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For many, mutual bank conversions are a precursor to a sale

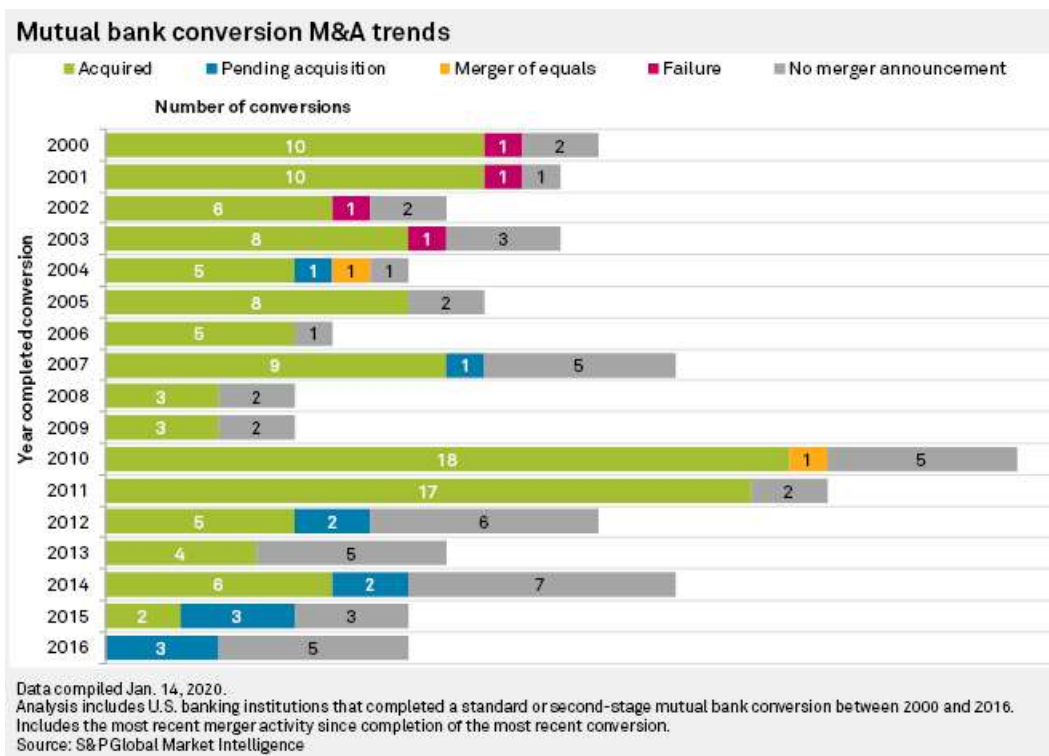


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Theme **Banking**

Companies that have completed standard and second-stage mutual bank conversions continued to pursue M&A in 2019, as 13 of those that have gone fully public since 2000 were acquired while another 11 are in the process of being acquired.

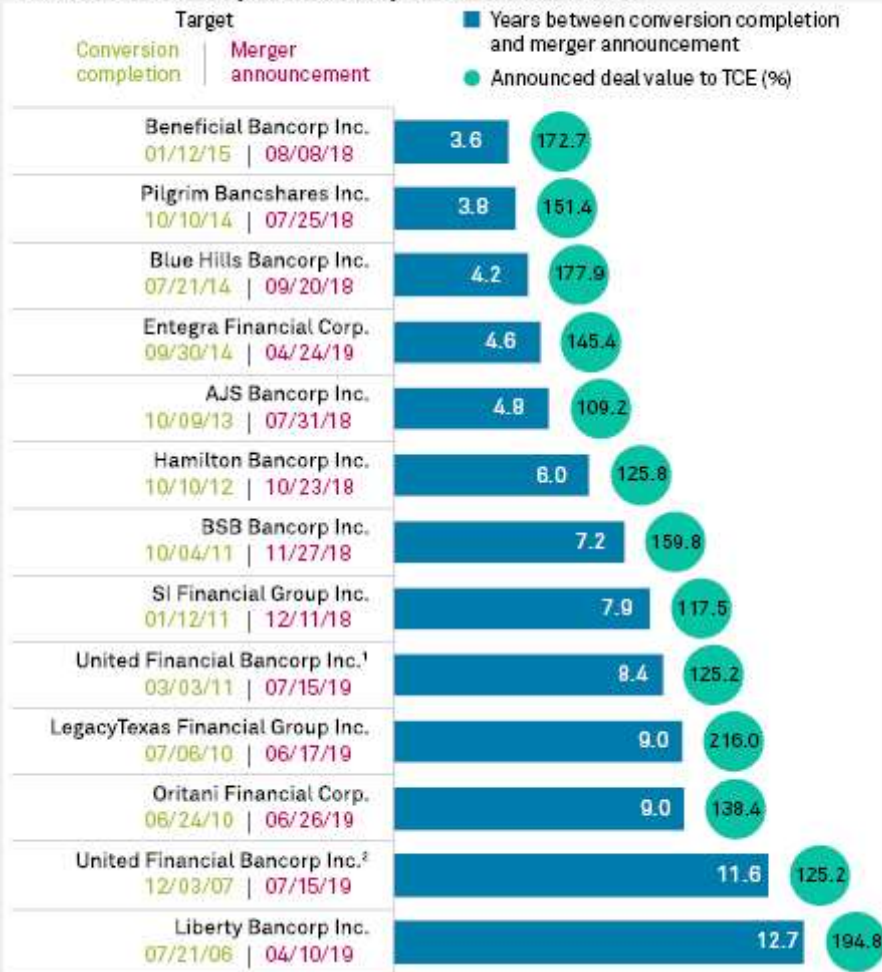
Regulators generally prohibit banks from selling for at least three years following a mutual conversion, so investors eagerly anticipate that third anniversary. Of the 191 completed standard and second-stage conversions from 2000 to 2016, only 28% have not announced a merger.



The conversion class of 2011 has been one of the most active on the M&A front. Three of the class' converted companies were acquired in 2019. Of the 19 standard and second-stage conversions from 2011, only Watseka, Ill.-based IF Bancorp Inc. and Sykesville, Md.-based Carroll Bancorp Inc. are independent.

For the class of 2013, four of the nine standard and second-stage conversions have sold. The most recent company in that class to sell is AJS Bancorp Inc., which merged with Munster, Ind.-based NorthWest Indiana Bancorp in January 2019.

Converted companies acquired since 2019



Data compiled Jan. 14, 2020.

TCE = tangible common equity

Analysis includes U.S. banking institutions that have completed a standard or second-stage mutual bank conversion since 2000, and have completed a sale of the company since 2019.

¹ Formerly known as Rockville Financial Inc.; completed a merger of equals with United Financial Bancorp Inc. in April 2014; the surviving entity was named United Financial Bancorp Inc.

² Completed a merger of equals with Rockville Financial Inc. in April 2014; the surviving entity was named United Financial Bancorp Inc.

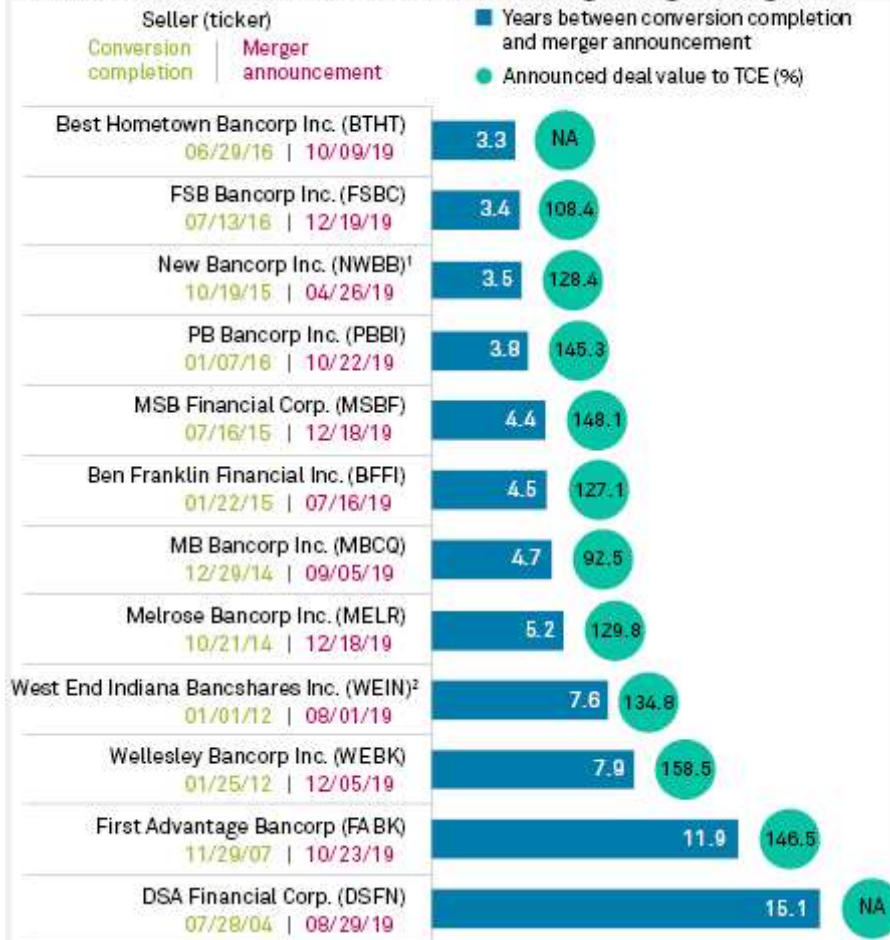
Deal value to TCE = deal value as a percentage of tangible common equity acquired; derived from per-share values when all ratio components are available; otherwise, aggregate values are used

Source: S&P Global Market Intelligence

For the 13 most recently completed M&A transactions, the time between conversion completion and merger announcement ranged from 3.6 years for Beneficial Bancorp Inc. to 12.7 years for Liberty Bancorp Inc. The median time was 7.2 years.

All of the M&A deals were priced above tangible book value. The most expensive acquisition in terms of announced deal value to tangible common equity was LegacyTexas Financial Group Inc. at 216.0%.

Converted companies that are pending merger targets



Data compiled Jan. 14, 2020.

TCE = tangible common equity; NA = not available

Analysis includes U.S. banking institutions that have completed a standard or second-stage mutual bank conversion since 2000, and are currently the target of a pending acquisition.

Deal value to TCE = deal value as a percentage of tangible common equity acquired; derived from per-share values when all ratio components are available; otherwise, aggregate values are used

¹ Teachers CU is acquiring the assets and assuming the liabilities of New Bancorp Inc.

² Three Rivers FCU is acquiring the assets and assuming the liabilities of West End Indiana Bancshares Inc. subsidiary West End Bank SB.

Source: S&P Global Market Intelligence

Collinsville, Ill.-based Best Hometown Bancorp Inc. and Fairport, N.Y.-based FSB Bancorp Inc. wasted little time as they announced sales 3.3 years and 3.4 years, respectively, after completing conversions.

New and upcoming potential merger targets					
Ranked by conversion completion date					
Company (ticker)	City, state	Conversion completion date	Sept. 30, 2019		Jan. 13, 2020
			Total assets (\$M)	TCE/TA (%)	price/TBV (%)
Converted companies now eligible to merge					
Central Federal Bancshares Inc. (CFDB)	Rolla, MO	01/12/16	69.5	34.04	78.6
Randolph Bancorp Inc. (RNDB)	Stoughton, MA	07/01/16	641.4	NA	NA
WCF Bancorp Inc. (WCFB)	Webster City, IA	07/13/16	130.8	NA	NA
Bancorp 34 Inc. (BCTF)	Alamogordo, NM	10/11/16	385.3	11.60	111.6
Ottawa Bancorp Inc. (OTTW)	Ottawa, IL	10/11/16	304.2	16.32	89.7
Community Savings Bancorp Inc. (CCSB)	Caldwell, OH	01/10/17	51.2	14.91	80.3
HV Bancorp Inc. (HVBC)	Huntingdon Valley, PA	01/11/17	356.6	9.33	117.4
Converted companies eligible to merge by year-end 2020					
PCSB Financial Corp. (PCSB)	Yorktown Heights, NY	04/20/17	1,658.6	16.65	126.9
Heritage NOLA Bancorp Inc. (HRGG)	Covington, LA	07/12/17	131.2	17.61	91.2
Eagle Financial Bancorp Inc. (EFBI)	Cincinnati, OH	07/20/17	142.3	19.58	92.6
Median of new and upcoming potential merger targets			223.3	16.48	91.9

Data compiled Jan. 14, 2020.
TCE/TA = tangible common equity as a percentage of tangible assets; TBV = tangible book value; NA = not available
Analysis includes U.S. banking institutions that have completed a standard or second-stage mutual bank conversion, and that either have reached their third anniversary as a fully public company since 2019 or will reach their third anniversary by the end of 2020.
Excludes PB Bancorp Inc., Best Hometown Bancorp Inc. and FSB Bancorp Inc., each of which agreed to be acquired in 2019.
Source: S&P Global Market Intelligence

Seven converted companies have become eligible to merge since 2019. Caldwell, Ohio-based Community Savings Bancorp Inc. and Huntingdon Valley, Pa.-based HV Bancorp Inc. just passed their third anniversaries in January. Stoughton, Mass.-based Randolph Bancorp is the largest company in the group by total assets, with \$641.4 million as of Sept. 30, 2019.

Three additional companies will be eligible to merge by the end of 2020. Yorktown Heights, N.Y.-based PCSB Financial Corp. could be the crown jewel in the group, with \$1.66 billion in assets and a branch network in the Lower Hudson Valley.