



# Bank OZK (OZK)

Updated October 18<sup>th</sup>, 2024, by Aristofanis Papadatos

## Key Metrics

<b>Current Price:</b>	\$46	<b>5 Year CAGR Estimate:</b>	12.8%	<b>Market Cap:</b>	\$5.2 B
<b>Fair Value Price:</b>	\$67	<b>5 Year Growth Estimate:</b>	2.0%	<b>Ex-Dividend Date<sup>1</sup>:</b>	1/10/25
<b>% Fair Value:</b>	69%	<b>5 Year Valuation Multiple Estimate:</b>	7.8%	<b>Dividend Payment Date:</b>	1/21/25
<b>Dividend Yield:</b>	3.6%	<b>5 Year Price Target</b>	\$74	<b>Years Of Dividend Growth:</b>	30
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	A	<b>Rating:</b>	Buy

## Overview & Current Events

Bank OZK, previously Bank of the Ozarks, is a regional bank that offers services such as checking, business banking, commercial loans and mortgages to its customers in Arkansas, Florida, North Carolina, Texas, Alabama, South Carolina, New York and California. The \$5.2 billion market cap bank was founded in 1903 and is headquartered in Little Rock, AR.

On October 1<sup>st</sup>, 2024, Bank OZK announced a \$0.41 quarterly dividend, representing a 2.5% raise over the last quarter's payment and a 10.8% raise year-over-year. This marks the company's 57<sup>th</sup> consecutive quarter of raising its dividend.

In mid-October, Bank OZK reported (10/17/24) results for the third quarter of 2024. Total loans and deposits grew 15% and 20%, respectively, over last year's quarter. Net interest income grew 6% over the prior year's quarter, despite higher deposit costs. Earnings-per-share grew 4%, from \$1.49 to a new all-time high of \$1.55, and exceeded the analysts' consensus by \$0.01. Bank OZK has exceeded the analysts' consensus in 16 of the last 18 quarters. Bank OZK has posted record earnings-per-share and record net interest income for 8 and 9 consecutive quarters, respectively. Bank OZK is an exemplary bank and hence we are confident in its prospects. Management still expects all-time high earnings-per-share in 2024 and a recovery of net interest margin from mid-2025 thanks to lower interest rates and deposit costs.

## Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
<b>EPS</b>	\$1.52	\$2.09	\$2.58	\$3.35	\$3.24	\$3.30	\$2.26	\$4.49	\$4.54	\$5.87	<b>\$6.10</b>	<b>\$6.73</b>
<b>DPS</b>	\$0.47	\$0.55	\$0.63	\$0.71	\$0.80	\$0.94	\$1.08	\$1.13	\$1.26	\$1.42	<b>\$1.64</b>	<b>\$2.30</b>
<b>Shares<sup>2</sup></b>	80	90	121	128	129	129	129	128	118	114	<b>110</b>	<b>100</b>

Bank OZK had grown its profits per share in almost every year since the financial crisis, which was a strong feat for a bank. In the 2011 through 2019 stretch, earnings-per-share grew by nearly 11% per year. Moreover, Bank OZK has not only been growing organically, but over the last decade the bank has repeatedly made acquisitions which management viewed as suitable. Of course, 2020 proved to be a challenge with earnings down materially.

We believe that Bank OZK will remain on its growth trajectory. Factors like general economic growth, a low payout ratio and coming off a conservative base should help results. Non-interest income makes up just a small amount of the bank's profits. This makes Bank OZK relatively independent from factors such as market movements, whereas bigger banks - where trading revenues are more important - are more dependent on such factors.

Due to the record earnings-per-share expected this year, we expect 2% earnings-per-share growth over the next five years. This is much lower than the historical growth rate of Bank OZK but it is warranted due to the high comparison base.

<sup>1</sup> Estimated date.

<sup>2</sup> 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.



# Bank OZK (OZK)

Updated October 18<sup>th</sup>, 2024, by Aristofanis Papadatos

## Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
<b>Avg. P/E</b>	21.3	20.6	15.9	14.4	12.8	9.0	10.8	8.6	9.3	6.8	<b>7.5</b>	<b>11.0</b>
<b>Avg. Yld.</b>	1.5%	1.3%	1.5%	1.5%	1.9%	3.2%	4.4%	2.9%	3.0%	3.6%	<b>3.6%</b>	<b>3.1%</b>

The valuation of Bank OZK has moved in a relatively wide range over the last decade. The price-to-earnings ratio of the stock exceeded 20 in 2014-2015 whereas it has plunged below 10 in recent years. Our fair value estimate is 11 times earnings, in line with a typical bank. The stock is now trading at a price-to-earnings ratio of 7.5. If it trades at its fair valuation level in five years, it will enjoy a 7.8% annualized gain in its returns.

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

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
<b>Payout</b>	31%	26%	24%	21%	25%	28%	48%	25%	28%	24%	<b>27%</b>	<b>34%</b>

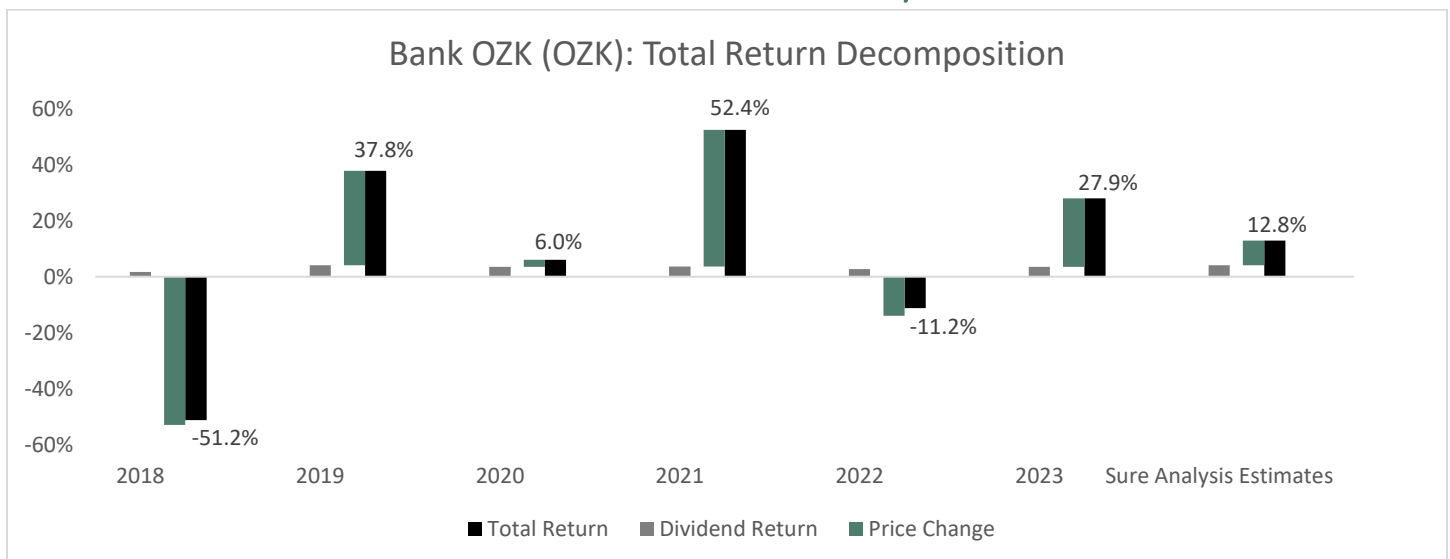
Bank OZK has raised its dividend at a very strong pace over the last decade, with multiple dividend raises each year. The dividend has been raised every quarter dating back to 2010, as an illustration. The payout ratio is still not elevated though, although 2020 saw a temporary uptick due to depressed earnings.

The bank is well positioned in its key markets, due to the opening of new branches and inorganic growth. Bank OZK is the largest bank in its home state of Arkansas. Given also a long history and strong performance during the last financial crisis, Bank OZK is an attractive financial stock. Bank OZK was very stable during the last financial crisis, as one of just a few banks which managed to grow profits.

## Final Thoughts & Recommendation

Bank OZK is much smaller than the well-known banks but it has demonstrated strengths in its niche, partly thanks to its exemplary management. It has proved resilient to recessions and has exhibited above-average growth of earnings-per-share and dividend. The bank has easily endured the downturn of regional banks caused by the collapse of Silicon Valley Bank, Credit Suisse and First Republic as well as multi-year high interest rates. Bank OZK has grown its deposits 20% over the prior year. The stock has rallied 25% in the last 12 months but it can still offer a 12.8% total annual return over the next five years thanks to 2.0% earnings-per-share growth, a 3.6% dividend yield and a 7.8% annualized valuation tailwind. It thus maintains its buy rating.

## 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.



# Bank OZK (OZK)

Updated October 18<sup>th</sup>, 2024, by Aristofanis Papadatos

## Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Revenue</b>	346	479	695	930	992	984	985	1,097	1,249	1,562
<b>SG&amp;A Exp.</b>	100	111	163	212	242	264	270	273	245	305
<b>D&amp;A Exp.</b>	13	17	25	34	35	43	44	43	44	41
<b>Net Profit</b>	119	182	270	422	417	426	292	579	564	691
<b>Net Margin</b>	34.3%	38.0%	38.9%	45.4%	42.1%	43.3%	29.6%	52.8%	45.2%	44.2%
<b>Free Cash Flow</b>	79	184	197	346	619	326	502	509	735	852
<b>Income Tax</b>	54	94	154	159	137	138	84	174	157	176

## Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Total Assets</b>	6,766	9,879	18,890	21,276	22,388	23,556	27,163	26,530	27,657	34,237
<b>Cash &amp; Equivalents</b>	150	91	866	440	291	1,496	2,394	2,054	1,033	2,150
<b>Accounts Receivable</b>	20	25	52	65	82	75	88	83	125	170
<b>Goodwill &amp; Int. Ass.</b>	106	152	721	709	696	685	675	669	664	661
<b>Total Liabilities</b>	5,855	8,412	16,095	17,812	18,615	19,402	22,887	21,691	22,966	29,097
<b>Accounts Payable</b>	37	52	73	186	216	222	252	187	234	---
<b>Long-Term Debt</b>	256	322	383	364	439	695	1,095	1,217	1,075	1,275
<b>Shareholder's Equity</b>	908	1,465	2,792	3,461	3,770	4,150	4,272	4,497	4,351	4,800
<b>LTD/E Ratio</b>	0.28	0.22	0.14	0.11	0.12	0.17	0.26	0.25	0.23	0.25

## Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Return on Assets</b>	2.1%	2.2%	1.9%	2.1%	1.9%	1.9%	1.2%	2.2%	2.1%	2.2%
<b>Return on Equity</b>	15.4%	15.4%	12.7%	13.5%	11.5%	10.8%	6.9%	13.2%	12.8%	14.1%
<b>ROIC</b>	11.1%	12.3%	10.9%	12.0%	10.4%	9.4%	5.7%	10.1%	9.5%	11.3%
<b>Shares Out.</b>	80	90	121	128	129	129	129	128	121	115
<b>Revenue/Share</b>	4.43	5.49	6.63	7.39	7.70	7.63	7.61	8.46	10.35	13.60
<b>FCF/Share</b>	1.01	2.11	1.88	2.75	4.80	2.53	3.88	3.92	6.09	7.42

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

### Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.