Home Bancshares, Inc. (HOMB)

Updated January 22nd, 2025, by Yiannis Zourmpanos

Key Metrics

Current Price:	$30	**5 Year CAGR Estimate:**	7.0%	**Market Cap:**	$6.3 B
Fair Value Price:	$24	**5 Year Growth Estimate:**	9.0%	**Ex-Dividend Date:**	02/13/2025[1]
% Fair Value:	125%	**5 Year Valuation Multiple Estimate:**	-4.3%	**Dividend Payment Date:**	03/06/2025[2]
Dividend Yield:	2.6%	**5 Year Price Target**	$37	**Years Of Dividend Growth:**	14
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Hold

Overview & Current Events

A group of investors led by John W. Allison and Robert H. "Bunny" Adcock Jr. founded Home Bancshares, Inc. (HOMB), a bank holding company, in 1998. Customers in Arkansas, Florida, Alabama, and New York can access a variety of financial services via Centennial Bank, the company's main subsidiary. More than 300,000 consumers are served by the company's more than 222 branch sites. Home Bancshares holds a competitive position in the banking sector and prioritizes offering excellent client care and creative financial solutions. The business derives income from several markets, including commercial loans, residential loans, consumer loans, and deposit accounts, and has a market share of about 1% in the US banking industry.

On January 15th, 2024, the company announced results for its fourth quarter of 2024. The company reported non-GAAP EPS of $0.50, missing the market's estimates by $0.02, and revenues of $258.4 million that were up 5.2% year-over-year.

Home BancShares reported robust results, with net income of $100.6 million, or $0.51 per diluted share, reflecting steady growth from $86.2 million, or $0.43 per share, in the same quarter of 2023. The rise in total revenue for the quarter was supported by higher net interest income and stable non-interest income. The bank's net interest margin (NIM) expanded to 4.39%, up from 4.28% in Q3, driven by improved funding costs, higher loan yields, and the repayment of a $700 million Federal Reserve Bank Term Funding Program advance.

Chairman and CEO John Allison highlighted the company's proactive asset quality cleanup, which included $53.4 million in net charge-offs from legacy loans and hurricane-related provisions. This move aimed to strengthen the bank's balance sheet heading into 2025. Despite these measures, the bank maintained solid financial metrics, including a return on average assets (ROA) of 1.77% and a return on tangible common equity (ROTCE) of 15.94%. As of December 31st, 2024, total assets stood at $22.49 billion, with total loans receivable of $14.76 billion and deposits increasing to $17.15 billion. The allowance for credit losses declined to $275.9 million, or 1.87% of total loans, reflecting completed write-offs and adequate provisioning. Book value per share remained stable at $19.92, while tangible book value per share grew slightly to $12.68. HOMB's strong capital position and disciplined execution set the stage for continued growth in 2025.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.01	$1.26	$0.89	$1.73	$1.73	$1.30	$1.94	$1.57	$2.00	$2.01	***$2.19***	***$3.37***
DPS	$0.28	$0.34	$0.40	$0.46	$0.51	$0.53	$0.56	$0.66	$0.72	$0.75	***$0.78***	***$1.15***
Shares[3]	137.1	140.7	151.5	174.1	167.8	165.4	164.9	195.0	204.0	200.1	***209.2***	***261.1***

As of December 31st, 2024, Home BancShares demonstrated a strong liquidity position, supported by a total deposit base of $17.15 billion that was up from $16.71 billion in the prior quarter. With an improving net interest margin and strategic asset management, HOMB is well-positioned to navigate economic uncertainties and seize growth opportunities in the coming quarters.

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[1] The ex-dividend date is estimated based on historical data.
[2] The ex-dividend date is estimated based on historical data.
[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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Thus, we revised upwards our EPS forecast for 2025, matching the midpoint of analysts' estimates at $2.19, but amidst the expected normalization and decline in interest rates in 2025, we expect a slower growth with a projected annual EPS growth of 9.0%. This implies an EPS estimate of $3.37 by 2030. Home Bancshares's DPS had a 10-year and five-year CAGR of 11.6% and 21.3%, respectively. However, the company's approach to managing its capital and liquidity supports the payment of competitive cash dividends. Thus, we have assumed a stable annual DPS growth of at least 8.0%.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	18.4	17.4	28.0	12.6	10.8	12.5	12.5	14.8	11.5	12.8	***13.7***	***11.0***
Avg. Yld.	1.5%	1.6%	1.6%	2.1%	2.7%	3.3%	2.3%	2.8%	3.1%	2.9%	***2.6%***	***3.1%***

Home Bancshares is trading at a forward P/E of 13.7, lower than its 10-year average P/E of 15.7, but above its five-year average P/E of 12.4. Thus, considering the bank's resiliency and the uncertainty attached to the sector, we have assumed a stable P/E of 11.0 to value the company by 2030, slightly lower than its historical averages. This suggests a target price of $37.

Safety, Quality, Competitive Advantage, & Recession Resiliency

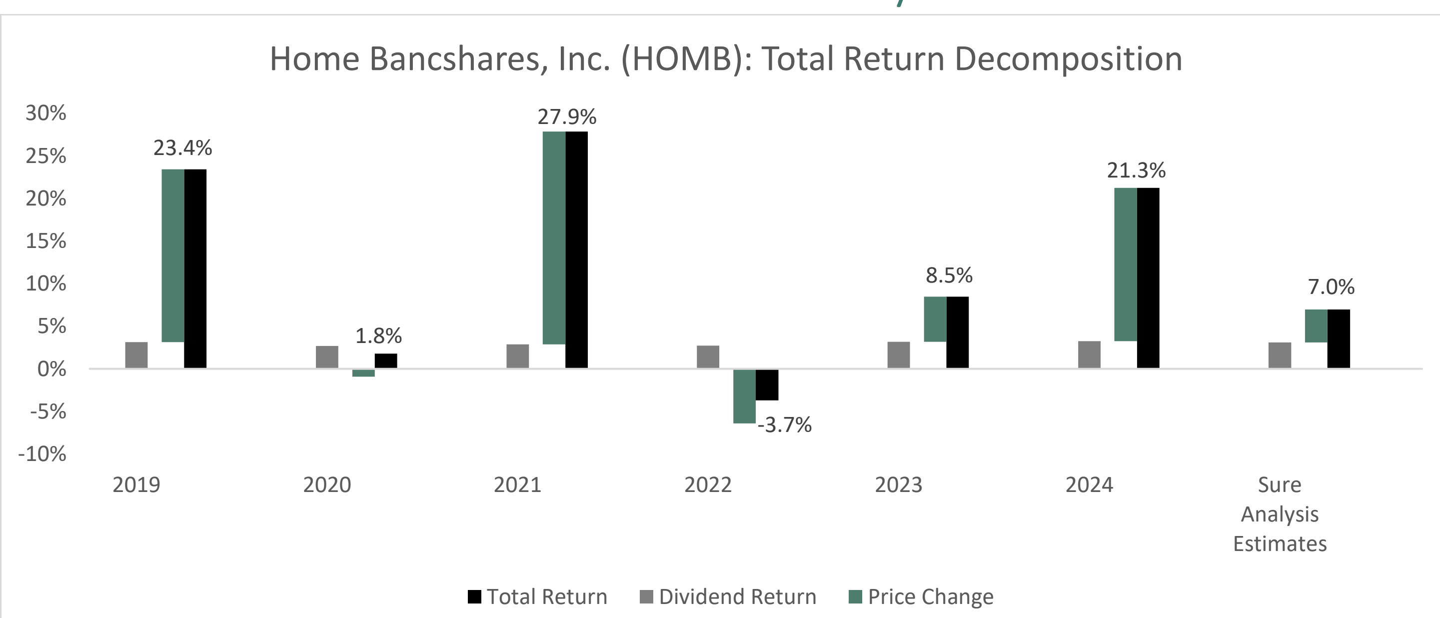
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	28%	27%	45%	27%	29%	41%	29%	42%	36%	37%	***36%***	***34%***

Home Bancshares has proved its resiliency. Despite economic headwinds, the bank's entire franchise delivered a strong performance in 2023. The bank has a fortress balance sheet, with a total risk-based capital of 18.7% of its assets in Q4, which makes it one of the best-capitalized banks in the country.

Final Thoughts & Recommendation

Finally, Home Bancshares' strong financial position and capitalization support the bank's position in the market, making it resilient during market cycles. Thus, we maintain our hold rating, premised upon the 7.0% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 9.0%, the 2.6% dividend yield, and the 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	381	423	486	544	655	654	685	700	919	978
SG&A Exp.	100	115	133	148	180	188	179	186	260	297
D&A Exp.	46	32	15	17	19	19	20	19	32	31
Net Profit	113	138	177	135	300	290	214	319	305	393
Net Margin	29.7%	32.7%	36.5%	24.8%	45.8%	44.3%	31.3%	45.6%	33.2%	40.2%
Free Cash Flow	245	195	173	135	296	233	280	379	404	371
Income Tax	64	80	106	136	95	96	63	98	89	119

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	7,403	9,289	9,808	14,450	15,302	15,032	16,399	18,052	22,884	22,660
Cash & Equivalents	113	256	217	636	658	491	1,264	3,650	725	1,000
Acc. Receivable	24	29	31	46	49	45	61	47	103	119
Goodwill & Int.	346	399	396	977	1,001	995	1,004	998	1,457	1,447
Total Liabilities	6,388	8,089	8,481	12,245	12,953	12,521	13,793	15,286	19,357	18,870
Accounts Payable	29	56	51	42	68	102	128	114	197	---
Long-Term Debt	759	1,467	1,366	1,667	1,841	991	770	771	1,090	1,741
Total Equity	1,015	1,200	1,327	2,204	2,350	2,512	2,606	2,766	3,526	3,791
LTD/E Ratio	0.75	1.22	1.03	0.76	0.78	0.39	0.30	0.28	0.31	0.46

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.6%	1.7%	1.9%	1.1%	2.0%	1.9%	1.4%	1.9%	1.5%	1.7%
Return on Equity	12.2%	12.5%	14.0%	7.6%	13.2%	11.9%	8.4%	11.9%	9.7%	10.7%
ROIC	7.5%	6.2%	6.6%	4.1%	7.5%	7.5%	6.2%	9.2%	7.5%	7.7%
Shares Out.	132.7	137.1	140.7	151.5	174.1	167.8	165.4	164.9	195.0	202.8
Revenue/Share	2.87	3.08	3.45	3.59	3.76	3.90	4.14	4.24	4.71	4.82
FCF/Share	1.85	1.42	1.23	0.89	1.70	1.39	1.69	2.30	2.07	1.83

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