



## Community Banks - Good Investment

by [Steve Brown](#)

A study released last year found that using virtual reality and non-invasive brain-machine interfaces allowed subjects who were paralyzed to regain touch sensation and some voluntary control of muscles in their legs. Think about that for a moment. In the experiments, subjects used a brain-controlled exoskeleton and virtual reality to actually walk! This is an amazing breakthrough that could perhaps one day help the 1 in 50 Americans (and millions of others worldwide) who are paralyzed to regain greater mobility. Wow.

While not nearly as amazing or potentially life changing as this breakthrough, community bank investors play an important role in the banking industry.

Some small and micro-cap investors may overlook community banks, leaving many pink sheet players trading for lower multiples, but with lots of room for upward movement.

Community bank stocks offer significant benefits for investors. For starters, given their need to comply with stringent regulations, community bank stocks are easier than many other small-cap stocks to value, according to experts. Like the basic business model of any bank, community banks generally take in deposits and lend out money. That is a simple business model and investors like clarity.

In addition, community banks are often under-valued. While they may not receive the attention of larger financial institution investors, many small- and micro-cap community banks are gradually and steadily making significant headway in their own markets and could provide opportunity.

Community bank annual reports also do not typically offer the vibrant story of a similarly sized startup in another sector perhaps, so that too can impact investor interest. Some investors may gloss over community banks entirely as banking can be seen as a sleepy industry at times.

Also, as many community banks lack an investment relations team or have it only lightly staffed, the accomplishments of even the most successful community bank could go unnoticed.

Yes, even in these rocky times a number of community bank stocks are growing their bottom lines at a double-digit rate that should impress even the most skeptical investor.

On another front, industry consolidation also plays a factor for investors. Some investors are willing to do their due diligence and seek out community banks that are growing their loan book, while others seek banks that have low-cost structures.

Truth be told, while the very largest banks took a hit following the financial crash, publicly traded community banks have been a relatively safe bet. Certainly things can and do change and the past is no predictor of the future, but at least it gives us hope.

Industry experts point out that if Dodd-Frank Act regulations are eased by the Trump Administration, more successful community banks could see their earnings rise perhaps by as much as 30%.

To be sure, many community banks could be a valuable addition to the portfolio of the investor community. So, to appeal to investors, make sure you have an impactful story to tell and keep telling it as you grow and perform.

As any other stakeholder, investors too need to know that you have their interest at heart with your plans for progress and are indeed progressing. It takes effort to draw the attention of investors who are often seeking the next reality out there, but it could be well worth it.

# BANK NEWS

## **M&A Activity**

1) Seacoast Commerce Bank (\$572mm, CA) will acquire Capital Bank (\$306mm, CA) for about \$53.6mm in cash (20%) and stock (80%) or about 1.96x tangible book. 2) In an ironic twist First Tennessee Bank (\$30.0B, TN) said it will acquire Capital Bank (\$10.0B, NC) for \$2.2B in cash (20%) and stock (80%) or about 2.0x tangible book.

## **Branch Closures**

BB&T said it will close 100 branches of its total footprint of 2,193 or about 5% this year.

## **Credit Ratings**

TransUnion reports about 20% of people have a credit score above 780.

## **Biz Growth**

A small business owner survey by instantprint finds the primary ways they look to grow their business are: working on online presence (46%) and expanding target market (40%).

## **Stressful Situation**

United Nations research finds: 41% of workers all around the world that work from home are stressed vs. 25% of those who work in an office.

## **Why Leave**

A Korn Ferry survey of CFOs finds the top reason indicated why they would voluntarily resign is a poor working relationship with the CEO (52%).

## **Strategic Alignment**

Deloitte research finds only 24% of companies surveyed say they are excellent at aligning employees and personal goals with corporate purpose.

## **Employee Risk**

Research by insider threat monitoring firm Endera finds 98% of executives surveyed said their company (100+ employees) checks people before offering them a job, but less than 25% do so after the person is hired. This is despite the fact that studies show 1 in every 1,000 employees is arrested each month and that Endera finds 6.3 employees per 1,000 generate criminal alerts.

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