



Community Trust Bancorp (CTBI)

Updated January 24th, 2020 by Aristofanis Papadatos

Key Metrics

| | | | | | |
|-----------------------------|------|--|-------|----------------------------------|----------------------|
| Current Price: | \$45 | 5 Year CAGR Estimate: | 6.6% | Market Cap: | \$806 M |
| Fair Value Price: | \$44 | 5 Year Growth Estimate: | 4.0% | Ex-Dividend Date: | 3/12/20 ¹ |
| % Fair Value: | 103% | 5 Year Valuation Multiple Estimate: | -0.5% | Dividend Payment Date: | 3/30/20 ¹ |
| Dividend Yield: | 3.4% | 5 Year Price Target | \$53 | Years Of Dividend Growth: | 39 |
| Dividend Risk Score: | A | Retirement Suitability Score: | A | Last Dividend Increase: | 5.6% |

Overview & Current Events

Community Trust Bancorp is a regional bank with 84 branch locations in 35 counties in Kentucky, Tennessee and West Virginia. It is the second-largest bank holding company in Kentucky and has a market cap of \$806 million. Community Trust Bancorp operates with a \$4.4 billion balance sheet. Due to its small market cap, it does not belong to the S&P 500 index and hence it is not considered a Dividend Aristocrat even though it has raised its dividend for 39 consecutive years. In late January, Community Trust Bancorp reported (1/22/20) financial results for the fourth quarter of fiscal 2019. The bank grew its net interest income by 0.2% and its non-interest income by 9.3%, mostly thanks to higher loan-related fees, over the prior year's quarter. As a result, earnings-per-share edged up, from \$0.89 to \$0.90. In the year, the bank grew its earnings-per-share by 8.7%, from \$3.35 to \$3.64. Essentially half of the growth in the bottom line resulted from a non-recurring decrease in the tax rate, which resulted from changes in Kentucky tax law.

The loan portfolio of Community Trust Bancorp increased by \$33.9 million or 1.2% over last year's period and non-performing loans rose \$11.5 million over the same period but they still stand at a comfortable level (1.0% of total loans).

Growth on a Per-Share Basis

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2025 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------|
| EPS | \$1.96 | \$2.30 | \$2.63 | \$2.62 | \$2.49 | \$2.66 | \$2.70 | \$2.91 | \$3.35 | \$3.64 | \$3.65 | \$4.44 |
| DPS | \$1.10 | \$1.12 | \$1.14 | \$1.15 | \$1.18 | \$1.22 | \$1.26 | \$1.30 | \$1.35 | \$1.46 | \$1.54 | \$1.86 |
| Shares² | 16.8 | 16.9 | 17.1 | 17.2 | 17.4 | 17.5 | 17.6 | 17.7 | 17.7 | 17.8 | 17.9 | 18.1 |

Community Trust Bancorp has grown its earnings-per-share at a 7.1% average annual rate during the last decade. However, in the last seven years, it has grown its earnings-per-share by only 4.8% per year on average. As the Fed has adopted a dovish stance in recent months, it will provide a mild headwind to the growth efforts of the bank. Moreover, the non-recurring decreases in the tax rate of the bank, which fueled a great portion of the bottom-line growth in 2018 and 2019, will not be growth drivers anymore. As a result, we do not expect the company to accelerate its growth pattern in the upcoming years and thus we forecast 4% annual earnings-per-share growth.

Valuation Analysis

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Now | 2025 |
|------------------|------|------|------|------|------|------|------|------|------|------|-------------|-------------|
| Avg. P/E | 12.5 | 10.8 | 11.3 | 13.2 | 14.3 | 12.8 | 13.5 | 16.3 | 14.1 | 11.6 | 12.3 | 12.0 |
| Avg. Yld. | 4.5% | 4.5% | 3.8% | 3.4% | 3.3% | 3.6% | 3.5% | 2.9% | 2.9% | 3.5% | 3.4% | 3.5% |

Community Trust Bancorp is currently trading at a price-to-earnings ratio of 12.3, which is lower than its 10-year average price-to-earnings ratio of 13.0. Due to the small market cap of the stock, we prefer to be somewhat conservative and assume a price-to-earnings ratio around 12.0 by 2025. In such a case, the stock would incur a modest -0.5% annualized drag due to the contraction of its valuation level over the next five years.

¹ Estimated date

² In millions.

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.



Community Trust Bancorp (CTBI)

Updated January 24th, 2020 by Aristofanis Papadatos

Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2025 |
|---------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------------|--------------|
| Payout | 56.1% | 48.7% | 43.3% | 43.9% | 47.4% | 45.9% | 46.7% | 44.7% | 40.3% | 40.1% | 42.2% | 41.8% |

Community Trust Bancorp proved that it was well managed in the Great Recession. In the worst financial crisis of the last 80 years, when most banks cut their dividends, this bank remained profitable and continued raising its dividend.

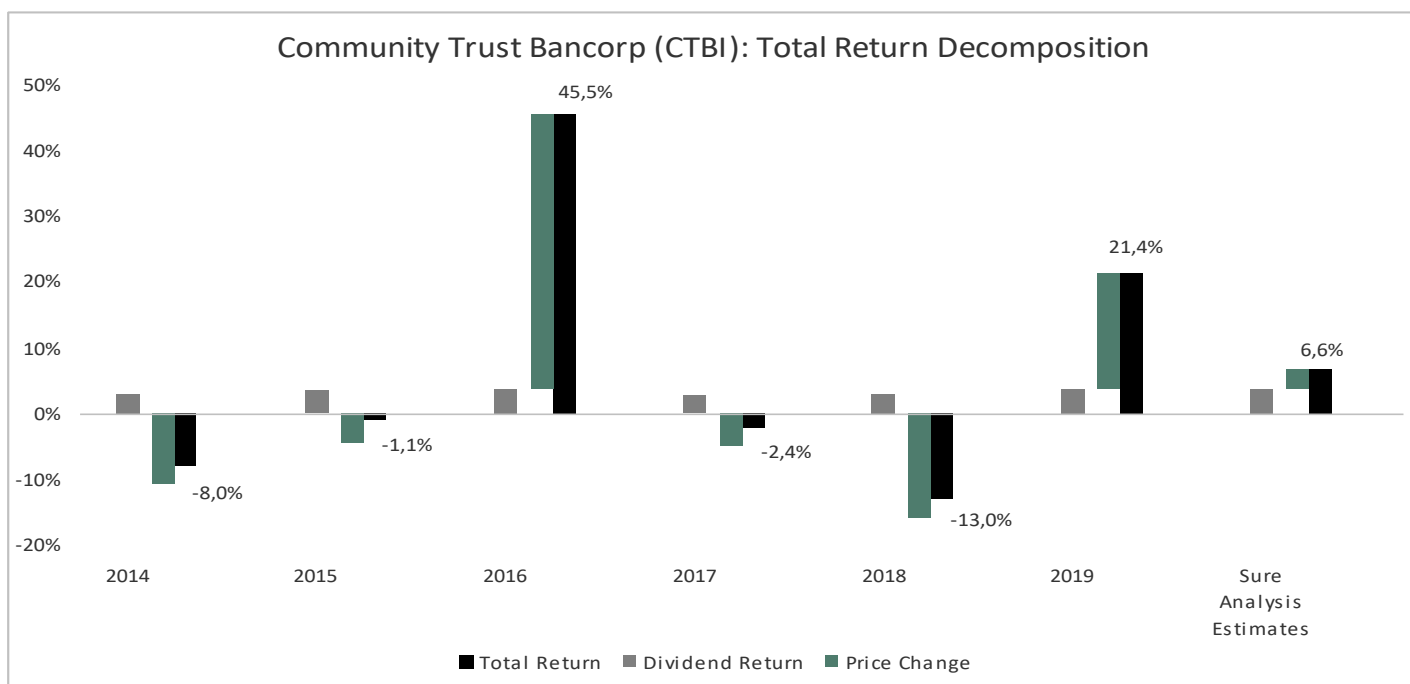
As a recession has not materialized for a whole decade, investors should be watchful. In the event a recession occurs, Community Trust Bancorp will certainly be affected, but its business performance will probably be superior to that of most other banks thanks to its conservative loan portfolio. To provide a perspective, the bank reported net loan charge-offs of only 0.19% in the most recent quarter.

On the other hand, whenever the market incurs a meaningful correction, Community Trust Bancorp tends to underperform its sector due to its low market cap and its resultant low trading liquidity. Only investors who can remain focused on the fundamentals and ignore pressure on the stock price should consider this stock.

Final Thoughts & Recommendation

Community Trust Bancorp is a well-managed bank, which could offer a 6.6% average annual return over the next five years. The bank accelerated its growth pattern in 2018 and 2019 thanks to higher interest rates and its reduced tax rate but it will now decelerate due to the dovish stance of the Fed and the absence of the one-time benefit from tax reductions. The stock is reasonably valued and has a low payout ratio, so it has ample room to keep raising its dividend. It is thus eligible for income-oriented investors, particularly given its exceptional dividend growth record. Nevertheless, due to the risks that accompany small-cap stocks and the lackluster expected earnings growth rate of Community Trust Bancorp going forward, we maintain our hold rating for this stock.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

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.



Community Trust Bancorp (CTBI)

Updated January 24th, 2020 by Aristofanis Papadatos

Income Statement Metrics

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|
| Revenue | 160 | 175 | 178 | 184 | 177 | 179 | 181 | 186 | 194 | |
| SG&A Exp. | 59 | 58 | 61 | 63 | 67 | 66 | 68 | 70 | 69 | |
| D&A Exp. | 4 | 4 | 4 | 5 | 4 | 4 | 4 | 4 | N/A | |
| Net Profit | 33 | 39 | 45 | 45 | 43 | 46 | 47 | 51 | 59 | |
| Net Margin | 20.6% | 22.2% | 25.2% | 24.6% | 24.4% | 25.9% | 26.1% | 27.7% | 30.5% | |
| Free Cash Flow | 59 | 61 | 54 | 89 | 55 | 53 | 58 | 60 | N/A | |
| Income Tax | 15 | 17 | 20 | 20 | 19 | 19 | 19 | 17 | 11 | |

Balance Sheet Metrics

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total Assets | 3356 | 3591 | 3636 | 3582 | 3724 | 3904 | 3932 | 4136 | 4202 | 4,366 |
| Cash & Equivalents | 133 | 248 | 206 | 108 | 109 | 191 | 145 | 185 | 144 | 59 |
| Goodwill & Int. Ass. | 70 | 69 | 69 | 70 | 69 | 69 | 69 | 69 | 69 | 65 |
| Total Liabilities | 3,017 | 3,224 | 3,235 | 3,169 | 3,276 | 3,428 | 3,432 | 3,606 | 3,637 | 3,751 |
| Long-Term Debt | 92 | 83 | 63 | 63 | 123 | 162 | 62 | 60 | 60 | |
| Shareholder's Equity | 339 | 367 | 400 | 412 | 448 | 476 | 501 | 531 | 564 | 615 |
| D/E Ratio | 0.27 | 0.23 | 0.16 | 0.15 | 0.27 | 0.34 | 0.12 | 0.11 | 0.00 | |

Profitability & Per Share Metrics

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|------|
| Return on Assets | 1.0% | 1.1% | 1.2% | 1.3% | 1.2% | 1.2% | 1.2% | 1.3% | 1.4% | |
| Return on Equity | 10.0% | 11.0% | 11.7% | 11.1% | 10.1% | 10.1% | 9.7% | 10.0% | 10.8% | |
| ROIC | 7.8% | 8.8% | 9.8% | 9.6% | 8.3% | 7.7% | 7.9% | 8.9% | 10.3% | |
| Shares Out. | 16.8 | 16.9 | 17.1 | 17.2 | 17.4 | 17.5 | 17.6 | 17.7 | 17.7 | |
| Revenue/Share | 9.54 | 10.37 | 10.43 | 10.67 | 10.18 | 10.24 | 10.33 | 10.53 | 10.96 | |
| FCF/Share | 3.51 | 3.62 | 3.14 | 5.14 | 3.19 | 3.02 | 3.30 | 3.40 | N/A | |

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

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.