

BANCA IFIS

Sector: Banks

OUTPERFORM

Price: Eu22.70 - Target: Eu31.00

Solid Payout, Ongoing Integration

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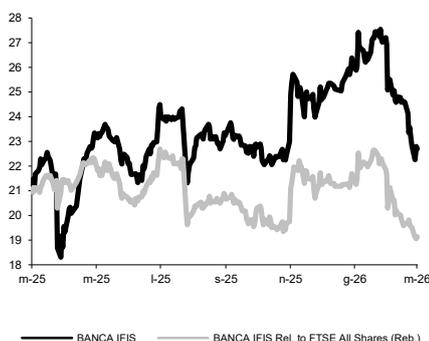
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Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 32.00 to 31.00		
	2026E	2027E	2028E
Chg in Adj EPS	-0.6%	-5.3%	-2.6%

BANCA IFIS - 12M Performance



Stock Data

Reuters code:	IF.MI
Bloomberg code:	IF IM

Performance	1M	3M	12M
Absolute	-9.5%	-8.2%	8.4%
Relative	-5.4%	-10.1%	-10.1%
12M (H/L)	27.54/18.31		
3M Average Volume (th):	204.38		

Shareholder Data

No. of Ord shares (mn):	61
Total no. of shares (mn):	61
Mkt Cap Ord (Eu mn):	1,396
Total Mkt Cap (Eu mn):	1,396
Mkt Float - Ord (Eu mn):	720
Mkt Float (in %):	51.6%
Main Shareholder:	
La Scogliera	44.3%

Balance Sheet Data

Tangible Equity (Eu mn):	2,054
TEPS (Eu):	33.23
CET1 Ratio Fully Loaded:	13.9%
Gross NPE Ratio:	4.4%

2025 was a transformational year for Banca Ifis due to the acquisition of Illimity, which is currently in the process of being integrated. The group closed FY25 with net profit of €328mn, boosted by the significant badwill deriving from the deal. Despite this positive impact, which helped to offset the integration costs and the outcome of the due diligence, Ifis's standalone underlying business remained solid, hitting net profit guidance of ~€160mn. We highlight that 2026 will be the year of integration, potentially causing some volatility in results as Ifis will de-risk ILTY's businesses in order to define the new scope, and subsequently present the new business plan. For this reason, the company provided FY26 net profit guidance of €170-190mn (we estimate FY26 net profit of €181mn), with leeway for some de-risking measures. **OUTPERFORM confirmed, new TP €31 (from €32) due to updated estimates (pag. 4).**

- **4Q25 results** exceeded operating expectations, with a narrower-than-expected net quarterly loss of €-135mn. Operating performance was fuelled by: 1) stronger NII, resulting from a €32.5mn PPA accounting item on ILTY and the positive performance of IF's NPL business, which benefited from typical year-end seasonality and capital gains from the sale of tail portfolios; 2) trading results that were bolstered by gains within the bond portfolio. While operating costs were consistent with expectations, driving the better operating results indicated above, the bank booked higher-than-expected LLPs, mainly driven by ILTY's non-core and b-ilty assets, which also contributed to an increase in NPEs. The bottom line was hit hard by extraordinary charges, including €55mn for the due diligence process on illimity assets, €22mn in IT and goodwill impairments, and €80mn in integration costs, particularly solidarity funds. Given the significant badwill booked in 3Q25, however, Ifis managed to propose an overall DPS of €2.12, with a €0.92 balance to be paid in May 2026.
- **The illimity integration** is proceeding on several fronts, from IT restructuring (review of ILTY IT contracts) to definition of the new corporate scope. In this area, Ifis is currently conducting a strategic review of ILTY's non-core assets and subsidiaries, in order to evaluate their fit and long-term value, and identify potential disposals, as was done with the Hype stake. In our view, the expected actions are consistent with the aim of streamlining and de-risking the group in order to present a new business plan with a defined scope and to exploit the expected synergies (run-rate confirmed at €75mn, not including €40-50mn in funding synergies).
- **Ifis's capital position** remains strong, with a CET1 ratio (pro-forma for the HYPE stake and NPL portfolio sales) of 13.7%, and a 13.7%-14% range expected at YE26, obviously depending on the new scope and expected lending growth/end-of-year seasonality. This strong capital position will support the bank's payout policy, which continues to be a cornerstone of the Ifis equity story.
- **OUTPERFORM; TP €31 (from €32):** we value Banca Ifis using a GGM implied P/TE model, taking an average of the 2027 and 2028 FVs. We remain confident on the stock's re-rating potential, confirming our positive view on the stock, despite the slight reduction in adj. EPS (0.6%/-5.3%/-2.6% for FY26/27/28, full change in estimates detailed on page 4). The stock is trading at 0.68/0.67/0.65x its FY26/27/28 TE at target it would trade at 0.93/0.91/0.88x

Key Figures & Ratios	2024A	2025A	2026E	2027E	2028E
Total income (Eu mn)	733	836	892	933	960
Net Operating Profit (Eu mn)	292	290	288	379	414
Net Profit Adj (Eu mn)	156	143	178	213	236
EPS New Adj (Eu)	2.899	2.313	2.887	3.446	3.822
EPS Old Adj (Eu)	2.899	2.313	2.905	3.640	3.924
DPS (Eu)	2.120	2.120	2.148	2.669	3.050
P/E Adj	7.8	9.8	7.9	6.6	5.9
Div. Yield	9.3%	9.3%	9.5%	11.8%	13.4%
P/TE	0.74	0.70	0.68	0.67	0.65
ROTE	9.5%	7.1%	8.7%	10.1%	11.0%

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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 FTSEMIB40 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.

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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:	31.30%
OUTPERFORM:	38.17%
NEUTRAL:	30.53%
UNDERPERFORM:	00.00%
SELL:	00.00%

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BUY:	52.00%
OUTPERFORM:	29.33%
NEUTRAL:	17.34%
UNDERPERFORM:	01.33%
SELL:	00.00%

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