

Breakout IV: 7 Habits of Highly Effective Capital Allocators

#A0BA23

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*Performance Trust Capital
Partners, LLC*



PERFORMANCE TRUST
CAPITAL PARTNERS

7 Habits of Highly Effective Capital Allocators

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7 Habits of Highly Effective Capital Allocators

Agenda

1. *Actively* Manage Your **Capital**
2. *Actively* Manage Your **Shareholders**
3. *Actively* Manage Your **Balance Sheet**
4. *Actively* Manage Your **Personnel**
5. **Addition thru Subtraction**
6. **Mergers & Acquisitions**
7. **Be Relevant**

Actively Managing Your Capital

Buy, Sell, Hold

Prepare for change...what if?

Take it when it's "cheap" ...buy low, sell high

May require contrarian thinking...and ACTIONS

Manage *through* Volatility

Buyback / ATM / shelf registration

Stick to your guns (this may be hard)

Be Proactive Towards the Future

Shareholder liquidity needs

Actively Managing Your Shareholders

Liquidity Without Losing Independence

Going public

Bring back the “*community*” in community bank

The ancillary values of ownership

Shareholder Relations

Awareness of ability to own your bank

Investor relations on your website

Attractive earnings release / shareholder communications

Deposit dividends into your bank’s account (if private)

Beware of *Rigid* Agreements

Buy/sell agreements

Actively Managing Your Balance Sheet

Compared to What?

Systematic method of constantly evaluating ALL of your options

Leaving the pack when they're heading toward the cliff

Labels vs. cash flows OR accounting vs. economics

Prepare for Change

Different time, different environment

How do I Measure Success?

Individual metrics vs. shareholder risk/reward

ROA vs. ROE and short-term vs. long-term

Actively Managing Your Personnel

Board

Does your Board have a job description?

Do you evaluate your Board...and *make changes*

Do you report / celebrate opportunities coming from your Board?

C-Suite

Do you have an echo chamber or a reality check?

How do you evaluate performance?

Up and Comers

How do you identify stars? How do you keep them?

Addition through **Subtraction**

Sacred Cows Make the Best Hamburgers

Unprofitable business lines

Branches

Efficiency

Woulda...Coulda... Shoulda

Cost of capital

Asset yields

Liability costs

Hindsight is 20/20...**ONLY IF YOU LOOK**

Know When to Hold'em, Know When to Fold'em

2021 vs. TODAY

Is Your Analysis / Methodology Incomplete?

What is the impact of future rate changes?

An example.....

What Was the Impact of Rising Rates on Key M&A Metrics?

Transaction Summary at 12/31/21

DEAL VALUE

Aggregate Deal Value (\$000s):	\$31,000
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FINANCIAL IMPACT TO BUYER

TBV Accretion (Dilution) at Close (%):	(7.2%)
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TBV Earnback (years):	3.3 years
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2023E EPS Accretion (Dilution) (%):	8.2%
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2024E EPS Accretion (Dilution) (%):	11.6%
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Est. IRR, 11.0x P/E and 9.0% TCE (%):	9.4%
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This is not a projection of investment returns.

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So, what's *incomplete*
with this picture?



In **WHAT SCENARIO** are These Metrics Calculated?

DEAL VALUE

Aggregate Deal Value (\$000s):	\$36,000
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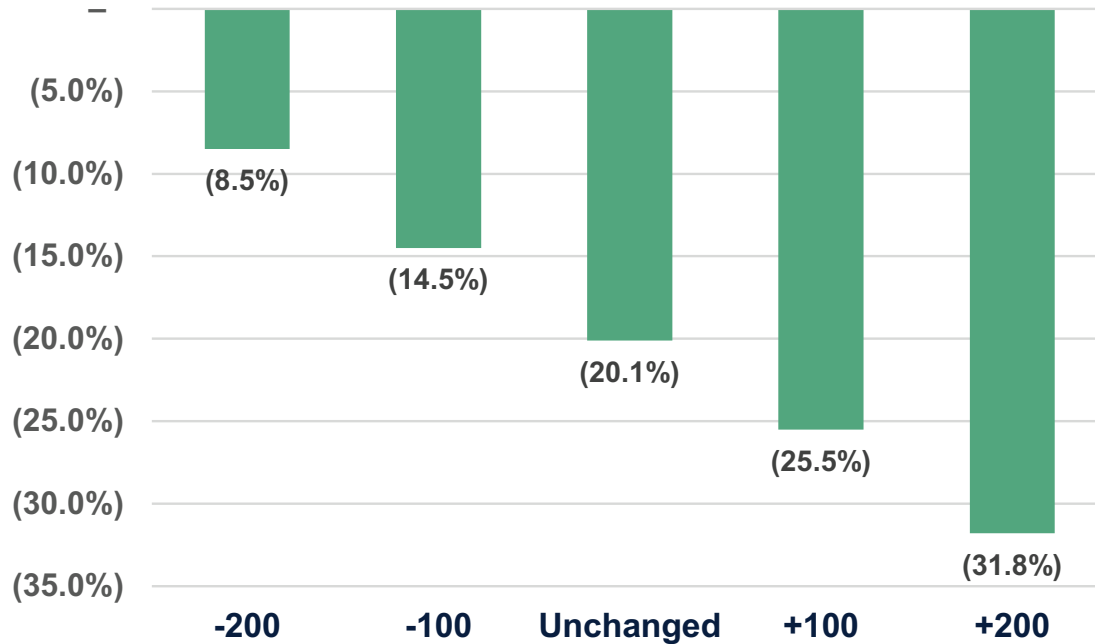
FINANCIAL IMPACT TO BUYER

TBV Accretion (Dilution) at Close (%):	(20.1%)
TBV Earnback (years):	3.3 years
2023E EPS Accretion (Dilution) (%):	31.8%
2024E EPS Accretion (Dilution) (%):	35.6%
Est. IRR, 11.0x P/E and 9.0% TCE (%):	22.8%

**ONLY IN RATES
UNCHANGED**

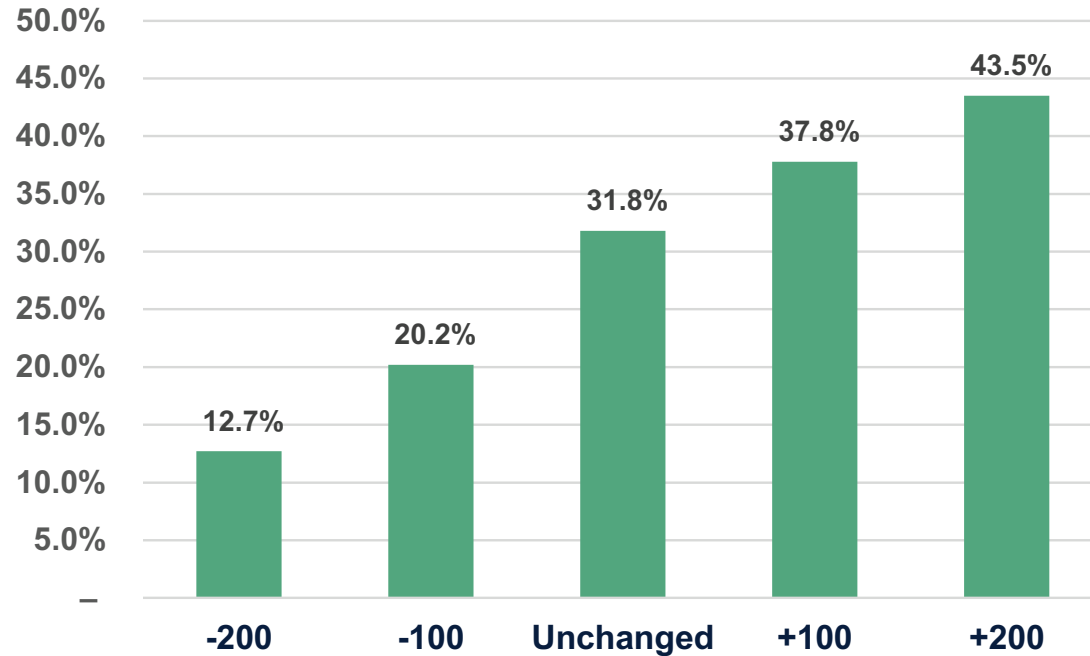
Initial Dilution (and Day 1 Capital Ratios) Has a Profile...

Tangible Book Valuation Dilution at Close



EPS Accretion Has a Profile...

EPS Accretion with Fully-Realized Synergies



Focus Focus Focus

Know what you're good at and do more

Be proactive

Be willing to learn and be flexible

Do not try to be everything to everybody

Be important to your community, your customers and your employees

Q & A



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Would you like a copy of the presentation?

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