Milan, 07 March 2025

**Italian Equity Research – Company Update**

# BANCA IFIS

## OUTPERFORM

*Sector: Banks*

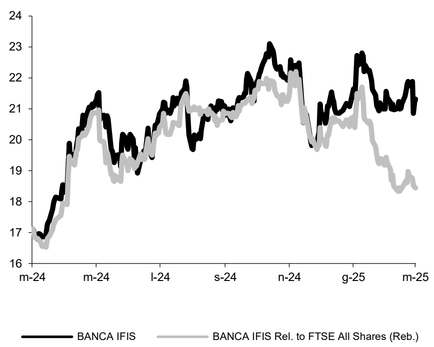
Price: Eu21.32 - **Target: Eu25.00**

## M&A for Long-Term Value Creation


**Fabrizio Bernardi +39-02-77115.387**
fabrizio.bernardi@intermonte.it
**Lorenzo Giacometti +39-02-77115.244**
lorenzo.giacometti@intermonte.it


| **Stock Rating** | | | |
|---|---|---|---|
| **Rating:** | | | Unchanged |
| **Target Price (Eu):** | | | Unchanged |
| | **2025E** | **2026E** | **2027E** |
| **Chg in Adj EPS** | -5.7% | -7.6% | |

**BANCA IFIS - 12M Performance**




| **Stock Data** | | | |
|---|---|---|---|
| Reuters code: | | | IF.MI |
| Bloomberg code: | | | IF IM |
| **Performance** | **1M** | **3M** | **12M** |
| Absolute | -1.1% | 2.0% | 24.5% |
| Relative | -5.3% | -9.0% | 8.9% |
| 12M (H/L) | | | 23.10/16.79 |
| 3M Average Volume (th): | | | 156.12 |

| **Shareholder Data** | |
|---|---|
| No. of Ord shares (mn): | 54 |
| Total no. of shares (mn): | 54 |
| Mkt Cap Ord (Eu mn): | 1,147 |
| Total Mkt Cap (Eu mn): | 1,147 |
| Mkt Float - Ord (Eu mn): | 479 |
| Mkt Float (in %): | 41.7% |
| Main Shareholder: | |
| La Scogliera | 50.5% |

| **Balance Sheet Data** | |
|---|---|
| Tangible Equity (Eu mn): | 1,697 |
| TEPS (Eu): | 31.53 |
| CET1 Ratio Fully Loaded: | 15.5% |
| Gross NPE Ratio: | 4.8% |

**Banca Ifis' voluntary exchange and tender offer for illimity will strengthen Banca Ifis leadership in specialty finance focused on SMEs. The transaction has a strong industrial rationale and is strongly supported by the Fürstenberg family. We are positive on the deal.**
**IF distributed €295mn dividends in 2022-24 and an attractive dividend is a strong part of the equity story, and will continue to be, as the dividend policy is confirmed, leading to a dividend yield of ca. 10%.**
**We confirm our positive view on Ifis on a standalone basis given its track record of delivering positive results and remuneration, and we stick to our OUTPERFORM recommendation and TP of €25.**

- **Banca Ifis: an Equity story focused on delivering (p.3).** The bank's equity story is focused on delivering high profitability and remuneration for its shareholders through consistent industrial and managerial actions aimed at fostering the growth of group earnings and maintaining the progressive dividend policy adopted in 2023. The bank's track record speaks for itself, exceeding the main financial targets of the 2022-24 Business Plan: cumulative net profit +11% vs. target, cumulative remuneration +47% vs target, and a CET1 ratio +100bps vs target.
- **illimity (from p.6).** illimity was founded with a focus on NPLs. Following the maturity of the NPL market and the calendar provisioning regulation, the bank switched its strategic focus to corporate banking and tech initiatives. Corporate Banking has been a success, while profitability on tech initiatives may be visible only in the M/L term.
- **Combined Entity (from p.11).** We provide two scenarios:
  1. A base case, with the synergies estimated by Ifis: €12.5mn of revenue synergies in 2026 and €25mn in 2027; €25mn of OpEx synergies in 2026 and €50mn in 2027; €110mn of integration costs in 2025.
  2. A conservative case, assuming a longer timeframe for synergies and higher integration costs: 20% of revenue synergies in 2026, 50% in 2027 and 100% from 2028; 25% of OpEx synergies in 2026, 50% in 2027 and 100% from 2028; €110mn of integration costs in 2025 and a €50mn headwind in 2026.

  Value creation is strong in both cases, featuring double-digit accretion of adj. EPS and DPS. Multiples would still be attractive, implying a potential stock re-rating.
- **Valuation (standalone):** FY24 results (p.16) were positive and in line with estimates, highlighting 2025 net profit broadly in line with 2024, assuming no significant deterioration in the macroeconomic and geopolitical environment.
  In terms of estimates (p.17), we have reduced NII and OpEx, and we also assumed lower LLPs due to the allocation of overlays. As a result, we cut FY25/26 adj. EPS by -5.7%/-7.6%. We then roll forward our valuation, based on a 2026/27 GGM, having published FY27 figures. The stock is now trading at 0.68/0.66x its FY25/26 TE; at target it would trade at 0.79/0.77x.

| **Key Figures & Ratios** | **2023A** | **2024A** | **2025E** | **2026E** | **2027E** |
|---|---|---|---|---|---|
| Total income (Eu mn) | 730 | 733 | 714 | 726 | 741 |
| Net Operating Profit (Eu mn) | 310 | 292 | 276 | 288 | 300 |
| Net Profit Adj (Eu mn) | 153 | 156 | 160 | 164 | 168 |
| EPS New Adj (Eu) | 2.843 | 2.899 | 2.978 | 3.042 | 3.121 |
| EPS Old Adj (Eu) | 2.844 | 3.002 | 3.159 | 3.291 | |
| DPS (Eu) | 2.046 | 2.120 | 2.098 | 2.163 | 2.243 |
| P/E Adj | 7.5 | 7.4 | 7.2 | 7.0 | 6.8 |
| Div. Yield | 9.6% | 9.9% | 9.8% | 10.1% | 10.5% |
| P/TE | 0.72 | 0.70 | 0.68 | 0.66 | 0.64 |
| ROTE | 9.5% | 9.5% | 9.4% | 9.4% | 9.3% |




**Intermonte SIM S.p.A. Milan 20122 (Italy) -** Galleria de Cristoforis, 7/8 - phone: +39-02-77115.1 - fax: +39-02-77115.300
**New York (US) -** Plural Securities - 950 Third Avenue, suite 1702, zip 10022, New York - USA - Phone 1 212 388-5600 **www.intermonte.it**

Intermonte

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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.

Reports on all companies listed on the S&PMIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.

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.

Explanation of our ratings system:

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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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 December 2024 Intermonte's Research Department covered 132 companies.

As of today Intermonte's distribution of stock ratings is as follows:

| | |
|---|---|
| BUY: | 30.60 % |
| OUTPERFORM: | 43.28 % |
| NEUTRAL: | 26.12 % |
| UNDERPERFORM | 00.00 % |
| SELL: | 00.00 % |

As at 31 December 2024 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (71 in total) is as follows:

| | |
|---|---|
| BUY: | 50.70 % |
| OUTPERFORM: | 29.58 % |
| NEUTRAL: | 19.72 % |
| UNDERPERFORM | 00.00 % |
| SELL: | 00.00 % |

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**Intermonte acts as financial advisor to Banco BPM in the context of the offer promoted by UniCredit**

**Intermonte acts as ECM advisor to Banca Ifis in the offer promoted on illimity Bank**

**Intermonte acted as financial advisor to Retex S.p.A. – Società Benefit in relation to the voluntary public tender offer launched on Alkemy S.p.A.**

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| Emittente | % | Long/Short |
|---|---|---|



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