Intermonte

Milan, 11 November 2024

Italian Equity Research – 3Q24 Results

BANCO BPM

OUTPERFORM

Sector: Banks

Price: Eu6.72 - **Target: Eu7.90**

3Q24 beat and tender offer on Anima

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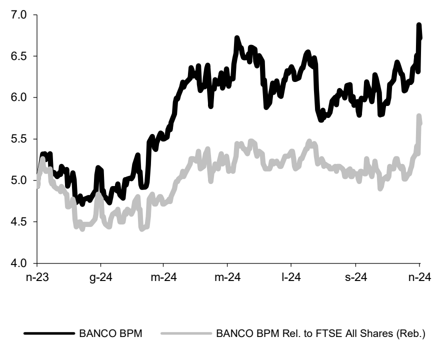
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	5.0%	3.1%	2.1%

BANCO BPM - 12M Performance



Stock Data			
Reuters code:			BAMI.MI
Bloomberg code:			BAMI IM
Performance	**1M**	**3M**	**12M**
Absolute	13.3%	16.6%	36.3%
Relative	13.0%	10.3%	17.7%
12M (H/L)			6.88/4.71
3M Average Volume (th):			9,016.34

Shareholder Data	
No. of Ord shares (mn):	1,515
Total no. of shares (mn):	1,515
Mkt Cap Ord (Eu mn):	10,176
Total Mkt Cap (Eu mn):	10,176
Mkt Float - Ord (Eu mn):	8,400
Mkt Float (in %):	82.6%
Main Shareholder:	
Credit Agricole	9.2%

Balance Sheet Data	
Tangible Equity (Eu mn):	13,772
TEPS (Eu):	9.09
CET1 Ratio Fully Loaded:	15.9%
Gross NPE Ratio:	3.5%

BancoBPM posted high quality results above our projections, which may eventually trigger a FY2024 bottom line beat. Along with the release of 3Q results, BAMI announced a tender offer through BancoBPM Vita on Anima Holding, a partner of the bank for many years, in which it already holds 22.4%. The deal is structured to exploit the capital benefit from the Danish Compromise. For the time being this deal means 10% EPS accretion (pre synergies) and only 30bp CET1r hit to the CET1r of BancoBPM. The deal is clearly highly synergic for BancoBPM. We cannot rule out some shareholders may confer their shares (FSI and Poste) and other industrial partners of Anima may join (BMPS?).

- **3Q24 Results:** BAMI posted high quality results that were better than expected, especially at operating level. Total revenues were 6.3% higher than our estimate; net interest income continued to grow QoQ thanks to customer spreads that remained high despite coming down slightly, and lower sensitivity to interest rates (€-50mn for every -100bp parallel shift), while commissions fell QoQ due to summer seasonality, but with good trends for management fees and results from product factories. OpEx was better than forecast, as administrative costs were favoured by the summer seasonality, bringing the cost/income ratio to 44.4%. The cost of risk came to 42bp, in line with 2Q24 thanks to the bank's ongoing de-risking efforts (gross NPE ratio 3.1%, slightly higher than the YE26 target of ~3%). Net of taxes, there was a €485mn one-off relating to Numia, which obviously contributes to quarterly net profit and, by 88bps, to the CET1 ratio (15.48% in 3Q24), which is already well above the YE26 target (14%).
- **PTO on Anima (p. 5):** Along with the release of 3Q results, BAMI announced a PTO offer through BancoBPM Vita on Anima Holding, a partner of the bank for many years, in which it already holds 22.4%. The deal, aimed at the de-listing of Anima, envisages a €6.20/share cash offer (an implicit premium of 8.5% to the November 6th closing price); thanks to the application of the Danish Compromise, it would have an impact of just 30bps on the CET1 ratio at closing. The bank reserves the right to withdraw the offer if it fails to reach at least 66.67%.
- **Change in Estimates:** We are revising our estimates for the P&L mix, with little impact on adj. EPS and capital ratios. We are seeing a slightly higher NII, but more importantly, an increase in fee income and in Insurance results, all resulting in total revenues growing +2.6%/+1.5%/+1.2%. On the OpEx side, we estimate a slight increase in staff costs related to the national sector employment contract renewal. Operating profit now stands at €3,025mn/€2,866/€2,842mn. We then see a strengthening in AQ, which would bring LLPs down slightly. Adj. EPS changes by +5.0%/+3.1%/+2.1%. Alongside the release, management also indicated it is confident of beating current FY24 EPS guidance (€0.95/s). We were, and are, higher with €1.029/s of adj. EPS.
- **Valuation:** Given the strong results and the positive revenue trends the bank is facing, we stick to our OUTPERFORM recommendation and our TP of €7.90. The stock is currently trading at 0.74/0.71/0.69x its FY24/25/26 TE and 6.52/6.45/6.52x its FY24/25/26 adj. EPS. At target it would trade at 0.87/0.84/0.81x its TE and 7.68/7.58/7.66x its adj. EPS.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Total income (Eu mn)	4,674	5,341	5,709	5,540	5,514
Net Operating Profit (Eu mn)	2,144	2,770	3,025	2,866	2,842
Net Profit Adj (Eu mn)	684	1,278	1,560	1,578	1,562
EPS New Adj (Eu)	0.451	0.843	1.029	1.042	1.031
EPS Old Adj (Eu)	0.451	0.843	0.980	1.010	1.009
DPS (Eu)	0.230	0.560	0.792	0.724	0.722
P/E Adj	14.9	8.0	6.5	6.4	6.5
Div. Yield	3.4%	8.3%	11.8%	10.8%	10.7%
P/TE	0.87	0.80	0.74	0.71	0.69
ROTE	5.8%	10.0%	11.3%	11.1%	10.6%

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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)

Some of the parameters used in evaluations, such as the risk-free rate and risk premium, are the same for all companies covered, and are updated to reflect market conditions. Currently a risk-free rate of 4.0% and a risk premium of 5.5% are being used.

Frequency of research: quarterly.

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A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.

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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;

SELL: stock expected to underperform the market by over 25% over a 12 month period.

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

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As at 30 September 2024 Intermonte's Research Department covered 125 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (61 in total) is as follows:

BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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Further information is available