First Community Bankshares Inc. (FCBC)

Updated January 30th, 2025, by Ian Bezek

Key Metrics

Current Price:	$44	**5 Year CAGR Estimate:**	5.7%	**Market Cap:**	$802 M
Fair Value Price:	$42	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date:**	02/14/25
% Fair Value:	105%	**5 Year Valuation Multiple Estimate:**	-0.9%	**Dividend Payment Date:**	02/28/25
Dividend Yield:	2.8%	**5 Year Price Target**	$51	**Years Of Dividend Growth:**	12
Dividend Risk Score:	D	**Retirement Suitability Score:**	D	**Rating:**	Hold

Overview & Current Events

First Community Bankshares is a Virginia-based medium-sized regional bank. Founded in 1874, First Community operates 53 bank branches across North Carolina, Tennessee, Virginia, and West Virginia. First Community is a full-service bank offering a full range of commercial and consumer banking services along with managing trusts and estates through its wealth management business. The bank currently has more than $3.2 billion in total assets.

First Community had a rough time during the 2008 financial crisis, with shares losing the majority of their value during that period. As part of that, First Community retreated from more urban areas to refocus its business on more rural parts of its geographic area where it could enjoy higher local market deposit share. The firm's performance has improved in recent years, with the bank posting solid growth from 2018-onward and it handled the pandemic period particularly well. Like many regional banks, First Community saw its earnings lag in 2023 as it dealt with the inverted yield curve and higher costs to retain the bank's deposit base.

However, the bank has turned the corner. First Community reported its Q4 earnings on January 28th, 2025. Earnings per share of $0.71 rose from the $0.66 reported for the same period of 2023. This wrapped up First Community's 2024 on a strong note as it benefited from an improved macroeconomic backdrop. The bank's net interest margin has stabilized, and credit metrics remain strong. Given that the bank's deposit costs are leveling off and the Federal Reserve has reduced interest rates, we believe that the bank can build off recent progress and post additional EPS growth in 2025.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.31	$1.45	$1.26	$2.18	$2.46	$2.02	$2.94	$2.82	$2.67	$2.80	***$2.90***	***$3.53***
DPS	$0.54	$0.60	$0.68	$0.78	$0.96	$1.00	$1.04	$1.12	$1.16	$1.20	***$1.24***	***$1.51***
Shares	19	17	17	17	16	18	17	17	18	18	***18***	***18***

First Community Bankshares fared poorly during the 2008 financial crisis. The bank slashed its dividend almost all the way to zero, and the stock lost most of its value as well. It took the bank until 2022 to get the dividend back to the levels where it was prior to the 2008 shock. The bank adjusted its strategy, building a dominant position in rural markets while expending less effort on more competitive urban centers. This pivot has left First Community Bankshares with strong market share in many counties where it can earn above-average margins. We believe the bank's current make-up is unlikely to deliver high long-term growth and estimate just 4% annualized increases from here. That said, we believe the bank's competitive position is solid within its existing geographies and that it should be able to handle future crises well.

First Community Bankshares has now increased its dividend for 12 years in a row. The latest hike was on July 23rd, 2024, where it increased the dividend 7% to a 31 cent per share quarterly payout. Given the slow earnings growth in recent years, we estimate a future dividend growth rate of 4% annualized to maintain the bank's current dividend payout ratio.

On January 28th, 2025, the company announced a one-time special dividend of $37.9 million, which amounts to an extra distribution of $2.07 per FCBC share. Management explained that this sum represents the firm's excess profits over the past few years which had accumulated in addition to the dividends that it had already paid out. The special dividend will be paid out on Feb. 28th at the same time as the regular quarterly dividend.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	13.7	20.4	22.7	13.9	14.7	10.6	11.0	11.8	14.2	13.9	***15.2***	***14.5***
Avg. Yld.	2.9%	2.4%	2.4%	2.3%	2.6%	4.6%	3.5%	3.5%	3.7%	3.1%	***2.8%***	***2.9%***

First Community Bankshares has averaged a 14.7x P/E ratio since 2015, and a 12.3x ratio over the past five years. We think those numbers establish a reasonable range for the bank and expect that the stock will remain around its long-term average for the foreseeable future. The bank's current 2.8% dividend yield is slightly below its long-term average.

Safety, Quality, Competitive Advantage, & Recession Resiliency

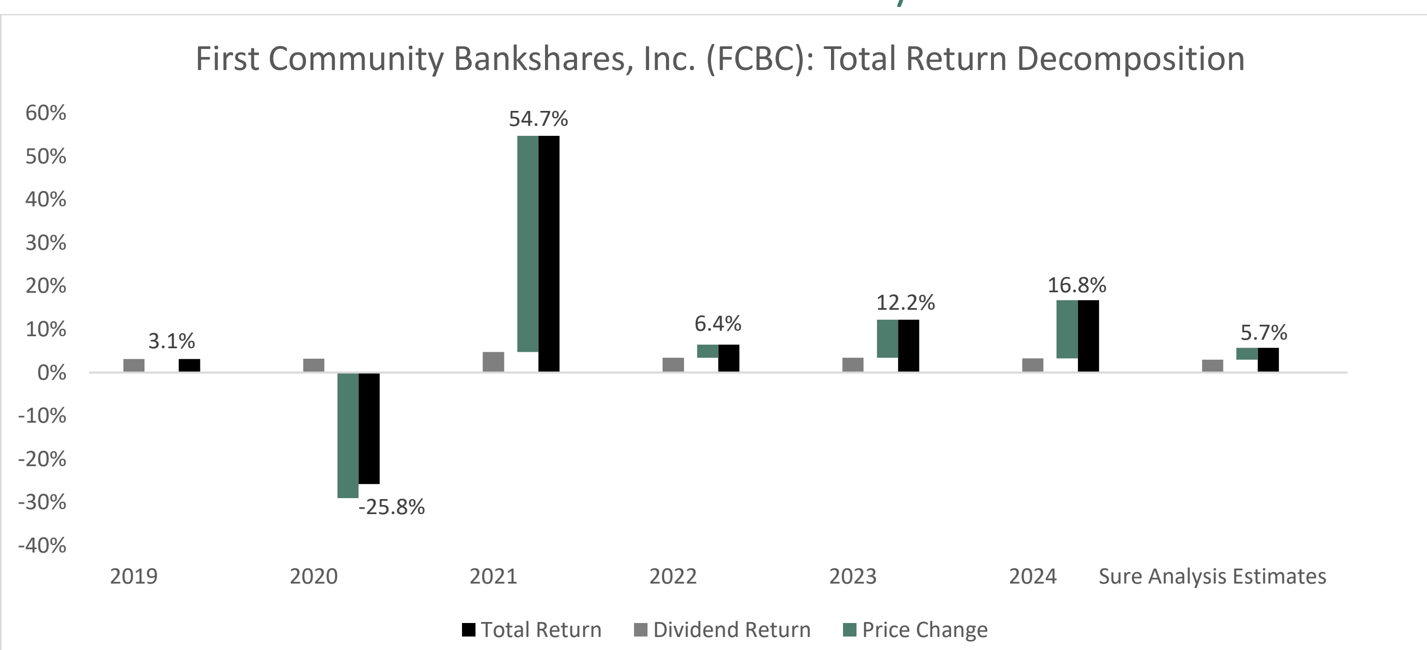
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	41%	41%	54%	36%	39%	50%	35%	40%	43%	43%	***43%***	***43%***

First Community Bankshares has long maintained a dividend payout ratio of around 42%, and we see little reason to think management will deviate from that general level. The recently announced special dividend confirms the view that management will return capital opportunistically rather than pushing the regular payout ratio much higher. The bank had a terrible run during 2008, but we believe its strategic decisions since that point will help it fare better during future financial shocks. First Community's encouraging performance during the pandemic and the recent 2023 deposit flight further back up this view. We think the bank's geographic area that it serves is generally attractive and does not carry undue risk for shareholders.

Final Thoughts & Recommendation

First Community Bankshares woke up in 2024, with the stock rallying to new all-time highs, finally exceeding its prior peak which was set way back in 2007. Shares are just a touch above fair value. Thus, total returns will come from the firm's earnings growth and dividend yield. While the bank's special dividend will greatly increase the yield for 2025, over the longer-term, we see a projected 5.7% annualized total return outlook in future years. Shares merit a hold rating today.

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	111	109	103	108	113	112	133	130	141	156
SG&A Exp.	49	48	45	42	42	42	46	47	51	55
D&A Exp.	5	5	5	5	4	4	6	6	6	6
Net Profit	25	25	25	21	36	39	36	51	47	48
Net Margin	22.9%	22.5%	24.4%	19.8%	32.0%	34.7%	27.1%	39.2%	33.2%	30.7%
Free Cash Flow	41	57	41	34	47	48	43	45	58	59
Income Tax	12	11	13	21	9	11	10	15	13	14

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	2,608	2,462	2,386	2,388	2,244	2,799	3,011	3,195	3,136	3,269
Cash & Equivalents	41	38	38	38	41	69	61	50	65	79
Acc. Receivable	6	6	6	6	5	7	9	8	9	11
Goodwill & Int.	107	106	103	102	98	138	137	135	134	159
Total Liabilities	2,257	2,119	2,047	2,038	1,912	2,370	2,584	2,767	2,714	2,765
Long-Term Debt	108	81	81	50	-	-	-	-	-	-
Total Equity	336	343	339	351	333	429	427	428	422	503
LTD/E Ratio	0.31	0.24	0.24	0.14	-	-	-	-	-	-

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.0%	1.0%	1.0%	0.9%	1.6%	1.5%	1.2%	1.6%	1.5%	1.5%
Return on Equity	7.5%	7.1%	7.4%	6.2%	10.6%	10.2%	8.4%	12.0%	11.0%	10.4%
ROIC	5.3%	5.6%	6.0%	5.2%	9.9%	10.2%	8.4%	12.0%	11.0%	10.4%
Shares Out.	19	19	17	17	17	16	18	17	17	18
Revenue/Share	5.71	5.83	5.94	6.35	6.81	7.09	7.45	7.50	8.49	8.67
FCF/Share	2.08	3.06	2.37	1.99	2.82	3.06	2.39	2.60	3.49	3.28

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