

POSTE ITALIANE

Sector: Asset mgmt

OUTPERFORM

Price: Eu10.34 - Target: Eu12.00

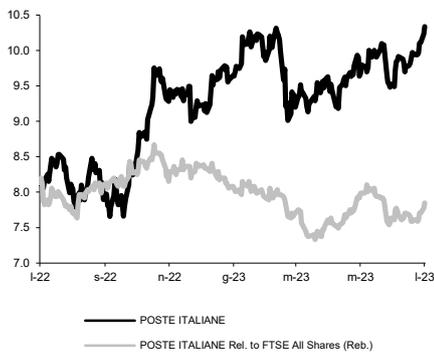
Good 2Q Results Enhance Visibility on FY23 and Future Years

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Stock Rating

| | | | |
|---------------------------|--------------|--------------|--------------|
| Rating: | Unchanged | | |
| Target Price (Eu): | Unchanged | | |
| | 2023E | 2024E | 2025E |
| Chg in Adj EPS | 3.8% | 3.2% | 1.5% |

POSTE ITALIANE - 12M Performance



Stock Data

| | | | |
|-------------------------|------------|-----------|------------|
| Reuters code: | PST.MI | | |
| Bloomberg code: | PST IM | | |
| Performance | 1M | 3M | 12M |
| Absolute | 8.5% | 8.9% | 27.2% |
| Relative | 2.7% | 3.6% | -4.8% |
| 12M (H/L) | 10.34/7.66 | | |
| 3M Average Volume (th): | 2,655.45 | | |

Shareholder Data

| | |
|-------------------------------|--------|
| No. of Ord shares (mn): | 1,306 |
| Total no. of shares (mn): | 1,306 |
| Mkt Cap Ord (Eu mn): | 13,499 |
| Total Mkt Cap (Eu mn): | 13,499 |
| Mkt Float - Ord (Eu mn): | 4,819 |
| Mkt Float (in %): | 35.7% |
| Main Shareholder: | |
| Cassa Depositi e Prestiti SpA | 35.0% |

Balance Sheet Data

| | |
|---------------------|--------|
| Book Value (Eu mn): | 14,227 |
| BVPS (Eu): | 9.34 |

■ **Solid delivery in 2Q23 even excluding capital gains thanks to cost control:** consolidated 2Q23 revenues came to €3,007mn, better than our €2,875mn estimate thanks mainly to Mail & Parcels, which benefited from a non-cash €109mn capital gain on Sennder. Operating profit came in at €799mn or €690mn ex one-off, better than our €660mn forecast, with 1H23 operating profit coming to €1,566mn vs. €1,427mn expected. Net profit was €601mn (~€500mn excluding capital gain) vs. €459mn expected. Cash generation was €425mn in 1H23, bringing net debt down to below €1bn. Visibility on cash redemption from subsidiaries is pretty high, with Solvency 2 moving in the region of 260-280%, much higher than the company's 200% target. These factors raise visibility on future dividend distributions. As for performances in individual segments, Insurance showed declining trends, with revenues coming to €379mn vs. €388mn and operating profit of €330mn; Financial services: revenues €1,252mn vs. €1,226mn, operating profit of €200mn, slightly better than expected; Mail & Parcels revenues €1,002mn, better than our €884mn forecast, operating profit of €159mn or €50mn ex one-off; Digital Payments & Mobile results in line, with revenues at €374mn and operating profit of €111mn.

■ **FY23 guidance for €2.5bn operating profit confirmed ahead of new business plan:** PST confirmed FY23 guidance but 1H trends were well ahead, with the indication for operating profit of €2.5bn in FY23 implying c.€1bn in 2H23, even considering the €100mn early retirement payout planned in 4Q and the ~€500mn of CapEx expected in 2H. Given the company will disclose a new business plan in 4Q23, however, it is likely some buffers will be retained for the future.

■ **Main indications from conference call:** 1) PST will provide an update on progress with the renegotiation of the labour contract before the business plan: constructive talks are underway with unions on the new contract; 2) Inflows: insurance flows remained positive in 1H23 despite the challenging environment, and the redemption rate of just over 4% remains way below the industry average. Positive flows into asset management thanks to the launch of target maturity fixed-income funds. Postal savings suffered in 1H23 but are gaining traction thanks to the new Offerta Super Smart at 3.5% yield.

■ **FY23 estimates lifted slightly but more could come with new business plan, stock remains attractive: OUTPERFORM; target €12 confirmed.** Following 2Q23 results we are raising our 2023/24 EPS estimates by +3.8%/+3.2% and forecast operating profit net of one-offs at €2.6bn for 2023 vs. company guidance for €2.5bn. The new business plan could be a positive catalyst for the stock, while we believe the valuation and dividend outlook remains supportive. Our SOP-based fair value remains valid at €12ps: we therefore confirm our OUTPERFORM rating.

| Key Figures & Ratios | 2021A | 2022A | 2023E | 2024E | 2025E |
|------------------------------|--------|--------|--------|--------|--------|
| Commissions Income (Eu mn) | 2,891 | 2,694 | 2,693 | 2,716 | 2,729 |
| Total Income (Eu mn) | 11,220 | 11,889 | 12,171 | 12,152 | 12,346 |
| Net Operating Profit (Eu mn) | 1,845 | 2,289 | 2,718 | 2,782 | 3,010 |
| Net Profit Adj (Eu mn) | 1,405 | 1,574 | 1,881 | 2,000 | 2,156 |
| EPS New Adj (Eu) | 1.076 | 1.205 | 1.440 | 1.531 | 1.650 |
| EPS Old Adj (Eu) | 1.076 | 1.205 | 1.387 | 1.484 | 1.626 |
| DPS (Eu) | 0.590 | 0.650 | 0.709 | 0.758 | 0.811 |
| Market Cap/F.U.M. | 5.1% | 4.8% | 4.6% | 4.4% | 4.2% |
| P/E Adj | 9.6 | 8.6 | 7.2 | 6.7 | 6.3 |
| Div. Yield | 5.7% | 6.3% | 6.9% | 7.3% | 7.8% |
| ROE | 11.7% | 12.3% | 13.7% | 13.6% | 13.7% |