BP SONDRIO

OUTPERFORM

Sector: Banks

Price: Eu6.97 - **Target: Eu8.70**

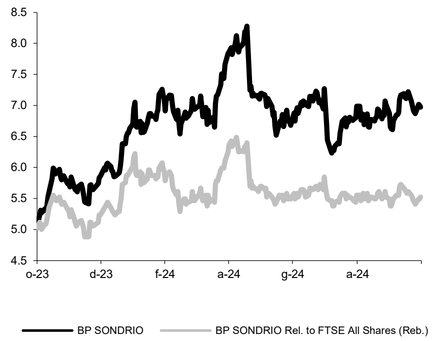
A sound quarter likely to drive a guidance beat

Fabrizio Bernardi +39-02-77115.387
fabrizio.bernardi@intermonte.it

Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	8.1%	3.2%	0.5%

Next Event
Results Out on Nov. 5th

BP SONDRIO - 12M Performance



Stock Data			
Reuters code:			BPSI.MI
Bloomberg code:			BPSO IM
Performance	**1M**	**3M**	**12M**
Absolute	1.4%	-4.1%	38.6%
Relative	0.5%	-5.5%	12.7%
12M (H/L)			8.28/5.15
3M Average Volume (th):			1,252.06

Shareholder Data	
No. of Ord shares (mn):	453
Total no. of shares (mn):	453
Mkt Cap Ord (Eu mn):	3,160
Total Mkt Cap (Eu mn):	3,160
Mkt Float - Ord (Eu mn):	2,411
Mkt Float (in %):	76.3%
Main Shareholder:	
Unipol Group	19.7%

Balance Sheet Data	
Tangible Equity (Eu mn):	4,000
TEPS (Eu):	8.82
CET1 Ratio Fully Loaded:	16.0%
Gross NPE Ratio:	3.7%

BPSO reports 3Q results on November 5th. As we explain below, the numbers will be strong, offsetting a slight decline in NII and summer seasonality. The bank is exposed to some of the richest regions in Italy, which should benefit its fee-generating business going forward, such as AM and Bancassurance, and has a very comfortable position in terms of the capital buffer (ca. 730bps vs. SREP in 1H24). In our view, BPSO has leeway to upgrade the payout policy, bringing it into line with peers' standards. On top of that, we note the M&A appeal "positively affecting" the stock due to Unipol's ~20% stake in both BPSO and BPER.

Given that, we stick to our OUTPERFORM recommendation and TP of €8.70.

- **3Q24 Preview.** We expect a solid quarter for profitability. In terms of revenues, we highlight NII decreasing 4% QoQ, with customer spread remaining wide and repayment of the last portion (€3.7bn) of TLTRO, which would impact 4Q, fees suffering a little seasonality, and positive trading. On OpEx, we forecast some increases to staff costs due to the national employment contract renewal, but some seasonality on administrative expenses. Cost/income is seen stable at ~39%. CoR is seen normalizing towards the guidance figure (~55bps for FY24), after the prudential spike in 2Q, and we see no particular extraordinary charges. Net income should be €131mn. The CET1 ratio is set to gain some bps (landing at 15.9%), and we forecast more volume on the lending side, as well as some increases in deposits.
- **Change in Estimates:** We are revising our estimates to reflect a different mix among P&L items. On revenues we expect: a higher-than-forecast NII in 2024, exceeding company guidance, followed by a decrease in 2025/26 due to BPSO's sensitivity to falling interest rates; solid growth in fee income, due to the bank's exposure to AM and Bancassurance, and strong trading income. Overall 2024/25/26 revenue changes +1.9%/+0.5%/-0.8%. On OpEx, we see a general decrease for the three-year period in both staff and admin costs, partially offset by an increase in D&A, leading to operating profit moving by +6.9%/+1.7%/-1.3%. We then estimate an increase in the cost of risk in the three-year period, mostly due to management's conservative and prudent approach, with some increase in other provisions in FY24. We also forecast a slight increase in the FY24 tax rate, leading to adj. EPS moving by +8.1%/+3.2%/+0.5%.

  Please note we have made a restatement in our model, moving the share of investees' profits from the top line to other income, prior to pre-tax profit, as it is not operating income.
- **OUTPERFORM, TP €8.70:** Given our estimate update, and the strong results that BPSO will post, we maintain a positive view on the stock, sticking to our OUTPERFORM recommendation and TP. The bank is now trading at 0.79/0.75/0.72x its FY24/25/26 TE. At target 0.99/0.94/0.90x.

Key Figures & Ratios	**2022A**	**2023A**	**2024E**	**2025E**	**2026E**
Total income (Eu mn)	1,155	1,567	1,670	1,563	1,531
Net Operating Profit (Eu mn)	509	872	983	832	784
Net Profit Adj (Eu mn)	251	461	508	427	392
EPS New Adj (Eu)	0.554	1.017	1.122	0.941	0.865
EPS Old Adj (Eu)	0.546	1.017	1.037	0.912	0.861
DPS (Eu)	0.280	0.559	0.617	0.518	0.476
P/E Adj	12.6	6.9	6.2	7.4	8.1
Div. Yield	4.0%	8.0%	8.9%	7.4%	6.8%
P/TE	0.94	0.84	0.79	0.75	0.72
ROTE	7.5%	12.2%	12.7%	10.2%	9.0%

DISCLAIMER (for more details go to DISCLAIMER)

GUIDE TO FUNDAMENTAL RESEARCH

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&PMIB40 Index, most of those on the MIDEX 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

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

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

CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest Intermonte SIM states that:
Intermonte is acting as financial advisor to Retex S.p.A. – Società Benefit in relation to the voluntary public tender offer launched on Alkemy S.p.A.
Intermonte is acting as financial advisor to Eagle S.p.A. and intermediary responsible for coordinating the collection of sale requests in relation to the sell-out procedure on Greenthesis S.p.A.
Intermonte SIM has provided in the last 12 months / provides / may provide investment banking services to the following companies: Aedes, Aquafil, Civitanavi Systems, Cy4Gate, Esprinet, GPI, Greenthesis (formerly Ambienthesis), Growens, Illimity Bank, Maire Tecnimont, SAES Getters, Tinexta, Unidata and WIIT.
Intermonte SIM is acting as counterparty to WIIT Fin S.r.l. in connection with call and put options having WIIT S.p.A. shares and dividends as reference underlying.
Intermonte SIM is Specialist and/or Corporate Broker and/or Sponsor and/or Broker in charge of the share buy back activity of the following Companies: Abitare In, Alkemy, Anima Holding, Antares Vision, Aquafil, Avio, Banca Ifis, Banca Sistema, Civitanavi Systems, Cyberoo, Cy4gate, DHH, El.En, Elica, Emak, Esprinet, Fimit - Fondo Alpha, Fine Foods, Franchi Umberto Marmi, GPI, Greenthesis (formerly Ambienthesis), IEG, Iervolino & Lady Bacardi Entertainment, IndelB, Intred, Luve, Misitano & Stracuzzi, Mondadori, Notorious Pictures, Omer, Pharmanutra, Relatech, Reply, Revo Insurance, Reway, Saes Getters, Sciuker Frames, Servizi Italia, Sesa, Seri Industrial, Somec, Star7, SyS-Dat Group, Talea, Tamburi, Tinexta, Tesmec, The Italian Sea Group, TXT, Unidata, Webuild and WIIT.
Intermonte SIM has a contractual commitment to act as liquidity provider on behalf of third parties for the following company: Banca Sistema.
Intermonte SIM performes as a market maker for the following companies: A2A, Anima, Atlantia, Autogrill, Azimut Holding, BAMI, Banca Generali, Banca Mediolanum, Brembo, Buzzi, CNHI, Enel, ENI, Exor, Fineco, FCA, FTMIB, Generali, Italgas, Iren, Intesa Sanpaolo, Leonardo, Mediobanca, Moncler, Mediaset, Pirelli&C, Prysmian, Poste, Ferrari, Saipem, Snam, STM, Tenaris, Telecom Italia, Telecom Italia sav, Terna, UBI, Unicredit, Unipol, UnipolSai.
Intermonte SIM, through Websim, which constitute the digital division of Intermonte, acts as a Financial Content Provider and/or Specialist and/or Corporate Broker on the following companies: Abitare In, Alkemy, Allcore, Almawave, Banca Sistema, Bifire S.P.A., B&C Speakers, Casta Diva Group, Cleanbnb, Cofle, Crowdfundme, Cube Labs, Cy4gate, Cyberoo, DHH, Digital Bros, Digital Magics, Digitouch, Doxee, Ediliziacrobatica Spa, Eles, Elica, Emak, Energy, Esi, Esprinet, Eviso, Fae Technology, Fiera Milano, Fope, FOS, Franchi Umberto Marmi, Giglio Group, GPI, Green Oleo, High Quality Food, Ikonisys, Intercos, Intred, ISCC Fintech, Lemon Sistemi, Lventure Group, Maps Group, Masi Agricola, Matica Fintec, Misitano & Stracuzzi, Neodecortech, Notorious Pictures, Olidata, Osai Automation System, Racing Force Group, Relatech, Reti, Sciuker Frames, SG Company, Solid World Group, Spindox Digital Soul, Talea, Tamburi, Tesmec, Tinexta, TMP Group, Tps Group, Trendevice, Ulisse Biomed, Xenia Hôtellerie Solution Spa Società Benefit, Wiit.
Intermonte SIM SpA holds net long or short positions in excess of 0.5% of the overall share capital in the following issuers:

Emittente	%	Long/Short