

BP SONDRIO

Sector: Banks

Sic et simpliciter

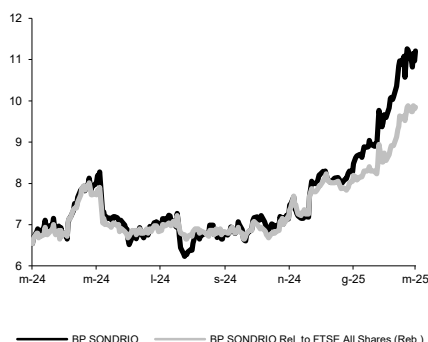
NEUTRAL

Price: Eu11.21 - Target: Eu12.30

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Stock Rating			
Rating:	from OUTPERFORM to NEUTRAL		
Target Price (Eu):	from 8.70 to 12.30		
	2025E	2026E	2027E
Chg in Adj EPS	20.0%	26.0%	

BP SONDRIO - 12M Performance



Stock Data			
Reuters code:	BPSI.MI		
Bloomberg code:	BPSO IM		
Performance	1M	3M	12M
Absolute	16.8%	36.4%	71.4%
Relative	15.1%	26.1%	57.5%
12M (H/L)	11.26/6.24		
3M Average Volume (th):	2,585.51		

Shareholder Data	
No. of Ord shares (mn):	453
Total no. of shares (mn):	453
Mkt Cap Ord (Eu mn):	5,082
Total Mkt Cap (Eu mn):	5,082
Mkt Float - Ord (Eu mn):	3,878
Mkt Float (in %):	76.3%
Main Shareholder:	
Unipol Group	19.7%

Balance Sheet Data	
Tangible Equity (Eu mn):	4,199
TEPS (Eu):	9.26
CET1 Ratio Fully Loaded:	15.2%
Gross NPE Ratio:	3.0%

Considering its franchise, BPSondrio is one of the most appetising dishes on the Italian consolidation menu: with some 500 branches, most of which in Lombardy, it would fit perfectly with any bank we cover, and This Must Be Duly Rewarded. This “lateral thinking” has been front and centre for us since our IoC, although we admit we were not expecting an offer to come in so soon. The industrial fit with BPER is crystal clear and even more so considering that the same, most relevant shareholder (Unipol) is “supportive”. Rolling over our estimates to 2027, we reach a stand-alone fair value of €10.30/s (from €8.70/s). That said, we think BPER would need to gather voting power to enhance synergies, which, translating, means “make a cash bump”. We calculate that BPER should add up to €2/s cash to the standalone value of BPSondrio. Assuming our view of the M&A scenario proves accurate, this means a €12.30/s valuation, which is our new Target Price for BPSondrio. We move our recommendation to NEUTRAL due to the limited upside (~10%). However, we expect BPER to have the capital and the strong intention to duly sweeten its offer in order to attract more interest in its bid to gain control of BPSO.

- **2025-27 Business Plan (p.3):** The new BPSO business plan has clearly raised the bar for its standalone valuation. The plan focuses on enhanced profitability which leverages on more resilient NII, on the fee-based businesses and, clearly, on shareholder remuneration. The payout ratio was raised to 85%, ensuring a high, single-digit dividend yield, as of March 14 closing prices.
- **Minorities and Majorities:** We believe this deal is now set in stone, but we are still missing the “when”. The main shareholder has a considerable stake (20% in BPER/BPSO) and a consistent industrial bias, but there is still no clarity on the timing of the deal. Our best guess/estimate is that the target will be to ensure a majority in the EGM, as this would mean bringing home all the synergies. While institutional investors are likely to tender all their shares at the bumped-up price (share swap + an expected cash bump), the main point of contention is the retail shareholder base, which is expected to account for some 35%/40% of the capital base and will therefore be crucial to gaining control of the EGM.
- **Change in Estimates (p.7):** We have revised our estimates to include the trends estimated in the released business plan. The changes reflect more resilient NII, slightly lower OpEx, and a stricter approach regarding cost of risk, also given the conservative approach by BPSO on problematic exposures. The CET1 ratio is decreasing due to the new 85% payout ratio and the impact of Basel4. FY25/26 adj. EPS is revised upward by +20%/+26%.
- **Valuation (p.10):** Given the change in estimates, we reach a **standalone valuation of €10.30 per share**. On top of that, we think BPER should recognize a major portion of the expected synergies (60%) for BPSO shareholders, which translate into a **premium of ca. €2 per share**. Given these synergies, we reach a **total valuation of €12.30 per BPSO share**. The stock is now trading at 1.21/1.19/1.17x FY25/26/27 TE; at target it would trade at 1.33/1.30/1.28x.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Total income (Eu mn)	1,567	1,748	1,675	1,657	1,719
Net Operating Profit (Eu mn)	872	1,039	956	928	979
Net Profit Adj (Eu mn)	461	575	531	511	551
EPS New Adj (Eu)	1.017	1.268	1.170	1.126	1.216
EPS Old Adj (Eu)	1.017	1.219	0.975	0.894	
DPS (Eu)	0.559	0.799	0.995	0.958	1.033
P/E Adj	11.0	8.8	9.6	10.0	9.2
Div. Yield	5.0%	7.1%	8.9%	8.5%	9.2%
P/TE	1.35	1.23	1.21	1.19	1.17
ROTE	12.2%	14.0%	12.6%	11.9%	12.7%

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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&PMB40 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.

Explanation of our ratings system:

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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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 December 2024 Intermonte's Research Department covered 132 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	30.60 %
OUTPERFORM:	43.28 %
NEUTRAL:	26.12 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 December 2024 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (71 in total) is as follows:

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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