

# BANCO BPM

Sector: Banks

**BUY**

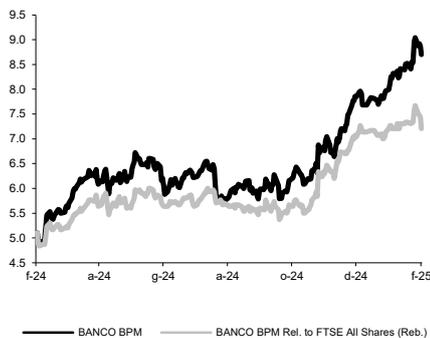
Price: Eu8.70 - Target: Eu12.00

## BUY... With or Without M&A

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 8.80 to 12.00		
	2025E	2026E	2027E
Chg in Adj EPS	10.8%	13.6%	18.6%

### BANCO BPM - 12M Performance



Stock Data			
Reuters code:	BAMI.MI		
Bloomberg code:	BAMI IM		
Performance	1M	3M	12M
Absolute	8.8%	28.7%	70.5%
Relative	0.0%	16.5%	49.6%
12M (H/L)	9.04/4.92		
3M Average Volume (th):	14,093.69		

Shareholder Data	
No. of Ord shares (mn):	1,515
Total no. of shares (mn):	1,515
Mkt Cap Ord (Eu mn):	13,179
Total Mkt Cap (Eu mn):	13,179
Mkt Float - Ord (Eu mn):	11,110
Mkt Float (in %):	84.3%
Main Shareholder:	
Credit Agricole	9.2%

Balance Sheet Data	
Tangible Equity (Eu mn):	13,689
TEPS (Eu):	9.03
CET1 Ratio Fully Loaded:	15.0%
Gross NPE Ratio:	2.7%

In this report we reiterate our BUY recommendation on Banco BPM, embedding the targets released with the 13 February business plan update into our numbers.

The key point is that BAMI has raised the bar of its valuation, both with and without full consolidation of Anima, bearing in mind that there is a pending tender offer from UCG that is still at a huge discount to its fair value.

While our current estimates still do not include Anima, we deem it useful to publish analysis that investigates what the numbers, and upside, could be after 100% consolidation (spoiler alert: HUGE). The key factors are strong margin accretion (and hedging of falling interest rates), a solid capital position and a sound payout policy (>€6bn of distribution + €1bn of SBB, if the Danish compromise is approved).

■ **What we assumed:** as anticipated, our current estimates embed standalone plan trends, which are still sound, but the key to this report is the massive impact that would come from consolidating Anima. Our analysis includes assumptions on likely developments with the Anima tender offer, such as BAMI AGM approval of a raised offer (€7 per share), the acceptance level by Anima shareholders, and finally allowance of the Danish Compromise, which would free up c.€1bn of capital, probably to be distributed via SBB, we assume in FY27.

■ **What's coming (p.7):** the outcome of the consolidation, under these assumptions, is clear from the numbers that emerge from our analysis. Fee income increasing by c.20%, not offset by OpEx, leading to a +10-11% rise in operating profit. Net profit would then be almost 14% higher in FY27. On top of this is the stunning distribution: almost €4.8bn of cash dividends pertaining to FY25-27, plus a €1bn SBB to be executed in 2027, which will boost per share accretion by >20%. All of this while retaining a perfectly sound CET1 ratio (>14%). Considering ROTE of c.18% for FY26-27, we reach a **TP for the combined entity of €10.60 per share.**

■ **Change in estimates (p.6):** Our current estimates, even without Anima, still show a hefty increase. We forecast more resilient NII, a stronger fee income contribution, Life Insurance business at “full steam” by FY26 and powerful leverage on JVs. On costs, we see flattish numbers, coming from a mix of factors (exits, labour contract renewal, IT investments and RE efficiency), while our cost of risk estimates remain unchanged. There is also a clear increase in remuneration (80% payout ratio) even without embedding any SBB or the Danish compromise. With 2025/25/27 adj. EPS rising by +10.8%/+13.6%/+18.6%, **our fundamental TP goes up to €9.3.**

■ **Valuation (p.11):** whatever the outcome, we note that the payout policy offered by BAMI is now best-in-class, and the business combination with Anima may offer an important hedge for the valuation. To encapsulate this, we are changing our valuation model, **averaging the two TPs (€10)**, and adding half of the NPV of synergies deriving from the UCG-BAMI deal. We calculated (on p.11) a **potential premium of €2 per share, reaching a total valuation of €12 per BAMI share.** The stock is now trading at 0.96/0.94x its FY25/26 TE, at target it would trade at 1.33/1.30x, slightly above ISP's current multiples.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Total income (Eu mn)	5,341	5,704	5,739	5,756	5,791
Net Operating Profit (Eu mn)	2,770	3,048	3,078	3,098	3,146
Net Profit Adj (Eu mn)	1,278	1,635	1,764	1,790	1,842
EPS New Adj (Eu)	0.843	1.079	1.164	1.181	1.216
EPS Old Adj (Eu)	0.843	1.029	1.051	1.040	1.025
DPS (Eu)	0.560	1.014	0.907	0.927	0.955
P/E Adj	10.3	8.1	7.5	7.4	7.2
Div. Yield	6.4%	11.7%	10.4%	10.7%	11.0%
P/TE	1.03	0.99	0.96	0.94	0.92
ROTE	10.0%	12.2%	12.9%	12.8%	12.8%

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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.

Reports on all companies listed on the S&P500 Index, most of those on the MIBEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

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 31 December 2024 Intermonte's Research Department covered 132 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	31.34 %
OUTPERFORM:	43.28 %
NEUTRAL:	25.38 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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BUY:	50.70 %
OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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