the target price is 10% below or 10% above the market price
REDUCE	If the target price is 10%-20% lower than the market price
SELL	If the target price is 20% lower than the market price
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TARGET PRICE	The market price that the analyst believes the share may reach within a one-year time horizon
MARKET PRICE	Closing price on the day before the issue date of the report, as indicated on the first page, except where otherwise indicated

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#### Target price and market price trend (-1Y)



#### Historical recommendations and target price trend (-1Y)

Date	Rating	TP (EUR)	Mkt Price (EUR)
05-Jun-20	ADD	8.0	7.1

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