Benchmark Bankshares (BMBN)

Updated February 20th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	$26	**5 Year CAGR Estimate:**	11.6%	**Market Cap:**	$115.3 M
Fair Value Price:	$29	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	07/07/2025[1]
% Fair Value:	87%	**5 Year Valuation Multiple Estimate:**	2.7%	**Dividend Payment Date:**	07/30/2025
Dividend Yield:	3.4%	**5 Year Price Target**	$39	**Years Of Dividend Growth:**	11
Dividend Risk Score:	A	**Retirement Suitability Score:**	A	**Rating:**	Buy

Overview & Current Events

Benchmark Bankshares is a financial holding company that operates primarily through its wholly-owned subsidiary, Benchmark Community Bank. Headquartered in Kenbridge, Virginia, the bank provides a variety of traditional banking services, including deposit accounts, consumer and commercial loans, and mortgage banking. The bank also offers wealth management services and operates a robust portfolio of business solutions that include credit services, merchant services, and debit card processing.

Benchmark Community Bank operates 17 branches, with a geographical focus on Southside Virginia and Northern North Carolina, including key locations in areas such as Kenbridge, South Hill, and Farmville in Virginia, and Wake Forest, North Carolina. The bank has steadily grown its footprint, most recently expanding its services in North Carolina by opening a full-service branch in Wake Forest and converting its Loan Production Office (LPO) in Zebulon into a full-service branch. Its market cap stands at $115.3 million.

On December 20th, 2024, Benchmark Community Bank raised its dividend by 4.8% to a semi-annual rate of $0.44.

On February 13th, 2025, Benchmark released its Q4 2024 and full-year results for the period ending December 31st, 2024. For the quarter, Benchmark posted net income of $4.5 million, or $1.00 per share, compared to $3.5 million, or $0.78 per share last year. Net interest income rose 8.4% to $48.5 million, with the net interest margin (NIM) rising from $4.29 to 4.32% from 4.35%. For the year, EPS was $3.55. We believe the company will achieve EPS of around $3.68 this year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.23	$1.26	$1.19	$1.79	$1.98	$2.28	$2.55	$2.93	$3.41	$3.55	***$3.68***	***$4.92***
DPS	$0.37	$0.41	$0.44	$0.52	$0.60	$0.66	$0.68	$0.73	$0.80	$0.86	***$0.88***	***$1.18***
Shares[2]	5.2	5.2	5.2	5.1	4.9	4.5	4.5	4.5	4.5	4.5	***4.5***	***4.4***

Over the past decade, Benchmark Bankshares has delivered consistent EPS growth, rising from $1.23 in 2015 to $3.55 in 2024 (a CAGR of 12.5%). This growth has been driven by organic expansion and increasing profitability, supported by a strong NIM. From 2015 to 2016, EPS grew on the back of a steadily improving banking environment. In 2017, EPS dipped slightly to $1.19, mainly due to softer loan demand and the impact of higher interest expenses. A significant rebound occurred in 2018, with EPS jumping to $1.79, driven by strong loan growth and an NIM that peaked at 4.49%, reflecting more favorable lending conditions.

The positive momentum endured through 2019 and 2020 as EPS increased to $1.98 and $2.28, respectively. Benchmark capitalized on a healthy interest rate environment, bolstered by solid loan growth, and maintained stable NIMs between 3.63% and 4.25% during these years. In 2021, EPS climbed to $2.55 as economic conditions improved post-pandemic, alongside a consistent NIM of 3.63%. By 2022, EPS grew to $2.93, with the bank benefiting from higher interest income

[1] Estimated dated based on past dividend dates.

[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.

Benchmark Bankshares (BMBN)

Updated February 20th, 2025 by Nikolaos Sismanis

amid rising interest rates, despite some pressure on deposit costs. In 2023 and 2024 EPS surged to $3.41 and $3.55 respectively, supported by rising NIM, which was bolstered by higher loan yields and effective cost management.

Looking ahead, we remain optimistic about the company's growth prospects. We have applied a below-average growth rate of 6% in our estimates, however, due the company coming off a rather favorable interest rates landscape. About the dividend, Benchmark has raised its payouts for 11 consecutive years. The pace of dividend growth has slowed down in recent years with the 5-year average rate standing at 5.9%, below the 10-year average of 9.8%. The most recent hike was by an even softer 4.8%. Benchmark pays semi-annually. We estimate the dividend will grow annually by 6% as well.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	8.4	9.4	11.7	9.1	9.5	8.0	7.3	6.7	6.2	6.3	***7.0***	***8.0***
Avg. Yld.	3.6%	3.5%	3.2%	3.2%	3.2%	3.6%	3.7%	3.7%	3.8%	3.8%	***3.4%***	***3.0%***

In recent years, Benchmark has consistently traded at a P/E ratio in the high-single digits, featuring a modest discount compared to most of its regional banking peers. Today, the stock is trading at 7.0 times our estimated EPS for the year—a multiple we believe undervalues the stock. Given Benchmark's rather impressive track record of earnings growth over the past decade and industry-leading NIMs, we believe that shares deserve to trade a higher multiple of at least 8 times earnings. The stock's book value stands at $24.51 while the dividend yield hovers close to 3.4%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

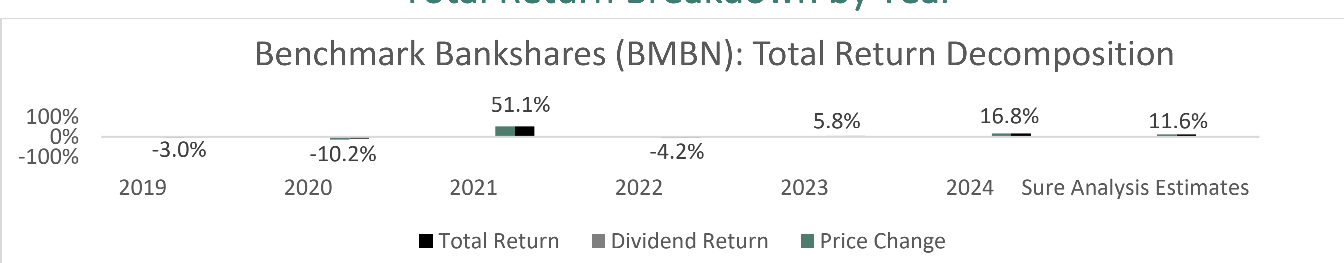
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	30%	33%	37%	29%	30%	29%	27%	25%	23%	24%	***24%***	***24%***

Benchmark holds a competitive advantage via its strong local market knowledge and deep community ties in Southside Virginia and Northern North Carolina, fostering long-term customer loyalty. The bank's conservative risk management and personalized service have helped it remain profitable during economic challenges such as the Great Financial Crisis and the COVID-19 pandemic. Its solid financial health is reflected in its Common Equity Tier 1 ratio of 15.26% as of last year (2023, yet to get 2024 figure), providing a strong capital buffer. Still, its smaller size limits its ability to benefit from economies of scale, making it more susceptible to prolonged economic stress. In any case, we view the bank's dividend as rather safe. The payout ratio stands at quite reasonable levels. Note that the bank hasn't cut its dividend since 1995. The fact that shares trade Over the Counter is a risk to note, though, with liquidity limited to an average daily volume of a few 100s of shares daily.

Final Thoughts & Recommendation

Benchmark's strong community presence, diversified services, and robust footprint in the areas it serves, positions it as a robust choice for investors seeking exposure to a well-managed regional bank with a track record of consistent earnings and dividend growth. We forecast annualized returns of 11.6% through 2030, driven by our annual growth estimate of 6%, the 3.4% starting yield, and the possibility of a valuation tailwind. Consequently, we rate the stock a buy.

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.

Benchmark Bankshares (BMBN)

Updated February 20th, 2025 by Nikolaos Sismanis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue					32	35	37	40	45	
SG&A Exp.					0	2	2	3	3	
D&A Exp.					1	1	1	1	1	
Net Profit					9	9	10	12	13	
Net Margin					28.5%	27.4%	27.7%	28.5%	29.5%	
Free Cash Flow					9	7	11	12	15	
Income Tax					2	2	2	3	3	

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets					644	712	871	1,041	1,125	
Cash & Equivalents					42	38	175	269	97	
Total Liabilities					573	643	794	956	1,039	
Accounts Payable					0	0	0	0	0	
Long-Term Debt					-	6	5	4	3	
Shareholder's Equity					71	69	77	84	86	
LTD/E Ratio					-	0.08	0.06	0.05	0.03	

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets					1.9%	1.4%	1.3%	1.2%	1.2%	
Return on Equity					18.0%	13.5%	14.0%	14.3%	15.6%	
ROIC					18.0%	13.0%	13.1%	13.6%	15.0%	
Shares Out.	5.2	5.2	5.2	5.2	5.1	4.9	4.5	4.5	4.5	4.5
Revenue/Share					6.29	7.24	8.26	8.95	9.94	
FCF/Share					1.82	1.57	2.42	2.65	3.23	

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