

UNICREDIT

Sector: Banks

NEUTRAL

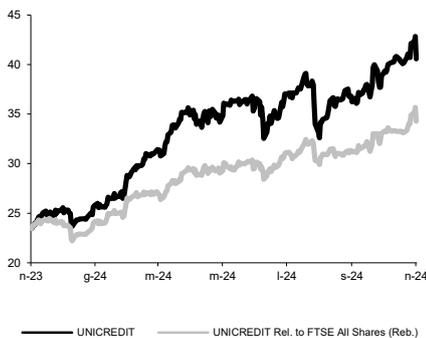
Price: Eu40.56 - Target: Eu43.60

Another beat, but now, waiting for the CBK approval

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	0.9%	0.3%	-0.1%

UNICREDIT - 12M Performance



Stock Data			
Reuters code:	CRDI.MI		
Bloomberg code:	UCG IM		
Performance	1M	3M	12M
Absolute	4.5%	24.4%	73.1%
Relative	3.7%	15.9%	54.8%
12M (H/L)	42.84/23.56		
3M Average Volume (th):	8,244.24		

Shareholder Data	
No. of Ord shares (mn):	1,630
Total no. of shares (mn):	1,630
Mkt Cap Ord (Eu mn):	66,131
Total Mkt Cap (Eu mn):	66,131
Mkt Float - Ord (Eu mn):	52,950
Mkt Float (in %):	80.1%
Main Shareholder:	
Blackrock	5.9%

Balance Sheet Data	
Tangible Equity (Eu mn):	63,935
TEPS (Eu):	39.22
CET1 Ratio Fully Loaded:	16.8%
Gross NPE Ratio:	2.6%

Unicredit reported a fairly positive set of 3Q24 results, raising official guidance on 2024-2026 to a level already reached in our projections, and lifting the payout policy, with an increase in the cash component (50% vs. 40%). In our view, this new guidance is already discounted in consensus forecasts. The Commerzbank (CBK) deal remains on the table, but we argue the outcome is now binary, with UCG expected to be IN or OUT from an industrial standpoint. We stick to our current rating and target price.

■ **3Q24 Results:** UniCredit's results came in +12.5% higher than expected. Revenues were pretty solid in terms of NII, mainly driven by a strong contribution from Germany and Russia, while fees were below our expectation, dented by summer seasonality, but with positive trends in AuM volumes. OpEx was reduced further YoY, coming in -2.5% below our estimate, reaching a C/I ratio of 37.3%. As a result, operating profit came to €3,851mn (+5.8% A/E). The cost of risk was 15bp, benefitting from still-solid AQ, despite a big ticket in Germany, and a flat default rate (0.7%, adjusted for the said German ticket). No use of overlays (€1.7bn). Net profit at €2,513mn. The CET1 ratio declined slightly QoQ to 16.13%, related to the investment in CBK, offset by UCG's strong organic capital generation.

■ **Guidance:** UniCredit confirmed net profit and payout guidance, as already anticipated during a previous conference call. New guidance targets net profit of over €9bn for FY24/25/26, and total distribution of ~€8.6bn for the same years. The cash dividend will come to 40% of FY24 earnings, rising to 50% from 2025.

■ **The CBK conundrum:** UCG has not changed its approach to M&A and is ready to deal with the CBK situation, but not at just any financial/timing conditions. In general, UCG has set a time limit (1 year) to decide *yes/no* (ECB to decide in some 60 days but there may be delays); however, it seems that not all counterparties are in favour, especially the unions, as we have pointed out since the beginning. That said, what was initially a financial investment that could eventually turn into an industrial one has now become a binary "IN" or "OUT" choice. UCG does not want to turn hostile for political reasons, and clearly wants to reach a point of common ground. It took a decade to integrate HVB, so an unsolicited offer is not in the plan.

■ **Change in Estimates:** we are trimming our estimates, with little to no impact on adj. net profit. We are slightly raising our FY24 NII and raising staff costs a touch for the three-year period. On costs, we are also restating some admin. costs and expense recovery. LLPs are seen decreasing due to lower volumes on loans. Our adj. net profit changes by +0.9%/0.5%/+0.1%. The differences with adj. EPS changes are related to our assumptions on current and future share buybacks.

■ **Valuation:** the bank posted positive results, beating both our estimate and consensus. We nevertheless see no catalyst for an estimate upgrade, as the main potential one, the CBK deal, seems to be farther away than expected. We are sticking to both our NEUTRAL recommendation and €43.60 TP. The stock is now trading at 1.03/0.96/0.89x on FY24/25/26. At target it would trade at 1.11/1.03/0.95x.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Total income (Eu mn)	20,330	23,826	24,775	24,595	24,577
Net Operating Profit (Eu mn)	10,784	14,366	15,331	15,157	15,056
Net Profit Adj (Eu mn)	5,610	8,614	9,491	9,130	9,097
EPS New Adj (Eu)	2.899	5.031	5.822	6.012	6.411
EPS Old Adj (Eu)	2.899	5.031	5.769	5.993	6.419
DPS (Eu)	0.987	1.761	2.329	3.006	3.205
P/E Adj	14.0	8.1	7.0	6.7	6.3
Div. Yield	2.4%	4.3%	5.7%	7.4%	7.9%
P/TE	1.29	1.12	1.03	0.96	0.89
ROTE	9.2%	13.9%	14.8%	14.2%	14.0%

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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 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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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 30 September 2024 Intermonte's Research Department covered 125 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	28.24 %
OUTPERFORM:	48.09 %
NEUTRAL:	23.67 %
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 (61 in total) is as follows:

BUY:	55.74 %
OUTPERFORM:	34.43 %
NEUTRAL:	09.83 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short
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