Stock Yards Bancorp, Inc. (SYBT)

Updated January 27th, 2024, by Patrick Neuwirth

Key Metrics

Current Price:	$51	**5 Year CAGR Estimate:**	8.0%	**Market Cap:**	$1.5 B
Fair Value Price:	$56	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date[1]:**	03/15/24
% Fair Value:	91%	**5 Year Valuation Multiple Estimate:**	1.9%	**Dividend Payment Date[1]:**	04/01/24
Dividend Yield:	2.3%	**5 Year Price Target**	$68	**Years Of Dividend Growth:**	15
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Hold

Overview & Current Events

Stock Yards Bancorp, Inc. (SYBT), with $7.90 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 $8.17 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 24th, 2024, Stock Yards Bancorp released fourth quarter and full year 2023 results for the period ending December 31st, 2023. For the quarter, the company reported a net income of $23.9 million, or $0.82 per diluted share, compared to a net income of $27.1 million, or $0.92 per diluted share, in the third quarter of 2023. The results included strong loan growth, deposit growth, and an increase in net interest income. Net interest income decreased $3.2 million, or 4%, for the fourth quarter of 2023 compared to the same quarter a year ago. Net interest margin (NIM) declined 9 basis points on the linked quarter to 3.24%, as the rising cost of funds outpaced earning asset yields. Compared to the third quarter of 2023, NIM decreased 12 basis points. Non-interest income increased by $1.3 million, or 6% to $22.9 million, over the same quarter last year. Total deposits decreased $98 million in the reporting quarter. The company also reported record earnings for the full year, with net income of $107.7 million and diluted earnings per share of $3.67, up from $3.21 in 2022. Strong loan growth across all markets and deposit growth contributed to solid full-year 2023 operating results. Total assets increased $674 million, or 9%, year over year to $8.17 billion. Loans (excluding PPP) grew $580 million, or 11%, over the past 12 months, marking the third consecutive year of double-digit loan growth. Total deposits increased $279 million, or 4%, over the past 12 months, led by interest bearing demand and time deposit expansion which was partially offset by a decline in non-interest bearing demand deposits. The bank will continue to focus on organic growth, retention of talented people, and building a full client relationship in the commercial banking segment.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$1.57	$1.65	$1.80	$1.66	$2.42	$2.89	$2.59	$2.97	$3.21	$3.67	***$3.75***	***$4.56***
DPS	$0.59	$0.64	$0.72	$0.80	$0.96	$1.04	$1.08	$1.10	$1.14	$1.20	***$1.20***	***$1.46***
Shares[2]	22	23	23	23	23	23	23	25	29	29	***29***	***29***

The bank has grown earnings by 9.9% per year since 2014 and 5.3% over the past five years. We expect earnings to increase by 4% per year for the next five years.

The company has been able to increase its yearly dividend payout for 15 consecutive years. Over the last five years, the average annual dividend growth rate is 3.9%. In August 2023, the quarterly dividend increased by 3.4% from $0.29 to $0.30 per share.

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[1] Estimated date.

[2] In millions.

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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	12.9	14.4	16.9	23.7	14.9	12.6	14.3	17.9	19.6	14.0	***13.6***	***15.0***
Avg. Yld.	1.9%	2.7%	2.4%	2.0%	2.7%	2.8%	2.9%	2.1%	1.8%	2.2%	***2.3%***	***2.1%***

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 13.6. 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 2.3%, which is below the average yield of 2.4% over the past decade.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	38%	39%	40%	48%	40%	36%	42%	37%	36%	33%	***32%***	***32%***

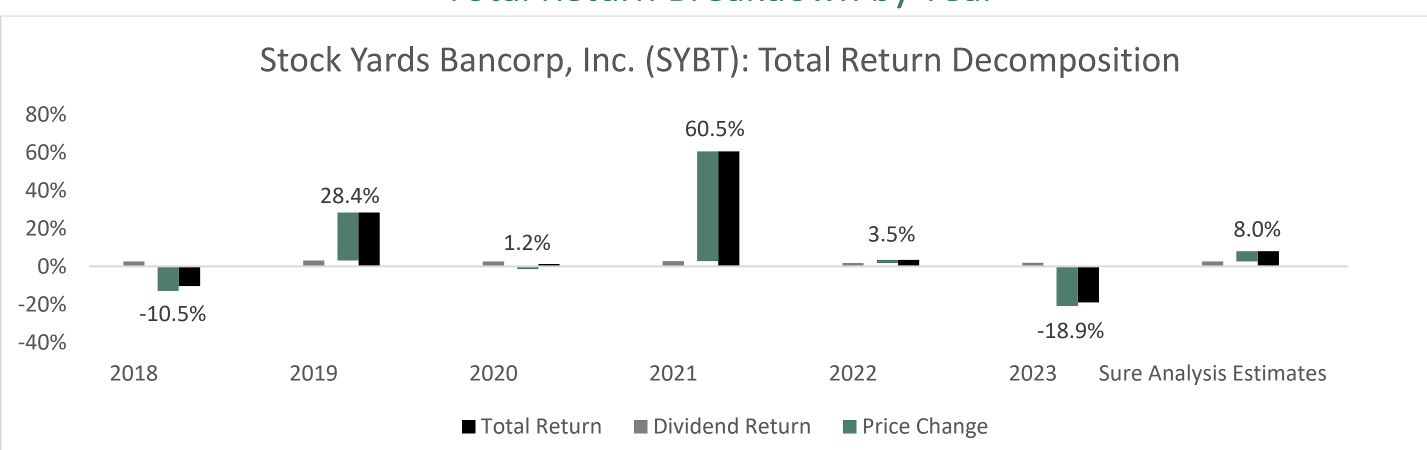
During the past five years, the company's dividend payout ratio has averaged around 40%. The bank's dividend is comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at the same pace and keep the payout ratio around the same levels which 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. In May, the company was named a winner of the 2022 Raymond James Community Bankers Cup, which honors the top 10% of community banks based on profitability, operational efficiency, and balance sheet metrics.

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 and community involvement resulting in a solid EPS growth track record combined with 15 consecutive years of dividend growth. We estimate total return potential of 8.0% per year for the next five years based on a 4% earnings-per-share growth, a 2.3% yield, and a valuation tailwind. Shares earn a hold 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.

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