National Bank Holdings Corporation (NBHC)

Updated January 27th, 2025, by Kody Kester

Key Metrics

Current Price:	$43	**5 Year CAGR Estimate:**	8.9%	**Market Cap:**	$1.6B
Fair Value Price:	$42	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	02/27/25
% Fair Value:	103%	**5 Year Valuation Multiple Estimate:**	-0.6%	**Dividend Payment Date:**	03/14/25
Dividend Yield:	2.7%	**5 Year Price Target**	$58	**Years Of Dividend Growth:**	9
Dividend Risk Score:	D	**Retirement Suitability Score:**	D	**Rating:**	Hold

Overview & Current Events

Founded in 2009, National Bank Holdings Corporation began about the same time that the Great Recession ended. NBHC is the holding company of NBH Bank. As of December 31st, 2024, the bank held $9.8 billion in assets. NBHC serves customers in Colorado, the Kansas City region, Utah, Wyoming, Texas, New Mexico, and Idaho across more than 90 banking centers.

The Denver-based bank holding company operates the following four brand names as divisions of NBH Bank:

1. Community Banks of Colorado and Community Banks Mortgage: Unsurprisingly, these operations are based in Colorado.
2. Bank Midwest and Bank Midwest Mortgage: Operations for this division are based in Kansas and Missouri.
3. Bank of Jackson Hole and Bank of Jackson Hole Mortgage: This division serves customers in Wyoming.
4. Hillcrest Bank and Hillcrest Bank Mortgage: The division operates in Texas, Utah, New Mexico, and Idaho.

NBHC's savings products include savings accounts, money market accounts, checking accounts, and certificates of deposit. More noteworthy loan products offered are residential real estate loans, consumer loans, small business association loans, and commercial loans. Other services provided include treasury management solutions, cash vault, and fraud prevention services.

On January 22nd, NBHC released its fourth-quarter earnings report for the period ended December 31st. The company's net interest income edged 0.7% higher year-over-year to $90.1 million in the quarter. NBHC's net interest margin expanded by four basis points over the year-ago period to 3.99%, which explains how net interest income grew during the quarter. The company's non-interest income dipped 30.8% year-over-year to $11.1 million for the quarter. That was due to the $6.6 million of non-recurring losses on AFS security sales from the repositioning of its balance sheet in December. NBHC's diluted EPS fell by 16.1% over the year-ago period to $0.73 in the quarter. That came in $0.04 below the analyst consensus during the quarter.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$0.19	$0.73	$1.26	$2.16	$2.55	$2.91	$3.04	$3.05	$3.72	$3.08	***$3.20***	***$4.49***
DPS	$0.20	$0.22	$0.34	$0.54	$0.75	$0.80	$0.87	$0.94	$1.04	$1.16	***$1.16***	***$1.63***
Shares[1]	30.4	26.4	26.9	30.8	31.2	30.6	30.0	37.6	37.8	38.1	***38.1***	***47.5***

Since 2015, NBHC has compounded diluted EPS by 30%-plus annually. Acquisitions like the Bank of Jackson Hole in 2022 were a big part of this growth. Organically, NBHC operates in favorable markets. States like Wyoming and Idaho are routinely among the most business-friendly states in the nation. That is fueling loan growth for the company.

Looking ahead, we expect the company to carry out more bolt-on acquisitions. That's why we think the share count will moderately rise in the years ahead. Along with an improving interest rate environment, this should produce annual diluted EPS growth in the high single-digits for NBHC over the medium term.

[1] 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	111.6	43.8	25.8	14.3	14.1	11.3	14.5	13.8	10.0	13.9	***13.4***	***13.0***
Avg. Yld.	0.9%	0.7%	1.0%	1.8%	2.1%	2.4%	2.0%	2.2%	2.8%	2.7%	***2.7%***	***2.8%***

NBHC's valuation multiple has been quite volatile in the last 10 years. Shares were as cheap as a P/E ratio of 10 in 2023 and as expensive as 100-plus in 2015. Since 2018, the average P/E ratio has been approximately 13. In the years to come, we still think that a valuation multiple of 13 is a rational fair value. This implies shares are slightly overvalued from the current multiple of 13.4.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	105%	30%	27%	25%	29%	27%	29%	31%	28%	38%	***36%***	***36%***

NBHC's business strategy to provide customers with a high level of personalized service is key to retaining existing clients and drawing in new business. This has led to consistent diluted EPS growth over time for the company.

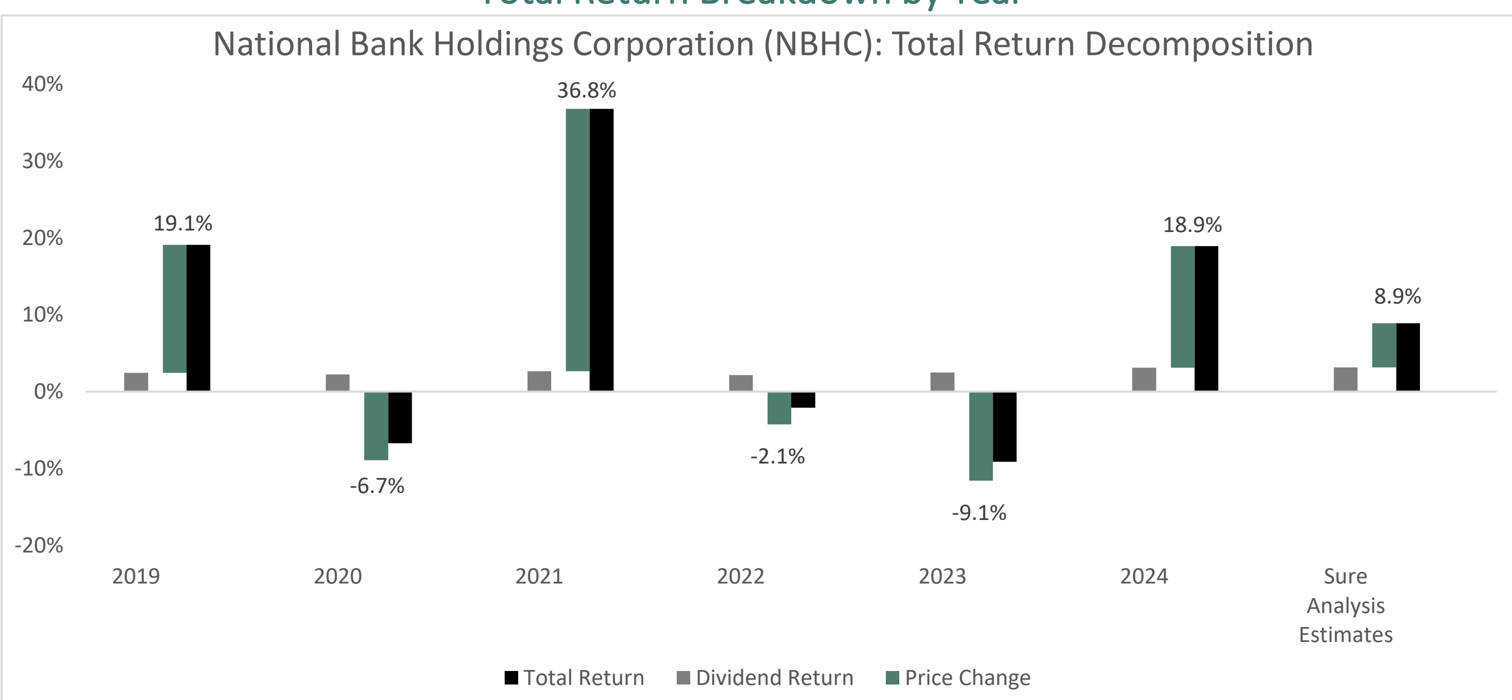
NBHC's asset quality remains respectable. As of December 31st, the company's total non-performing assets to total loans ratio was 0.47%. This was only a modest uptick from 0.42% in the year-ago period.

NBHC's dividend payout ratio is positioned to be around 36% in 2025. That is within the 30% to 40% payout ratio targeted by the bank. This could set up the dividend for continued growth in the years ahead.

Final Thoughts & Recommendation

NBHC's 2.7% dividend yield, 7.0% annual diluted EPS growth potential, and 0.6% annual valuation multiple downside could produce 8.9% annual total returns over the medium term. This is less than our preference of at least 10% annual total returns, so we're reiterating our hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	218	192	186	186	268	291	329	292	329	420
SG&A Exp.	140	118	92			136	145	132	131	149
D&A Exp.	16	16	14	13	12	15	14	14	16	24
Net Profit	9	5	23	15	61	80	89	94	71	142
Net Margin	4.2%	2.5%	12.4%	7.9%	22.9%	27.6%	26.9%	32.0%	21.7%	33.8%
Free Cash Flow	(4)	(43)	(4)	53	67	33	(11)	180	202	130
Income Tax	3	3	3	21	12	16	21	21	15	34

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	4,820	4,684	4,573	4,843	5,677	5,896	6,660	7,214	9,573	9,951
Cash & Equivalents	257	166	153	257	110	110	606	846	196	191
Accounts Receivable	11	9	13	14						
Goodwill & Int. Ass.	77	72	67	61	128	126	133	127	339	372
Total Liabilities	4,025	4,066	4,037	4,311	4,982	5,129	5,839	6,374	8,481	8,738
Accounts Payable	4	4	5	6						
Long-Term Debt	40	40	39	129	302	208	-	39	439	394
Shareholder's Equity	795	618	536	532	695	767	821	840	1,092	1,213
LTD/E Ratio	0.05	0.06	0.07	0.24	0.43	0.27	-	0.05	0.40	0.33

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	0.2%	0.1%	0.5%	0.3%	1.2%	1.4%	1.4%	1.3%	0.8%	1.5%
Return on Equity	1.1%	0.7%	4.0%	2.7%	10.0%	11.0%	11.2%	11.3%	7.4%	12.3%
ROIC	1.1%	0.7%	3.7%	2.4%	7.4%	8.2%	9.9%	11.0%	5.9%	9.1%
Shares Out.	38.9	30.4	26.4	26.9	30.8	31.2	30.6	30.0	37.6	37.8
Revenue/Share	5.14	5.58	6.38	6.69	8.53	9.23	10.58	9.41	10.06	11.02
FCF/Share	(0.10)	(1.24)	(0.14)	1.90	2.14	1.05	(0.34)	5.78	6.19	3.41

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

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