

BANCO BPM

Sector: Banks

BUY

Price: Eu5.09 – Target: Eu6.30

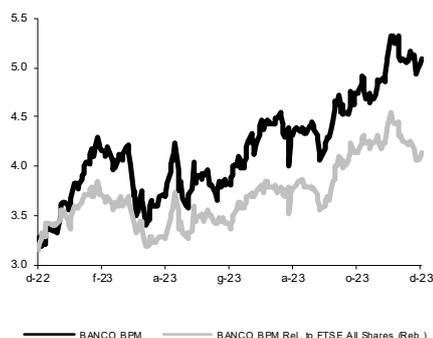
17% yield in 12 months

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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%

BANCO BPM - 12M Performance



Stock Data

Reuters code:	BAMI.MI
Bloomberg code:	BAMI IM

Performance	1M	3M	12M
Absolute	0.1%	19.8%	61.1%
Relative	-6.2%	14.0%	38.3%
12M (H/L)		5.32/3.19	
3M Average Volume (th):	14,765.53		

Shareholder Data

No. of Ord shares (mn):	1,515
Total no. of shares (mn):	1,515
Mkt Cap Ord (Eu mn):	7,712
Total Mkt Cap (Eu mn):	7,712
Mkt Float - Ord (Eu mn):	6,366
Mkt Float (in %):	82.6%
Main Shareholder:	
Credit Agricole	9.2%

Balance Sheet Data

Tangible Equity (Eu mn):	11,970
TEPS (Eu):	7.90
CET1 Ratio Fully Loaded:	14.3%
Gross NPE Ratio:	4.2%

- **BancoBPM has presented its new business plan targets to 2026. The Group is sitting pretty, the upshot of a number of specific managerial actions finalized in the past: running on a 14% CET1r, BancoBPM is expected to bring in €6bn in net profit over 4 years and distribute €4bn by 2026, a 50% yield after the stock leapt by 55% YTD. While we are not far off these projections, the good thing is that this remuneration is based on a stronger than average buffer of capital, given that other banks base their payout policy on much lower regulatory capital thresholds. 2023-2024 EPS confirmed and management appears very confident on these targets. Buyback still an option, but no details so far. No M&A in sight. Sticking to our estimates, we keep a BUY recommendation and a €6.3/s target price.**
- **...17% yield in 12 months!** The plan came out broadly in line with estimates in terms of 2023-2024 EPS, which were technically confirmed. The upside is, as expected, the upgrade to the payout policy: €4bn out of €6bn cumulative net profit over the plan timescale. €1.3bn will be paid back by 2024, o/w €750m on 2023 and €550m in terms of 2024 interim dividends, which adds up to a 17% yield in 12 months. On buybacks, the bank said it will decide the percentage payout to be destined to cash dividend or to share buyback (if any) year by year from 2024 onwards.
- **No “copy & paste” payout policy:** a €4bn payout over 4 years is 50% of the market cap and 40% of the t-NAV. This payout policy is undoubtedly comfortable for the bank due to the very conservative CET1r target of 14% by 2026 (>13% throughout the plan time horizon) including the net effect of Basel4 and the Danish compromise. This enables the bank to sit on a hefty sum of excess capital, which makes the payout policy “easy”. BancoBPM could choose a straight buyback but, we argue, its shareholder base coupled to its valuation imply a cash DPS as a better way to remunerate capital. In any case, a buyback may be considered from time to time: it was also made crystal clear that if there is capital in excess of these targets, some increase in shareholder remuneration could be considered, also depending on full achievement of the plan targets.
- **No M&A ambitions:** another key point made by management is that there are no M&A ambitions at all. This is due to the laser-like focus on remuneration, which is clearly the mantra of this plan. In any case, some growth in product factories, externally or organically, is not ruled out (BAMI owns 22% of Anima but Anima makes some 40% of revenues thanks to BancoBPM) in order to boost fee income in an environment of falling rates, even if the Group is actively managing its replicating portfolio to lock in some interest income.
- **BUY confirmed; TP €6.3/s:** We fine-tuned our estimates right after the 3Q23 release, bearing in mind that the 2023 and 2024 EPS guidance (€0.8/s and €0.9/s) has not changed. BancoBPM is trading at 0.6x P/T-NAV (2024) and at 5.7 P/E (2024), with a ROTE restated of 11%.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Total income (Eu mn)	4,511	4,706	5,337	5,441	5,477
Net Operating Profit (Eu mn)	1,995	2,166	2,717	2,816	2,833
Net Profit Adj (Eu mn)	501	700	1,215	1,362	1,426
EPS New Adj (Eu)	0.331	0.462	0.802	0.899	0.941
EPS Old Adj (Eu)	0.331	0.462	0.802	0.899	0.941
DPS (Eu)	0.190	0.230	0.481	0.620	0.659
P/E Adj	15.4	11.0	6.3	5.7	5.4
Div. Yield	3.7%	4.5%	9.5%	12.2%	12.9%
P/TE	0.65	0.67	0.64	0.62	0.60
ROTE	4.2%	6.1%	10.2%	11.0%	11.1%