

UNICREDIT

Sector: Banks

NEUTRAL

Price: Eu46.88 - Target: Eu45.00

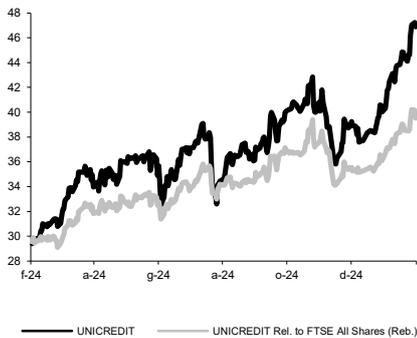
4Q24 in line, open minded in M&A

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 43.60 to 45.00		
	2025E	2026E	2027E
Chg in Adj EPS	-1.5%	0.5%	3.4%

UNICREDIT - 12M Performance



Stock Data

 Reuters code: CRDI.MI
 Bloomberg code: UCG IM

Performance	1M	3M	12M
Absolute	17.2%	14.9%	61.3%
Relative	10.1%	5.8%	41.6%
12M (H/L)	47.23/29.39		
3M Average Volume (th):	7,709.79		

Shareholder Data

No. of Ord shares (mn):	1,431
Total no. of shares (mn):	1,431
Mkt Cap Ord (Eu mn):	67,108
Total Mkt Cap (Eu mn):	67,108
Mkt Float - Ord (Eu mn):	53,732
Mkt Float (in %):	80.1%
Main Shareholder:	
Blackrock	5.9%

Balance Sheet Data

Tangible Equity (Eu mn):	60,351
TEPS (Eu):	42.16
CET1 Ratio Fully Loaded:	15.8%
Gross NPE Ratio:	2.7%

UCG posted a set of positive, but in line, results, updating the market on what it could expect from the next years. However, we think there are other peers preferable to UCG in terms of fundamentals in this macro environment in which rates are decreasing (think ISP), who can leverage more on business diversification and exposure to WM/AM/Insurance. Based on that, we stick to our NEUTRAL recommendation and raise our TP to €45. Take note that any difference between the adj. net profit and adj. EPS changes are related to SBB assumptions we have in our model.

■ **4Q24 Results.** UniCredit's 4Q results met expectations on operating performance and pre-tax profit, with a net income beat driven by a lower fiscal impact. NII growth, supported by a well-managed deposit beta, offset declines in volumes and rates, while fees were 5% below estimates but grew QoQ. Trading was impacted by the Commerzbank investment (-39% QoQ). Operating expenses increased due to seasonal staff bonuses and IT costs, leading to a C/I ratio of 41.8% for the quarter and 37.9% for FY24. Operating profit reached €3.5bn (+3.2% vs. estimates). Provisions were slightly higher, but the FY cost of risk remained stable at 15bps. Pre-tax profit was €2.01bn (+2.3% vs. estimates), with net profit boosted by a €405mn DTA write-up in Italy.

■ **Change in estimates.** We have updated our FY25-27 estimates to incorporate FY24 results. NII projections for FY26-27 have been revised upward, reflecting greater resilience supported by volumes and the replicating portfolio. FY27 fee income has also been raised, factoring in a greater contribution from insurance companies, which will be fully integrated by 2025, driving growth of commissions. On the cost side, lower-than-expected staff expenses result in a flattish trend over the three years, partially offset by higher administrative costs, leading to a C/I ratio of around 38% and operating profit between €15.1-15.3bn. Provisions are expected to be higher due to macroeconomic uncertainty, with no offset from overlay releases, while integration costs remain stable. Adjusted net profit changes by -1.3%/+0.9%/+4.2%, excluding any DTA releases.

■ **Guidance.** UCG updated its guidance for FY25, on which management sees profitability (with and without release of DTAs, not included in our model) broadly in line with FY24, driven by slightly lower NII and fees up mid-single digit. On payout, they raised the bar by targeting yearly distribution greater than €9bn for the FY25-27 period, including the return of some of the excess capital (targeting a 12.5/13% CET1 ratio). FY24 payout was raised to €9bn, including the remaining €2.3bn cash dividend and the €3.6bn SBB that will start after completion of the BAMl takeover.

■ **Valuation.** UCG posted results broadly in line with both estimates and consensus, targeting a similar outcome for FY25. The bank is in the midst of a takeover on BAMl, and holds a potential 28% stake in CBK, on which they have optionality on whether to acquire the German bank or sell the stake to book a capital gain. The stock is now trading at 1.20/1.11/1.03x its FY24/26/26 TE. At target it would trade at 1.12/1.07/0.99x.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Total income (Eu mn)	23,826	24,844	24,541	24,765	24,801
Net Operating Profit (Eu mn)	14,366	15,439	15,166	15,353	15,303
Net Profit Adj (Eu mn)	8,614	9,962	9,009	9,175	9,432
EPS New Adj (Eu)	5.031	6.451	6.293	6.893	7.650
EPS Old Adj (Eu)	5.031	6.146	6.389	6.858	7.400
DPS (Eu)	1.761	2.416	3.147	3.446	3.825
P/E Adj	9.3	7.3	7.4	6.8	6.1
Div. Yield	3.8%	5.2%	6.7%	7.4%	8.2%
P/TE	1.30	1.20	1.11	1.03	0.95
ROTE	13.9%	16.5%	14.9%	15.2%	15.5%

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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 MIBEX 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.

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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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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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