

# POSTE ITALIANE

Sector: Asset mgmt

# OUTPERFORM

Price: Eu12.39 - Target: Eu14.10

## CDP Agreement: Tick Off the List! Awaiting Labour Contract

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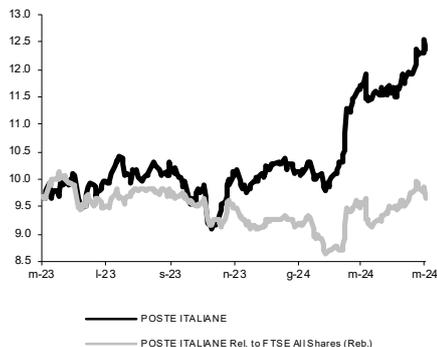
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### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	Unchanged		
	<b>2024E</b>	<b>2025E</b>	<b>2026E</b>
<b>Chg in Adj EPS</b>	0.0%	0.0%	0.0%

### POSTE ITALIANE - 12M Performance



### Stock Data

Reuters code:	PST.MI		
Bloomberg code:	PST IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	6.2%	23.4%	27.8%
Relative	2.1%	12.2%	-0.1%
12M (H/L)	12.55/9.10		
3M Average Volume (th):	2,778.48		

### Shareholder Data

No. of Ord shares (mn):	1,306
Total no. of shares (mn):	1,306
Mkt Cap Ord (Eu mn):	16,176
Total Mkt Cap (Eu mn):	16,176
Mkt Float - Ord (Eu mn):	5,775
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

■ **1Q24 results point to achieve FY24 guidance.** Group revenues were almost flat YoY at €3.0bn, in line with our estimates, mainly thanks to the contribution of the Mail, Parcel & Distribution and Postepay Services divisions, while the Insurance contribution was flat and Financial Services revenues were down 6% YoY due to €168mn in active portfolio management (APM) capital gains booked last year vs €22mn in 1Q24. Excluding this impact, Group revenues were up 6% YoY with a positive contribution also from Financial Services (+4% YoY). Group operating profit was down 8% YoY to €706mn, in line with our estimates; excluding APM capital gains, it was up 14% YoY with personnel costs up 3.2% YoY; renewal of the labour agreement is still pending. Group net profit at €501mn, (-7% YoY or +16% YoY excl. APM capital gains), in line with our expectations and consensus.

■ **Renewal of the agreement with CDP in line with guidance and our expectations.** New key terms of the new postal savings agreement covering the 2024-26 period provide for a min. of €1.60bn and a max. of €1.90bn remuneration for Poste Italiane's distribution service of postal savings products. This range is in line with the annual company guidance for the same period of €1.8bn. The new agreement is also broadly in line with the range in the previous agreement, with a floor of €1.60bn and a cap of €1.85bn. We believe it is important to note that the remuneration scheme still includes several variable incentive mechanisms that could take the annual remuneration for Poste above the floor envisaged in the new agreement despite the high volume of net outflows observed from postal savings products in recent years and which continued in 1Q24 (€2.7bn). We already saw this scenario in FY23, with Postal Savings revenues at €1.74bn and net outflows of €7.2bn.

■ **OUTPERFORM; target €14.1 confirmed.** In our opinion, 1Q24 results and the renewed agreement with CDP give visibility on more-than-achievable FY24 guidance. We are not changing our estimates considering that company guidance is slightly lower than our expectations. We believe there is some room for improving FY targets during the year, maybe once renewal of the labour contract is agreed with unions. We note solid and visible operating performance at all the business divisions, and we expect a continuation of these trends in coming quarters. Nevertheless, we highlight a slowdown in growth at the insurance business despite confirmation of resilient data in terms of Life net inflows and lapse ratio. We believe these dynamics may be driven by a declining trend in the new business margin reflected in annualized normalized CSM growth of only +0.4% vs +5% in FY23 that could limit future profitability growth in absence of a reverse in trend. We expect more clarity on this trend in coming quarters, but we remain confident on the company's ability to achieve annual guidance. We also await more clarity on the timeline and terms of the large placement of up to 30% of capital, expected to be made by the Italian Treasury in the coming months. This could cap the stock price in the short term, but at the same time offer an attractive entry point given the increased liquidity, lower perceived political influence, and expected enlargement of the shareholder base as Poste remains an attractive dividend stock.

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	1.548	1.649	1.648
DPS (Eu)	0.650	0.800	0.900	0.950	1.026
Market Cap/F.U.M.	5.7%	5.5%	5.3%	5.3%	5.3%
P/E Adj	8.3	7.9	8.0	7.5	7.5
Div. Yield	5.2%	6.5%	7.3%	7.7%	8.3%
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)

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&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.

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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As at 31 March 2024 Intermonte's Research Department covered 116 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	25.21 %
OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (50 in total) is as follows:

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

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Emitente	%	Long/Short
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