

BPER

Sector: Banks

NEUTRAL

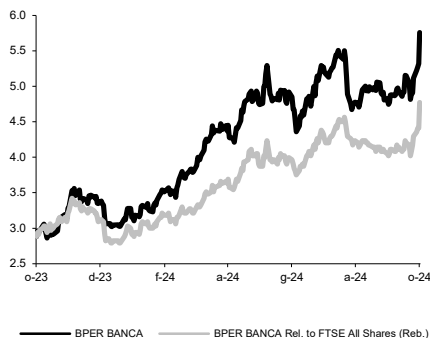
Price: Eu5.76 – Target: Eu6.30

Last but not least...another DPS TOP UP

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 5.90 to 6.30		
	2024E	2025E	2026E
Chg in Adj EPS	-2.6%	7.9%	17.6%

Next Event
 Results Out 6 Nov. 2024

BPER - 12M Performance


Stock Data			
Reuters code:	EMII.MI		
Bloomberg code:	BPE IM		
Performance	1M	3M	12M
Absolute	21.4%	9.2%	99.8%
Relative	18.8%	10.1%	79.7%
12M (H/L)	5.76/2.86		
3M Average Volume (th):	11,715.60		

Shareholder Data	
No. of Ord shares (mn):	1,416
Total no. of shares (mn):	1,416
Mkt Cap Ord (Eu mn):	8,152
Total Mkt Cap (Eu mn):	8,152
Mkt Float - Ord (Eu mn):	5,602
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:	14.7%
Gross NPE Ratio:	2.6%

BPER is on the right track to ensure a richer payout policy, coming into line with most of the other FTSE-MIB banks: *welcome to the party!* The new management team is basically pushing a 75% payout ratio (cumulative 3Y yield 40%) in CASH. With an eye on consolidating the banking market, BPER's P/T-NAV now takes on a more meaningful hue, with potential targets now trading lower, making BPER paper a more attractive proposition in a deal. We recently lifted the payout policy to 75% by 2027...but didn't go far enough. We are now raising the bar even further after the business plan presentation to project an *average* 2025-2027 payout of 75%. The stock looks expensive vs. peers, especially considering the execution risk: switching from NII to Net fees is not easy. We are therefore sticking to our NEUTRAL stance. TP to €6.3/s.

- **Payout:** in line with Italian banks' new mantra, BPER remains capital-rich, and the new business plan suggests, as we already partially highlighted, a growing payout policy (cumulative 2025-2027 payout of 75% on average, vs. our previous estimate of reaching 75% in 2027). The end point is a 14.5% CET1r, actually far too high and leaving scope for a range of options (management is playing it cool on M&A options for the time being). The Basel 4 impact is -70bps o/w 45bps is "operational risk", which may be reduced due to regulatory delays. While we rule out a buyback (Unipol) we feel BPER has room for M&A: the new payout policy may be a nice incentive for target company shareholders to accept BPER shares. Furthermore, an EGM is likely to be called by year-end to set an interim dividend payable by November 2025.
- **A top line equity story...with rates down:** BPER indicated total FY27 revenues of c.€5.5bn, a 0.5% CAGR from FY24, a strong trajectory if we consider its exposure to interest rates. The plan is an epochal switch from NII, penalised by falling Euribor rates (net of the replicating portfolio contribution) accompanied by a strong push on WM, not only ARCA and the Unipol JV, but also turning Banca Cesare Ponti into a power arm for PB clients. The inherent execution risk of such a switch is clear, given that other banks are all seeking to do the same, and some own their product companies in their entirety...just consider UCG's efforts to repatriate "minorities" in *bancassurance*...
- **M&A:** during the call management ruled out any M&A deal in the plan, which is drawn up on a standalone basis. We highlight that the DPS policy may support a higher valuation for BPER than for its "partner" BPSondrio, which is actually now trading at lower multiples: based on our estimates BPER is trading at around 0.9x t-NAV, while BPSondrio is trading well below 0.8x.
- **Change in estimates (pag. 8):** We update our estimates to reflect a slower rate decrease and higher projected volumes, while fine-tuning our other top-line items. We then forecast a reduction in both admin. expenses and CoR, and introduce some one-off costs for staff reduction. Adj. EPS -2.6%/+7.9%/+17.6% for FY24/25/26.
- **Valuation:** we stick to our NEUTRAL recommendation, while lifting our TP to €6.30, from €5.90. stock trading at 0.92/0.88 its TE for FY25/26, while at target would trade at 1.01/0.97 its TE respectively.

Key Figures & Ratios	2023A	2024E	2025E	2026E	2027E
Total income (Eu mn)	5,494	5,409	5,373	5,408	5,490
Net Operating Profit (Eu mn)	2,711	2,584	2,567	2,659	2,739
Net Profit Adj (Eu mn)	1,770	1,361	1,323	1,379	1,434
EPS New Adj (Eu)	1.250	0.961	0.934	0.974	1.013
EPS Old Adj (Eu)	1.250	0.987	0.866	0.828	
DPS (Eu)	0.300	0.614	0.693	0.721	0.748
P/E Adj	4.6	6.0	6.2	5.9	5.7
Div. Yield	5.2%	10.7%	12.0%	12.5%	13.0%
P/TE	0.94	0.95	0.92	0.88	0.85
ROTE	20.3%	15.9%	14.9%	15.0%	15.0%

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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&P500 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.

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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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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 %

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Emittente	%	Long/Short
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