

BANCA IFIS

Sector: Banks

OUTPERFORM

Price: Eu15.74 - Target: Eu21.50

Positive Outlook, Buffers to Enable Overdelivery

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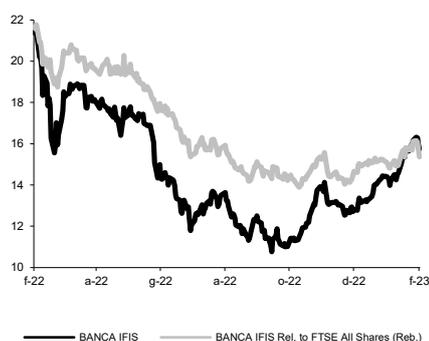
Stock Rating

Rating: from NEUTRAL to OUTPERFORM

Target Price (Eu): from 17.70 to 21.50

	2023E	2024E
Chg in Adj EPS	19.2%	16.4%

BANCA IFIS - 12M Performance



Stock Data

Reuters code: IF.MI

Bloomberg code: IF IM

Performance	1M	3M	12M
Absolute	9.2%	13.8%	-27.4%
Relative	1.9%	0.4%	-29.9%
12M (H/L)	21.40/10.76		
3M Average Volume (th):	155.64		

Shareholder Data

No. of Ord shares (mn): 54

Total no. of shares (mn): 54

Mkt Cap Ord (Eu mn): 847

Total Mkt Cap (Eu mn): 847

Mkt Float - Ord (Eu mn): 353

Mkt Float (in %): 41.7%

Main Shareholder:

La Scogliera 50.5%

Balance Sheet Data

Tangible Equity (Eu mn): 1,594

TEPS (Eu): 29.62

CET1 Ratio Fully Loaded: 14.9%

Gross NPE Ratio: 5.9%

■ **Results beat expectations.** Revenues were above estimates (+18.5% vs. estimates or +22.4% YoY) driven by: i) commercial banking (Eu93mn vs. Eu83mn in 3Q) which benefited from the positive correlation to interest rates; ii) NPL business (Eu83mn vs. Eu66mn in 3Q) due to a positive judicial workout performance and the increase in legal interest rates on the order of assignments, while iii) the contribution from the non-core and G&S division was pretty flat at Eu15mn in the quarter. Costs went up (+19% YoY vs. our estimate of +13.7% YoY) driven by the NPL division (onboarding of sizeable NPL portfolio and judicial workout costs). The cost of risk was also higher than estimated (Eu29mn vs. our Eu17mn) due to regulatory headwinds (Eu22mn one-off linked to the 'Aiuti' decree which increased the threshold for capturing pensions to Eu1,000) and a conservative approach on NPL cash collections (Eu-7mn). The CET1 ratio was very solid, closing slightly above our estimate at 15%. The dividend balance was Eu0.40 per share (total 2022 DPS Eu1.40, of which Eu1.00 paid in November last year).

■ **Positive 2023 outlook, net profit guidance raised to Eu150mn.** Management revised its 2023 net profit guidance upwards from Eu137mn to Eu150mn, as higher interest rates should support NII given their positive correlation to factoring (85% of the loan book is at variable rates) and the higher contribution expected from the financial portfolio, which should more than offset the increased cost of funding (expected to rise from 1% in 2022 to 2.5% in 2023). Guidance is based on a slight increase in GDP (+0.4%), 3M Euribor at 3.1% and no regulatory headwinds. Management assumes the cost of risk will remain flat YoY despite the negative one-offs booked in 2022 and the Eu50mn of overlays currently still available, which represent a buffer to deal with any deterioration in the macro scenario. The 50% payout ratio and interim dividend policy were confirmed.

■ **Change in estimates.** We are raising our 2023/24 EPS estimates by 19.2% and 16.4%, as we expect the bank to deliver solid revenues driven by NII while keeping cost trends under control, allowing it to deliver a C/I ratio at ca. 58%. We are leaving the cost of risk unchanged while reducing risk provisions. DPS raised on the back of a 50% payout ratio.

■ **Upgrade to OUTPERFORM; target raised from Eu17.70 to Eu21.50.** The bank is delivering solid growth in factoring and leasing, boosted by inflation, thanks to the bank's sound capital position that allows it to grasp opportunities to grow volumes. The NPL division is showing positive results on collections, while the expected rise in the cost of funding should be manageable thanks to better asset yields. Positive earnings momentum and almost double-digit ROTE lead us to be more positive on the stock, as we think it deserves a better P/TE multiple (today at 0.55x), also on the back of higher capital than in the past, enhancing visibility on the distribution policy.

Key Figures & Ratios	2020A	2021A	2022A	2023E	2024E
Total income (Eu mn)	503	627	700	736	760
Net Operating Profit (Eu mn)	171	247	290	308	319
Net Profit Adj (Eu mn)	1	93	134	144	163
EPS New Adj (Eu)	0.016	1.723	2.481	2.683	3.024
EPS Old Adj (Eu)	0.016	1.723	2.034	2.251	2.599
DPS (Eu)	0.470	0.950	1.400	1.450	1.500
P/E Adj	nm	9.1	6.3	5.9	5.2
Div. Yield	3.0%	6.0%	8.9%	9.2%	9.5%
P/TE	0.58	0.55	0.56	0.53	0.50
ROTE	0.1%	6.0%	8.8%	9.1%	9.7%