

## **Landmark Bancorp (LARK)**

Market cap: 57.5MM

Tangible book value: 49.4MM

The Bank generates roughly \$10MM in operating cash flow, excluding gains/losses from loans. The Bank pays out \$2MM in dividends, which is a 3.5% dividend yield, relative to the market capitalization.

Banks generate operating income from 1) interest spreads, 2) gain/losses on loan sales, and investing activity from 1) gain/losses from investments in the equity market. The primary form of financing is from 1) deposits, 2) Federal Home Loan Bank borrowings, 3) and other sources of borrowings.

The Co. lends at a conservative rate of 4%, so it doesn't look like they lend to risky borrowers.

The Co. generates \$17MM(\$315MM asset base, or a 5.4% yield) in interest from loans and \$5MM (\$214MM asset base, or a 2.3% yield) from income from fixed income investments. Relatively vanilla operation. The committed funds are funded by \$480MM in deposits and \$30MM in borrowings from the FHLB.

The burning question for many investors is 1)whether the operations is sustainable, 2) the growth prospects, 3) sustainability of dividend yield. Like most financial institutions, the stock is trading near par to the tangible book value. We believe the dividend payout is sustainable.

The Bank was able to maintain the non-performing loans to gross loans at 3% at most. Loss provisions is about \$2MM annually. 28% Commercial real estate, 20% commercial loan, 28% residential real estate. There was very little loss in the commercial real estate space relative to peers, and is the biggest contributor to foreclosures in the US.

Although the conservatism has worked for the bank, keeping the assets in tact during the financial upheaval we witnessed over the past 5 years, the stock recovery has already played out in early 2013, and so we don't see much appreciation from the current levels.

Today's investor in the stock will only enjoy the 3.5% dividend yield, while we can't guarantee any principal appreciation. In fact, the investor should be fully aware of the volatility seen in the stock should any macro news hit the news stand. As such, we don't see the justification in the risk reward to invest in the stock. We will pass, but SNV FIG has seen some of the investment thesis play out, although EZPW, with the continued weakness in gold prices along with a write-off in their business saw the stock plummet 30% since our initiation.

# SN Valuation FIG Portfolio

As of 2013-11-13

## Buy

Name	Ticker	Market Price*	Entry Price	Date	Gain/(Loss)
Premier Financial	PFBI	13.87	12.61	08/07/2013	9.99%
Microfinancial	MFI	8.52	7.75	09/06/2013	9.94%
EZCORP	EZPW	11.79	16.98	09/02/2013	-30.57%

Average Total Return

-3.55%

## Follow

Name	Ticker	Market Price*	Entry Price	Date	Gain/(Loss)
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\*Intraday Market Price