



Eagle Bancorp Montana Inc. (EBMT)

Updated January 29th, 2025, by Patrick Neuwirth

Key Metrics

Current Price:	\$15.00	5 Year CAGR Estimate:	13.7%	Market Cap:	\$119 M
Fair Value Price:	\$18.60	5 Year Growth Estimate:	6.0%	Ex-Dividend Date¹:	02/07/25
% Fair Value:	81%	5 Year Valuation Multiple Estimate:	4.4%	Dividend Payment Date¹:	03/03/25
Dividend Yield:	3.8%	5 Year Price Target	\$25	Years Of Dividend Growth:	14
Dividend Risk Score:	D	Retirement Suitability Score:	B	Rating:	Buy

Overview & Current Events

Eagle Bancorp Montana, Inc. is a bank holding company and its primary business activity is the ownership of Opportunity Bank of Montana (OBMT), a chartered commercial bank. The bank is primarily engaged in attracting deposits from the community and utilizing such deposits, along with borrowings and other funds, to originate one-to-four family residential real estate, commercial real estate, commercial, and agriculture loans. Additionally, the company invests in certain investment and mortgage-related securities. As of the end of the fourth quarter of 2024, the company's total assets were \$2.10 billion, total loans were \$1.52 billion, and total deposits were \$1.68 billion. Eagle Bancorp Montana operates 32 branch offices across the state of Montana. The company was founded in 1922 and has 385 employees.

On January 28th, 2025, Eagle Bancorp Montana announced its financial results for the fourth quarter of fiscal year 2024, ending December 31st, 2024. For this quarter, the company reported net income of \$3.4 million, a 26.7% increase from Q3 2024 and a 58.6% increase from the \$2.2 million reported for Q4 2023. Reported earnings per diluted share for the quarter were \$0.44, up from \$0.34 in Q3 2024 and \$0.28 in the same quarter last year.

The strong quarterly earnings reflect Eagle Bancorp's net interest margin (NIM) expansion to 3.59%, supported by higher yields on interest-earning assets and lower funding costs. Total loans increased by 2.4% year-over-year to \$1.52 billion, though they decreased by 0.9% compared to Q3 2024. Deposits totaled \$1.68 billion, a 1.9% increase quarter-over-quarter and a 2.8% increase year-over-year, signaling continued strength in liquidity and support for loan growth.

Net interest income for Q4 2024 was \$16.8 million, a 6.3% increase from \$15.8 million in Q3 2024, driven by consistent loan yields. For the full year, earnings per diluted share (EPS) were \$1.24, compared to \$1.29 in FY 2023, reflecting a slight decline in annual profitability.

For the quarter, Eagle Bancorp's return on average assets (ROA) was 0.65%, and return on average equity (ROE) was 8.12%, both up significantly from Q3 2024 levels. The core efficiency ratio improved to 81.26%, demonstrating effective expense management.

Credit quality remains robust, with net loan charge-offs totaling \$44,000, and non-accrual loans at 0.25% of gross loans. The allowance for credit losses represented 437.7% of nonperforming loans, a significant improvement from Q3 2024, reflecting prudent credit risk management.

Management anticipates steady single-digit loan growth in 2025 and expects further improvement in funding costs, supported by a more stable interest rate environment, which should enhance profitability.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.67	\$1.32	\$0.99	\$0.91	\$1.69	\$3.11	\$2.17	\$1.45	\$1.29	\$1.24	\$1.55	\$2.07
DPS	\$0.31	\$0.32	\$0.34	\$0.37	\$0.38	\$0.39	\$0.45	\$0.53	\$0.56	\$0.57	\$0.57	\$0.84
Shares²	4	4	5	5	6	7	7	8	8	8	8	8

¹ Estimated date

² In millions.

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The company has grown earnings by 7.1% per year since 2015 and -13.0% over the past five years. The above average EPS (\$3.11) in 2020 was driven by higher mortgage banking operations due to the historically low interest rate environment, substantial gains from loan sales, and significant contributions from the Paycheck Protection Program (PPP). These factors, combined with effective cost management, led to record earnings for that year. We expect earnings to increase by 6% per year for the next five years. The company has been able to increase its dividend for an impressive 14 consecutive years. Over the last five years, the average annual dividend growth rate is 7.9%. In July 2024, the company increased its quarterly dividend by 1.8% from \$0.14 to \$0.1425 per share. The Board of Directors has authorized the repurchase of up to 400,000 shares of its common stock beginning May 1st, 2024, representing approximately 5.0% of outstanding shares.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	16.7	10.5	19.4	20.6	10.5	5.9	10.5	13.9	10.7	11.3	9.7	12.0
Avg. Yld.	1.9%	2.3%	1.8%	1.9%	2.1%	2.1%	2.0%	2.6%	4.1%	4.4%	3.8%	3.4%

During the past decade shares of Eagle Bancorp Montana have traded with an average price-to-earnings ratio of about 13.0 and today, it stands at 9.7. We are using 12 times earnings as a fair value baseline, implying the potential for a valuation tailwind. The stock’s dividend yield is currently 3.8% which is above the average yield of 2.6% for the past decade.

Safety, Quality, Competitive Advantage, & Recession Resiliency

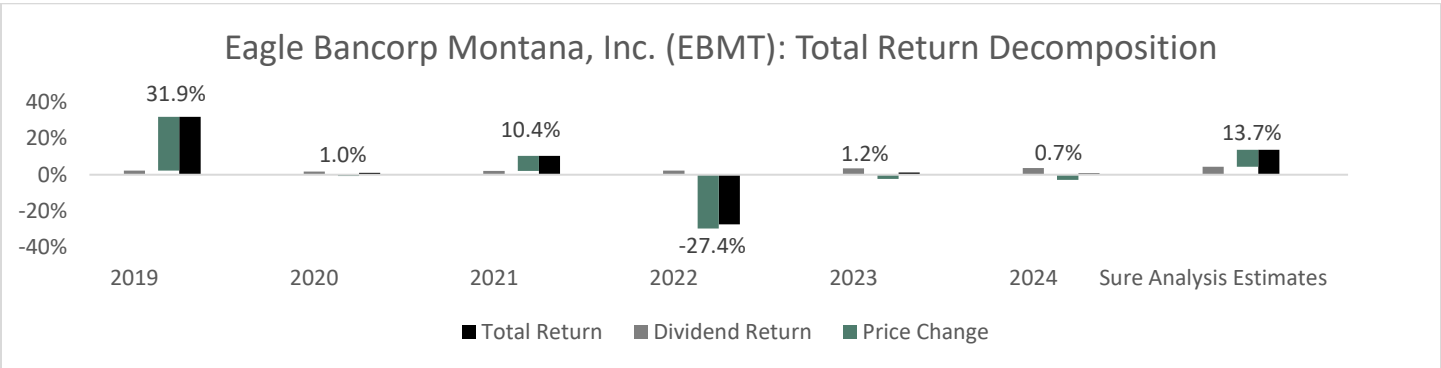
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	46%	24%	34%	41%	22%	13%	21%	37%	43%	46%	37%	40%

During the past five years, the company’s dividend payout ratio has averaged around 35%. Eagle Bancorp Montana’s dividend is at the moment 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. Eagle Bancorp Montana, Inc., the holding company of Opportunity Bank of Montana, stands out in the competitive landscape due to its strong community banking model and strategic focus on high-quality loan growth. With a robust presence in Montana, the bank has developed a competitive advantage through personalized customer service and deep local market knowledge. During economic recessions, the bank has demonstrated resilience by maintaining strong asset quality and conservative lending practices, which have mitigated credit losses and safeguarded profitability.

Final Thoughts & Recommendation

Eagle Bancorp Montana is an old and well-established community bank active across the state of Montana. The company has a solid dividend track record and offers an above average yield. We estimate total return potential of 13.7% per year for the next five years based on a 6% earnings-per-share growth, the dividend, and a valuation tailwind. The shares earn a buy 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	14	30	37	37	41	61	90	90	87	83
SG&A Exp.	8	18	20	22	25	33	45	50	46	45
Net Profit	2	3	5	4	5	11	21	14	11	10
Net Margin	12.0%	8.7%	14.0%	10.9%	12.1%	17.7%	23.5%	16.0%	12.2%	12.1%
Free Cash Flow	4	4	11	17	7	(10)	(19)	44	25	(5)
Income Tax	(0)	0	2	2	1	3	7	5	3	2

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	560	630	674	717	854	1,054	1,258	1,436	1,948	2,076
Cash & Equivalents	13	7	7	7	11	22	62	55	22	25
Acc. Receivable	2	2	2	3	3	5	6	6	11	12
Goodwill & Int.	12	13	13	14	21	27	33	36	58	56
Total Liabilities	506	575	614	633	759	933	1,105	1,279	1,790	1,906
Long-Term Debt	50	84	97	108	127	113	47	35	128	235
Total Equity	54	55	59	84	95	122	153	157	158	169
LTD/E Ratio	0.91	1.52	1.64	1.29	1.34	0.93	0.31	0.22	0.81	1.39

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	0.3%	0.4%	0.8%	0.6%	0.6%	1.1%	1.8%	1.1%	0.6%	0.5%
Return on Equity	3.1%	4.7%	8.9%	5.7%	5.6%	10.0%	15.4%	9.3%	6.8%	6.1%
ROIC	1.6%	2.1%	3.5%	2.4%	2.4%	4.8%	9.8%	7.4%	4.5%	2.9%
Shares Out.	4	4	4	5	5	6	7	7	8	8
Revenue/Share	3.48	7.71	9.50	9.07	7.51	9.53	13.25	13.52	11.85	10.68
FCF/Share	0.96	1.10	2.75	4.00	1.19	(1.58)	(2.72)	6.65	3.40	(0.62)

Notes: All figures in millions of U.S. Dollars unless per share or indicated otherwise. Accounts Payable data was not yet available from our data provider.

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