

INTESA S.PAOLO

Sector: Banks

Again, PAYOUT top-up

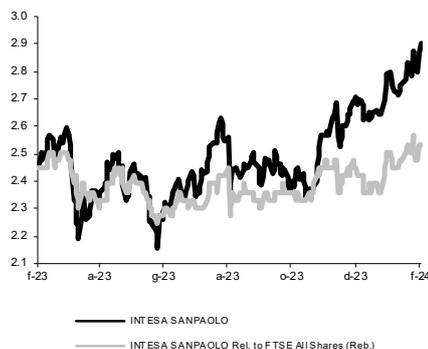
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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 3.60 to 3.80		
	2024E	2025E	2026E
Chg in Adj EPS	2.3%	2.2%	

Next Event

General meeting on Fy2023 on 24/04/2024

INTESA S.PAOLO - 12M Performance



Stock Data			
Reuters code:	ISP.MI		
Bloomberg code:	ISP IM		
Performance	1M	3M	12M
Absolute	4.1%	13.1%	18.6%
Relative	1.8%	3.9%	5.0%
12M (H/L)	2.90/2.16		
3M Average Volume (th):	82,805.88		

Shareholder Data	
No. of Ord shares (mn):	18,283
Total no. of shares (mn):	17,697
Mkt Cap Ord (Eu mn):	53,057
Total Mkt Cap (Eu mn):	53,057
Mkt Float - Ord (Eu mn):	44,591
Mkt Float (in %):	84.0%
Main Shareholder:	
Compagnia San Paolo	6.1%

Balance Sheet Data	
Tangible Equity (Eu mn):	56,488
TEPS (Eu):	3.19
CET1 Ratio Fully Loaded:	14.0%
Gross NPE Ratio:	2.3%

OUTPERFORM

Price: Eu2.90 - Target: Eu3.80

- We entered the 4Q23 results season with a report stating that PAYOUT was the new *mantra* of Italian banks; UCG exceeded our expectations and IntesaSanPaolo did likewise. ISP unveiled a payout top-up on a set of good *plain vanilla* results, with no huge surprises and numbers roughly aligned to our forecasts (and clear kitchen sinking bias on the quarter if one looks at Y/Y OpEx). The top-up is a buyback of €1.7bn (55bp) to take place in 2024 vs the more modest €1bn we expected: all in all, the total return in fiscal year 2024 is 14%... not that bad when you look at the high P/T-NAV. We keep our estimates and ratings unchanged. Entering a year in which rates may go down, ISP and its exposure to WM are UNDERVALUED, especially now after adding the top-up buyback.
- P&L: 4Q23 trends were very much aligned to our expectations with pre-tax profit at €2bn. Operating trends were expectedly strong with a 11% Y/Y increase in OpEx, which is aligned to our “kitchen sinking” bias on 4Q23 (ISP technically made the budget in 9M23 so). The bottom line came out at €1.6bn, 8% better.
- 2024 guidance: ISP expects solid revenue growth, driven by a further increase in NII and net fees also from the insurance business, which leverages on the Group’s leadership in WM and P&C; Op.Ex are expected stable despite investments in Tech, with savings attributable to lower personnel expenses; CoR is seen down due to ISP’s zero-NPL bank status and the high-quality loan portfolio; the bottom line should be also helped by lower levies due to no further contribution to the resolution fund.
- Top-up payout. Strong value distribution is envisaged: a cash payout ratio of 70% of consolidated net income for each year of the Business Plan, with an increase in the dividend per share for 2024 and 2025 versus the dividend per share for 2023; on top of this, ISP projects a SBB of some 55bp (€1.7bn vs €1bn expected) to be launched in June 2024; any additional distribution for 2024 and 2025 to be evaluated year by year.
- Capital base. A solid capital position is envisaged, with a 4Q23 CET1r of 13.7%, this confirming the B4 target of >12% for the duration of the Business Plan: ISP is projecting a pre-Basel 4 above 14%; post Basel 4 down 50bp, and post Basel 4 including DTAs absorption > 14.5% (ISP projects the vast majority of the DTA to be absorbed by 2028): this may give room for additional payout. These figures take into account the aforementioned payout ratio envisaged for the years (cash DPS and buyback intended to be launched in June 2024).
- OUTPERFORM confirmed; target raised to €3.8. 4Q23 results were aligned to our estimates so we do not need to reshuffle much, just a little fine-tuning that does not change the moving parts of the P&L apart from a change in the # of shares, decreasing for the SBB. We have also updated the valuation by incorporating a 4% risk-free rate which drives the valuation to €3.8/s from the previous €3.6/s.

Key Figures & Ratios	2021A	2022A	2023A	2024E	2025E
Total income (Eu mn)	20,793	21,470	25,138	25,569	25,715
Net Operating Profit (Eu mn)	9,813	10,536	13,809	14,235	14,359
Net Profit Adj (Eu mn)	4,020	4,565	7,885	7,969	8,115
EPS New Adj (Eu)	0.207	0.240	0.431	0.450	0.459
EPS Old Adj (Eu)	0.207	0.240	0.427	0.440	0.449
DPS (Eu)	0.151	0.164	0.296	0.310	0.317
P/E Adj	14.0	12.1	6.7	6.4	6.3
Div. Yield	5.2%	5.6%	10.2%	10.7%	10.9%
P/TE	1.04	1.06	0.98	0.91	0.87
ROTE	7.4%	8.8%	14.6%	14.1%	13.8%