FB Financial Corporation (FBK)

Updated January 22nd, 2025, by Kody Kester

Key Metrics

Current Price:	$53	**5 Year CAGR Estimate:**	5.2%	**Market Cap:**	$2.5B
Fair Value Price:	$48	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date[1]:**	02/10/25
% Fair Value:	111%	**5 Year Valuation Multiple Estimate:**	-2.2%	**Dividend Payment Date:**	02/25/25
Dividend Yield:	1.3%	**5 Year Price Target**	$64	**Years Of Dividend Growth:**	6
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Hold

Overview & Current Events

Founded in 1906, FB Financial Corporation is one of the longest continually operating banks in Tennessee. As of December 31st, 2024, the Nashville, Tennessee-headquartered financial holding company operated 77 full-service bank branches throughout Tennessee, Kentucky, Alabama, and North Georgia. The company also operates a mortgage business with office locations across the Southeast. These offices mostly originate loans to be sold to third-party private investors or government-sponsored agencies in the secondary market. As of December 31st, the company held roughly $13.2 billion in total assets.

Unsurprisingly, the community bank provides customers with an array of products and services. These include savings accounts, money market accounts, checking accounts, and certificates of deposit. FBK's loan products include commercial loans, residential mortgages, construction loans, and vehicle loans. The company also provides customers with trust, insurance, and investment services.

Periodically, FBK leverages acquisitions as part of its growth strategy. In the last 25 years, it has completed 13 acquisitions. The most recent acquisitions came in 2020 when FBK acquired FNB Financial Corporation and Franklin Financial Network.

On January 21st, FBK shared its fourth-quarter earnings report. The company's total revenue grew by 12% year-over-year to $130.4 million during the quarter. FBK's net interest income rose by 7.2% over the year-ago period to $108.4 million in the quarter. Loan growth and a four-basis point expansion in the company's net interest margin to 3.5% led to this growth in net interest income for the quarter. FBK's non-interest income jumped 43.4% year-over-year to $22 million during the quarter. The company's adjusted diluted EPS climbed 10.4% higher over the year-ago period to $0.85 in the quarter. That beat the analyst consensus for the quarter by $0.02.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.92	$2.04	$2.14	$2.61	$2.83	$3.73	$3.78	$2.91	$3.01	$3.40	***$3.66***	***$4.90***
DPS	-	-	-	$0.20	$0.32	$0.36	$0.44	$0.52	$0.60	$0.68	***$0.68***	***$1.09***
Shares[2]	-	24.1	30.5	30.7	31.0	47.2	47.6	46.7	46.9	46.7	***46.7***	***56.8***

Over the years, FBK has grown its adjusted diluted EPS by right around 6% annually. We believe this pace of growth can continue. That's because the company's net interest margin is showing signs of stabilizing. As recent interest rate cuts from the Federal Reserve eventually show up in the economy, this should help to further stimulate borrowing activity. That should enable the bank's net interest margin to expand and drive adjusted diluted EPS growth over time. FBK can also keep executing bolt-on acquisitions. The company has plenty of acquisition targets that it could acquire: In Tennessee, Alabama, Georgia, Kentucky, North Carolina, South Carolina, and Virginia, the company estimates that there are more than 500 commercial banks with assets of less than $5 billion.

[1] Estimate
[2] Share count is in millions.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	-	11.8	19.6	13.3	13.9	9.3	11.6	12.4	13.2	15.2	***14.5***	***13.0***
Avg. Yld.	-	-	-	0.6%	0.8%	1.0%	1.0%	1.4%	1.5%	1.3%	***1.3%***	***1.7%***

Since its initial public offering in 2016, FBK's P/E ratio has ranged from as low as the high single digits to as high as nearly 20. Overall, the average over that time was right around 13. Moving forward, we think this represents fair value for FBK. This is because the company's growth prospects appear to be intact. Compared to the current P/E ratio of 14.5, that suggests shares are overvalued.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	-	-	-	8%	11%	10%	12%	18%	20%	20%	***19%***	***22%***

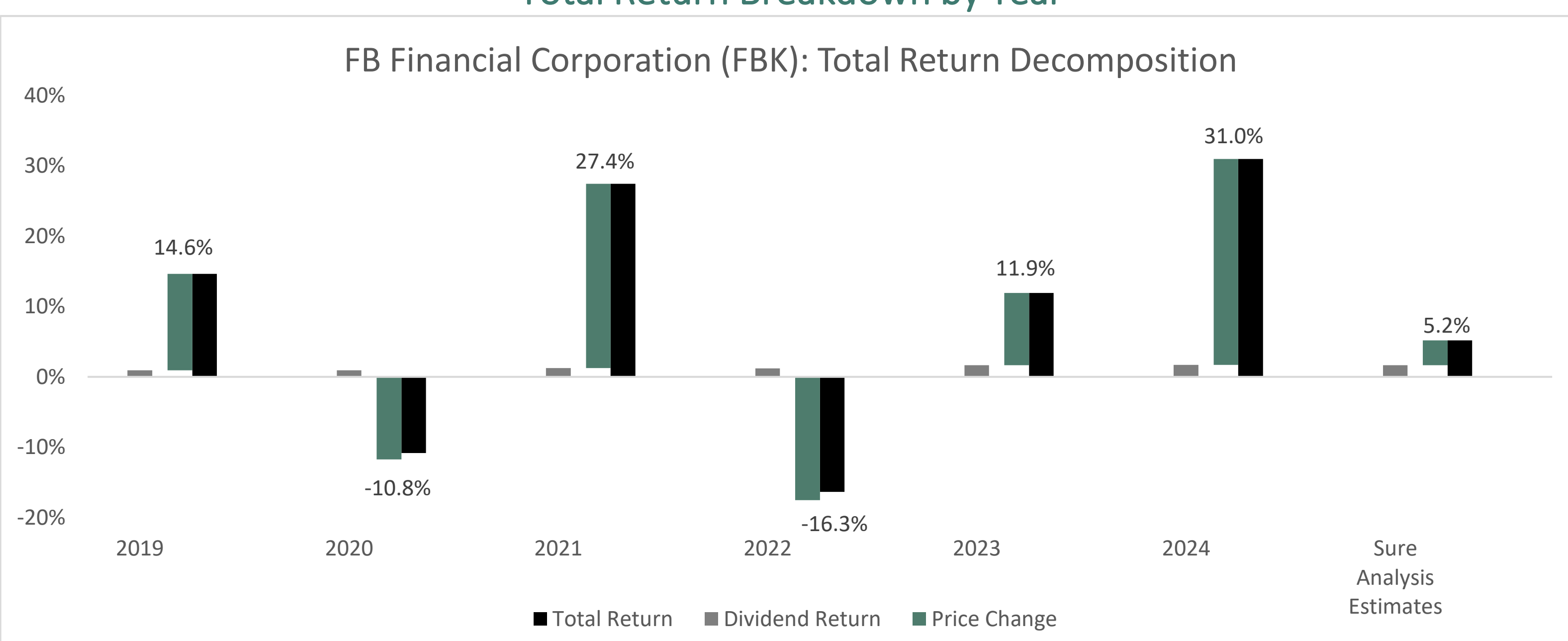
FBK has the advantage of being well-known and trusted in the communities that it serves. The company believes that its personalized, relationship-based client service has contributed significantly to its success. Combined with its extensive product offerings, this has helped FBK to reliably make a profit over the years.

As of December 31st, 2024, the company had $1.6 billion of on-balance sheet liquidity. Off-balance sheet liquidity was $5.1 billion at the end of the period. Overall, the liquidity to uninsured and uncollateralized deposits ratio stood at 294% in Q4 2024. That would suggest FBK has the financial prowess to endure most economic environments. The company's dividend also looks reasonably well-covered for a community bank, with the payout ratio poised to be around 20% in 2025. This should give FBK the flexibility to hike its dividend at a rate greater than adjusted diluted EPS growth for the foreseeable future.

Final Thoughts & Recommendation

FBK's 1.3% dividend yield, 6.0% annual adjusted diluted EPS growth prospects, and 2.2% annual valuation multiple contraction could produce 5.2% annual total returns through 2030. As a result, we're maintaining our 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.

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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	134	183	256	295	335	361	568	576	527	478
SG&A Exp.	68	94	127	143	150	161	244	262	223	212
D&A Exp.	5	8	14	6	8	10	13	14	13	15
Net Profit	32	48	41	52	80	84	64	190	125	120
Net Margin	24.2%	26.1%	15.9%	17.8%	24.0%	23.2%	11.2%	33.1%	23.6%	25.2%
Free Cash Flow	(111)	(52)	(250)	33	202	57	(276)	49	779	191
Income Tax	2	3	22	21	26	26	19	53	35	30

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	2,428	2,899	3,277	4,728	5,137	6,125	11,207	12,598	12,848	12,604
Cash & Equivalents	41	76	123	54	94	102	1,197	1,670	817	728
Accounts Receivable	7	7	7	13	15	17	44	39	46	53
Goodwill & Int. Ass.	56	83	86	230	239	264	346	376	423	416
Total Liabilities	2,213	2,663	2,946	4,131	4,465	5,363	9,916	11,165	11,522	11,150
Accounts Payable	1	1	1	2	5	6	7	3	9	19
Long-Term Debt	144	75	195	348	230	310	245	180	425	401
Shareholder’s Equity	215	237	330	597	672	762	1,291	1,433	1,325	1,455
LTD/E Ratio	0.67	0.32	0.59	0.58	0.34	0.41	0.19	0.13	0.32	0.28

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.4%	1.8%	1.3%	1.3%	1.6%	1.5%	0.7%	1.6%	1.0%	0.9%
Return on Equity	16.0%	21.2%	14.3%	11.3%	12.6%	11.7%	6.2%	14.0%	9.0%	8.6%
ROIC	9.5%	14.3%	9.7%	7.1%	8.7%	8.5%	4.9%	12.1%	7.4%	6.7%
Shares Out.	-	-	24.1	30.5	30.7	31.0	47.2	47.6	46.7	46.9
Revenue/Share	5.59	7.65	13.24	10.45	10.69	11.51	14.90	12.00	11.15	10.20
FCF/Share	(4.63)	(2.16)	(12.94)	1.17	6.45	1.82	(7.24)	1.02	16.49	4.08

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