

# BANCA MPS

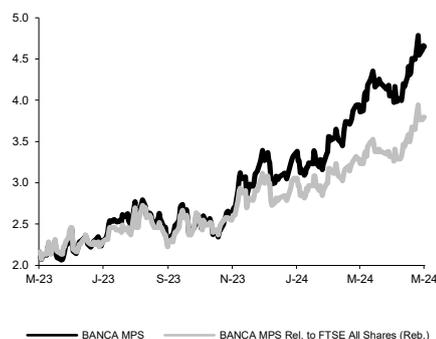
Sector: Banks

## Buy the Laggard

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

### BANCA MPS - 12M Performance



Stock Data			
Reuters code:	BMPS.MI		
Bloomberg code:	BMPS IM		
Performance	1M	3M	12M
Absolute	13.8%	30.7%	114.8%
Relative	14.2%	21.1%	91.9%
12M (H/L)	4.78/2.07		
3M Average Volume (th):	26,576.76		

Shareholder Data	
No. of Ord shares (mn):	1,260
Total no. of shares (mn):	1,260
Mkt Cap Ord (Eu mn):	5,856
Total Mkt Cap (Eu mn):	5,856
Mkt Float - Ord (Eu mn):	3,559
Mkt Float (in %):	60.8%
Main Shareholder:	
MEF (ministero dell'economia e dell	39.2%

Balance Sheet Data	
Tangible Equity (Eu mn):	10,596
TEPS (Eu):	8.41
CET1 Ratio Fully Loaded:	18.3%
Gross NPE Ratio:	4.0%

# OUTPERFORM

Price: Eu4.65 - Target: Eu5.30

We remain positive on BMPS after 1Q24 results and our pre-quarterly release estimate review: BMPS is technically the cheapest Italian banking stock with a clear turnaround restructuring story: strong NII exposure, firm OpEx control, legal risks now in remission with room for a release of provisions and, last but not least, a couple of billion of DTAs that may make the difference... as well as a payout policy that we believe may easily be improved (50% on 2024 numbers vs. 18.2% CET1r).

- **1Q24:** results came out better than expected, with revenues (€1bn) +4% A/E and OpEx 3% better, driving PPP to €551mn, +9% A/E. Cost/Income ratio at 46% on the back of managerial cost control efforts. Cost of risk at 54bp, in line with guidance (57bp FY23).
- **Guidance:** 2024 pre-tax profit guidance was confirmed at above €1.3bn, in line with FY23 (adjusted for the release of provisions for legal risk). An update on medium-term strategic targets will be given alongside the 2Q results presentation; the bank is ahead of its 2022-2026 business plan objectives.
- **Asset quality:** fairly stable QoQ. The gross NPE ratio was 4.5%, with the net NPE ratio at 2.3%, the same level reported in FY23; NPE coverage increased to 49.5% (+40bp QoQ).
- **Capital:** strong capital position with the fully-loaded CET1 ratio at 18.2% pro-forma of 1Q24 net profit net of the accrual for dividend distribution.
- **Legal risks:** this is a “topic that is fixed, completely settled” according to management, which believes full resolution is just a matter of time. Extraordinary litigation and out of court claims in 1Q24 were flattish QoQ. The positive trend in civil sentences continues. NPE proceedings are still at the preliminary hearing stage, with almost 300 civil parties so far (quantified *petitum* of some €13m).
- **Capital & M&A:** its strong capital position means BMPS is well placed to play an active role in M&A. CEO Lovaglio ruled out the purchase of banking assets, and highlighted the idea that the Group may reinforce existing partnerships in the product factories they use (JVs with AXA, Anima).
- **OUTPERFORM confirmed; target €5.3:** BMPS is trading at the lowest multiples in the banking sector. Legacy issues now seem to be resolved, and the bank is benefitting from its restructuring plan and interest rate exposure. We have never played the M&A angle o BMPS, and our valuation is purely on a standalone basis.

Key Figures & Ratios	2022A	2023A	2024E	2025E
Total income (Eu mn)	3,089	3,797	3,688	3,615
Net Operating Profit (Eu mn)	81	1,954	1,780	1,713
Net Profit Adj (Eu mn)	-189	1,323	1,269	1,196
EPS New Adj (Eu)	-0.150	1.050	1.007	0.949
EPS Old Adj (Eu)	-0.150	1.050	1.007	0.949
DPS (Eu)	0.000	0.250	0.510	0.485
P/E Adj	nm	4.4	4.6	4.9
Div. Yield	0.0%	5.4%	11.0%	10.4%
P/TE	0.76	0.60	0.55	0.51
ROTE	-2.5%	13.4%	12.0%	10.4%

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The main methods used to evaluate financial instruments and set a target price for 12 months after the investment recommendation are as follows:

- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
- Comparison with market peers, using the most appropriate methods for the individual company analysed: among the main ratios used for industrial sectors are price/ earnings (P/E), EV/EBITDA, EV/EBIT, price /sales.
- Return on capital and multiples of adjusted net book value are the main methods used for banking sector stocks, while for insurance sector stocks return on allocated capital and multiples on net book value and embedded portfolio value are used
- For the utilities sector comparisons are made between expected returns and the return on the regulatory asset base (RAB)

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Frequency of research: quarterly.

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BUY: stock expected to outperform the market by over 25% over a 12 month period;

OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;

NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

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Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emitente	%	Long/Short

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