Origin Bancorp, Inc.
Second Quarter 2024
Earnings Call - Transcript

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Evercall Moderator

Ladies and gentlemen, good morning and welcome to the origin Bancorp Inc. Second quarter 2024 earnings conference call. My name is David and I will be your Evercall coordinator. The format of this call includes prepared remarks from the company followed by a question and answer session. Please note that this event is being recorded and all participants will be in listen only mode until the Q&A portion of the call. I would now like to turn the conference over to Chris Reigelman, Executive Director of investor relations. Please, Chris, go ahead.

Chris Reigelman

Good morning and thank you for joining us today. We issued our earnings press release yesterday afternoon, a copy of which is available on our website along with a slide presentation that we will refer to during this call. Please refer to page 2 of our slide presentation which includes our Safe Harbor statements regarding forward looking statements and use of non GAAP financial measures. For those joining by phone please note this slide presentation is available on our website at www.ir.origin.bank. Please also note that our Safe Harbor statements are available on page 5 of our earnings release filed with the SCC yesterday. All comments made during today's call are subject to the safe harbor statements and our slide presentation and earnings release. I'm joined this morning by Origin Bank Corps. Chairman, President and CEO, Drake Mills; President and CEO of Origin Bank, Lance Hall; our Chief Financial Officer, Wally Wallace, Chief Risk Officer, Jim Crotwell, our Chief Accounting Officer, Steve Brolly, and our Chief Credit and Banking Officer, Preston Moore. After the presentation, we'll be happy to address any questions you may have. Drake, the call is yours.

Drake Mills

Thanks Chris. As we enter the second half of the year, I am pleased with the company's momentum moving forward and I'm very proud of our bankers as they continue to battle for deposit growth in highly competitive markets. Our bankers are experiencing success in new customer acquisition as well as expanding current relationships on a core operating basis. Our second quarter results were in line with our expectations. Our EPS results were positively impacted by $0.15 due to evaluation adjustment of our investment in Argent Financial and by the sale of one of our former Houston locations. However, the generally positive results for the second quarter were negatively impacted by a $0.25 hit to EPS related to question activity of a recently terminated banker in the East Texas market. This questioned activity is subject to ongoing disputes so we were limited what we can say at this time, we can share that the former banker violated bank policy by facilitating advances in and among accounts of a small number of customers in our East Texas market without properly documenting those transactions. We have terminated the banker engaged the affected customers and conducted a review of the bankers relationships. We've also engaged external accounting and legal resources to assist our review. We are actively working to resolve issues related to this question activity and at this time do not believe any losses we might realize will be material to our financial position. However, based on how we have to account for this type of issue, the financial impact of the activity reduced EPS by $0.25 during the quarter.

Again, backing out notable items referenced in our presentation financial results for the quarter were generally in line with our expectations. We were particularly pleased with continued growth in addition income expansion in net interest margin and our non interest income trends remain strong. We are making great progress and our new Southeast market and have received regulatory approval for our Mobile and Ft. Walton Beach locations. We have built an attractive footprint in some of the best markets in the country and have a team of bankers focused on delivering profitable customer relationships. I have a great deal of confidence in our team and our ability to deliver long term value to our stakeholders. Now I'll turn it over to Lance.

Lance Hall

Thanks and Good morning. Like Drake, I'm very proud of our bankers and how we are strategically positioned as a company. Our bankers continue to understand our strategy of deposit growth governing loan growth. While deposits were basically flat during the quarter impacted by the seasonality of public funds, deposits, net of public funds and brokered grew $25M for the quarter. Also, our non interest bearing deposits on an average basis were up $27.6M, quarter over quarter, I've spent a great deal of time talking about the importance of client selection. As you can see, our loans were down $46M, excluding warehouse for the quarter. As is natural with any acquisition, we've been working through the portfolio to identify relationships that we believe don't align with origins conservative credit philosophy, due to industry credit structure guarantor support or lack of a meaningful deposit relationship. As we think in terms of strategic planning origin is an extraordinary organization which is positioned with real competitive advantages. We have built an award winning corporate culture that is a tangible platform to attract and retain talented bankers and as a driving factor in our strategic execution of lifting out premier banking teams. Our entrepreneurial spirit and geographic management model allowed our banking teams to be nimble and responsive in our delivery of creating value for our clients and in building communities.

As highlighted on slide 4, our geographic footprint is highly desirable with companies and individuals throughout our country relocating to Texas and the southeast. We have assembled an elite management team that is youthful, dynamic and driven to build a uniquely successful organization for the coming decades. Throughout our markets Origin is recognized as a premier employer and for our exceptional customer service. We are proud to consistently be recognized by American Banker as one of the best Banks to Work For. While that is a wonderful recognition as a team of highly competitive leaders our goal is to be the best Bank in all things. Origin has always been a compelling growth story. The evolution for Origin is to ascend to truly be an elite financial performer. We are energized, optimistic and passionately driven throughout the company to not only be the Bank of choice and the employer of choice, but to be the investment of choice. Our strategic plan includes a deep commitment to data analytics to drive more proactive and actionable decisions around return parameters of products, business lines, markets, banking centers, client profiles and bankers. We will continue to embrace and invest in strategic technology that will enhance automation, process improvement, pricing decisions, fraud detection, compliance monitoring, personalized product design and marketing delivery. We believe our strategic plan will put Origin on a clear path to enhancing the client experience while also improving the bank's margin, efficiency and profitability to create sustainable excellence in our financial performance. Now, I'll turn it over to Jim.

Jim Crotwell

Thanks, Lance. While we continue to experience normalization within our loan portfolio, the primary increase in our past dues, level of classified and non performing loans for the quarter resulted from the activity that Drake referenced in his opening comments. Past due loans held for investment came in at point 0.83% quarter end, up from 0.42% from the prior quarter with 0.34% being attributed to relationships identified as part of the transactions mentioned above. Classified loans increased $34M to 1.49% of loans as of 6/30, from 1.07% as of 3/31, while non performing loans increased $35M to 0.95% as of quarter end, from 0.51% from the prior quarter. These increases were driven almost entirely by the downgrades and relationships that were affected by the previously mentioned question activity, net charge offs for the quarter total $2.9M coming in at 0.15% compared to 0.13% for the prior quarter, and we're in line with our forecast assumptions. Included in charge offs this quarter were $797K in charge offs directly related to the above referenced activity. A provision expense attributed to the allowance for credit losses was $5.4M for the quarter and after considering net charge offs resulted in a $2.5M increase in the allowance to $100.9M on a percentage basis, our allowance increased from 1.25% to 1.27% as a percentage of total loans held for investments and from 1.30% to 1.34% net of mortgage warehouse.

The required provision was driven by our individual evaluation and the required reserves attributed to the additional non accruals during the quarter. While we did experience increases in several credit metrics for the quarter, we do not deem them to be reflected over the overall credit quality of the portfolio, but rather the impact of the actions of a single banker. Based upon our internal review to date, we feel like we have appropriately and conservatively established all required reserves. I wanted to follow up on Lance's comments concerning loan growth and client selection. As we continually monitor our portfolio, we have been successful in moving several credit relationships out of the bank that were deemed to not be a good fit. We saw these efforts come to fruition during the quarter with $51.9M in desired reductions $38.6M of which were pass credits. We will continue to closely monitor and manage our portfolio. With the markets focus on non-owner occupied CRE office, we continue to provide added detail on slide 13, which shows the resiliency and performance of this sector within our portfolio. As of quarter end, this segment total $373.8M average loan size of only $2.3M a weighted average debt service coverage of 1.34x and a weighted average loan to value of 59.2%.

We had no past dues no classifieds and no non performing loans and no charge offs within this segment. Lastly, I wanted to comment on our CRE portfolio in total, during the quarter we experienced increases of $129M in total non owner occupied CRE and multifamily real estate, which were offset by a $151M decrease in construction and development loans. This shift was driven by several construction projects achieving completion and merely represents a shift within the CRE portfolio. As the total CRE, we continue to closely monitor our overall exposure and reflected total funded CRE of 242% of total risk based capital at quarter in which positions origin with the flexibility provides strategic growth. I'll now turn it over to Wally.

Wally Wallace

Thanks, gentlemen. Good morning, everyone. Turning to the financials in Q2, we reported diluted earnings per share of $0.67. This quarter was somewhat noisy due to several notable items that impacted our financial results. As you can see on slide 24, the overall combined financial impact of these notable items was net expense of $3.9M, equivalent to $0.10 in EPS pressure. On the balance sheet side, I will start with a discussion on deposits, which were essentially flat during the quarter, excluding brokered, deposits declined 0.4% though as Lance mentioned, this decline was due to timing and public funds seasonality as we saw some run off late in the quarter. On an average basis deposits X brokered increased for the second consecutive quarter and we saw growth in average non interest bearing deposits for the first quarter since 2022.

As a result of these trends, we are also seeing a stabilization in the shift in our deposit mix. With non-interest bearing deposits were remaining flat at 22%. The non interest bearing deposit and mixed pressures have eased better than we have been expecting, and we now anticipate the mix to remain essentially flat moving forward. Importantly, while pricing pressures still exist, they continue to ease which we expect will remain a stabilizing factor in our net interest margin forecast. Loans held for investment grew by

0.7%. During the quarter, excluding mortgage warehouse loans declined by 0.6%. This was strategic and was driven by our focus on client selection as Lance and Jim mentioned earlier. Notably, this process allowed some relief to our loan to deposit ratio, which declined slightly to 87.6% from 88.2% last quarter X warehouse. We anticipate our clients selection process could add some continued pressure to growth in the back half of the year and we now expect long growth could be in the low single digits for the year with deposit growth essentially matching. Moving to Income Statement items, net interest margin declined two basis points during the quarter to 3.17%, however, was impacted by $1.2M of interest reversal on relationships associated with the activity Drake discussed earlier. Excluding the impact of this interest reversal net interest margin would have been 3.22%.

In line with our guidance of flat to up slightly moving forward using 3.22% as a base, we anticipate net interest margin should be set for low to mid single digit quarterly expansion in the back half of this year due primarily to asset repricing benefits. We believe these benefits are enough to offset 2 to 325 basis point Fed rate cuts even assuming a zero deposit beta on our non indexed interest bearing deposits. As a reminder, in an environment where the Fed is easing, we still expect we can run our business and NEM above 3% with a longer term full cycle target over 3.5%. Shifting to non-interest income reported $22.5M in Q2, the quarter included a $5.2M benefit from the write up of an investment, an $800K gain on the sale of a branch and an $81K gain on the repurchase of sub debt. Adjusting for these notable items and the $7K net benefit of notable items in Q1 non-interest income declined to $16.4M from $17.2M in Q1 due to normal seasonality in our insurance business. Notably, both the insurance and mortgage businesses exceeded our expectations that we are anticipating normal seasonality in the mortgage segment in the second half of the year, our non interest expense increased to $64.4M in Q2 from $58.7M in Q1 Though the quarter was impacted by $1.5M due to the activity discussed earlier. So far this year, we have guided for expense growth in the mid single digit range compared to 2023. In the back half of this year. We now anticipate expenses likely remain elevated similar to Q2 levels, due primarily to elevated expense associated with legal and accounting related professional services expense associated with the activity drag discussed as such are 2024 expense is now expected at the low end of the high single digit range. However, excluding the highlighted notable items and these elevated professional fees, we would still be anticipating mid single digit growth. Lastly, turning to capital, we note that our TCE ratio ended Q2 at 9.5%, up from 9.3% in Q1. Furthermore, as shown on slide 23 of our presentation, all of our regulatory capital levels at both the bank and holding company remain above levels considered well capitalized. As such, we remain confident that we have the flexibility to take advantage of any potential future capital deployment opportunities to drive value for our shareholders. With that, I'll now turn it back to Drake.

Drake Mills

I've often talked about our relentless focus on building a long term profitable company. We are proud of what we've built, and we are in a position to capitalize on opportunities. We know in this current environment that there are challenges. But I feel strongly that we have a strong management team dynamic markets and a deep commitment to a shared culture to be prepared for what's ahead. And alliances briefly touched on elements of our strategic plan. We work every day to build something special to ensure that we're the most desirable company to work for in the most desirable company to invest in not just for the near term, but for decades to come. Thank you for being on the call. We'll open up for questions.

Evercall Moderator

Thank you, team. Ladies and gentlemen. At this time, we will conduct the question and answer session. If you would like to ask a question, please press *1 on your telephone keypad to enter the queue. Or if you've joined via web, please press the raise hand icon on the right side of your deal roadshow screen. Once more, that will be *1 on your telephone keypad or the raise hand icon on the right side of your deal roadshow screen. We'll pause here briefly to allow any questions to generate. Our first question comes from Matt at Stephens Inc. your line is open.

Matt Olney (Stephens)

Hey, great, thanks for taking my question. Want to start off? Good morning. Want to start on the I guess the suspicious activity that was disclosed in the press release? And that you that you mentioned earlier? Can you just clarify the point that Drake you made that ultimately, you expect to see no loss to the bank and all this activity? Because based on these two key results, I guess there was a material impact of I think you mentioned $0.25 to EPS. It sounds like you believe there could be a potential insurance claim that could be filed once the investigation is complete. That can offset some of these losses. I just want to make sure we understand the point and to see if there's more color.

Drake Mills

Yeah you know, Matt, when I read the- our analysts first look at it. You know, it's a tough balance for us because it looks like it's a credit issue and truly, you know, through the years we've been an organic grower, we've been blessed because of controls and how we manage this to not have this type of activity. And, you know, so this is an issue that's dealing with really good people that have really strong company, the ability and the capacity to pay.

But as we go through and we uncover this unfortunate incident, if this obviously a dispute was triggered, which at that time you have loans that mature. And during this dispute, you certainly are working diligently to solve the issues, but you have to account for this because of the dispute, basically as non-performing credit. So in our situation, this truly, it, I can understand where it's a credit event, this isn't a credit event. And I think that if we have losses that aren't insured, and we just have, you know, straight up losses, it's going to be immaterial to our financial position at this point, I don't look at this as a credit issue, I look at this as an internal issue, that went into the dispute that we're managing, and that we feel very confident because of the quality of the people that are involved in this, that we're going to be able to resolve this matter in the right way that limits the overall impact of this institution.

Matt Olney (Stephens Inc)

Okay, appreciate the color Drake and maybe just following up there. Can you disclose the dollar amount of the portfolio of loans from the former employee that was referenced? And then I guess also the dollar amount of loans from these customers that are no longer paying as agreed upon?

Drake Mills

You know, Matt, I'm a little bit concerned about disclosing at this point because of the dispute and the position we're in today. But I think what we've identified and what we took the nonaccrual is the extent of the impact to this institution. And that's not a loss. That's the impact of the percentage of the portfolio, that piece of portfolio that this individual manage. So we feel that we have identified this, we have been diligent, we've used forensic accountants we've used outside legal and have spent, as you can imagine, numerous hours since the beginning of the year, and I'll go back to that I think this is extremely important. You know, through the acquisition, we fully integrated them at the end of '23. Shortly thereafter, our controls caught this and picked it up. So from a control issue, you know, we operate a year with BTH's as with through their controls and the way they manage this, we integrated everything. So I'm pleased that once we integrated, our controls did catch this. So this isn't an issue where we have significant control issues internally. It's just the integration process. So, I think what we've identified the number that went into non accrual that, again, is because of this feud, not renewing them, not the inability to pay is pretty much the size of the portfolio that's in question here.

Matt Olney (Stephens Inc)

Okay, thanks. Thanks for that. And I guess just taking a step back, Drake, I guess since the since the IPO, I mean origin has been focused mostly on organic growth, you know, hiring lenders, in some cases in case some cases hiring teams from larger banks and more of the metro markets. I think you've done just one acquisition since the IPO. From a strategic standpoint, do these events drive the bank more towards the organic strategy and less towards MNA? Or are we perhaps reading too much into that?

Drake Mills

Reading too much into it. I mean, obviously, our expansion in the southeast, it's going to be through organic growth. And we're so pleased with the progress are being made, what an awesome thing we have out there. But I think for us, Matt, we have to find the opportunities to bring in partners, and I don't want to diminish the value of BTH, East Texas and, you know, through this, this is actually a small immaterial impact to the overall picture for our size and everything else. I understand from an investor's perspective, how Oh, is as a credit issue is there more to come? This was a single banker in a single market, that got out of bounds doing things that they were comfortable with doing. So. I think this sets us up to understand fully what we look for. But there are quality institutions out there that have strong track records, and I'll go back to the five year track record from a regulatory aspect of this institution was pristine. So again, single bank or single market got out of bounds, we're managing it. And unfortunately, accounting treatment makes us just go ahead and put all this into a pile and manage through it and we'll do that pretty quickly.

Matt Olney (Stephens Inc)

Okay, well, I appreciate the color on this topic. And I'll step back. Thank you.

Drake Mills

Thank you, Matt.

Evercall Moderator

Thank you, Matt. Our next question comes from Michael at Raymond James. Your line is open.

Michael Rose (Raymond James)

Hey, good morning, guys. Thanks for taking my question. Certainly understand the impact on the margin from the interest accrual reversal this quarter, it looks like if I'm looking at the average balance sheet, it was in the construction category, but the kind of putting everything together, if we, you know, assume we'll just add that back for next quarter. But you did have a little bit of negative kind of mix shift in deposits, you know, still and then, you know, costs continued to kind of rise. I mean, how should we think you know, about the margin X, the interest, the accrual reversal, you know, on a go forward basis, just if you can walk us through some of the puts and takes and then with a little bit slower loan growth this quarter, and one yields flat. I mean, have we had a kind of peak there, just trying to put all the pieces together. Thanks.

Drake Mills

Yeah. And, Mike, I'm going to ask Wally to dive into this. But I do think that I want Lance to get into really the picture of why we see slower lung growth, it's about client selection, we're going talk about that. I think it's extremely important to understand. It has nothing to do with this unfortunate incident. We started this process, look at what fits and what doesn't fit what's truly relationship, where are there resources that are being utilized without deposits and so we're going go into that, but Wally, would you please?

Wally Wallace

Yep. Michael. So you did mention the construction portfolio, that was where the biggest impact was. It impacted yields in that portfolio by 39 basis points, the overall loan yield would have been six basis points higher, and you mentioned that the NEM would have been five basis points higher. So that 322 NEM, as a base, we are expecting expansion in the back half of the year, I'll reiterate what I said in the prepared remarks of about mid single digits per quarter. That includes the impact of our anticipation of a Fed cut in September, and a Fed cut in December wouldn't really impact that guidance, either. The benefits of margin are coming from asset repricing, we've got about a quarter of a billion of loans and securities that we expect will mature and reprice 350 to 400 basis points higher on average. We are seeing stabilization in our deposit costs, our non interest bearing deposit mix was essentially flat. Where we had been saying we thought we'd see continued pressure on that in the back half of the year, we now believe that could stabilize around where it is today 22%. And our mid single digit expansion per quarter guidance also assumes a zero beta on our non indexed interest bearing deposits. So if we're able to bring deposit costs down if the Fed starts to cut, that would be a benefit that's not considered in our margin guidance.

Michael Rose (Raymond James)

Okay, so I'm sorry, Wally , if I missed this, but putting that all together, you said mid single digit increase in the margin?

Wally Wallace

Per quarter, correct.

Michael Rose (Raymond James)

Per Quarter. Okay. Very, very helpful. And then, you know, since Drake, you called it out. I mean, you talked about, you know, clients, you know, selection. You know, I think you kind of talked about a much higher level of loan growth as we think about next year, but it sounds like maybe that won't be the case, maybe just focusing on, you know, more profitable, you know, type of relationships with the positives, you can just expand on that give some color and then, you know, as we do think about next year, would that that 10% growth rate that you highlighted last quarter, would it be something less than that? Thanks.

Lance Hall

Yeah. Hey, this is Lance. Thanks. Thanks for the question. No, you're exactly right. I mean, as we've approached the $10B threshold, we're laser focused on thinking through ways to the levers to pull the drive ROA enhancement. And so, we've got a deep dive focus right now on the return profile, more than we do necessarily, simply on growth. And so if you look at the infrastructure that we've built, and we've talked about it a lot, I mean, we're a company that's built to be a double digit grower. If you look at where we are seeing our growth, it is almost all coming to this point out of Dallas Fort Worth in Houston. Love the lone yields that we're getting, they're doing a thing, a very admirable job on deposit calls, especially in the Houston market, that continues to be a star for us. Very excited about what's happening in the southeast. They are very much in line with our projections of where they're going to be, they understood from the beginning, that they had to be self funded. And so they're leading with deposits but the loan pipeline, as they start to look to drag over clients. It's looking good. But also for us, we're very focused to make sure that we're being balanced and smart when it comes to CRE. And if you look at our CRE ratio right now, 242, that puts us in a great position compared to peers to take care of strategic opportunities that arise.

When we talked about client selection, don't get confused with add on necessarily credit profile, we're looking at the entire profile from a return perspective. And so if you look at the relationships that we pushed out this quarter 75% were passed credits, but they didn't have the deposit profile or the Treasury. Everything that's focused on what we're trying to build long term is ROA driver. And I think that's critical as we move forward. Strategically, we don't want to limp over $10B, and then in a market that is, you know, more challenging to grow core funding. And so we want to be smart about that. So the opportunity to grow is clearly there because of the dynamic markets and what's happening in Texas. At the same time, we're trying to be very, very focused on driving ROA. And so it's going to be a little bit of a mixture from that perspective. So, you know, I would think that loan growth for us next year looks like more mid single digits. But it's because we're trying to enhance margin and ROA simultaneously.

Michael Rose (Raymond James

Very helpful in that maybe just one final one for me, you know, since you touched on Atlanta, I mean, it seems like you guys will remain under $10B by the end of the year. I know, the Durban you know, hit is about I think about $5.5M somewhere in that ballpark for you guys is that? Should we expect to kind of just push that that out a year, and I assume you have a little bit of flex to if growth is better, just on the warehouse side as we think about the Q4. Thanks.

Lance Hall

Yeah, I think that's exactly right. And Wally may want to jump in, but and I think Drake has said this, it's not our overdriving strategy to stay below $10B. But as we look at pipelines and portfolios, and then what we think the inflows and outflows we do think organically, we have a very strong chance of staying below $10B for the rest of the year, while the same time enhancing our return profile.

Wally Wallace

Yeah, Michael, I would just say that I think you kind of hit on the key, our current expectations are that we can remain below $10B based on our growth expectations. We're not managing growth to stay under $10B. And warehouse is a bit of the unknown there just because of how quick that business can build. But if we get normal seasonality in that business, we would expect that we would stay under but if if fed cuts, mortgage rates drop and we start to get a Refi wave that could change that outlook.

Michael Rose (Raymond James

Perfect. Thanks for taking my questions, guys.

Lance Hall

Michael, thank you.

Evercall Moderator

Thank you, Michael. Our next question is from Woody at KBW. Your line is open.

Woody Lay (KBW)

Hey! Good morning, guys. Yeah, just one follow up on the on the question activity first is any expectation around timing for a potential resolution there?

Drake Mills

Not at this point. We are still, you know, completing the remainder of what I would say as our forensic accounting and we feel pretty calm. I mean, I feel very confident right now that we've identified everything and put a fence around it. And, you know, it's just going to be obviously when there's a dispute like this, we're going to do our best effort, as we always do, we're going to do the right thing. We're going to take care of our clients. And hopefully, that all adds up to a quicker resolution than a long risk resolution.

Woody Lay (KBW)

Got it. Maybe, shifting over to the provision, you know, if you exclude the specific provision around the question activity, it wouldn't imply reserve down about five basis points, just what were the biggest drivers behind that lower reserve on sort of a core basis?

Jim Crotwell

Morning, Woody! This is Jim. You know, really, when you look at our overall reserve, it was basically, I would say flat, if you will, one of the big drivers, we talked about the $50M, almost $52M in credit that we were able to exit because of the client selection, that Lance covered. $3M, there was $3M reserve associated with those credits. So it really freed up about, you know, $3M of the reserve by those moving. In addition, there's about $1.3M prior reserves associated with the charge off we took so it freed those up as well. So when you do the math of the notable items, less than $3M less than $1.3M. It virtually reconciles if you will the reserve. So I wouldn't catch it as reserve released, but more free up previous reserves that we have. And again, I think that speaks to really net of this event that we consider to not be a credit event, it was very stable from a reserve perspective as well.

Woody Lay (KBW)

Right. Okay, that makes sense. Maybe lastly, on fees, both mortgage and insurance had really strong quarters when adjusting for seasonality. Could you just walk through the trends you saw in both those businesses?

Wally Wallace

Yeah, I mean, in the mortgage side volume was stronger than we expected. We're pleased by that. And we have increased our expectations for the back half of the year, however, we do still expect there's going to be seasonality in the business. Insurance it did remain a strong market for us. And I mean, pretty consistently, quarter after quarter, it beats our expectations. So we're very pleased with the strength in both of those segments. I would just point you to any insurance business, the Q1 is usually the highest revenue quarter and the Q4 is usually the lowest and just due to regular seasonality and we expect that would continue. But we do feel more confident in those businesses in the back half of the year remaining stronger than we previously expected.

Woody Lay (KBW)

All right. That's all for me. Thanks for taking my questions.

Wally Wallace

Woody, thank you.

Evercall Moderator

Thank you Woody. It appears there are currently no further questions. Handing it back to Drake for any additional remarks.

Drake Mills

Yeah, I want to thank everyone for being on the call. I know this is a quarter that you could sit here and say there's noise. But I want to go back to what is reality internally, this institutions working behind the scenes overtime, to maximize our opportunity to be a performer. We are I think in the best geographies, we have incredible people, we're so pumped up about what the Southeast is doing for us and that team. But overall, the momentum of this company the numbers, we're seeing our drive to make sure the balance sheet is in the best position that it can be in as we get ready to cross over $10B. And to have plans to how we manage crossing over $10B are all positive things. I'm pumped about this company. Like I said, it's easy to get focused on something that's not material but in this situation for us we have a tremendous amount of momentum. I appreciate everyone being on the call. We're always available for questions after the call, so we look forward to visiting with each one of you. Thank you for your time today. We appreciate you very much.

Evercall Moderator

Ladies and gentlemen. This concludes today's Evercall. Thank you and have a great day.