



BancFirst Corp. (BANF)

Updated November 20th, 2024 by Felix Martinez

Key Metrics

Current Price:	\$120	5 Year CAGR Estimate:	1.1%	Market Cap:	\$4.0 B
Fair Value Price:	\$96	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	12/28/24 ¹
% Fair Value:	125%	5 Year Valuation Multiple Estimate:	-4.4%	Dividend Payment Date:	01/16/25
Dividend Yield:	1.5%	5 Year Price Target	\$117	Years Of Dividend Growth:	31
Dividend Risk Score:	A	Retirement Suitability Score:	B	Rating:	Sell

Overview & Current Events

BancFirst Corp. (BANF) serves as the financial holding company for BancFirst, a state-chartered bank headquartered in Oklahoma City, Oklahoma. The company was founded in 1984, and the subsequent year merged with seven other bank holding companies based in Oklahoma. The company acquired other banks and bank holding companies for the next several years. BancFirst has 106 banking locations serving 59 communities throughout Oklahoma and has over 1,900 employees. BancFirst offers retail customers and small and mid-sized businesses various commercial banking services. This includes checking, savings, CDs, personal loans, and other services for retail customers. The bank offers business lending services for commercial customers, including agricultural and multi-family loans and various business banking services. The company has a \$4.0 billion market capitalization.

On October 17th, 2024, BancFirst Corporation reported third-quarter results for Fiscal Year (FY)2024. The company reported a net income of \$58.9 million, or \$1.75 per diluted share, for Q3 2024, up from \$51.0 million, or \$1.52 per diluted share, in Q3 2023. Net interest income increased to \$115.0 million, driven primarily by loan growth, though partially offset by changes in deposit mix. The net interest margin improved slightly to 3.78% from 3.73% in the prior year. Credit loss provisions rose to \$3.0 million from \$2.3 million, reflecting cautious reserve management amid an uncertain economic outlook.

Noninterest income grew to \$48.7 million, up from \$44.4 million in Q3 2023, with higher revenues from trust services, treasury operations, sweep fees, and insurance commissions. Noninterest expenses rose to \$86.7 million, largely due to a \$4.0 million increase in salaries and benefits. The effective tax rate decreased to 20.3% from 21.8% in the prior year. At the end of the quarter, total assets stood at \$13.3 billion, loans reached \$8.2 billion, and deposits grew to \$11.5 billion, reflecting steady financial growth.

CEO David Harlow highlighted strong performance driven by loan growth, a stable net interest margin, and increases in noninterest income. While acknowledging uncertainties related to Federal Reserve policy and potential interest rate changes, the company remains confident in its ability to balance asset and liability pricing. BancFirst operates across Oklahoma and Texas with 110 banking locations and maintains a cautious credit stance, keeping loan loss reserves steady amid evolving economic conditions.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$2.02	\$2.09	\$2.22	\$2.79	\$3.76	\$4.05	\$3.00	\$5.03	\$5.77	\$6.34	\$6.39	\$7.77
DPS	\$0.65	\$0.70	\$0.74	\$0.80	\$1.02	\$1.24	\$1.32	\$1.40	\$1.52	\$1.66	\$1.78	\$2.17
Shares²	31.0	32.0	32.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0

BancFirst has grown EPS, averaging 13.6% per year over the past ten years and 9.5% over the past five years. However, going back to a more extended 15-year period to account for the prior recession, the bank has only grown earnings by an average of 6.1% per year. With the current interest environment, we expect EPS to grow at around a rate of 4% for

¹ Ex-Dividend and Dividend Payment Date are estimates

² Share count is in millions.

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the next five years, which is in line with its long-term earnings growth. The bank's net margin has increased in recent years, from 22.4% in FY2020 to 34.6% in FY2022. For 2023, the net margin was 34.8%. Also, we see it decreasing this year as the Fed is expected to decrease the interest rate this year.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	16.1	14.1	21.8	19.4	14.8	15.4	19.6	14.0	15.3	15.4	18.8	15.0
Avg. Yld.	2.1%	2.4%	1.6%	1.6%	2.0%	2.0%	2.3%	2.0%	1.7%	1.7%	1.5%	1.9%

BancFirst's P/E ratio has averaged 16.6x over the past ten years, with relatively little change from year to year. We feel that a multiple of 15.0x is fair for a company of this size with a low estimated growth rate and yield. Thus, the company looks overvalued based on the average PE with a current PE of 18.8x. The stock currently has a price-to-book (PB) ratio of 2.5, higher to its five-year average of 1.9.

Safety, Quality, Competitive Advantage, & Recession Resiliency

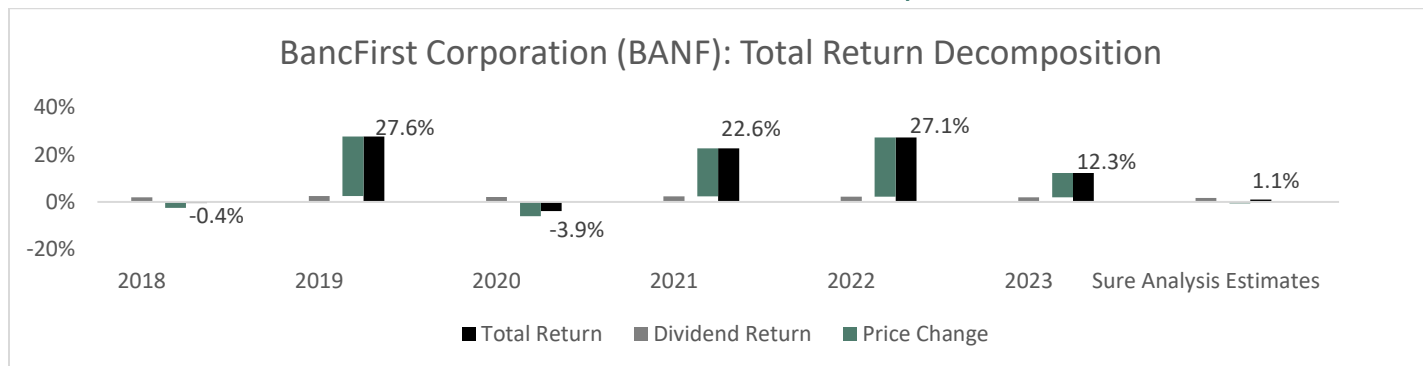
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	32.2%	33.5%	33.3%	28.7%	27.1%	30.6%	44.0%	27.8%	26.3%	26.2%	28%	28%

BancFirst is a well-managed bank that has raised its dividend for 30 consecutive years and emerged from the global financial crisis relatively unscathed. Although earnings fell approximately 35% from their peak in 2007 to their bottom in 2009 and then took five years to surpass the 2007 peak, this was very healthy compared to many other banks in the country. At no point did earnings fall enough to put the dividend payout ratio above 50%. Today, the bank has a highly diversified asset base with commercial loans, real estate loans, and debt securities, maintaining compliance with banking regulations and capital reserve ratios. Oklahoma's banking industry is diversified, and the company does not have a significant competitive advantage over regional or national banks. However, well-run banks generally enjoy high switching costs, as depositors are unlikely to go through the hassle of switching banks in most scenarios. BancFirst has considerably outperformed the S&P 500 and all of the "Big Four" national banks over the past 25 years in total shareholder returns, indicating an above-average company culture and management team. David Rainbolt was the CEO for virtually all of this extended outperformance, but two years ago moved on to become the executive chairman. At the same time, David Harlow, former BancFirst president, is now the CEO.

Final Thoughts & Recommendation

BancFirst is a small bank with a long stretch of consistent dividend growth, significant resilience through recessions, and history of considerably outperforming the broader banking industry and the stock market more generally. Interest rates and other factors outside their control may be a negative headwind as we advance. We expect a five-year annual rate of return of 1.1%. Thus, we rate BancFirst a sell at the current price because of the expected total return.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	278	295	311	345	386	419	444	486	557	610
D&A Exp.	11	12	12	12	14	16	18	20		
Net Profit	64	66	71	86	126	135	100	168	193	212
Net Margin	23.0%	22.5%	22.7%	25.0%	32.6%	32.2%	22.4%	34.5%	34.6%	34.8%
Income Tax	27	35	37	50	34	35	24	41	44	57

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	6,575	6,693	7,019	7,253	7,574	8,566	9,212	9406	12388	12370
Cash & Equivalents	1,914	1,598	1,850	1,758	1,424	1,868	1,617	2050		
Accounts Receivable	132	133	139	150	168	203	221	234		
Total Liabilities	56	70	67	65	96	171	169	167		10940
Accounts Payable	5,966	6,037	6,308	6,478	6,671	7,561	8,144	8234	11137	
Long-Term Debt		32		30	37	49	52	56		
Shareholder's Equity	27	32	32	32	27	27	27	86		1434
LTD/E Ratio	609	656	711	776	903	1,005	1,068	1172	1251	0

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.0%	1.0%	1.0%	1.2%	1.7%	1.7%	1.1%	1.8%	1.8%	1.7%
Return on Equity	11.0%	10.5%	10.3%	11.6%	15.0%	14.1%	9.6%	15.0%	15.9%	15.8%
ROIC	10.4%	10.0%	9.9%	11.1%	14.5%	13.8%	9.4%	14.3%	15.4%	15.3%
Shares Out.	31	32	32	33	33	33	33	33	33	33
Revenue/Share	9.00	9.27	9.77	10.60	11.54	12.58	13.37	14.58	16.67	18.21
FCF/Share	2.12	2.11	2.50	2.82	2.64	3.96	2.65	4.88		

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

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