Milan, 23 May 2025

Italian Equity Research – Company Update

BANCA IFIS

OUTPERFORM

Sector: Banks

Price: Eu23.46 - **Target: Eu25.00**

illimity: To Tender or Not To Tender? Not Even a Question

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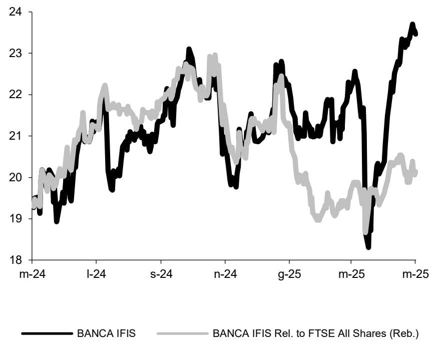
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			Unchanged
	2025E	**2026E**	**2027E**
Chg in Adj EPS	0.0%	0.0%	0.0%

BANCA IFIS - 12M Performance



Stock Data			
Reuters code:			IF.MI
Bloomberg code:			IF IM
Performance	**1M**	**3M**	**12M**
Absolute	15.1%	10.8%	21.4%
Relative	3.0%	5.9%	4.9%
12M (H/L)			23.70/18.31
3M Average Volume (th):			187.62

Shareholder Data	
No. of Ord shares (mn):	54
Total no. of shares (mn):	54
Mkt Cap Ord (Eu mn):	1,262
Total Mkt Cap (Eu mn):	1,262
Mkt Float - Ord (Eu mn):	527
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:	16.8%
Gross NPE Ratio:	4.8%

Banca Ifis is now enjoying strong positive momentum, both in terms of earnings and future expected accretion, given the positive 1Q25 results and the ongoing VTEO.

The offer period started on 19 May, and will last until 27 June. We highlight that the offer is still at a 1.58% premium vs. the ILTY stock price, suggesting it is likely to go through without any bump, given the support of Ifis' controlling shareholder. In our view, the deal is highly synergistic and accretive, driving further potential upside on top of our TP. We stick to our OUTPERFORM recommendation and TP of €25.

- **Tender offer update (page 3):** on 17 April, Banca Ifis's shareholders approved a capital raise to service its voluntary tender and exchange offer on illimity Bank, introducing a sub-threshold condition of 45%+1 share. This reflects the Fürstenberg family's strong support for both the deal and its strategic rationale, despite market volatility and illimity's unexpected 4Q24 write-offs. However, improvements to the terms of the offer are unlikely, as these losses reduce Banca Ifis's financial flexibility. The offer still includes a 1.58% premium to yesterday's closing price of illimity.
- **illimity's Issuer notice (page 4):** illimity's BoD has concluded that Banca Ifis's offer is fair, from a purely financial point of view, but notes some uncertainties, including the lack of a standalone business plan from Ifis, the risk that synergies may be harder to extract if full control of the ILTY EGM is not achieved, possible integration challenges that could erode expertise, IT migration hurdles, and employment issues tied to integration costs and expected HR synergies. Our analysis concurs that the price is equitable; Ifis's proven ability to hit targets and its expected acquisition of at least two-thirds of illimity's shares mitigate many concerns. The projected €110mn integration costs appear reasonable against Ifis's robust 16.6% CET1 ratio, which offers ample capital headroom. Any exit costs for IT contracts should be absorbable, and the €20mn in HR synergies match illimity's own cost-cutting plans. Taken together, Ifis's track-record and financial strength leave it well placed to manage these uncertainties and realise the benefits expected from the deal.
- **illimity: To tender or not to tender? Not even a question (page 5):** if ILTY shareholders accept the offer and tender their shares, they will receive both cash and newly-issued Ifis stock, gaining exposure to a larger specialty-finance group with a more resilient earnings profile, a substantial EPS uplift from synergies and illimity's contribution, attractive remuneration, and the potential to re-rate further. Shareholders refusing the offer would hold an increasingly illiquid stock while awaiting a future merger that Ifis is likely to pursue once it crosses the takeover thresholds, leaving investors exposed to uncertainty over both price and liquidity. We therefore believe tendering offers the clearest, safest path to value creation.
- **Valuation:** as shown on page 9, regarding the combined entity, we project fair-value targets of €28.3 per share in a base-case scenario that assumes synergies' extraction on schedule, and €26 in a more cautious scenario that stretches the synergies timetable. Given Ifis's consistent record of reaching goals, we maintain a positive view on the stock, which is now trading at 0.74/0.72/0.70x its FY25/26/27 TE, or 0.79/0.77/0.75x at target.

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)	2.843	2.899	2.978	3.042	3.121
DPS (Eu)	2.046	2.120	2.098	2.163	2.243
P/E Adj	8.3	8.1	7.9	7.7	7.5
Div. Yield	8.7%	9.0%	8.9%	9.2%	9.6%
P/TE	0.79	0.77	0.74	0.72	0.70
ROTE	9.5%	9.5%	9.4%	9.4%	9.3%

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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 between 5.5%-6.0% 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 March 2025 Intermonte's Research Department covered 131 companies.

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

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 in total) is as follows:

BUY:	52.70 %
OUTPERFORM:	29.73 %
NEUTRAL:	17.57 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Emittente	%	Long/Short

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Further information is available