



Landmark Bancorp, Inc. (LARK)

Updated February 4th, 2024, by Patrick Neuwirth

Key Metrics

Current Price:	\$21	5 Year CAGR Estimate:	10.8%	Market Cap:	\$114 M
Fair Value Price:	\$23	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	02/13/24
% Fair Value:	91%	5 Year Valuation Multiple Estimate:	1.4%	Dividend Payment Date:	02/28/24
Dividend Yield:	4.0%	5 Year Price Target	\$30	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. As of the fourth quarter of 2023, the company's total assets were \$1.56 billion, total gross loans were \$948 million, and total deposits were \$1.3 billion. Landmark Bancorp has 31 branch offices in 24 communities across the state of Kansas. The company was founded in 1885 and has 275 employees.

On January 31st, 2024, Landmark Bancorp released its fourth quarter and full year 2023 results for the period ending December 31st, 2023. For the quarter, the company reported earnings of \$2.6 million, a decrease compared to the \$2.9 million earned in the third quarter of 2023, but an increase from the \$1.2 million reported for the same quarter last year. Reported earnings per diluted share for the quarter were \$0.48, compared to \$0.53 in the third quarter of 2023 and \$0.22 in the same quarter last year. For the full year, diluted earnings per share totaled \$2.23, compared to \$1.79 during 2022, representing a 24.6% increase year-over-year.

The change in earnings for the fourth quarter was primarily attributed to increased net interest income and flat expenses, partially offset by lower non-interest income due to securities losses and a decrease in non-interest expense due to the absence of acquisition costs incurred in the previous year. Compared to the third quarter of 2023, total gross loans increased by \$11.7 million, or 4.8% on an annualized basis, mainly due to growth in residential mortgage and agriculture loans. Deposits also increased by \$6.8 million during the quarter. Net interest income increased to \$10.9 million, representing a 2.4% increase from the prior quarter. The company's net interest margin increased to 3.11% during the fourth quarter from 3.06% in the third quarter. For the reporting period, the return on average assets was 0.67%, the return on average equity was 9.39%, and the efficiency ratio was 71.9%.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$1.54	\$1.97	\$1.65	\$0.79	\$1.88	\$1.91	\$3.54	\$3.26	\$1.79	\$2.23	\$2.50	\$3.35
DPS	\$0.49	\$0.51	\$0.57	\$0.60	\$0.63	\$0.66	\$0.69	\$0.73	\$0.80	\$0.84	\$0.84	\$1.12
Shares¹	5	5	5	5	5	5	5	5	5	5	5	5

The company has grown earnings by 4.2% per year since 2014 and 5.5% over the past five years. We expect earnings to increase by 6% 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 4.9%. 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 in December 2023. This is the 23rd consecutive year that the company has declared a 5% stock dividend.

¹ 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	11.0	9.5	11.7	29.8	9.7	11.7	6.4	7.0	9.6	8.3	8.4	9.0
Avg. Yld.	1.9%	2.8%	2.7%	2.6%	3.3%	3.0%	3.3%	2.7%	3.7%	4.0%	4.0%	3.7%

During the past decade shares of Landmark Bancorp have traded with an average price-to-earnings ratio of about 11.5 and today, it stands at 8.4. We are using 9 times earnings as a fair value baseline, implying the potential for a valuation tailwind. The stock's dividend yield is currently 4.0% which is above the average yield of 3.2% for the past decade.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	32%	26%	35%	76%	34%	35%	19%	22%	45%	38%	34%	34%

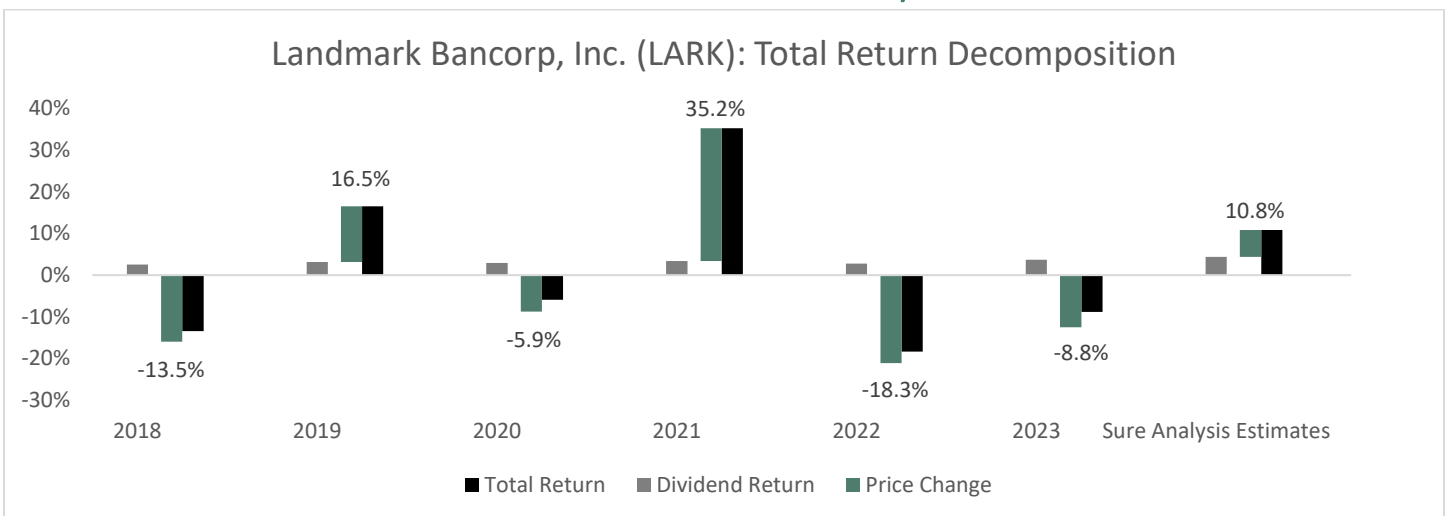
During the past five years, the company's dividend payout ratio has averaged around 32%. Landmark Bancorp's dividend is at the moment comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at least at the same pace and keep the payout ratio 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 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. The company has a solid dividend track record and offers an above average yield. We estimate total return potential of 10.8% per year for the next five years based on a 6% earnings-per-share growth, the dividend, and a small valuation tailwind. The shares earn a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	30	40	43	41	33	43	46	64	61	53
SG&A Exp.	12	17	18	18	17	18	19	22	22	20
Net Profit	5	8	11	9	4	10	11	19	18	10
Net Margin	15.7%	20.3%	24.5%	21.9%	13.1%	24.0%	23.1%	30.5%	29.7%	18.9%
Free Cash Flow	11	7	6	18	2	20	8	14	30	24
Income Tax	1	3	4	2	(1)	1	1	5	5	1.4

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	829	863	878	911	929	986	998	1,188	1,329	1,503
Cash & Equivalents	30	13	14	20	17	19	14	90	197	32
Acc. Receivable	11	10	11	13	13	13	11	14	13	26
Goodwill & Int.	22	22	22	22	21	21	20	21	22	40
Total Liabilities	766	792	798	826	842	894	890	1,061	1,193	1,391
Accounts Payable	10	11	12	12	10	13	13	17	16	23
Long-Term Debt	69	77	71	73	53	42	25	22	22	68
Total Equity	63	72	81	85	88	92	109	127	136	111
LTD/E Ratio	1.10	1.07	0.88	0.86	0.61	0.45	0.23	0.17	0.16	0.61

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	0.6%	1.0%	1.2%	1.0%	0.5%	1.1%	1.1%	1.8%	1.4%	0.7%
Return on Equity	7.4%	12.0%	13.8%	10.8%	5.1%	11.6%	10.6%	16.6%	13.7%	8.0%
ROIC	3.7%	5.8%	7.0%	5.8%	2.9%	7.6%	8.0%	13.8%	11.8%	5.7%
Shares Out.	5	5	5	5	5	5	5	5	5	5
Revenue/Share	6.12	7.95	8.45	7.88	6.31	8.17	8.66	12.18	11.52	10.02
FCF/Share	2.36	1.44	1.14	3.55	0.30	3.76	1.51	2.76	5.68	4.56

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

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