

# POSTE ITALIANE

Sector: Asset mgmt

# OUTPERFORM

Price: Eu9.41 - Target: Eu12.00

## 2023 Guidance: No Fireworks but Room for Upside

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### Stock Rating

**Rating:** Unchanged

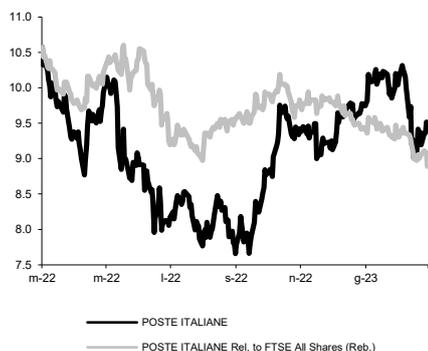
**Target Price (Eu):** Unchanged

	2023E	2024E
Chg in Adj EPS	0.4%	-0.2%

### Next Event

AGM on May 8, 2023

### POSTE ITALIANE - 12M Performance



### Stock Data

**Reuters code:** PST.MI

**Bloomberg code:** PST IM

Performance	1M	3M	12M
Absolute	-7.7%	3.1%	-11.0%
Relative	-6.0%	-10.5%	-16.8%
12M (H/L)	10.40/7.66		
3M Average Volume (th):	2,197.58		

### Shareholder Data

**No. of Ord shares (mn):** 1,306

**Total no. of shares (mn):** 1,306

**Mkt Cap Ord (Eu mn):** 12,290

**Total Mkt Cap (Eu mn):** 12,290

**Mkt Float - Ord (Eu mn):** 4,388

**Mkt Float (in %):** 35.7%

**Main Shareholder:**

Cassa Depositi e Prestiti SpA 35.0%

### Balance Sheet Data

**Book Value (Eu mn):** 14,083

**BVPS (Eu):** 9.22

■ **4Q results hit by several one-offs** : 4Q22 operating profit came in at €237mn, below our estimate/ consensus of €282mn/€272mn. The difference was primarily due to a one-off non-cash provision on tax credits for €320mn and a further €41mn of other provisions, only partially offset by positive one-offs from lower commercial incentives and early retirement charges (€107mn) and market effects on insurance investment margins (€167mn). When adjusting for these items, operating profit would have actually been in line. Net profit, hit by the non-deductibility of the tax credit one-off, was only €86mn vs. our estimate/ consensus of €223/218mn. More details about 4Q segment trends later in this report.

■ **2023 guidance: in line but with room for upside.** Poste provided updated 2023 guidance as follows:

- Revenues €11.9bn vs. our estimate and consensus of €12.3bn, mostly due to the change in accounting in insurance (IFRS17)
- EBIT €2.5bn vs. our €2.46bn, consensus €2.48bn
- Net profit €1.7bn vs. our €1.73bn, consensus €1.78bn
- DPS €0.71 vs. our €0.67; dividend now up 9% YoY vs. previous policy of +7%: dividend yield remains a good support at ~7%.

Looking at the different segments: breakeven is close at Mail & Parcels but will also depend on the outcome of ongoing employee contract renegotiations. Poste announced a new partnership with DHL in ex-commerce and extended the agreement with Amazon, while the competitive scenario could offer growth opportunities. The Financial segment is benefiting less than expected from the current interest rates scenario as the cost of funding is expected to go up, but we think postal savings outflows should stabilise with a more positive outlook going forward. The Insurance transition to IFRS17 is not expected to have any significant impact that will develop into a major issue. Payments, Mobile & Distribution looks healthy, with card payments revenues expected to increase further, as transaction values are seen growing 17% YoY thanks to the growth in market volumes and PST's market share. The ramp-up of the Energy business is expected to continue, to burden operating profit to the tune of €100mn in 2023.

■ **OUTPERFORM; target €12 confirmed:** 4Q results were lower than our forecast, mostly due to the unexpected one-off tax credit. Nevertheless, Poste provided very comprehensive 2023 guidance with some clear scope for outperformance if the business environment remains supportive. We expect the current management's mandate to be confirmed at the upcoming AGM on 8 May 2023. This will ensure the company will continue its journey to becoming a fully-fledged hub providing a wide range of products and services to Italian retail customers. We broadly confirm our estimates in light of 2023 guidance and think that the new strategic plan presentation later this year could represent a positive future catalyst. We confirm our €12 target price after rolling our valuation over to 2023. At fair value the stock would trade at below 9x 2023 earnings and at a ~6% dividend yield.

Key Figures & Ratios	2019A	2020A	2021A	2022A	2023E
Commissions Income (Eu mn)	3,238	3,043	2,891	2,694	2,736
Total Income (Eu mn)	11,038	10,526	11,220	11,889	12,058
Net Operating Profit (Eu mn)	1,774	1,524	1,845	2,289	2,507
Net Profit Adj (Eu mn)	1,454	1,158	1,405	1,574	1,812
EPS New Adj (Eu)	1.113	0.887	1.076	1.205	1.387
EPS Old Adj (Eu)	1.113	0.887	1.076	1.311	1.382
DPS (Eu)	0.463	0.486	0.590	0.650	0.709
Market Cap/F.U.M.	5.7%	5.3%	4.7%	4.4%	4.2%
P/E Adj	8.5	10.6	8.7	7.8	6.8
Div. Yield	4.9%	5.2%	6.3%	6.9%	7.5%
ROE	16.3%	10.9%	11.7%	12.3%	13.3%