

# BANCA MPS

Sector: Banks

## No Pain, No Gain

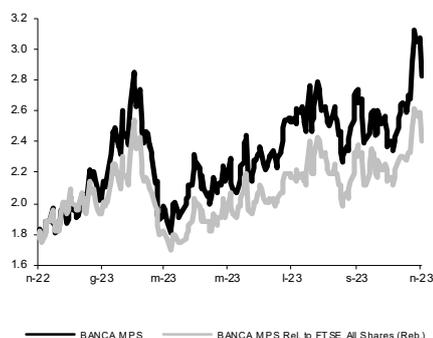
 Fabrizio Bernardi +39-02-77115.387  
 fabrizio.bernardi@intermonte.it

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

### Next Event

27 November: Appeal court ruling

### BANCA MPS - 12M Performance



Stock Data			
Reuters code:	BMPS.MI		
Bloomberg code:	BMPS IM		
Performance	1M	3M	12M
Absolute	19.2%	7.4%	57.1%
Relative	12.4%	3.6%	39.1%
12M (H/L)	3.12/1.78		
3M Average Volume (th):	19,932.71		

Shareholder Data	
No. of Ord shares (mn):	1,260
Total no. of shares (mn):	1,260
Mkt Cap Ord (Eu mn):	3,562
Total Mkt Cap (Eu mn):	3,562
Mkt Float - Ord (Eu mn):	2,165
Mkt Float (in %):	60.8%
Main Shareholder:	
MEF (ministero dell'economia e dell	39.2%

Balance Sheet Data	
Tangible Equity (Eu mn):	8,891
TEPS (Eu):	7.06
CET1 Ratio Fully Loaded:	17.0%
Gross NPE Ratio:	4.1%

# OUTPERFORM

Price: Eu2.83 - Target: Eu3.50

The Italian Government cut its stake in BMPS to 39% via an oversubscribed ABB at €2.92/s, a discount of some 5% to the previous day's closing price. The stock was tacked down 8% despite the offer was 5x oversubscribed, meaning technically all 64% of the pre-ABB Treasury stake, and indeed the entire bank, could potentially have been sold. While the equity story remains unchanged (turnaround based on clean up + P&L relaunch driven by strong capital generation), there is a residual short-term overhang risk that may increase volatility. In any case, our fundamental view on the stock remains unchanged.

- **ABB:** The Italian Government placed a 25% stake in BMPS at E€2.92/share (€920mn cash in), a discount of some 5% to the previous day's closing price (€3.07), and 8% below the stock's YTD peak (€3.17). The offer was 5x oversubscribed, meaning technically all 64% of the pre-ABB stake (and indeed the entire capital) could potentially have been sold. Some 100 investors subscribed the offer, mostly long-only foreign investors, while the positioning of hedge funds is not clear. Worth noticing that right after the ABB, Moody's improved its rating by 1 notch (to Ba3) while Fitch did the same (10 Nov.) but for 2 notches (to BB) on 10<sup>th</sup> Nov.
- **Government sizing up M&A options?** The Government may now be in the position to ask the EU about the possibility of extending the deadline for its definitive exit (basically unknown but probably 2024) from BMPS to 2025, delaying the sale of the residual 39% stake (for which a 90-day lock-up has been agreed). The press contains the usual speculation on M&A opportunities, which are again mushrooming: the usual names for a possible partnership (BAMI, BPER, UCG) are circulating once more. All of them have denied any interest so far: in theory, the Government may have retained a 39% stake with a view to setting up a third Italian banking hub, gathering banking assets around BMPS. Some of the press speculated again about the Siena-based bank being broken up into pieces to be sold to different peers.
- **What's next?** The possibility of an ABB on Banca MPS has been in the press fairly regularly since the December 2022 capital increase, so it was a possibility we highlighted in our Initiation of Coverage (*Per Aspera, ad Astra*, 26/10/23). However, we were taken aback by the strong demand uncovered in the ABB (5X the offer), which suggests there may be something in the wind. The next potential trigger for the stock is the Viola/Profumo Court of Appeal ruling (on 11 October 2023 the Court of Cassation deemed the appeal against Mussari/Vigni's acquittal on the same legal charges to be inadmissible). We also wonder whether the bank may bring the resumption of a standard dividend policy forward to 2023 (the first cash DPS is currently expected on 2024 accounts, so payable in 2025), not to mention a review of its "outdated" business plan targets.
- **OUTPERFORM; target €3.5/s:** Short-term volatility could be taken for granted: 25% ABB increased the overhang risk plaguing the stock, triggering its undervaluation, but is now fading. In any case, the potential investor demand highlighted in the ABB may suggest renewed interest in the equity story of the Siena-based bank.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Total income (Eu mn)	2,982	3,089	3,778	3,619	3,555
Net Operating Profit (Eu mn)	876	81	1,851	1,676	1,616
Net Profit Adj (Eu mn)	353	-189	1,145	1,064	1,007
EPS New Adj (Eu)	0.352	-0.150	0.909	0.844	0.799
EPS Old Adj (Eu)	0.352	-0.150	0.909	0.844	0.799
DPS (Eu)	0.000	0.000	0.000	0.242	0.229
P/E Adj	8.0	nm	3.1	3.3	3.5
Div. Yield	0.0%	0.0%	0.0%	8.6%	8.1%
P/TE	0.47	0.46	0.40	0.37	0.35
ROTE	5.9%	-2.5%	12.9%	11.1%	9.8%