Home Bancorp (HBCP)

Published September 25th, 2024 by Aristofanis Papadatos

Key Metrics

Current Price:	$43	**5 Year CAGR Estimate:**	8.6%	**Market Cap:**	$349 M
Fair Value Price:	$49	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date[1]:**	10/25/24
% Fair Value:	88%	**5 Year Valuation Multiple Estimate:**	2.5%	**Dividend Payment Date:**	11/7/24
Dividend Yield:	2.3%	**5 Year Price Target**	$59	**Years Of Dividend Growth:**	9
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Hold

Overview & Current Events

Home Bancorp (HBCP) is the holding company of Home Bank, National Association, a community bank that was founded in 1908, became public in 2008, and is headquartered in Lafayette, Louisiana. It operates 42 branches across Southern Louisiana, Western Mississippi and Houston and provides a wide range of banking loans and services. Home Bancorp has total assets of $3.4 billion and a market capitalization of $349 million.

Home Bancorp has a diversified loan portfolio. Commercial real estate, residential mortgage and commercial & industrial loans comprise 46%, 17% and 16% of total loans, respectively. Insiders own 14% of the shares of the company.

In mid-July, Home Bancorp reported (7/17/24) financial results for the second quarter of fiscal 2024. Loans and deposits grew 1.5% and 0.6%, respectively, over the previous quarter. In addition, net interest margin edged up from 3.64% to 3.66% and thus net interest income grew 2%. It was the first quarter of expansion of net interest margin after 5 consecutive quarters. However, the bank increased its provisions for loan losses significantly. As a result, earnings-per-share dipped -11%, from $1.14 to $1.02, though they exceeded the analysts' consensus by $0.04. Home Bancorp has exceeded the analysts' estimates for 6 consecutive quarters and has not missed the analysts' estimates for 16 consecutive quarters. Moreover, as the Fed just began reducing interest rates, the net interest margin of the bank is likely to recover in the upcoming quarters.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$1.42	$1.79	$2.25	$2.28	$3.40	$3.05	$2.85	$5.77	$4.20	$4.99	***$4.20***	***$5.11***
DPS	$0.07	$0.30	$0.41	$0.55	$0.71	$0.84	$0.88	$0.91	$0.93	$1.00	***$1.00***	***$1.20***
Shares[2]	6.9	7.0	7.1	7.4	9.3	9.1	8.7	8.3	8.1	8.0	***7.9***	***7.5***

Home Bancorp has acquired six smaller banks since it became public, in 2008. Since then, the bank has grown its asset base by 13% per year on average. It has also grown its earnings-per-share by 15.0% per year on average over the last decade and by 8.0% per year on average over the last five years. Moreover, the Fed has just begun to reduce interest rates and expects to reduce them further, from 4.75%-5.0% now to 2.75%-3.0% after 2026. As a result, Home Bancorp is likely to enjoy a meaningful expansion of its net interest margin in the upcoming years. Nevertheless, given the increased risk related to the small market cap of the bank and its somewhat volatile performance record, we prefer to be cautious in our growth expectations. We thus assume 4.0% average annual growth of earnings-per-share until 2029.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	16.1	13.3	12.6	17.0	12.6	12.1	9.5	6.5	9.4	7.0	***10.2***	***11.6***
Avg. Yld.	0.3%	1.3%	1.4%	1.4%	1.7%	2.3%	3.2%	2.4%	2.4%	2.9%	***2.3%***	***2.0%***

---

[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.

Home Bancorp (HBCP)

Published September 25th, 2024 by Aristofanis Papadatos

Home Bancorp has traded at an average price-to-earnings ratio of 11.6 over the last decade. We assume this valuation level as fair for this stock. The stock is currently trading at a price-to-earnings ratio of 10.2, which is lower than the historical average of the bank. If the stock reverts to its average valuation level in five years, it will enjoy a 2.5% annualized valuation gain.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	5%	17%	18%	24%	21%	28%	31%	16%	22%	20%	***24%***	***23%***

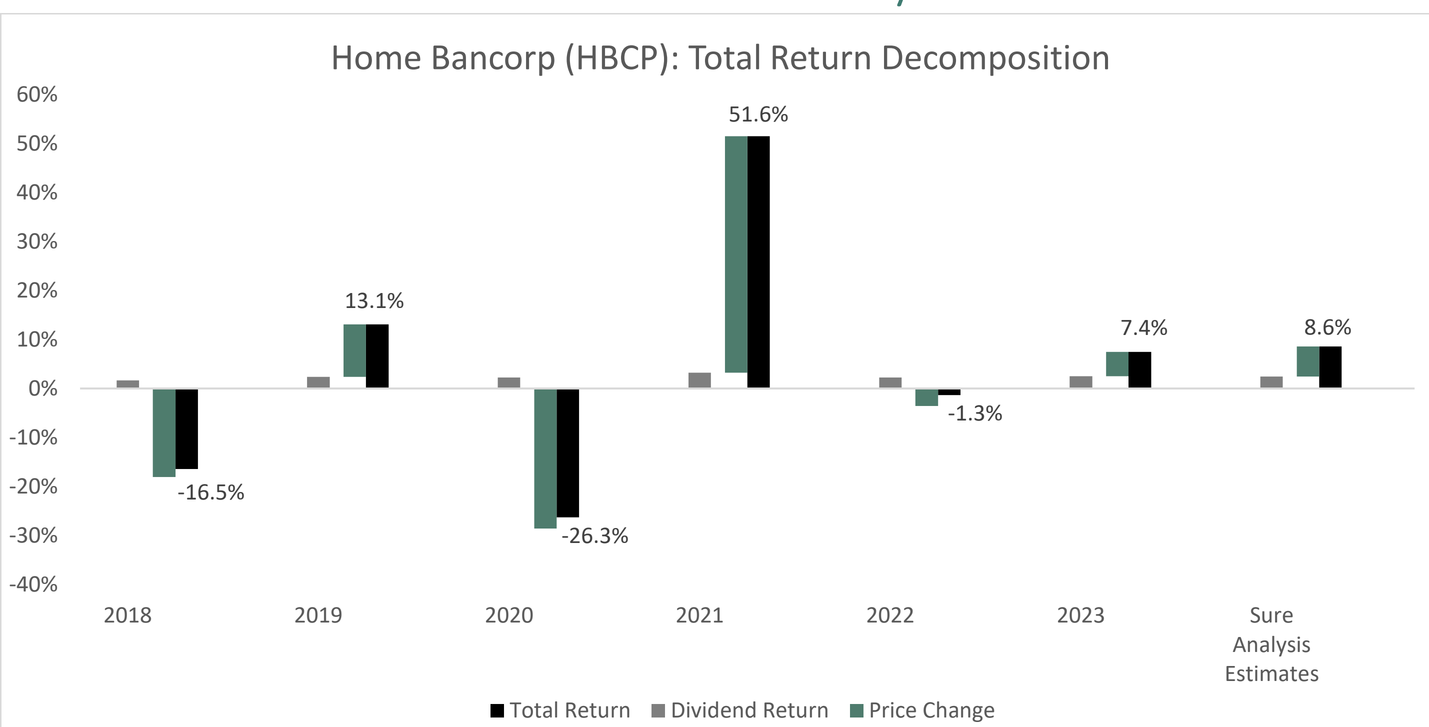
Home Bancorp has raised its dividend for 9 consecutive years. Thanks to its solid payout ratio of 24% and its growth prospects, the bank can keep raising its dividend for years. However, the stock has always offered a lackluster dividend yield. It is currently offering a 2.3% dividend yield, which is much lower than the 3.2% median dividend yield of the financial sector. We also note that the company has grown its dividend by only 4.0% per year over the last five years and it has paid the same dividend for 7 consecutive quarters. While we expect a dividend raise in the fourth quarter, the stock is hardly attractive for income-oriented investors, though it is suitable for growth-oriented investors.

Home Bancorp has a Tier 1 capital ratio of 11.2% and has proved a disciplined acquirer of smaller banks. In addition, while the bank was affected by the pandemic and the downturn caused by the surge of interest rates in 2022, it proved more resilient than the average bank in these crises. Overall, despite the inherent risk related to small-cap stocks, Home Bancorp appears better-than-average in quality of management, growth prospects and resilience to downturns.

Final Thoughts & Recommendation

As inflation has finally cooled and the Fed has embarked on reducing interest rates, the stock of Home Bancorp has rallied 34% in the last 12 months. Despite its steep rally, the stock remains attractive. It could still offer an 8.6% average annual return over the next five years thanks to 4.0% growth of earnings-per-share, its 2.3% dividend and a 2.5% valuation tailwind. The stock receives 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.

Home Bancorp (HBCP)

Published September 25th, 2024 by Aristofanis Papadatos

Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	59	63	74	78	105	100	107	117	132	135
SG&A Exp.	25	26	29	29	38	40	39	41	50	51
D&A Exp.	2	2	2	2	3	3	3	3	3	4
Net Profit	10	13	16	17	32	28	25	49	34	40
Net Margin	16.7%	19.8%	21.8%	21.6%	30.0%	27.8%	23.3%	41.5%	25.8%	29.7%
Free Cash Flow	25	35	16	23	42	40	47	53	48	39
Income Tax	5	7	8	12	7	6	6	12	8	10

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,221	1,552	1,557	2,228	2,154	2,200	2,592	2,938	3,228	3,320
Cash & Equivalents	35	30	31	153	61	40	188	602	88	76
Goodwill & Int. Ass.			13	68	66	64	63	62	88	86
Total Liabilities	1,067	1,387	1,377	1,950	1,850	1,884	2,270	2,586	2,898	2,953
Long-Term Debt	48	125	119	72	64	46	34	32	236	252
Shareholder's Equity	154	165	180	278	304	316	322	352	330	367
LTD/E Ratio	0.31	0.76	0.66	0.26	0.21	0.15	0.11	0.09	0.71	0.69

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	0.9%	0.9%	1.0%	0.9%	1.4%	1.3%	1.0%	1.8%	1.1%	1.2%
Return on Equity	6.7%	7.9%	9.3%	7.4%	10.9%	9.0%	7.8%	14.4%	10.0%	11.5%
ROIC	4.5%	5.1%	5.4%	5.2%	8.8%	7.6%	6.9%	13.1%	7.2%	6.8%
Shares Out.	6.9	7.0	7.1	7.4	9.3	9.1	8.7	8.3	8.1	8.0
Revenue/Share	8.54	9.04	10.35	10.53	11.34	10.98	12.24	13.91	16.10	16.78
FCF/Share	3.55	5.05	2.30	3.09	4.53	4.38	5.39	6.32	5.92	4.88

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