Milan, 26 November 2024

Italian Equity Research – Company Update

UNICREDIT

NEUTRAL

Sector: Banks

Price: Eu36.27 - **Target: Eu43.60**

All Paper PTO on BAMI (Take 2)

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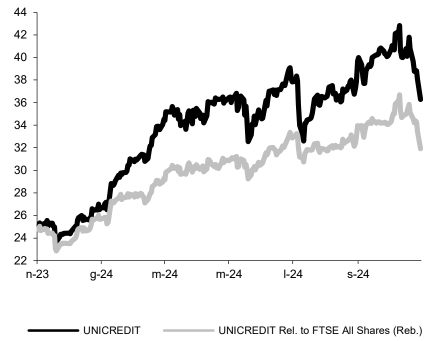
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2024E	**2025E**	**2026E**
Chg in Adj EPS	0.1%	1.0%	1.9%

UNICREDIT - 12M Performance



Stock Data			
Reuters code:			CRDI.MI
Bloomberg code:			UCG IM
Performance	**1M**	**3M**	**12M**
Absolute	-9.7%	-0.7%	44.4%
Relative	-6.1%	-0.1%	31.0%
12M (H/L)			42.84/23.68
3M Average Volume (th):			8,793.36

Shareholder Data	
No. of Ord shares (mn):	1,629
Total no. of shares (mn):	1,629
Mkt Cap Ord (Eu mn):	59,086
Total Mkt Cap (Eu mn):	59,086
Mkt Float - Ord (Eu mn):	47,309
Mkt Float (in %):	80.1%
Main Shareholder:	
Blackrock	5.9%

Balance Sheet Data	
Tangible Equity (Eu mn):	63,935
TEPS (Eu):	39.25
CET1 Ratio Fully Loaded:	16.2%
Gross NPE Ratio:	2.6%

Yesterday, UniCredit launched an all-paper takeover bid on Banco BPM, offering 0.175 UCG shares for every share in Banco BPM, which we find to be not adequate, given it is in line with current market prices. The implied premium is too low to price in the €1.2bn of pre-tax synergies and the potential that UCG may extract from the deal including the benefits of the BancoBPM product companies. All in all, we find the offer NOT ADEQUATE. Given the parties involved, it is also unclear what backing the Italian Government may give on this deal. The industrial synergies are relevant given the significant industrial fit of the merger. The payout proposal also looks a salient issue, with UCG to consider its buyback policy after the deal is finalized. Our target price on the BAMI stock of €7.9 remains well above the offer price as well as the closing prices of the two stocks, with a circa 10% gap compared to the price offered.

- **Brief description of the bid:** the PTO, as stated above, is based on an exchange ratio of 0.175x, meaning 0.175 UCG shares for every BAMI share bought. The offer was based on the prices on 22 November, implying an offer price of €6.657/s, and a total consideration of ca. €10.1bn for all 1,515mn BAMI shares. The offer premium was almost non-existent compared to 22 November prices (~0.5%).
- **Main pointers from the conference call:** during the conference call, management expressed confidence on the M&A conditions and on acceptance of the offer, citing strong combined profitability. They projected a ~70bps CET1 impact, contingent on the success of Banco BPM's PTO for Anima and approval of the Danish Compromise, which, if not met, could raise the impact to ~140bps. The €1.7bn overlays are expected to be released gradually, with no plans for immediate use**.**
- **Financial perspective**: UniCredit expects the Banco BPM transaction to deliver high single-digit EPS accretion within two years, driven by €1.2bn annual synergies (€900mn cost, €300mn revenue). The deal is forecast to achieve a risk-adjusted ROI above 15%, exceeding UniCredit's growth targets, while keeping a strong pro-forma CET1 ratio above 15%, ensuring financial resilience and enhanced shareholder returns.
- **Political backdrop:** according to press reports, the deal does not appear to have been fully agreed with the Italian Government, which may view the offer as "unsolicited." This is significant given the involvement of other corporates with government ties, such as BMPS, Anima, FSI, and Poste. The PTO on Banco BPM by UniCredit faces challenges, as Banco BPM is itself pursuing an offer on Anima and taking a stake in BMPS, which is undergoing privatization. Combined with UniCredit's offer price being perceived as "lower than expected," the scenario appears complex and counterintuitive.
- **Neutral, TP €43.60 (Both confirmed):** Our preliminary view is that the price offered is not attractive for BAMI shareholders, though the market has already recognized this. While the projected synergies are significant and achievable, given the complementary footprints and minimal franchise overlap, UniCredit's proven ability to realize these synergies further strengthens this potential. However, the offer fails to fully compensate BAMI shareholders for the true value and long-term benefits their bank brings to the transaction. We remind that minor Adj. EPS changes are related to SBB assumptions. Stock is now trading at 0.92/0.85/0.78x its FY24/25/26 TE.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Total income (Eu mn)	20,330	23,826	24,775	24,595	24,577
Net Operating Profit (Eu mn)	10,784	14,366	15,331	15,157	15,056
Net Profit Adj (Eu mn)	5,610	8,614	9,491	9,130	9,097
EPS New Adj (Eu)	2.899	5.031	5.827	6.071	6.532
EPS Old Adj (Eu)	2.899	5.031	5.822	6.012	6.411
DPS (Eu)	0.987	1.761	2.331	3.035	3.266
P/E Adj	12.5	7.2	6.2	6.0	5.6
Div. Yield	2.7%	4.9%	6.4%	8.4%	9.0%
P/TE	1.15	1.00	0.92	0.85	0.78
ROTE	9.2%	13.9%	14.8%	14.2%	14.0%

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- 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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OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
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UNDERPERFORM: stock expected to underperform the market by between –10% and -25% over a 12 month period;
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Prices: The prices reported in the research refer to the price at the close of the previous day of trading

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NEUTRAL:	23.67 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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