Intermonte

Milan, 13 May 2025

Italian Equity Research – 1Q25 Results

UNICREDIT

NEUTRAL

Sector: Banks

Price: Eu56.02 - **Target: Eu50.00**

1Q25 Beat & Stronger Capital Position

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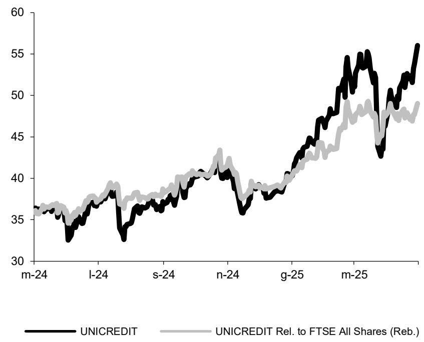
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 47.00 to 50.00
	2025E	**2026E**	**2027E**
Chg in Adj EPS	2.3%	0.8%	0.3%

UNICREDIT - 12M Performance



Stock Data			
Reuters code:			CRDI.MI
Bloomberg code:			UCG IM
Performance	**1M**	**3M**	**12M**
Absolute	20.9%	20.3%	55.5%
Relative	3.8%	13.9%	40.7%
12M (H/L)			56.02/32.53
3M Average Volume (th):			9,963.42

Shareholder Data	
No. of Ord shares (mn):	1,544
Total no. of shares (mn):	1,450
Mkt Cap Ord (Eu mn):	86,506
Total Mkt Cap (Eu mn):	86,506
Mkt Float - Ord (Eu mn):	69,263
Mkt Float (in %):	80.1%
Main Shareholder:	
Blackrock	5.9%

Balance Sheet Data	
Tangible Equity (Eu mn):	60,938
TEPS (Eu):	42.04
CET1 Ratio Fully Loaded:	16.0%
Gross NPE Ratio:	2.7%

UniCredit unveiled a strong set of results boosted by better trading and net fees offsetting slowing NII, and very low LLPs (see page 3). The key aspect of 1Q25 results is actually the CET1 ratio (see page 4), which, at 16.13%, was much better than expected. This level of CET1r may enhance the expectations of UCG raising its offers on the M&A front in order to achieve consolidation, although we reckon that the political scenario makes M&A uncertain in Italy and Germany. Uncertainty around the various M&A battles prompts us to plump for other peers. We stick to our NEUTRAL recommendation while raising our TP to €50 per share.

- **1Q25 results.** In 1Q, the group outpaced expectations for both revenue and earnings. Robust fee income from investment, financing and client-hedging activities more than offset the forecast slide by net interest income, while client-driven trading gains comfortably exceeded the firm’s own 2025 assumptions. Tight cost control pushed the cost/income ratio down to 35.4%, lifting operating profit to roughly €4.2bn, about 15% above estimates. Asset quality stayed strong, with a CoR of just 8bps (versus 19bps forecast) and no need to touch the €1.7bn in overlays already booked. Consequently, net profit came in around 21%, ahead of consensus, enabling management to raise its 2025 net profit target to above €9.3bn and to promise an even higher shareholder payout than in 2024.
- **Capital and outlook.** The CET1 ratio unexpectedly reached 16.13%. That outperformance stemmed from a softer hit from Basel4, a net boost from the appreciation of the rouble, favourable movements of FVOCI reserves, portfolio actions—including SRTs—that trimmed RWAs, and solid organic capital generation alongside the accrual for the planned €3.6bn SBB. As a result, 1Q25 excess capital has risen to roughly €8.5-10bn (about €7.5bn after stripping out volatile items such as the strategic securities book and the rouble effect). There could be further CET1 upside this year from DTA reversals (~25bps) and further RWA optimisation that could leave FY25 RWAs below the previous guidance for €300bn. Reflecting the stronger capital and earnings momentum, the bank has lifted its 2025 adjusted net-profit target to above €9.3bn, up from guidance for merely “broadly in line” with 2024—and signalled an even beefier shareholder payout than last year’s, with scope for another upgrade should NII and fee trends stay favourable.
- **Change in estimates.** We are raising our forecasts due to stronger-than-expected results. Key drivers include higher fee income, strong trading, lower operating expenses, and reduced CoR, in line with guidance. Adjusted net profit is up 3.4%, 3.1%, and 4.0% for the next three years. Adjusted EPS changes may vary in accordance with our share buyback assumptions. The CET1 ratio is expected to improve due to efficient RWA management, reinforcing the bank’s strong capital position.
- **Valuation.** Given the changes we have made on our model, we are raising our TP to €50 per share, which also reflects the 50bps higher risk premium. The stock is trading at 1.33/1.25/1.16x its FY25/26/27 TE. At target, it would trade at 1.18/1.09/1.00x.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Total income (Eu mn)	23,826	24,844	24,426	24,427	24,825
Net Operating Profit (Eu mn)	14,366	15,439	14,902	14,915	15,333
Net Profit Adj (Eu mn)	8,844	9,336	9,605	9,516	9,799
EPS New Adj (Eu)	5.166	6.046	6.626	6.926	7.546
EPS Old Adj (Eu)	5.166	6.046	6.475	6.874	7.527
DPS (Eu)	1.761	2.416	3.313	3.463	3.773
P/E Adj	10.8	9.3	8.5	8.1	7.4
Div. Yield	3.1%	4.3%	5.9%	6.2%	6.7%
P/TE	1.55	1.44	1.33	1.25	1.16
ROTE	14.3%	15.5%	15.8%	15.4%	15.6%

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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&PMIB40 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 31 March 2025 Intermonte's Research Department covered 131 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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Further information is available