

BANCA IFIS

Sector: Banks

OUTPERFORM

Price: Eu14.39 - Target: Eu19.00

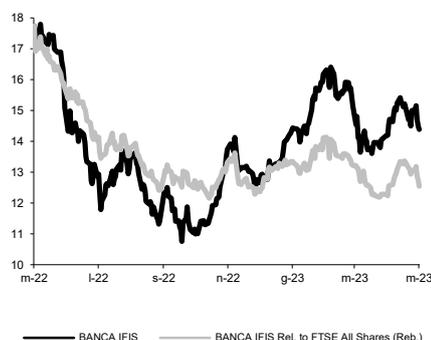
Core Revenues in Line, Room to Raise Payout Ratio

 Christian Carrese +39-02-77115.485
 christian.carrese@intermonte.it

Stock Rating

Rating:	Unchanged		
Target Price (Eu):	from 18.30 to 19.00		
	2023E	2024E	2025E
Chg in Adj EPS	4.7%	0.1%	

BANCA IFIS - 12M Performance



Stock Data

Reuters code:	IF.MI		
Bloomberg code:	IF IM		
Performance	1M	3M	12M
Absolute	1.3%	-11.0%	-18.9%
Relative	2.4%	-11.0%	-33.6%
12M (H/L)	17.79/10.76		
3M Average Volume (th):	157.78		

Shareholder Data

No. of Ord shares (mn):	54
Total no. of shares (mn):	54
Mkt Cap Ord (Eu mn):	774
Total Mkt Cap (Eu mn):	774
Mkt Float - Ord (Eu mn):	323
Mkt Float (in %):	41.7%
Main Shareholder:	
La Scogliera	50.5%

Balance Sheet Data

Tangible Equity (Eu mn):	1,591
TEPS (Eu):	29.56
CET1 Ratio Fully Loaded:	14.8%
Gross NPE Ratio:	5.2%

■ **1Q23 results: net profit slightly better thanks to higher trading.** NII grew +6.4% YoY driven by commercial banking activity (factoring turnover +17% YoY, leasing +22% YoY) and a positive contribution from the NPL division (cash collections on NPL portfolio +7% YoY). 1Q23 results include an Eu8mn capital gain on direct and indirect PE investments (Eu1mn in 1Q22) due to the disposal of some equity stakes, and also a recurrent and stable contribution from the proprietary bond portfolio (Eu1.5bn) corresponding to Eu19mn in the quarter (total revenues Eu182mn). Operating costs were in line (+3.7% YoY) while the cost of risk was slightly better (Eu10mn, of which Eu5mn of additional provisions against macroeconomic risks). Net profit was Eu46mn vs. Eu38mn, while the CET1 ratio stood at 15.21% (+20bp QoQ) thanks to RWA reduction (+34bp) which more than offset the negative impact from fair value OCI and other reserves.

■ **Conference call feedback.** Management is not seeing any deterioration in asset quality and confirmed the resilience of the business model (factoring turnover 4x per year and rapidly adapting sector exposure, leasing with marketable assets and zero exposure to RE and nautical, M/L term loans 80% state-guaranteed). The positive correlation of assets to interest rates should support NII even in an environment that should see the cost of funding increase materially in 2023 (from 1% to 2.5%). Capital solidity (CET1 ratio shows a buffer of c.700bp vs. SREP) would justify a higher payout ratio; management confirmed the BoD is studying a gradual and steady increase in dividend distribution.

■ **Change in estimates.** We are leaving our 2024/25 estimates unchanged, while finetuning 2023 EPS estimates by +4.7% YoY on the back of slightly higher revenues (i.e. trading income) and slightly lower cost of risk (from 75bp to 70bp), partly thanks to Eu60mn of overlays that are currently untouched, which represent a buffer against any deterioration in asset quality (although management does not expect to use this buffer in 2023). We are now broadly in line with company guidance for 2023 (net profit at Eu150mn).

■ **OUTPERFORM confirmed; target Eu19.00 (from Eu18.30).** We confirm our positive stance on the stock as we think the bank will be able to deal with a higher cost of funding thanks to a rapid repricing of the loan book and a steady positive contribution from the financial portfolio and the NPL business. Current dividend distribution could be improved further, enhancing an already-attractive dividend yield (currently 10% for 2023 based on a 55% payout ratio). We don't expect management to use current capital for external growth. The stock is trading at 0.50x TE with an expected average 2023/24 ROTE at 9%.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Total income (Eu mn)	627	700	727	753	762
Net Operating Profit (Eu mn)	247	290	300	312	312
Net Profit Adj (Eu mn)	93	134	141	158	159
EPS New Adj (Eu)	1.723	2.481	2.622	2.942	2.947
EPS Old Adj (Eu)	1.723	2.481	2.504	2.939	
DPS (Eu)	0.950	1.400	1.450	1.500	1.500
P/E Adj	8.4	5.8	5.5	4.9	4.9
Div. Yield	6.6%	9.7%	10.1%	10.4%	10.4%
P/TE	0.50	0.51	0.49	0.46	0.44
ROTE	6.0%	8.8%	8.9%	9.5%	9.1%