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Small talk



Finding and Selecting Small and Mid Sized Companies for Your Portfolio

Rocky Mountain Chapter's Small Talk

4/17/2018

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AGENDA

- Introduction
 - Bank of the Ozarks
- Analysts view
- Growth
- Return
- Asset Quality
- SSG Preparation
- Summary

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253 Offices in Ten States

(Office count as of December 31, 2017; includes 243 deposit-gathering branches and 10 loan production offices.)

George Gleason bought the bank in 1979 and pushed its growth



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LEADING THE U.S.

7 YEARS RUNNING

#1

BANK IN THE U.S.

2017 Top Performing Bank - Bank Director Magazine
Assets \$5 Billion - \$50 Billion

2017 Top Performing Regional Bank - S&P Global Market Intelligence

2016 Top Performing Bank - Bank Director Magazine
Assets \$5 Billion - \$50 Billion

2016 Top Performing Regional Bank - S&P Global Market Intelligence

2015 Top Performing Bank - Bank Director Magazine
Assets \$5 Billion - \$50 Billion

2015 Top Performing Regional Bank - S&P Global Market Intelligence

2014 Top Performing Bank - Bank Director Magazine
Assets \$1 Billion - \$5 Billion

2013 Top Performing Bank - Bank Director Magazine
Assets \$1 Billion - \$5 Billion

2012 Top Performing Regional Bank - S&P Global Market Intelligence

2012 Top Performing Bank - ABA Banking Journal
Assets \$1 Billion - \$10 Billion

2011 Top Performing Bank - ABA Banking Journal
Assets over \$3 Billion

BANK of the OZARKS

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BetterInvesting Ticker Heat Map

The heat map is intended to be a resource for looking for stock ideas. The heat map shows the top 100 stocks that our members have created studies for in the past 90 days. The size of the boxes indicates the number of times a study has been created for a stock relative to the other tickers. The larger the box as compared to the other boxes, the more studies that have been created. The color of the box indicates general favorability sentiment of the company. The color ranges from green to red. The more green the box, the more positive the favorability and the more red the box, the more negative the favorability. Please note that the colors should not be used as a buy/sell indicator.

Recommended by Investor Advisory Service, June, 2017

Click on a ticker to create a study.

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Analysts Recommendations

	current	1 Month Ago	3 Months Ago
BUY	7	7	8
OVERWEIGHT	0	0	0
HOLD	4	4	3
UNDERWEIGHT	0	0	0
SELL	1	0	0
MEAN	OVERWEIGHT	OVERWEIGHT	OVERWEIGHT

OZRK Recommendations

■ = Current ■ = 1Month Ago ■ = 3Months Ago

Mean Recommendation Conversion Table
1.00 thru 1.24 = Buy
1.25 thru 1.74 = Overweight
1.75 thru 2.24 = Hold
2.25 thru 2.74 = Underweight
2.75 thru 3.00 = Sell

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CFRA S&P Global

Quantitative Model Drivers [as of March 28, 2018]
Recommendation: **STRONG BUY**
Positive

Bank of the Ozarks (OZRK)
(Real Time Quotes from BATS)

\$46.77 USD
+0.42 (0.91%)
Updated Apr 10, 2018 12:18 PM

Add To Portfolio

is from \$1

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In the simplest possible terms:

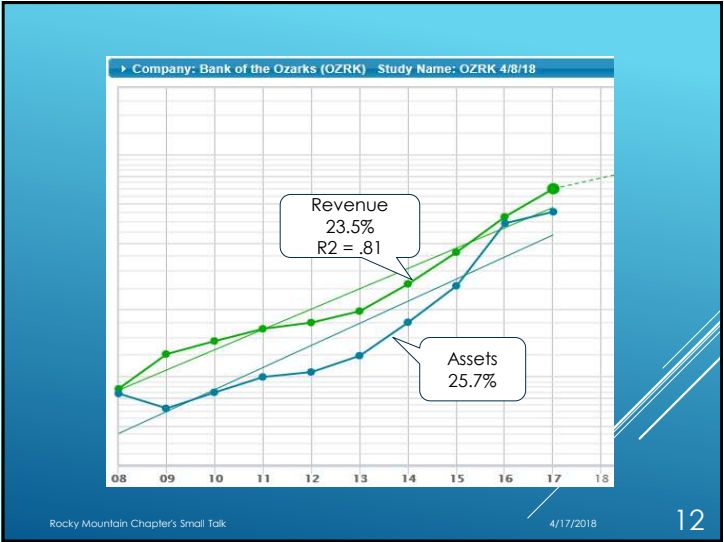
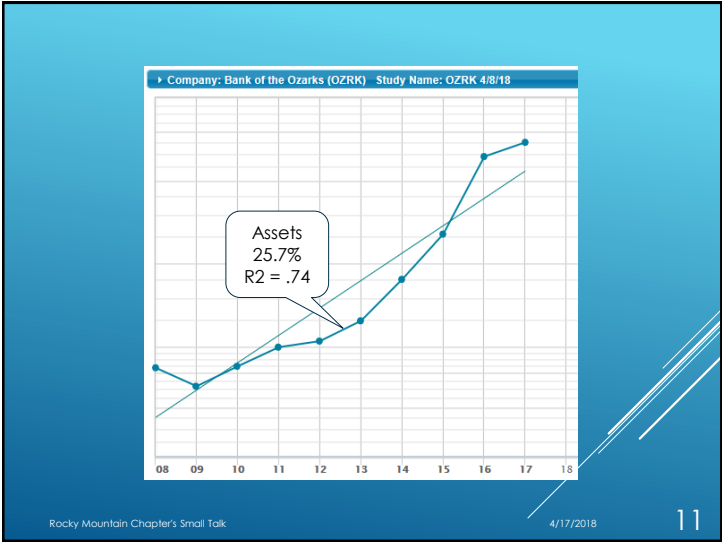
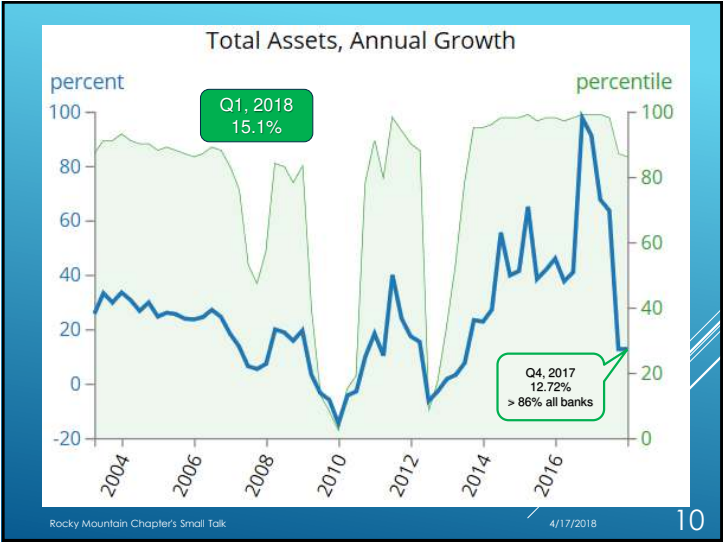
- Funds are gathered through deposits and those funds are loaned out
- Depositors are paid at a rate X and loans are made at rate Y. The net interest margin = Y - X

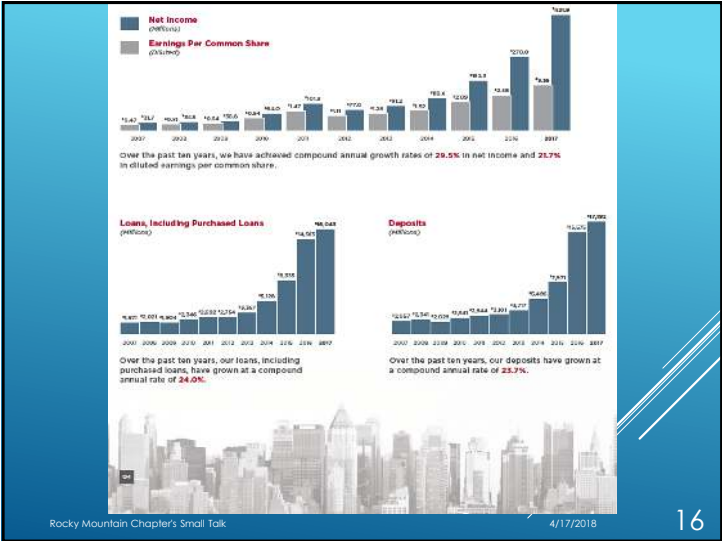
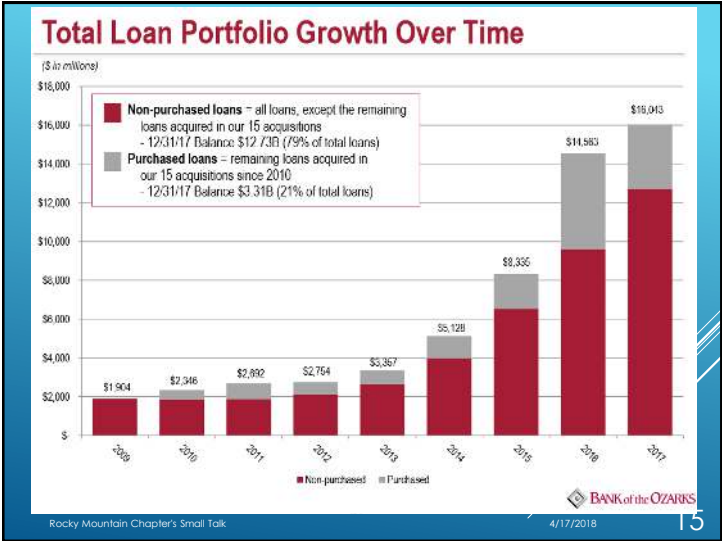
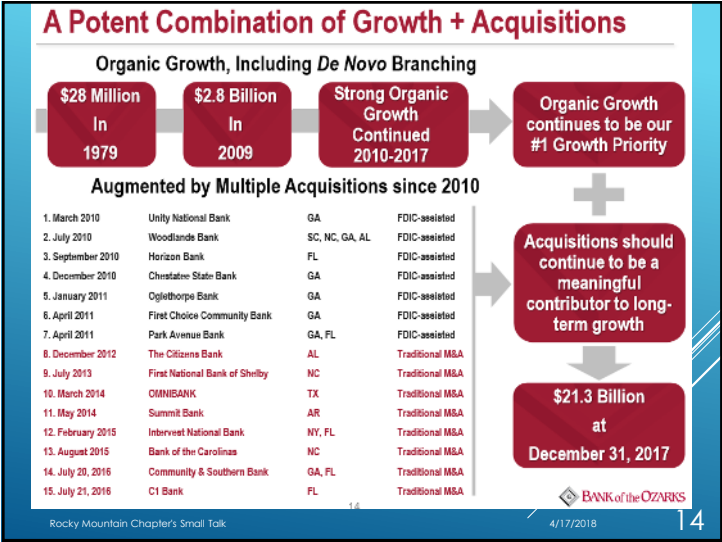
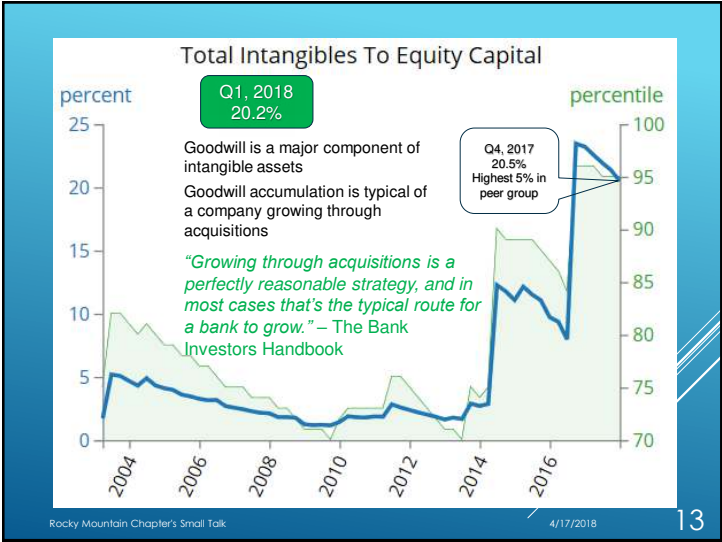
*"Interestingly, if a bank pays the average rate on deposits, earns the average rate on loans, **avoids bad lending** and has average expenses, they aren't an average bank, but an above average bank."* – The Bank Investors Handbook

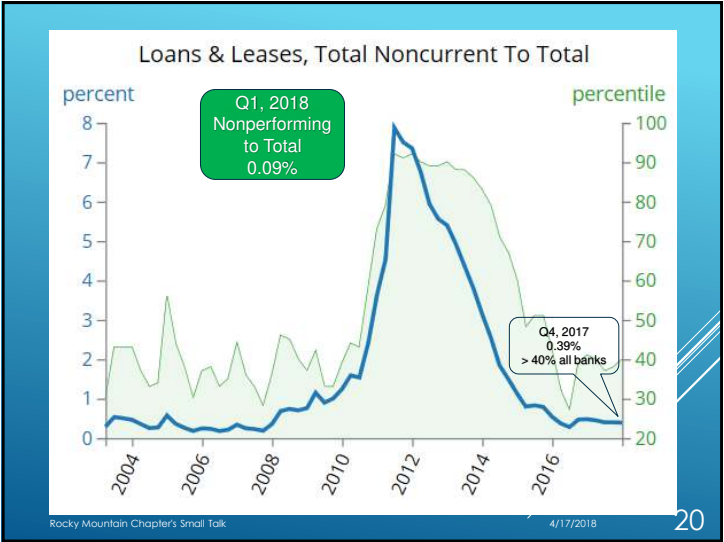
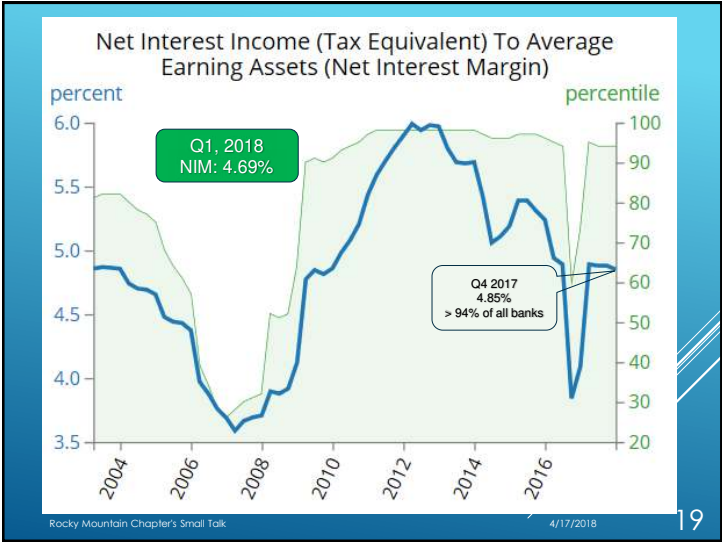
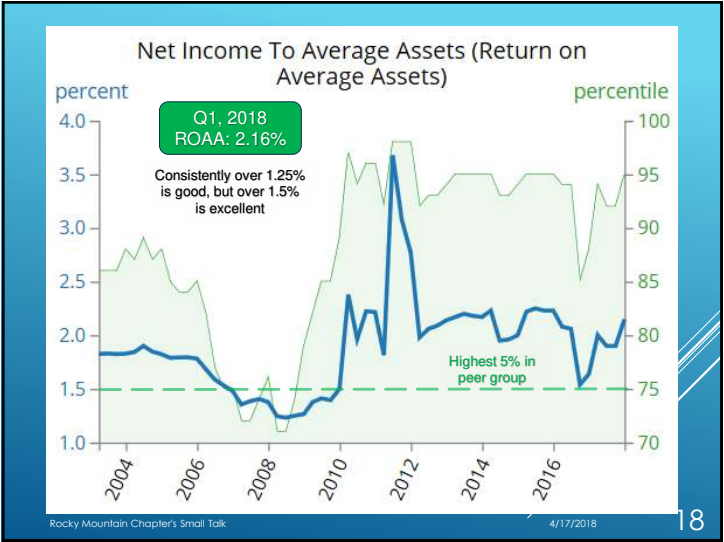
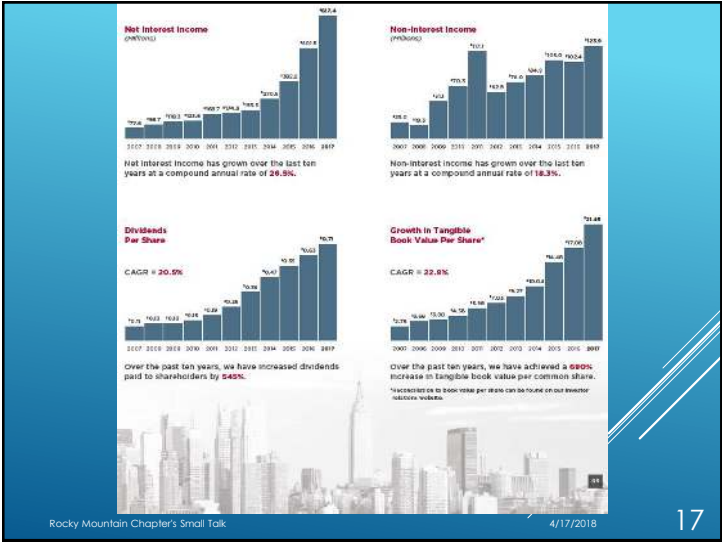
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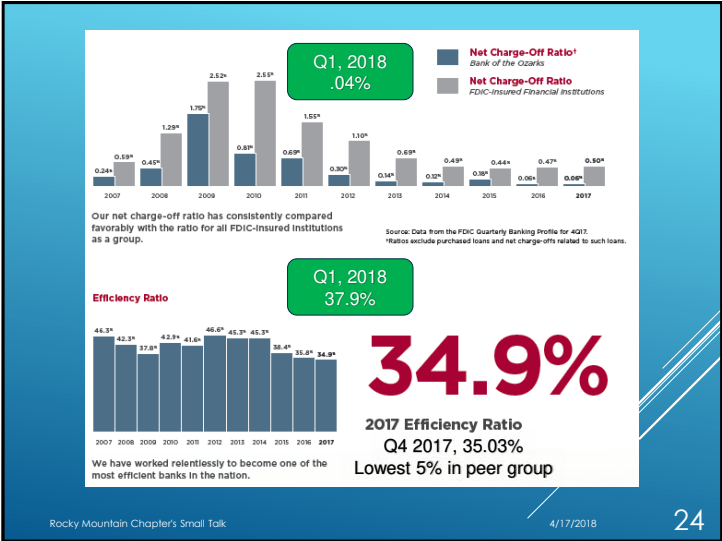
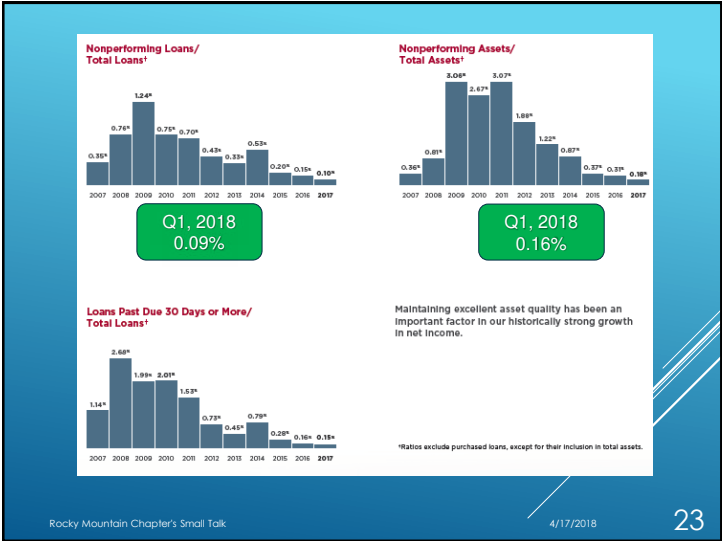
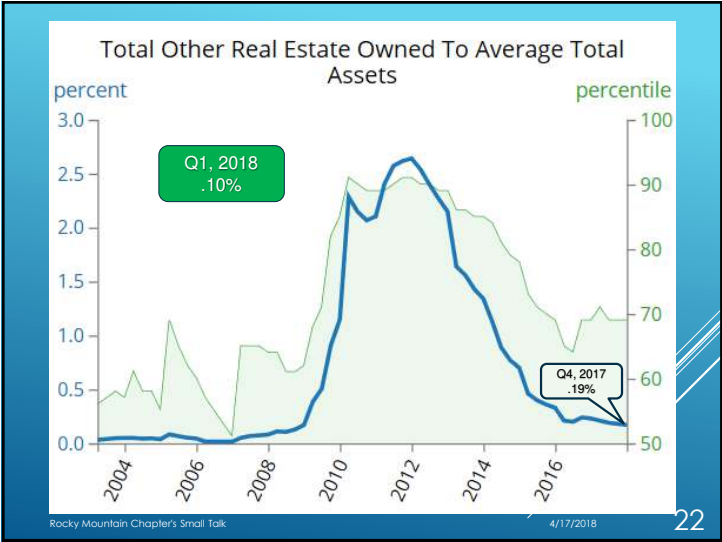
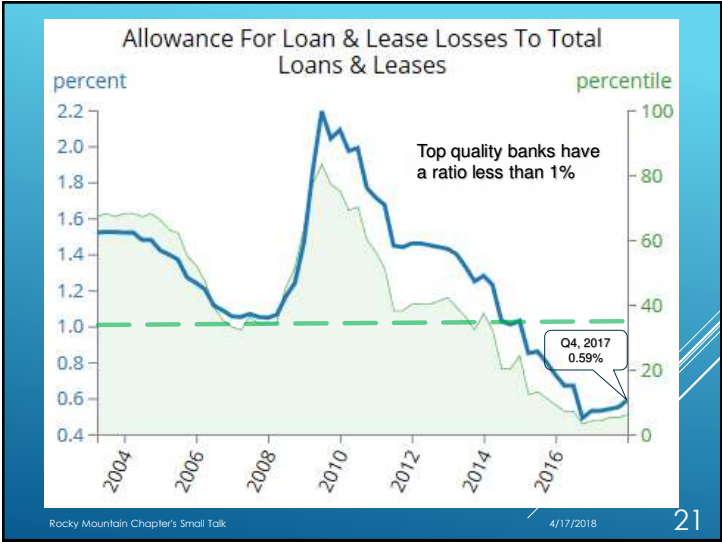
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Morningstar

Key Stats OZRK				More...
	Stock	Ind Avg	Relative to Industry	
Price/Earnings TTM	17.6	18.8		
Price/Book	2.0	1.7		
Price/Sales TTM	7.0	4.5		
Rev Growth (3 Yr Avg)	37.7	8.0		
Net Income Growth (3 Yr Avg)	43.6	9.8		
Operating Margin % TTM	61.6	—		
Net Margin % TTM	39.4	24.1		
ROA TTM	1.9	1.1		
ROE TTM	11.9	9.4		
Debt/Equity	0.1	0.7		

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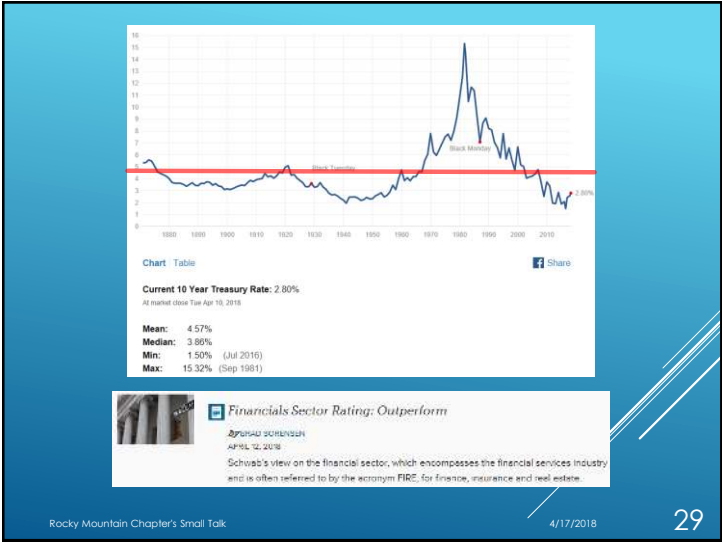
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The following table presents the earnings simulation model's projected impact of a change in interest rates on our projected baseline net interest income for the 12-month period commencing October 1, 2017. This change in interest rates assumes parallel shifts in the yield curve and does not take into account changes in the slope of the yield curve or the impact of any possible future acquisitions.

Shift in Interest Rates (in bps)	% Change in Projected Baseline Net Interest Income
+500	20.8%
+400	16.7
+300	12.6
+200	8.3
+100	4.1
-100	(5.0)
-200	Not meaningful
-300	Not meaningful
-400	Not meaningful
-500	Not meaningful

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- ### SWOT
- Strengths
 - Excellent ROAA
 - NIM > 85% of all banks
 - Quality of Loans
 - Weaknesses
 - Overreliance on growth by acquisition
 - Opportunities
 - Rising interest rates
 - Threats
 - George Gleason retirement
 - Competition
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POLL

5 Yr. Revenue Growth Rate

1. Analyst Consensus: 12%
2. Q1 2018: 15%
3. Historical: 23.5%
4. Historical * R2: 23.5 * .81 = 19%

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Normalized P/E Range Measures Uncertainty
(Average High P/E – Average Low P/E)/Average P/E

OZRK: $(22.7 - 14.4)/18.6 = 45\%$

Normalized P/E Range

Normalized P/E

Morningstar Uncertainty Rating

Peer Group: $(19.1 - 13)/16 = 38\%$

StockUp

1/10/2018

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POLL

Level of Confidence in Analysis

1. Very High
2. High
3. Average
4. Low
5. Very Low

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Level of Confidence	Required Return to Compensate for Risk
Very High	U/D 2
High	U/D 3
Average	U/D 3
Low	U/D 5
Very Low	U/D 7

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SSG Preparation

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For Further Study

- StockUp
 - March, 2017 and March, 2018
- TickerTalk
 - March, 2018
- Rocky Mountain Chapter
 - rmchapter.org/doc/BankStockAnalysis2016sep28.mp4
- The Bank Investors Handbook* by Nathan Tobik and Kenneth J. Yellen

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Thank you for your attention!



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