

POSTE ITALIANE

NEUTRAL

Sector: Asset mgmt

Price: Eu9.52 - Target: Eu10.40

Taking a Pause awaiting The Plan: Downgrade to NEUTRAL

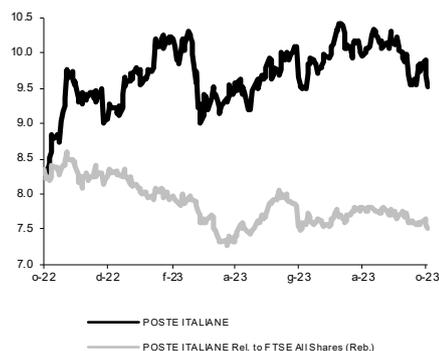
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Stock Rating			
Rating:	from OUTPERFORM to NEUTRAL		
Target Price (Eu):	from 12.00 to 10.40		
	2023E	2024E	2025E
Chg in Adj EPS	-2.9%	-2.9%	-2.0%

Next Event

 Results Out November 7th

POSTE ITALIANE - 12M Performance



Stock Data			
Reuters code:	PST.MI		
Bloomberg code:	PST IM		
Performance	1M	3M	12M
Absolute	-5.9%	-4.5%	14.0%
Relative	-2.2%	-0.6%	-12.6%
12M (H/L)	10.41/8.24		
3M Average Volume (th):	1,847.03		

Shareholder Data	
No. of Ord shares (mn):	1,306
Total no. of shares (mn):	1,306
Mkt Cap Ord (Eu mn):	12,437
Total Mkt Cap (Eu mn):	12,437
Mkt Float - Ord (Eu mn):	4,440
Mkt Float (in %):	35.7%
Main Shareholder:	
Cassa Depositi e Prestiti SpA	35.0%

Balance Sheet Data	
Book Value (Eu mn):	14,068
BVPS (Eu):	9.21

- 3Q23 expected to be impacted by one-off labour costs while still on track to hit FY23 guidance.** On November 7th Poste will release 3Q results that overall we expect to be soft at operating level and impacted by a one-off employee performance bonus estimated at almost €100mn. In detail: we expect revenues to have come to €2,805mn, +2.8% YoY / -6.7% QoQ with Mail, Parcel & Distribution almost flat YoY, Insurance Services at €367mn (+5.5% YoY) and the Payments & Mobile division at €395mn (+33.1% YoY), benefitting from full consolidation of LIS (1 month only in 3Q22). Operating profit is expected to have come to €526mn (-19.9% YoY) or €622mn (-5.3% YoY) ex labour cost one-off. The increase is mainly due to the recognition in the quarter of 2/3 of the one-off extraordinary employee performance bonus as indicated by unions during the summer at €1.2k per employee. The remaining 1/3 will be recognized in 4Q23. Net income is expected at Eu 375mn (down 17.3% YoY) or €442mn (-2.6% YoY) ex labour cost one-off. On November 20 Poste will pay the interim dividend for FY23 expected at €0.24ps.
- Awaiting the new Strategic Plan.** While initial management plans were to disclose the new Strategic Plan by the end of 2023, we cannot rule out a delay to 1Q24 as the renewal of the labour contract is still ongoing. In our view, after achieving an impressive ~4k average FTEs p.a. reduction in 2017-2022, Poste will aim to limit salary inflation and focus on flexibility. We expect a salary increase between 8%/12% to be implemented in various stages over the Plan: Poste management has demonstrated very good negotiating skills with unions in the past, such as offering alternative forms of compensation, and in this sense the employee performance bonus is a good starting point. Another uncertainty could be potential discussions on the partial disposal of the Treasury ~30% stake as the government seeks to achieve ~€20bn in privatizations.
- Change in estimates.** We are slightly tweaking revenue estimates by 1.8% to €11,947mn for 2023, while raising by 1.0% to €12,272mn for 2024 and by 3.8% to €12,818mn for 2025. At adjusted operating profit level, we are trimming our expectations for 2023/2024/2025 by -5.2%/-6.6%/-3.7% respectively, mostly to include higher personnel costs. The adj. EPS revision is -2.9%/-2.9%/-2.0%. We keep the DPS for 2023 unchanged and in line with company guidance, while we raise the 2024/2025 payout. We believe this should be one of the main topics of the new BP and our current payout assumptions of ~54/56% could prove conservative.
- NEUTRAL from OUTPERFORM; target from €12.0 to €10.4.** We are downgrading our recommendation on the stock to factor slightly lower estimates, lower gearing for NII to higher yields compared to banks, and a possible delay to BP presentations that remain a potential catalyst for the stock. We have also revised our SOP valuation to take into account multiples de-ratings by segment peers: our new fair value is €10.4 from the previous €12.0, offering limited upside on the current stock price. The risk of a placement by the Italian Treasury could weigh on the stock in the S/T along with the renewed pressure on the Italian government spreads. We prefer to stay on the sidelines pending the new BP timing.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Commissions Income (Eu mn)	2,891	2,694	2,706	2,805	2,847
Total Income (Eu mn)	11,220	11,889	11,947	12,271	12,818
Net Operating Profit (Eu mn)	1,845	2,289	2,430	2,590	2,894
Net Profit Adj (Eu mn)	1,405	1,574	1,826	1,943	2,113
EPS New Adj (Eu)	1.076	1.205	1.398	1.488	1.618
EPS Old Adj (Eu)	1.076	1.205	1.440	1.531	1.650
DPS (Eu)	0.590	0.650	0.709	0.782	0.876
Market Cap/F.U.M.	4.7%	4.4%	4.3%	4.1%	3.9%
P/E Adj	8.9	7.9	6.8	6.4	5.9
Div. Yield	6.2%	6.8%	7.4%	8.2%	9.2%
ROE	11.7%	12.3%	13.4%	13.4%	13.6%