ServisFirst Bancshares, Inc. (SFBS)

Updated January 28th, 2025, by Kody Kester

Key Metrics

Current Price:	$93	**5 Year CAGR Estimate:**	10.8%	**Market Cap:**	$5.1B
Fair Value Price:	$91	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date[1]:**	03/27/25
% Fair Value:	102%	**5 Year Valuation Multiple Estimate:**	-0.5%	**Dividend Payment Date:**	04/08/25
Dividend Yield:	1.4%	**5 Year Price Target**	$147	**Years Of Dividend Growth:**	11
Dividend Risk Score:	C	**Retirement Suitability Score:**	F	**Rating:**	Buy

Overview & Current Events

Founded in 2005, ServisFirst Bancshares, Inc. is a regional bank. SFBS operates as the holding company of ServisFirst Bank.

As of December 31st, 2024, the company had 34 office locations scattered throughout Alabama, Florida, Georgia, North Carolina, South Carolina, Tennessee, and Virginia. The market share in its markets served ranged from the low single digits to as much as 20%+ in Alabama, where it has its corporate HQ. Concluding Q4 2024, the company had $17.4 billion in assets.

SFBS' product offerings are what somebody would expect from a bank. Savings products include savings accounts, checking accounts, and money market accounts. SFBS' loan products are residential real estate loans, vehicle loans, personal loans, commercial lines of credit, commercial real estate loans, and construction and development loans. The company also provides customers with telephone and mobile banking, internet banking, safe deposit boxes, and debit and credit cards.

In 2023, ServisFirst Bank earned the distinction of being the fourth-ranked publicly traded bank in the nation with between $10 billion and $50 billion in assets via American Banker. Metrics like three-year average returns on average equity, return on average assets, net interest margin, and other measures are used to arrive at these rankings.

On January 27th, SFBS released its financial results for the fourth quarter ended December 31st. The company's net interest income climbed 21.1% over the year-ago period to $123.2 million during the quarter. That was powered by a 39-basis point year-over-year expansion in the net interest margin to 2.96% in the quarter, as well as 7.1% loan growth. Higher service charges and mortgage banking income led non-interest income to rise by 19.3% over the year-ago period to $8.8 million for the quarter. Thanks to its stellar topline growth, SFBS' diluted EPS soared 54.5% year-over-year to $1.19 during the quarter. This was $0.08 ahead of the analyst consensus in the quarter.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.20	$1.52	$1.72	$2.53	$2.76	$3.13	$3.82	$4.61	$3.79	$4.16	***$5.23***	***$8.42***
DPS	$0.11	$0.15	$0.19	$0.38	$0.60	$0.70	$0.80	$0.92	$1.12	$1.20	***$1.34***	***$2.16***
Shares[2]	52.0	52.6	53.0	53.4	53.6	53.9	54.2	54.3	54.5	54.6	***54.6***	***55.4***

In the past 10 years, SFBS has compounded its diluted EPS at a firmly double-digit annual rate. As the bank grows, this level of growth will likely become harder to maintain over time. In the years ahead, SFBS plans to keep focusing on opening new locations in metropolitan, Southern markets. The most recent examples are the loan production office opened in Memphis in February and the office opened in Auburn (Alabama) in July. Combined with organic loan growth and an expanding net interest margin (up 12 basis points sequentially), that's why we think that diluted EPS can compound by 10.0% annually through 2030.

[1] Estimate
[2] 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	19.3	24.6	23.3	12.7	13.6	12.9	22.0	15.0	16.9	20.3	***17.8***	***17.4***
Avg. Yld.	0.5%	0.4%	0.5%	1.2%	1.6%	1.7%	0.9%	1.3%	1.7%	1.4%	***1.4%***	***1.5%***

Since 2015, SFBS' P/E ratio has varied from the low double-digits to as high as the mid-20s. Over that time, the P/E ratio has been an average of 17.4. Because the company's growth profile is largely intact considering its growing scale, we think the fair value multiple should remain just above 17 in the years ahead. From the current P/E ratio near 18, that implies shares are about fairly valued right now.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	9%	10%	11%	15%	22%	22%	21%	20%	30%	29%	***26%***	***26%***

SFBS enjoys a few notable operating advantages. These include the simplicity of its business model in that loans and deposits are primary drivers of its growth, not ancillary services. Additionally, the company's technology-oriented business model means that its branch footprint is limited. This allows for greater efficiency versus many of its peers. Lastly, SFBS offers the products that big banks do with the delivery that would be expected from a community bank.

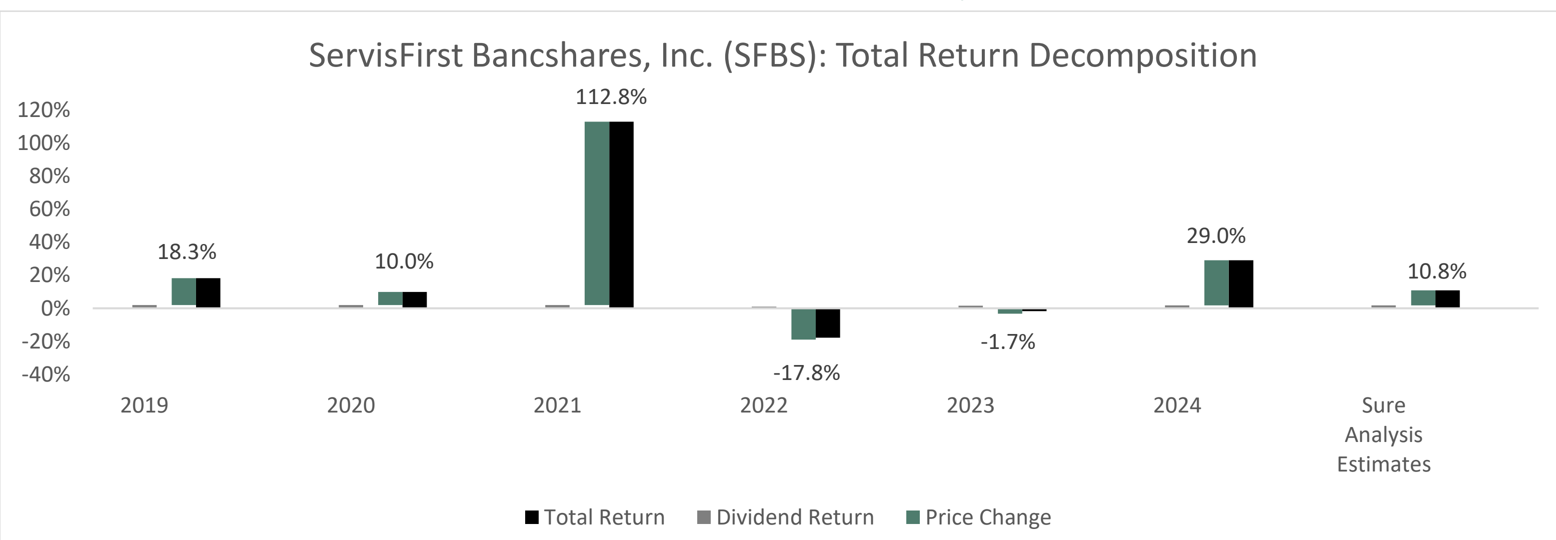
This has led to profitability in each quarter since 2005 and rather reliable growth in diluted EPS over time. The company's nonperforming assets ratio of 0.26% in Q4 2024 (up just one basis point sequentially) also points to a bank that is laser-focused on asset quality.

Combined with a payout ratio that's poised to remain in the high 20% range in 2025, that positions the dividend to grow as fast as earnings in the future. This should translate into approximately 10% annual dividend growth over the next several years.

Final Thoughts & Recommendation

SFBS' 1.4% dividend yield, 10.0% annual diluted EPS growth potential, and 0.5% annual valuation multiple downside could allow it to post 10.8% annual total returns over the next five years. In our view, the company's superior growth prospects for a regional bank compensate for the higher valuation. Thus, we're upgrading shares to a buy rating.

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	137	169	197	240	279	307	363	406	492	427
SG&A Exp.	34	43	48	53	57	62	67	75	84	98
D&A Exp.	2	3	3	3	4	4	4	4	4	4
Net Profit	52	64	81	93	137	149	170	208	252	207
Net Margin	38.2%	37.6%	41.3%	38.8%	49.1%	48.6%	46.7%	51.2%	51.1%	48.5%
Free Cash Flow	64	71	76	97	166	162	189	257	269	193
Income Tax	22	25	29	44	32	38	45	46	57	38

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	4,099	5,096	6,370	7,082	8,007	8,948	11,933	15,449	14,596	16,130
Cash & Equivalents	297	317	624	238	458	530	2,210	4,164	815	2,031
Accounts Receivable	11	14	16	21	24	26	37	35	48	59
Goodwill & Int. Ass.		15	15	15	14	14	14	14	14	14
Total Liabilities	3,691	4,646	5,848	6,475	7,292	8,105	10,940	14,297	13,298	14,689
Accounts Payable	2	2	4	5	10	12	12	14	19	28
Long-Term Debt	20	56	55	65	65	65	65	65	65	65
Shareholder's Equity	367	449	523	607	715	842	992	1,152	1,297	1,440
LTD/E Ratio	0.05	0.12	0.11	0.11	0.09	0.08	0.07	0.06	0.05	0.05

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.4%	1.4%	1.4%	1.4%	1.8%	1.8%	1.6%	1.5%	1.7%	1.3%
Return on Equity	14.9%	14.8%	16.8%	16.5%	20.7%	19.2%	18.5%	19.4%	20.5%	15.1%
ROIC	14.1%	13.6%	15.0%	14.9%	18.9%	17.7%	17.3%	18.3%	19.5%	14.4%
Shares Out.	49.6	52.0	52.6	53.0	53.4	53.6	53.9	54.2	54.3	54.5
Revenue/Share	2.76	3.19	3.68	4.43	5.14	5.68	6.69	7.45	9.02	7.82
FCF/Share	1.28	1.34	1.42	1.80	3.06	2.99	3.49	4.72	4.93	3.55

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