

UNICREDIT

Sector: Banks

NEUTRAL

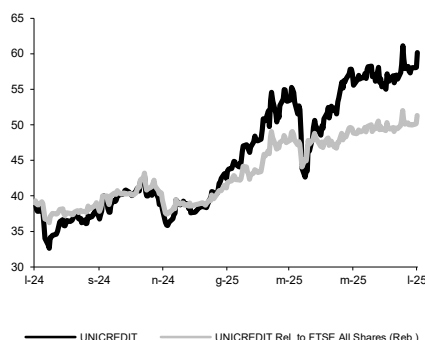
Price: Eu60.19 - Target: Eu61.00

Deploying Capital Through Strategic Equity Stakes

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 52.00 to 61.00		
	2025E	2026E	2027E
Chg in Adj EPS	8.6%	7.9%	11.6%

UNICREDIT - 12M Performance



Stock Data			
Reuters code:	CRDI.MI		
Bloomberg code:	UCG IM		
Performance	1M	3M	12M
Absolute	9.4%	20.6%	54.3%
Relative	4.6%	8.8%	37.1%
12M (H/L)	61.12/32.60		
3M Average Volume (th):	5,571.66		

Shareholder Data	
No. of Ord shares (mn):	1,558
Total no. of shares (mn):	1,470
Mkt Cap Ord (Eu mn):	93,756
Total Mkt Cap (Eu mn):	93,756
Mkt Float - Ord (Eu mn):	75,069
Mkt Float (in %):	80.1%
Main Shareholder:	
Blackrock	5.9%

Balance Sheet Data	
Tangible Equity (Eu mn):	61,913
TEPS (Eu):	42.13
CET1 Ratio Fully Loaded:	15.1%
Gross NPE Ratio:	2.7%

Yesterday UCG published its 2Q25 results, beating both our estimates and consensus due to the booking of some notable one-offs. We welcome the guidance upgrade, especially on 2027 (which now includes the consolidation of the stakes in Alpha and CBK), and also the strategy to deploy part of UCG's excess capital. However, given our updated estimates, we see no meaningful upside on the stock. We therefore stick to our NEUTRAL recommendation, while lifting our target price to €61.

■ **2Q25 results:** while the headlines show UniCredit's 2Q25 results beat estimates, this was driven by sizeable one-offs; underlying performance, stripping out the CBK-related hedging effect on trading, fell slightly short of expectations. The top line slipped QoQ (-2.7% A/E); NII held steady despite the Euribor downturn, fee income lagged as macro uncertainty weighed on Advisory & Financing, trading was dented by the CBK hedge, and dividend flows from strategic stakes only offered partial relief. OpEx were broadly flat QoQ (-1.5% A/E), marginally higher YoY on scope changes, yielding a cost/income ratio of 37.8% and an operating profit of €3.8bn, roughly 10% lower QoQ (-3.4% A/E). Below the line, credit quality remained benign, with a 10bp CoR and overlays unchanged at €1.7bn, while two non-distributable gains — the revaluation of life-insurance JVs and the badwill from consolidating the 9.9% Commerzbank stake — boosted the bottom line. Consequently, net profit reached €3.3bn. The CET1 ratio ticked down QoQ, reflecting a slight rise in RWAs and the accrual of nearly all distributable net profit (about €5.2bn in 1H).

■ **Guidance:** UCG has lifted its FY25 targets, now guiding for roughly €10.5bn in net profit, while shareholder remuneration is set at ≥€9.5bn. Looking further ahead, FY27 ambitions have been upgraded to feature net profit ≥€11bn, while cumulative FY25-27 distributions are projected at no less than €30bn.

■ **Change in estimates:** we are revising our model to incorporate the most recent quarterly disclosures: contributions from the strategic stakes in CBK and Alpha are now booked under Other Income after deducting the CBK hedging costs, lifting our FY25/26/27 projections by 0.8%, 2.6% and 3.5% respectively. We are trimming our LLP assumptions to reflect a CoR trajectory consistent with UCG's outlook, while one-off items expected in 2025 are now included. On capital, the CET1 ratio now captures the deductions arising from equity consolidation of CBK and Alpha. These changes translate into an uplift in adjusted net profit of 8.9%/8.0%/11.4% for FY25/26/27, leaving our earnings path broadly in line with the company's freshly upgraded 2025 guidance and its 2027 ambitions. Our remuneration framework assumes a 50% cash pay-out of adj. net profit complemented by a recurring share buyback equal to 45% of the same earnings measure.

■ **Valuation (NEUTRAL, TP €61):** we value UCG using a Gordon Growth implicit P/TE model. Given the change in estimates outlined above, and the reduction of the ERP to 5.5%, we are raising our target price from €52 to €61. We stick to our NEUTRAL recommendation due to the lack of upside potential. The stock is trading at 1.43/1.34/1.24x its FY25/26/27, vs. 1.44/1.35/1.26x at target.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Total income (Eu mn)	23,826	24,844	24,752	25,248	25,929
Net Operating Profit (Eu mn)	14,366	15,439	15,239	15,752	16,418
Net Profit Adj (Eu mn)	8,844	9,336	10,573	10,428	11,070
EPS New Adj (Eu)	5.166	5.993	7.194	7.497	8.442
EPS Old Adj (Eu)	5.166	5.993	6.625	6.947	7.567
DPS (Eu)	1.761	2.395	3.297	3.748	4.221
P/E Adj	11.7	10.0	8.4	8.0	7.1
Div. Yield	2.9%	4.0%	5.5%	6.2%	7.0%
P/TE	1.67	1.56	1.43	1.34	1.24
ROTE	14.3%	15.5%	17.1%	16.6%	17.4%

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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 between 5.5% - 6.0% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the FTSEMIIB40 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 newswell.

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 24 July 2025 Intermonte's Research Department covered 134 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	32.84%
OUTPERFORM:	38.06%
NEUTRAL:	29.10%
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 (79 in total) is as follows:

BUY:	53.16%
OUTPERFORM:	29.11%
NEUTRAL:	17.73%
UNDERPERFORM:	00.00%
SELL:	00.00%

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