First Financial Bankshares, Inc. (FFIN)

Updated May 20th, 2025, by Yiannis Zourmpanos

Key Metrics

Current Price:	$36	**5 Year CAGR Estimate:**	8.9%	**Market Cap:**	$5.1 B
Fair Value Price:	$36	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	06/16/2025
% Fair Value:	100%	**5 Year Valuation Multiple Estimate:**	-0.2%	**Dividend Payment Date:**	07/01/2025
Dividend Yield:	2.1%	**5 Year Price Target**	$50	**Years Of Dividend Growth:**	15
Dividend Risk Score:	B	**Sector:**	Financials	**Rating:**	Hold

Overview & Current Events

Founded in 1890 and headquartered in Abilene, Texas, First Financial Bankshares Inc (FFIN) is a financial and bank holding company with a strong focus on community banking. Concentrated solely in Texas, the company's competitive position thrives in this single geographic area. Through its subsidiaries, the company offers a comprehensive range of commercial banking services, including checking, savings, and time deposits, as well as modern conveniences like internet and mobile banking.

On April 17th, 2025, the company announced results for the first quarter of 2024. FFIN reported non-GAAP EPS of $0.43, in line with the market's estimates and revenues of $149.02 million that were up 15% year-over-year.

The earnings boost was driven by balance sheet expansion and improved net interest income, which rose to $118.79 million, supported by strong deposit inflows and a rising net interest margin of 3.74%. Noninterest income also edged higher to $30.23 million, led by trust fee growth. However, mortgage and deposit service income saw slight declines. Operating efficiency improved, with the efficiency ratio falling to 46.36% from 48.37% a year earlier, despite higher compensation-related expenses reflecting increased profitability.

Credit quality remained sound, though the provision for credit losses increased to $3.53 million. The allowance for credit losses reached $101.08 million, or 1.27% of loans, while net charge-offs declined to $236,000. Nonperforming assets rose slightly to 0.78% of loans and foreclosed assets. Loans grew modestly to $7.95 billion, while deposits and repurchase agreements rose sharply to $12.52 billion. Total assets climbed to $14.31 billion. Shareholders' equity increased to $1.68 billion, bolstered by a decline in unrealized securities losses. Management emphasized financial strength, liquidity, and recognition by Forbes as one of the top banks in the nation.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$0.77	$0.79	$0.91	$1.11	$1.22	$1.42	$1.60	$1.64	$1.40	$1.56	***$1.79***	***$2.50***
DPS	$0.31	$0.35	$0.38	$0.41	$0.47	$0.51	$0.58	$0.66	$0.72	$0.72	***$0.76***	***$1.22***
Shares[1]	130.1	132.2	132.6	136.0	136.3	142.5	143.1	143.2	144.9	143.2	***144.8***	***152.8***

High interest rates could reduce consumer demand for credit, particularly for residential real estate loans, which account for about 25% of the total loan portfolio. However, the anticipated lower rates might compress net interest margins, and the company's strategic focus on loan growth and asset reallocation positions it well to navigate these changes. FFIN aims to capitalize on lower borrowing costs to drive loan demand and support deposit growth. The company is committed to maintaining strong financial performance and delivering value to shareholders and customers, even in a potentially lower-rate environment in 2025.

As a result, we matched analysts' EPS estimates of $1.79 for 2025. We have maintained an annual expected EPS growth rate of 7.0% for the next five years, lower than the bank's long-term growth rates, which could mean EPS of $2.50 by 2030. First Financial Bankshares' DPS had a 10-year and 5-year CAGR of 9.8% and 8.3%, respectively. Moreover, the bank

[1] 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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has consistently increased dividend distributions to shareholders for the past 15 years, and we expect it to continue this trend.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	19.9	21.8	23.6	24.4	26.1	21.4	29.8	25.3	21.1	21.9	***20.0***	***20.0***
Avg. Yld.	2.0%	2.0%	1.8%	1.5%	1.5%	1.7%	1.2%	1.6%	2.4%	2.1%	***2.1%***	***2.4%***

First Financial Bankshares is trading at a forward P/E of 20.0, lower than its long-term average P/E of around 23.5. We believe a lower multiple is justifiable. Even though our FFIN thesis remains intact, we believe that a P/E multiple of 20.0 fairly reflects the bank's risk/reward profile, suggesting a target price of $50 by 2030.

Safety, Quality, Competitive Advantage, & Recession Resiliency

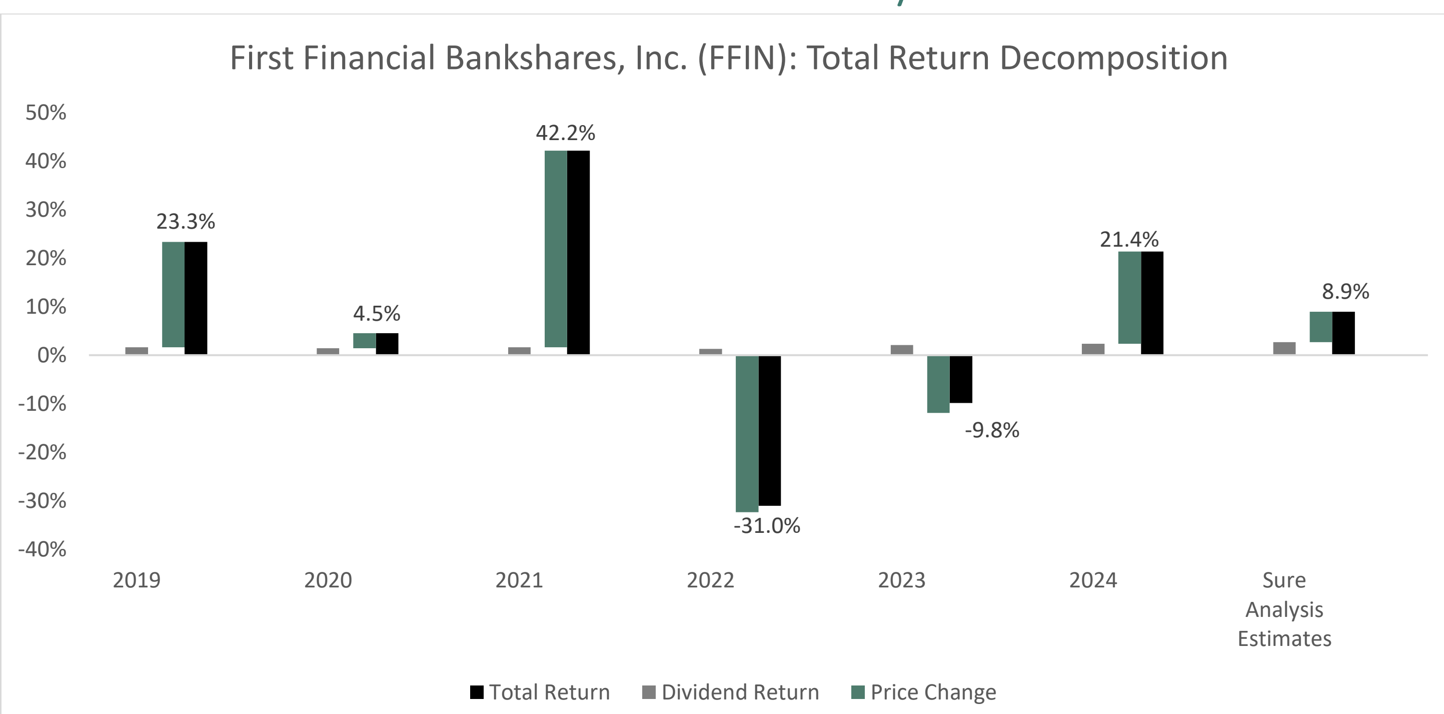
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	40%	44%	42%	37%	39%	36%	36%	40%	51%	46%	***43%***	***49%***

First Financial Bankshares boasts a competitive advantage stemming from its unwavering commitment to customer-centric services and localized approach. The bank has demonstrated resilient recession performance throughout economic downturns due to its conservative lending practices and diversified portfolio. This strategic approach has minimized risk and upheld stability. Finally, First Financial's prudent financial management is evidenced by its manageable debt levels, further contributing to its position as a robust and trustworthy financial institution.

Final Thoughts & Recommendation

Shares are up since our last report. Thus, we reaffirm our hold rating, premised upon the 8.9% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 7.0% and the 2.1% dividend yield, offset by a small 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	284	304	319	364	387	478	500	520	478	537
SG&A Exp.	88	99	103	114	122	141	151	143	145	166
D&A Exp.	11	12	13	13	12	13	13	13	13	13
Net Profit	100	105	120	151	165	202	228	234	199	224
Net Margin	35.4%	34.5%	37.7%	41.3%	42.6%	42.3%	45.6%	45.1%	41.6%	41.7%
Free Cash Flow	92	140	176	169	194	194	334	308	268	293
Income Tax	31	31	27	28	33	40	44	46	44	48

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	6,665	6,810	7,255	7,732	8,262	10,905	13,102	12,974	13,110	13,980
Cash & Equivalents	273	255	374	250	279	729	529	331	537	763
Goodwill & Int.	144	144	141	175	174	318	317	316	315	314
Total Liabilities	5,860	5,972	6,332	6,679	7,035	9,226	11,343	11,708	11,610	12,370
Long-Term Debt	299	75	-	55	-	-	21	21	21	121
Total Equity	805	838	923	1,053	1,227	1,678	1,759	1,266	1,499	1,607
LTD/E Ratio	0.37	0.09	-	0.05	-	-	0.01	0.02	0.01	0.08

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.6%	1.6%	1.7%	2.0%	2.1%	2.1%	1.9%	1.8%	1.5%	1.7%
Return on Equity	13.5%	12.8%	13.7%	15.2%	14.5%	13.9%	13.2%	15.5%	14.4%	14.4%
ROIC	11.2%	10.4%	13.1%	14.8%	14.1%	13.9%	13.2%	15.3%	14.2%	13.8%
Shares Out.	130.1	132.2	132.6	136.0	136.3	142.5	143.1	143.2	143	143.2
Revenue/Share	2.18	2.30	2.41	2.68	2.84	3.35	3.49	3.63	3.34	3.75
FCF/Share	0.70	1.06	1.33	1.24	1.42	1.36	2.33	2.15	1.87	2.05

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