Bank First Corporation (BFC)

Updated October 17th, 2024 by Nikolaos Sismanis

Key Metrics

Current Price:	$95	**5 Year CAGR Estimate:**	11.3%	**Market Cap:**	$946.1 M
Fair Value Price:	$102	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	12/23/2024
% Fair Value:	92%	**5 Year Valuation Multiple Estimate:**	1.6%	**Dividend Payment Date:**	01/16/2025
Dividend Yield:	1.9%	**5 Year Price Target**	$150	**Years Of Dividend Growth:**	11
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Buy

Overview & Current Events

Bank First Corporation is a Wisconsin-based holding company for Bank First, N.A., a nationally-chartered bank founded in 1894. Headquartered in Manitowoc, Wisconsin, the bank runs 26 branches across 14 counties in the state, including key locations in Brown, Dane, and Sheboygan counties. Bank First offers a wide range of financial services, such as loans, deposit products, and treasury management, with a large portion of its revenue derived from interest income on loans and investments. In addition to banking, BFC has a 40% stake in Ansay & Associates, an insurance and risk management firm. This investment contributes to the bank's non-interest income, bolstering its financial performance.

On October 15th, 2024, Bank First increased its dividend by 12.5% to a quarterly rate $0.45. This rate is also 50% higher than last year's amount.

On the same day Bank First posted its Q3 for the period ending September 30th, 2024. For the Q3, net income was $16.6 million, or $1.65 per share, up from $14.8 million, or $1.43 per share, in the same quarter last year.

The increase in net income was supported by a 20.2% rise in service charge income, largely driven by renegotiation of vendor incentives, as well as higher net interest income, which grew by $1.8 million due to loan re-pricing and a fully repaid purchased loan. Net interest margin improved to 3.76%, compared to 3.71% last year, despite increased interest expenses. However, noninterest income declined slightly by $0.4 million, influenced by a $0.3 million negative valuation adjustment on mortgage servicing rights. For FY2024, we expect the company to achieve EPS of $7.30.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$1.99	$2.13	$2.40	$2.44	$3.81	$3.91	$5.07	$5.92	$5.88	$7.28	***$7.30***	***$10.73***
DPS	$0.46	$0.51	$0.59	$0.64	$0.68	$0.80	$0.81	$0.85	$0.94	$1.15	***$1.80***	***$2.64***
Shares[1]	6.3	6.3	6.2	6.3	6.7	6.8	7.4	7.6	8.0	10.2	***10.0***	***11.0***

Over the past decade, Bank First has achieved substantial growth, with its EPS increasing at a compound annual growth rate (CAGR) of 15.5%, significantly outpacing its peers. As with most regional banks, this growth has been powered by a combination of acquisitions and organic growth. Regarding M&A, the acquisitions of Timberwood Bank in 2017 and Partnership Bank in 2020 expanded BFC's presence across Wisconsin, bolstering its deposit base and customer reach.

Organic growth-wise, BFC's notable net interest margin (NIM)—3.47% in 2021, 3.41% in 2022, and 3.69% in 2023—has been key in maximizing net interest income, which remains a primary driver of the bank's profitability. The company's disciplined approach to balance sheet management, coupled with its focus on community banking, has fostered steady growth in both loans and deposits, supporting the company's core lending business model.

Finally, BFC's minority ownership of Ansay & Associates, one of the nation's largest independent insurance providers, allows the bank to offer diversified services to its customers without the risk and expense of maintaining an in-house insurance department. This stake boosts the company's non-interest income and diversifies its overall business model, which has also contributed its prolonged outperformance.

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[1] Share count is in millions.

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Moving forward, we believe the company will continue to pull the same three levers—accretive acquisition, strong NIM generation, and (potentially) growing non-interest income Ansay & Associates— to drive robust growth. To be prudent, we have applied a more modest 8% growth rate in our medium-term EPS growth estimates.

BFC has increased its dividend for 11 consecutive years. The dividend has grown at an impressive CAGR of 10.7% over the past decade. Notably the company's latest dividend hike this past October was by 12.5% followed by a significant 33.3% increase in the previous quarter. We have applied a dividend growth rate of 8% though 2029 as well.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	8.9	9.7	10.3	13.0	11.5	15.1	12.3	11.6	12.8	11.1	***12.9***	***14.0***
Avg. Yld.	2.6%	2.5%	2.4%	2.0%	1.6%	1.4%	1.3%	1.2%	1.2%	1.4%	***1.9%***	***1.8%***

Shares of Bank First have historically traded at a modest premium due to the company's strong financial performance, including maintaining a solid net interest margin and enjoying an additional earnings growth tailwind from its stake in Ansay & Associates. Today, the stock trades at 12.9 times this year's expected EPS. Nevertheless, we believe Bank First deserves to trade at a higher premium, given its above-average growth prospects. The dividend yield of 1.9% may not be great, but the bank's strong dividend hikes should notably boost investors' income over the long term.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	23%	24%	25%	26%	18%	20%	16%	14%	16%	16%	***25%***	***25%***

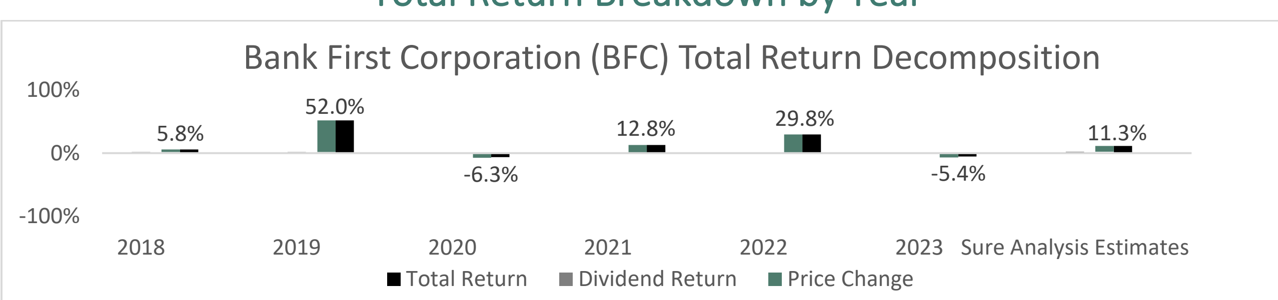
Bank First stands out for its strong community focus and personalized customer service, which are essential drivers of its competitive advantage. With a robust footprint in the Wisconsin market and a focus on local businesses and individuals, BFC has cultivated a loyal customer base. Still, its geographical concentration poses risk, limiting its ability to diversify risk across broader regions.

During the Great Financial Crisis of 2007-2009, Bank First was somewhat resilient compared to some of its peers, partly due to its prudent lending practices and limited exposure to high-risk financial products. At the end of June, BFC's Total Capital to Risk-Weighted Assets ratio of 10.5% and Tier 1 Capital to Average Assets ratio of 4% indicate sufficient capital adequacy. The Total Capital ratio is above regulatory minimums, implying good financial health and stability. The Tier 1 ratio though, while in-range, is on the lower end of the spectrum. It could pose some risk if economic conditions worsen.

Final Thoughts & Recommendation

Bank First has demonstrated an exceptional growth trajectory, with earnings and dividends both increasing at double-digit rates over the past decade. We believe the company will maintain this impressive performance in the future. We forecast an annualized return potential of 11.3% through 2029, driven by our earnings growth estimates, the dividend, and the possibility of a valuation tailwind. Shares earn a buy rating.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	40	41	44	52	70	78	103	108	118	137
SG&A Exp.	14	15	16	20	26	28	34	29	33	41
Depreciation	1	1	1	1	2	2	3	3	4	8
Net Profit	13	13	15	15	25	27	38	45	45	75
Net Margin	31.4%	32.9%	33.8%	29.7%	36.5%	34.4%	36.9%	41.9%	38.2%	54.2%
Free Cash Flow	13	10	13	15	15	15	36	32	33	39
Income Tax	6	7	8	9	7	8	12	15	14	24

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,105	1,238	1,316	1,753	1,793	2,210	2,718	2,938	3,660	4,222
Cash & Equivalents	41	28	40	53	63	53	170	297	119	247
Goodwill	10	10	10	21	20	53	65	64	137	216
Total Liabilities	996	1,119	1,188	1,592	1,619	1,980	2,423	2,615	3,207	3,602
Long-Term Debt	-	-	-	20	12	68	41	26	25	51
Shareholder's Equity	109	119	128	162	174	230	295	323	453	620
LTD/E Ratio	-	-	-	0.12	0.07	0.30	0.14	0.08	0.06	0.08

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.2%	1.1%	1.2%	1.0%	1.4%	1.3%	1.5%	1.6%	1.4%	1.9%
Return on Equity	12.0%	11.8%	12.1%	10.6%	15.2%	13.2%	14.5%	14.7%	11.7%	13.9%
ROIC	11.9%	11.8%	12.1%	9.9%	13.9%	11.0%	12.0%	13.3%	10.9%	13.0%
Shares Out.	6.3	6.3	6.2	6.3	6.7	6.8	7.4	7.6	8.0	10.2
Revenue/Share	6.35	6.48	7.08	8.20	10.44	11.29	13.79	14.19	14.66	13.48
FCF/Share	2.13	1.52	2.10	2.47	2.27	2.24	4.76	4.13	4.11	3.87

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.