

# BPER

Sector: Banks

# NEUTRAL

Price: Eu5.22 - Target: Eu5.90

## Payout Bonanza

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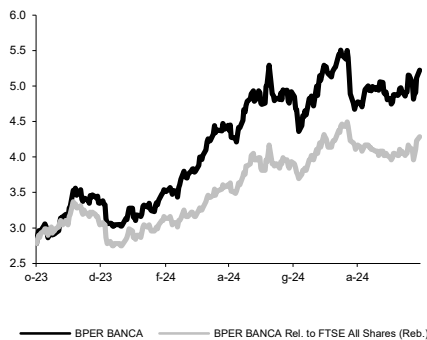
### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 5.70 to 5.90		
	2024E	2025E	2026E
Chg in Adj EPS	2.3%	9.5%	8.2%

### Next Event

New business plan: 10/10/2024

### BPER - 12M Performance



### Stock Data

Reuters code:	EMII.MI
Bloomberg code:	BPE IM

Performance	1M	3M	12M
Absolute	8.6%	2.8%	79.1%
Relative	7.0%	3.5%	57.9%
12M (H/L)		5.51/2.78	
3M Average Volume (th):		11,325.55	

### Shareholder Data

No. of Ord shares (mn):	1,416
Total no. of shares (mn):	1,416
Mkt Cap Ord (Eu mn):	7,394
Total Mkt Cap (Eu mn):	7,394
Mkt Float - Ord (Eu mn):	5,081
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:	16.4%
Gross NPE Ratio:	2.6%

BPER's new management will present its new business plan on 10 October. The key point of interest will likely be a more shareholder-friendly payout policy, made possible by the strong capital generation seen so far (the 2023 payout was 30%). We are now projecting a payout of 55%/65%/70%/75% for 2024/2027 for a flattish DPS despite a decreasing bottom line. We expect further measures to be a push on fees (Cesare Ponti may be revamped into a real powerhouse in Private Banking) and a reduction of the OpEx base, not to mention further measures to improve the already good asset quality. Our estimates are largely aligned to consensus. The stock has outperformed its main peers (BancoBPM and BMPS) and now looks slightly more expensive as it already incorporates part of the new business plan newsflow. Valuation wise we reiterate our Neutral stance on the stock, and we move the TP to €5.9.

- **Payout Vs Buyback Vs CET1r:** BPER is sitting on a strong capital base (CET1r 15.26%) which is what is needed to strengthen the payout policy after several lean years (see figure at page 4). While noting that BPER's consensus projects a decreasing adj. EPS to 2027 (see tab at page 3), we are rebalancing our DPS policy with an increasing payout, which on our projections may reach 75% by 2027. In this context, one may argue a buyback is more meaningful with the stock trading well below the t-NAV (and that is right) but the role of Unipol (~20% in BPER) may interfere with this option.
- **M&A:** Given BPER's track record in M&A (Unipol Banca, CRFerrara, UBI Banca & Carige), total assets doubled in a couple of years; given BPER's ability to integrate, consolidation remains part of its DNA, especially considering the links it has with other banks using the same industrial partners (Unipol, Arca). The T-NAV valuation says now is not the best time to use its own paper on a deal. We believe that the change in management prompted by the top shareholder, Unipol, may have been instrumental in defining a shareholder remuneration policy more in line with those prevailing in the Italian banking sector in recent years. We believe that Unipol, given its current shareholding in BPER and its goal, which remains that of establishing partnerships with banking networks for the distribution of insurance products, may play a leading role in the consolidation process in the Italian banking sector.
- **Change in Estimates:** We are updating our estimates reflect the newer targets we think will be in the BPlan, mostly on Provisions, where we reflect a lower CoR, and slightly on OpEx, on which we think there would be some other savings in terms of staff costs.
- **NEUTRAL; TP €5.90:** Approaching the new business plan we have fine-tuned our estimates, but we stick to our NEUTRAL recommendation, as we think the new payout targets are already implied in current prices. We move our Adj. EPS up +2.3%/+9.5%/+8.2% and our TP to €5.9/s. Stock is trading at 0.87/0.82/0.79x its tangible, at target at 0.98/0.93/0.90x its TE.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Total income (Eu mn)	3,958	5,494	5,475	5,245	5,160
Net Operating Profit (Eu mn)	1,171	2,711	2,635	2,406	2,344
Net Profit Adj (Eu mn)	436	1,770	1,398	1,226	1,173
EPS New Adj (Eu)	0.308	1.250	0.987	0.866	0.828
EPS Old Adj (Eu)	0.308	1.250	0.965	0.791	0.766
DPS (Eu)	0.120	0.300	0.543	0.563	0.580
P/E Adj	17.0	4.2	5.3	6.0	6.3
Div. Yield	2.3%	5.7%	10.4%	10.8%	11.1%
P/TE	1.00	0.85	0.87	0.82	0.79
ROTE	5.9%	20.3%	16.4%	13.7%	12.6%

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- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
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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;

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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;

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OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
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Emittente	%	Long/Short

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