



PCB Bancorp (PCB)

Updated April 27th, 2025, by Ian Bezek

Key Metrics

Current Price:	\$19.00	5 Year CAGR Estimate:	14.2%	Market Cap:	\$271 M
Fair Value Price:	\$20.50	5 Year Growth Estimate:	9.0%	Ex-Dividend Date:	05/09/25
% Fair Value:	93%	5 Year Valuation Multiple Estimate:	1.5%	Dividend Payment Date:	05/16/25
Dividend Yield:	4.2%	5 Year Price Target	\$32	Years Of Dividend Growth:	7
Dividend Risk Score:	B	Sector:	Financials	Rating:	Buy

Overview & Current Events

PCB Bancorp is a regional bank focused on the Southern California market. Founded in 2007, PCB Bancorp is one of the newest banks found within our coverage universe. Despite beginning just prior to the 2008 financial crisis, PCB was able to survive that challenging period and came into its own in the 2010s. In 2022, the operating bank entity changed its name from Pacific City Bank to PCB Bank.

PCB Bancorp is unlike many regional banks in that its primary business is in commercial rather than consumer lending. As of March 31st, 2025, a combined total of 84% of the bank's loans were in commercial real estate, and commercial and industrial lending. The bank provides financial services for the Asian-American business community and a large chunk of its commercial activity is with first and second-generation Korean-American immigrants. PCB operates 11 full-service branches in the Los Angeles metro area, three in the New York City market, and it has other loan offices nationwide.

Due to its commercial lending focus, PCB was in prime position to cash in on the Small Business Administration (SBA) lending boom during the pandemic. PCB's earnings per share more than doubled between 2020 and 2021, though earnings have fallen every year subsequently as that temporary earnings influx has faded. We believe the bank's results have troughed and that it will return to growth in 2025. The bank's Q1 results, released April 24th, 2025, confirmed this trend change. Earnings per share of 53 cents per share rose from 46 cents in the prior year. The bank's net interest margin increased this quarter, bucking a downward trend which had persisted throughout 2024. Combined with loan growth and solid credit metrics, this paves the way for earnings per share growth in 2025. But some caution is warranted due to the recent Los Angeles wildfires, which could lead to loan losses in that market. The tariff issue could uniquely impact many of PCB's customers due to its focus on lending to the immigrant business-owning community.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.02	\$1.11	\$1.21	\$1.65	\$1.49	\$1.04	\$2.62	\$2.31	\$2.12	\$1.74	\$2.05	\$3.15
DPS	\$0.07	\$0.11	\$0.12	\$0.12	\$0.25	\$0.40	\$0.44	\$0.60	\$0.69	\$0.72	\$0.80	\$1.29
Shares	12	13	14	15	16	15	15	15	14	14	14	14

PCB had enjoyed fairly solid growth throughout the 2010s. This was absolutely supercharged, however, with the onset of the COVID-19 pandemic. The government created a sizable relief program for small businesses, and PCB was able to underwrite a great deal of loan activity related to this. Earnings per share have slipped since then as things normalized. Regardless, PCB's earnings have stabilized at a point well above pre-pandemic levels and should return to growth this year. The bank grew each of net interest income, gross loans, and total deposits by at least 11% annualized over the past decade. We expect a slight slowdown in growth going forward but think the bank can still post 9% earnings per share growth in the future.

PCB Bancorp has grown its dividend by 30% annualized since 2015 and 15% annualized over the past five years. This will almost certainly decelerate going forward, however, as that dividend started off a very small base. Given the much higher payout ratio today, we think a 10% dividend growth rate is likely going forward. The bank's most recent dividend hike was in January 2025, where it increased its payout 11% to \$0.20 per share per quarter.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	11.4	12.4	12.7	10.3	11.3	9.6	8.1	7.4	8.6	11.3	9.3	10.0
Avg. Yld.	0.3%	0.9%	0.7%	0.6%	1.0%	3.1%	3.3%	2.8%	3.6%	3.8%	4.2%	4.1%

PCB Bancorp had generally run a low double-digits P/E ratio prior to the pandemic. This slipped to the single digits starting in 2020 as the market understandably discounted the value of the temporary SBA-driven earnings increase. The bank's average P/E over the entire past decade was 10.3x and we see that as reasonable today, though there is a potential path to a higher multiple as the bank demonstrates a longer track record of continued success.

The bank has seen its yield spike higher in recent years thanks to its massive dividend growth rate. The current 4.2% yield is the highest that the bank has offered to date, and we expect it to remain around there going forward.

Safety, Quality, Competitive Advantage, & Recession Resiliency

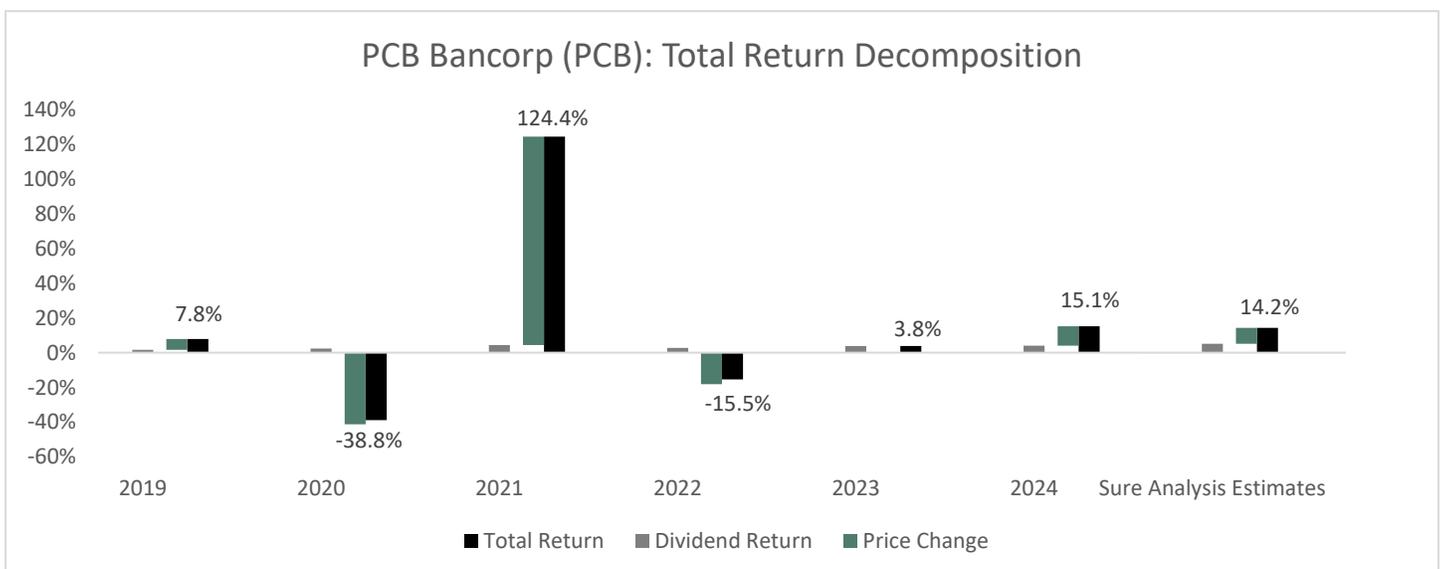
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	7%	10%	10%	7%	17%	38%	17%	26%	33%	41%	39%	41%

PCB Bancorp is one of the smaller regional banks in our coverage universe, and it is heavily tied to the fortunes of the Korean-American immigrant community. Historically, specialized U.S. regional banks have fared well, but outside macroeconomic factors such as tariffs or immigration restrictions could have an outsized impact on PCB's outlook. The bank's heavy reliance on commercial lending could make it more vulnerable than peers during a recession. PCB's dividend payout ratio has increased dramatically in recent years, but the current 39% rate is still well-supported by current earnings. We believe the bank's niche business model insulates it from much of the competition in its industry.

Final Thoughts & Recommendation

PCB Bancorp's past results speak for themselves. It has posted excellent growth in prior years and is emerging as a compelling dividend growth story. The market has been somewhat skeptical of PCB's quality, however, assigning a fairly low P/E ratio in recent years despite the bank's success. We see potentially sizable upside here. There is a note of caution given the uncertain impact of the recent L.A. wildfires. Regardless, we see 14.2% total annualized returns, driven by the 9% earnings growth and starting 4.2% dividend yield. This outlook means that PCB merits a buy rating today.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	50	59	69	76	81	78	96	104	99	100
SG&A Exp.	17	24	27	29	30	28	30	36	38	38
D&A Exp.	3	3	3	4	4	3	3	4	4	
Net Profit	12	14	16	24	24	16	40	35	31	26
Net Margin	24.5%	23.8%	23.8%	31.9%	29.8%	20.8%	42.0%	33.6%	31.0%	25.9%
Free Cash Flow	54	38	20	30	29	15	(2)	52	62	
Income Tax	9	10	15	10	10	7	17	14	13	10

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,043	1,227	1,442	1,697	1,746	1,923	2,150	2,420	2,790	3,064
Cash & Equivalents	77	70	74	162	146	194	203	147	242	199
Acc. Receivable	5	10	10	12	5	9	5	7	9	10
Total Liabilities	944	1,100	1,300	1,487	1,519	1,689	1,893	2,085	2,441	2,700
Long-Term Debt	-	-	40	30	20	80	10	20	39	15
Total Equity	98	127	142	210	227	234	256	266	280	295
LTD/E Ratio	-	-	0.28	0.14	0.09	0.34	0.04	0.06	0.11	0.04

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.3%	1.2%	1.2%	1.5%	1.4%	0.9%	2.0%	1.5%	1.2%	0.9%
Return on Equity	13.2%	12.4%	12.2%	13.8%	11.0%	7.0%	16.4%	11.8%	9.0%	7.2%
ROIC	13.2%	12.4%	10.6%	11.5%	9.9%	5.8%	13.8%	11.3%	8.3%	6.7%
Shares Out.	12	13	14	15	16	15	15	15	14	14
Revenue/Share	4.18	4.67	5.10	5.19	5.00	5.04	6.27	6.91	6.88	6.95
FCF/Share	4.56	3.03	1.47	2.01	1.82	0.99	(0.13)	3.44	4.30	

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

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