

BANCA SISTEMA

BUY

Sector: Banks

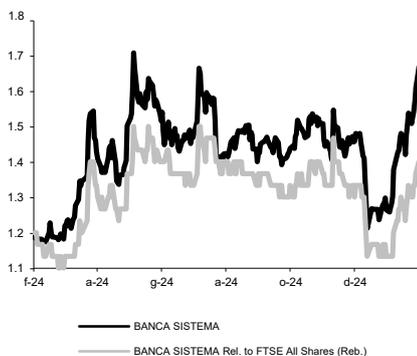
Price: Eu1.67 - Target: Eu2.60

Profitability actually turned the corner

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2025E	2026E	2027E
Chg in Adj EPS	0.0%	5.5%	

BANCA SISTEMA - 12M Performance



Stock Data			
Reuters code:	BSTA.MI		
Bloomberg code:	BST IM		
Performance	1M	3M	12M
Absolute	31.9%	10.6%	39.6%
Relative	25.8%	0.8%	20.9%
12M (H/L)	1.71/1.18		
3M Average Volume (th):	332.33		

Shareholder Data	
No. of Ord shares (mn):	80
Total no. of shares (mn):	80
Mkt Cap Ord (Eu mn):	134
Total Mkt Cap (Eu mn):	134
Mkt Float - Ord (Eu mn):	72
Mkt Float (in %):	54.0%
Main Shareholder:	
SGBS	23.1%

Balance Sheet Data	
Tangible Equity (Eu mn):	272
TEPS (Eu):	3.39
CET1 Ratio Fully Loaded:	14.5%
Gross NPE Ratio:	8.7%

Banca Sistema reported 4Q/FY24 results on Feb. 7th that show a boost to FY net profit thanks to a sound set of quarterly numbers, mostly related to a strong performance by the Factoring business and to the release of an €8mn provision connected to a favourable ruling by the ECHR on a municipality in conservatorship. As we stated in our last report, the future looks far more profitable for BST because of the bullish trends in Factoring, the decrease in the negative contribution of income-backed loans, and the potential payment by the Italian government of receivables for which the aforementioned municipality is liable (we provide calculations on the impact on page 4, and possible consequences regarding exposures to similar entities). While we raise our 2026 NII estimates, and publish our 2027 estimates, we stick to our BUY recommendation and our TP of €2.60.

- 4Q24 results.** BST published 4Q results that were better than expected in terms of the top line due to an increase in revenues from Factoring, set to deliver even stronger results in the future, and Pawn Broking, which proportionally is BST's most profitable business. Trading (in which we include trading of Superbonus credits) also posted a better result, taking total revenues 15% above our estimates. OpEx were approximately in line with expectations, with lower staff costs and higher administrative ones, leading to a C/I ratio of 54.3% (59.8% for FY24) and to operating profit of Eu16.6mn. Below the operating line, Eu8mn in LLPs were released as a consequence of the ECHR verdict on municipalities in conservatorship, leading to a pronounced reduction of CoR compared to expectations (4bps for FY24, or ca. 30bps excluding the release). Net profit therefore came to Eu12.9mn, well up on 3Q, and considerably above expectations.
- Further calculations on potential impact of the ECHR ruling.** BST's public figures do not yet reflect the impact of the Bol inspection or the ECHR ruling, which mandates repayment by the Italian government. The company will update its model after BST restates figures in 1Q25 and submits a new 3-year capital plan to the Bol. Preliminary pro-forma data indicate an initial increase in past-due exposures and risk-weighted assets (RWAs) following the Bol inspection. However, a rapid reduction of exposures and improving capital ratios are already evident, even without considering the repayment by the government. On page 4 we provide new calculations on what the impact of the payment to be made by the Italian government might be.
- Change in estimates.** We are revising our 2026 estimates upwards to include further growth of NII, mainly from Factoring and improving revenues at Pawn Broking; those changes prompt us to raise FY26 adj. EPS by 5.5%. We also publish our 2027 estimates, which embed another rise in revenues supported by further growth of loans.
- Valuation.** We think BST has turned the corner in terms of profitability. The bank is well positioned for the coming macro environment, potentially benefitting from the favourable ECHR ruling. The stock is trading at 0.53/0.49/0.45x its FY24/25/26 TE. At target it would trade at 0.83/0.77/0.71x.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Total income (Eu mn)	104	121	130	138	150
Net Operating Profit (Eu mn)	36	49	52	59	69
Net Profit Adj (Eu mn)	17	25	29	34	42
EPS New Adj (Eu)	0.213	0.314	0.361	0.425	0.521
EPS Old Adj (Eu)	0.213	0.225	0.361	0.403	
DPS (Eu)	0.065	0.000	0.090	0.106	0.130
P/E Adj	7.9	5.3	4.6	3.9	3.2
Div. Yield	3.9%	0.0%	5.4%	6.4%	7.8%
P/TE	0.58	0.53	0.49	0.45	0.41
ROTE	7.4%	10.0%	10.7%	11.6%	12.9%

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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 of 5.5% are being used.

Frequency of research: quarterly.

Reports on all companies listed on the S&P500 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.

Explanation of our ratings system:

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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Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms.

As at 31 December 2024 Intermonte's Research Department covered 132 companies. Intermonte's distribution of stock ratings is as follows:

BUY:	31.34 %
OUTPERFORM:	43.28 %
NEUTRAL:	25.38 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (71 in total) is as follows:

BUY:	50.70 %
OUTPERFORM:	29.58 %
NEUTRAL:	19.72 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

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Intermonte acts as ECM advisor to Banca Ifis in the offer promoted on illimity Bank

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Emittente	%	Long/Short

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