Civista Bancshares (CIVB)

Updated February 4th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	$21	**5 Year CAGR Estimate:**	7.3%	**Market Cap:**	$329 M
Fair Value Price:	$24	**5 Year Growth Estimate:**	2.0%	**Ex-Dividend Date:**	2/4/25
% Fair Value:	89%	**5 Year Valuation Multiple Estimate:**	2.3%	**Dividend Payment Date:**	2/18/25
Dividend Yield:	3.2%	**5 Year Price Target**	$26	**Years Of Dividend Growth:**	12
Dividend Risk Score:	C	**Retirement Suitability Score:**	C	**Rating:**	Hold

Overview & Current Events

Civista Bancshares is a financial services holding company that is headquartered in Sandusky, Ohio. Its primary subsidiary, Civista Bancshares, was founded in 1884 and provides banking, commercial lending, mortgage, wealth management, and commercial equipment leasing services. It has 43 branches across Ohio, Southeastern Indiana and Northern Kentucky and has a market capitalization of $329 million. Civista Bancshares is the 10th largest publicly traded commercial bank headquartered in Ohio.

Civista Bancshares has some attractive characteristics. It gathers low-cost deposits and generates loans in attractive markets, including the 5 largest metropolitan areas in Ohio. It also has an experienced management team, with an average banking experience of 31 years. However, the bank has been under pressure since early 2022 due to the surge of interest rates to a nearly 23-year high. This surge caused large unrealized losses in the fixed-income portfolio of the bank and thus it caused the tangible book value per share to plunge -30%, from $18.11 in 2021 to $12.61 in 2022. This helps explain the vast underperformance of the stock vs. the S&P 500 over the last five years (-7% vs. +84%).

In late January, Civista Bancshares reported (1/30/25) financial results for the fourth quarter of 2024. Net interest margin shrank from 3.44% in the prior year's quarter to 3.36% due to higher costs of deposits amid intense competition among banks. Net interest income grew 4% over the prior year's quarter thanks to 9% growth of loans. As a result, earnings-per-share edged up 2%, from $0.61 to $0.62, and exceeded the analysts' consensus by $0.10. As the Fed has begun to reduce interest rates, Civista Bancshares has begun to recover from the impact of high interest rates on its net interest margin. We thus expect significant growth of earnings this year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.17	$1.57	$1.28	$1.02	$2.01	$2.00	$2.63	$2.60	$2.73	$2.01	***$2.35***	***$2.59***
DPS	$0.20	$0.22	$0.25	$0.32	$0.42	$0.44	$0.52	$0.56	$0.61	$0.64	***$0.68***	***$0.84***
Shares[1]	7.8	8.0	9.9	12.0	15.6	16.1	15.3	15.0	15.2	15.4	***15.6***	***16.0***

Civista Bancshares has acquired six smaller banks since 2007. As a result, it has grown its loans by 12% per year on average and its deposits by 15% per year on average since 2018. The bank has also grown its earnings-per-share by 6.2% per year on average over the last nine years. However, it is currently going through a downturn due to high interest rates, which have compressed the net interest margin of the bank via higher deposit costs. We expect interest rates to moderate in the upcoming years, roughly in line with the guidance of the Fed. Therefore, we expect Civista Bancshares to partly recover and grow its earnings-per-share by 2% per year on average beyond this year.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	9.1	8.5	16.7	22.5	10.7	8.0	8.7	8.7	6.4	8.5	***8.9***	***10.0***
Avg. Yld.	1.9%	1.7%	1.2%	1.4%	2.0%	2.8%	2.3%	2.5%	3.5%	3.8%	***3.2%***	***3.3%***

[1] In millions.

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Excluding 2018, in which a temporary plunge in earnings caused an abnormally high price-to-earnings ratio, Civista Bancshares has traded at an average price-to-earnings ratio of 10.0 over the last decade. Given the risk related to the small market cap of the bank, we view this as a fair valuation level. The stock has rallied 50% in less than eight months thanks to expectations for lower interest rates in the upcoming years, but it is still trading at a reasonable price-to-earnings ratio of 8.9. We expect the stock to revert to its average valuation level over the next five years. In such a case, the stock will enjoy a 2.3% annualized gain thanks to the expansion of its valuation level.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	17%	14%	20%	31%	21%	22%	20%	22%	22%	32%	***29%***	***33%***

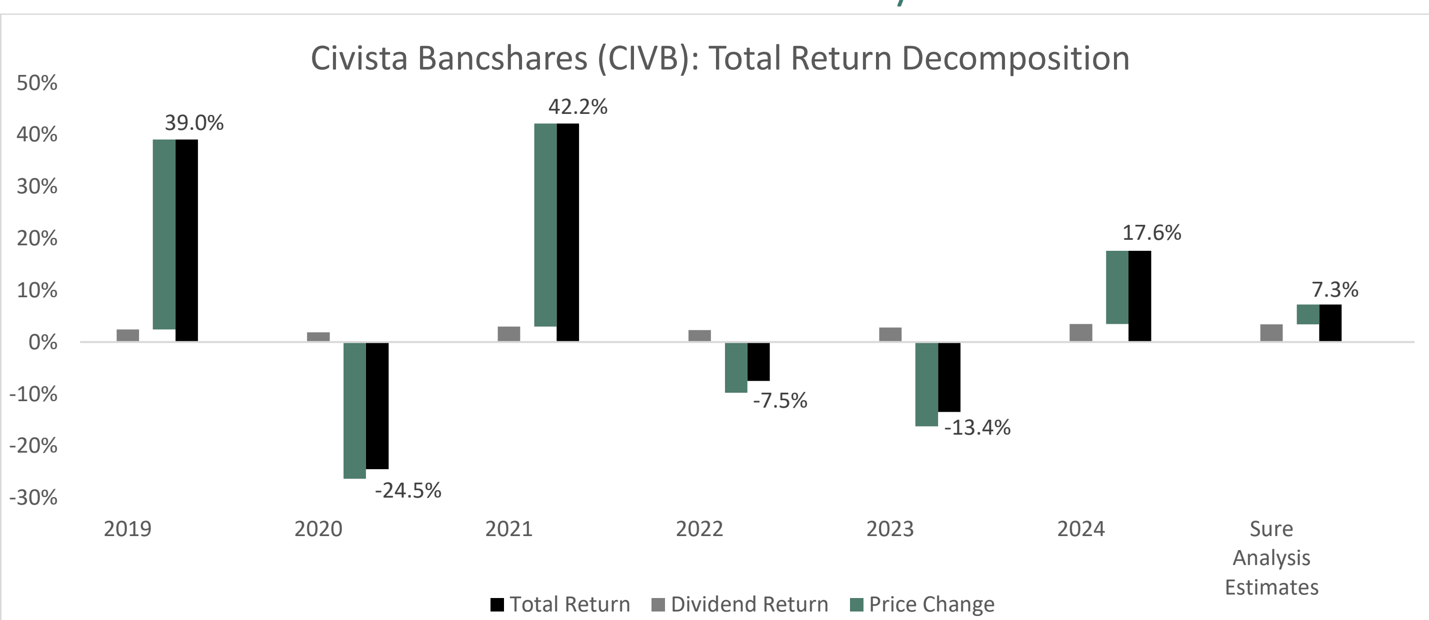
Civista Bancshares has an experienced management, with an average tenure of 31 years, and enjoys lower-cost deposits than the average bank. It has grown its dividend for 12 consecutive years, though it is offering a modest dividend yield of 3.2%, which is slightly higher than the 3.0% median dividend yield of the financial sector. Civista Bancshares has grown its dividend by 8% per year on average over the last five years and has a healthy payout ratio of 29%, which provides room for meaningful dividend hikes in the upcoming years.

On the other hand, the bank is highly sensitive to the path of interest rates. The -30% plunge in tangible book value per share in 2022 due to the surge of interest rates is a testament to the high sensitivity of the bank to downturns of the financial sector. While we believe that the worse is behind the bank regarding the surge of interest rates, investors should be aware of the vulnerability of the bank to downturns. If inflation rebounds, the stock will probably come under pressure.

Final Thoughts & Recommendation

Civista Bancshares has vastly underperformed the S&P 500 over the last five years due to the impact of high interest rates on the net interest margin of the bank. Interest rates have begun to normalize but the market has already priced a portion of the expected recovery of the bank in the stock, given the 50% rally of the stock in less than eight months. The stock could offer a 7.3% average annual return over the next five years thanks to 2.0% earnings-per-share growth, a 3.2% dividend and a 2.3% annualized valuation gain. The stock receives a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	61	66	70	83	106	116	125	137	160	152
SG&A Exp.	27	28	33	47	44	44	47	53	61	65
D&A Exp.	2	2	2	2	3	3	3	6	12	---
Net Profit	13	17	16	14	34	32	41	39	43	32
Net Margin	20.9%	26.2%	22.7%	17.0%	32.1%	27.7%	32.6%	28.8%	26.8%	20.9%
Free Cash Flow	13	15	20	18	36	31	39	19	59	---
Income Tax	5	7	6	3	6	5	8	8	8	5

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,315	1,377	1,526	2,139	2,310	2,769	3,013	3,639	3,861	4,098
Cash & Equivalents	36	37	41	43	49	128	255	45	62	65
Goodwill & Int. Ass.	30	29	28	86	85	85	84	136	135	133
Total Liabilities	1,190	1,240	1,341	1,840	1,979	2,419	2,658	3,305	3,489	3,710
Long-Term Debt	101	78	101	223	256	154	179	618	454	451
Shareholder's Equity	103	119	167	290	330	350	355	335	372	389
LTD/E Ratio	0.80	0.57	0.55	0.75	0.78	0.44	0.50	1.85	1.22	1.16

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.0%	1.3%	1.1%	0.8%	1.5%	1.3%	1.4%	1.2%	1.1%	0.8%
Return on Equity	10.6%	13.1%	9.9%	5.9%	10.8%	9.5%	11.5%	11.4%	12.2%	8.3%
ROIC	5.8%	7.8%	6.3%	3.5%	6.1%	5.9%	7.8%	5.3%	4.8%	3.8%
Shares Out.	7.8	8.0	9.9	12.0	15.6	16.1	15.3	15.0	15.2	15.4
Revenue/Share	5.59	6.01	5.67	6.00	6.27	7.22	8.12	9.15	10.57	9.87
FCF/Share	1.20	1.39	1.60	1.31	2.11	1.91	2.53	1.25	3.91	---

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