POSTE ITALIANE

OUTPERFORM

Sector: Asset mgmt

Price: Eu13.20 - **Target: Eu14.10**

Visibility on Net Profit and Dividend Policy Acceleration

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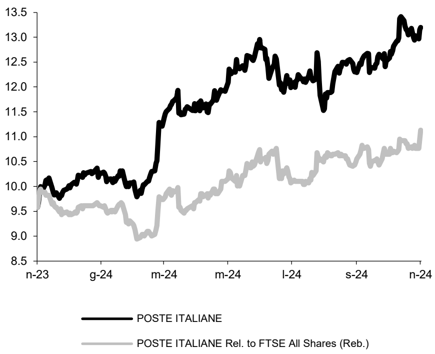
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	3.1%	0.9%	1.5%

POSTE ITALIANE - 12M Performance



Stock Data			
Reuters code:			PST.MI
Bloomberg code:			PST IM
Performance	**1M**	**3M**	**12M**
Absolute	5.4%	14.1%	37.7%
Relative	4.6%	5.7%	19.4%
12M (H/L)			13.41/9.68
3M Average Volume (th):			1,698.56

Shareholder Data	
No. of Ord shares (mn):	1,306
Total no. of shares (mn):	1,306
Mkt Cap Ord (Eu mn):	17,234
Total Mkt Cap (Eu mn):	17,234
Mkt Float - Ord (Eu mn):	6,153
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

- **3Q24 results enhanced visibility on FY24 net profit, paving the way for an acceleration in the dividend policy.** Group revenues were up 10% YoY, while operating profit rose 43% YoY (+26% excl. the €90mn one-off employee bonus in 3Q23 and a €19mn contribution to the insurance systemic guarantee fund in 3Q24). Net profit was up 49% YoY (+28% at adjusted level) to €569mn (vs. €443mn adjusted in 3Q23), better than consensus and our estimates. All divisions made positive contributions to the YoY revenue growth, led by Financial Services thanks to resilient NII, and by Insurance Services, while Postepay Services experienced a slowdown in revenue growth to 6% YoY, vs. 10% YoY in 9M24.
- **FY24 guidance broadly confirmed, with clearer net profit target**. Following the upward revision in adjusted EBIT guidance to €2.8bn along with 2Q24 results, 2024 net profit guidance was aligned with the 3Q24 release. The target was set at €2.0bn (vs. the previous indication of €1.9bn provided during the presentation of the new strategic plan in March). The new figure is broadly in line with consensus.
- **Accelerating dividend policy**. The dividend policy, which entails a rising DPS YoY and an annual payout ratio of at least 65%, was unchanged, but with the clearer indication on the FY24 bottom line target and the announcement of an interim DPS of €0.33 (vs. our expectation of €0.32), the projection is for a DPS of €1 for FY24 (vs. consensus at €0.97 and our previous estimate of €0.95).
- **Fine-tuning estimates**: we are revising our 2024/25/26 EPS upwards by +3.1%/+0.9%/+1.5%, and we are aligning the estimates in our model with the announced interim DPS, now projecting €1 in FY24, rising to €1.05/€1.13 in FY25/26. Changes mainly relate to lower operating costs than previously expected, after personnel costs were 7% better than our estimate in 3Q24. In terms of revenues, we include lower-than-previously-expected growth in Postepay Services, considering a slower increase in digital payments and also the shift from PagoPa to transaction banking related to the liberalisation of the energy market.
- **OUTPERFORM**; **target €14.1 confirmed**. We believe 3Q24 results provided clarity on the last outstanding point of contention for the year. After setting targets in the new strategic plan in March and the renewals of CDP contracts and the collective labour agreement with unions in 1H24, management's guidance for FY net profit and dividend targets for the year has now been clarified, although consensus had already moved. We believe that in the short term, stock upside could be capped by the long-awaited placement of 14% of the capital by the Italian Treasury (MEF), with some press rumours indicating spring 2025 as the most likely window for the privatisation; we still believe it could happen by the end of 2024. We await details of the effective timing and incentive mechanisms, which could involve a discount to the market price as well as bonus shares, as was the case in the IPO. We believe that after the placement, the increased liquidity, lower perceived political influence and enlarged shareholder base could be positive, with Poste remaining an attractive dividend stock. We stay positive on the stock, confirming our €14.1 target price.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Commissions Income (Eu mn)	2,694	2,827	2,896	3,030	3,000
Total Income (Eu mn)	11,374	11,989	12,495	12,832	12,916
Net Operating Profit (Eu mn)	2,396	2,620	2,766	2,941	3,063
Net Profit Adj (Eu mn)	1,952	2,039	2,096	2,194	2,181
EPS New Adj (Eu)	1.495	1.561	1.604	1.680	1.670
EPS Old Adj (Eu)	1.495	1.561	1.557	1.665	1.645
DPS (Eu)	0.650	0.800	1.000	1.050	1.134
Market Cap/F.U.M.	6.1%	5.9%	5.6%	5.6%	5.6%
P/E Adj	8.8	8.5	8.2	7.9	7.9
Div. Yield	4.9%	6.1%	7.6%	8.0%	8.6%
ROE	17.4%	19.6%	23.1%	26.9%	25.4%

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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.
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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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BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (61 in total) is as follows:

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OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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