

BANCA IFIS

Sector: Banks

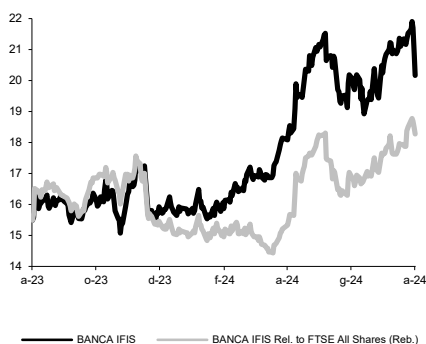
2Q24 beat

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

Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 24.10 to 25.00		
	2024E	2025E	2026E
Chg in Adj EPS	3.4%	4.1%	6.5%

BANCA IFIS - 12M Performance



Stock Data

Reuters code:	IF.MI		
Bloomberg code:	IF IM		
Performance	1M	3M	12M
Absolute	-0.4%	-4.7%	30.1%
Relative	3.8%	0.2%	20.0%
12M (H/L)	21.90/15.08		
3M Average Volume (th):	145.15		

Shareholder Data

No. of Ord shares (mn):	54
Total no. of shares (mn):	54
Mkt Cap Ord (Eu mn):	1,085
Total Mkt Cap (Eu mn):	1,085
Mkt Float - Ord (Eu mn):	453
Mkt Float (in %):	41.7%
Main Shareholder:	
La Scogliera	50.5%

Balance Sheet Data

Tangible Equity (Eu mn):	1,653
TEPS (Eu):	30.71
CET1 Ratio Fully Loaded:	14.8%
Gross NPE Ratio:	5.1%

OUTPERFORM

Price: Eu20.16 - Target: Eu25.00

- **Banca Ifis presented a sound set of 2Q24 results: the A/E beat is broadly based with a better top line offsetting higher OpEx. The bottom-line guidance and the payout policy were confirmed, even if we expect there may be upside potential given the strong capital position (CET1r at 15.32%). The financial position is very solid with Eu1.7bn of available cash, and the TLTRO repayment almost completed (Eu0.4bn to be done in Sept.24). We have fine-tuned our estimates and slightly revised upwards (to Eu25/s) the target price.**
- **2Q24 results:** this set of results came in better than expected, with the top line ~9% higher than we estimated, mainly thanks to resilient NII and trading income that came to Eu18.8mn (vs. our estimate of Eu12.8mn). OpEx was in line with estimates, and flat both QoQ and YoY. The cost of risk (CoR) was 2bp lower than our forecast, while the annual SRF contribution was entirely booked in 1H. This led to pre-tax profit of Eu71mn, and net profit of Eu46mn (+13.4% and + 6.9% A/E respectively).
- **Feedback from conference call:** during the call, management made it clear that guidance is confirmed for now (FY24 net profit Eu160mn) but may be revised upwards following 3Q results. The reason is that those numbers, including a Eu110mn dividend (based on net profit guidance, Eu114mn based on our estimates), were projected with some macro assumptions that have not yet come into being (3 rate cuts and higher AQ deterioration), but management still wants to remain cautious with projections, partly due to some seasonality that historically affects 3Q. On AQ, with the exception of defaults in some individual cases, there has been no sign of any deterioration, as demonstrated by the decreasing payment days. They also left no room for maxi-dividends, nor for SBB, even though the large capital position could permit it. CEO Furstenberg indicated they would prefer to invest part of the capital buffer in the company to grow the business further (i.e. what they did with Revalea, which is already bringing in some Eu5.5mn of revenues in NPL business).
- **Change in estimates:** we are revising our estimates slightly upwards, due to a different mix in top line revenues (flattish NII, slightly higher fees and higher trading), slightly higher OpEx, and lower provisions (due to a macro scenario that doesn't seem to be deteriorating). Our estimates also embed a higher dividend (Eu117mn/Eu119mn/Eu124mn for FY24/25/26), and we think that the strong capital position on which they're sitting can lead to a higher payout policy, or some selective M&A like the Revalea deal.
- **OUTPERFORM confirmed, TP to Eu25 (from Eu24.10):** given our higher estimates and the brighter outlook we are raising our TP, obtained through a Gordon Growth Model, as an average of the FY25/26 valuation. IFIS is in the top 3 for dividend yields in our coverage, it produces quality results through organic growth (and sometimes with high quality and accretive deals), and we think that the better-than-expected macro scenario will further support margin improvement.

Key Figures & Ratios	2022A	2023A	2024E	2025E	2026E
Total income (Eu mn)	700	730	745	754	763
Net Operating Profit (Eu mn)	290	299	306	311	319
Net Profit Adj (Eu mn)	134	153	167	169	174
EPS New Adj (Eu)	2.481	2.844	3.104	3.149	3.238
EPS Old Adj (Eu)	2.481	2.988	3.002	3.026	3.041
DPS (Eu)	1.400	2.046	2.175	2.220	2.308
P/E Adj	8.1	7.1	6.5	6.4	6.2
Div. Yield	6.9%	10.2%	10.8%	11.0%	11.5%
P/TE	0.71	0.68	0.66	0.64	0.62
ROTE	8.7%	9.5%	10.1%	10.0%	9.9%

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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.

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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 %

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BUY:	38.78 %
OUTPERFORM:	51.02 %
NEUTRAL:	10.20 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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