



## COMPANY UPDATE / RATING CHANGE

### Key Metrics

RNST - NASDAQ (as of 02/08/18)	\$40.63
Price Target	\$48.00
52-Week Range	\$37.68-\$45.32
Shares Outstanding (mm)	49.3
Market Cap. (\$mm)	\$2,004
3-Mo. Average Daily Volume (000)	179.8
Institutional Ownership	65.9%
Tangible Equity / Tangible Assets	9.5%
ROE	6.7%
Tangible Book Value Per Share	\$17.83
Price/Tangible Book Value	227.9%
Dividend Yield	1.9%
Price/LTM Earnings	20.7x

### Operating EPS CY 12/31

	2017A	Prior 2018E	Curr. 2018E	Prior 2019E	Curr. 2019E
1Q	\$0.55	\$0.68	\$0.68	\$0.79	\$0.79
2Q	\$0.61	\$0.74	\$0.74	\$0.81	\$0.81
3Q	\$0.62	\$0.78	\$0.78	\$0.82	\$0.82
4Q	\$0.64	\$0.79	\$0.79	\$0.81	\$0.81
Year	\$2.42	\$2.99	\$2.99	\$3.24	\$3.24
P/E	16.8x		13.6x		12.6x

Numbers may not add due to rounding

### Common Dividends

	2017A	Curr. 2018E	Prior %chg.	Curr. 2019E
1Q	\$0.18	\$0.19	5.6	\$0.20
2Q	\$0.18	\$0.19	5.6	\$0.20
3Q	\$0.18	\$0.19	5.6	\$0.20
4Q	\$0.18	\$0.19	5.6	\$0.20
Year	\$0.72	\$0.76	5.6	\$0.80

**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

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## Renasant Corporation

RNST -- NASDAQ – Buy – 2

### Market Correction Creates Attractive Investment Opportunity; Raising to Buy

- RNST has declined 6.9% in the current correction and now trades at 13.6X our 2018 EPS. In our opinion, this discounted valuation is clearly too low for a company that generated linked-quarter annualized loan growth of 9.1% in 4Q17 and is positioned to deliver similar, if not stronger growth, going forward.
- We do not understand why the banking sector has been negatively impacted by the recent pullback in equity valuations. A major driver of the correction is concerns regarding higher interest rates. While higher interest rates will constrain profitability for most sectors, they should benefit the banking sector. In particular, we note the 2/10 year Treasury yield spread has already increased 21 bps YTD to 0.72%.
- As a result of the foregoing, we conclude the correction has created a compelling entry point for RNST and are raising our rating to Buy from Neutral.
- We are maintaining our 2018 and 2019 operating EPS estimate at \$2.99 and \$3.24, respectively. Our estimates conservatively do not reflect any benefit associated from recent or potential further increases in interest rates or the slope of the yield curve.
- We are retaining our \$48.00 price target which we derive through our discounted dividend model and the application of a 15X forward multiple to our 2019 EPS estimate. The earnings multiple that we employ is appropriate relative to the company's risk/reward prospects, in our opinion.

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

**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:BUY			
\$Millions, Except for Per Share Data										FY 2017 A	FY 2018 E	FY 2019 E	
	1Q17 A	2Q17 A	3Q17 A	4Q17 A	1Q18 E	2Q18 E	3Q18 E	4Q18 E	FY 2016 A	FY 2017 A	FY 2018 E	FY 2019 E	
<b>Balance Sheet Data:</b>												YOY Change	
Total Assets	8,764.7	8,872.3	10,323.7	9,830.0	10,616.4	10,956.1	11,175.2	11,398.7	8,699.9	9,830.0	11,398.7	12,338.4	13.0%
Loans Held for Investment	6,235.8	6,371.0	7,448.6	7,620.3	7,756.2	7,927.7	8,116.4	8,306.6	6,195.5	7,620.3	8,306.6	9,101.9	22.9%
Average Earning Assets	7,668.6	7,657.8	8,944.1	8,913.7	9,200.9	9,438.0	9,630.4	9,823.1	7,292.6	8,296.0	9,523.1	10,324.1	13.8%
Deposits	7,230.9	7,202.0	8,118.5	7,921.1	8,554.8	8,811.4	8,970.0	9,131.5	7,059.1	7,921.1	9,131.5	9,806.9	12.2%
Equity	1,251.1	1,271.8	1,511.8	1,515.0	1,541.4	1,570.9	1,602.5	1,634.4	1,232.9	1,515.0	1,634.4	1,764.9	22.9%
<b>Statement of Operations:</b>													
FTE Net Interest Income	75.9	81.5	91.9	96.4	93.1	96.5	99.6	101.6	308.0	345.7	390.7	423.5	12.3%
Net Interest Income	74.0	79.6	90.0	93.3	90.0	93.3	96.3	98.2	301.0	336.9	377.8	409.5	11.9%
Provision for Loan Losses	1.5	1.8	2.2	2.2	2.4	2.5	3.0	3.0	7.5	7.6	10.9	16.0	0.3%
<b>Non-Interest Income:</b>													
Wealth Management Income	2.9	3.0	3.0	3.0	3.1	3.2	3.2	3.3	11.7	11.9	12.8	13.8	1.5%
Deposit Service Charges	7.9	8.0	8.7	8.7	8.5	8.7	8.8	8.8	31.9	33.2	34.9	35.6	4.2%
Fees & Commissions	5.2	5.5	5.6	5.6	5.9	6.0	6.1	6.2	18.9	21.9	24.1	21.5	16.1%
Insurance	1.9	2.2	2.4	2.0	1.9	2.3	2.5	2.0	8.5	8.4	8.7	9.0	-1.7%
Mortgage Banking Income	10.5	12.4	10.6	9.9	8.8	11.1	11.3	9.8	49.4	43.4	40.9	42.9	-12.2%
Other	3.6	3.2	3.1	3.2	4.1	3.3	3.3	3.3	15.7	13.2	14.0	14.5	-16.0%
Securities Gains	0.0	0.0	0.0	0.1	0.1	0.0	0.0	0.0	1.2	0.1	0.1	0.0	0.0%
Total Non-Interest Income	32.0	34.3	33.4	32.4	32.4	34.4	35.2	33.5	137.3	132.0	135.6	137.3	-3.8%
Non-Core Adjustment	0.0	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	(1.2)	(0.1)	0.0	0.0	-87.5%
Adjusted Non-Interest Income	32.0	34.3	33.3	32.3	32.4	34.4	35.2	33.5	136.1	131.9	135.6	137.3	-3.1%
<b>Non-Interest Expense:</b>													
Salaries & Benefits	42.2	45.0	48.5	48.8	48.8	49.9	50.3	49.9	172.4	184.5	198.9	209.3	7.0%
Amortization	1.6	1.5	1.8	1.7	1.7	1.6	1.5	1.5	6.7	6.5	6.3	5.3	-3.2%
Data Processing	4.2	3.8	4.2	4.2	4.2	4.3	4.3	4.3	17.7	16.5	17.1	17.6	-7.0%
Occupancy & Equipment	9.3	8.8	9.5	10.2	10.0	10.1	10.1	10.2	34.2	37.8	40.3	41.4	10.5%
OREO Expenses	0.5	0.8	0.6	0.6	0.7	0.7	0.7	0.7	5.7	2.5	2.6	2.6	-56.6%
Other	11.5	14.9	16.1	11.4	10.8	10.8	10.9	11.0	58.1	53.8	43.5	44.1	-7.4%
Non-Interest Expense	69.3	74.8	80.7	76.8	76.1	77.3	77.7	77.5	294.9	301.6	308.7	320.3	2.3%
Non-Core Adjustment	-0.6	-3.0	-6.3	-0.7	0.0	0.0	0.0	0.0	(8.6)	(10.6)	0.0	0.0	-100.0%
Adjusted Non-Interest Expense	68.8	71.8	74.4	76.1	76.1	77.3	77.7	77.5	286.3	291.0	308.7	320.3	1.7%
Pretax Core Income	35.8	40.3	46.8	47.3	43.9	47.9	50.8	51.2	143.3	170.2	193.8	210.6	18.8%
Income Taxes	11.4	13.0	16.1	30.4	10.3	11.3	12.0	12.1	47.1	70.9	45.7	49.6	50.3%
Operating Net Income	24.4	27.4	30.6	16.9	33.6	36.6	38.8	39.1	96.1	99.3	148.1	161.0	3.4%
<b>Share &amp; Per Share Data:</b>													
Diluted EPS	0.54	0.57	0.53	0.33	0.68	0.74	0.78	0.79	2.17	1.98	2.99	3.24	-8.8%
Operating EPS	0.55	0.61	0.62	0.64	0.68	0.74	0.78	0.79	2.29	2.42	2.99	3.24	5.6%
Dividends	0.18	0.18	0.18	0.18	0.19	0.19	0.19	0.19	0.71	0.72	0.76	0.80	1.4%
Tangible Book Value	17.07	17.56	17.73	17.83	18.39	19.00	19.65	20.30	16.65	17.83	20.30	22.95	7.1%
Common Shares Outstanding	44,395	44,430	49,320	49,321	49,421	49,421	49,471	49,521	44,332	49,321	49,521	49,721	11.3%
Average Diluted Shares	44,480	44,524	49,435	49,456	49,482	49,532	49,582	49,632	41,948	46,974	49,557	49,757	-35.6%
<b>Key Financial Statistics (GAAP):</b>													
Return on Assets	1.11%	1.16%	1.02%	0.64%	1.33%	1.36%	1.39%	1.37%	1.08%	0.98%	1.37%	1.36%	10.0%
Return on Equity	7.69%	8.03%	7.07%	4.35%	8.93%	9.45%	9.69%	9.58%	8.15%	6.79%	9.41%	9.48%	51.3%
Net Interest Margin	4.01%	4.27%	4.08%	4.25%	4.10%	4.10%	4.10%	4.10%	4.22%	4.15%	4.10%	4.10%	23.6%
Fee Income/Operating Rev.	30.20%	30.09%	27.04%	25.75%	26.43%	26.96%	26.77%	25.45%	31.13%	28.27%	26.40%	25.12%	5.6%
Efficiency Ratio	62.45%	60.75%	57.97%	57.75%	59.37%	57.83%	56.55%	56.29%	63.52%	59.73%	57.51%	56.16%	13.9%
Tang. Equity/Tang. Assets	9.16%	9.31%	9.03%	9.57%	9.09%	9.09%	9.22%	9.34%	9.00%	9.57%	9.34%	9.74%	6.1%
Dividend Payout Ratio	33.40%	31.70%	33.68%	53.92%	27.95%	25.68%	24.31%	24.12%	32.77%	38.17%	25.51%	24.73%	13.1%
Reserves/Legacy Gross Loans	0.89%	0.87%	0.84%	0.81%	0.79%	0.77%	0.75%	0.75%	0.91%	0.83%	0.75%	0.71%	8.5%
NCOs/Average Loans	0.08%	0.03%	0.10%	0.02%	0.08%	0.08%	0.10%	0.10%	0.12%	0.06%	0.09%	0.13%	49.1%
													YOY Change - BPS
													-10
													38
													-136
													-7
													-5
													-286
													-187
													-222
													-135
													-41
													-23
													540
													-1266
													-8
													3

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.

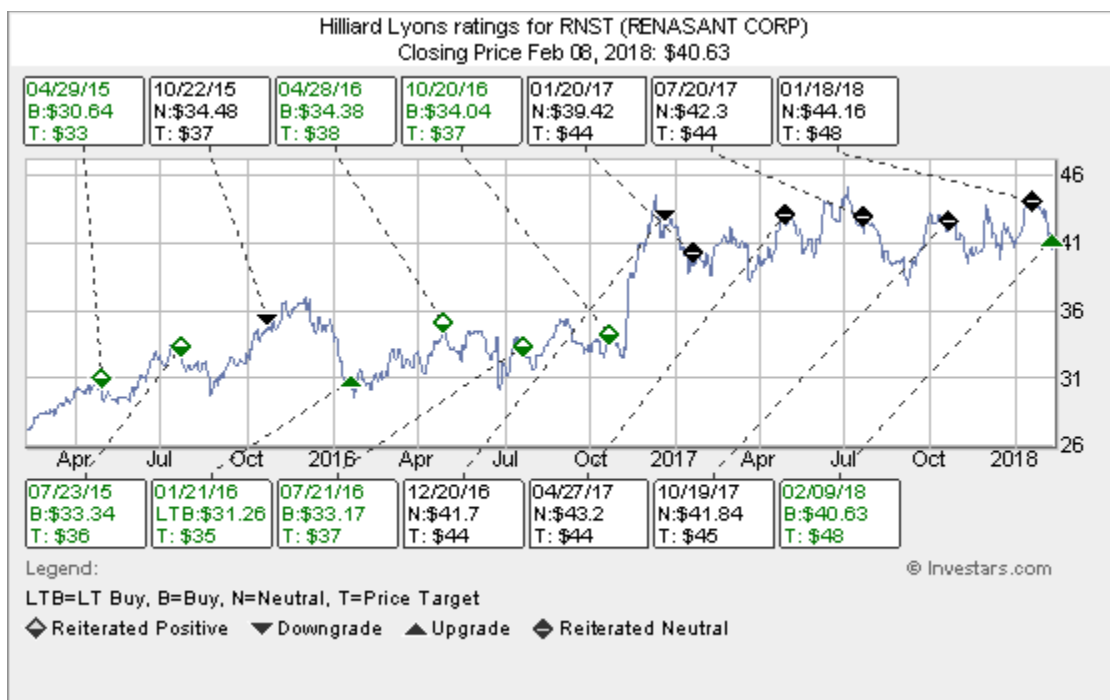
### **Definitions of Suitabilities:**

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	
Buy	31	28%	Banking: 10%, No Banking: 90%
Hold/Neutral	74	66%	Banking: 9%, No Banking: 91%
Sell	7	6%	Banking: 0%, No Banking: 100%

As of 7 February 2018

**Other Disclosures**

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