Southern Missouri Bancorp, Inc. (SMBC)

Updated January 29th, 2025, by Kody Kester

Key Metrics

Current Price:	$59	**5 Year CAGR Estimate:**	6.9%	**Market Cap:**	$665M
Fair Value Price:	$52	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	02/13/25
% Fair Value:	113%	**5 Year Valuation Multiple Estimate:**	-2.4%	**Dividend Payment Date:**	02/28/25
Dividend Yield:	1.6%	**5 Year Price Target**	$77	**Years Of Dividend Growth:**	12
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Hold

Overview & Current Events

Founded in 1887, Southern Missouri Bancorp, Inc. is a community bank with a rich corporate history. The bank holding company is the parent company of Southern Bank. Across more than 60 full-service branch offices and three limited-service branch offices, the Poplar Bluff, Missouri-based bank serves over 50 communities in Missouri, Arkansas, Illinois, and Kansas. As of December 31st, 2024, the company held $4.9 billion in total assets.

SMBC provides a variety of services to these individual and corporate customers. That includes money market deposit accounts, saving accounts, retirement savings plans, and certificates of deposit. Loan products include residential mortgages, commercial real estate loans, commercial business loans, construction loans, home equity loans, and automobile loans. Additionally, SMBC offers investing and insurance services, debit or credit cards, and online and mobile banking services.

In recent years, the company has leaned into acquisitions to enhance its economies of scale and to realize cost synergies. In the past five years, SMBC has closed several deals and acquired $1.5 billion in total assets. The most recent acquisition of Citizens Bancshares, Co. (parent company of Citizens Bank & Trust Company) and its nearly $1 billion in total assets was completed in January 2023.

On January 27th, Southern Missouri Bancorp shared its financial results for the fiscal second quarter ended December 31st. The company's net interest income rose by 10.6% year-over-year to $38.1 million during the quarter. A 6.7% growth rate in the average balance of interest-earning assets and an expansion in the net interest margin to 3.36% contributed to this topline growth. Additionally, SMBC's non-interest income surged 21.7% over the year-ago period to $6.9 million in the quarter. That was thanks to greater deposit account charges, other loan fees, and wealth management fees. Moving to the bottom line, SMBC's diluted EPS climbed 21.5% year-over-year to $1.30 for the quarter. That exceeded the analyst consensus during the quarter by $0.06.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.79	$1.98	$2.08	$2.39	$3.14	$2.99	$5.21	$5.22	$3.85	$4.42	***$4.75***	***$6.98***
DPS	$0.34	$0.36	$0.40	$0.44	$0.52	$0.60	$0.62	$0.80	$0.84	$0.84	***$0.92***	***$1.29***
Shares[1]	7.4	7.4	8.6	9.0	9.3	9.1	8.9	9.2	11.3	11.3	***11.3***	***14.0***

Looking ahead, SMBC has several positive factors on its side. The company's net interest margin was down only a single basis point sequentially and up 11 basis points over the year-ago period. We continue to believe that the net interest margin will improve as the Federal Reserve cuts interest rates further. That's because organic growth from more economic activity in its communities should be a lift to SMBC's diluted EPS. Bolt-on acquisitions are another catalyst for the company. As a result, we still believe that diluted EPS can rise by 8% annually through FY 2030 from the $4.75 diluted EPS analyst consensus for FY 2025.

[1] Share count is 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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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	10.6	12.3	15.5	16.3	11.1	7.7	8.7	8.8	10.0	10.2	***12.4***	***11.0***
Avg. Yld.	1.8%	1.5%	1.2%	1.1%	1.5%	2.6%	1.4%	1.7%	2.2%	1.9%	***1.6%***	***1.7%***

In the past 10 years, SMBC's P/E ratio has varied from as little as the high-single-digits to as much as the mid-teens. The stock's average P/E ratio over that time was 11. Looking ahead, we maintain our argument that the 10-year average P/E ratio remains a sensible estimate for fair value. After all, SMBC's forward growth prospects should be comparable to the growth posted in the past decade. The current P/E ratio of 12.4 remains moderately elevated beyond our fair value estimate, which provides no margin of safety.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	19%	18%	19%	18%	17%	20%	12%	15%	22%	19%	***19%***	***18%***

SMBC's 138-year operating history means that it has very established relationships with its existing customers. Its wide variety of banking products and resulting harmonious customer relationships are also helping to drive organic growth.

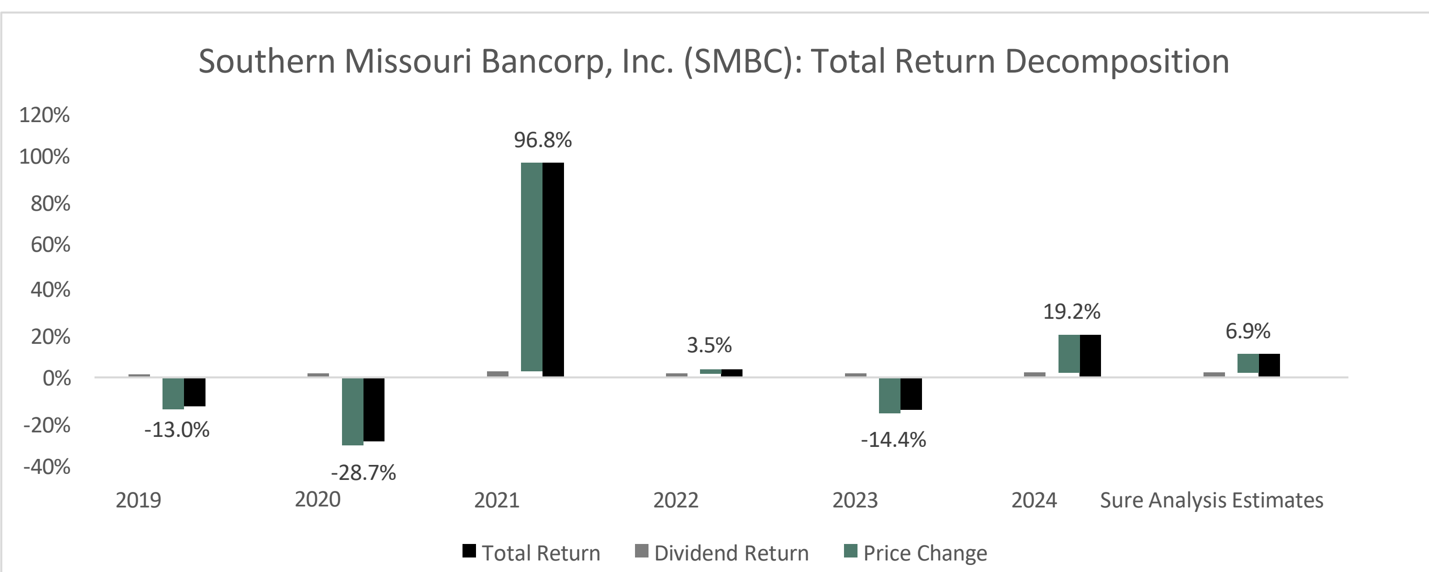
SMBC's diluted EPS has risen in eight out of the last 10 fiscal years. Even in its worst year of the decade (FY 2023), diluted EPS was only reduced by a quarter. Coupled with a dividend payout ratio that has historically been in the teens to 20% range, that makes the dividend relatively secure for a community bank. These elements make up for the the fact that a plurality of SMBC's loans (33.2% as of December 31st, 2024) are in the commercial real estate class.

Lastly, SMBC's asset quality is sound. As of December 31st, the company's nonperforming assets to total assets ratio improved by four basis points sequentially to 0.22%. That puts SMBC in a position to likely navigate mild to moderate recessionary scenarios without a dividend cut.

Final Thoughts & Recommendation

SMBC's 1.6% dividend yield, 8.0% annual diluted EPS growth prospects, and 2.4% annual valuation multiple contraction could generate 6.9% annual total returns over the next five years. Since we believe the current valuation will limit the upside over the next few years, we're maintaining 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	54	56	61	75	86	95	113	125	153	164
SG&A Exp.	20	20	22	30	34	38	33	38	50	58
D&A Exp.	3	4	4	5	5	6	5	6	8	
Net Profit	14	15	16	21	29	28	47	47	39	50
Net Margin	25.2%	26.6%	25.5%	28.0%	33.7%	29.0%	41.9%	37.8%	25.7%	30.5%
Free Cash Flow	12	8	23	29	31	36	49	63	56	
Income Tax	6	7	6	8	7	7	13	13	10	13

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,300	1,404	1,708	1,886	2,214	2,542	2,701	3,215	4,360	4,604
Cash & Equivalents	19	23	32	28	36	55	125	92	55	61
Accounts Receivable	5	6	7	8	10	12	10	11	19	
Goodwill & Int. Ass.	9	8	15	20	23	22	21	35	81	77
Total Liabilities	1,167	1,278	1,535	1,685	1,976	2,284	2,417	2,894	3,914	4,116
Accounts Payable	1	1	1	1	2	2	1	1	5	
Long-Term Debt	79	125	61	95	63	85	73	61	157	125
Shareholder's Equity	113	126	173	201	238	258	283	321	446	489
LTD/E Ratio	0.60	0.99	0.36	0.47	0.26	0.33	0.26	0.19	0.35	0.26

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.2%	1.1%	1.0%	1.2%	1.4%	1.2%	1.8%	1.6%	1.0%	1.1%
Return on Equity	11.2%	11.5%	10.4%	11.2%	13.2%	11.1%	17.4%	15.6%	10.2%	10.7%
ROIC	6.5%	6.4%	6.4%	7.9%	9.7%	8.5%	13.5%	12.8%	8.0%	8.2%
Shares Out.	7.4	7.4	8.6	9.0	9.3	9.1	8.9	9.2	11.3	11.3
Revenue/Share	7.22	7.47	8.13	8.55	9.33	10.31	12.51	13.85	15.08	14.54
FCF/Share	1.66	1.05	3.01	3.26	3.36	3.91	5.43	6.96	5.52	

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