

# TheStreet Quant Ratings

October 2, 2022  
NASDAQ: **CBTX**  
**CBTX INC**

BUY					HOLD			SELL						BUY	RATING SINCE	05/03/2022	
A+	A	A-	B+	B	B-	C+	C	C-	D+	D	D-	E+	E		E-	F	TARGET PRICE
Annual Dividend Rate <b>\$0.52</b>		Annual Dividend Yield <b>1.75%</b>			Beta <b>0.40</b>			Market Capitalization <b>\$727.5 Million</b>			52-Week Range <b>\$26.06-\$33.10</b>			Price as of 9/29/2022 <b>\$29.67</b>			

Sector: **Finance and Insurance** | Industry Group: **Depository Credit Intermediation**

## CBTX BUSINESS DESCRIPTION

CBTX, Inc. operates as the bank holding company for CommunityBank of Texas, National Association that provides commercial banking products and services to small and mid-sized businesses, and professionals in the United States.

## STOCK PERFORMANCE (%)

	3 Mo.	1 Yr.	3 Yr (Ann)
Price Change	11.75	10.54	1.72

## GROWTH (%)

	Last Qtr	12 Mo.	3 Yr CAGR
Revenues	10.13	2.81	-1.78
Net Income	0.03	-5.74	-11.36
EPS	0.00	-5.13	-10.58

## RETURN ON EQUITY (%)

	CBTX	Subsector Avg	S&P 500
Q2 2022	6.87	55.32	20.22
Q2 2021	6.90	40.79	13.87
Q2 2020	6.59	44.42	13.37

## P/E COMPARISON



## EPS ANALYSIS' (\$)

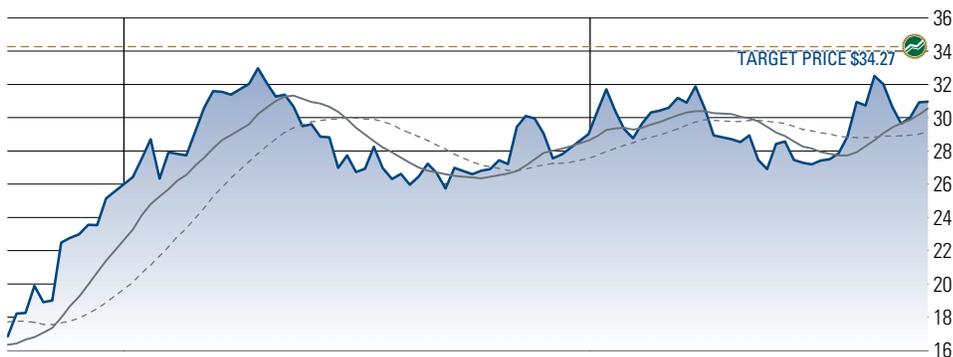


NA = not available NM = not meaningful

1 Compustat fiscal year convention is used for all fundamental data items.

Weekly Price: (US\$) | SMA (50) — SMA (100) - - -

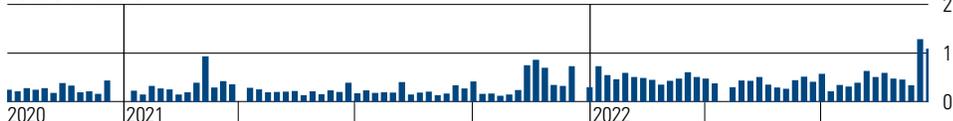
1 Year | 2 Years



## Rating History



## Volume in Millions



COMPUSTAT for Price and Volume, TheStreet Ratings, Inc. for Rating History

## RECOMMENDATION

We rate CBTX INC (CBTX) a BUY. This is driven by a number of strengths, which we believe should have a greater impact than any weaknesses, and should give investors a better performance opportunity than most stocks we cover. The company's strengths can be seen in multiple areas, such as its revenue growth, largely solid financial position with reasonable debt levels by most measures, increase in net income, solid stock price performance and good cash flow from operations. We feel its strengths outweigh the fact that the company has had somewhat disappointing return on equity.

## HIGHLIGHTS

CBTX's revenue growth has slightly outpaced the subsector average of 8.3%. Since the same quarter one year prior, revenues rose by 10.1%. This growth in revenue does not appear to have trickled down to the company's bottom line, displaying stagnant earnings per share.

CBTX's debt-to-equity ratio is very low at 0.03 and is currently below that of the subsector average, implying that there has been very successful management of debt levels.

CBTX INC reported flat earnings per share in the most recent quarter. This company has reported somewhat volatile earnings recently. But, we feel it is poised for EPS growth in the coming year. During the past fiscal year, CBTX INC increased its bottom line by earning \$1.46 versus \$1.06 in the prior year. This year, the market expects an improvement in earnings (\$2.34 versus \$1.46).

The net income growth from the same quarter one year ago has exceeded that of the Credit Intermediation and Related Activities subsector average, but is less than that of the S&P 500. The net income increased by 0.0% when compared to the same quarter one year prior, going from \$11.70 million to \$11.71 million.

Looking at where the stock is today compared to one year ago, we find that it is not only higher, but it has also clearly outperformed the rise in the S&P 500 over the same period, despite the company's weak earnings results. Turning our attention to the future direction of the stock, it goes without saying that even the best stocks can fall in an overall down market. However, in any other environment, this stock still has good upside potential despite the fact that it has already risen in the past year.

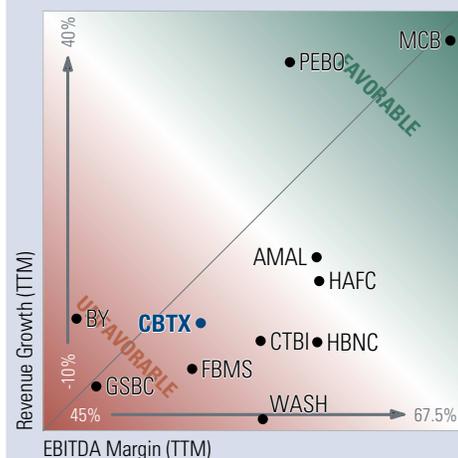
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## PEER GROUP ANALYSIS

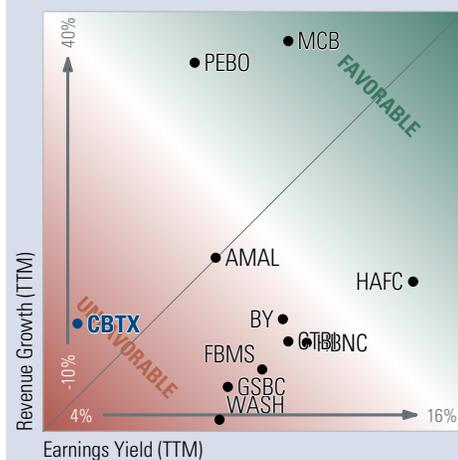
### REVENUE GROWTH AND EBITDA MARGIN\*



Companies with higher EBITDA margins and revenue growth rates are outperforming companies with lower EBITDA margins and revenue growth rates. Companies for this scatter plot have a market capitalization between \$700.3 Million and \$820.9 Million. Companies with NA or NM values do not appear.

\*EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization.

### REVENUE GROWTH AND EARNINGS YIELD



Companies that exhibit both a high earnings yield and high revenue growth are generally more attractive than companies with low revenue growth and low earnings yield. Companies for this scatter plot have revenue growth rates between -8.6% and 36.5%. Companies with NA or NM values do not appear.

## SUBSECTOR ANALYSIS

CBTX INC falls within the Finance and Insurance sector and the Depository Credit Intermediation industry group of the North American Industry Classification System or NAICS. More precisely, a significant portion of company activities involve Commercial Banking .

TheStreet Quant Ratings is currently tracking 800 companies in the Finance and Insurance sector that total around \$6,911 billion in market capitalization as well as \$4,132 billion in annual sales.

The Credit Intermediation and Related Activities subsector accounts for 44.3% of those revenues.

Industries in the Credit Intermediation and Related Activities subsector group establishments that (1) lend funds raised from depositors; (2) lend funds raised from credit market borrowing; or (3) facilitate the lending of funds or issuance of credit by engaging in such activities as mortgage and loan brokerage, clearinghouse and reserve services, and check cashing services.

### PEER GROUP: Credit Intermediation and Related Activities

Ticker	Company Name	Recent Price (\$)	Market Cap (\$M)	Price/Earnings	Net Sales TTM (\$M)	Net Income TTM (\$M)
<b>CBTX</b>	<b>CBTX INC</b>	<b>29.67</b>	<b>728</b>	<b>20.05</b>	<b>153.58</b>	<b>36.18</b>
PEBO	PEOPLES BANCORP INC/OH	29.01	821	11.99	300.86	70.45
WASH	WASHINGTON TR BANCORP INC	47.52	816	11.05	234.58	75.38
HBNC	HORIZON BANCORP INC	18.37	800	8.67	266.61	92.92
BY	BYLINE BANCORP INC	20.53	770	9.21	326.92	85.09
CTBI	COMMUNITY TRUST BANCORP IN	41.07	735	9.09	237.79	80.39
HAFC	HANMI FINANCIAL CORP	23.67	722	6.86	269.77	105.64
FBMS	FIRST BANCSHARES INC/MS	30.00	721	9.74	211.82	64.51
MCB	METROPOLITAN BANK HLDNG	65.56	717	9.08	231.63	77.31
GSBC	GREAT SOUTHERN BANCORP	57.85	713	10.77	234.45	70.86
AMAL	AMALGAMATED FINANCIAL CORP	22.82	700	11.19	236.55	64.10

The peer group comparison is based on Major Credit Intermediation and Related Activities companies of comparable size.

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## COMPANY DESCRIPTION

CBTX, Inc. operates as the bank holding company for CommunityBank of Texas, National Association that provides commercial banking products and services to small and mid-sized businesses, and professionals in the United States. The company offers demand, money market, savings, and time deposit accounts, as well as certificates of deposit; commercial and industrial, commercial real estate, construction and development, 1-4 family residential mortgage, multi-family residential, consumer, and agricultural loans; and treasury and online banking services. It operates through 34 banking locations, including 18 branches in Houston; 15 branches in Beaumont; and one branch in Dallas. The company was formerly known as CBFH, Inc. and changed its name to CBTX, Inc. in September 2017. CBTX, Inc. was incorporated in 2007 and is headquartered in Beaumont, Texas.

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Employees: 1000

## STOCK-AT-A-GLANCE

Below is a summary of the major fundamental and technical factors we consider when determining our overall recommendation of CBTX shares. It is provided in order to give you a deeper understanding of our rating methodology as well as to paint a more complete picture of a stock's strengths and weaknesses. It is important to note, however, that these factors only tell part of the story. To gain an even more comprehensive understanding of our stance on the stock, these factors must be assessed in combination with the stock's valuation. Please refer to our Valuation section on page 5 for further information.

FACTOR	SCORE					
<b>Growth</b>	<b>3.0 out of 5 stars</b>	★	★	★	☆	☆
Measures the growth of both the company's income statement and cash flow. On this factor, CBTX has a growth score better than 50% of the stocks we rate.		weak				strong
<b>Total Return</b>	<b>4.5 out of 5 stars</b>	★	★	★	★	☆
Measures the historical price movement of the stock. The stock performance of this company has beaten 80% of the companies we cover.		weak				strong
<b>Efficiency</b>	<b>4.0 out of 5 stars</b>	★	★	★	★	☆
Measures the strength and historic growth of a company's return on invested capital. The company has generated more income per dollar of capital than 70% of the companies we review.		weak				strong
<b>Price volatility</b>	<b>3.5 out of 5 stars</b>	★	★	★	☆	☆
Measures the volatility of the company's stock price historically. The stock is less volatile than 60% of the stocks we monitor.		weak				strong
<b>Solvency</b>	<b>4.0 out of 5 stars</b>	★	★	★	★	☆
Measures the solvency of the company based on several ratios. The company is more solvent than 70% of the companies we analyze.		weak				strong
<b>Income</b>	<b>3.5 out of 5 stars</b>	★	★	★	☆	☆
Measures dividend yield and payouts to shareholders. The company's dividend is higher than 60% of the companies we track.		weak				strong

## THESTREET QUANT RATINGS RESEARCH METHODOLOGY

TheStreet Quant Ratings' stock model projects a stock's total return potential over a 12-month period including both price appreciation and dividends. Our Buy, Hold or Sell ratings designate how we expect these stocks to perform against a general benchmark of the equities market and interest rates. While our model is quantitative, it utilizes both subjective and objective elements. For instance, subjective elements include expected equities market returns, future interest rates, implied industry outlook and forecasted company earnings. Objective elements include volatility of past operating revenues, financial strength, and company cash flows.

Our model gauges the relationship between risk and reward in several ways, including: the pricing drawdown as compared to potential profit volatility, i.e. how much one is willing to risk in order to earn profits; the level of acceptable volatility for highly performing stocks; the current valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's valuation as compared to projected earnings growth; and the financial strength of the underlying company as compared to its stock's performance. These and many more derived observations are then combined, ranked, weighted, and scenario-tested to create a more complete analysis. The result is a systematic and disciplined method of selecting stocks.

# TheStreet Quant Ratings

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## Consensus EPS Estimates<sup>2</sup> (\$)

IBES consensus estimates are provided by Thomson Financial



## INCOME STATEMENT

	Q2 FY22	Q2 FY21
Net Sales (\$mil)	39.65	36.00
EBITDA (\$mil)	21.20	22.26
EBIT (\$mil)	20.19	21.21
Net Income (\$mil)	11.71	11.70

## BALANCE SHEET

	Q2 FY22	Q2 FY21
Cash & Equiv. (\$mil)	483.97	788.41
Total Assets (\$mil)	4,322.30	4,066.53
Total Debt (\$mil)	14.17	65.59
Equity (\$mil)	526.68	556.23

## PROFITABILITY

	Q2 FY22	Q2 FY21
Gross Profit Margin	96.58%	109.99%
EBITDA Margin	53.46%	61.84%
Operating Margin	50.92%	58.91%
Sales Turnover	0.04	0.04
Return on Assets	0.83%	0.94%
Return on Equity	6.87%	6.90%

## DEBT

	Q2 FY22	Q2 FY21
Current Ratio	NA	NA
Debt/Capital	0.03	0.11
Interest Expense	NA	NA
Interest Coverage	NA	NA

## SHARE DATA

	Q2 FY22	Q2 FY21
Shares outstanding (mil)	24	24
Div / share	0.13	0.13
EPS	0.48	0.48
Book value / share	21.56	22.75
Institutional Own %	NA	NA
Avg Daily Volume	140,413	78,094

<sup>2</sup> Sum of quarterly figures may not match annual estimates due to use of median consensus estimates.

## FINANCIAL ANALYSIS

CBTX INC's gross profit margin for the second quarter of its fiscal year 2022 has decreased when compared to the same period a year ago. The company managed to grow both sales and net income at a faster pace than the average competitor in its subsector this quarter as compared to the same quarter a year ago.

During the same period, stockholders' equity ("net worth") has decreased by 5.31% from the same quarter last year.

**STOCKS TO BUY:** TheStreet Quant Ratings has identified a handful of stocks that can potentially TRIPLE in the next 12-months. To learn more visit [www.TheStreetRatings.com](http://www.TheStreetRatings.com).

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## RATINGS HISTORY

Our rating for CBTX INC has not changed since 5/3/2022. As of 9/29/2022, the stock was trading at a price of \$29.67 which is 10.4% below its 52-week high of \$33.10 and 13.9% above its 52-week low of \$26.06.

2 Year Chart



## MOST RECENT RATINGS CHANGES

Date	Price	Action	From	To
5/3/22	\$28.98	Upgrade	Hold	Buy
4/11/22	\$28.93	Downgrade	Buy	Hold
11/10/20	\$21.87	Upgrade	Hold	Buy
11/4/20	\$18.37	Upgrade	Sell	Hold
9/29/20	\$16.30	No Change	Sell	Sell

Price reflects the closing price as of the date listed, if available

## RATINGS DEFINITIONS & DISTRIBUTION OF THESTREET RATINGS

(as of 9/29/2022)

**32.58% Buy** - We believe that this stock has the opportunity to appreciate and produce a total return of more than 10% over the next 12 months.

**31.91% Hold** - We do not believe this stock offers conclusive evidence to warrant the purchase or sale of shares at this time and that its likelihood of positive total return is roughly in balance with the risk of loss.

**35.51% Sell** - We believe that this stock is likely to decline by more than 10% over the next 12 months, with the risk involved too great to compensate for any possible returns.

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## VALUATION

BUY. The current P/E ratio indicates a premium compared to an average of 12.98 for the Credit Intermediation and Related Activities subsector and a value on par with the S&P 500 average of 18.40. For additional comparison, its price-to-book ratio of 1.38 indicates a significant discount versus the S&P 500 average of 3.53 and a significant discount versus the subsector average of 5.44. The price-to-sales ratio is well above both the S&P 500 average and the subsector average, indicating a premium. The valuation analysis reveals that, CBTX INC seems to be trading at a premium to investment alternatives.

Price/Earnings	1	2	3	4	5
	premium			discount	

**CBTX 20.05** Peers **12.98**

- Premium. A higher P/E ratio than its peers can signify a more expensive stock or higher growth expectations.
- CBTX is trading at a significant premium to its peers.

Price/Projected Earnings	1	2	3	4	5
	premium			discount	

**CBTX 9.45** Peers **12.91**

- Average. An average price-to-projected earnings ratio can signify an subsector neutral stock price and average future growth expectations.
- CBTX is trading at a valuation on par with its peers.

Price/Book	1	2	3	4	5
	premium			discount	

**CBTX 1.38** Peers **5.44**

- Discount. A lower price-to-book ratio makes a stock more attractive to investors seeking stocks with lower market values per dollar of equity on the balance sheet.
- CBTX is trading at a significant discount to its peers.

Price/Sales	1	2	3	4	5
	premium			discount	

**CBTX 4.72** Peers **4.14**

- Premium. In the absence of P/E and P/B multiples, the price-to-sales ratio can display the value investors are placing on each dollar of sales.
- CBTX is trading at a premium to its subsector on this measurement.

Price/CashFlow	1	2	3	4	5
	premium			discount	

**CBTX 23.29** Peers **37.77**

- Discount. The P/CF ratio, a stock's price divided by the company's cash flow from operations, is useful for comparing companies with different capital requirements or financing structures.
- CBTX is trading at a significant discount to its peers.

Price to Earnings/Growth	1	2	3	4	5
	premium			discount	

**CBTX 0.33** Peers **1.51**

- Discount. The PEG ratio is the stock's P/E divided by the consensus estimate of long-term earnings growth. Faster growth can justify higher price multiples.
- CBTX trades at a significant discount to its peers.

Earnings Growth	1	2	3	4	5
	lower			higher	

**CBTX -5.13** Peers **7.92**

- Lower. Elevated earnings growth rates can lead to capital appreciation and justify higher price-to-earnings ratios.
- However, CBTX is expected to significantly trail its peers on the basis of its earnings growth rate.

Sales Growth	1	2	3	4	5
	lower			higher	

**CBTX 2.81** Peers **8.94**

- Lower. A sales growth rate that trails the subsector implies that a company is losing market share.
- CBTX significantly trails its peers on the basis of sales growth.

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