

# BPER

Sector: Banks

# NEUTRAL

Price: Eu2.96 - Target: Eu4.10

## Strong 3Q23 and a guidance improvement

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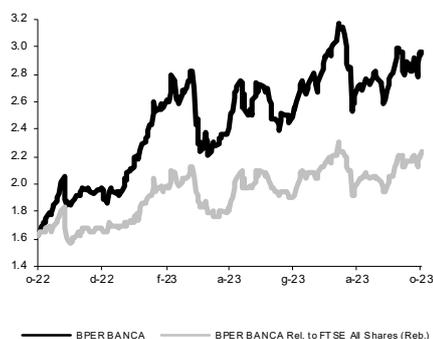
### Stock Rating

<b>Rating:</b>	Unchanged		
<b>Target Price (Eu):</b>	Unchanged		
	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
<b>Chg in Adj EPS</b>	0.0%	0.0%	0.0%

### Next Event

Results Out 8 Nov, 2023

### BPER - 12M Performance



### Stock Data

Reuters code:	EMII.MI		
Bloomberg code:	BPE IM		
<b>Performance</b>	<b>1M</b>	<b>3M</b>	<b>12M</b>
Absolute	6.9%	0.8%	82.0%
Relative	8.2%	3.3%	49.1%
12M (H/L)	3.17/1.65		
3M Average Volume (th):	17,592.77		

### Shareholder Data

No. of Ord shares (mn):	1,416
Total no. of shares (mn):	1,416
Mkt Cap Ord (Eu mn):	4,191
Total Mkt Cap (Eu mn):	4,191
Mkt Float - Ord (Eu mn):	2,880
Mkt Float (in %):	68.7%
Main Shareholder:	
Unipol	19.7%

### Balance Sheet Data

Tangible Equity (Eu mn):	8,084
TEPS (Eu):	5.71
CET1 Ratio Fully Loaded:	14.0%
Gross NPE Ratio:	3.3%

■ **A strong 3Q ...** 3Q23 results are due out 8 November. We expect a sound set of results with the stated bottom line above €0.3bn. NII is seen “virtually” contracting QoQ on a lack of TLTRO contributions (some €50m), the issuing of the Senior note (4/9/23 €500m 5.75% or mid-swap+260bp), and, to a lesser extent, no remuneration of MRR (since 20 Sept.). On the other hand, we see reduced seasonality on net fees and OpEx, triggering an increase in operating profit to €0.7bn, more or less 2x YoY. Below the operating line, we see only 45bp of LLPs for €100m and other risk provisions (incl. DGS) of €130m. We have assumed a 22% tax rate, in line with previous quarters.

■ **... to trigger an increase in guidance ...** Assuming >€0.3bn net profit in 3Q or >€1bn in 9M, our gut feeling is for an increase (again) in guidance for FY23 from €1.1bn to >€1.2bn. This is the result of likely higher NII (guidance at €2.8bn, 9M at €2.4bn), stable net fees (guidance €2bn, 9M at €1.5bn), stable OpEx (guidance at €2.7bn, 9M at €2bn), and (we argue) CoR to be cut given that the guidance is for 60bp vs <50bp posted so far.

■ **... and pave the way to improved payout?** This possible new guidance that management may unveil could also pave the way to an improvement of the dividend policy. Room for improvement is self-explanatory, in our view: the current payout is fairly limited at 35% and must be compared to a 14% CET1r, seen rather flattish QoQ. The street may start arguing that a buyback could also be the way to improve shareholder remuneration: we believe that while this option is better on paper, it would be difficult in practice given the presence of an important shareholder that would see its stake shift upward from 20%.

■ **M&A vs capital buffer: payout is now key.** Management has so far delivered better-than-expected results, with sharp de-risking coupled to rising regulatory capital; this mix laid solid foundations for external growth that ended with BPER doubling its assets in a few years via CRFerrara, Unipol Banca and lately UBI Banca. We believe that management should push the bank into a stronger re-rating, unveiling a more shareholder-friendly approach: this would likely force the street to look at BPER in a different light and reconsider the investment case as not based solely on M&A. Valuation-wise, the stock looks more than interesting if we focus on an almost 10% DPS yield in the light of a 0.46x P/T-NAV vs BancoBPM at almost 0.6x.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Total income (Eu mn)	3,388	3,958	5,038	4,879	4,947
Net Operating Profit (Eu mn)	901	1,171	2,266	2,064	2,090
Net Profit Adj (Eu mn)	187	436	1,087	905	952
EPS New Adj (Eu)	0.132	0.308	0.768	0.639	0.672
EPS Old Adj (Eu)	0.132	0.308	0.768	0.639	0.672
DPS (Eu)	0.060	0.120	0.270	0.280	0.300
P/E Adj	22.3	9.6	3.9	4.6	4.4
Div. Yield	2.0%	4.1%	9.1%	9.5%	10.1%
P/TE	0.67	0.57	0.52	0.49	0.46
ROTE	3.0%	5.9%	13.4%	10.5%	10.4%