



Investar Holding Corp. (ISTR)

Updated March 6th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	\$18	5 Year CAGR Estimate:	11.9%	Market Cap:	\$175 M
Fair Value Price:	\$22	5 Year Growth Estimate:	6.0%	Ex-Dividend Date¹:	3/27/25
% Fair Value:	83%	5 Year Valuation Multiple Estimate:	3.7%	Dividend Payment Date:	4/29/25
Dividend Yield:	2.3%	5 Year Price Target	\$29	Years Of Dividend Growth:	10
Dividend Risk Score:	C	Retirement Suitability Score:	D	Rating:	Buy

Overview & Current Events

Investar Holding Corporation (ISTR) is a commercially oriented community bank, which was founded in 2006, became public in 2014 and is headquartered in Baton Rouge, Louisiana. It operates 28 offices across Alabama, Louisiana and Texas and provides a wide range of commercial banking products to individuals, professionals and small to medium-sized businesses. Investar Holding has a market capitalization of \$175 million.

Investors should note a few special features of Investar Holding, which result primarily from its commercial orientation. The bank has one of the narrowest net interest margins (2.65%) in the entire financial sector. In addition, it has a higher percent of non-performing loans (0.42%) than a typical conservative bank and a more volatile performance, depending on the underlying economic conditions. Just like nearly all regional banks, Investar Holding has been hurt by the surge of interest rates to multi-year highs, which has compressed net interest margin via high deposit costs.

In late January, Investar Holding reported (1/23/25) financial results for the fourth quarter of fiscal 2024. Loans decreased -1.4% sequentially while deposits grew 2.6%. Net interest margin edged down from 2.67% to 2.65%. Net interest income dipped -2% while non-interest expense slipped -0.6%. Earnings-per-share grew 44%, from \$0.45 to \$0.65, exceeding the analysts' consensus by a massive \$0.26. The bank has not missed the analysts' estimates for 7 consecutive quarters. Moreover, the Fed has cut interest rates lately and may reduce them further this year. As a result, the net interest margin of Investar Holding may expand in the upcoming quarters. We expect earnings-per-share of about \$1.80 this year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.97	\$1.10	\$0.96	\$1.39	\$1.66	\$1.27	\$0.76	\$2.65	\$1.90	\$1.89	\$1.80	\$2.41
DPS	\$0.03	\$0.04	\$0.10	\$0.17	\$0.23	\$0.25	\$0.31	\$0.37	\$0.40	\$0.41	\$0.42	\$0.60
Shares²	7.3	7.1	8.5	9.7	10.0	10.9	10.4	10.0	9.8	10.0	9.9	9.8

Investar Holding has grown its earnings-per-share by 7.7% per year on average over the last decade and by 2.6% per year on average over the last five years. It has also grown its tangible book value per share by 5% per year on average over the last five years. The bank has grown both organically and via acquisitions. Since 2011, it has acquired 7 smaller banks and thus a significant portion of growth has resulted from acquisitions. Going forward, management expects to keep growing both organically and via acquisitions. In addition, the Fed has begun to reduce interest rates and expects to reduce them further in the upcoming years. As a result, we expect Investar Holding to enjoy a meaningful improvement of its net interest margin in the upcoming years. Given also the low comparison base formed by the earnings this year due to the headwind from multi-year high interest rates, we expect the bank to grow its bottom line by 6.0% per year on average over the next five years. On the other hand, we are concerned over the somewhat volatile business performance, which results from the sensitivity of this bank to the state of the economy.

¹ Estimated date.

² 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	Now	2030
Avg. P/E	16.3	14.5	21.4	18.9	14.6	11.4	24.3	7.8	6.8	9.7	10.0	12.0
Avg. Yld.	0.2%	0.3%	0.5%	0.6%	1.0%	1.7%	1.7%	1.8%	3.1%	2.2%	2.3%	2.1%

Investar Holding has traded at an average price-to-earnings ratio of 12.0 over the last five years. We assume this valuation level as fair for this stock. Investar Holding is currently trading at a price-to-earnings ratio of 10.0, which is lower than the historical average of the bank. If the stock trades at its fair valuation level in five years, it will enjoy a 3.7% annualized valuation gain.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	3%	4%	10%	12%	14%	20%	41%	14%	21%	22%	23%	25%

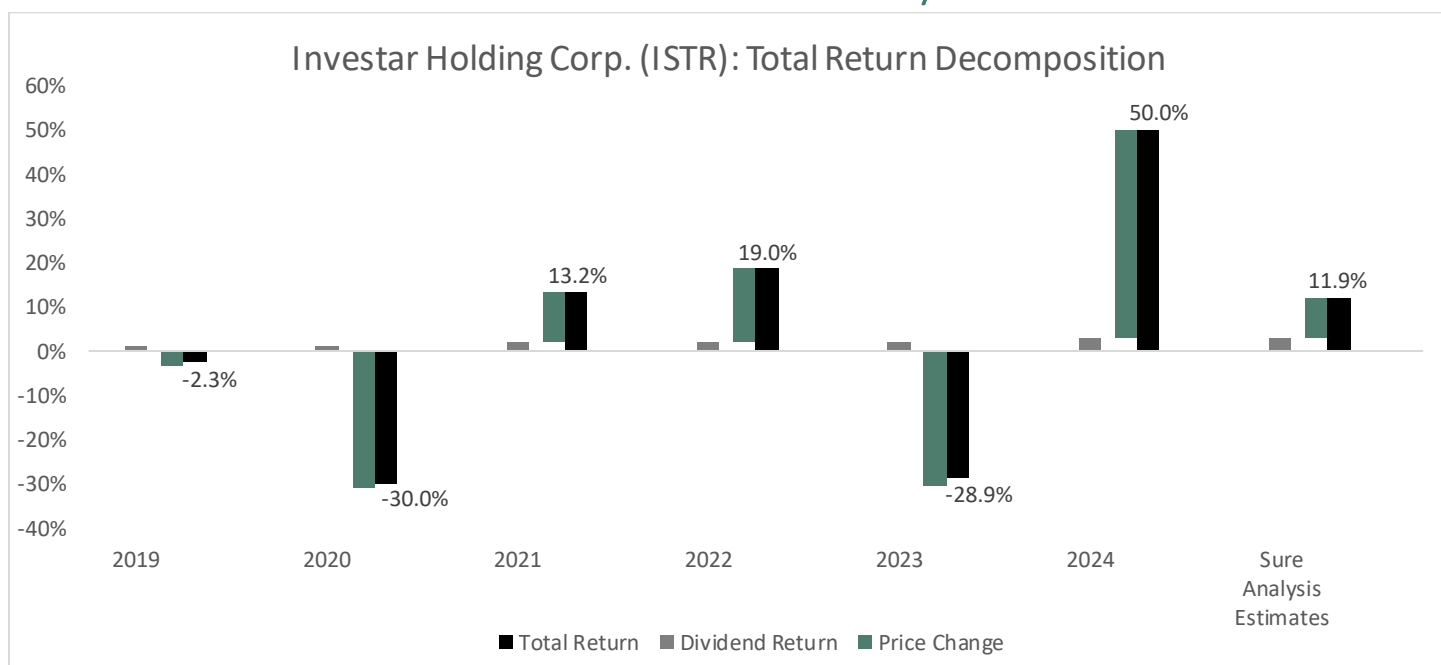
Investar Holding has raised its dividend for 10 consecutive years but it has always offered a lackluster dividend yield. It is currently offering a 2.3% dividend yield, which is much lower than the 3.1% median dividend yield of the financial sector. On the bright side, the bank has a healthy payout ratio of 23% and hence it can keep raising its dividend for years.

On the other hand, due to its commercial orientation, Investar Holding is highly vulnerable to recessions. It incurred a -54% plunge in its earnings-per-share between 2019 and 2021, due to the pandemic, and the stock dived more than 60% from peak to trough during that downturn. Therefore, the stock is suitable only for investors who can stomach high stock price volatility and remain patient during recessions and downturns of the financial sector.

Final Thoughts & Recommendation

Due to a weakening economic outlook amid the onset of tariffs, Investar Holding has shed -25% in the last 3 months. If the economic outlook improves, the stock can offer an 11.9% average annual return over the next five years thanks to 6.0% growth of earnings-per-share, a 2.3% dividend and a 3.7% valuation tailwind. It thus receives a buy rating but investors should always be aware of its high sensitivity to economic conditions.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	40	39	46	62	71	86	96	108	82	82
SG&A Exp.	17	16	19	26	29	34	36	35	37	39
D&A Exp.	1	1	2	3	3	5	5	4	4	---
Net Profit	7	8	8	14	17	14	8	36	17	20
Net Margin	17.8%	20.2%	17.8%	22.1%	23.7%	16.2%	8.3%	32.9%	20.2%	24.6%
Free Cash Flow	33	33	7	11	11	10	30	42	25	---
Income Tax	4	4	4	4	4	3	2	9	4	4

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,032	1,159	1,623	1,786	2,149	2,321	2,513	2,754	2,815	2,723
Cash & Equivalents	21	29	30	17	44	35	97	40	32	28
Goodwill & Int. Ass.	3	3	20	20	31	32	44	43	42	42
Total Liabilities	922	1,046	1,450	1,604	1,907	2,078	2,271	2,538	2,588	2,482
Long-Term Debt	131	87	191	231	180	169	130	440	289	93
Shareholder's Equity	109	113	173	182	242	243	243	216	227	241
LTD/E Ratio	1.20	0.78	1.10	1.26	0.75	0.70	0.54	2.04	1.27	0.38

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.7%	0.7%	0.6%	0.8%	0.9%	0.6%	0.3%	1.4%	0.6%	0.7%
Return on Equity	6.6%	7.1%	5.7%	7.7%	7.9%	5.7%	3.3%	15.6%	7.5%	8.7%
ROIC	3.0%	3.6%	2.9%	3.5%	4.0%	3.3%	2.0%	6.9%	2.8%	4.8%
Shares Out.	7.3	7.1	8.5	9.7	10.0	10.9	10.4	10.0	9.8	9.9
Revenue/Share	5.46	5.45	5.46	6.37	7.08	7.88	9.17	10.65	8.37	8.30
FCF/Share	4.59	4.65	0.87	1.19	1.06	0.93	2.87	4.10	2.56	---

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

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