# Home Bancshares, Inc. (HOMB)

*Updated April 28th, 2025, by Yiannis Zourmpanos*

## Key Metrics

| | | | | | |
|---|---|---|---|---|---|
| **Current Price:** | $28 | **5 Year CAGR Estimate:** | 9.2% | **Market Cap:** | $5.9 B |
| **Fair Value Price:** | $25 | **5 Year Growth Estimate:** | 9.0% | **Ex-Dividend Date:** | 05/14/2025 |
| **% Fair Value:** | 112% | **5 Year Valuation Multiple Estimate:** | -2.3% | **Dividend Payment Date:** | 06/04/2025 |
| **Dividend Yield:** | 2.9% | **5 Year Price Target** | $38 | **Years Of Dividend Growth:** | 15 |
| **Dividend Risk Score:** | B | **Sector:** | Financials | **Rating:** | Hold |

## Overview & Current Events

A group of investors led by John W. Allison and Robert H. "Bunny" Adcock Jr. founded Home Bancshares, Inc. (HOMB), a bank holding company, in 1998. Customers in Arkansas, Florida, Alabama, and New York can access a variety of financial services via Centennial Bank, the company's main subsidiary. More than 300,000 consumers are served by the company's more than 222 branch sites. Home Bancshares holds a competitive position in the banking sector and prioritizes offering excellent client care and creative financial solutions. The business derives income from several markets, including commercial loans, residential loans, consumer loans, and deposit accounts, and has a market share of about 1% in the US banking industry.

On April 16th, 2025, the company announced results for its first quarter of 2025. The company reported non-GAAP EPS of $0.56, which beat the market's estimates by $0.02, and revenues of $260.1 million that were up 5.6% year-over-year.

Home Bancshares kicked off 2025 with a record-breaking first quarter, reporting net income of $115.2 million, which is the highest quarterly EPS in company history. Adjusted earnings came in strong as well at $111.9 million. Growth was supported by a resilient net interest margin (NIM) of 4.44%, up from 4.39% in Q4 2024. Despite a modest decline in net interest income sequentially, HOMB's efficiency ratio stayed impressive at 42.22%, showcasing disciplined cost management even as deposit balances and loan portfolios hit new records. CEO John Allison credited the results to doing "the simple things repeatedly and long enough, creating a compounding effect of success."

Financially, Home BancShares continued to bolster its foundation, with total loans rising to $14.95 billion and deposits climbing to $17.54 billion. Asset quality also improved, as non-performing loans dipped to 0.60% of total loans versus 0.67% at year-end. The allowance for credit losses held steady at 1.87% of loans, while net loan recoveries of $4.1 million marked a sharp reversal from prior-quarter charge-offs. On the capital side, stockholders' equity expanded by $81.5 million, driving book value per share to a record $20.40. With strong organic loan growth, improving asset quality, and robust capital levels, HOMB appears well-positioned to ride the positive momentum through the rest of the year.

## Growth on a Per-Share Basis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EPS** | $1.01 | $1.26 | $0.89 | $1.73 | $1.73 | $1.30 | $1.94 | $1.57 | $2.00 | $2.01 | ***$2.27*** | ***$3.48*** |
| **DPS** | $0.28 | $0.34 | $0.40 | $0.46 | $0.51 | $0.53 | $0.56 | $0.66 | $0.72 | $0.75 | ***$0.80*** | ***$1.18*** |
| **Shares[1]** | 137.1 | 140.7 | 151.5 | 174.1 | 167.8 | 165.4 | 164.9 | 195.0 | 204.0 | 200.1 | ***209.2*** | ***261.1*** |

As of March 31, 2025, Home BancShares maintained a strong liquidity position, backed by a growing deposit base of $17.54 billion, up from $17.15 billion at the end of the prior quarter. With continued momentum in deposit growth, a stable net interest margin, and disciplined balance sheet management, HOMB remains well-equipped to navigate shifting market conditions and capitalize on strategic growth opportunities ahead. Thus, we revised upwards our EPS forecast for 2025, matching the midpoint of analysts' estimates at $2.27. However, amidst a possible normalization and decline in interest rates in 2025, we expect a slower growth with a projected annual EPS growth of 9.0%. This implies an EPS estimate of $3.48 by 2030. Home Bancshares's DPS had a 10-year and five-year CAGR of 11.6% and 21.3%,

[1] In millions.

respectively. However, the company's approach to managing its capital and liquidity supports the payment of competitive cash dividends. Thus, we have assumed a stable annual DPS growth of at least 8.0%.

## Valuation Analysis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Now | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Avg. P/E** | 18.4 | 17.4 | 28.0 | 12.6 | 10.8 | 12.5 | 12.5 | 14.8 | 11.5 | 12.8 | ***12.4*** | ***11.0*** |
| **Avg. Yld.** | 1.5% | 1.6% | 1.6% | 2.1% | 2.7% | 3.3% | 2.3% | 2.8% | 3.1% | 2.9% | ***2.9%*** | ***3.1%*** |

Home Bancshares is trading at a forward P/E of 12.4, lower than its 10-year average P/E of 15.1, but above its five-year average P/E of 12.8. Thus, considering the bank's resiliency and the uncertainty attached to the sector, we have assumed a stable P/E of 11.0 to value the company by 2030, slightly lower than its historical averages. This suggests a target price of $38.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

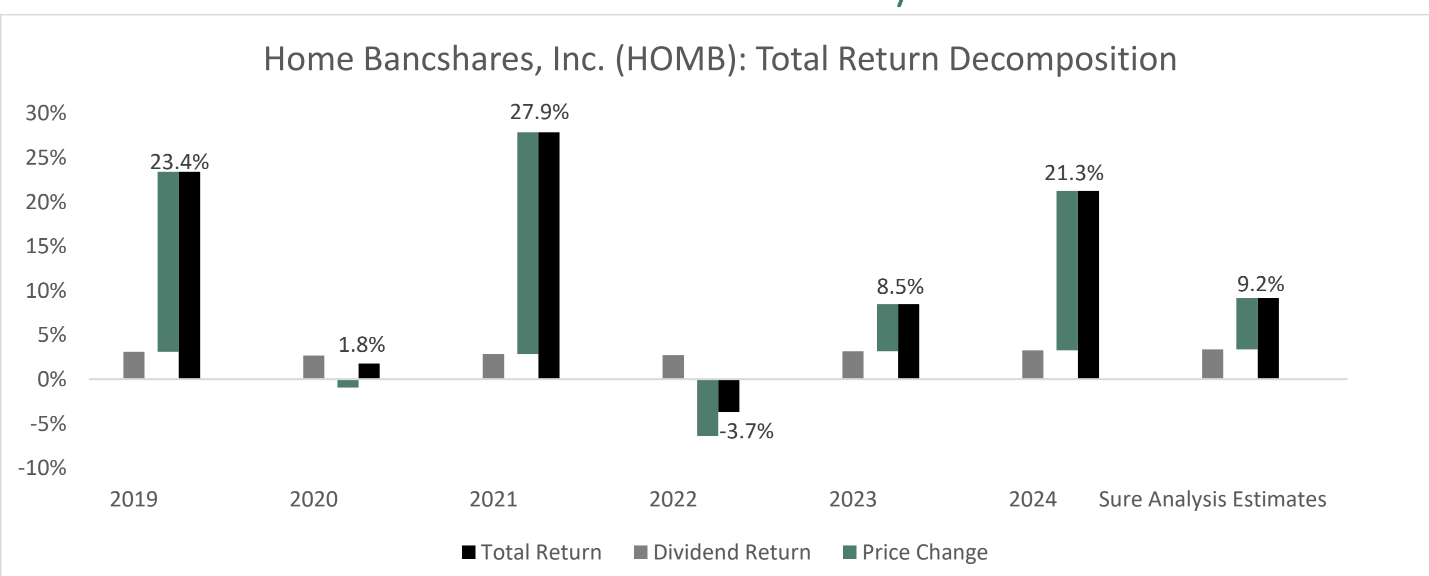
| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Payout** | 28% | 27% | 45% | 27% | 29% | 41% | 29% | 42% | 36% | 37% | ***35%*** | ***34%*** |

Home Bancshares continues to demonstrate its resilience. Despite facing economic headwinds, the bank's franchise delivered a strong performance throughout 2023, showcasing its operational strength. Backed by a fortress balance sheet and a total risk-based capital ratio of 19.1% as of Q1 2025, Home stands among the best-capitalized banks in the country. Reinforcing its commitment to shareholder value, the company also repurchased approximately $29.7 million of its common stock during the first quarter. During Q1, Home Bancshares repurchased approximately $29.7 million of its common stock, reflecting the company's ongoing commitment to returning value to shareholders.

## Final Thoughts & Recommendation

Finally, Home Bancshares' strong financial position and capitalization support the bank's position in the market, making it resilient during market cycles. Thus, we maintain our hold rating, premised upon the 9.2% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 9.0%, the 2.9% dividend yield, and the valuation headwind.

## 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 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 423 | 486 | 544 | 655 | 654 | 685 | 700 | 919 | 978 | 1,001 |
| SG&A Exp. | 115 | 133 | 148 | 180 | 188 | 179 | 186 | 260 | 297 | 269 |
| D&A Exp. | 32 | 15 | 17 | 19 | 19 | 20 | 19 | 32 | 31 | 29 |
| Net Profit | 138 | 177 | 135 | 300 | 290 | 214 | 319 | 305 | 393 | 402 |
| Net Margin | 32.7% | 36.5% | 24.8% | 45.8% | 44.3% | 31.3% | 45.6% | 33.2% | 40.2% | 40.2% |
| Free Cash Flow | 195 | 173 | 135 | 296 | 233 | 280 | 379 | 404 | 371 | 422 |
| Income Tax | 80 | 106 | 136 | 95 | 96 | 63 | 98 | 89 | 119 | 120 |

## Balance Sheet Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Assets | 9,289 | 9,808 | 14,450 | 15,302 | 15,032 | 16,399 | 18,052 | 22,884 | 22,660 | 22,490 |
| Cash & Equivalents | 256 | 217 | 636 | 658 | 491 | 1,264 | 3,650 | 725 | 1,000 | 910 |
| Acc. Receivable | 29 | 31 | 46 | 49 | 45 | 61 | 47 | 103 | 119 | 120 |
| Goodwill & Int. | 399 | 396 | 977 | 1,001 | 995 | 1,004 | 998 | 1,457 | 1,447 | 1,439 |
| Total Liabilities | 8,089 | 8,481 | 12,245 | 12,953 | 12,521 | 13,793 | 15,286 | 19,357 | 18,870 | 18,530 |
| Accounts Payable | 56 | 51 | 42 | 68 | 102 | 128 | 114 | 197 | --- | --- |
| Long-Term Debt | 1,467 | 1,366 | 1,667 | 1,841 | 991 | 770 | 771 | 1,090 | 1,741 | 1,040 |
| Total Equity | 1,200 | 1,327 | 2,204 | 2,350 | 2,512 | 2,606 | 2,766 | 3,526 | 3,791 | 3,961 |
| LTD/E Ratio | 1.22 | 1.03 | 0.76 | 0.78 | 0.39 | 0.30 | 0.28 | 0.31 | 0.46 | 0.26 |

## Profitability & Per Share Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|
| Return on Assets | 1.7% | 1.9% | 1.1% | 2.0% | 1.9% | 1.4% | 1.9% | 1.5% | 1.7% | 1.8% |
| Return on Equity | 12.5% | 14.0% | 7.6% | 13.2% | 11.9% | 8.4% | 11.9% | 9.7% | 10.7% | 10.4% |
| ROIC | 6.2% | 6.6% | 4.1% | 7.5% | 7.5% | 6.2% | 9.2% | 7.5% | 7.7% | 7.6% |
| Shares Out. | 137.1 | 140.7 | 151.5 | 174.1 | 167.8 | 165.4 | 164.9 | 195.0 | 202.8 | 200.1 |
| Revenue/Share | 3.08 | 3.45 | 3.59 | 3.76 | 3.90 | 4.14 | 4.24 | 4.71 | 4.82 | 5.00 |
| FCF/Share | 1.42 | 1.23 | 0.89 | 1.70 | 1.39 | 1.69 | 2.30 | 2.07 | 1.83 | 2.11 |

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