

UNICREDIT

Sector: Banks

NEUTRAL

Price: Eu21.35 - Target: Eu24.00

Rates and Low Deposit Beta to Support NII. New Buyback in 2024

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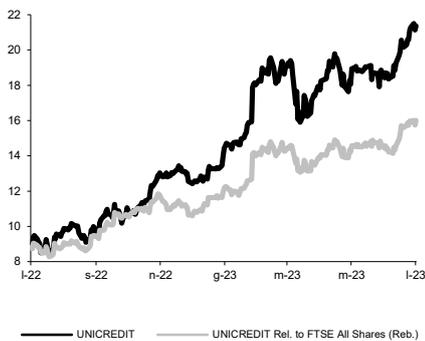
Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2023E	2024E	2025E
Chg in Adj EPS	0.0%	0.0%	0.0%

Next Event

 Results Out: July 26th

UNICREDIT - 12M Performance



Stock Data

 Reuters code: CRDI.MI
 Bloomberg code: UCG IM

Performance	1M	3M	12M
Absolute	15.9%	20.3%	141.8%
Relative	11.4%	16.2%	108.4%
12M (H/L)	21.49/8.50		
3M Average Volume (th):	15,357.34		

Shareholder Data

No. of Ord shares (mn):	1,935
Total no. of shares (mn):	1,753
Mkt Cap Ord (Eu mn):	41,318
Total Mkt Cap (Eu mn):	41,318
Mkt Float - Ord (Eu mn):	33,083
Mkt Float (in %):	80.1%
Main Shareholder:	
Blackrock	5.9%

Balance Sheet Data

Tangible Equity (Eu mn):	60,989
TEPS (Eu):	34.79
CET1 Ratio Fully Loaded:	16.3%
Gross NPE Ratio:	2.6%

- **Results out on July 26th.** We expect NII to grow QoQ thanks to low deposit beta and better rates. Fees should go down QoQ due to the cancellation of some fees which were previously booked and related to negative interest rates (-20mn per month starting from April). No pick up in trading while CoR is expected higher than the extremely low level registered in 1Q23 (35bps vs 8bps). Net profit estimated at Eu 1.94bn which includes ca.Eu 300mn restructuring costs. As for CET1 ratio FL, it should go up QoQ to 16.4% thanks to profits and no pick up in RWA.
- **The guidance could be revised upwards.** In the last quarter management revised upwards net profit guidance to >Eu 6.5bn (which include Eu 300mn restructuring charges and no cashes and At1 coupons), we think in the 2Q the guidance could be lifted further up unless the bank will decide to make some extra provisions for labour cost renewal (in Italy scheduled for 2023 and in Germany for 2024) or extra investments.
- **No further buyback expected in 2023 (apart from the 2022 second tranche already underway).** We don't expect the bank will increase, for the time being, capital distribution guidance which is currently ≥ Eu 5.75bn for 2023 (35% cash dividend and the remaining as buyback) with new buyback to be announced within FY23 results (February 2024). As for current buyback (Eu 1bn) it should be completed before 3Q results.
- **NEUTRAL confirmed, t.p. Eu 24.** The stock strongly rerated thanks to better operating income and higher capital distribution. We expect some slowdown in earnings from 3Q onwards and no changes in current capital distribution for the time being. Newsflow remains positive as asset quality does not show any major signs of deterioration but we see less room for further earnings surprise going forward. Stock trading at 0.6x TE vs an expected Rate at 10%

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Total income (Eu mn)	17,913	20,330	21,740	21,095	21,050
Net Operating Profit (Eu mn)	8,158	10,784	12,125	11,402	11,219
Net Profit Adj (Eu mn)	3,743	5,610	6,541	6,194	5,872
EPS New Adj (Eu)	1.681	2.899	3.732	4.000	4.280
EPS Old Adj (Eu)	1.681	2.899	3.732	4.000	4.280
DPS (Eu)	0.538	0.987	1.148	1.268	1.349
P/E Adj	12.7	7.4	5.7	5.3	5.0
Div. Yield	2.5%	4.6%	5.4%	5.9%	6.3%
P/TE	0.80	0.68	0.61	0.54	0.48
ROTE	6.3%	9.2%	10.7%	10.2%	9.6%