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Oggetto : Press Release - Mediobanca rejects MPS's takeover bid not agreed and strongly destructive of value

Testo del comunicato

Vedi allegato



MEDIOBANCA



PRESS RELEASE

MEDIOBANCA REJECTS MPS'S TAKEOVER BID

NOT AGREED AND STRONGLY DESTRUCTIVE OF VALUE

Milan, 28 January 2025 – The Board of Directors of Mediobanca, which met today, took note of the communication pursuant to Article 102 of the Italian Finance Act ("TUF") issued by Banca Monte dei Paschi di Siena ("MPS") on 24 January 2025 (the "Press Release") concerning the promotion of a public exchange offer for all the shares of Mediobanca (the "Offer").

It should be noted that the Offer has not been agreed and is to be considered contrary to the interests of Mediobanca.

Without prejudice to the fact that Mediobanca will express its opinion on the Offer in accordance with the timing, instruments and procedures provided for by law, on the basis of its analysis of the Press Release, **the Board of Directors of Mediobanca finds that the Offer is devoid of industrial and financial rationale and is therefore destructive for Mediobanca.**

Mediobanca is committed to delivering on its 2023-26 Strategic Plan "One Brand-One Culture". The results achieved for FY 2023-24¹ represented **an outstanding start to the Plan's implementation by confirming its objectives** (EPS26 €1.80, ROTE26 15%, €3.7bn distributed to shareholders in 3Y). **The vision and trajectory of the Plan are based on:**

◆ **Growth in Wealth Management ("WM") as a priority**

WM has now exceeded the €100bn mark in terms of Total Financial Assets ("TFAs") and reported revenues of €900m, approx. €500m of which is fee income, and contributed 30% of the Group's banking revenues and more than 50% of fee income at a consolidated level. With a net profit of over €200m and Net New Money ("NNM") of €9-10bn per annum, Mediobanca is now a recognized player in this segment, with above market average growth rates, a synergic approach with CIB, and an acceleration in the process of acquiring bankers and HNWI clients following the launch of Mediobanca Premier.

◆ **Corporate & Investment Banking ("CIB") increasingly synergic with WM, more international and capital-lighter**

With approx. €800m in revenues, half of which are fee income and non-domestic, CIB has delivered some of the best profitability levels in the European sector (RORWA above 1.4%) on the strength of its enhanced Private & Investment Banking – unique within the Italian panorama – and growth in capital-light products; the division's leadership position in the main markets it serves is based on the Bank's independence and the high levels of professionalism among its staff.

¹ Revenues of €3.6bn (up 9% YoY), net profit of €1.3bn (up 24% YoY), EPS 12M €1.53 (up 27% YoY), ROTE 14% (up 1pp), RORWA 2.7% (up 30bps YoY), DPS €1.07 (up 26% YoY).

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◆ **High and sustainable contributions from Consumer Finance (“CF”) and Insurance (“INS”)**

CF boasts revenues of some €1.2bn, growing continually as a result of the Compass distribution force. Compass is one of the three leading operators in the Italian market, delivering high margins and profitability ensured by its well-recognized risk assessment capability across different economic cycles. INS, which contributes over €500m in revenues, also continues to grow, providing the Group with a source of income and profits decorrelated from the core banking business.

◆ **Shareholder remuneration and best-in-class value creation levels**

Based on these results, €1.1bn has been returned to shareholders (up approx. 50% YoY), representing the first tranche of the aggregate €3.7bn estimate for the 2024-26 three-year period.

Mediobanca believes that the MPS offer:

- ◆ **Has no industrial value**, compromising the Mediobanca Group's identity and business profile, which is focused on high value-added business segments with clear growth trajectories;
- ◆ **Destroys value for the shareholders of both Mediobanca and MPS**, given the likelihood of a significant loss of customers in those business areas (such as Wealth Management and Investment Banking) which require professionals who are independent and of high standing and professionalism;
- ◆ Is impacted negatively by the **difficulty of establishing the intrinsic value of MPS shares**, as the bank has net equity that faces substantial tax assets, NPLs and litigation risks (€3.3bn). Risk indicators are worse than those of other Italian banks with considerable retained losses and marked concentration in terms of both geography (with 70% of the branches located in Central and Southern Italy) and clients (small/medium-sized enterprises), and lack of product factories.

The deal has no industrial rationale as it would entail:

- ◆ **Significant weakening of Mediobanca's business model**, which is focused on specialized and highly-profitable businesses such as Wealth Management and Investment Banking. The deal would generate no benefit whatsoever in these segments; rather, it would generate a significant deterioration in them: to provide Investment Banking services to large and medium-sized corporates requires independence of judgement and an absence of conflicts of interest, both of which are difficult to reconcile with a commercial banking model. The deal would result in an immediate loss of banking and financial (FIG) clients and of large corporate clients that would migrate towards specialist boutiques and international banks;
- ◆ Similar **losses of revenues and clients** in Wealth Management and Investment Banking, on which the Group's growth plans are based, including because of the uncertainty that would impact on the proposed combined entity's ability to retain its most important clients. In this case, too, it is highly likely that there would be a migration towards international banks, non-banking intermediaries or the two largest Italian banks;
- ◆ The loss of clients is likely to be accompanied also by the **loss of the Group's best staff**;
- ◆ **A lack of appreciable cost synergies**, as there is no overlap between the two groups' distribution networks.

The deal lacks financial rationale, as it would entail, for the reasons illustrated below:

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- ◆ **A strongly negative impact on Mediobanca's earnings profile:** the Bank's profits on a stand-alone basis are expected to grow as provided in the Strategic Plan, whereas analyst consensus² for MPS sees declining profits due to a reduction in net interest income and an increase in costs and the reduction of tax benefits;
- ◆ **A dilution of Mediobanca's valuation multiples,** due to the reduction of estimated growth in revenues and earnings (which is double those seen for MPS going forward, net of a normalized tax rate¹), the virtually non-existent exposure to the small enterprise segment ("SME"), and the reduction in growth from a lower WM contribution in terms of weighting;
- ◆ **The decline in the MPS stock market price following the Offer announcement is proof of its fragility, making the deal highly unlikely to succeed;** compared to the "undisturbed" Mediobanca stock price of €15.23 per share at close of business on 23 January 2025, the Offer, based on the offeror's share price, represents:³
 - A discount of **3%** based on the MPS price on 27 January 2025 (€6.41);
 - A discount of **7%** based on the 3-month MPS price (€6.15);
 - A discount of **15%** based on the 6-month MPS price (€5.62);
 - A discount of **28%** based on the 12-month MPS price (€4.77).

Finally, it should be noted that the deal is characterized by the significant cross-shareholdings of Delfin and Caltagirone which hold shares in:

- ◆ **Mediobanca**, where Delfin owns 20%⁴ and Caltagirone 7%⁴ (based on the dividend paid in November 2024);
- ◆ **MPS**, where Delfin is the leading private shareholder with 10%⁴ while Caltagirone owns 5%⁴ (as well as owning 5% of Anima Holding which in turn owns 4% of MPS);
- ◆ **Assicurazioni Generali**, in which Delfin has a stake of 10% and Caltagirone of 7%.

The presence of the same shareholders in MPS, Mediobanca and Assicurazioni Generali, and in the context of an all-share offer, represents a potential misalignment of interests relative to other shareholders.

Mediobanca remains focused on execution of its "One Brand-One Culture" Strategic Plan.

This press release was approved by the Mediobanca Board of Directors with Directors Sandro Panizza and Sabrina Pucci abstaining.

Milan, 28 January 2025

² Consensus FactSet.

³ Source: FactSet (VWAP as at 27 January 2025).

⁴ Percentages rounded up to the higher decimal.

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