

# BPER

Sector: Banks

# NEUTRAL

Price: Eu4.72 - Target: Eu5.70

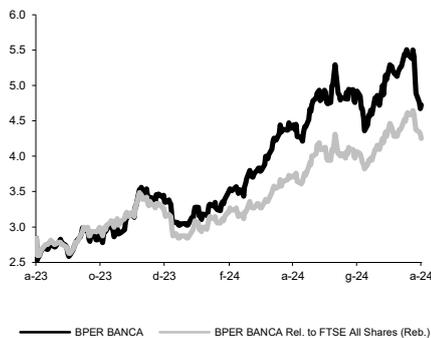
## Wake me up when Sept. ends; Meanwhile a sound 2Q24

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	-0.1%	0.0%	0.0%

**Next Event**  
 New Business Plan 10 Oct 2024

### BPER - 12M Performance



Stock Data			
Reuters code:	EMII.MI		
Bloomberg code:	BPE IM		
Performance	1M	3M	12M
Absolute	-7.0%	-4.2%	66.2%
Relative	-0.7%	2.7%	55.1%
12M (H/L)	5.51/2.53		
3M Average Volume (th):	15,519.06		

Shareholder Data	
No. of Ord shares (mn):	1,416
Total no. of shares (mn):	1,416
Mkt Cap Ord (Eu mn):	6,690
Total Mkt Cap (Eu mn):	6,690
Mkt Float - Ord (Eu mn):	4,597
Mkt Float (in %):	68.7%
Main Shareholder:	
Unipol	19.7%

Balance Sheet Data	
Tangible Equity (Eu mn):	8,545
TEPS (Eu):	6.04
CET1 Ratio Fully Loaded:	16.7%
Gross NPE Ratio:	2.6%

2Q24 was a good quarter with positive operating trends, while the bottom line was penalised by one-off FTE cuts: we believe this is a good strategy by new management, especially in light of the announcement of the new business plan on 10 October 2024, as it can create room for a better performance in 2025. We believe 2H may also be loaded with other non-recurring items to smooth the way for an easier start to the new business plan. We do expect BPER to opt for a new, more shareholder-friendly, payout policy, although we don't expect a buyback. For the time being, we are sticking to a NEUTRAL rating, pending the approaching business plan. We believe BPER may play a decisive role in banking sector consolidation, even if we do NOT consider this a short-term issue.

■ **2Q24 Results:** quarterly operating numbers were basically in line with estimates, if we restate the P&L by adding the one-off cost (Eu173.8mn) to extraordinary items. Even though BPER is one of the most sensitive banks to interest rates, NII seemed pretty resilient, beating our estimate, mainly thanks to a higher customer spread that offsets the impact of falling rates. Fees were in line with estimates, and higher QoQ, driven by strong performance in Wealth (AuM inflows topped Eu1.3bn), P&C Insurance and Banking services. Adjusted OpEx was in line with estimates, broadly higher than in 1Q24 and 2Q23, with a fairly flat C/I of 50.6%. The CoR was 38bp, implying Eu82mn of LLPs, in line with guidance, with overlays of c.Eu222mn, up Eu20mn from 1Q24. As highlighted, net profit was affected by the one-off HR item, causing a QoQ and YoY decline. On the other hand, restated net profit came in at c.Eu388.5mn.

■ **CET1r** benefitted from c.69bp of OCG in the quarter, net of c.39bp for the distribution accrual. The further improvement in capital implies a 612bp MDA buffer (worth c.Eu3.3bn), up 34bp from the last quarter. At 15.3%, the current capital position also enhances visibility on the FY24 guidance target of >14.5%.

■ **FY24E guidance** revised to ~Eu3,300mn for NII (from ≤Eu3,300mn), with OpEx upgraded to ≥Eu2,700mn (from ~Eu2,800mn), and the CoR improved to ≤48bp (from ~48bp).

On 10 October a new business plan will be presented to the market, and we expect to receive new FY25-28 targets, both in terms of profitability and payout policy (expected to grow to at least 70%). During the conference call, CEO Papa also ruled out any possible M&A on the bank's initiative, basically saying that if anything does happen it will start from Cimbrì's Unipol.

■ **NEUTRAL, TP Eu5.70 Unchanged:** given the flattish results vs. our estimates (updated pre-release), excluding the one-off HR cost, we are sticking to our estimates, recommendations and TP, although we await 10 October to evaluate the new business plan and associated indications, especially on the payout, which is expected to be upgraded. Our estimates embed 40%/60%/70% for FY24/25/26. EPS FY24/25/26 at Eu0.966/0.791/0.766, stock now trading at 0.78/0.74/0.72X P/TE. At target: 0.94/0.90/0.87X P/TE, 5.91/7.21/7.44X P/E Adj and with a 6.8%/8.3%/9.4% div. yield.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Total income (Eu mn)	3,958	5,494	5,475	5,195	5,146
Net Operating Profit (Eu mn)	1,171	2,711	2,618	2,312	2,275
Net Profit Adj (Eu mn)	436	1,770	1,366	1,119	1,084
EPS New Adj (Eu)	0.308	1.250	0.965	0.791	0.766
EPS Old Adj (Eu)	0.308	1.250	0.966	0.791	0.766
DPS (Eu)	0.120	0.300	0.386	0.474	0.536
P/E Adj	15.4	3.8	4.9	6.0	6.2
Div. Yield	2.5%	6.3%	8.2%	10.0%	11.3%
P/TE	0.91	0.77	0.78	0.74	0.72
ROTE	5.9%	20.3%	16.0%	12.4%	11.6%

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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.

Reports on all companies listed on the S&PMB40 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.

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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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BUY:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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