Simmons First National Corporation (SFNC)

Updated February 13th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	$23	**5 Year CAGR Estimate:**	9.3%	**Market Cap:**	$2.8 B
Fair Value Price:	$19	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date[1]:**	03/14/2025
% Fair Value:	120%	**5 Year Valuation Multiple Estimate:**	-3.6%	**Dividend Payment Date[1]:**	04/01/2025
Dividend Yield:	3.7%	**5 Year Price Target**	$31	**Years Of Dividend Growth:**	14
Dividend Risk Score:	D	**Retirement Suitability Score:**	C	**Rating:**	Hold

Overview & Current Events

Simmons First National Corporation (SFNC) is a financial holding company in the U.S. Its main subsidiary is Simmons Bank, which operates 222 branches across Arkansas, Kansas, Missouri, Oklahoma, Tennessee and Texas. The company was founded in 1903 and trades on the NASDAQ. It has a market capitalization of $2.8 billion and is headquartered in Pine Bluff, Arkansas. The company has paid dividends for 116 consecutive years. It is one of only 26 U.S. publicly traded companies that have paid dividends for 100+ uninterrupted years.

On January 30th, 2025, Simmons announced a 1% increase to its quarterly dividend, now $0.2125 per share, representing the 14th consecutive annual dividend increase.

Simmons First National reported fourth quarter 2024 results on January 21st, 2025. Adjusted earnings for the quarter was $49.6 million, and adjusted EPS was $0.39, down 2.5% compared to the prior year period. Total loans rose 0.9% year-over-year to $17.0 billion. Deposits, on the other hand, dipped 1.6% to $21.9 billion. Its loan-to-deposit ratio stood at 78%.

Simmons recorded a $13.3 million provision for credit losses, slightly higher than the previous year when it recorded $10.0 million. Net charge-offs were 0.27% of average loans, a deterioration over 0.11% in fourth quarter 2023. Net interest margin on an FTE basis equaled 2.87%, a 19-basis point increase from 2.68% in 4Q23. For the quarter, Simmons generated an adjusted return on average assets of 0.73% and adjusted return on average common equity of 5.57%. Book value per share amounted to $28.08 at end of Q4, 2.6% higher than $27.37 a year ago.

Simmons did not repurchase any shares during Q4 and has $175 million remaining on its current authorization.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$3.18	$1.64	$1.70	$2.37	$2.73	$2.40	$2.68	$2.40	$1.64	$1.41	***$1.58***	***$2.54***
DPS	$0.46	$0.48	$0.50	$0.60	$0.64	$0.68	$0.72	$0.76	$0.80	$0.84	***$0.85***	***$1.08***
Shares[2]	56.4	61.9	69.9	92.8	98.8	110.2	110.2	124.5	126.8	125.7	***125.5***	***135.0***

From 2021 onwards, Simmons First National began reporting adjusted EPS rather than core EPS, which excludes non-core income and expense items. As a result, its somewhat more difficult to extrapolate a meaningful past growth rate when its measure of profitability has changed. Regardless, Simmons has produced a 9-year and 5-year average EPS growth rate of -8.6% and -12.4%.

Nevertheless, from this point on, and from this comparatively low earnings base, Simmons First National can be reasonably expected to generate 10% annual EPS growth. It will achieve this primarily through loan growth, which is aided by the increase in its number of branches, and net interest margin expansion. However, Simmons reduced its branch count by 5% following its annual branch optimization review, and it now has 222 financial centers. It is also likely to pursue strategic acquisitions, such as it has in the past. For example, in 2022, it acquired Spirit of Texas Bancshares,

[1] Estimate

[2] In millions

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Inc (with $2.8B in assets), and in 2021 it bought Landmark Community Bank ($968M in assets) and Triumph Bancshares, Inc. ($848M in assets).

One thing to note is that the company's share count has inflated substantially from ten years ago and continues to grow at a quick rate. Its share count has risen by 9.3% annually from 2015 to 2024, and by 2.6% over the last five years. This limits earnings growth since profitability is divided across a greater number of shares.

On the other hand, expense management could add to the company's bottom line. For example, it completed its Better Bank Initiative cost savings program in 2023, which resulted in $18 million in annualized cost saves, exceeding its original $15 million target. And it has also reduced its headcount by 2% compared to a year ago.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	7.2	14.8	16.4	12.4	9.1	7.9	10.9	10.3	11.1	14.2	***14.4***	***12.0***
Avg. Yld.	2.0%	2.0%	1.8%	1.9%	2.5%	3.6%	2.4%	3.0%	4.3%	4.1%	***3.7%***	***3.6%***

Over the last ten and five years, Simmons has traded hands at an average PE ratio of 11.4 and 10.9, respectively. Its current PE ratio of 14.4 is well above its average PE ratio, as well as above our fair value estimate of 12.0. If the company's valuation were to revert to our estimate of fair value, the stock would incur a -3.6% annualized drag.

We are forecasting dividend growth of 5% in the intermediate term, lower than it's grown in recent years, as the payout ratio is becoming elevated. SFNC has paid an average dividend yield of 2.8% and 3.5%. Given the stock now yields 3.7%, it could be considered slightly undervalued by this measure.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	14%	29%	29%	25%	23%	28%	27%	32%	49%	60%	***54%***	***43%***

While the Great Recession caused many banks in the U.S. to cut their dividends, Simmons First National was not among them. During 2008 and until 2011, Simmons paid the same $0.095 quarterly dividend, which was increased in 2012 and every year since for a total of 14 consecutive years.

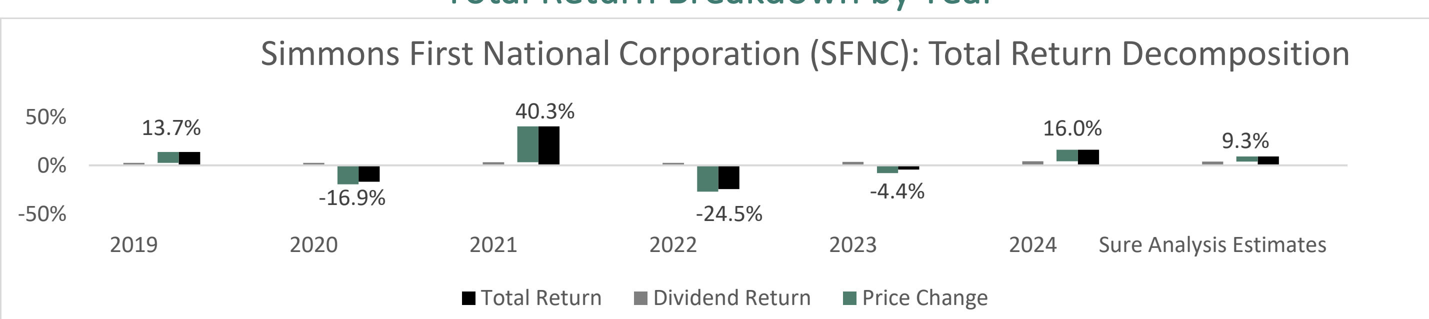
The forecasted payout ratio for 2025 of 54% is certainly elevated against its ten- and five-year averages of 32% and 39%, respectively. Slowing dividend growth and improved earnings over the next five years should improve the payout ratio.

We don't see Simmons boasting any strong competitive advantage over its peers in the regional banking industry, as banking services are essentially commoditized. The company weathered the pandemic exceptionally well, with earnings only declining by 12% year over year, and recovering by 2021.

Final Thoughts & Recommendation

The share price of SFNC has risen by 27% in the last one year, three points higher than the 23% increase of the S&P 500 Index. Simmons First National could still offer a 9.3% average annual return over the next five years, stemming from 10% annual EPS growth and its 3.7% dividend, partly offset by -3.6% multiple compression. SFNC maintains its 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	364	407	482	682	791	861	768	875	782	208.5
SG&A Exp.	149	144	169	234	249	271	276	327	340	77.14
D&A Exp.	14	17	21	28	36	49	47	49	48	NA
Net Profit	74	97	93	216	238	255	271	256	175	48.32
Net Margin	20.4%	23.8%	19.3%	31.6%	30.1%	29.6%	35.3%	29.3%	22.4%	23.2%
Free Cash Flow	70	72	80	197	188	189	230	287	508	NA
Income Tax	33	47	62	50	64	65	61	50	26	6

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	7,560	8,400	15,056	16,543	21,259	22,360	24,725	27,461	27,346	26880
Cash & Equivalents	266	290	601	838	1,001	3,474	1,653	683	614	687
Goodwill & Int.	26	28	44	50	63	73	73	103	122	
Total Liab.	381	401	949	937	1,183	1,186	1,252	1,449	1,433	1418
Accounts Payable	6,483	7,249	12,971	14,297	18,270	19,383	21,476	24,192	23,919	23350
Long-Term Debt	223	334	1,521	1,699	1,686	1,725	1,722	1,225	1,339	1112
Total Equity	1,046	1,151	2,085	2,246	2,988	2,976	3,249	3,269	3,426	3529
LTD/E Ratio	0.21	0.29	0.73	0.76	0.56	0.58	0.53	0.37	0.39	0.32

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.2%	1.2%	0.8%	1.4%	1.3%	1.2%	1.2%	1.0%	0.6%	0.2%
Return on Equity	9.5%	8.7%	5.7%	10.0%	9.1%	8.5%	8.7%	7.9%	5.2%	1.4%
ROIC	7.7%	7.0%	3.7%	5.7%	5.5%	5.4%	5.6%	5.4%	3.8%	1.0%
Shares Out.	56.4	61.9	69.9	92.8	98.8	110.2	110.2	124.5	126.8	127.2
Revenue/Share	6.45	6.58	6.89	7.35	8.00	7.81	6.97	7.03	6.16	1.64
FCF/Share	1.23	1.17	1.15	2.12	1.91	1.72	2.09	2.31	4.01	NA

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