Milan, 05 February 2025

Italian Equity Research – 4Q24 Results

INTESA S.PAOLO

OUTPERFORM

Sector: Banks

Price: Eu4.25 - **Target: Eu5.00**

Betting on a Promising Future

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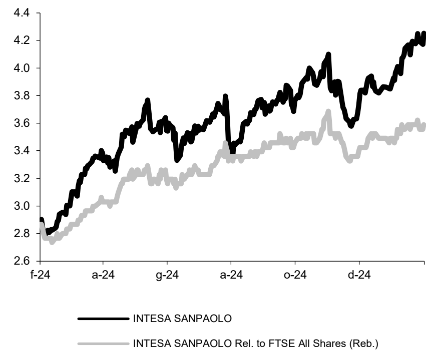
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 4.80 to 5.00
	2025E	**2026E**	**2027E**
Chg in Adj EPS	4.7%	6.5%	6.5%

INTESA S.PAOLO - 12M Performance



Stock Data			
Reuters code:			ISP.MI
Bloomberg code:			ISP IM
Performance	**1M**	**3M**	**12M**
Absolute	10.5%	4.5%	51.9%
Relative	3.2%	-1.9%	33.3%
12M (H/L)			4.25/2.79
3M Average Volume (th):			66,230.22

Shareholder Data	
No. of Ord shares (mn):	17,333
Total no. of shares (mn):	17,333
Mkt Cap Ord (Eu mn):	73,701
Total Mkt Cap (Eu mn):	73,701
Mkt Float - Ord (Eu mn):	61,941
Mkt Float (in %):	84.0%
Main Shareholder:	
Compagnia San Paolo	6.1%

Balance Sheet Data	
Tangible Equity (Eu mn):	58,288
TEPS (Eu):	3.36
CET1 Ratio Fully Loaded:	13.8%
Gross NPE Ratio:	2.3%

Intesa Sanpaolo (ISP) presented 4Q24 results that were broadly in line, with fees slightly above our estimates: we consider the fees line to represent the stock's strategic advantage over domestic peers as interest rates ease. 2024 results were high quality but sprang no surprises, given 2024 targets were reached at 9M24. We note some caution, which bodes well as we enter a 2025 that will feature even lower market interest rates. In addition, there is a €2bn buyback, which we largely anticipated and we are now factoring into our EPS accretion estimates considering the shares to be cancelled. The CEO confirmed ISP is staying out of domestic M&A. We maintain our OUTPERFORM view on the stock, raising the TP to €5 per share.

- **4Q24 results:** ISP's results were slightly better than expected (net profit +5.1% A/E), mostly coming from better top line items. NII was bang in line with our estimates, with the real boost coming from fee income, mostly driven by a positive indirect funding trajectory. OpEx was in line with estimates, clearly rising QoQ (+31%) due largely to seasonality on personnel costs. This led to operating profit of €3.08bn, +3% higher than our estimates, with a C/I ratio of 53.7%. The cost of risk was way lower than expected, partly related to de-risking of the balance sheet, but was offset by higher risk provisions. Both items were also partially related to some exposures to Ukraine/ Russia. Pre-tax profit came in +4.8% higher than estimated, with higher one-off costs offsetting lower taxes, bringing net profit to €1.5bn.
- **Capital and payout:** within the release, management disclosed a new €2bn SBB, as expected, which will be launched in June, on top of the confirmed 70% payout ratio, enabling payment of a €3.1bn dividend balance (€3bn interim dividend paid in November). CEO Messina also reiterated that future "top-up" distributions will be evaluated on a year-by-year basis. The FY24 CET1 ratio closed at 13.9%, after accrual of the dividends; after deducting the SBB it would go to 13.3%.
- **Outlook:** during the conference call the CEO gave positive indications on both FY25 and FY26, highlighting bullish trends in fees growth, OpEx efficiency and CoR, as well as lending growth. He also spoke positively on the NII trend, which is seen to be more resilient than previously expected.
- **Change in estimates (page 4):** we are raising our estimates, reflecting stronger revenue growth from higher fee income on AM/WM/Insurance inflows and more resilient NII. Efficiency measures, particularly in staff costs, should bring the C/I ratio down below 42% by FY27, driving operating profit growth of 1.7%/3.0%/3.1%. Minor provision adjustments lead to pre-tax profit increasing from €13.7bn in FY25 to €14bn in FY27. With unchanged tax rates, we are lifting net profit estimates by 2.0%/3.7%/3.7%. We also factor in the €2bn SBB, which boosts adj. EPS growth.
- **Valuation:** we think ISP remains a top player in the Italian banking sector, even if it is staying out of the M&A game. Its well-diversified top line and focus on OpEx efficiency will be crucial in the uncertain situation unfolding in the coming years, acting as a natural hedge against most adverse scenarios. The stock is now trading at 1.36/1.30/1.24x its FY24/25/26 TE. At target it would trade at 1.60/1.53/1.46x.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Total income (Eu mn)	25,138	27,107	27,077	27,190	27,292
Net Operating Profit (Eu mn)	13,809	15,537	15,553	15,740	15,896
Net Profit Adj (Eu mn)	8,370	9,351	9,340	9,429	9,552
EPS New Adj (Eu)	0.458	0.525	0.539	0.544	0.551
EPS Old Adj (Eu)	0.458	0.520	0.515	0.511	0.518
DPS (Eu)	0.296	0.341	0.374	0.377	0.382
P/E Adj	9.3	8.1	7.9	7.8	7.7
Div. Yield	7.0%	8.0%	8.8%	8.9%	9.0%
P/TE	1.42	1.36	1.26	1.21	1.15
ROTE	15.3%	16.8%	16.0%	15.4%	14.9%

Intermonte

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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&PMIB40 Index, most of those on the MIDEX 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.

Explanation of our ratings system:

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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BUY:	31.34 %
OUTPERFORM:	43.28 %
NEUTRAL:	25.38 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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BUY:	50.70 %
OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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