

# UNICREDIT

Sector: Banks

## NEUTRAL

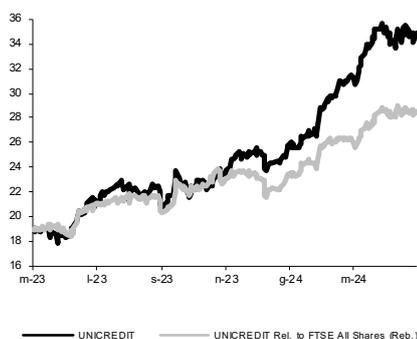
Price: Eu34.84 - Target: Eu37.10

## 1Q24 Beats Forecasts, Guidance Raised

 Fabrizio Bernardi +39-02-77115.387  
 fabrizio.bernardi@intermonte.it

Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2024E	2025E	2026E
Chg in Adj EPS	0.0%	0.0%	

### UNICREDIT - 12M Performance



Stock Data			
Reuters code:	CRDI.MI		
Bloomberg code:	UCG IM		
Performance	1M	3M	12M
Absolute	-0.2%	21.1%	83.9%
Relative	-0.1%	12.3%	61.3%
12M (H/L)	35.65/17.91		
3M Average Volume (th):	8,677.79		

Shareholder Data	
No. of Ord shares (mn):	1,771
Total no. of shares (mn):	1,654
Mkt Cap Ord (Eu mn):	61,702
Total Mkt Cap (Eu mn):	61,702
Mkt Float - Ord (Eu mn):	49,403
Mkt Float (in %):	80.1%
Main Shareholder:	
Blackrock	5.9%

Balance Sheet Data	
Tangible Equity (Eu mn):	62,622
TEPS (Eu):	37.87
CET1 Ratio Fully Loaded:	16.0%
Gross NPE Ratio:	2.6%

Unicredit unveiled a stronger than expected set of 1Q24 results, upgrading its 2024 net profit guidance which now points to >€8.5bn. If we look at core profitability, consensus is already at that level, so we do not see much room for any upgrade, but CEO Orcel seemed confident of UCG beating guidance. The 1Q24 cost of risk is 10bp vs. guidance for <20bp. Russia is in run-off mode, with lending -91% since March-22, and the projected loss in an extreme scenario is €3bn (from €3.1bn in 4Q23). The guidance upgrade also includes the payout, with the Group paying back around half of its market cap (cumulatively) by 2026, including the €3.1bn buy back on 2023 results, which should start immediately. The CET1r was above projections on capital retention and RWA optimisation. NO M&A in sight: we expect UCG may go ahead with additional buybacks as opposed to external growth.

■ **1Q24 trends** – 1Q24 numbers in the table attached overleaf. The key points are 1) a cost/income ratio of 36%, with ongoing operational efficiencies and an improving top line (Trading proceeds and Net fees) 2) 10bp of LLPs (reversal of provisions in C&EE, with €1.8bn overlays) vs a guidance of less than 20bp for the FY24, 3) lower “other” risks on better systemic charges. In short, the t-NAV/s up 5% YoY. This is not only the result of capital generation (EPS up 42% YoY), but also the buyback programmes that UCG is undertaking. 2024 P&L guidance was up (>€8.5bn) on the back of top line trends and lower systemic provisions, now at €0.4bn. RWAs were down almost 2% QoQ (€280bn) on active management and rationalisation: CET1r to 16.2%.

■ **New guidance:** 2024 net profit guidance moved to >€8.5bn, which is in line with company-compiled consensus; this is driven by better 1Q revenues and lower systemic charges; during the 1Q24 ConfCall management seemed confident on beating the target; total distribution of €8.6bn for FY23, up c.€3.35bn YoY and corresponding to 100% of net profit. FY24 guidance for net profit broadly in line with 2023 and RoTE of c.16.5% shows UCG’s ability to defend profitability through the cycle. The bank is introducing an ordinary distribution policy for the payout of at least 90% of net profit from 2024.

■ **Capital ratios:** CET1 ratio of 16.23%, +35bp on strong organic capital generation of €3.4bn, more than offsetting the €2.6bn distribution accrued in 1Q24.

■ **No M&A:** This is a key topic in our view: CEO Mr Orcel believes his stock is still undervalued despite trading closer to 1.x t-NAV. That said, management does not see any target that would be better than buying back UCG shares. As in the past, our estimates already embed a buyback and subsequent cancellation of shares for the coming years, in line with the payout policy (40% cash dividends and a total payout of 90% payout).

■ **NEUTRAL CONFIRMED, TP €37.1/S:** While the 1Q24 beat looks broadly-based, it is mainly related to higher Trading Proceeds and lower Risk provisions, with also a positive trend in net fees, which is very promising. Despite 1Q24 is better than expected, we would not expect consensus to move up materially, given it is already aligned to the new Guidance provided by UCG. Clearly the payout policy is a strong support to the stock performance. On the other side, the exposure to Russia may hurt.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Total income (Eu mn)	20,330	23,843	22,437	22,211	22,423
Net Operating Profit (Eu mn)	10,784	14,372	12,974	12,678	12,845
Net Profit Adj (Eu mn)	5,610	8,637	8,341	7,749	7,743
EPS New Adj (Eu)	2.899	4.877	5.044	5.018	5.396
EPS Old Adj (Eu)	2.899	4.877	5.044	5.018	
DPS (Eu)	0.987	1.803	1.979	1.969	2.120
P/E Adj	12.0	7.1	6.9	6.9	6.5
Div. Yield	2.8%	5.2%	5.7%	5.7%	6.1%
P/TE	1.11	1.00	0.92	0.85	0.78
ROTE	9.2%	14.0%	13.3%	12.2%	12.1%

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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)

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Frequency of research: quarterly.

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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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OUTPERFORM:	46.22 %
NEUTRAL:	27.73 %
UNDERPERFORM	00.84 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (50 in total) is as follows:

BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emitente	%	Long/Short

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