

# BFF BANK

Sector: Banks

# OUTPERFORM

Price: Eu10.05 - Target: Eu11.40

## Strong Capital to Support Healthy Growth and High Dividends

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### Stock Rating

**Rating:** from BUY to OUTPERFORM

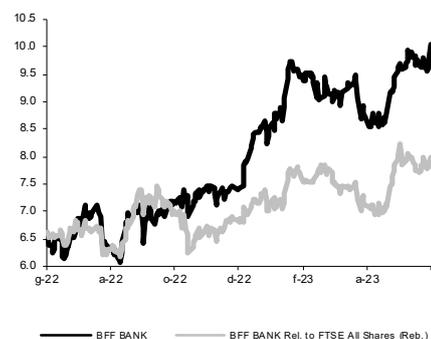
**Target Price (Eu):** from 10.20 to 11.40

	2023E	2024E	2025E
Chg in Adj EPS	4.5%	6.9%	

### Next Event

Results Out: August 3rd

### BFF BANK - 12M Performance



### Stock Data

Reuters code: BFF.MI

Bloomberg code: BFF IM

Performance	1M	3M	12M
Absolute	5.2%	10.9%	51.5%
Relative	0.8%	7.1%	25.9%
12M (H/L)	10.05/6.08		
3M Average Volume (th):	502.80		

### Shareholder Data

No. of Ord shares (mn):	185
Total no. of shares (mn):	185
Mkt Cap Ord (Eu mn):	1,856
Total Mkt Cap (Eu mn):	1,856
Mkt Float - Ord (Eu mn):	1,741
Mkt Float (in %):	93.8%
Main Shareholder:	
Belingeri	5.6%

### Balance Sheet Data

Tangible Equity (Eu mn):	736
TEPS (Eu):	3.97
CET1 Ratio Fully Loaded:	15.4%
Gross NPE Ratio:	2.7%

■ **New 2022-26 business plan: excess capital will be fully used to grow in F&L division and pay high dividends.** The plan envisages stronger growth in Factoring and Lending (F&L - volumes and loans +10% CAGR) and a continuation of current payments division trends. The securities services business is expected to grow thanks to new regulations introducing the obligation for pensions' funds to appoint a depositary bank (a market worth Eu110bn). In terms of financial targets, in 2026 BFF expects to achieve a C/I ratio below 40%, restated net profit of between Eu255mn and Eu265mn, cumulative 4Y dividends in excess of Eu720mn, CET1 and TCR ratios of over 12% and 15% respectively, and ROTE above 50%.

■ **Excess capital to be used by 2026 with strong RWA growth and repayment of 40% of current market cap to shareholders.** The bank has set a target for a cumulative 4Y dividend payout of over Eu720mn, which along with higher loans and operational risk (vs. lower sovereign bonds) should increase the group's RWA density. The plan also embeds a Eu60mn deduction for stock options and a negative Eu10mn annual impact from calendar provisioning (only Eu1mn for 2023). The metric to calculate excess capital has been moved from the total capital ratio (TCR) to the CET1 ratio, with a 12% threshold (although the bank still has to keep its TCR above 15%).

■ **Change in estimates.** We are updating our estimates to include the new guidance, which we deem credible in the current macro scenario. We are in line with guidance on 2026 restated net profit (Eu261mn vs. the Eu255-265mn guidance range) and dividends (4Y cumulative dividend of Eu754mn vs. guidance of over Eu720mn). As for 2023-24, we are revising our EPS estimates upwards by 6% on average thanks to higher assumptions on yields and loans from the F&L division.

■ **OUTPERFORM from BUY; target price Eu11.4 from 10.20.** The new plan should ensure an average dividend yield of c.10% over the next 4 years and a 2022/26 restated net profit CAGR of c.16%, confirming BFF's ability to be a market leader in the segment of trade receivables towards national health institutions and an ability to reduce sovereign bond exposure without jeopardising the bank's profitability. Higher capital absorption to finance the core business is inevitable, but we still expect the bank to keep the CET1 ratio in a comfortable area (12.6% by YE26) despite the high payout ratio. The stock is trading at 8.7x P/E24 with an expected 2024 ROTE of 27%. We are updating our target price based on 2023/24 ROTE to take the updated estimates into account.

Key Figures & Ratios	2021A	2022A	2023E	2024E	2025E
Total income (Eu mn)	272	380	444	486	552
Net Operating Profit (Eu mn)	93	197	267	299	357
Net Profit Adj (Eu mn)	125	146	190	213	253
EPS New Adj (Eu)	0.678	0.788	1.025	1.151	1.367
EPS Old Adj (Eu)	0.678	0.788	0.981	1.076	
DPS (Eu)	0.678	0.788	0.900	0.940	1.080
P/E Adj	14.8	12.8	9.8	8.7	7.4
Div. Yield	6.8%	7.8%	9.0%	9.4%	10.7%
P/TE	3.68	2.70	2.53	2.37	2.14
ROTE	24.9%	21.2%	25.8%	27.1%	29.1%