

# BPER

Sector: Banks

# NEUTRAL

Price: Eu2.55 - Target: Eu2.90

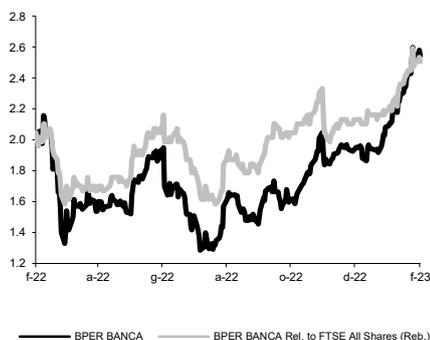
## Results Below Expectations, Higher Overlays to Deal with 2023

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### Stock Rating

Rating:	Unchanged	
Target Price (Eu):	Unchanged	
	2023E	2024E
Chg in Adj EPS	4.2%	1.5%

### BPER - 12M Performance



### Stock Data

Reuters code:	EMII.MI		
Bloomberg code:	BPE IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	22.2%	34.5%	24.4%
Relative	14.3%	19.9%	22.1%
12M (H/L)	2.60/1.28		
3M Average Volume (th):	12,620.70		

### Shareholder Data

No. of Ord shares (mn):	1,416
Total no. of shares (mn):	1,416
Mkt Cap Ord (Eu mn):	3,605
Total Mkt Cap (Eu mn):	3,605
Mkt Float - Ord (Eu mn):	2,477
Mkt Float (in %):	68.7%
Main Shareholder:	
Unipol	19.7%

### Balance Sheet Data

Tangible Equity (Eu mn):	7,708
TEPS (Eu):	5.44
CET1 Ratio Fully Loaded:	13.0%
Gross NPE Ratio:	2.8%

■ **Results fall short of expectations driven by higher costs and CoR.** The quarter featured several one-offs (Eu308mn for the disposal of the acquiring business, Eu25mn for reimbursement of fast track loan approval fees, Eu166mn in redundancy costs, Eu31mn for the CRG acquisition process and usage of Eu338mn of goodwill to close partnerships with CRG and other items (net goodwill contribution for the year +Eu833mn). As for operating trends, better revenues (+7% vs. estimates, driven by NII) were more than offset by higher costs (+16.5% vs. estimates) and cost of risk (110bp vs. 87bp) due in part to the rebuilding of collective provisions for CRG. The higher impact from goodwill, offset by a positive tax load, led to the bank closing the quarter with a net loss of Eu17mn (vs. Eu241mn net profit expected). The fully-loaded CET1 ratio was 12.8%, with the dividend per share doubling YoY to Eu0.12.

■ **Feedback from conference call.** Management is confident of improving profitability in 2023 thanks to top line growth (NII) and a resilient cost of risk, which should benefit from the strong de-risking actions underway, due to be completed in 2023 through a further Eu1bn of UtP disposals. Overlays now amount to Eu278mn. Capital ratios should be rebuilt in 2023 to above 13% thanks to the disposal of the servicing platform and other moves (i.e. internal model migration by CRG, which should offset the negative impact of an ECB inspection into internal models). Revenues are forecast at Eu4.3bn, costs at Eu2.6-2.7bn, cost of risk at 40-50bp without the release of overlays, and pre-tax profit at Eu770-780mn. As for M&A, the CEO confirmed BPER must now consolidate recent acquisitions (CRG only consolidated at the end of 2022) and deliver on business plan targets. More than 70 projects are underway.

■ **Change in estimates:** we are only fine-tuning our EPS estimates, with a smaller increase than the sector average, as cost trends mitigate lower than average expected growth in revenues. Overall, we have increased our Eps '23/'24 by 4% and 1.5% respectively.

■ **NEUTRAL confirmed; target Eu2.90.** Results were lower than expected, and 2023 guidance on NII (Eu2.2bn) and fees (Eu2bn) was not particularly encouraging. We welcome the strong de-risking process undertaken, but the bank must now demonstrate its ability to deliver solid revenues and keep costs under control. M&A seems to have been put on hold for the time being, as the capital is not strong enough to allow the bank to consider extraordinary deals without putting its ratios at risk. We confirm our NEUTRAL rating; target Eu2.90.

Key Figures & Ratios	2020A	2021A	2022A	2023E	2024E
Total income (Eu mn)	2,509	3,388	3,958	4,350	4,467
Net Operating Profit (Eu mn)	871	901	1,171	1,655	1,781
Net Profit Adj (Eu mn)	177	187	436	526	622
EPS New Adj (Eu)	0.126	0.132	0.308	0.372	0.439
EPS Old Adj (Eu)	0.126	0.132	0.279	0.357	0.433
DPS (Eu)	0.040	0.060	0.120	0.140	0.180
P/E Adj	20.3	19.2	8.3	6.8	5.8
Div. Yield	1.6%	2.4%	4.7%	5.5%	7.1%
P/TE	0.65	0.58	0.49	0.47	0.45
ROTE	3.2%	3.0%	5.9%	6.8%	7.7%