

# BPER

Sector: Banks

# NEUTRAL

Price: Eu3.04 – Target: Eu3.80

## Acquisition Campaign Completed Over Last 4 Years Starting to Deliver Results

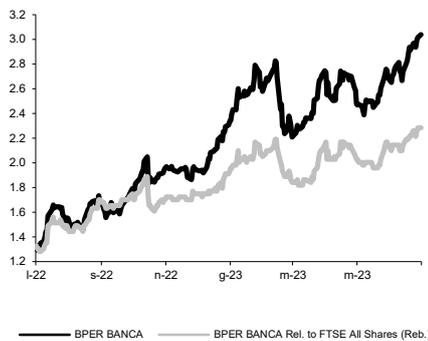
Christian Carrese +39-02-77115.485  
christian.carrese@intermonte.it

Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 2.55 to 3.80		
	2023E	2024E	2025E
Chg in Adj EPS	98.3%	39.7%	

### Next Event

 Results Out: Aug 2<sup>nd</sup>

### BPER - 12M Performance



Stock Data			
Reuters code:	EMII.MI		
Bloomberg code:	BPE IM		
Performance	1M	3M	12M
Absolute	13.1%	10.7%	134.5%
Relative	7.5%	6.6%	101.8%
12M (H/L)	3.04/1.29		
3M Average Volume (th):	12,307.64		

Shareholder Data	
No. of Ord shares (mn):	1,416
Total no. of shares (mn):	1,416
Mkt Cap Ord (Eu mn):	4,301
Total Mkt Cap (Eu mn):	4,301
Mkt Float - Ord (Eu mn):	2,956
Mkt Float (in %):	68.7%
Main Shareholder:	
Unipol	19.7%

Balance Sheet Data	
Tangible Equity (Eu mn):	8,026
TEPS (Eu):	5.67
CET1 Ratio Fully Loaded:	13.6%
Gross NPE Ratio:	3.3%

- **Assets doubled in 4 years thanks to M&A.** BPER has doubled its assets over the last 4 years thanks to strong M&A activity, with the bank initially buying Unipol Banca, then former UBI branches and more recently Carige bank. Assets went from Eu79bn (2019) to Eu152bn (2022), revenues from Eu2.27bn to Eu3.95bn, C/I ratio from 74% to 70%.
- **Strong de-risking to raise visibility on cost of risk.** CEO Montani once again confirmed a strong commitment to strengthening the bank's balance sheet. Indeed, the gross NPE ratio went from 11% in 2019 to 3.2% in 2022 as a result of low NPE inflows, the internal workout process and disposals. The impact on capital has been limited thanks to the use of badwill from acquisitions and core capital generation, along with some optimisation of RWA. Stage 2 loans are in line with the sector average, at c.11% of total loans.
- **Solid capital to support future growth; not yet time for extra dividends/ buyback.** The bank has been able to improve RWA density over the last 4 years from 44% (2019) to 35% (2022), helping it retain a more than adequate capital position: the fully-loaded CET1 ratio went from 12% (2019) to 13.3% (1Q23) helping the bank gradually increase its payout ratio (now expected at 30% by YE23). Although the capital position is in line with peers, we think visibility on extraordinary capital distribution is lower, as we think management's approach is to retain a solid capital position in order to seize any opportunities that arise on the market.
- **Interest rates to boost profitability in 2023, more cautious on 2024.** BPER is one of the Italian commercial banks that is most leveraged to interest rates, with a +100bp parallel shift in the yield curve corresponding to an additional +5% of NII. 1Q23 results confirmed this sensitivity, with a +28% QoQ increase in NII thanks to quite low deposit beta (12-13%). FY23 NII guidance (Eu2.5bn vs. Eu726mn in 1Q23) looks quite conservative on the back of low deposit beta and a positive impact from the rollover of the financial portfolio.
- **Betting on upward revision in FY net profit guidance.** At its 1Q23 results presentation management revised FY23 net profit guidance upwards, bringing 2025 guidance forward to 2023 (Eu800mn net profit). We expect 2Q results to show a continuation of the 1Q trend (see Appendix for details), and are setting our FY estimates above guidance (c.Eu900mn) on the back of strong NII growth and a lower cost of risk, as there are no real signs of a deterioration in asset quality. Fees should continue to improve, but we are not making any major changes to this item in our estimates. As for 2024, we are raising our EPS estimates by +39%, with NII expected to fall YoY in 2024 due to lower interest rates and a higher deposit beta. We are also publishing 2025 estimates for the first time, envisaging net profit slightly above company guidance.
- **NEUTRAL confirmed; target from Eu2.55 to Eu3.80.** We recognise management's excellent work in integrating the acquired banks and revamping commercial activity, and see room for a further re-rating on the back of higher ROTE (from 7% in 2019 to 10/12% in 2023/24), but at the same time visibility on capital distribution is lower due to some M&A risk. We don't think the bank will be involved in a deal for BMPS, but it could look at some assets in the event of a break-up of the Siena-based bank. Despite the strong increase in EPS estimates and TP, we remain NEUTRAL on the stock due to the limited upside and less chance of major capital distribution than is the case for some peers.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Total income (Eu mn)	3,388	3,958	4,958	4,807	4,828
Net Operating Profit (Eu mn)	901	1,171	2,176	1,981	1,960
Net Profit Adj (Eu mn)	187	436	929	831	842
EPS New Adj (Eu)	0.132	0.308	0.656	0.587	0.595
EPS Old Adj (Eu)	0.132	0.308	0.331	0.420	
DPS (Eu)	0.060	0.120	0.200	0.250	0.300
P/E Adj	22.9	9.9	4.6	5.2	5.1
Div. Yield	2.0%	4.0%	6.6%	8.2%	9.9%
P/TE	0.69	0.58	0.54	0.51	0.48
ROTE	3.0%	5.9%	11.6%	9.8%	9.4%