

# INTESA S.PAOLO

Sector: Banks

## OUTPERFORM

Price: Eu4.23 - Target: Eu5.30

### Stick to the Standard, Focus on Fundamentals

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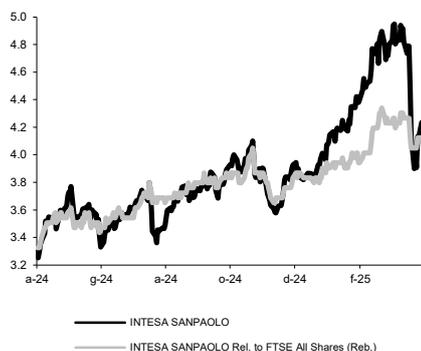
#### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 5.00 to 5.30		
	2025E	2026E	2027E
Chg in Adj EPS	-0.5%	4.3%	8.8%

#### Next Event

Results Out on May 6

#### INTESA S.PAOLO - 12M Performance



#### Stock Data

Reuters code:	ISP.MI		
Bloomberg code:	ISP IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	-11.8%	4.0%	28.7%
Relative	-2.6%	4.3%	25.3%
12M (H/L)	4.95/3.25		
3M Average Volume (th):	83,271.90		

#### Shareholder Data

No. of Ord shares (mn):	17,345
Total no. of shares (mn):	17,345
Mkt Cap Ord (Eu mn):	73,428
Total Mkt Cap (Eu mn):	73,428
Mkt Float - Ord (Eu mn):	61,712
Mkt Float (in %):	84.0%
Main Shareholder:	
Compagnia San Paolo	6.1%

#### Balance Sheet Data

Tangible Equity (Eu mn):	56,275
TEPS (Eu):	3.24
CET1 Ratio Fully Loaded:	12.8%
Gross NPE Ratio:	2.3%

Intesa SanPaolo will report 1Q25 results on May 6. Quarterly results are not expected to be a key item for most of the banks involved in consolidation. ISP is on the sidelines but is THE system peer that may give the outlook for the sector. Given its well-balanced top-line, with one of the highest exposures to AM/WM, it can be seen as a benchmark for operating earnings by all other banks, i.e. 2025 guidance. We expect a positive “net-net” set of numbers and on top of this, there is a very shareholder-friendly pay-out policy which combines a strong DPS cash policy (70%) and buyback (€2bn so far on 2024 numbers...we think there will be more to come).

We stick to our positive stance on the stock, which remains a key pick among the domestic IT banks we cover; we confirm our OUTPERFORM recommendation and raise our TP to €5.30.

**■ 1Q25 preview.** ISP is expected to post robust results, primarily driven by a resilient top line and a cost/Income ratio <40%. The top line should remain flat both YoY and QoQ, incorporating a drop in NII caused by lower rates and calendar effects, strong fee and insurance revenue supported by a diversified business model, and a significant contribution from trading. OpEx are seen declining QoQ yet slightly higher YoY because of inflationary pressures and renewed labour contracts, resulting in a C/I ratio of 39.7%. Provisions are projected to normalise, implying a CoR of roughly 30bps (ca. €317mn in LLPs) plus 6bps in other provisions. This scenario leads to estimated pre-tax profit of €3.66bn and net profit of €2.4bn.

**■ Capital & payout.** The CET1 Ratio is seen dropping a little QoQ on Basel4 net of capital generation, which does not change the story. We expect the capital position to “land” at ca. 13.2%. The strong capital generation we expect for the year (and onwards) will give ISP leeway for further additional distributions. We are now embedding a yearly €2bn SBB in our estimates, which seem reasonable given that, as for now, ISP is out of every M&A match.

**■ Change in Estimates.** We have adjusted our projections to reflect a slightly different mix for P&L items, primarily involving lower NII, which is expected to drop by about 6% from its 2024 peak, but partly offset by an upward revision of fee and insurance income due to growing demand for managed assets, as well as a favourable trading performance driven by lower rates. Labour costs are projected to decrease following measures introduced in FY24, while the annual tax rate is also seen lower. These changes alter adj. net profit by -0.5%, +1.6%, and +3.1% for FY25/26/27 respectively. As mentioned above, we also embed €2bn of yearly SBB, which will lower the NoSh and further boost the per-share data. As a result, adj. EPS and DPS are up by +4.3%/+8.8% for FY26/27.

**■ Valuation:** After fine-tuning our estimates and updating the market risk that we apply for all the corporates we cover at Intermonte, we still see upside on ISP, as the bank is well equipped for any scenario, given its top-line diversification, its focus on efficiency, and its capital solidity. The stock is trading at 1.34/1.32/1.30x its FY25/26/27 TE. At target, it would trade at 1.63/1.61/1.58x.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Total income (Eu mn)	25,138	27,107	26,763	27,194	27,566
Net Operating Profit (Eu mn)	13,809	15,537	15,297	15,766	16,155
Net Profit Adj (Eu mn)	8,370	9,351	9,298	9,584	9,851
EPS New Adj (Eu)	0.458	0.525	0.536	0.568	0.600
EPS Old Adj (Eu)	0.458	0.525	0.539	0.544	0.551
DPS (Eu)	0.296	0.341	0.372	0.394	0.416
P/E Adj	9.2	8.1	7.9	7.5	7.1
Div. Yield	7.0%	8.0%	8.8%	9.3%	9.8%
P/TE	1.42	1.36	1.30	1.25	1.20
ROTE	15.3%	16.8%	16.5%	16.8%	17.0%

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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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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 March 2025 Intermonte's Research Department covered 131 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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