

BANCA SISTEMA

BUY

Sector: Banks

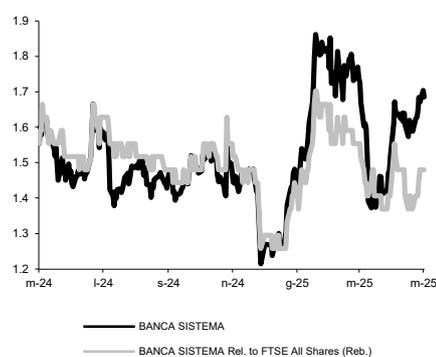
Price: Eu1.69 - Target: Eu2.60

Improving Trends with a Solid Capital Position

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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	Unchanged		
	2025E	2026E	2027E
Chg in Adj EPS	1.7%	-1.4%	-1.5%

BANCA SISTEMA - 12M Performance



Stock Data			
Reuters code:	BSTA.MI		
Bloomberg code:	BST IM		
Performance	1M	3M	12M
Absolute	11.2%	-9.0%	8.5%
Relative	3.5%	-13.2%	-6.8%
12M (H/L)	1.86/1.21		
3M Average Volume (th):	363.55		

Shareholder Data	
No. of Ord shares (mn):	80
Total no. of shares (mn):	80
Mkt Cap Ord (Eu mn):	136
Total Mkt Cap (Eu mn):	136
Mkt Float - Ord (Eu mn):	73
Mkt Float (in %):	54.0%
Main Shareholder:	
SGBS	23.1%

Balance Sheet Data	
Tangible Equity (Eu mn):	277
TEPS (Eu):	3.45
CET1 Ratio Fully Loaded:	12.9%
Gross NPE Ratio:	19.8%

Banca Sistema published 1Q25 results on 9 May, exceeding expectations to highlight a positive start to the year and drive an upward revision to our 2025 estimates. As well as margins, the solid capital position was a further positive item, with the CET1 ratio closing at 12.4% (up from the pro-forma 11.8% in 4Q24), considering the reclassification related to Bol findings. Given the undervaluation of BST and the positive trends expected, we reiterate our BUY recommendation and TP of €2.60.

■ **Core business:** factoring remains BST's primary profit engine: the dip in 1Q25 turnover simply reflects an uneven YoY comparison, given several large transactions in 1Q24 and the ending of a low-margin contract. The group is now even more selective in pursuing new business and is firmly focused on preserving margins. Conversely, salary-backed loans kept struggling as legacy portfolio, characterized by low rates, has embedded a negative carry trade, but we highlight an improvement in the adjusted income margin (from 2.3% in 1Q24 to 2.9% in 1Q25). BST is mitigating the negative impact by curbing new originations, focusing on marginality and profitability. As a result, the net loss is expected to shrink significantly in 2025, although breakeven won't be reached until lower funding costs from falling interest rates offset low yields of the legacy portfolio. Meanwhile, pawnbroking has emerged as the group's burgeoning "jewel," with organic volumes, revenues and profitability characterized by a strong growth YoY. On top of this, we highlight a valuation topic regarding Kruso Kapital: British pawnbroker H&T was recently acquired with an implied FY25E P/E of ~12x. Given KK FY25E P/E (~6.4x), we think this implies a potential re-rating of the stock.

■ **Where to focus:** Bol investigations prompted a reclassification of BST's past-due loans and the related RWAs. When the Board approved FY24 Draft Financial Statement on 21 March, it had estimated a past-due stock of €337mn, underpinning a 12% CET1 ratio; however, the figures came in stronger, with €333mn past due and a CET1 ratio of 12.4%. Capital generation remains solid, and the bank expects that SRTs could lift CET1 by some 80–100bp in the coming quarters. The planned reduction of past-due loans - currently risk-weighted at 150% - should also help lower RWAs further. In January, an ECHR ruling required the Italian government to guarantee the repayment of a €61mn exposure versus a municipality in conservatorship, plus about €44mn in LPs (€37mn as of 1Q25, due to the accrual to P&L of ~7mn related to said exposure); separately, other ECHR-upheld claims amount to €27mn nominal plus €19mn in LPs.

■ **Change in estimates:** we are adjusting our 2025–27 P&L mix to embed a stronger NII, on the back of accrued LPs and the lower negative income from salary-backed loans, while assuming a more normalized fee and trading income. OpEx are broadly unchanged, and CoR peaks in 2025 before easing in 2026–27. On this basis, Adj. EPS moves by +1.7%/–1.4%/–1.5% in 2025/26/27.

■ **BUY, TP €2.60:** we think BST is a deeply undervalued stock with multiple positive catalysts onwards, not only from Core business. The stock is now trading at 0.49/0.45/0.41x its FY25/26/27 TE, while at target 0.75/0.69/0.63x.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Total income (Eu mn)	104	121	136	137	148
Net Operating Profit (Eu mn)	36	49	58	58	68
Net Profit Adj (Eu mn)	17	25	29	34	41
EPS New Adj (Eu)	0.213	0.314	0.367	0.419	0.513
EPS Old Adj (Eu)	0.213	0.314	0.361	0.425	0.521
DPS (Eu)	0.065	0.000	0.064	0.105	0.128
P/E Adj	7.9	5.4	4.6	4.0	3.3
Div. Yield	3.9%	0.0%	3.8%	6.2%	7.6%
P/TE	0.59	0.54	0.49	0.45	0.41
ROTE	7.4%	10.0%	10.6%	11.1%	12.4%

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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&PMB40 Index, most of those on the MIBEX 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 March 2025 Intermonte's Research Department covered 131 companies.

As of today Intermonte's distribution of stock ratings is as follows:

BUY:	32.59 %
OUTPERFORM:	37.78 %
NEUTRAL:	29.63 %
UNDERPERFORM	00.00 %
SELL:	00.00 %

As at 31 March 2025 the distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (74 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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