CF Bankshares Inc. (CFBK)

Published April 14th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	$20	**5 Year CAGR Estimate:**	8.1%	**Market Cap:**	$128 M
Fair Value Price:	$21	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	04/14/2025
% Fair Value:	96%	**5 Year Valuation Multiple Estimate:**	0.9%	**Dividend Payment Date:**	04/22/2025
Dividend Yield:	1.4%	**5 Year Price Target**	$28	**Years Of Dividend Growth:**	5
Dividend Risk Score:	C	**Sector:**	Financials	**Rating:**	Hold

Overview & Current Events

CF Bankshares Inc. (CFBK) is a financial holding company in the U.S. Its main subsidiary is CFBank, National Association, a boutique commercial bank with operations in Ohio and Indiana. The company was founded in 1892 and trades on the NASDAQ. It has a market capitalization of $128 million and is headquartered in Columbus, Ohio. The company was previously known as Central Federal Corporation, but renamed itself CF Bankshares in mid-2020.

On October 1st, 2024, CF Bank announced a 17% increase to its quarterly dividend, now $0.07 per share, representing the 5th consecutive annual dividend increase.

On February 4th, 2025, CF Bank authorized a 325K share repurchase plan, good for approximately 5% of the company's outstanding stock.

CF Bankshares reported fourth quarter 2024 results on February 12th, 2025. Net income for the quarter was $4.4 million, and EPS was $0.68, up 4.6% compared to the prior year period. Net loans and leases rose 1.6% year-over-year to $1.7 billion. Deposits also edged up by 0.7% to $1.76 billion.

The bank recorded a $1.4 million provision for credit losses, significantly higher than the previous year when it recorded $875K. Annualized net charge-offs were 0.02% of average loans, an improvement over 0.15% in fourth quarter 2023. Net interest margin equaled 2.57%, a 13-basis point increase from 2.44% in 4Q23. For the quarter, CF generated a return on average assets of 0.86% and return on average equity of 10.61%. Book value per share amounted to $25.51 at end of Q4, 7.5% higher than $23.74 a year ago.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.08	$0.26	$0.19	$1.00	$2.03	$4.47	$2.77	$2.78	$2.63	$2.06	***$2.65***	***$3.55***
DPS	-	-	-	-	-	$0.03	$0.13	$0.18	$0.23	$0.25	***$0.28***	***$0.36***
Shares[1]	4.1	2.9	3.5	4.3	4.6	6.1	6.7	6.5	6.4	6.3	***6.5***	***8.0***

CF Bank has produced a solid growth record in the last decade, growing its EPS by 7.4% per year. However, EPS growth has slowed significantly as of late, with just 0.3% CAGR in the last five years.

From here on, we expect that CF Bank could increase its EPS at a 6% annual rate through 2030. CF Bank's underlying earnings would improve as a result of growth in its loan book, and a continued reduction in interest rates which will enable the bank to expand its net interest margin. Additionally, we'd like to see some level of geographic expansion to penetrate new markets. Its current major metro markets include Columbus, Cleveland, and Cincinnati, Ohio, and Indianapolis, Indiana.

We expect the number of outstanding shares to rise slightly over the next five years, which will be a small headwind to EPS growth, despite the company's recent share repurchase authorization.

[1] In millions

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	7.0	6.9	45.0	13.6	12.6	6.0	4.4	8.4	6.2	8.3	***7.7***	***8.0***
Avg. Yld.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	0.7%	1.2%	1.1%	***1.4%***	***1.3%***

Over the last ten and five years, CF Bank has traded hands at an average PE ratio of 11.8 and 6.7, respectively. Its current PE ratio of 7.7 is within its average PE ratio, and just below our fair value estimate of 8.0. If the company's valuation were to shift to our estimate of fair value, the stock would benefit from a 0.9% annualized gain.

CF has paid an average dividend yield of 0.4% and 0.7% in the trailing ten and five years. Given the stock now yields 1.4%, it could be considered undervalued by this measure.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	-	-	-	-	-	1%	5%	6%	9%	12%	***11%***	***10%***

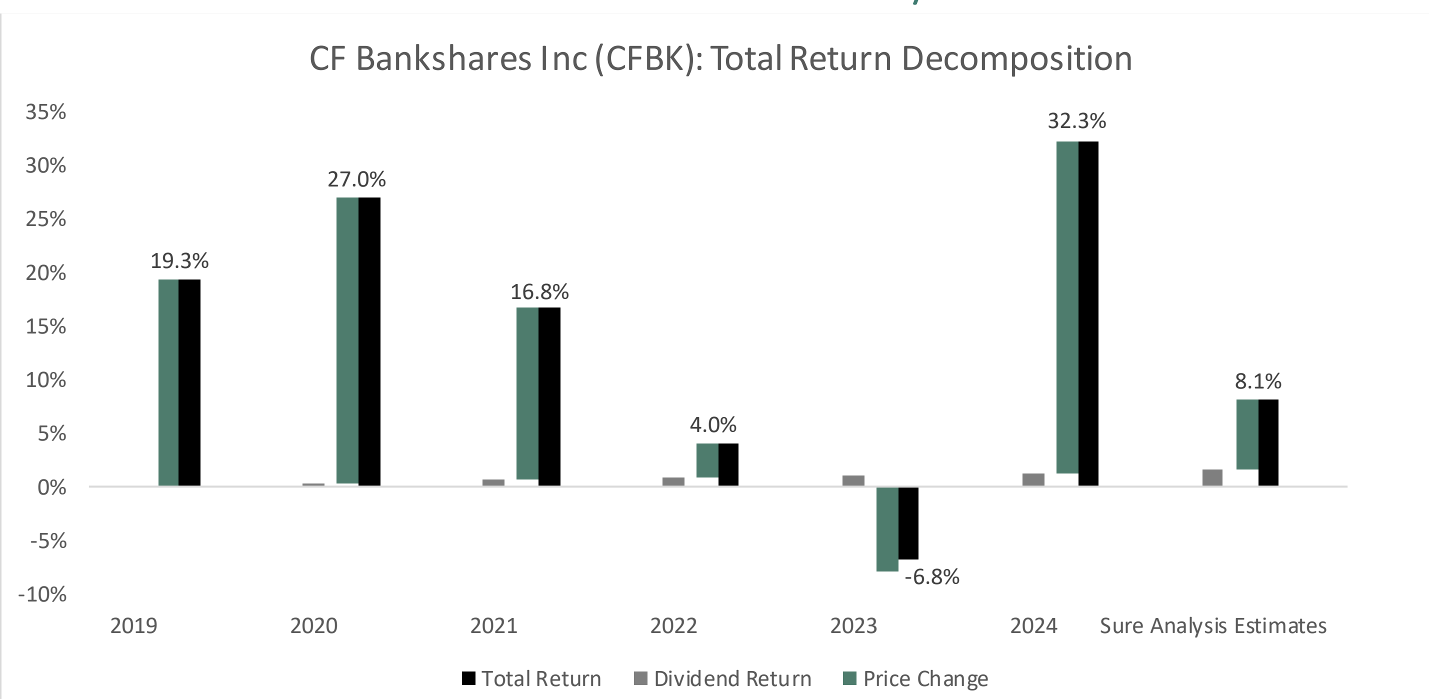
CF Bankshares was one of the many banks in the U.S. to cut its dividend during the Great Recession. Furthermore, it did not reinstate its dividend until the end of 2020. Since then, however, it has increased its dividend every year.

The forecasted payout ratio for 2025 of 11% is very conservative, and should enable the company to pay its dividend even if a recession occurred. CF Bank doesn't possess any strong competitive advantage over its peers in the regional banking industry, as banking services are essentially commoditized. The company is very susceptible to recessions.

Final Thoughts & Recommendation

The share price of CFBK has declined by 21% year-to-date, underperforming the S&P 500 Index, which sold off by 8%. CF Bank was recapitalized in 2012, and only reinstated its dividend in 2020, but has increased its payout since. CF Bankshares could now offer an 8.1% average annual return over the next five years, stemming from 6% annual EPS growth, its 1.4% dividend, and a 0.9% valuation tailwind. We are initiating coverage of CFBK at a hold 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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	11	12	14	20	33	87	53	51	51	50
SG&A Exp.	6	6	7	11	15	29	22	17	18	17
D&A Exp.	0	0	0	0	0	(1)	(2)	(0)	(0)	(1)
Net Profit	4	2	1	4	10	30	18	18	17	13
Net Margin	40.9%	13.2%	9.4%	20.9%	28.9%	33.8%	34.6%	35.4%	33.2%	26.6%
Free Cash Flow	5	2	4	(12)	(104)	(124)	250	39	17	14
Income Tax	(3)	1	2	1	2	7	4	4	4	3

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	351	436	481	665	881	1,477	1,496	1,820	2,059	2,066
Cash & Equivalents	26	58	46	67	46	222	167	152	262	235
Total Liab.	313	397	441	619	800	1,367	1,370	1,681	1,903	1,897
Long-Term Debt	20	19	19	34	44	229	105	124	125	108
Total Equity	38	39	40	46	81	110	125	139	155	168
LTD/E Ratio	0.51	0.47	0.46	0.75	0.54	2.08	0.83	0.89	0.80	0.64

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.3%	0.4%	0.3%	0.7%	1.2%	2.5%	1.2%	1.1%	0.9%	0.6%
Return on Equity	12.3%	4.2%	3.4%	10.0%	15.2%	31.0%	15.7%	13.7%	11.5%	8.3%
ROIC	8.0%	2.8%	2.3%	6.2%	9.4%	12.8%	6.5%	7.4%	6.2%	4.8%
Shares Out.	4.1	2.9	3.5	4.3	4.6	6.1	6.7	6.5	6.4	6.3
Revenue/Share	2.65	4.23	4.06	4.72	7.17	14.33	8.02	7.85	7.92	7.99
FCF/Share	1.22	0.60	1.04	(2.86)	(22.47)	(20.28)	37.64	5.95	2.70	2.21

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