

# POSTE ITALIANE

## NEUTRAL

Sector: Asset mgmt

Price: Eu10.84 - Target: Eu10.40

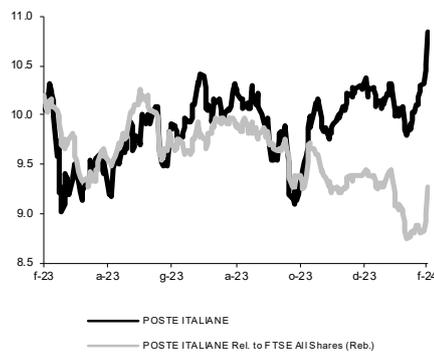
## Dividend Bump Setting A High Bar Ahead of New Plan

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	1.2%	-0.4%	

**Next Event**  
 2024-28 Strategic Plan, 20 March 2024

### POSTE ITALIANE - 12M Performance



Stock Data			
Reuters code:	PST.MI		
Bloomberg code:	PST IM		
Performance	1M	3M	12M
Absolute	7.7%	9.8%	6.3%
Relative	2.3%	0.3%	-10.4%
12M (H/L)	10.84/9.01		
3M Average Volume (th):	1,963.50		

Shareholder Data	
No. of Ord shares (mn):	1,306
Total no. of shares (mn):	1,306
Mkt Cap Ord (Eu mn):	14,158
Total Mkt Cap (Eu mn):	14,158
Mkt Float - Ord (Eu mn):	5,054
Mkt Float (in %):	35.7%
Main Shareholder:	
Cassa Depositi e Prestiti SpA	35.0%

Balance Sheet Data	
Book Value (Eu mn):	8,494
BVPS (Eu):	7.16

■ **4Q23 results slightly better, FY23 DPS at €0.80ps, beating guidance and exceeding expectations.** Overall, Poste Italiane's 4Q23 results were slightly better than our estimates. Total revenues were up 4% YoY. Operating profit rose 60% YoY, better than consensus and our estimates. The YoY comparison is affected by several one-offs both in 4Q23 and 4Q22. Adjusting both years for provisions on early retirement incentives (€76mn in 4Q22 and €171mn in 4Q23), 4Q22 operating profit for the one-off €320mn tax credit provision, and 4Q23 operating profit for €43mn related to a one-off bonus to all employees, we get 1.6% YoY growth in adjusted operating profit (€730mn in 4Q23 vs. €718mn in 4Q22), still better than our expectations.

■ **Conference call feedback: (i)** negotiations with the unions for the renewal of the labour contract began a few weeks ago. As in the past, talks could last several months, with little chance of an agreement being reached before the presentation of the new plan; **(ii)** negotiations to reach an agreement to renew the agreement with CDP would appear to be at a more advanced stage than those with the unions. Management seems confident that an agreement can be concluded in the not-too-distant future and probably before the presentation of the next strategic plan; **(iii)** the CEO expressed confidence in DPS growth, which will be disclosed along with the new plan and based on cash generation and the increase in Poste Vita's remittance ratio (75% in FY23 compared to 50% in FY22). We consider the DPS of €0.80 as the new floor for calculating the future dividend policy.

■ **Change in estimates.** We acknowledge that PST is delivering positive result, including achieving operating break-even in the MPD division in FY23, ahead of guidance. This performance prompted the upward revision in FY23 DPS. We are upgrading our FY24 estimates, confirming expectations for a slightly positive operating result for MP&D, keeping expectations broadly unchanged for the other divisions, while incorporating PM restatements for commodity and pass-through charges related to the Energy business resulting in a slight upward revision to divisional EBIT.

■ **NEUTRAL; target €10.4 unchanged.** The stock's performance has been penalised by the seemingly imminent placement of the Treasury stake, which we expect after the CMD 20 March CMD. The size and timing are uncertain, but we expect the solid and visible operating performance and dividend policy to attract investors (employees, retail & institutional). We will focus on our expectations for the upcoming business plan in the near future, while in the meantime maintaining a NEUTRAL stance on the stock with a target price of €10.4, which may not fully reflect the full delivery of an ambitious plan, but factors in the price headwind related to a placement that could be as big as ~30% of the capital (the Treasury stake is valued at €4.2bn at the current market price). Following the placement, PST will benefit from a higher float and increased liquidity, as well as a reduced presence of the Italian government with fading potential risks of PST being badgered into systemic deals, although this concern has never materialised during the tenure of current CEO Del Fante.

Key Figures & Ratios	2021A	2022A	2023A	2024E	2025E
Commissions Income (Eu mn)	2,891	2,694	2,827	2,925	2,870
Total Income (Eu mn)	11,220	11,374	11,989	12,246	12,462
Net Operating Profit (Eu mn)	1,846	2,396	2,620	2,697	2,850
Net Profit Adj (Eu mn)	1,387	1,952	2,039	2,018	2,114
EPS New Adj (Eu)	1.076	1.495	1.561	1.545	1.618
EPS Old Adj (Eu)	1.076	1.205	1.456	1.526	1.624
DPS (Eu)	0.590	0.650	0.800	0.880	0.950
Market Cap/F.U.M.	5.4%	5.0%	4.8%	4.6%	4.6%
P/E Adj	10.1	7.3	6.9	7.0	6.7
Div. Yield	5.4%	6.0%	7.4%	8.1%	8.8%
ROE	12.4%	17.4%	19.6%	22.2%	25.9%

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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)

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Frequency of research: quarterly.

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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.

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BUY:	26.02 %
OUTPERFORM:	47.15 %
NEUTRAL:	26.02 %
UNDERPERFORM	00.81 %
SELL:	00.00 %

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OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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