



First Financial Bankshares, Inc. (FFIN)

Updated January 29th, 2025, by Yiannis Zourmpanos

Key Metrics

Current Price:	\$38	5 Year CAGR Estimate:	7.3%	Market Cap:	\$5.5 B
Fair Value Price:	\$35	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	03/14/2025 ¹
% Fair Value:	109%	5 Year Valuation Multiple Estimate:	-1.6%	Dividend Payment Date:	04/01/2025 ²
Dividend Yield:	1.9%	5 Year Price Target	\$49	Years Of Dividend Growth:	14
Dividend Risk Score:	D	Retirement Suitability Score:	D	Rating:	Hold

Overview & Current Events

Founded in 1890 and headquartered in Abilene, Texas, First Financial Bankshares Inc (FFIN) is a financial and bank holding company with a strong focus on community banking. Concentrated solely in Texas, the company's competitive position thrives in this single geographic area. Through its subsidiaries, the company offers a comprehensive range of commercial banking services, including checking, savings, and time deposits, as well as modern conveniences like internet and mobile banking.

On January 23rd, 2025, the company announced results for the fourth quarter of 2024. FFIN reported Q4 non-GAAP EPS of \$0.43, beating market's estimates by \$0.03, and revenues of \$147.1 million that were up 23.1% year-over-year. For the full year, net income reached \$223.51 million, reflecting a 12.33% increase from 2023, with EPS rising to \$1.56.

The bank's strong performance was fueled by higher net interest income, which climbed to \$116.12 million in Q4, benefiting from an expanded loan portfolio and improved net interest margin (3.67% vs. 3.33% a year ago). Noninterest income declined slightly from the prior quarter but posted a solid year-over-year gain, supported by higher trust fee income, mortgage activity, and debit card fees. Meanwhile, noninterest expenses rose to \$70.10 million due to increased salaries and technology investments, though efficiency improved to 46.81%.

Asset quality remained stable, with the provision for credit losses decreasing to \$1.00 million from \$6.12 million in Q3. However, net charge-offs rose to \$1.94 million, and nonperforming assets ticked slightly lower to 0.80% of loans. Loan growth was strong, up 10.69% year-over-year to \$7.91 billion, while deposits and repurchase agreements grew 5.56% to \$12.16 billion. The bank's equity position remains solid at \$1.61 billion, though unrealized losses on securities increased due to higher long-term rates. CEO F. Scott Dueser emphasized First Financial's continued focus on loan and deposit growth, disciplined banking practices, and adapting to the evolving interest rate environment.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.77	\$0.79	\$0.91	\$1.11	\$1.22	\$1.42	\$1.60	\$1.64	\$1.40	\$1.56	\$1.75	\$2.45
DPS	\$0.31	\$0.35	\$0.38	\$0.41	\$0.47	\$0.51	\$0.58	\$0.66	\$0.72	\$0.72	\$0.72	\$1.16
Shares³	130.1	132.2	132.6	136.0	136.3	142.5	143.1	143.2	144.9	143.2	144.8	152.8

High interest rates could reduce consumer demand for credit, particularly for residential real estate loans, which account for about 25% of the total loan portfolio. However, the anticipated lower rates might compress net interest margins, and the company's strategic focus on loan growth and asset reallocation positions it well to navigate these changes. FFIN aims to capitalize on lower borrowing costs to drive loan demand and support deposit growth. The company is committed to maintaining strong financial performance and delivering value to shareholders and customers, even in a potentially lower-rate environment in 2025.

¹ Estimated ex-dividend date.

² Estimated payment date.

³ 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.



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As a result, we matched analysts' EPS estimates of \$1.75 for 2025. We have maintained an annual expected EPS growth rate of 7.0% for the next five years, lower than the bank's long-term growth rates, which could mean EPS of \$2.45 by 2030. First Financial Bankshares' DPS had a 10-year and 5-year CAGR of 9.8% and 23.8%, respectively. Moreover, the bank has consistently increased dividend distributions to shareholders for the past 14 years, and we expect it to continue this trend.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	19.9	21.8	23.6	24.4	26.1	21.4	29.8	25.3	21.1	21.9	21.7	20.0
Avg. Yld.	2.0%	2.0%	1.8%	1.5%	1.5%	1.7%	1.2%	1.6%	2.4%	2.1%	1.9%	2.4%

First Financial Bankshares is trading at a forward P/E of 21.7, lower than its long-term average P/E of around 23.5. We believe a lower multiple is justifiable. Even though our FFIN thesis remains intact, we believe that a P/E multiple of 20.0 fairly reflects the bank's risk/reward profile, suggesting a target price of \$49 by 2030.

Safety, Quality, Competitive Advantage, & Recession Resiliency

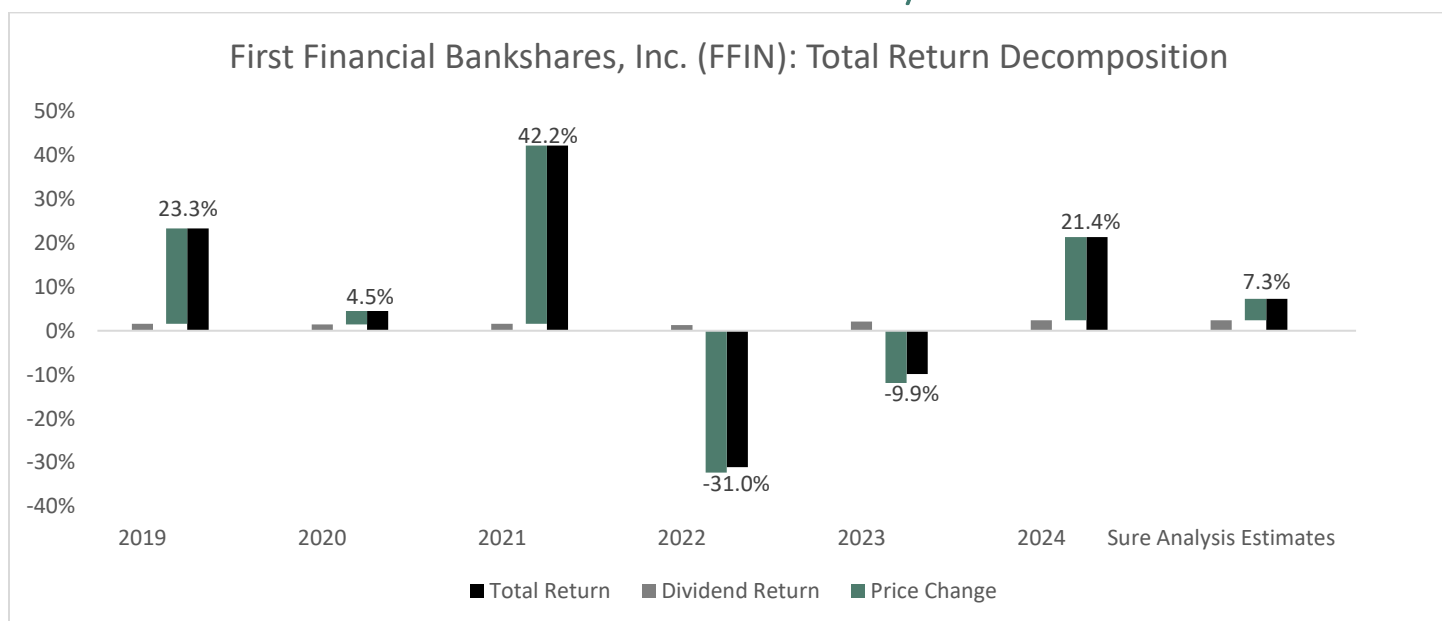
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	40%	44%	42%	37%	39%	36%	36%	40%	51%	46%	41%	47%

First Financial Bankshares boasts a competitive advantage stemming from its unwavering commitment to customer-centric services and localized approach. The bank has demonstrated resilient recession performance throughout economic downturns due to its conservative lending practices and diversified portfolio. This strategic approach has minimized risk and upheld stability. Finally, First Financial's prudent financial management is evidenced by its manageable debt levels, further contributing to its position as a robust and trustworthy financial institution.

Final Thoughts & Recommendation

Shares has gained since our last report. Thus, we reaffirm our hold rating, premised upon the 7.3% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 7.0% and the 1.9% dividend yield, offset by a valuation headwind.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	253	284	304	319	364	387	478	500	520	478
SG&A Exp.	81	88	99	103	114	122	141	151	143	145
D&A Exp.	9	11	12	13	13	12	13	13	13	13
Net Profit	90	100	105	120	151	165	202	228	234	199
Net Margin	35.4%	35.4%	34.5%	37.7%	41.3%	42.6%	42.3%	45.6%	45.1%	41.6%
Free Cash Flow	114	92	140	176	169	194	194	334	308	268
Income Tax	29	31	31	27	28	33	40	44	46	44

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	5,848	6,665	6,810	7,255	7,732	8,262	10,905	13,102	12,974	13,110
Cash & Equivalents	262	273	255	374	250	279	729	529	331	537
Goodwill & Int.	97	144	144	141	175	174	318	317	316	315
Total Liabilities	5,167	5,860	5,972	6,332	6,679	7,035	9,226	11,343	11,708	11,610
Long-Term Debt	1	299	75	-	55	-	-	21	21	21
Total Equity	682	805	838	923	1,053	1,227	1,678	1,759	1,266	1,499
LTD/E Ratio	0.00	0.37	0.09	-	0.05	-	-	0.01	0.02	0.01

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.6%	1.6%	1.6%	1.7%	2.0%	2.1%	2.1%	1.9%	1.8%	1.5%
Return on Equity	14.1%	13.5%	12.8%	13.7%	15.2%	14.5%	13.9%	13.2%	15.5%	14.4%
ROIC	10.3%	11.2%	10.4%	13.1%	14.8%	14.1%	13.9%	13.2%	15.3%	14.2%
Shares Out.	128.6	130.1	132.2	132.6	136.0	136.3	142.5	143.1	143.2	143
Revenue/Share	1.97	2.18	2.30	2.41	2.68	2.84	3.35	3.49	3.63	3.34
FCF/Share	0.89	0.70	1.06	1.33	1.24	1.42	1.36	2.33	2.15	1.87

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

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