



Landmark Bancorp, Inc. (LARK)

Updated December 18th, 2022, by Patrick Neuwirth

Key Metrics

Current Price:	\$22	5 Year CAGR Estimate:	16.4%	Market Cap:	\$110m
Fair Value Price:	\$26	5 Year Growth Estimate:	10.0%	Ex-Dividend Date¹:	02/15/23
% Fair Value:	85%	5 Year Valuation Multiple Estimate:	3.3%	Dividend Payment Date¹:	03/01/23
Dividend Yield:	3.8%	5 Year Price Target	\$42	Years Of Dividend Growth:	21
Dividend Risk Score:	A	Retirement Suitability Score:	A	Rating:	Buy

Overview & Current Events

Landmark Bancorp, Inc. (LARK) is a financial holding company. The company's business consists of the ownership of Landmark National Bank and Landmark Risk Management, Inc.. The bank is predominantly engaged in the business of attracting deposits from the community and using such deposits, together with borrowings and other funds, to originate one-to-four family residential real estate, construction and land, commercial real estate, commercial, agriculture, municipal, and consumer loans. In addition, the company invests in certain investment and mortgage-related securities. The company's total assets were \$1.4 billion (Q3-2022), total gross loans were \$711.3 million and total deposits were \$1.1 billion. Landmark Bancorp has 31 branch offices in 24 communities across the state of Kansas. The company was founded in 1885 and has 270 employees.

On November 2nd, 2022, Landmark Bancorp released its third quarter 2022 results for the period ending September 30th, 2022. For the quarter the company reported earnings of \$2.5 million which represents a 44.4% decrease compared to the \$4.5 million earned for the third quarter of 2021. Reported earnings per diluted share for the same periods were \$0.50 and \$0.90, a decrease of 44.4% compared to the same quarter in 2021. The decrease in earnings was primarily due to a decrease of \$1.6 million in gains on sales of one-to-four family residential real estate loans as higher interest rates and low housing inventories reduced originations of these fixed-rate loans which are normally sold. The net interest income remained strong and grew by 24.7% on an annualized basis compared to the prior quarter due to higher loan and investment balances and higher rates. The company's net interest margin increased to 3.21%. For the reporting period, the return on average assets was 0.76%, the return on average equity was 8.33%, and the efficiency ratio was 69.6%. The acquisition of Freedom Bancshares, Inc. was completed prior to the opening of business on October 1st, 2022, and their financial information is not included in Landmark's third quarter results.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	\$1.39	\$1.01	\$1.69	\$2.17	\$1.81	\$0.87	\$2.07	\$2.10	\$3.91	\$3.60	\$2.36	\$3.80
DPS	\$0.44	\$0.47	\$0.49	\$0.51	\$0.57	\$0.60	\$0.63	\$0.66	\$0.69	\$0.73	\$0.84	\$1.18
Shares²	5	5	5	5	5	5	5	5	5	5	5	5

The company has grown earnings by 11.2% per year over the past nine years and 22.1% over the past five years. We expect earnings to increase by 10% per year for the next five years. The company has been able to increase its dividend for an impressive 21 consecutive years. Over the last five years, the average annual dividend growth rate is 7.0%. In February 2022, the company increased its quarterly dividend by 5.0% from \$0.20 to \$0.21 per share. The company also declared a 5% stock dividend payable on December 16, 2022, to common stockholders of record on December 2, 2022.

¹ Estimated date

² 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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Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Avg. P/E	9.2	10.6	11.0	9.5	11.7	29.8	9.7	11.7	6.4	7.0	9.3	11.0
Avg. Yld.	1.9%	3.7%	3.4%	2.8%	2.7%	2.6%	3.3%	3.0%	3.3%	2.7%	3.8%	2.8%

During the past decade shares of Landmark Bancorp have traded with an average price-to-earnings ratio of about 11.7 and today, it stands at 9.3. We are using 11 times earnings as a fair value baseline, implying the potential for a valuation tailwind. The company's dividend yield is currently 3.8% which is above the average yield over the past decade of 3.1%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	32%	47%	29%	24%	31%	69%	30%	31%	18%	20%	36%	31%

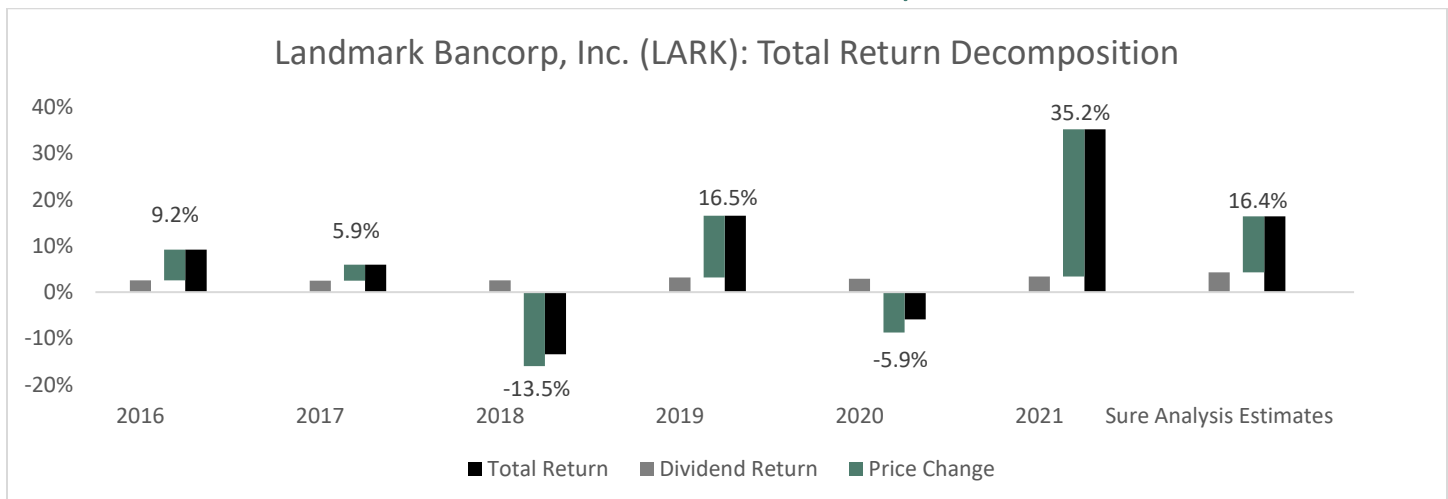
During the past five years, the company's dividend payout ratio has averaged around 34%. Landmark Bancorp's dividend is at the moment comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at least at the same pace and keep the payout ratio around the same levels which is safe.

Landmark Bancorp has demonstrated a solid financial performance combined with a sound asset quality track record and has a business model focused on community banking. As a result, the company has an impressive track record of 21 consecutive years of dividend increases. Landmark Bancorp has actually increased its dividends by $\geq 5\%$ each year since 2001. Landmark Bancorp's business model is primarily built upon lending money to local businesses and residents within the local communities the bank serves. The funding of those loans is done by gathering local deposits through their 31 branch offices. The bank has a diversified loan portfolio and a low-cost core deposit base. The non-interest income is also stable and diversified based on fees and services charges, gains on sales of loans and bank owned life insurance. The company has shown a decent track record of organic and acquisitive growth since 2000 including the recent acquisition of Freedom Bancshares, Inc.

Final Thoughts & Recommendation

Landmark Bancorp is an old and well-established regional bank active in 24 communities across the state of Kansas with a solid dividend track record and an average yield over the past decade of 3.1%. We estimate total return potential of 16.4% per year for the next five years based on a 10% earnings-per-share growth, and a valuation tailwind. The shares earn a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	31	30	40	43	41	33	43	46	64	61
SG&A Exp.	11	12	17	18	18	17	18	19	22	22
D&A Exp.	2	2	2	3	3	2	2	2	3	3
Net Profit	6	5	8	11	9	4	10	11	19	18
Net Margin	20.8%	15.7%	20.3%	24.5%	21.9%	13.1%	24.0%	23.1%	30.5%	29.7%
Free Cash Flow	12	11	7	6	18	2	20	8	14	30
Income Tax	2	1	3	4	2	(1)	1	1	5	5

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	614	829	863	878	911	929	986	998	1,188	1,329
Cash & Equivalents	15	30	13	14	20	17	19	14	90	197
Goodwill & Int.	8	11	10	11	13	13	13	11	14	13
Total Liabilities	15	22	22	22	22	21	21	20	21	22
Long-Term Debt	551	766	792	798	826	842	894	890	1,061	1,193
Total Equity	8	10	11	12	12	10	13	13	17	16
LTD/E Ratio	60	69	77	71	73	53	42	25	22	22

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	1.1%	0.6%	1.0%	1.2%	1.0%	0.5%	1.1%	1.1%	1.8%	1.4%
Return on Equity	10.4%	7.4%	12.0%	13.8%	10.8%	5.1%	11.6%	10.6%	16.6%	13.7%
ROIC	4.9%	3.7%	5.8%	7.0%	5.8%	2.9%	7.6%	8.0%	13.8%	11.8%
Shares Out.	5	5	5	5	5	5	5	5	5	5
Revenue/Share	6.37	6.12	7.95	8.45	7.88	6.31	8.17	8.66	12.18	11.52
FCF/Share	2.41	2.36	1.44	1.14	3.55	0.30	3.76	1.51	2.76	5.68

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

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