

BFF BANK

Sector: Banks

OUTPERFORM

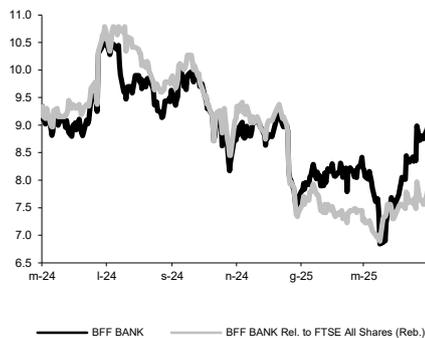
Price: Eu8.94 - Target: Eu9.80

Solid Capital Position, Pending Approval on Distribution

Fabrizio Bernardi +39-02-77115.387
fabrizio.bernardi@intermonte.it
Lorenzo Giacometti: +39-02-77115.244
lorenzo.giacometti@intermonte.it

Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 9.60 to 9.80		
	2025E	2026E	2027E
Chg in Adj EPS	-1.9%	3.2%	4.4%

BFF BANK - 12M Performance



Stock Data			
Reuters code:	BFF.MI		
Bloomberg code:	BFF IM		
Performance	1M	3M	12M
Absolute	19.1%	9.6%	-5.8%
Relative	7.4%	4.8%	-19.1%
12M (H/L)	10.72/6.84		
3M Average Volume (th):	416.77		

Shareholder Data	
No. of Ord shares (mn):	187
Total no. of shares (mn):	187
Mkt Cap Ord (Eu mn):	1,669
Total Mkt Cap (Eu mn):	1,669
Mkt Float - Ord (Eu mn):	1,565
Mkt Float (in %):	93.8%
Main Shareholder:	
Belingeri	5.6%

Balance Sheet Data	
Tangible Equity (Eu mn):	794
TEPS (Eu):	4.25
CET1 Ratio Fully Loaded:	14.1%
Gross NPE Ratio:	17.8%

After the release of 1Q25 results, which were slightly below estimates in terms of net income, and the positive surprise on CET1, we provide an update on the stock.

The core business started 2025 on a positive path after a challenging 2024, which adversely impacted both profitability and regulatory capital. Now the narrative seems to have changed, and the strong capital position, in our view, could put the bank in a more positive position in the eyes of the Bank of Italy.

When the Bol lifts the ban on distribution, we think BFF could easily return 100% of its restated net profit to shareholders, while maintaining a solid capital position (at almost 14%). We therefore stick to our OUTPERFORM recommendation and raise our TP to €9.80 per share.

■ **1Q25 earnings** fell slightly short of projections, mainly because collections of late-payment interest and the €40-per-invoice fee were softer than expected. Even so, the underlying business momentum was encouraging: NII held up, buoyed by the Factoring & Lending division, which generated >50% of group revenue and >65% of NII on mid-single-digit growth of volumes and loans, and by a still-supportive, though steadily shrinking, bond portfolio. A €12mn hit from rescheduled collections weighed on NII, but tight cost control kept the cost/income ratio at 49% despite inflation and ongoing IT investment, with most of the savings coming from staff expenses. Net profit therefore landed at €35mn, a shade below the €37mn forecast.

■ **NPEs and Capital.** Although profit fell slightly short of forecasts, the quarter's real upside lay in a leaner risk profile and stronger capital. Net NPEs, almost entirely public-sector credits, dropped by just over 4% while past-due loans fell about 5%, thanks mainly to robust collections; exposures still in the cure period nearly doubled to €190mn, suggesting further relief ahead. Net NPLs ticked up marginally, but this was almost all tied to Italian municipalities in conservatorship (totalling €100mn out of an NPL stock of €107mn); further appeals pending before the European Court of Human Rights could compel the state to pay up. The contraction of problem loans, combined with solid organic earnings, lowered RWAs and lifted the CET1 ratio to a level above that seen before the past-due reclassification. If the Bank of Italy removes its dividend ban, the bank should be able to reinstate its previous policy of distributing 100% of restated net profit.

■ **Change in Estimates.** Estimates now assume stronger fee income, softer 2025 trading, leaner provisions and staff costs, leaving adjusted EPS -2% in 2025 and +3%/4% in 2026-27. A CET1 ratio close to 14%, helped by lower RWAs, should comfortably fund a 100% payout of restated net profit.

■ **Valuation.** We think 1Q25 has revealed positive paths for the core business, but mostly in terms of capital and RWA/NPE reduction, which could enable a strong dividend yield (~12%/~13%/~14% for FY25/26/27), if the ban is lifted. Given the change in estimates done, and the +50bps higher ERP, we are raising our TP to €9.80 per share. The stock is now trading at 2.10/2.09/2.07x its FY25/26/27 TE, at target it would trade at 2.30/2.29/2.27x.

Key Figures & Ratios	2023A	2024A	2025E	2026E	2027E
Total income (Eu mn)	392	357	425	460	484
Net Operating Profit (Eu mn)	199	154	235	265	286
Net Profit Adj (Eu mn)	183	139	196	220	237
EPS New Adj (Eu)	0.981	0.746	1.048	1.176	1.269
EPS Old Adj (Eu)	0.981	0.746	1.068	1.140	1.215
DPS (Eu)	0.981	0.000	1.048	1.176	1.269
P/E Adj	9.1	12.0	8.5	7.6	7.0
Div. Yield	11.0%	0.0%	11.7%	13.2%	14.2%
P/TE	2.44	2.09	2.10	2.09	2.07
ROTE	26.8%	17.4%	24.6%	27.4%	29.4%

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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&P500 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.

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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 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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