Business First Bancshares, Inc. (BFST)

Updated January 26th, 2025, by Patrick Neuwirth

Key Metrics

Current Price:	$28	**5 Year CAGR Estimate:**	10.8%	**Market Cap:**	$818 M
Fair Value Price:	$32	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date[1]:**	02/14/25
% Fair Value:	86%	**5 Year Valuation Multiple Estimate:**	3.0%	**Dividend Payment Date[1]:**	02/28/25
Dividend Yield:	2.0%	**5 Year Price Target**	$43	**Years Of Dividend Growth:**	6
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Buy

Overview & Current Events

Business First Bancshares, Inc. (BFST) is a United States-based bank holding company headquartered in Baton Rouge, Louisiana. Through its subsidiary, b1BANK, the company offers a comprehensive range of financial services, including personal and commercial banking, treasury management, and wealth solutions. Catering primarily to small-to-midsized businesses and professionals, BFST generates the majority of its revenues from interest income on loans, customer service and loan fees, and interest income from securities. Business First Bancshares is an $818 million company that was founded in 2006 and has about 750 employees.

On January 23rd, 2025, Business First Bancshares released its financial results for fourth quarter and full year 2024 ending December 31st, 2024. For the quarter, the company reported net income of $15.1 million, compared to $16.5 million in Q3 2024 and $14.5 million in Q4 2023. Earnings per diluted share (EPS) were $0.51, down from $0.65 in the prior quarter and $0.57 in the same period last year. Net interest income was $65.7 million, an increase from $56.1 million in Q3 2024 and $53.8 million in Q4 2023, supported by a net interest margin (NIM) expansion to 3.61%, up from 3.51% in Q3 2024 and 3.50% a year ago. This improvement reflects effective management of deposit pricing and funding costs. Total deposits grew to $6.51 billion, up $870.4 million (15.43%) quarter-over-quarter, with organic growth contributing $156.8 million (2.78%). Non-interest-bearing deposits represented 21% of total deposits. Total loans rose to $5.98 billion, increasing $761.3 million (14.58%) from Q3 2024, with organic growth of $62.8 million (1.20%). Non-interest income increased to $11.9 million, up from $10.8 million in Q3 2024 and $6.4 million in Q4 2023, driven by higher customer swap fees and bank-owned life insurance gains. Non-interest expenses rose to $49.6 million, primarily due to $4.8 million in Oakwood-related acquisition costs. The provision for credit losses was $6.7 million, compared to $1.7 million in Q3 2024 and $0.1 million in Q4 2023, reflecting portfolio growth. The allowance for credit losses increased to 0.98% of total loans.

For the full year, net income totaled $59.7 million ($2.26 per diluted share), compared to $65.6 million ($2.59 per diluted share) in FY2023. Core net income was $65.7 million ($2.49 per diluted share), slightly down from $66.3 million ($2.62 per diluted share) the previous year. In October 2024, Business First Bancshares completed the acquisition of Oakwood Bancshares, Inc., adding approximately $863.6 million in total assets, $700.2 million in loans, and $741.3 million in deposits. This strategic acquisition is expected to drive future growth and enhance the company's footprint in Louisiana and Texas, strengthening its position in core markets.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$0.59	$0.70	$0.61	$1.22	$1.74	$1.64	$2.53	$2.32	$2.59	$2.26	***$2.67***	***$3.57***
DPS	--	--	--	$0.24	$0.38	$0.40	$0.46	$0.48	$0.50	$0.56	***$0.56***	***$0.75***
Shares[2]	7	7	8	12	14	18	21	23	25	25	***25***	***26***

[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.

Business First Bancshares, Inc. (BFST)

Updated January 26th, 2025, by Patrick Neuwirth

The company has grown earnings by 16.1% per year since 2015 and 10.2% over the past five years. The company has been able to increase its dividend for 6 consecutive years. Over the last five years, the average annual dividend growth rate is 7.0%. In November 2023, the company increased its quarterly dividend by 16.7% from $0.12 to $0.14 per share.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	--	--	--	4.8	13.4	16.8	10.6	8.3	11.0	15.6	***10.4***	***12.0***
Avg. Yld.	--	--	--	1.0%	1.5%	2.0%	1.6%	2.2%	2.0%	2.2%	***2.0%***	***1.7%***

During the past decade shares of Business First Bancshares have traded with an average price-to-earnings ratio of about 12 and today, it stands at 10.4. We are using 12 times earnings as a fair value baseline, implying the potential for a valuation tailwind. The company's dividend yield is currently 2.0% which is above the average yield of 1.8% over the past decade.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Payout	--	--	--	20%	22%	24%	18%	21%	19%	25%	***21%***	***21%***

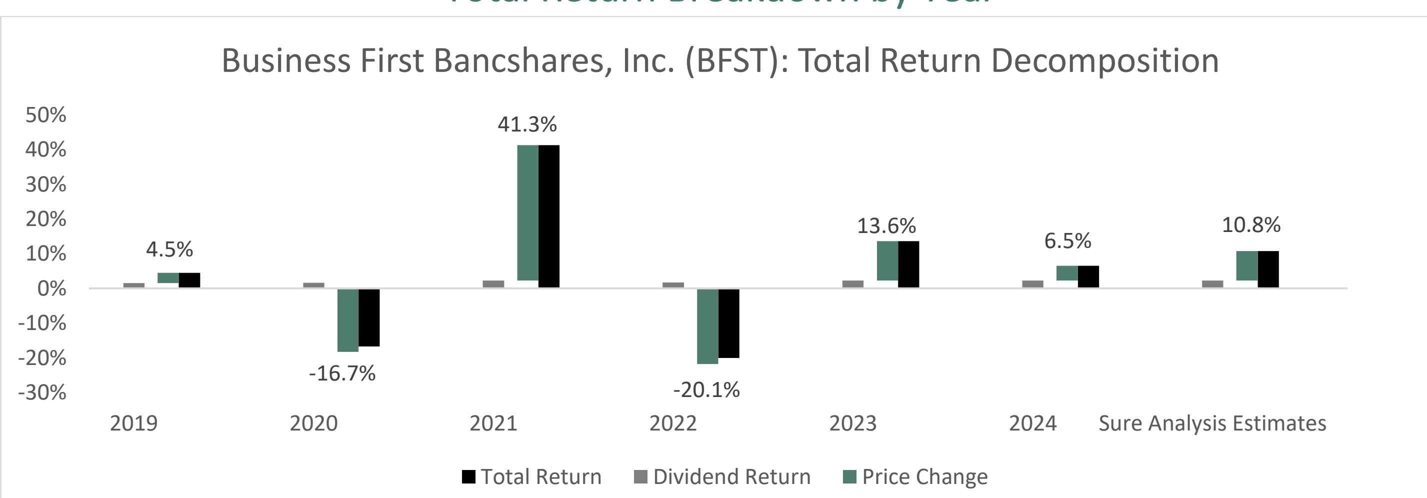
During the past five years, the company's dividend payout ratio has averaged around 21%. Business First's dividend is comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at least at the same pace and keep the payout ratio around the same levels which is safe.

Business First demonstrates strengths in its business model through revenue diversification, strong deposit and loan growth, and improved asset quality, supported by the strategic Oakwood Bancshares acquisition. The company's expanding footprint and increased revenue streams position it well for future growth. However, rising operating expenses, including acquisition-related costs, and slight margin pressures from a declining interest rate environment pose challenges. Additionally, the integration of Oakwood, while promising, involves potential risks in achieving operational synergies and managing costs. Despite these hurdles, BFST's strategic initiatives provide a solid foundation for long-term growth and resilience.

Final Thoughts & Recommendation

Business First Bancshares, Inc. is a well-established regional bank, with a strong presence in commercial banking, a growing presence across Louisiana and Texas, a sound earnings profile, and a dividend yield of 2.0%.We estimate total return potential of 10.8% per year for the stock over the next five years based on a 6% earnings-per-share growth, the dividend yield, and a valuation tailwind. Shares earn a buy 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.

Business First Bancshares, Inc. (BFST)

Updated January 26th, 2025, by Patrick Neuwirth

Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	37	43	50	70	89	147	187	228	247	270
SG&A Exp.	19	23	25	31	40	66	70	92	98	113
D&A Exp.	1	1	1	1	2	3	4	5	5	
Net Profit	4	5	5	14	24	30	52	54	71	65
Net Margin	11.0%	11.9%	9.7%	20.1%	26.6%	20.4%	27.9%	23.8%	28.7%	24.1%
Free Cash Flow	2	7	7	18	20	26	52	62	81	
Income Tax	2	2	4	3	6	7	12	14	20	18

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets		1,106	1,321	2,095	2,274	4,160	4,726	5,990	6,585	7,857
Cash & Equivalents		42	108	96	89	149	68	153	226	319
Goodwill & Int.		9	9	57	55	64	72	103	100	139
Total Liabilities		992	1,141	1,835	1,989	3,750	4,293	5,410	5,940	7,058
Long-Term Debt	-	51	79	80	118	84	168	526	616	461
Total Equity		114	180	260	285	410	433	509	572	728
LTD/E Ratio		0.45	0.44	0.31	0.41	0.21	0.39	0.91	0.96	0.58

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets			0.4%	0.8%	1.1%	0.9%	1.2%	1.0%	1.1%	0.9%
Return on Equity			3.3%	6.4%	8.7%	8.6%	12.4%	10.7%	11.6%	9.0%
ROIC			2.3%	4.7%	6.4%	6.7%	9.5%	6.4%	6.0%	5.2%
Shares Out.	7	7	8	12	14	18	21	23	25	25
Revenue/Share	5.30	6.22	4.33	6.06	6.54	8.04	9.04	9.97	9.78	10.22
FCF/Share	0.35	0.98	0.65	1.59	1.50	1.45	2.54	2.71	3.19	

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