



Itaú Unibanco Holding S.A. ADR (ITUB)

Updated March 11th, 2025 By Felix Martinez

Key Metrics

Current Price:	\$5.63	5 Year CAGR Estimate:	18.1%	Market Cap:	\$51.8 B
Fair Value Price:	\$8.00	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	03/04/25
% Fair Value:	70%	5 Year Valuation Multiple Estimate:	7.3%	Dividend Payment Date:	04/08/25
Dividend Yield:	6.9%	5 Year Price Target	\$10.21	Years Of Dividend Growth:	1
Dividend Risk Score:	F	Retirement Suitability Score:	C	Rating:	Buy

Overview & Current Events

Itaú Unibanco Holding S.A. is headquartered in Sao Paulo, Brazil. The company trades on the New York Stock Exchange with the ticker symbol ITUB. The company was formed when Banco Itaú and Unibanco decided to merge in November 2008. Since then, Itaú has been the most prominent financial conglomerate in the Southern Hemisphere, the world's tenth-largest bank by market value, and the largest Latin American bank by assets and market capitalization. The bank has operations across South America and other places like the United States, Portugal, Switzerland, China, Japan, etc. Itaú currently employs over 96,000 people worldwide and has a market capitalization of \$51.8 billion. The company pays a dividend monthly but at different rates. Itaú Unibanco reports its earnings in Brazilian Real currency. This report will convert all financial numbers into United States Dollars.

On February 6th, 2025, Itaú Unibanco reported fourth-quarter and full year results for 2024. The company reported recurring managerial result reached R\$10.9 billion, up 2.0% from the previous quarter, with a 22.1% return on equity. The loan portfolio grew 6.3% overall and 5.8% in Brazil, driven by mortgage (+5.6%), vehicle financing (+1.8%), and credit card loans (+6.8%). Small and medium-sized business loans rose 8.1% due to foreign exchange effects and government-backed financing. Corporate lending increased 6.8%. Higher lending and an improved liabilities margin led to a 3.7% rise in the financial margin with clients, while credit costs rose 4.8%. Nonperforming loans over 90 days (NPL 90) improved to 2.4%, with similar gains in short-term delinquency rates.

For 2024, the recurring managerial result grew 16.2% to R\$41.4 billion, with return on equity at 22.2%. Pre-tax income rose 19.7% to R\$60.5 billion, while the loan portfolio expanded 15.5% overall and 14.3% in Brazil. Growth in lending, higher margins, and structured operations drove a 7.1% increase in financial margin with clients. Cost of credit fell 6.6%, saving R\$2.4 billion. Commissions and fees grew 7.2%, while the insurance and pension segment rose 13.8%.

Non-interest expenses increased 6.8%, but core costs rose just 4.4%, below the 4.8% inflation rate. The efficiency ratio hit record lows at 39.5% overall and 37.7% in Brazil. Shareholder returns included R\$18.0 billion in distributions—R\$15.0 billion in dividends and R\$3.0 billion in share buybacks—bringing the 2024 net payout ratio to 69.4%.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.45	\$0.52	\$0.54	\$0.48	\$0.44	\$0.24	\$0.52	\$0.58	\$0.68	\$0.68	\$0.80	\$1.02
DPS	\$0.19	\$0.21	\$0.22	\$0.46	\$0.53	\$0.19	\$0.12	\$0.15	\$0.20	\$0.38	\$0.50	\$0.58
Shares¹	9934	9849.0	9818.0	9774.0	9785.0	9793.0	9780.0	9800.0	9800.0	9900.0	9900.0	9900.0

Itaú Unibanco has seen its earnings increase at a compound annual growth rate of 4.7% for the past ten years. We have estimated a modest EPS growth rate of 5.0% for the next five years. This will put 2030 earnings at \$1.02 per share. The growth will be driven by a more considerable increase in demand for deposits and loans. Another driver in earnings growth is that Itaú Unibanco positions itself as a regional money center in Latin America.

The company's dividend is very inconsistent because it is converted to USD, but it recently grew its dividend.

¹ Share count is in millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	6	9.1	11	13.0	14.3	17.3	7.2	8.2	10.3	7.3	7.0	10.0
Avg. Yld.	4.5%	4.4%	6.2%	6.1%	4.6%	0.9%	1.4%	0.9%	2.8%	7.6%	6.9%	5.7%

For the ten-year average, shares have traded with an average P/E ratio of 10.4x earnings. However, we think a PE of 10x is fair. At the current price, Itaú currently has a P/E of 7.0x this year's earnings. The dividend yield was as high as 6.2% in 2017 and as low as 1.1% in 2010. Since the dividend has been increased for the year, Itaú Unibanco's current yield is 6.9%, so it is still much higher than the ten-year average of 3.5%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

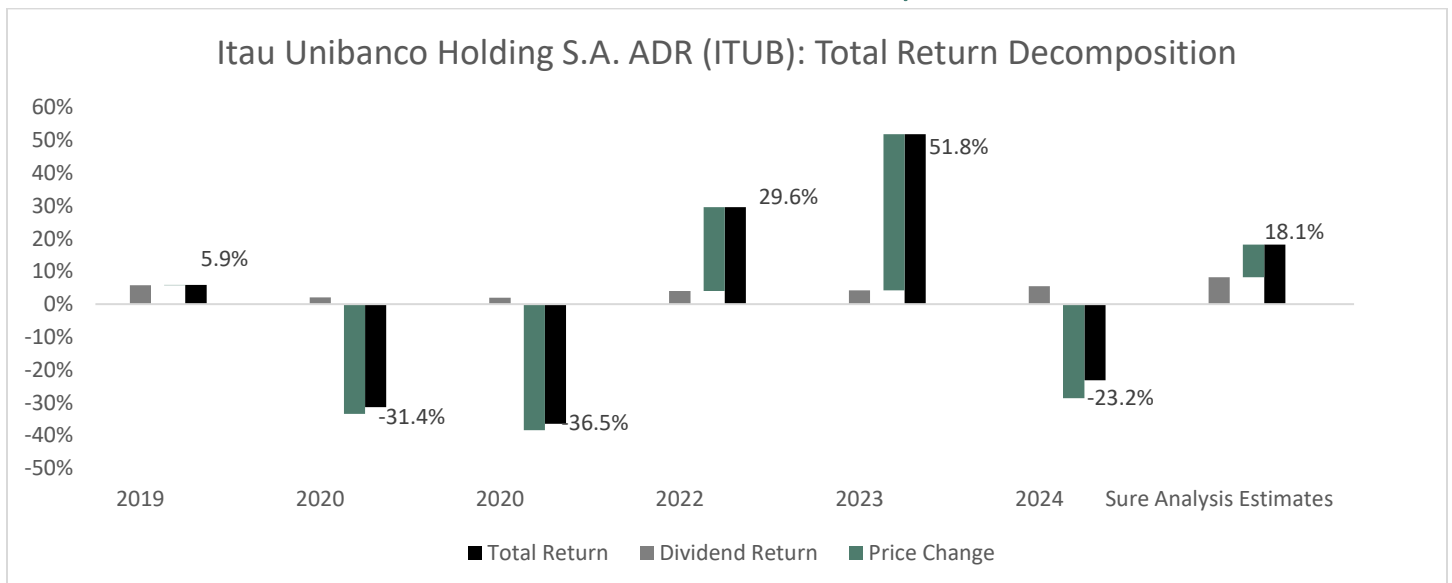
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	42%	40%	41%	96%	120%	79%	23%	26%	29%	56%	63%	57%

Itaú Unibanco does not have an economic moat. Bank moats are achieved through cost advantages like funding, operational, credit, and regulatory. Also, bank moats are created in the banking system in which the company operates. The Brazilian banking system is flawed because of its unfriendly regulatory prospect, worsening macroeconomic prospects, and bleak political conditions. Itaú does have a competitive advantage as it is the largest bank in Latin America. During the Great Recession, Itaú Unibanco saw earnings decrease from \$0.57 a share in 2007 to \$0.46 per share in 2008, which fell by -19%. However, in 2019, the company reported earnings of \$0.57 a share, or an increase of 24%. The stock price shows a different story. The stock price dropped -62.6% in ten months from high to low. Itaú has an S&P Credit Rating of BB-, which is not an investment-grade rating. The Debt-to-Equity ratio (D/E) is 1.4, which is a good level. Overall, Itaú Unibanco has a satisfactory Balance Sheet.

Final Thoughts & Recommendation

Itaú has a decent Balance Sheet to withstand the current economic headwind. However, earnings have been very volatile throughout the past ten years, affecting investors' total return rate. We anticipate a return rate for the next five years to be about 18.1% per year. Thus, we rate Itaú Unibanco as a buy at the current price.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	26,671	32,951	33,011	27,474	28,237	18,372	22,624	26,880	29,650	29,560
SG&A Exp.	11,430	11,599	12,742	11,708	11,370	8,327	8,528	10,078	10,400	10,380
D&A Exp.	864	937	991	981	903	731	786	930	1,132	1,200
Net Profit	7,862	6,235	7,251	6,853	6,877	3,702	4,969	5,760	6,633	7,658
Net Margin	29.5%	18.9%	22.0%	24.9%	24.4%	20.2%	22.0%	21.4%	22.4%	25.9%
Free Cash Flow	-11,327	6,965	6,155	7,390	7,825	10,616	9,475	23,558	13,680	-56
Income Tax	-2,410	3,939	2,300	1,367	870	-1,927	2,571	1,318	1,167	1,012

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets (\$B)	322	415	433	401	407	388	371	439	524	462
Cash & Equivalents	29,187	38,992	44,247	40,700	38,812	36,924	39,303	39,850	47,060	42,670
Goodwill & Int. Ass.	2,108	5,239	5,849	4,988	4,900	3,333	3,788	684	4,814	3,882
Total Liabilities (\$B)	293	374	390	362	370	359	342	4,371	483	426
Long-Term Debt	63,310	69,550	67,451	59,049	69,402	56,643	56,681	406	92,420	83,020
Shareholder's Equity	28,336	36,892	39,643	35,295	34,023	27,504	27,428	80,191	39,190	34,150
LTD/E Ratio	2.23	1.89	1.70	1.67	2.04	388	2.07		2.36	2.43

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	2.1%	1.7%	1.7%	1.6%	1.7%	0.9%	1.3%	1.4%	1.4%	1.6%
Return on Equity	24.0%	19.1%	18.9%	18.3%	19.8%	12.0%	18.1%	19.5%	17.8%	19.9%
ROIC	7.7%	6.2%	6.6%	6.6%	6.7%	3.8%	5.8%	5.8%	5.4%	6.1%
Shares Out.	9,934.0	9,849.0	9,818.0	9,774.0	9,785.0	9,793.0	9,780.0	9,859	9,867	9,869
Revenue/Share	2.68	3.35	3.36	2.81	2.89	1.87	2.30	2.73	3.01	3.00
FCF/Share	-1.14	0.71	0.63	0.76	0.80	1.08	0.96	2.39	1.39	-0.01

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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