TriCo Bancshares (TCBK)

Updated January 27th, 2025, by Kody Kester

Key Metrics

Current Price:	$45	**5 Year CAGR Estimate:**	9.7%	**Market Cap:**	$1.5B
Fair Value Price:	$47	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date[1]:**	03/06/25
% Fair Value:	95%	**5 Year Valuation Multiple Estimate:**	1.0%	**Dividend Payment Date:**	03/21/25
Dividend Yield:	2.9%	**5 Year Price Target**	$63	**Years Of Dividend Growth:**	12
Dividend Risk Score:	D	**Retirement Suitability Score:**	D	**Rating:**	Hold

Overview & Current Events

Since its founding in 1975, TriCo Bancshares has blossomed into a major community bank in California. The company operates as the holding company for Tri Counties Bank. As of December 31st, 2024, TCBK's asset base was $9.7 billion.

The Chico, California-based bank has nearly six dozen bank branch locations throughout the Golden State in 31 counties. These locations are as far north as Yreka (in Siskiyou County bordering Oregon) and as far south as San Diego.

The company provides a wide variety of personal, small business, and commercial banking services to the communities that it serves. These include personal checking and savings accounts, residential and commercial mortgage loans, auto loans, personal loans, agricultural loans, and real estate construction loans. TCBK also offers safe deposit boxes, treasury management services, and brokerage services through an arrangement with Raymond James Financial Services, Inc. Advanced online/mobile banking, ~40,000 surcharge-free ATMs nationwide, and banker support by phone seven days a week make the bank an appealing option for new and existing customers alike.

It's also worth noting that the bank has a corporate history of being a measured and opportunistic acquirer. In July 2018, the company acquired FNB Bancorp. At the time, this further complemented TCBK's presence in Northern California and added $1.2 billion to its asset base. In March 2022, the company also acquired Valley Republic Bancorp and its $1.4 billion in assets. The rationale for this deal was that it expanded TCBK's lending capabilities and product offerings.

On January 23rd, TCBK shared its fourth-quarter earnings report for the period ended December 31st. The company's net interest income declined by 2.9% over the year-ago period to $84.1 million in the quarter. Higher-yielding deposits caused the net interest margin to contract by five basis points year-over-year to 3.76% during the quarter. Noninterest income edged 1.5% higher over the year-ago period to $16.3 million for the quarter. TCBK's diluted EPS surged 12.8% year-over-year to $0.88 in the quarter. That exceeded the analyst consensus by $0.10 during the quarter.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.90	$1.94	$2.21	$2.54	$3.00	$2.16	$3.94	$3.83	$3.52	$3.46	***$3.35***	***$4.48***
DPS	$0.52	$0.60	$0.66	$0.70	$0.82	$0.88	$1.00	$1.10	$1.20	$1.32	***$1.32***	***$1.77***
Shares[2]	22.8	22.9	23.0	30.4	30.5	29.7	29.7	33.3	33.3	33.0	***33.0***	***36.6***

Like most community banks, TCBK has been hurt by the macroenvironment in recent years. However, we continue to believe that the company's net interest margin will improve as interest rate cuts from the Federal Reserve show up in the economy. Thus, we're maintaining our expectations of 6% annual diluted EPS growth over the medium term.

[1] Estimate
[2] 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	14.4	17.6	17.2	13.2	13.4	16.3	10.9	13.3	12.2	12.5	***13.4***	***14.1***
Avg. Yld.	1.9%	1.8%	1.7%	2.1%	2.0%	2.5%	2.3%	2.2%	2.8%	3.1%	***2.9%***	***2.8%***

Since our previous update, TCBK's P/E ratio edged higher to 13.4 thanks to a slight rally. For more perspective, the bank's valuation multiple has ranged from the low- double-digits to the high teens since 2015. The company's average P/E ratio in that time has been 14.1. Looking ahead, we still believe that represents fair value for TBCK. This is because the company's medium-term diluted EPS growth prospects look to be holding up versus the past decade. From the current year multiple of 13.4, that suggests shares are nearly fully priced right now.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	27%	31%	30%	28%	27%	41%	25%	29%	34%	38%	***39%***	***40%***

As alluded to earlier, TCBK's sheer number of surcharge-free ATMs that are within its network and its top-notch mobile app are factors that boost it competitively. So, the bank not only stands out among community bank peers but can even give regional and national banks a run for their money.

Like its peers, TCBK experienced difficulties during the Great Recession. The company's diluted EPS plunged from $1.64 in 2006 and bottomed out in 2010 at $0.37. It wasn't until 2013 that diluted EPS advanced beyond pre-Great Recession levels. That prompted the company to cut its dividend payment by 30.8% from $0.52 in 2009 to $0.36 in 2011.

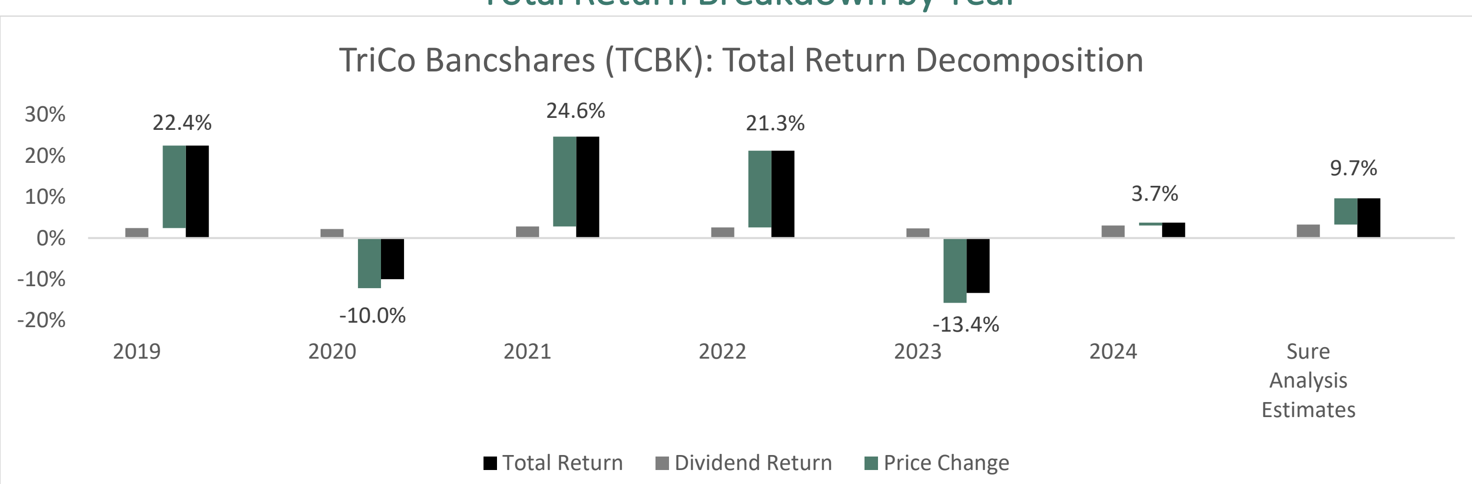
Since that time, though, TCBK has consistently grown its payout. The company is far from immune to the risk of another dividend cut. However, it is in a better position to weather an economic downturn in the future. This is because the payout ratio will be around 39% in 2025.

As of December 31st, the company also maintained $4.1 billion in liquidity. This comfortably covered estimated uninsured deposits, with a coverage ratio of 160%.

Final Thoughts & Recommendation

TCBK's 2.9% dividend yield, 6.0% annual diluted EPS growth potential, and 1.0% annual valuation multiple upside could lead to 9.7% annual total returns over the next five years. TCBK falls just short of 10% annual total return potential from current levels, so we're downgrading it back to a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	148	197	208	220	260	305	308	329	403	411
SG&A Exp.	62	78	85	87	99	112	115	109	134	139
D&A Exp.	6	7	8	8	11	17	18	17	18	19
Net Profit	26	44	45	41	68	92	65	118	125	117
Net Margin	17.6%	22.2%	21.6%	18.4%	26.3%	30.1%	21.1%	35.7%	31.2%	28.6%
Free Cash Flow	23	49	37	40	84	99	112	129	159	134
Income Tax	19	29	28	37	25	35	23	46	48	44

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	3,916	4,221	4,518	4,761	6,352	6,471	7,640	8,615	9,931	9,910
Cash & Equivalents	611	303	306	205	228	277	670	768	107	99
Accounts Receivable	9	11	12	14	19	19	20	19	32	37
Goodwill & Int. As .	79	78	80	76	250	244	239	233	321	315
Total Liabilities	3,498	3,769	4,041	4,256	5,525	5,565	6,714	7,615	8,885	8,750
Accounts Payable	1	1	1	1	2	2	1	1	1	8
Long-Term Debt	66	69	74	179	73	76	85	108	366	734
Shareholder's Equity	418	452	477	506	827	907	925	1,000	1,046	1,160
LTD/E Ratio	0.16	0.15	0.16	0.35	0.09	0.08	0.09	0.11	0.35	0.63

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	0.8%	1.1%	1.0%	0.9%	1.2%	1.4%	0.9%	1.4%	1.4%	1.2%
Return on Equity	7.8%	10.1%	9.6%	8.2%	10.2%	10.6%	7.1%	12.2%	12.3%	10.6%
ROIC	6.7%	8.7%	8.4%	6.6%	8.6%	9.8%	6.5%	11.1%	10.0%	7.1%
Shares Out.	22.7	22.8	22.9	23.0	30.4	30.5	29.7	29.7	33.3	33.3
Revenue/Share	8.26	8.57	8.99	9.46	9.66	9.97	10.25	11.02	12.30	12.33
FCF/Share	1.27	2.14	1.62	1.73	3.11	3.21	3.73	4.32	4.87	4.02

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