

POSTE ITALIANE

Sector: Asset mgmt

OUTPERFORM

Price: Eu11.51 - Target: Eu14.10

BP Preview: Less State and Mail, More Fees and... Dividends!

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Stock Rating

Rating: from NEUTRAL to OUTPERFORM

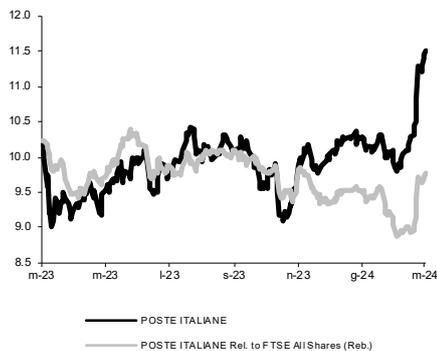
Target Price (Eu): from 10.40 to 14.10

	2024E	2025E	2026E
Chg in Adj EPS	0.2%	1.9%	

Next Event

2024-28 Strategic Plan Out March 20

POSTE ITALIANE - 12M Performance



Stock Data

Reuters code: PST.MI

Bloomberg code: PST IM

Performance	1M	3M	12M
Absolute	16.7%	14.6%	12.6%
Relative	9.6%	4.9%	-5.3%
12M (H/L)	11.51/9.01		
3M Average Volume (th):	2,154.13		

Shareholder Data

No. of Ord shares (mn):	1,306
Total no. of shares (mn):	1,306
Mkt Cap Ord (Eu mn):	15,027
Total Mkt Cap (Eu mn):	15,027
Mkt Float - Ord (Eu mn):	5,365
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

■ **CMD on 20 March: less State and Mail, more Fees and...Dividends!** New targets expected to boost the stock: Poste Italiane will host a CMD for the presentation of its new 2024-28 Strategic Plan on 20 March. We think the key message will be on the final steps of the transformation of the group from a traditional slumbering mail delivery giant into a dynamic services platform focused on distribution to Italian households of standard investment products (banking & insurance), digital payments services, telecommunications and, more recently, P&C and energy solutions. With bank networks reducing brick & mortar branches by one third over 10 years to less than 21k, Poste remains the most powerful presence on the ground, especially in rural areas, with almost 13k outlets serving mass-market customers with high loyalty and margins.

■ **Expected financial targets in a nutshell:** we expect the new plan to set out in figures, for the next years, the path to massive cash generation, which will increasingly be distributed to shareholders:

- **Dividend policy:** we expect payout ratios to rise gradually to 60%-65%: 2026 DPS is expected to be indicated above €1.00ps while we forecast a DPS CAGR of ~7.5% in the FY23-FY28 period.
- **Renewal of the agreement with CDP** on postal savings distribution, with conditions expected to remain supportive.
- **Group EBIT CAGR foreseen at ~4%** with FY28 EBIT that could reach €3.2bn, with an intermediate 2026 target of €3.0bn. Divisional expectations in a nutshell: (i) FY23-FY28 MPD revenues CAGR of ~2% with recurrent and sustainable full EBIT breakeven starting from ~€20mn in FY24 to almost €40mn in FY28; (ii) FY23-FY28 FS EBIT CAGR of ~2% with FY28 EBIT expected at almost €940mn, with an intermediate 2026 target above €0.9bn; (iii) FY23-FY28 INS EBIT CAGR of ~4% with FY28 EBIT expected above €1.65bn, with an intermediate 2026 target at ~€1.54bn; (iv) FY23-FY28 PM EBIT CAGR of ~6% with FY28 EBIT expected above €0.57bn, with a 2026 target above €0.5bn.

■ **Labour contract renewal:** key point for achieving the targets of the new plan. Our assumptions are based on a ~5% increase in labor costs in the first year of the plan, followed by annual increases of 2% thereafter.

■ **From Neutral to OUTPERFORM; target raised to €14.1.** We are upgrading our recommendation on the stock to factor in the positive messages expected to come from the CMD in terms of guiding the group towards a low-risk, recurring-fee business that deserves higher multiples, while reducing the risk associated with activities in terminal decline. The upcoming disposal of the stake held by the Italian Treasury could represent a short-term headwind but would create the conditions for the company to increase liquidity and make the shares a more attractive proposition. We are updating our estimates leading to revisions to our SOP/DDM-based valuation. Our new target price is €14.1 from €10.4 previously, including a 5% discount related to the stake placement by the Italian Treasury.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Commissions Income (Eu mn)	2,694	2,827	2,925	2,920	2,935
Total Income (Eu mn)	11,374	11,989	12,416	12,772	13,011
Net Operating Profit (Eu mn)	2,396	2,620	2,751	2,920	3,025
Net Profit Adj (Eu mn)	1,952	2,039	2,022	2,154	2,153
EPS New Adj (Eu)	1.495	1.561	1.548	1.649	1.648
EPS Old Adj (Eu)	1.495	1.561	1.545	1.618	
DPS (Eu)	0.650	0.800	0.900	0.950	1.026
Market Cap/F.U.M.	5.3%	5.1%	4.9%	4.9%	4.9%
P/E Adj	7.7	7.4	7.4	7.0	7.0
Div. Yield	5.6%	7.0%	7.8%	8.3%	8.9%
ROE	17.4%	19.6%	22.2%	26.4%	25.1%

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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.

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;

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

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BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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