



Home Bancorp (HBCP)

Updated January 30th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	\$50	5 Year CAGR Estimate:	7.9%	Market Cap:	\$408 M
Fair Value Price:	\$55	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	2/10/25
% Fair Value:	91%	5 Year Valuation Multiple Estimate:	2.0%	Dividend Payment Date:	2/21/25
Dividend Yield:	2.2%	5 Year Price Target	\$67	Years Of Dividend Growth:	11
Dividend Risk Score:	C	Retirement Suitability Score:	D	Rating:	Hold

Overview & Current Events

Home Bancorp (HBCP) is the holding company of Home Bank, National Association, a community bank that was founded in 1908, became public in 2008, and is headquartered in Lafayette, Louisiana. It operates 42 branches across Southern Louisiana, Western Mississippi and Houston and provides a wide range of banking loans and services. Home Bancorp has total assets of \$3.4 billion and a market capitalization of \$408 million.

Home Bancorp has a diversified loan portfolio. Commercial real estate, residential mortgage and commercial & industrial loans comprise 46%, 17% and 16% of total loans, respectively. Insiders own 14% of the shares of the company.

In late January, Home Bancorp reported (1/27/25) financial results for the fourth quarter of fiscal 2024. Loans and deposits grew 2% and 0.1%, respectively, over the previous quarter. In addition, net interest margin expanded from 3.71% to 3.82% and thus net interest income grew 4%. It was the third consecutive quarter of expansion of net interest margin after 5 consecutive quarters of declining net interest margin. On the other hand, the bank increased its provisions for loan losses. Nevertheless, earnings-per-share edged up 3%, from \$1.18 to \$1.21, and exceeded the analysts' consensus by \$0.10. Home Bancorp has exceeded the analysts' estimates for 8 consecutive quarters and has not missed the analysts' estimates for 18 consecutive quarters. Moreover, as the Fed has reduced interest rates lately, the net interest margin of the bank is likely to improve further this year. We expect earnings-per-share around \$4.75 this year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.79	\$2.25	\$2.28	\$3.40	\$3.05	\$2.85	\$5.77	\$4.20	\$4.99	\$4.55	\$4.75	\$5.78
DPS	\$0.30	\$0.41	\$0.55	\$0.71	\$0.84	\$0.88	\$0.91	\$0.93	\$1.00	\$1.01	\$1.08	\$1.28
Shares¹	7.0	7.1	7.4	9.3	9.1	8.7	8.3	8.1	8.0	8.0	8.0	7.5

Home Bancorp has acquired six smaller banks since it became public, in 2008. Since then, the bank has grown its asset base by 13% per year on average. It has also grown its earnings-per-share by 10.9% per year on average over the last decade and by 8.3% per year on average over the last five years. Moreover, the Fed has begun to reduce interest rates and expects to reduce them further until the end of 2026. As a result, Home Bancorp is likely to enjoy a meaningful expansion of its net interest margin in the upcoming years. Nevertheless, given the increased risk related to the small market cap of the bank and its somewhat volatile performance record, we prefer to be cautious in our growth expectations. We thus assume 4.0% average annual growth of earnings-per-share until 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	13.3	12.6	17.0	12.6	12.1	9.5	6.5	9.4	7.0	9.0	10.5	11.6
Avg. Yld.	1.3%	1.4%	1.4%	1.7%	2.3%	3.2%	2.4%	2.4%	2.9%	2.5%	2.2%	1.9%

¹ In millions.

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Home Bancorp has traded at an average price-to-earnings ratio of 11.6 over the last decade. We assume this valuation level as fair for this stock. The stock is currently trading at a price-to-earnings ratio of 10.5, which is lower than the historical average of the bank. If the stock reverts to its average valuation level in five years, it will enjoy a 2.0% annualized valuation gain.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	17%	18%	24%	21%	28%	31%	16%	22%	20%	22%	23%	22%

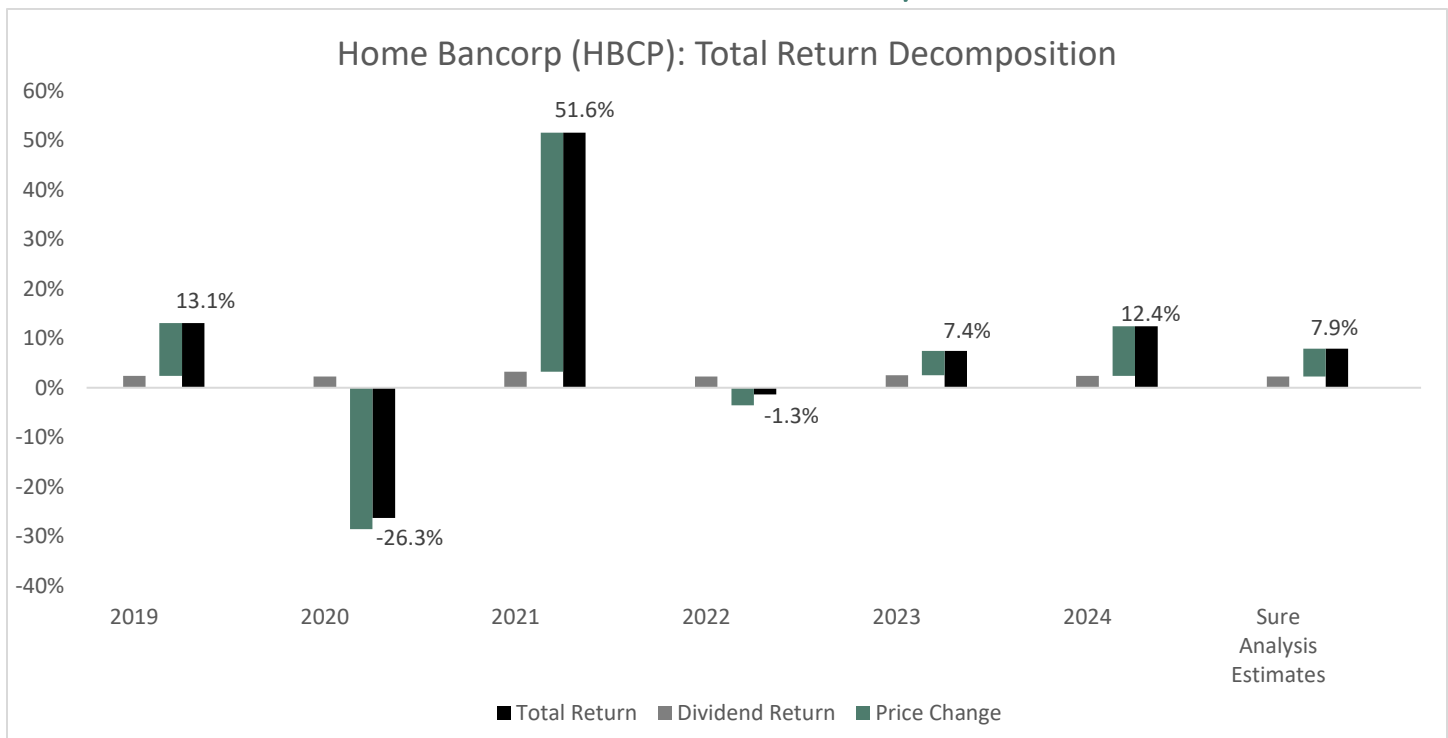
Home Bancorp just raised its dividend by 4% and thus it has now raised its dividend for 11 consecutive years. Thanks to its solid payout ratio of 23% and its growth prospects, the bank can keep raising its dividend for years. However, the stock has always offered a lackluster dividend yield. It is currently offering a 2.2% dividend yield, which is much lower than the 3.0% median dividend yield of the financial sector. We also note that the company has grown its dividend by only 4.0% per year over the last five years, less than the 5.5% median dividend growth rate of its peers. Overall, the stock is hardly attractive for income-oriented investors, though it is suitable for growth-oriented investors.

Home Bancorp has a Tier 1 capital ratio of 11.4% and has proved a disciplined acquirer of smaller banks. In addition, while the bank was affected by the pandemic and the downturn caused by the surge of interest rates in 2022, it proved more resilient than the average bank in these crises. Overall, despite the inherent risk related to small-cap stocks, Home Bancorp appears better-than-average in quality of management, growth prospects and resilience to downturns.

Final Thoughts & Recommendation

As inflation has finally cooled and the Fed has embarked on reducing interest rates, the stock of Home Bancorp has rallied 44% in the last 15 months. Despite its steep rally, the stock remains attractive. It could still offer a 7.9% average annual return over the next five years thanks to 4.0% growth of earnings-per-share, its 2.2% dividend and a 2.0% valuation tailwind. The stock maintains its hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	63	74	78	105	100	107	117	132	135	135
SG&A Exp.	26	29	29	38	40	39	41	50	51	53
D&A Exp.	2	2	2	3	3	3	3	3	4	---
Net Profit	13	16	17	32	28	25	49	34	40	36
Net Margin	19.8%	21.8%	21.6%	30.0%	27.8%	23.3%	41.5%	25.8%	29.7%	27.0%
Free Cash Flow	35	16	23	42	40	47	53	48	39	---
Income Tax	7	8	12	7	6	6	12	8	10	9

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,552	1,557	2,228	2,154	2,200	2,592	2,938	3,228	3,320	3,444
Cash & Equivalents	30	31	153	61	40	188	602	88	76	99
Goodwill & Int. Ass.		13	68	66	64	63	62	88	86	85
Total Liabilities	1,387	1,377	1,950	1,850	1,884	2,270	2,586	2,898	2,953	3,048
Long-Term Debt	125	119	72	64	46	34	32	236	252	236
Shareholder's Equity	165	180	278	304	316	322	352	330	367	396
LTD/E Ratio	0.76	0.66	0.26	0.21	0.15	0.11	0.09	0.71	0.69	0.59

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.9%	1.0%	0.9%	1.4%	1.3%	1.0%	1.8%	1.1%	1.2%	1.1%
Return on Equity	7.9%	9.3%	7.4%	10.9%	9.0%	7.8%	14.4%	10.0%	11.5%	9.5%
ROIC	5.1%	5.4%	5.2%	8.8%	7.6%	6.9%	13.1%	7.2%	6.8%	5.8%
Shares Out.	7.0	7.1	7.4	9.3	9.1	8.7	8.3	8.1	8.0	8.0
Revenue/Share	9.04	10.35	10.53	11.34	10.98	12.24	13.91	16.10	16.78	16.85
FCF/Share	5.05	2.30	3.09	4.53	4.38	5.39	6.32	5.92	4.88	---

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

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