

# POSTE ITALIANE

Sector: Asset mgmt

# OUTPERFORM

Price: Eu11.47 - Target: Eu14.10

## Plan Gives Back >40% Market Cap; We Bet it Might Be More

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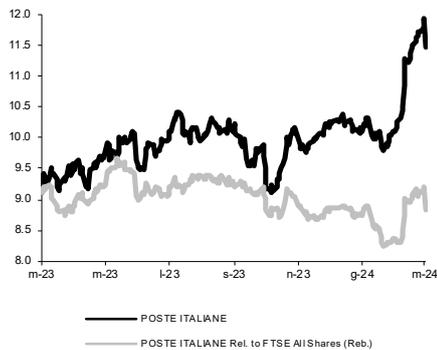
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### Stock Rating

Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	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	13.5%	11.6%	26.0%
Relative	5.7%	-0.6%	-4.0%
12M (H/L)	11.93/9.10		
3M Average Volume (th):	2,344.21		

### Shareholder Data

No. of Ord shares (mn):	1,306
Total no. of shares (mn):	1,306
Mkt Cap Ord (Eu mn):	14,981
Total Mkt Cap (Eu mn):	14,981
Mkt Float - Ord (Eu mn):	5,348
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

■ **2024-28 Strategic Plan: “Connecting Platform” looks reasonable, with scope to beat targets.** PST has unveiled its new 5Y strategic plan targets. Some interesting insights emerged from the conference call, with management stating there is room for improvement over the announced targets in various segments, as operating leverage could exceed indications. The YTD trend is already above budget in all businesses. A similar message was provided on shareholder remuneration, to be deemed a floor as management will turn any extra profit generated over the plan into extra remuneration after setting a payout-based dividend policy.

■ **Financial targets vs. our expectations:** 2024-28 profitability targets were broadly in line with our expectations. The 2023/28 revenues CAGR of ~3%, vs. our 2.4%, will lead to FY28 revenues of €13.5bn, in line with expectations. The drag from mail and bill payments (-5% CAGR) will be offset by a +7% CAGR for parcels, insurance, Postepay, and other fast-growing segments. The FY23-28 total costs CAGR is ~2% (in line with our estimate), based on better-than-expected assumptions on HR costs over the plan: FY28 total operating costs of €10.3bn (vs. our €10.2bn). The 2023/28 EBIT CAGR is ~4% (in line) leading to €3.2bn in FY28, supported by a €1.1bn increase from operating results at financial & insurance, payments and PM&D, offsetting €0.9bn of higher HR costs and D&A: FY28 EBIT seen at €3.2bn. Operating leverage looks subdued in our view, with scope for improvement. FY28 net profit is seen at €2.3bn (in line), with the FY26 figure at €2.0bn (vs. our €2.2bn), and a flat YoY trend in 2024 vs. 2023 at €1.9bn (in line).

■ **Dividend policy the key: >42% of market cap to be repatriated during the plan.** PST’s dividend policy is no longer based on DPS, but rather on a payout floor of 65% from 2024. PST set floors that are likely to be beaten: a cumulative payout of at least €6.5bn during the plan (more than 42% of the current market cap); FY26 DPS at least €1.00 (our estimate €1.03); 2023/28 DPS CAGR at least +7%. These assumptions are supported by a remittance of 100% from the insurance business, which is expected to maintain a solvency ratio well above the minimum target of 200%.

■ **OUTPERFORM; target €14.1 confirmed:** there was some profit taking following the presentation of the plan, as the stock has posted a strong YTD performance. Business plan targets, however, could represent a floor both on the financial side as well as on remuneration, which in any case is going to put Poste at the top end of yield players in the segment, as PST will repatriate over 42% of its current capitalisation to shareholders over the next 5 years. We are leaving estimates broadly unchanged, as a good start in 2024 could allow the company to meet our expectations. On the following years our estimates are already broadly aligned to company targets. In the short term, the equity story could be capped by the large placement of up to 30% of the capital expected to be made by the Italian Treasury. This could offer an attractive entry point given the increased liquidity, lower perceived political influence and expected enlargement of the shareholder base. Above-target delivery will be crucial for future performance of a stock that, over the years, has shrugged off the perceived risk of excessive political intrusion.

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.	5.3%	5.1%	4.9%	4.9%	4.9%
P/E Adj	7.7	7.3	7.4	7.0	7.0
Div. Yield	5.7%	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)

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&PMB40 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:	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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