Intermonte

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Italian Equity Research – 2Q25 Preview

INTESA S.PAOLO

OUTPERFORM

Sector: Banks

Price: Eu4.89 - **Target: Eu5.80**

Steady Growth Without M&A

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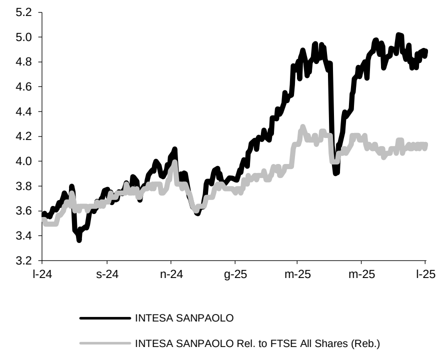
Stock Rating			
Rating:			Unchanged
Target Price (Eu):			from 5.30 to 5.80
	2025E	**2026E**	**2027E**
Chg in Adj EPS	2.8%	3.1%	4.2%

Next Event
2Q Results Out on July 30

INTESA S.PAOLO - 12M Performance



Stock Data			
Reuters code:			ISP.MI
Bloomberg code:			ISP IM
Performance	**1M**	**3M**	**12M**
Absolute	-0.3%	2.1%	38.5%
Relative	0.2%	-1.8%	20.0%
12M (H/L)			5.02/3.36
3M Average Volume (th):			70,964.05

Shareholder Data	
No. of Ord shares (mn):	17,395
Total no. of shares (mn):	17,395
Mkt Cap Ord (Eu mn):	85,024
Total Mkt Cap (Eu mn):	85,024
Mkt Float - Ord (Eu mn):	71,458
Mkt Float (in %):	84.0%
Main Shareholder:	
Compagnia San Paolo	6.1%

Balance Sheet Data	
Tangible Equity (Eu mn):	56,984
TEPS (Eu):	3.28
CET1 Ratio Fully Loaded:	12.9%
Gross NPE Ratio:	2.3%

ISP is set to report 2Q25 results on July 30. The quarter is expected to be solid in terms of profitability and in line with FY25 guidance (net profit well above €9bn, €9.8bn in our estimates). We continue to prefer ISP to other peers for three main reasons: 1) its diversified business model that provides steady revenue growth without resorting to M&A; 2) its cautious approach on provisioning, and, last but not least, 3) its payout policy, which gives a 8%-9% dividend yield combined with additional SBBs (at least €2bn yearly in our estimates). We confirm our positive view on the stock (OUTPERFORM), raising our TP to €5.80 (from €5.30).

- **2Q25 preview:** we expect 2Q25 to have been another solid quarter for ISP, albeit marginally softer than 1Q on a sequential basis. Resilient NII—underpinned by roughly 1% loan-book growth, the extra calendar day in the quarter and only a gradual moderation of rates—should support the item. Fees and insurance income are expected to have held steady QoQ and edged up YoY, helped by a keener appetite for managed assets and healthy AuC inflows. On the cost side, we are modelling disciplined spending despite some inflationary pressure, while maintaining a prudent stance on loan-loss provisions with CoR of 33bps. Taken together, these assumptions point to net profit of about €2.53bn and lead us to project a CET1 ratio of 13.45%, even after factoring in a modest rise in RWAs.
- **Change in estimates:** we have fine-tuned our model to capture a handful of incremental shifts. On the top line, we now assume modestly higher NII by favouring margins over volumes—although we still see healthy loan growth—while the robust AuM inflows we expect from Fideuram's ongoing recruitment drive and, more broadly, from the WM franchise, should lift total commissions to about €9.8bn in 2025, helped by the appeal of AuC products. We also factor in heftier trading profits given the market turbulence and heightened volatility in 2Q25, and we leave room for additional capital gains on the securities portfolio, which could be crystallised over the coming years. On costs, we edge up both staff and administrative expenses but keep everything below the operating line unchanged. After trimming our tax rate assumption by 50bps, these changes lift our adj. net profit by 2.8%, 3.2% and 4.4% in 2025/26/27. Our forecasts already incorporate a 70% payout ratio and a recurring €2bn annual SBB; upside could still come from stronger NII in 2026-27 if EURIBOR3M remains higher for longer, or from a larger SBB.
- **Guidance:** our updated figures for 2025 are in line with company guidance (net profit well above €9bn), and ~6% above consensus. We think that ISP's strong results could pave the way to more specific net profit guidance, which could be in line with our estimates, or even higher if top-line trends are better than expected.
- **Valuation (OUTPERFORM, TP €5.80):** we are convinced of ISP's strong potential given its domestic positioning in highly profitable fee-based businesses.
We value the company with a Gordon Growth-implied P/TE, averaging the FY26/27 FVs. Given the aforementioned change in estimates and the high dividends, we reach a FV of €5.80 per share. The stock is now trading at 1.49/1.43/1.37x its FY25/26/27 TE, at target it would trade at 1.77/1.70/1.62x.

Key Figures & Ratios	**2023A**	**2024A**	**2025E**	**2026E**	**2027E**
Total income (Eu mn)	25,138	27,107	27,215	27,671	28,190
Net Operating Profit (Eu mn)	13,809	15,537	15,891	16,414	16,978
Net Profit Adj (Eu mn)	8,370	9,351	9,905	10,232	10,565
EPS New Adj (Eu)	0.458	0.525	0.569	0.602	0.637
EPS Old Adj (Eu)	0.458	0.525	0.554	0.585	0.612
DPS (Eu)	0.296	0.341	0.395	0.418	0.442
P/E Adj	10.7	9.3	8.6	8.1	7.7
Div. Yield	6.1%	7.0%	8.1%	8.6%	9.0%
P/TE	1.64	1.57	1.49	1.43	1.37
ROTE	15.3%	16.8%	17.4%	17.6%	17.9%

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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.
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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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As at 30 June 2025 Intermonte's Research Department covered 133 companies. As of today Intermonte's distribution of stock ratings is as follows:

BUY:	31.85 %
OUTPERFORM:	37.78 %
NEUTRAL:	30.37 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 30 June 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (80 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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