

UNICREDIT

Sector: Banks

NEUTRAL

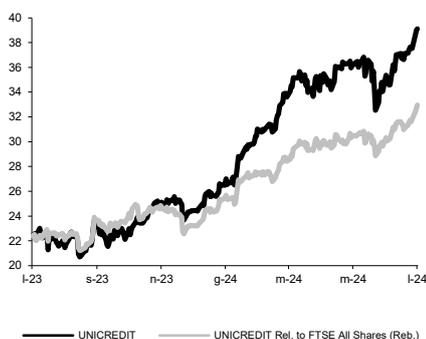
Price: Eu39.10 - Target: Eu41.40

2Q24 Results

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

Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 37.10 to 41.40		
	2024E	2025E	2026E
Chg in Adj EPS	1.97%	6.11%	7.70%

UNICREDIT - 12M Performance



Stock Data			
Reuters code:	CRDI.MI		
Bloomberg code:	UCG IM		
Performance	1M	3M	12M
Absolute	10.6%	11.8%	74.7%
Relative	8.8%	11.0%	56.1%
12M (H/L)	39.10/20.71		
3M Average Volume (th):	8,976.31		

Shareholder Data	
No. of Ord shares (mn):	1,672
Total no. of shares (mn):	1,672
Mkt Cap Ord (Eu mn):	65,381
Total Mkt Cap (Eu mn):	65,381
Mkt Float - Ord (Eu mn):	52,350
Mkt Float (in %):	80.1%
Main Shareholder:	
Blackrock	5.9%

Balance Sheet Data	
Tangible Equity (Eu mn):	60,629
TEPS (Eu):	36.26
CET1 Ratio Fully Loaded:	15.7%
Gross NPE Ratio:	2.6%

- **Unicredit presented a positive set of results in 2Q24, benefitting from a slight increase in fees (+4% A/E) much more trading revenues and 1bp of LLps. The guidance has been marginally improved on the revenues side but the bottom-line projection remains unchanged. We stand by our NEUTRAL rating.**
- **2Q24 results:** yesterday UCG reported quarterly results that beat estimates on both the top and bottom line. Key points from the quarterly release are: 1) NII basically flat QoQ and +1.9% YoY, even if Euribor rates and volumes are decreasing, due to a continuous shift towards higher-margin products and a well-managed pass-through; 2) Flattish QoQ fees and up 11% YoY, driven by AuM, Advisory & Financing, as well as Insurance fees; 3) OpEx slightly down YoY and QoQ, with an excellent 36% C/I ratio, testimony to the company's mission to offset rising cost inflation and invest in future growth; 4) a record low cost of risk (CoR: 1bp), enhancing visibility on the FY24 guidance (<20bp), and a provision on seized assets in Russia that did not affect 2Q margins.
- **Capital ratios:** the CET1 ratio remained broadly flat QoQ (16.2%, -2/3bp) due to strong capital generation, with profitability more than offsetting the high distribution of capital in the quarter, and a slight decrease in RWAs.
- **Guidance upgraded for revenues, kept for profitability with room for a beat:** the company upgraded guidance on total revenues (from c.Eu22.5bn to >Eu23bn), but profitability guidance was confirmed (>Eu8.5bn net profit, with total ordinary distribution in line with FY23: 60% payout already accrued at 1H24, cash dividend payout ratio ≥40%).
- **M&A:** concurrently with the results release, the bank made public that it has acquired two companies in the fintech sector: Vodeno, which owns and manages a proprietary cloud-based banking platform and Aion, which operates as a bank on the said platform, with the aim of targeting new clients and expanding into new markets. The mission is to have an agile and rapid proprietary operator with a minimal cost base. Limited CET1r impact (15bp), cash-out €370mn, closing in 4Q24.
- **Change in estimates:** we partially updated our estimates to reflect the new light shed in the conference call on FY24-26. The changes reflect: stable growth prospects for fee income, due to an increase in AuM, as well as AuA and AuC, the acceleration of the insurance business and the increase in Advisory fees; a well-managed CoR, that seems to be structurally low (15-19bp in our estimates), but higher risk provisions, due to exposure in several other EU countries.
- **NEUTRAL CONFIRMED, TP Eu41.4 (from Eu37.1):** although the quarter was positive and slightly surprised on the positive side, the upside we see remains limited, so we confirm NEUTRAL. In addition, although UCG is doing its best to bring domestic and cross-border exposure to Russia to zero, we still think it may negatively impact the bank's balance sheet (still ca. Eu3bn of performing loans and ca. Eu7bn of commercial deposits).

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Total income (Eu mn)	20,330	23,826	24,017	23,529	23,577
Net Operating Profit (Eu mn)	10,784	14,366	14,531	14,009	13,998
Net Profit Adj (Eu mn)	5,610	8,637	9,170	8,751	8,692
EPS New Adj (Eu)	2.899	5.071	5.484	5.643	6.041
EPS Old Adj (Eu)	2.899	5.071	5.378	5.318	5.609
DPS (Eu)	0.987	1.770	2.193	2.257	2.416
P/E Adj	13.5	7.7	7.1	6.9	6.5
Div. Yield	2.5%	4.5%	5.6%	5.8%	6.2%
P/TE	1.24	1.08	1.08	0.99	0.91
ROTE	9.2%	14.0%	15.1%	14.3%	14.1%

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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)

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&PMB40 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.

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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:	23.97 %
OUTPERFORM:	49.59 %
NEUTRAL:	25.61 %
UNDERPERFORM	00.83 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (49 in total) is as follows:

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

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Emittente	%	Long/Short
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