Stock Yards Bancorp, Inc. (SYBT)

Updated July 26th, 2024, by Patrick Neuwirth

Key Metrics

Current Price:	$62	**5 Year CAGR Estimate:**	4.8%	**Market Cap:**	$1.8 B
Fair Value Price:	$59	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date[1]:**	09/13/24
% Fair Value:	105%	**5 Year Valuation Multiple Estimate:**	-1.0%	**Dividend Payment Date[1]:**	09/27/24
Dividend Yield:	1.9%	**5 Year Price Target**	$72	**Years Of Dividend Growth:**	15
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Hold

Overview & Current Events

Stock Yards Bancorp, Inc. (SYBT), with $8.12 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 July 24th, 2024, Stock Yards Bancorp released second quarter 2024 results for the period ending June 30th, 2024. For the quarter, the company reported a net income of $27.6 million, or $0.94 per diluted share, compared to a net income of $27.7 million, or $0.94 per diluted share, for the second quarter of 2023. The results were driven by record loan growth and stable asset quality, with total loans increasing by $652 million, or 12%, year-over-year. Net interest income was $62.0 million, up 2% from the previous year, despite a cost of funds increase outpacing yield growth, resulting in a net interest margin of 3.26%. This represents a contraction of 16 basis points compared to the 3.42% recorded in the second quarter of 2023. Non-interest income rose by 3% to $23.7 million, boosted by record wealth management and trust income of $10.8 million due to strong equity market performance and new business growth. Non-interest expenses climbed 7% to $49.1 million, largely due to higher compensation and benefits. Credit quality remained robust with non-performing loans at 0.29% of total loans. The bank continues to be "well-capitalized" with a tangible common equity ratio of 8.42% compared to the year-ago 7.87%, reflecting a sound financial position. The bank will continue to focus on organic growth, retention of talented people, and building a full client relationship in the commercial banking segment. The bank anticipates net interest margin expansion to continue, supported by robust loan growth and higher asset yields.

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	***$3.70***	***$4.50***
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 5.1% 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. No shares have been repurchased since 2020.

[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.

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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	***16.8***	***16.0***
Avg. Yld.	1.9%	2.7%	2.4%	2.0%	2.7%	2.8%	2.9%	2.1%	1.8%	2.2%	***1.9%***	***2.0%***

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 16.8. We are using 16 times earnings as a fair value baseline, implying the potential for a valuation headwind. The company's dividend yield is currently 1.9%, 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%***

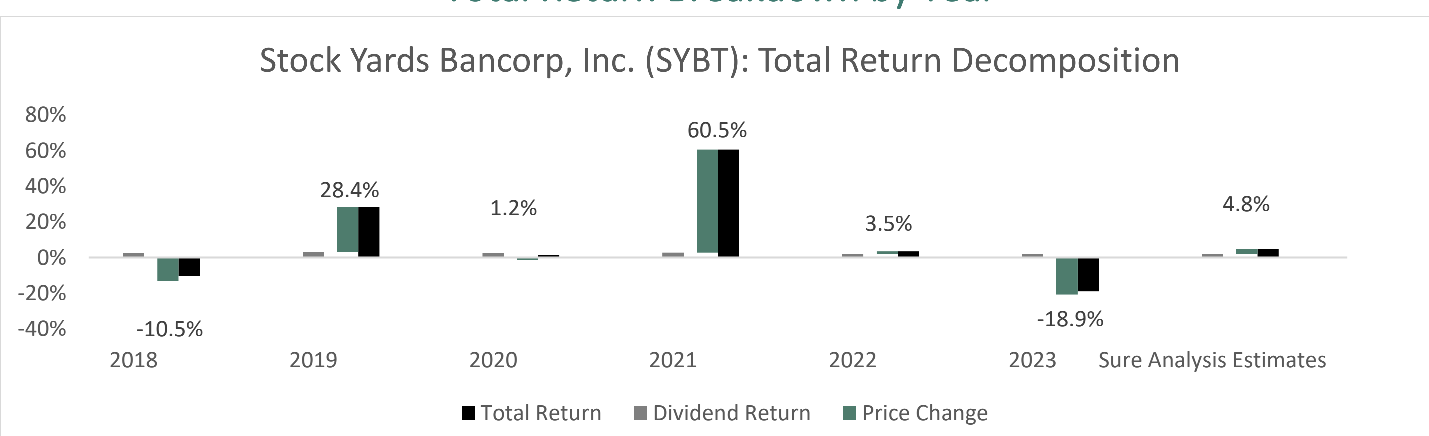
During the past five years, the company's dividend payout ratio has averaged around 40%. The bank's dividend is comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at the same pace and keep the payout ratio around the same levels which 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 March 2024, S&P Global Market Intelligence once again recognized Stock Yards as one of the Top 50 Best Performing Community Banks with total assets between $3 and $10 billion at the end of 2023. The rankings assess the performance of banking institutions based on returns, growth, and funding, while placing a premium on balance sheet strength and risk profile.

Final Thoughts & Recommendation

Stock Yards Bancorp, Inc. is a community bank with a focus on Commercial Banking and Wealth Management & Trust services that have 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 4.8% per year for the next five years based on a 4% earnings-per-share growth, a 2.6% yield, and a valuation headwind. Shares earn a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	123	128	140	148	157	171	182	232	312	333
SG&A Exp.	52	49	53	56	60	64	66	83	111	120
D&A Exp.	7	7	11	14	6	5	10	11	21	22
Net Profit	35	37	41	38	56	66	59	75	93	108
Net Margin	28.3%	29.0%	29.3%	25.7%	35.3%	38.6%	32.3%	32.2%	29.8%	32.4%
Free Cash Flow	37	40	57	51	59	53	72	98	90	99
Income Tax	15	17	15	17	12	10	9	21	27	30

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	2,564	2,817	3,039	3,240	3,303	3,724	4,609	6,646	7,496	8,170
Cash & Equivalents	42	36	40	42	52	47	43	62	83	94
Inventories	6	7	7	8	8	9	13	14	22	-
Goodwill & Int.	4	3	3	3	3	16	17	146	234	227
Total Liabilities	2,304	2,530	2,726	2,906	2,936	3,318	4,168	5,970	6,736	7,312
Accounts Payable	0	0	0	0	1	1	0	0	1	2,094
Long-Term Debt	37	43	51	49	48	80	32	-	76	227
Total Equity	260	287	314	334	367	406	441	676	760	858
LTD/E Ratio	0.14	0.15	0.16	0.15	0.13	0.20	0.07	-	0.10	0.26

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.4%	1.4%	1.4%	1.2%	1.7%	1.9%	1.4%	1.3%	1.3%	1.4%
Return on Equity	14.2%	13.6%	13.7%	11.8%	15.9%	17.1%	13.9%	13.4%	12.9%	13.3%
ROIC	12.4%	11.9%	11.8%	10.2%	13.9%	14.7%	12.3%	13.0%	12.3%	11.2%
Shares Out.	22	23	23	23	23	23	23	25	29	29
Revenue/Share	5.56	5.71	6.15	6.45	6.86	7.49	8.00	9.23	10.78	11.35
FCF/Share	1.69	1.77	2.50	2.21	2.56	2.33	3.15	3.88	3.12	3.37

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