

CenterState to slow M&A ambitions after Platinum acquisition

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Hours after Winter Haven, Fla.-based CenterState Banks Inc. announced it is acquiring Brandon, Fla.-based Platinum Bank Holding Co., CenterState CEO and President John Corbett said the company no longer feels “compelled” to reach for M&A deals. But CenterState will continue to watch for potential mergers that would create “organic growth,” Corbett said.

“As we look at the landscape out there in Florida over the next 18 months, we see a lot of opportunity,” Corbett said. “So we are going to continue to evaluate opportunities going forward just like we did in the past.”

If approved by regulators, the Platinum merger would create a \$5.6 billion company that would solidify CenterState’s footprint in west central Florida and help deepen the company’s presence in the Tampa-St. Petersburg market. Corbett said Platinum was at the top of their list of “six to eight potential merger partners” that would advance the company’s key strategies of increasing its loan-to-deposit ratio, investing in fee-income lines of business, and driving efficiency ratios lower.

CenterState reported third-quarter net income of \$15.4 million, or 32 cents per share, which is higher than the \$9.9 million, or 22 cents per share, for the third quarter of 2015. The mean consensus estimate for normalized EPS was \$0.31, according to S&P Global Market Intelligence data.

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The company also reported an operating return on average tangible equity of 14.5%, up from 10.2% in the third quarter of 2015. Even with the Platinum acquisition, the company has the capital to execute future deals on the way to reaching the \$10 billion mark in total assets, Keefe Bruyette & Woods Managing Director Brady Gailey said. But Gailey added that the company probably won’t execute as many M&A deals since they’ve reached a comfortable size.

“In the past, they needed more scale and more size to really help get the company to the profitability levels that they desired,” Gailey said. “They’ve done that now.”

John Rodis, senior vice president of FIG Partners, said CenterState can now be more selective about M&A deals.

“I don’t think they need to ratchet up or ratchet down,” Rodis said.

Gailey and Rodis said the company will now likely transition their focus from M&A to loan growth. Corbett said the company will fight for market share against retail giants like Bank of America Corp. and Wells Fargo & Co., specifically in the Orlando, Tampa and Jacksonville markets.

“Those are clearly markets that we want to continue to ramp up our lending efforts ... so look for us to continue bringing on teams there,” Corbett said.

Corbett also took a moment to defend the company’s funded loan origination, of which 60% is commercial real estate loans, from fears of increased regulatory scrutiny. The executives said they expect regulators to focus on banks involved in multifamily, hospitality and construction loans, whereas most of CenterState’s CRE production is in office, retail and industrial warehouse loans.

