National Bank Holdings Corporation (NBHC)

Updated April 23rd, 2025, by Kody Kester

Key Metrics

Current Price:	$34	**5 Year CAGR Estimate:**	13.1%	**Market Cap:**	$1.3B
Fair Value Price:	$40	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date[1]:**	05/30/25
% Fair Value:	85%	**5 Year Valuation Multiple Estimate:**	3.3%	**Dividend Payment Date:**	06/20/25
Dividend Yield:	3.4%	**5 Year Price Target**	$57	**Years Of Dividend Growth:**	9
Dividend Risk Score:	B	**Sector:** Financials		**Rating:**	Buy

Overview & Current Events

Founded in 2009, National Bank Holdings Corporation began about the same time that the Great Recession ended. NBHC is the holding company of NBH Bank. As of March 31st, 2025, the bank held $10.1 billion in assets. NBHC serves customers in Colorado, the Kansas City region, Utah, Wyoming, Texas, New Mexico, and Idaho across more than 90 banking centers.

The Denver-based bank holding company operates the following four brand names as divisions of NBH Bank:

1. Community Banks of Colorado and Community Banks Mortgage: Unsurprisingly, these operations are based in Colorado.
2. Bank Midwest and Bank Midwest Mortgage: Operations for this division are based in Kansas and Missouri.
3. Bank of Jackson Hole and Bank of Jackson Hole Mortgage: This division serves customers in Wyoming.
4. Hillcrest Bank and Hillcrest Bank Mortgage: The division operates in Texas, Utah, New Mexico, and Idaho.

NBHC's savings products include savings accounts, money market accounts, checking accounts, and certificates of deposit. More noteworthy loan products offered are residential real estate loans, consumer loans, small business association loans, and commercial loans. Other services provided include treasury management solutions, cash vault, and fraud prevention services.

On April 22nd, NBHC shared its fourth-quarter financial results for the period ended March 31st, 2025. The company's net interest income grew by 3.2% over the year-ago period to $86.7 million during the quarter. That was driven by a 15-basis point expansion in the net interest margin to 3.93% in the quarter. NBHC's non-interest income fell by 13.1% year-over-year to $15.4 million for the quarter. This was due to lower other non-interest income stemming from the timing of SBA loan gain on sales and swap fee income activity, as well as the gain from the sale of a banking center building included in Q1 2024. NBHC's diluted EPS decreased by 23.2% over the year-ago period to $0.63 during the quarter. That missed consensus by $0.12 and was due to a charge-off on suspected fraudulent borrowing activity.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$0.19	$0.73	$1.26	$2.16	$2.55	$2.91	$3.04	$3.05	$3.72	$3.08	***$3.10***	***$4.35***
DPS	$0.20	$0.22	$0.34	$0.54	$0.75	$0.80	$0.87	$0.94	$1.04	$1.12	***$1.16***	***$1.63***
Shares[2]	30.4	26.4	26.9	30.8	31.2	30.6	30.0	37.6	37.8	38.1	***38.1***	***47.5***

Since 2015, NBHC has compounded diluted EPS by 30%-plus annually. Acquisitions like the Bank of Jackson Hole in 2022 were a big part of this growth. Organically, NBHC operates in favorable markets. States like Wyoming and Idaho are routinely among the most business-friendly states in the nation. Looking ahead, we expect the company to carry out more bolt-on acquisitions. That's why we think the share count will moderately rise in the years ahead. We still believe this will produce annual diluted EPS growth in the high single-digits for NBHC over the medium term.

[1] Estimated dates based on past dividend dates.
[2] Share count is in millions.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	111.6	43.8	25.8	14.3	14.1	11.3	14.5	13.8	10.0	13.9	***11.1***	***13.0***
Avg. Yld.	0.9%	0.7%	1.0%	1.8%	2.1%	2.4%	2.0%	2.2%	2.8%	2.7%	***3.4%***	***2.9%***

NBHC's valuation multiple has varied significantly over the past decade. Shares were as cheap as a P/E ratio of 10 in 2023 and as expensive as 100-plus in 2015. Since 2018, the average P/E ratio has been approximately 13. In the years ahead, we believe that a valuation multiple of 13 is a realistic fair value. This implies shares are moderately undervalued from the current P/E ratio of 11.1.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	105%	30%	27%	25%	29%	27%	29%	31%	28%	38%	***37%***	***37%***

NBHC's business strategy to provide customers with a high level of personalized service is key to retaining existing clients and drawing in new business. This has led to consistent diluted EPS growth over time for the company.

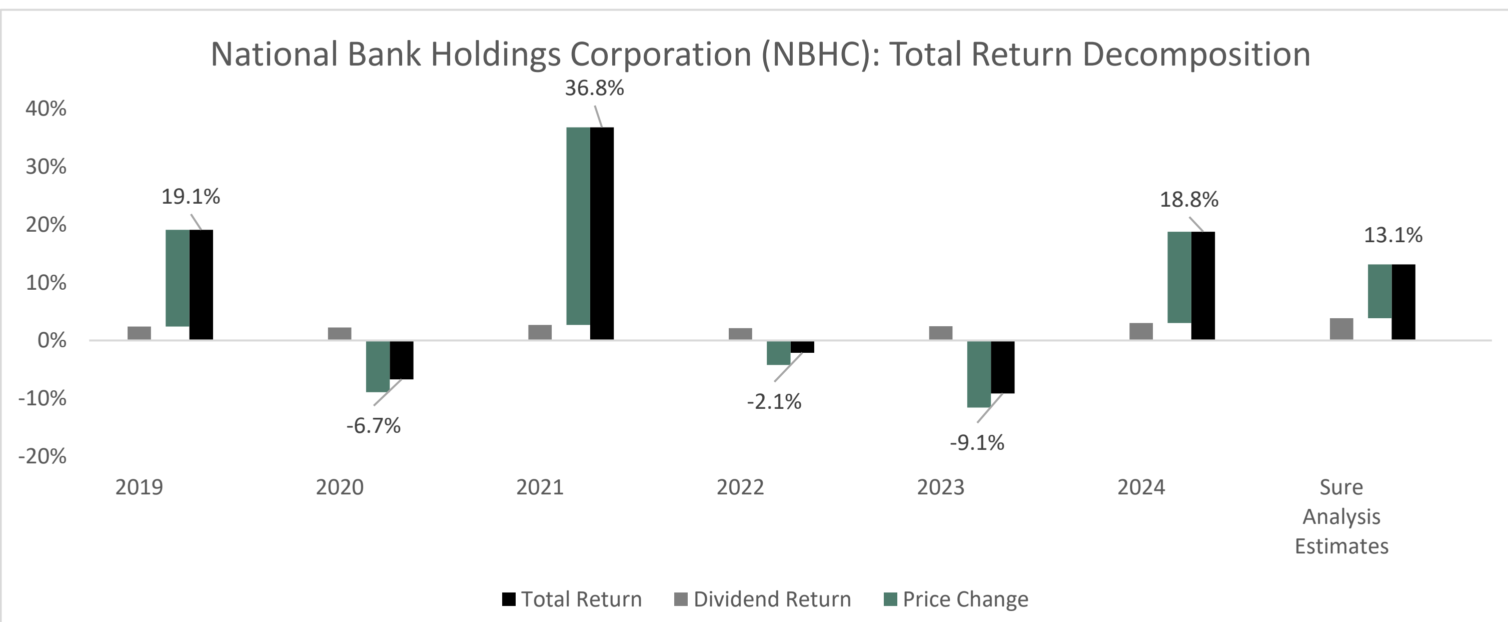
NBHC's asset quality remains respectable. As of March 31st, the company's total non-performing assets to total loans ratio was 0.46%. This was one basis point better sequentially and seven basis points better over the year-ago period.

NBHC's dividend payout ratio is positioned to be around 37% in 2025. That is within the 30% to 40% payout ratio targeted by the bank. This could set the dividend up for continued growth in the years ahead.

Final Thoughts & Recommendation

NBHC's 3.4% dividend yield, 7.0% annual diluted EPS growth potential, and 3.3% annual valuation multiple expansion potential could generate 13.1% annual total returns over the medium term. This is a much more compelling valuation case than three months ago, so we're upgrading shares from a hold rating to a buy rating.

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.

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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	218	192	186	186	268	291	329	292	329	420
SG&A Exp.	140	118	92			136	145	132	131	149
D&A Exp.	16	16	14	13	12	15	14	14	16	24
Net Profit	9	5	23	15	61	80	89	94	71	142
Net Margin	4.2%	2.5%	12.4%	7.9%	22.9%	27.6%	26.9%	32.0%	21.7%	33.8%
Free Cash Flow	(4)	(43)	(4)	53	67	33	(11)	180	202	130
Income Tax	3	3	3	21	12	16	21	21	15	34

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	4,820	4,684	4,573	4,843	5,677	5,896	6,660	7,214	9,573	9,951
Cash & Equivalents	257	166	153	257	110	110	606	846	196	191
Accounts Receivable	11	9	13	14						
Goodwill & Int. Ass.	77	72	67	61	128	126	133	127	339	372
Total Liabilities	4,025	4,066	4,037	4,311	4,982	5,129	5,839	6,374	8,481	8,738
Accounts Payable	4	4	5	6						
Long-Term Debt	40	40	39	129	302	208	-	39	439	394
Shareholder's Equity	795	618	536	532	695	767	821	840	1,092	1,213
LTD/E Ratio	0.05	0.06	0.07	0.24	0.43	0.27	-	0.05	0.40	0.33

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	0.2%	0.1%	0.5%	0.3%	1.2%	1.4%	1.4%	1.3%	0.8%	1.5%
Return on Equity	1.1%	0.7%	4.0%	2.7%	10.0%	11.0%	11.2%	11.3%	7.4%	12.3%
ROIC	1.1%	0.7%	3.7%	2.4%	7.4%	8.2%	9.9%	11.0%	5.9%	9.1%
Shares Out.	38.9	30.4	26.4	26.9	30.8	31.2	30.6	30.0	37.6	37.8
Revenue/Share	5.14	5.58	6.38	6.69	8.53	9.23	10.58	9.41	10.06	11.02
FCF/Share	(0.10)	(1.24)	(0.14)	1.90	2.14	1.05	(0.34)	5.78	6.19	3.41

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