

BP SONDRIO

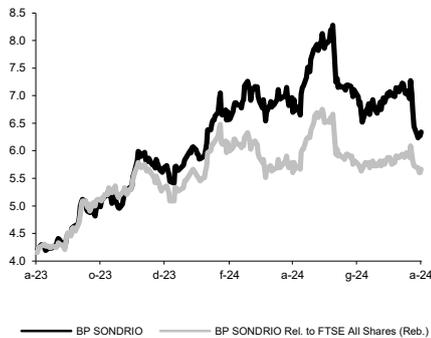
Sector: Banks

Steady as she goes

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 8.30 to 8.70		
	2024E	2025E	2026E
Chg in Adj EPS	16.6%	10.8%	9.7%

BP SONDRIO - 12M Performance



Stock Data			
Reuters code:	BPSI.MI		
Bloomberg code:	BPSO IM		
Performance	1M	3M	12M
Absolute	-9.4%	-19.3%	52.8%
Relative	-3.3%	-12.0%	41.0%
12M (H/L)	8.28/4.19		
3M Average Volume (th):	1,921.96		

Shareholder Data	
No. of Ord shares (mn):	453
Total no. of shares (mn):	453
Mkt Cap Ord (Eu mn):	2,874
Total Mkt Cap (Eu mn):	2,874
Mkt Float - Ord (Eu mn):	2,193
Mkt Float (in %):	76.3%
Main Shareholder:	
Unipol Group	19.7%

Balance Sheet Data	
Tangible Equity (Eu mn):	3,982
TEPS (Eu):	8.78
CET1 Ratio Fully Loaded:	15.8%
Gross NPE Ratio:	3.7%

OUTPERFORM

Price: Eu6.34 - Target: Eu8.70

BP Sondrio is one of the little gems on the Italian banking scene (and also within our coverage). It sits on a very comfortable capital position (c.730bp buffer vs. SREP, as explained below), which should grow further in the coming years through organic capital generation, and is also one of most prudent banks (which explains the surge of provisioning in a highly profitable period, i.e. the recently-reported 2Q). This buffer, and the bank's stable high margins, could certainly lead to an upgrade in the payout policy, even if this does not necessarily match the "Popolare" status. Last, but not least, it's quite an ideal player in the consolidation of the industry (Unipol owns a 19.7% stake in BPSO, a similar stake in BPER, and rumours say it could also enter BMPS). For all these reasons, we maintain our **OUTPERFORM** recommendation, with a new TP of **Eu8.70**.

- **2Q24 results:** operating results were better than expected, with the top line flat QoQ (+3.7% A/E) featuring NII that continues to rise, due to a commercial spread that remains at high levels and a high contribution from banks, flat commissions, benefitting from strong improvements in AuM and bancassurance, and better-than-expected trading. OpEx was in line with expectations and flat QoQ, reflecting the renewal of the collective labour contract (CCNL) and high IT implementation costs, leading to operating profit of Eu258mn (+4.9% A/E). The CoR rose to 70bp (+19bp A/E) due to a precautionary provision of Eu61mn booked by the company, to amplify performing loan coverage without touching the €200mn overlays. The default rate increased marginally to 1.2%, but with no other signs of AQ deterioration. Pre-tax profit and net profit were therefore lower than expected (Eu177mn and Eu118mn respectively).
- **CET1r**, phased-in, grew c.70bp in the quarter (to 15.9%), due to some organic capital generation (c.24bp), benefitting from c.€400mn of RWA reduction. This solid capital position implies a high SREP buffer (c.734bp vs. a requirement of 8.57%, potentially meaning c.€1.67bn of free capital).
- The company also raised its **FY24 guidance**, upgrading NII from "in line with 2023" to >€950mn, and net profit from "replicating FY23 results" to ≥FY23 profit, while other guidance targets remained unchanged (Fees growth 5-10%, CoR at c.55bp and a reduced contribution to DGS and SRF).
- **Change in estimates:** we are revising our FY24/25/26 estimates upwards to reflect a top line that is seen even higher than in 2023, mainly driven by further NII growth, for FY24, and a lower-than-expected decrease in the following years, and a sustained Fee income trajectory. We are lifting OpEx slightly, to include inflation costs and CCNL renewal, and doing the same for our D&A estimate. We are also raising LLPs and risk provisions to reflect the prudential approach that characterises the bank. These changes led EPS to grow by 16.6%/+10.8%/+9.7%.
- **OUTPERFORM (Unch.), TP Eu8.70 (from Eu8.30):** we confirm our positive view on the stock, given the good set of results and the even better outlook, that gave us space for an estimate review, and a TP upgrade. Stock trading at 0.72/0.69/0.69 its TE for FY24/25/26.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Total income (Eu mn)	1,183	1,612	1,639	1,554	1,544
Net Operating Profit (Eu mn)	540	918	919	819	794
Net Profit Adj (Eu mn)	248	461	470	413	390
EPS New Adj (Eu)	0.546	1.017	1.037	0.912	0.861
EPS Old Adj (Eu)	0.554	0.997	0.890	0.823	0.784
DPS (Eu)	0.280	0.559	0.571	0.501	0.473
P/E Adj	11.6	6.2	6.1	7.0	7.4
Div. Yield	4.4%	8.8%	9.0%	7.9%	7.5%
P/TE	0.86	0.76	0.72	0.69	0.66
ROTE	7.4%	12.2%	11.8%	9.9%	9.0%

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- 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;

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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OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

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NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
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Emittente	%	Long/Short

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