Republic Bancorp (RBCAA)

Updated February 24th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	$66	**5 Year CAGR Estimate:**	2.9%	**Market Cap:**	$1.3 B
Fair Value Price:	$63	**5 Year Growth Estimate:**	1.0%	**Ex-Dividend Date:**	3/21/25
% Fair Value:	104%	**5 Year Valuation Multiple Estimate:**	-0.9%	**Dividend Payment Date:**	4/18/25
Dividend Yield:	2.7%	**5 Year Price Target**	$66	**Years Of Dividend Growth:**	24
Dividend Risk Score:	A	**Retirement Suitability Score:**	B	**Rating:**	Hold

Overview & Current Events

Republic Bancorp is a financial holding company that is headquartered in Louisville, Kentucky, and provides both traditional and non-traditional banking products to its customers. It has 47 full-service banking centers in five states, with most of the centers in Kentucky, and has a market cap of $1.3 billion. The bank offers savings, checking and money market accounts while it also originates residential mortgage loans, home equity loans, commercial real estate loans, credit lines and offers personal and business banking services. Republic Bancorp is characterized by conservative management and thus it has raised its dividend for 24 consecutive years.

In late January, Republic Bancorp reported (1/24/25) financial results for the fourth quarter of 2024. The bank grew its loans 4% over the prior year's quarter. Net interest margin expanded from 3.40% in the prior year's quarter to 3.64% and net interest income grew 14%, assisted by loan growth. Earnings-per-share dipped -3%, from $1.01 to $0.98, missing the analysts' consensus by $0.22, primarily due to increased non-interest expenses. The bank has beaten the analysts' estimates in 10 of the last 15 quarters. Net interest margin expanded for a second consecutive quarter. As we expect a further expansion of net interest margin, we expect earnings-per-share of about $5.45 this year.

Most banks faced material loan losses due to the pandemic in 2020, but Republic Bancorp proved resilient to that crisis thanks to its disciplined business model. The bank grew its earnings-per-share 3% in 2020 and 6% in 2021.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.70	$2.22	$2.50	$3.74	$3.89	$3.99	$4.24	$4.59	$4.62	$5.21	***$5.45***	***$5.73***
DPS	$0.78	$0.83	$0.87	$0.97	$1.06	$1.14	$1.23	$1.36	$1.50	$1.63	***$1.80***	***$2.08***
Shares[1]	20.9	21.0	21.0	21.1	21.1	21.1	20.8	20.0	19.7	19.8	***19.8***	***19.0***

Republic Bancorp has exhibited a solid performance record over the last decade. It has grown its earnings-per-share at a 13.3% average annual rate over the last decade and at a 6.0% average annual rate over the last five years. The bank is trying to grow by expanding its reach via digital channels and acquiring smaller peers, while it is also doing its best to reduce its operating costs. It faced a strong headwind from high interest rates in 2023 but its net interest margin has begun to recover lately. Lower interest rates will probably help Republic Bancorp enhance its net interest margin, i.e., the difference between the interest rate it charges on loans minus the interest rate it pays on deposits. Given the high comparison base formed by the all-time high expected earnings-per-share this year, we expect 1.0% growth of earnings-per-share going forward.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	14.6	13.2	14.7	11.6	11.6	8.6	11.2	9.6	9.6	11.2	***12.1***	***11.6***
Avg. Yld.	3.1%	2.8%	2.4%	2.2%	2.4%	3.3%	2.6%	3.1%	3.4%	2.8%	***2.7%***	***3.1%***

[1] In millions.

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Republic Bancorp is currently trading at a price-to-earnings ratio of 12.1, which is higher than its 10-year average price-to-earnings ratio of 11.6. We expect the stock to trade at its average valuation level in five years. In such a case, the stock will incur a -0.9% annualized drag due to the contraction of its valuation level.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	46%	37%	35%	26%	27%	29%	29%	30%	32%	31%	***33%***	***36%***

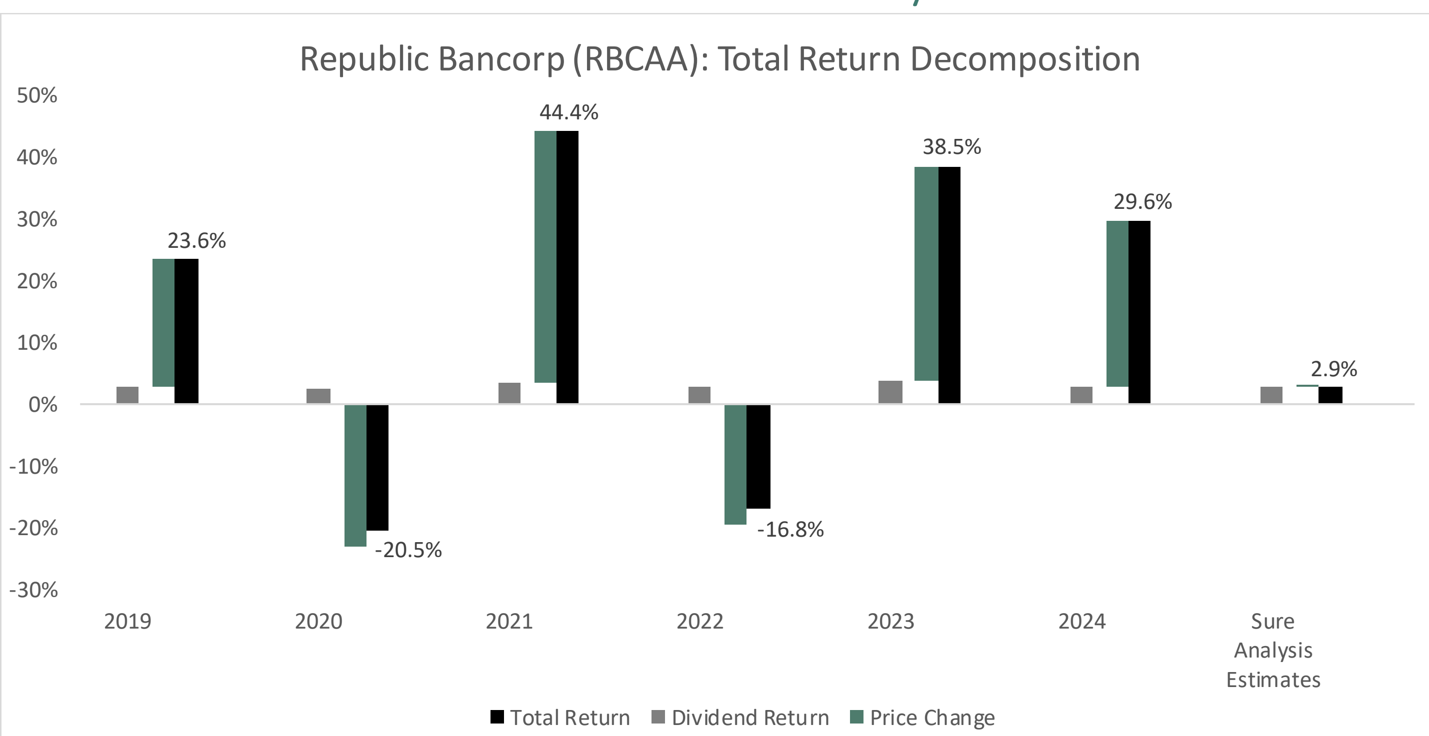
Republic Bancorp is characterized by disciplined management, which is focused on maintaining pristine credit quality metrics. Non-performing loans are only 0.20% of total loans while net loan charge-offs are only 0.02% of total loans. Thanks to its prudent strategy, the company has proved resilient to recessions. In the Great Recession, the worst financial crisis of the last 90 years, when most banks incurred severe losses and cut their dividends, Republic Bancorp continued growing its earnings and its dividend. The bank proved resilient throughout the pandemic as well.

The conservative strategy of the bank results in slower growth during boom times but much more reliable performance during downturns. This helps explain the superior dividend growth record of Republic Bancorp. The bank has raised its dividend by 11% this year and hence it has raised its dividend for 24 consecutive years. Given its solid payout ratio of 33% and its defensive business model, the bank can keep raising its dividend for many more years.

Final Thoughts & Recommendation

Republic Bancorp is a high-quality bank, which has proved resilient to recessions. The stock came under pressure in 2023 due to the collapse of a few banks but it has endured the downturn and it has rallied 69% in the last 22 months. As a result, it has become less attractive. It could offer a 2.9% average annual return over the next five years, as 1.0% earnings-per-share growth and its 2.7% dividend could be partly offset by a -0.9% annualized valuation headwind. The stock receives a hold rating. In addition, investors should be aware of the low trading volume of this small-cap stock.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	168	209	253	285	298	315	302	309	354	379
SG&A Exp.	73	87	103	113	130	140	145	120	127	131
D&A Exp.	8	9	10	11	11	13	12	10	15	---
Net Profit	35	46	46	78	92	83	87	91	90	101
Net Margin	20.9%	21.9%	18.0%	27.3%	30.7%	26.4%	28.7%	29.4%	25.4%	26.7%
Free Cash Flow	45	41	65	109	92	72	94	151	102	---
Income Tax	18	23	33	16	21	19	24	26	23	26

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	4,230	4,816	5,085	5,240	5,620	6,168	6,094	5,836	6,595	6,847
Cash & Equivalents	210	289	299	351	385	486	757	314	317	432
Goodwill & Int. Ass.	10	16	16	16	16	16	16	16	41	41
Total Liabilities	3,654	4,212	4,453	4,550	4,856	5,345	5,259	4,979	5,682	5,855
Long-Term Debt	741	844	779	851	791	276	25	95	380	395
Shareholder's Equity	577	604	632	690	764	823	834	857	913	992
LTD/E Ratio	1.28	1.40	1.23	1.23	1.04	0.34	0.03	0.11	0.42	0.40

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.9%	1.0%	0.9%	1.5%	1.7%	1.4%	1.4%	1.5%	1.5%	1.5%
Return on Equity	6.2%	7.8%	7.4%	11.8%	12.6%	10.5%	10.5%	10.8%	10.2%	10.6%
ROIC	2.7%	3.3%	3.2%	5.3%	5.9%	6.3%	8.9%	10.1%	8.1%	7.6%
Shares Out.	20.9	21.0	21.0	21.1	21.1	21.1	20.8	20.1	19.4	19.74
Revenue/Share	8.03	9.99	12.04	13.53	14.12	14.95	14.57	15.36	18.30	19.20
FCF/Share	2.14	1.94	3.11	5.19	4.37	3.41	4.51	7.53	5.12	---

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