

BANCA IFIS

Sector: Banks

OUTPERFORM

Price: Eu16.42 - Target: Eu21.10

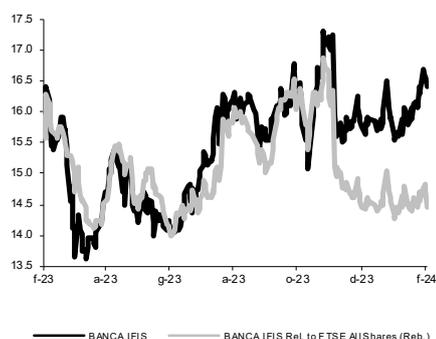
Cash Cow: 18% yield in 15 months...

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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 20.30 to 21.10		
	2024E	2025E	2026E
Chg in Adj EPS	6.6%	2.2%	

BANCA IFIS - 12M Performance



Stock Data

Reuters code:	IF.MI
Bloomberg code:	IF IM

Performance	1M	3M	12M
Absolute	5.2%	-3.4%	3.1%
Relative	0.9%	-11.0%	-10.4%
12M (H/L)	17.32/13.61		
3M Average Volume (th):	137.55		

Shareholder Data

No. of Ord shares (mn):	54
Total no. of shares (mn):	54
Mkt Cap Ord (Eu mn):	884
Total Mkt Cap (Eu mn):	884
Mkt Float - Ord (Eu mn):	369
Mkt Float (in %):	41.7%
Main Shareholder:	
La Scogliera	50.5%

Balance Sheet Data

Tangible Equity (Eu mn):	1,667
TEPS (Eu):	30.98
CET1 Ratio Fully Loaded:	14.5%
Gross NPE Ratio:	4.9%

- In 2023, Banca Ifis posted record net profit and 2024 should see a very similar result, likely a touch higher. On this basis, Ifis could pay out 25% of its market cap in 2 years, of which 18% in the next 15 months. In what appears to be a difficult environment, this yield looks supportive: the DPS policy is a kind of *mantra* for Ifis and we guess it is not open to question given the structure of their P&L and balance sheet strength. While at this stage we reckon there may be a couple of *caveats* in terms of 2024 earnings upside potential (funding costs and CoR), the yield suggests the stock valuation is self-hedged. We therefore have fine tuned our estimates with a slight increase in the bottom line, move the TP to €21.10 and keep our rating unchanged.
- Payout policy remains the *key topic* for the Group. As a reminder: the all-cash DPS is 50% up to €100m net profit and then 100% on the remaining bottom line. This means a payout of almost 70% and a yield of 25% in 2 years. As for the 2023 DPS: €110m total dividend, €63m (€1.2/s) paid in Nov.23 and €47m (€0.90/s) to be paid on 23 May 2024. Given that the 2024 bottom line is seen in line with 2023, we expect the same number for 2024. The Group's healthy capital position is self-evident and the cash dividend payout must, in our view, be taken for granted.
- Liquidity: this was something the street focused on given high rates and the cost of bonds issuance. Ifis prepaid €0.5bn of TLTRO (maturity was Sept.24) and planned another €0.5bn prepayment by March.24: in short, maturities are well covered. This is the result of management setting up a number of actions to deal with reimbursement: the available cash projected is more than €1bn post full TLTRO repayment. Available cash at €1.4bn on FY23 (i.e. after the first repayment), significantly above Ifis' target level.
- 2023/4Q23: Banca Ifis (Ifis) reported 2023 results that overall were bang in line, with FY net profit of €160m (+17% YoY), which was the guidance they have constantly reiterated. In 4Q23, revenues jumped +17% YoY, with commercial banking posting a solid performance, the NPL division benefitting from workout seasonality, the add-ons from recently consolidated Revalea, and the disposal of certain portfolios. OpEx peaked at €119m (+30% Q/Q) on labour contract renewal, Revalea, and variable costs linked to the 4Q NPL workout seasonality.
- Guidance: 2024 may take its toll in terms of NII increasing funding costs and LLPs, which we believe Ifis can offset via existing overlays. Guidance is for a flattish YoY bottom line of €160m, which we believe can be exceeded, especially if rates start decreasing. The good news is that after Revalea, Ifis does not need to chase new NPLs and can concentrate on working out the hefty "backlog" of positions it obtained in the deal.
- **OUTPERFORM confirmed; TP to €21.1:** We adjusted 2024-2025 estimates with a marginal GOP cut but moving up the Net profit line on lower LLPs: the Revalea deal have set up an important NPLs backlog which means Ifis seems not to be chasing for new NPL opportunities; at the same time, we assume a better asset quality that may get the most from the use of overlays.

Key Figures & Ratios	2021A	2022A	2023A	2024E	2025E
Total income (Eu mn)	627	700	706	717	726
Net Operating Profit (Eu mn)	247	290	303	294	299
Net Profit Adj (Eu mn)	93	134	161	162	164
EPS New Adj (Eu)	1.723	2.481	2.988	3.002	3.049
EPS Old Adj (Eu)	1.723	2.481	2.941	2.817	2.983
DPS (Eu)	0.950	1.400	2.059	2.073	2.120
P/E Adj	9.5	6.6	5.5	5.5	5.4
Div. Yield	5.8%	8.5%	12.5%	12.6%	12.9%
P/TE	0.58	0.58	0.55	0.53	0.51
ROTE	6.0%	8.7%	9.9%	9.7%	9.6%