Stock Yards Bancorp, Inc. (SYBT)

Updated April 1st, 2023, by Patrick Neuwirth

Key Metrics

Current Price:	$55	**5 Year CAGR Estimate:**	11.1%	**Market Cap:**	$1.6 B
Fair Value Price:	$59	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date[1]:**	06/15/23
% Fair Value:	94%	**5 Year Valuation Multiple Estimate:**	1.3%	**Dividend Payment Date[1]:**	07/03/23
Dividend Yield:	2.1%	**5 Year Price Target**	$87	**Years Of Dividend Growth:**	14
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Buy

Overview & Current Events

Stock Yards Bancorp, Inc. (SYBT) with $7.50 billion in assets, is the bank holding company for Stock Yards Bank & Trust Company which provides various financial services for individuals, corporations, and others in the United States. It operates in two segments, Commercial Banking, and Wealth Management & Trust (WMT). Its banking services include loan and deposit services, cash management services, securities brokerage activities, mortgage origination, and others. In addition to its banking operations, Stock Yards Bancorp's Wealth Management and Trust Group has $6.6 billion in assets under management. The Commercial Banking segment accounts generate most of the company's income. Stock Yards Bancorp was founded in 1904 and has about 1,000 employees.

On January 25th, 2023, Stock Yards Bancorp released fourth quarter 2022 results for the period ending December 31st, 2022. For the quarter, the company reported a net income of $29.8 million, or $1.01 per diluted share, compared to a net income of $24.6 million, or $0.92 per diluted share in the prior year's quarter. Organic loan growth across all markets and expanded net interest margin (NIM) contributed to strong fourth quarter 2022 operating results. Net interest income increased $19.1 million, or 41%, for the fourth quarter of 2022 compared to the fourth quarter a year ago. Net interest margin (NIM) improved for the fourth consecutive quarter, increasing 18 basis points on a quarterly basis to 3.64%. Non-interest income increased by $4.5 million, or 24%, over the fourth quarter of 2021, as customer expansion and recent acquisitions once again drove record quarterly card income and treasury management fees. For the full year ended December 31, 2022, the company reported $3.21 per diluted share, compared to $2.97 per diluted share earned in 2021. Management anticipates overall growth moderating towards historical averages in 2023. In 2022, Stock Yards Bancorp completed the acquisition of Commonwealth Bancshares, which added $1.34 billion in assets, $632 million in loans net of purchase accounting marks, $1.12 billion in total deposits and $2.93 billion in wealth management and trust assets under management. Management anticipates overall growth moderating towards historical averages in 2023. The bank will continue to focus on attracting and retention of talented people and building a full client relationship in the commercial banking segment[2].

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	$1.26	$1.57	$1.65	$1.80	$1.66	$2.42	$2.89	$2.59	$2.97	$3.21	***$3.93***	***$5.77***
DPS	$0.54	$0.59	$0.64	$0.72	$0.80	$0.96	$1.04	$1.08	$1.10	$1.14	***$1.16***	***$1.48***
Shares[3]	22	22	23	23	23	23	23	23	25	29	***29***	***29***

The bank has grown earnings by 10.9% per year over the past nine years and 10.2% over the past five years. We expect earnings to increase by 8% per year for the next five years.

The company has been able to increase its yearly dividend payout for 14 consecutive years. Over the last five years, the average annual dividend growth rate is 3.9%. In August 2022, the quarterly dividend increased by 3.6% from $0.28 to $0.29 per share.

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[1] Estimated date.
[2] Janney West Coast Bank CEO Forum February 1-2, 2023
[3] 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.

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Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Avg. P/E	16.5	12.9	14.4	16.9	23.7	14.9	12.6	14.3	17.9	16.9	***14.0***	***15.0***
Avg. Yld.	1.9%	2.9%	2.7%	2.4%	2.0%	2.7%	2.8%	2.9%	2.1%	1.8%	***2.1%***	***1.7%***

During the past decade shares of Stock Yards Bancorp have traded with an average price-to-earnings ratio of about 16.1 times earnings and today, it stands at 14.0. We are using 15 times earnings as a fair value baseline, implying the potential for a valuation tailwind. The company's dividend yield is currently 2.1% which is below the average yield over the past decade of 2.5%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	43%	38%	39%	40%	48%	40%	36%	42%	37%	36%	***30%***	***26%***

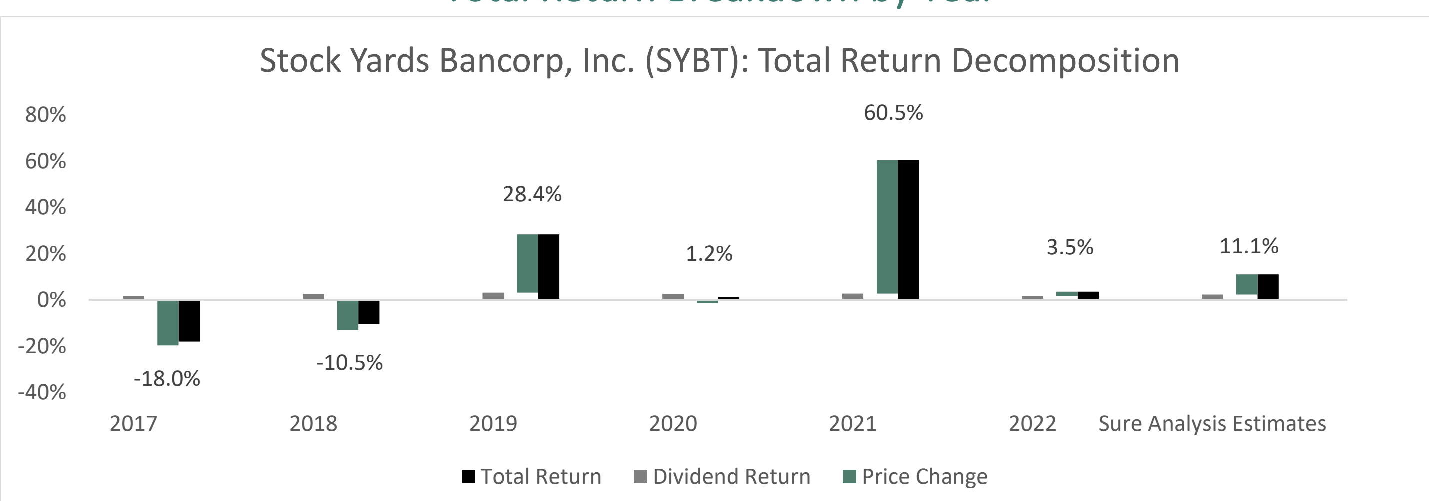
During the past five years, the company's dividend payout ratio has averaged around 40%. The bank's dividend is comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at the same pace and keep the payout ratio around the same levels which is safe.

One of the key aspects of Stock Yards Bancorp, Inc.'s business model is its focus on full relationship banking in the commercial banking segment. The company's goal is to establish long-term relationships with its commercial clients, providing them with personalized financial services to meet their specific needs. The company also places a strong emphasis on operational efficiency and organic growth in large mature markets complimented by acquisition. In 2021, the company acquired Kentucky Bancshares followed by Commonwealth Bancshares in 2022. Over the past 33 years, Stock Yards Bancorp has managed to increase its earnings per share in 29 of those years. This impressive trend was disrupted in 2008 and 2009 due to the recession, in 2017 due to the impact of tax reform, and in 2020 due to the COVID-19 pandemic.

Final Thoughts & Recommendation

Stock Yards Bancorp, Inc. is a community bank with a focus on commercial banking and wealth management & trust services that has built a reputation for financial strength, community involvement resulting in a solid EPS growth track record combined with 14 consecutive years of dividend growth. We estimate total return potential of 11.1% per year for the next five years based on an 8% earnings-per-share growth, a 2.1% yield, and a valuation tailwind. Shares earn a Buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	115	123	128	140	148	157	171	182	232	312
SG&A Exp.	49	52	49	53	56	60	64	66	83	111
D&A Exp.	8	7	7	11	14	6	5	10	11	21
Net Profit	27	35	37	41	38	56	66	59	75	93
Net Margin	23.6%	28.3%	29.0%	29.3%	25.7%	35.3%	38.6%	32.3%	32.2%	29.8%
Free Cash Flow	56	37	40	57	51	59	53	72	98	90
Income Tax	11	15	17	15	17	12	10	9	21	27

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	2,389	2,564	2,817	3,039	3,240	3,303	3,724	4,609	6,646	7,496
Cash & Equivalents	35	42	36	40	42	52	47	43	62	83
Inventories	6	6	7	7	8	8	9	13	14	22
Goodwill & Int.	5	4	3	3	3	3	16	17	146	234
Total Liabilities	2,160	2,304	2,530	2,726	2,906	2,936	3,318	4,168	5,970	6,736
Accounts Payable	0	0	0	0	0	1	1	0	0	1
Long-Term Debt	34	37	43	51	49	48	80	32	-	76
Total Equity	229	260	287	314	334	367	406	441	676	760
LTD/E Ratio	0.15	0.14	0.15	0.16	0.15	0.13	0.20	0.07	-	0.10

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	1.2%	1.4%	1.4%	1.4%	1.2%	1.7%	1.9%	1.4%	1.3%	1.3%
Return on Equity	12.5%	14.2%	13.6%	13.7%	11.8%	15.9%	17.1%	13.9%	13.4%	12.9%
ROIC	10.2%	12.4%	11.9%	11.8%	10.2%	13.9%	14.7%	12.3%	13.0%	12.3%
Shares Out.	22	22	23	23	23	23	23	23	25	29
Revenue/Share	5.35	5.56	5.71	6.15	6.45	6.86	7.49	8.00	9.23	10.78
FCF/Share	2.60	1.69	1.77	2.50	2.21	2.56	2.33	3.15	3.88	3.12

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