

POSTE ITALIANE

NEUTRAL

Sector: Asset mgmt

Price: Eu14.47 - Target: Eu15.70

Pit Stop Awaiting Potential Placement

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Stock Rating

Rating: from OUTPERFORM to NEUTRAL

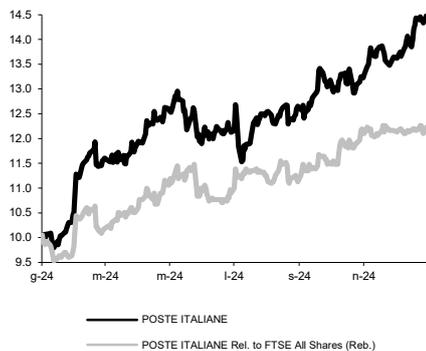
Target Price (Eu): from 14.10 to 15.70

	2024E	2025E	2026E
Chg in Adj EPS	0.0%	0.4%	-0.3%

Next Event

 Results Out February 21st

POSTE ITALIANE - 12M Performance



Stock Data

Reuters code:	PST.MI		
Bloomberg code:	PST IM		
Performance	1M	3M	12M
Absolute	6.0%	9.7%	40.2%
Relative	0.5%	6.5%	22.4%
12M (H/L)	14.48/9.79		
3M Average Volume (th):	1,727.70		

Shareholder Data

No. of Ord shares (mn):	1,306
Total no. of shares (mn):	1,306
Mkt Cap Ord (Eu mn):	18,893
Total Mkt Cap (Eu mn):	18,893
Mkt Float - Ord (Eu mn):	6,745
Mkt Float (in %):	35.7%
Main Shareholder:	
Cassa Depositi e Prestiti SpA	35.0%

Balance Sheet Data

Book Value (Eu mn):	7,842
BVPS (Eu):	7.28

- 4Q24 results expected to meet expectations and FY guidance.** We expect group revenues to have risen 3% YoY, with operating profit up +6% YoY (-8% on a like-for-like basis excluding one-off employee bonuses in 4Q23, provisions for early retirements and the contribution to the insurance guarantee fund in 4Q24). Net profit is forecast up 3% YoY (-11% adjusted) to €423mn (vs. €410mn in 4Q23). The Logistics, Financial and Postepay divisions should have contributed positively to the YoY revenue trend, countered by a slowdown at Insurance Services (-4.1% YoY) due to CSM stock trends.
- Focus on 2025 target and dividend policy update:** during the March 2024 Strategic Plan presentation, management did not provide any detailed indications on 2025 targets. We therefore believe that on 21 February the main focus will be on guidance. Our current estimates are broadly in line with company-compiled consensus, with revenues, adj. EBIT and net profit just ~€100mn higher, which also implies DPS will be slightly above consensus at €1.05, a 65% payout ratio. We believe there is room for an increase in consensus DPS for the coming years.
- Change in estimates:** we are confirming our 2024-2026 estimates, with the payout ratio increasing from 65% in FY24 to 68% in FY26, implying a rise in DPS from €1.00 on FY24 results to €1.13 on FY26 results. We are also publishing our 2027 estimates for the first time, projecting record revenues of over €13bn in FY27, adjusted operating profit at €3.2bn and net profit of €2.2bn. We forecast a further steady increase in DPS to €1.16 with a 69% payout ratio.
- From OUTPERFORM to Neutral; target from €14.1 to €15.7.** We are updating our valuation, which is based on DDM and SOP models. Both methodologies show higher fair values, thanks on the one hand to higher expected dividends and on the other to a re-rating of the financial businesses, especially Life Insurance. We are also removing the placement discount, as we are not expecting a major negative impact in the event of a disposal of part of the Italian Treasury's stake, which should largely involve retail investors, employees and long-term domestic institutional investors. The complexity of the group remains an element that creates a risk of value dislocation. We nevertheless believe current management is delivering an excellent financial performance and has made great strides in demonstrating value generation from a complex array of different businesses with the common denominator of a large and unparalleled distribution network throughout Italy. Finally, renewal of the labour contract and the CDP distribution agreement add visibility on current and future financial results. These positive elements now seem to be more fairly reflected in the current stock price, which has also benefitted from a more benign view on the financial sector and the country as a whole. The potential disposal of the stake held by the Treasury could amount to a short-term headwind, but would create the conditions to increase stock liquidity. In light of the limited additional upside we are moving our rating on the stock to NEUTRAL from Outperform, setting a new target price of €15.7 based on the average of a DDM and a sum of the parts model.

Key Figures & Ratios	2023A	2024E	2025E	2026E	2027E
Commissions Income (Eu mn)	2,827	2,896	3,030	3,000	3,005
Total Income (Eu mn)	11,989	12,495	12,832	12,916	13,091
Net Operating Profit (Eu mn)	2,620	2,766	2,952	3,055	3,084
Net Profit Adj (Eu mn)	2,039	2,096	2,202	2,175	2,198
EPS New Adj (Eu)	1.561	1.604	1.686	1.665	1.683
EPS Old Adj (Eu)	1.561	1.604	1.680	1.670	
DPS (Eu)	0.800	1.000	1.050	1.134	1.160
Market Cap/F.U.M.	6.5%	6.2%	6.2%	6.2%	6.2%
P/E Adj	9.3	9.0	8.6	8.7	8.6
Div. Yield	5.5%	6.9%	7.3%	7.8%	8.0%
ROE	19.6%	23.1%	27.0%	25.3%	23.3%

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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.

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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BUY:	31.34 %
OUTPERFORM:	43.28 %
NEUTRAL:	25.38 %
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 (71 in total) is as follows:

BUY:	50.70 %
OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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