

# BFF BANK

Sector: Banks

## High risk, High reward

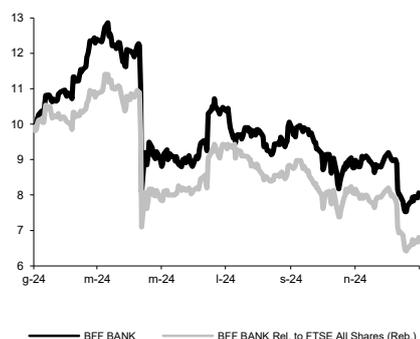
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Stock Rating			
Rating:	Unchanged		
Target Price (Eu):	from 11.40 to 9.60		
	2024E	2025E	2026E
Chg in Adj EPS	-19.0%	-13.1%	-16.7%

### Next Event

 Results Out on Feb. 10<sup>th</sup>

### BFF BANK - 12M Performance



Stock Data			
Reuters code:	BFF.MI		
Bloomberg code:	BFF IM		
Performance	1M	3M	12M
Absolute	-11.2%	-12.2%	-20.0%
Relative	-16.7%	-15.4%	-37.8%
12M (H/L)	12.86/7.53		
3M Average Volume (th):	493.68		

Shareholder Data	
No. of Ord shares (mn):	187
Total no. of shares (mn):	187
Mkt Cap Ord (Eu mn):	1,506
Total Mkt Cap (Eu mn):	1,506
Mkt Float - Ord (Eu mn):	1,412
Mkt Float (in %):	93.8%
Main Shareholder:	
Belingeri	5.6%

Balance Sheet Data	
Tangible Equity (Eu mn):	764
TEPS (Eu):	4.09
CET1 Ratio Fully Loaded:	12.0%
Gross NPE Ratio:	17.8%

# OUTPERFORM

Price: Eu8.06 - Target: Eu9.60

While publishing the preview of 4Q24 results, we are back with an update of our estimates, model, and fair value. BFF suffered a very tough year both in business and regulatory terms due to a slowdown in factoring, and regulatory issues that led to a dividend ban, imposed by BoI because of past-due accounting and RWA weightings. We believe this is a regulatory matter that is not set to impact the mid-to-long term operating business, but could cause temporary weakness. We think that BFF is close to the bottom of its valuation, and even if we cut our estimates for FY24/25/26 (and roll over our valuation to FY27), we see strong upside potential from future business fundamentals. The likelihood of regulators lifting the ban on the dividend is the key investment angle. We confirm our **OUTPERFORM** recommendation and reduce our TP to **€9.60** (from €11.40).

- **4Q24 Preview:** 4Q is expected to outperform the previous quarters due to seasonal growth of factoring, boosting NII despite high CoF and bond issuance, along with resilient fee income from payments and stable securities services. Higher LLPs reflect a cautious approach on factoring loans, and OpEx is slightly up due to administrative costs. Stated net profit is projected at €49mn for the quarter and €239mn for the year. However, the restated net profit excludes a €106.8mn asset value change from the LPI accrual rate adjustment, as it does not align with the ordinary business trend, which faced a slowdown this year.
- **Yes but... payout:** The key point on BFF remains the regulator's attitude on the payout, on which there is zero visibility, and timing is what matters now, since this is the real trigger, and the regulator appears in no hurry to take a decision. We assume that once the ban is lifted BFF will pay out everything above the 12% CET1 threshold. We provide two cases, both based on that assumption: the first considers a pay-out on FY24 results, and the second assumes no pay-out on FY24, but a top-up in FY25.
- **Why not being wiser?** M&A is afoot in Italy and BFF is technically a public company, with a senior shareholder with a less than 6% base (officially) and an atypical business, which could be taken on board by any bank under our coverage. While we have no grounds to bet on this M&A appeal, we could take the view that the peculiarity of the business model may be appealing for most of the banks we cover, especially for those with strong pay-out policies. We argue that banks are seeking "top line" and BFF may be somewhat interesting at these prices. Our guesstimate is that the attitude of the regulator on consolidation may eventually prove us right.
- **Valuation:** We have revised our model significantly, cutting NII estimates by 20% for FY24/25/26 due to a slowdown in factoring, and have tempered growth expectations while still projecting recovery as lower rates boost demand. Positive contributions from the HTC portfolio and growth in securities services and payments are still included. OpEx are slightly reduced, with more cautious provisioning. Restated EPS is revised by -19%/-13%/-17% for FY24/25/26, while 2027 is expected to deliver 7% higher net profit than 2026. Stock now trading at 2.07/1.97/1.88x its FY24/25/26 TE, at target it would trade at 2.47/2.35/2.24x.

Key Figures & Ratios	2023A	2024E	2025E	2026E	2027E
Total income (Eu mn)	392	374	433	453	475
Net Operating Profit (Eu mn)	199	169	232	246	261
Net Profit Adj (Eu mn)	183	162	199	213	227
EPS New Adj (Eu)	0.981	0.867	1.068	1.140	1.215
EPS Old Adj (Eu)	0.958	1.071	1.228	1.367	
DPS (Eu)	0.981	0.460	0.908	0.971	1.109
P/E Adj	8.2	9.3	7.5	7.1	6.6
Div. Yield	12.2%	5.7%	11.3%	12.1%	13.8%
P/TE	2.20	2.07	1.97	1.88	1.82
ROTE	26.8%	22.3%	26.1%	26.6%	27.5%

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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.

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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 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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Emittente	%	Long/Short

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