



City Holding Company (CHCO)

Updated May 22nd, 2025, by Yiannis Zourmpanos

Key Metrics

Current Price:	\$119	5 Year CAGR Estimate:	4.6%	Market Cap:	\$1.73 B
Fair Value Price:	\$81	5 Year Growth Estimate:	10.0%	Ex-Dividend Date:	07/15/2025 ¹
% Fair Value:	146%	5 Year Valuation Multiple Estimate:	-7.3%	Dividend Payment Date:	07/31/2025 ²
Dividend Yield:	2.7%	5 Year Price Target	\$131	Years Of Dividend Growth:	7
Dividend Risk Score:	C	Sector:	Financials	Rating:	Hold

Overview & Current Events

City Holding Company (CHCO) serves as the holding entity for City National Bank of West Virginia, offering a comprehensive range of financial services throughout the United States. These services encompass banking, trust, and investment management, with a diverse suite of products, including checking, savings, money market accounts, certificates of deposit, and individual retirement accounts. The company's portfolio encompasses commercial and industrial loans, commercial real estate loans, residential real estate loans, home equity loans, and consumer loans. Additionally, they provide mortgage banking services and a variety of deposit and wealth management solutions for individual and commercial clients, along with modern banking technologies such as ATMs, interactive teller machines, mobile banking, and credit and debit card services.

On April 23rd, 2025, the company announced results for the first quarter of 2025. City Holding reported Q1 non-GAAP EPS of \$2.06, beating the market's estimates by \$0.21, and revenue of \$74.55, which was up 3.0% year-over-year.

City Holding Company delivered a strong start to 2025, reporting Q1 net income of \$30.3 million, or \$2.06 per diluted share, with a return on assets of 1.89% and return on tangible equity of 20.7%. Net interest income rose to \$55.8 million, supported by a higher net interest margin of 3.84%, driven by lower funding costs and increased loan balances. Noninterest income climbed to \$18.7 million, aided by growth in wealth management and bank-owned life insurance. Credit quality remained solid, with past-due loans declining and no provision for credit losses recorded in the quarter.

On the balance sheet, loans rose modestly to \$4.29 billion, led by gains in residential and home equity lending. Deposits increased \$114.3 million quarter-over-quarter, reflecting steady retail inflows. The bank maintained a strong liquidity position, with \$750 million in unpledged securities and \$1.6 billion in borrowing capacity. Capital levels remained well above regulatory thresholds, with a tangible equity ratio of 9.2%. CHCO returned capital to shareholders through a \$0.79 dividend and repurchased 80,600 shares during the quarter. With stable earnings, disciplined cost control, and ample capital flexibility, City Holding remains well-positioned to deliver consistent shareholder value through 2025.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$3.53	\$3.45	\$3.48	\$4.49	\$5.42	\$5.55	\$5.66	\$6.80	\$7.61	\$7.91	\$8.13	\$13.09
DPS	\$1.66	\$1.71	\$1.75	\$1.38	\$2.16	\$2.28	\$2.32	\$2.45	\$2.67	\$3.01	\$3.16	\$4.03
Shares³	15.2	14.9	15.4	15.4	16.3	16	15.4	14.9	14.9	14.7	14.7	14.4

City Holding's performance reflects its focus on stability and growth, which are underpinned by its core values. With consistent non-performing asset ratios and a robust risk management strategy, the company's proactive approach to maintaining credit quality is evident. The growth of loans, notably in commercial and industrial sectors, demonstrates their value in supporting local businesses and economic development. However, the dip in commercial real estate loans suggests cautious lending practices. An increase in average depository balances mitigates the decline in period-end

¹ The ex-dividend date is estimated based on historical data.

² The dividend payment date is estimated based on historical data.

³ In millions

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deposit balances, thanks to acquisitions from Citizens. Nevertheless, a decline in savings and non-interest-bearing demand deposits, counterbalanced by growth in interest-bearing demand and time balances, shows a shift in customer deposit preferences. In line with the analysts' estimates and the favorable microenvironment, we expect the company to post an EPS of \$8.13 in 2025. We estimate an EPS growth of 10.0% over the next five years, leading to our estimated EPS of \$13.09 by 2030. Moreover, the company has a solid record of paying dividends despite operating in a macroeconomically sensitive sector, as City Holding has paid an increasing dividend for the past six years. We expect the company to maintain its dividend growth and have forecasted a dividend CAGR of 5.0%, leading to a dividend of \$4.03 by 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	13.3	14.7	19.3	16.4	14.2	11.8	13.7	12.7	12.4	14.1	14.6	10.0
Avg. Yld.	3.5%	3.4%	2.6%	1.9%	2.8%	3.5%	3.0%	2.8%	2.8%	2.7%	2.7%	3.1%

The regional bank trades at a forward P/E of 14.6, higher than the long-term average P/E of 14.3 and the five-year average P/E of 12.9. Even though the higher interest rates and an uptick in the loan portfolio will benefit the company in the near term, we assign a P/E of 10.0 to the stock, which is a fair reflection of its value in our view, leading to our target price of \$131 by 2030.

Safety, Quality, Competitive Advantage, & Recession Resiliency

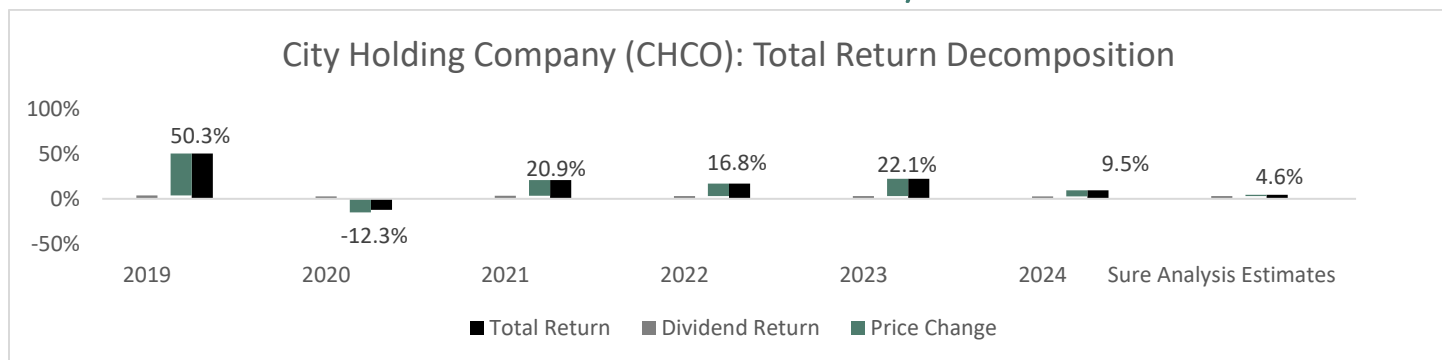
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	47%	50%	50%	31%	40%	41%	41%	36%	35%	38%	39%	31%

The company has paid a consistent dividend to its shareholders with a 10-year payout ratio averaging 41%, and we expect the company to maintain and increase its payout in the future. The demand for loans has recovered in recent quarters, and we expect the company to be in a much better position in the future than it is today. In addition, the margins continue to improve in the high-interest rate environment, and the net interest margin ought to be high, driven by the Fed's 'higher for longer' stance. During the first quarter of 2025, City Holding Company repurchased 80,600 shares at a weighted average price of \$117.42 per share under its ongoing one million share repurchase program.

Final Thoughts & Recommendation

While City Holding runs an interest rate-sensitive regional banking business, increased loans and net interest margins will be a positive catalyst for EPS growth. Additionally, City Holding's dividend growth prospects could remain strong throughout the medium-term. However, we maintain our hold rating for CHCO premised upon the 4.6% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 10.0%, the 2.7% dividend yield, and a valuation headwind.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	167	173	186	194	224	231	219	246	282	285
SG&A Exp.	52	55	55	59	66	66	67	72	79	83
D&A Exp.	1	7	7	6	6	11	15	16	11	13
Net Profit	54	52	54	70	89	90	88	102	114	117
Net Margin	32.3%	30.1%	29.2%	36.0%	39.8%	38.7%	40.3%	41.5%	40.4%	41.1%
Free Cash Flow	45	60	70	67	100	84	99	114	135	129
Income Tax	28	25	36	18	24	22	23	25	29	27

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	3,714	3,984	4,132	4,899	5,019	5,759	6,004	5,878	6,168	6,459
Cash & Equivalents	70	88	83	123	140	529	635	200	156	225
Acc. Receivable	7	8	9	12	12	16	16	18	20	21
Goodwill & Int.	80	79	79	123	120	119	117	116	163	160
Total Liabilities	3,295	3,542	3,630	4,298	4,361	5,058	5,323	5,300	5,491	5,729
Long-Term Debt	29	81	70	44	4	-	-	-	125	150
Total Equity	419	442	503	601	658	701	681	578	677	731
LTD/E Ratio	0.07	0.18	0.14	0.07	0.01	-	-	-	0.18	0.21

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.5%	1.4%	1.3%	1.6%	1.8%	1.7%	1.5%	1.7%	1.9%	1.9%
Return on Equity	13.4%	12.1%	11.5%	12.7%	14.2%	13.2%	12.7%	16.2%	18.2%	16.6%
ROIC	12.6%	10.7%	9.9%	11.5%	13.7%	13.1%	12.7%	16.2%	16.6%	13.9%
Shares Out.	15.2	14.9	15.4	15.4	16.3	16.0	15.4	14.9	14.9	14.7
Revenue/Share	11.02	11.62	12.04	12.58	13.73	14.47	14.20	16.55	18.97	19.40
FCF/Share	2.96	4.01	4.51	4.36	6.14	5.27	6.42	7.64	9.04	8.79

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

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