



## COMPANY UPDATE / ESTIMATES CHANGE

### Key Metrics

RNST - NASDAQ (as of 04/26/17)	\$43.20
Price Target	\$44.00
52-Week Range	\$30.21-\$44.65
Shares Outstanding (mm)	44.4
Market Cap. (\$mm)	\$1,918
3-Mo. Average Daily Volume (000)	203.7
Institutional Ownership	66.4%
Tangible Equity / Tangible Assets	9.5%
ROE	8.1%
Tangible Book Value Per Share	\$17.07
Price/Tangible Book Value	248.9%
Dividend Yield	1.7%
Price/LTM Earnings	19.8x

### Operating EPS CY 12/31

	2016A	Prior 2017E	Curr. 2017E	Prior 2018E	Curr. 2018E
1Q	\$0.54	\$0.53	\$0.55A	\$0.72	\$0.69
2Q	\$0.57	\$0.57	\$0.57	\$0.78	\$0.77
3Q	\$0.59	\$0.62	\$0.62	\$0.80	\$0.78
4Q	\$0.59	\$0.62	\$0.61	\$0.80	\$0.77
Year	\$2.29	\$2.34	\$2.35	\$3.09	\$3.02
P/E	18.9x		18.4x		14.3x

Numbers may not add due to rounding

### Common Dividends

	2016A	Curr. 2017E	Prior %chg.	Curr. 2018E
1Q	\$0.17	\$0.18A	5.9	\$0.18
2Q	\$0.18	\$0.18	0.0	\$0.18
3Q	\$0.18	\$0.18	0.0	\$0.18
4Q	\$0.18	\$0.18	0.0	\$0.18
Year	\$0.71	\$0.72	1.4	\$0.72

**Company Description** - Founded in 1904, Renasant Corporation (RNST) is a commercial banking organization with approximately \$8 billion in assets and over 175 banking and other financial services offices in Mississippi, Tennessee, Georgia, Alabama and Florida. In addition to traditional banking services, RNST offers mortgage banking, wealth management, insurance and trust services.

### Banks

Analyst: Andrew W. Stapp  
502-588-4190 / [astapp@hilliard.com](mailto:astapp@hilliard.com)  
Institutional Sales Desk: George Moorin  
502-588-9141 / [gmoorin@hilliard.com](mailto:gmoorin@hilliard.com)  
J.J.B. Hilliard, W.L. Lyons, LLC  
April 27, 2017

## Renasant Corporation

RNST -- NASDAQ – Neutral – 2

### 1Q17 Review; Reiterating Neutral Rating

- **Earnings Results:** Excluding \$0.01 of non-core items, RNST reported operating EPS of \$0.55, which was \$0.02 ahead of our estimate and \$0.01 above the Street.

- **Positive Highlights:** Operating noninterest expenses declined 1.1% linked-quarter (LQ) to \$68.8 million and was below our estimate of \$73.2 million.

The provision for loan losses decreased \$0.2 million LQ to \$1.5 million versus our estimate of \$2.6 million. Excluding performing restructured loans, Nonperforming Assets/Assets fell five bps to 0.48%, while the net charge-off ratio fell 22 bps to 0.09%.

- **Negative Highlights:** Net interest income fell 5.2% LQ to \$74.0 million as 23 bps of net interest margin (NIM) compression to 4.01% and two fewer days in the quarter more than offset a 2.5% rise in average earning assets. Excluding purchase accounting accretion and interest income from recoveries on problem loans, the adjusted NIM fell two bps to 3.69%. We had projected net interest income of \$77.0 million and a 4.17% margin.

Operating noninterest income rose 5.8% sequentially to \$32.0 million, primarily drive by higher mortgage banking income (27.1%) and fees & commissions on loans and deposits (8.9%). However, results came in shy of our estimate of \$34.2 million.

Growth in end-of-period non-acquired loans was solid at 10.5% LQ annualized, but was below the 23.0% gain generated in 2016.

- **Estimates:** We are revising our 2017 operating EPS estimate to \$2.35 and \$3.02 from \$2.34 and \$3.09, respectively. We are maintaining our \$44.00 price target and Neutral rating.

**Note Important Disclosures on pages 4 and 5**  
**Note Analyst Certification on page 4**

**OTHER TAKEAWAYS & VALUATION**

- Loan production slowed early in 1Q17, but accelerated toward quarter-end. Management noted the loan pipeline is up almost 5% YOY.
- Excess liquidity resulting from an inflow of public funds negatively impacted the NIM by approximately 10 bps.
- Management guided to noninterest expense quarterly run rate of approximately \$71 million in 2017, with quarterly variability to as high as \$72.5 million.
- The announced merger with Metropolitan Bank Group, Inc. is expected to close in July. Systems conversion is anticipated to occur during 3Q17.
- Management is exploring M&A opportunities to deepen the company's presence in their existing five-state footprint, but flagged North and South Carolina as states of interest to expand into new markets.
- We derive our price target through our discounted dividend model and the application of RNST's historical forward multiple of approximately 15X to our 2Q18-1Q19 EPS estimates.
- Major model assumptions include one additional Fed rate hike this year and another next year, continued flattening of the yield curve, slower loan growth in 2017 and a 28% U.S. corporate tax rate in 2018.

**SUITABILITY**

Our suitability rating on RNST is 2 on our scale of 1 to 4 (1 = most conservative, 4 = most aggressive). Factors contributing to our suitability rating include the company's market capitalization, liquidity and trading volume, diversity of revenues and the geographic diversification of its footprint.

**RISK FACTORS**

- **Economy** – If the economy softens, loan demand could wane and credit quality could deteriorate.
- **Geography** – The company's operations are clustered in a few states. Accordingly, its earnings are more vulnerable to any regional shock and/or slowdown.
- **Real Estate** – A significant percentage of the company's loans are real estate oriented. Any deterioration in real estate values would impair the value of the underlying real estate collateral.
- **Competition** – The industry is highly competitive and many of the company's competitors have greater resources.
- **Sector Rotation** – The share price of the company's common stock may be vulnerable to any sector rotation that might occur.
- **Regulatory Environment** – Banks operate in a highly regulated environment. Consequently, the company is vulnerable to regulatory uncertainties that could negatively impact shareholders.
- **Other** – Please see the company's financial statements for a further discussion of risks and considerations.

	RENASANT CORPORATION										RNST: NEUTRAL				
	1Q16 A	2Q16 A	3Q16 A	4Q16 A	1Q17 A	2Q17 E	3Q17 E	4Q17 E	FY 2015 A	FY 2016 A	FY 2017 E	FY 2018 E	YOY Change		
\$Millions, Except for Per Share Data															
<b>Balance Sheet Data:</b>															
Total Assets	8,146.2	8,529.6	8,542.3	8,699.9	8,764.7	8,940.0	10,339.9	10,588.0	7,935.7	8,699.9	10,588.0	11,687.2	9.6%	21.7%	10.4%
Total Gross Loans	5,572.7	5,965.4	6,105.2	6,199.5	6,235.8	6,322.5	7,477.7	7,705.8	5,413.5	6,199.5	7,705.8	8,783.4	14.5%	24.3%	14.0%
Average Earning Assets	6,863.9	7,396.3	7,433.5	7,483.2	7,668.6	7,749.9	9,004.7	9,208.3	5,961.2	7,292.6	8,407.9	9,793.6	22.3%	15.3%	16.5%
Deposits	6,431.4	6,702.5	6,817.8	7,059.1	7,230.9	7,357.4	8,440.6	8,622.0	6,218.6	7,059.1	8,622.0	9,424.6	13.5%	22.1%	9.3%
Equity	1,053.2	1,124.3	1,142.1	1,232.9	1,251.1	1,270.0	1,471.8	1,493.1	1,044.6	1,232.9	1,493.1	1,606.9	18.0%	21.1%	7.6%
<b>Statement of Operations:</b>															
FTE Net Interest Income	71.8	78.9	77.5	79.8	75.9	79.3	92.7	94.5	248.9	308.0	342.4	393.2	23.7%	11.2%	14.8%
Net Interest Income	70.1	77.2	75.7	78.0	74.0	77.4	90.4	92.1	241.6	301.0	333.9	383.4	24.6%	10.9%	14.8%
Provision for Loan Losses	1.8	1.4	2.7	1.7	1.5	2.1	2.7	2.9	4.8	7.5	9.2	13.8	58.5%	21.6%	50.9%
<b>Non-Interest Income:</b>															
Wealth Management Income	2.9	2.9	3.1	2.8	2.9	2.9	3.0	3.0	9.8	11.7	11.8	12.7	19.4%	1.1%	7.2%
Deposit Service Charges	8.0	7.5	8.2	8.2	7.9	8.3	8.7	8.7	29.3	31.9	33.6	35.0	8.9%	5.4%	4.3%
Fees & Commissions	4.3	5.0	4.9	4.6	5.2	5.2	5.3	5.4	16.1	18.9	21.2	19.0	17.4%	12.0%	-10.4%
Insurance	2.0	2.2	2.4	2.0	1.9	2.3	2.6	2.1	8.4	8.5	8.8	9.2	1.0%	3.0%	5.5%
Mortgage Banking Income	11.9	13.4	15.8	8.3	10.5	11.8	12.3	11.4	35.8	49.4	46.0	55.3	38.1%	-6.9%	20.1%
Other	4.3	3.3	3.3	4.3	3.6	4.3	4.9	4.9	15.7	17.7	17.7	20.6	78.8%	12.8%	16.6%
Securities Gains	0.0	-0.1	1.3	0.0	0.0	0.0	0.0	0.0	0.1	1.2	0.0	0.0	1135.4%	-100.0%	NA
Total Non-Interest Income	33.4	34.3	39.6	30.1	32.0	34.7	36.7	35.6	108.3	137.3	139.1	151.8	26.8%	1.3%	9.2%
Non-Core Adjustment	0.1	-1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.2)	0.0	0.0	NA	-100.0%	NA
Adjusted Non-Interest Income	33.4	33.0	39.6	30.1	32.0	34.7	36.7	35.6	108.3	136.1	139.1	151.8	25.7%	2.2%	9.2%
<b>Non-Interest Expense:</b>															
Salaries & Benefits	42.4	45.4	44.7	40.0	42.2	43.2	47.7	47.1	145.1	172.4	180.2	193.3	18.8%	4.5%	7.3%
Amortization	1.7	1.7	1.7	1.6	1.6	1.5	1.7	1.6	6.1	6.7	6.4	6.0	11.2%	-5.0%	-6.6%
Data Processing	4.2	4.5	4.6	4.5	4.2	4.5	4.5	4.6	14.0	17.7	17.8	18.6	26.2%	0.6%	4.4%
Occupancy & Equipment	8.0	8.5	8.8	8.8	9.3	9.0	10.3	10.0	27.0	34.2	38.6	40.4	26.6%	13.0%	4.6%
OREO Expenses	1.0	1.6	1.5	1.6	1.5	1.5	1.5	1.5	3.0	5.7	5.0	4.0	87.1%	-11.6%	-20.5%
Other	12.6	15.5	15.2	14.9	11.5	12.4	14.8	14.7	50.3	58.1	53.4	58.0	15.6%	-8.2%	8.7%
Non-Interest Expense	69.8	77.3	76.5	71.4	69.3	72.0	80.5	79.5	245.5	294.9	301.4	320.2	20.1%	2.2%	6.2%
Non-Core Adjustment	-0.9	-3.1	-2.5	-2.1	-0.3	0.0	0.0	0.0	(1.6)	(8.6)	(0.3)	0.0	-25.8%	-96.0%	-100.0%
Adjusted Non-Interest Expense	68.9	74.1	74.0	69.3	69.0	72.0	80.5	79.5	233.9	286.3	301.1	320.2	22.4%	5.2%	6.4%
Pretax Core Income	32.8	34.6	38.7	37.1	35.6	38.0	43.8	45.3	111.2	143.3	162.7	201.2	28.8%	13.5%	23.7%
Income Taxes	10.9	10.4	13.7	12.1	11.3	12.6	14.5	15.0	35.5	47.1	53.5	51.8	32.9%	13.5%	-3.2%
Operating Net Income	21.9	24.2	24.9	25.1	24.4	25.4	29.3	30.3	75.7	96.1	109.2	149.4	26.9%	13.6%	36.8%
<b>Share &amp; Per Share Data:</b>															
Diluted EPS	0.52	0.54	0.55	0.55	0.54	0.57	0.62	0.61	1.88	2.17	2.34	3.02	15.0%	8.1%	28.8%
Operating EPS	0.54	0.57	0.59	0.59	0.55	0.57	0.62	0.61	2.08	2.29	2.35	3.02	10.0%	2.6%	28.5%
Dividends	0.17	0.18	0.18	0.18	0.18	0.18	0.18	0.18	0.68	0.71	0.72	0.72	4.4%	1.4%	0.0%
Tangible Book Value	14.28	14.87	15.34	16.65	17.07	17.52	18.17	18.64	13.99	16.65	18.64	21.06	19.0%	11.9%	13.0%
Common Shares Outstanding	40,374	42,086	42,102	44,332	44,395	44,435	49,381	49,381	40,293	44,332	49,381	49,381	10.0%	11.4%	0.0%
Average Diluted Shares	40,559	42,304	42,310	42,636	44,480	44,531	47,024	49,497	36,151	41,948	46,383	49,497	16.0%	10.6%	6.7%
<b>Key Financial Statistics (GAAP):</b>															
Return on Assets	1.07%	1.08%	1.08%	1.09%	1.11%	1.15%	1.14%	1.15%	1.00%	1.08%	1.14%	1.34%	8	6	21
Return on Equity	8.08%	8.17%	8.17%	8.18%	7.69%	8.07%	8.48%	8.10%	7.84%	8.15%	8.08%	9.64%	31	-6	156
Net Interest Margin	4.21%	4.29%	4.15%	4.24%	4.01%	4.11%	4.08%	4.07%	4.15%	4.22%	4.07%	4.01%	7	-16	-5
Fee Income/Operating Rev.	32.27%	30.79%	33.61%	27.81%	30.20%	30.98%	28.91%	27.86%	30.91%	31.13%	29.49%	28.37%	22	-164	-111
Efficiency Ratio	63.86%	64.20%	64.37%	61.63%	62.45%	61.85%	60.93%	59.90%	63.71%	63.52%	61.28%	57.68%	-18	-224	-360
Tang. Equity/Tang. Assets	7.52%	7.80%	8.03%	9.00%	9.16%	9.21%	9.19%	9.19%	7.64%	9.00%	9.19%	9.35%	136	19	16
Dividend Payout Ratio	32.50%	33.25%	32.86%	32.47%	33.40%	31.60%	28.89%	29.45%	36.42%	32.77%	30.83%	23.92%	-365	-194	-692
Reserves/Legacy Gross Loans	1.05%	1.03%	1.01%	0.91%	0.89%	0.87%	0.84%	0.82%	1.11%	0.91%	0.82%	0.73%	-20	-9	-9
NCOs/Average Loans	0.10%	0.01%	0.05%	0.31%	0.08%	0.10%	0.10%	0.10%	0.10%	0.12%	0.09%	0.11%	2	-3	2

Source: Company reports and Hilliard Lyons estimates.

*Additional information is available upon request.*

### **Analyst Certification**

I, Andrew W. Stapp, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

### **Important Disclosures**

Hilliard Lyons' analysts receive bonus compensation based on Hilliard Lyons' profitability. They do not receive direct payments from investment banking activity.

Renasant Corporation is/was a client of Hilliard Lyons within the past 12 months, received non-investment banking securities-related services, and Hilliard Lyons received compensation for those services.

### **Definitions of Ratings:**

**Buy** - We believe the stock has significant total return potential in the coming 12 months.

**Long-term Buy** - We believe the stock is an above average holding in its sector, and expect solid returns to be realized over a longer time frame than our Buy rated issues, typically 2-3 years.

**Neutral** - We believe the stock is an average holding in its sector, is currently fully valued, and may be used as a source of funds if better opportunities arise.

**Underperform** - We believe the stock is vulnerable to a price decline in the next 12 months.

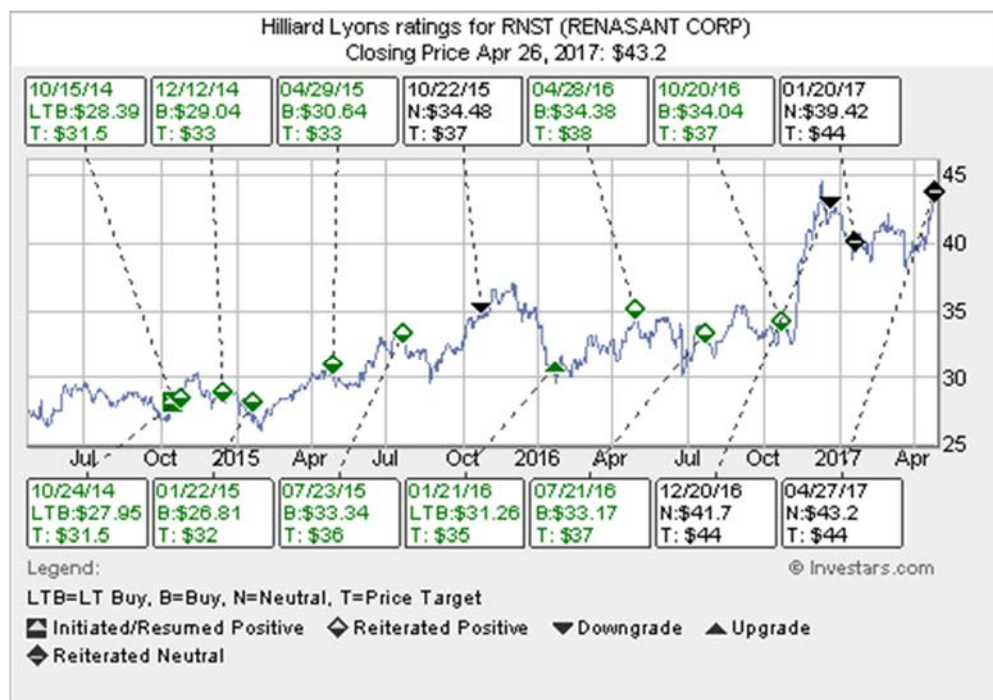
### **Definitions of Suitabilities:**

1. A large cap, core holding with a solid history.

2. A historically secure company which could be cyclical, has a shorter history than a "1" or is subject to event driven setbacks.

3. An above average risk/reward ratio could be due to small size, lack of product diversity, sporadic earnings or high leverage.

4. Speculative, due to small size, inconsistent profitability, erratic revenue, volatility, low trading volume or a narrow customer or product base



Hilliard Lyons Recommended Issues			Investment Banking Provided in Past 12 Mo.	
Rating	# of Stocks Covered	% of Stocks Covered	Banking	No Banking
Buy	36	30%	14%	86%
Hold/Neutral	71	58%	6%	94%
Sell	15	12%	7%	93%

As of 5 April 2017

**Other Disclosures**

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