



Community Trust Bancorp (CTBI)

Updated October 17th, 2024 by Aristofanis Papadatos

Key Metrics

Current Price:	\$52	5 Year CAGR Estimate:	7.8%	Market Cap:	\$946 M
Fair Value Price:	\$53	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	12/12/24 ¹
% Fair Value:	97%	5 Year Valuation Multiple Estimate:	0.5%	Dividend Payment Date:	12/30/24
Dividend Yield:	3.6%	5 Year Price Target	\$65	Years Of Dividend Growth:	44
Dividend Risk Score:	A	Retirement Suitability Score:	A	Rating:	Hold

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 \$946 million. Community Trust Bancorp operates with a \$5.2 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 44 consecutive years. In mid-October, Community Trust Bancorp reported (10/16/24) financial results for the third quarter of fiscal 2024. Its net interest income grew 9% over the prior year's quarter, as net interest margin improved from 3.27% to 3.39% and loans grew 9%. Provisions for loan losses increased from \$1.8 million to \$2.7 million. Non-interest income edged up 0.4% thanks to increased deposit fees. Overall, earnings-per-share grew 7%, from \$1.15 to \$1.23, and exceeded the analyst's consensus by \$0.08.

Community Trust Bancorp is a conservatively managed bank, which has proved resilient to all kinds of downturns. The bank has grown its deposits 4% in the last 12 months. It has also proved resilient to the downturn caused by the impact of nearly 23-year high interest rates on the net interest margin of most banks via high deposit costs. Thanks to its solid business performance, Community Trust Bancorp has rallied 49% in the last twelve months. Given the resilient performance of the bank in the current environment, we have raised our forecast for earnings-per-share in 2024 from \$4.20 to \$4.45.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$2.49	\$2.66	\$2.70	\$2.91	\$3.35	\$3.64	\$3.35	\$4.94	\$4.58	\$4.36	\$4.45	\$5.41
DPS	\$1.18	\$1.22	\$1.26	\$1.30	\$1.35	\$1.46	\$1.53	\$1.57	\$1.68	\$1.80	\$1.88	\$2.28
Shares²	17.4	17.5	17.6	17.7	17.7	17.8	17.8	17.8	17.9	17.9	18.0	18.2

Community Trust Bancorp has grown its earnings-per-share at a 6.4% average annual rate over the last decade and at a 5.4% average annual rate over the last five years. Inflation has finally cooled and the Fed just began reducing interest rates from 23-year high levels. Lower interest rates are likely to enhance the net interest margin of the bank via lower deposit costs. However, 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 expect slower growth in the upcoming years. We expect Community Trust Bancorp to grow its earnings-per-share at a 4.0% average annual rate over the next five years.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	14.3	12.8	13.5	16.3	14.1	11.6	10.3	8.6	9.4	8.9	11.7	12.0
Avg. Yld.	3.3%	3.6%	3.5%	2.9%	2.9%	3.5%	4.4%	3.7%	3.9%	4.7%	3.6%	3.5%

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 October 17th, 2024 by Aristofanis Papadatos

Community Trust Bancorp has rallied 49% in the last twelve months and thus its valuation has reverted to normal levels. The stock is currently trading at a price-to-earnings ratio of 11.7, which is almost equal to its 10-year average price-to-earnings ratio of 12.0. We expect the stock to trade at its average valuation level in five years. In such a case, the stock will enjoy a modest 0.5% annualized valuation gain over the next five years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	47.4%	45.9%	46.7%	44.7%	40.3%	40.1%	45.7%	31.8%	36.7%	41.3%	42.2%	42.0%

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.

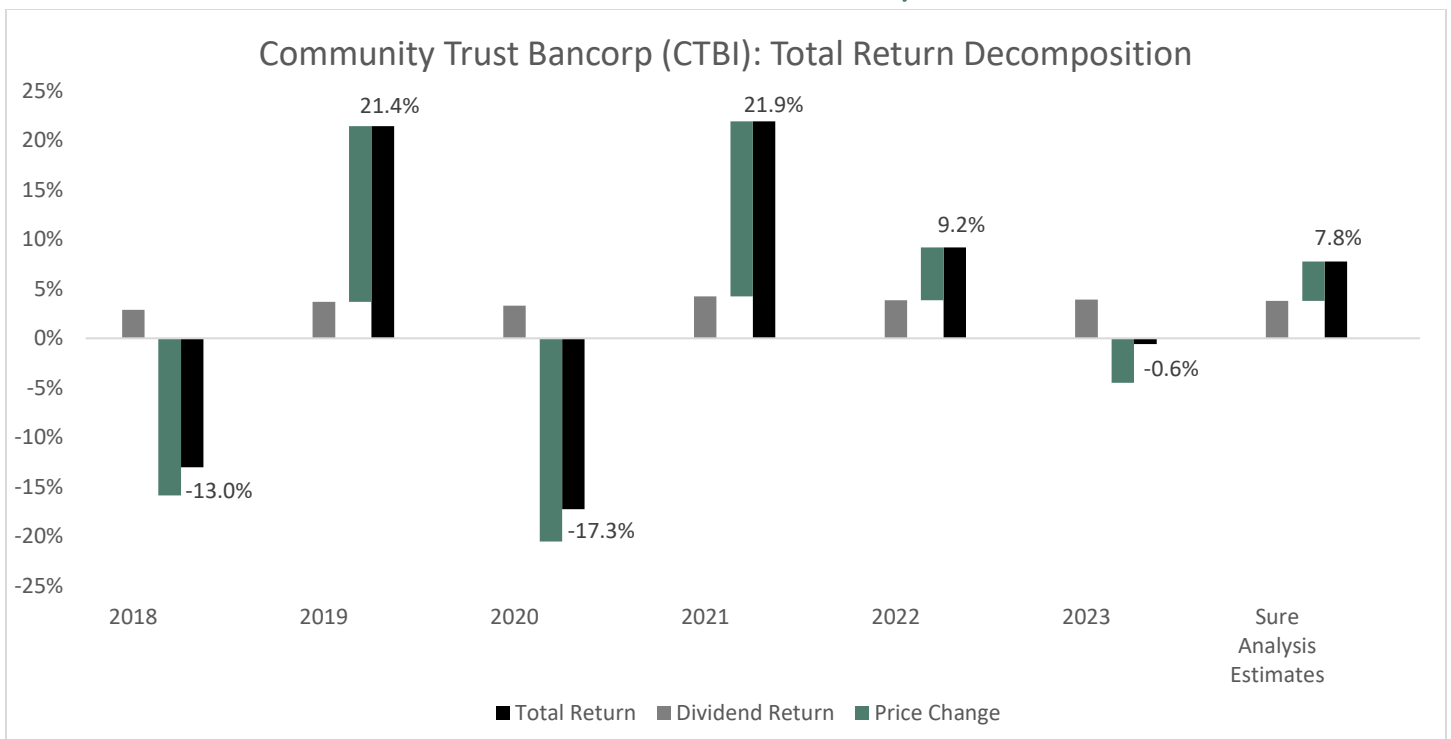
The recession from the pandemic in 2020 caused an -8% decrease in the earnings-per-share of Community Trust Bancorp, but this business performance is superior to that of most other banks thanks to the conservative loan portfolio. To provide a perspective, the bank reported average net loan charge-offs of only 0.14% in the first nine months of 2024.

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 security.

Final Thoughts & Recommendation

Community Trust Bancorp is an exceptionally well-managed bank. It accelerated its growth pattern in 2018 and 2019 thanks to higher interest rates and its reduced tax rate. It also posted record earnings in 2021 thanks to the reversion of provisions for loan losses, as the economy recovered from the pandemic, though it has decelerated due to the absence of that growth driver. The stock has rallied 49% in the last 12 months, but it can still offer a 7.8% average annual return over the next five years thanks to 4.0% earnings-per-share growth, its 3.6% dividend and a 0.5% annualized 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.



Community Trust Bancorp (CTBI)

Updated October 17th, 2024 by Aristofanis Papadatos

Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	177	179	181	186	194	195	206	224	227	231
SG&A Exp.	67	66	68	70	72	74	78	86	74	79
D&A Exp.	4	4	4	4	4	6	5	5	5	5
Net Profit	43	46	47	51	59	65	60	88	82	78
Net Margin	24.4%	25.9%	26.1%	27.7%	30.5%	33.1%	28.9%	39.3%	36.1%	33.8%
Free Cash Flow	55	53	58	60	63	81	61	113	93	79
Income Tax	19	19	19	17	11	7	11	23	19	21

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	3,724	3,904	3,932	4,136	4,202	4,366	5,139	5,418	5,380	5,770
Cash & Equivalents	109	191	145	185	144	265	338	312	51	272
Goodwill & Int. Ass.	69	69	69	69	69	69	70	72	65	24
Total Liabilities	3,276	3,428	3,432	3,606	3,637	3,751	4,484	4,720	4,752	5,067
Long-Term Debt	123	162	62	60	60	58	58	58	58	65
Shareholder's Equity	448	476	501	531	564	615	655	698	628	702
LTD/E Ratio	0.27	0.34	0.12	0.11	0.11	0.09	0.09	0.08	0.09	0.09

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.2%	1.2%	1.2%	1.3%	1.4%	1.5%	1.3%	1.7%	1.5%	1.4%
Return on Equity	10.1%	10.1%	9.7%	10.0%	10.8%	10.9%	9.4%	13.0%	12.3%	11.7%
ROIC	8.3%	7.7%	7.9%	8.9%	9.8%	10.0%	9.0%	12.0%	11.8%	10.7%
Shares Out.	17.4	17.5	17.6	17.7	17.7	17.8	17.8	17.8	17.9	17.9
Revenue/Share	10.18	10.24	10.33	10.53	10.96	11.00	11.58	12.56	12.71	9.67
FCF/Share	3.19	3.02	3.30	3.40	3.54	4.56	3.43	6.37	5.24	4.44

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.