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# Horizon Bancorp entering new county with Heartland Bancshares deal

By Umair Iqbal

Michigan City, Ind.-based [Horizon Bancorp](#) (\$1.55 billion) is [acquiring](#) Franklin, Ind.-based [Heartland Bancshares Inc.](#) and unit [Heartland Community Bank](#) (\$245.3 million) in a deal valued by SNL at \$21.3 million.

Under the deal, Heartland Bancshares will merge into Horizon Bancorp and Heartland Community Bank will merge into [Horizon Bank NA](#). The banks will operate under a single Horizon Bank charter and will operate in central Indiana as Heartland Community Bank, a Horizon Co.

According to SNL data, the deal value is 96.0% of book and tangible book on a per-share basis. On an aggregate basis, the deal value is 99.07% of book and tangible book. The price is 10.22% of deposits and 9.03% of assets, with a tangible book to core deposits ratio of a 0.11% discount.

For comparison, offers for bank and thrift targets in the Midwest region between Feb. 9, 2011, and Feb. 9, 2012, averaged 99.44% of book, 105.99% of tangible book and had a median of 17.34x last-12-months earnings, on an aggregate basis. On a per-share basis, they averaged 97.38% of book, 100.54% of tangible book and had a nonmeaningful median of LTM earnings.

The one-day premium is 155.79%, based on Heartland Bancshares' closing price of \$3.80 on Feb. 8, and the one-month premium is 152.47%, based on Heartland's closing price of \$3.85 on Jan. 9.

Horizon Bancorp has agreed to issue 0.54 share, subject to certain adjustments, of its common stock for each share of Heartland Bancshares common stock outstanding at the effective time of the merger. The exchange ratio may be decreased if and to the extent that Heartland Bancshares' consolidated common shareholders' equity, subject to certain adjustments, is not maintained at or above a certain level through the time of closing. The exchange ratio may also be adjusted in the manner prescribed in the agreement based upon the closing of certain commercial loans prior to the closing of the merger and a significant decrease in Horizon Bancorp's common stock price.

Based upon the closing price of Horizon Bancorp's common stock of \$18.00 on Feb. 8, the indicated value of the transaction was approximately \$9.72 per share of Heartland's common stock, which represented a 155% premium to the closing price of Heartland Bancshares common stock on Feb. 3, the most recent date on which the stock traded prior to Feb. 9. Based on Horizon Bancorp's closing price per share and Heartland Bancshares' total dilutive shares outstanding, the acquisition pricing is approximately \$14.0 million on Feb. 8, based on 1,442,727 outstanding shares of Heartland Bancshares common stock.

In addition, Horizon Bancorp has agreed to redeem all of Heartland Bancshares' outstanding preferred series B and C shares [issued](#) to the U.S. Treasury Department under the Capital Purchase Program. According to a Form 8-K filed Feb. 10, Horizon Bancorp will fund the purchase by Horizon Bancorp or Heartland Bancshares of the shares of preferred stock with an aggregate liquidation value of \$7.2 million.

Craig Dwight, president and CEO at Horizon Bancorp, said in a statement that the acquisition is expected to be accretive to EPS after transaction costs. By consolidating back-office capabilities, Horizon Bancorp anticipates operating cost savings of about 25% compared with Heartland Bancshares' current operations, Dwight said.

Subject to Heartland Bancshares' shareholder and regulatory approval, the companies anticipate the transaction will close in the second quarter. Apart from Heartland Bancshares' shareholders' approval, completion of the transaction is subject to certain conditions, including the receipt of all necessary banking agency approvals, the maintenance of Heartland Bancshares' level of certain past-due or adversely classified loans at or below certain dollar thresholds, the satisfactory completion of reviews by Horizon Bancorp of the title to and environmental status of the real estate properties of Heartland Bancshares, and the satisfaction of other terms and conditions.

Heartland Bancshares' co-founders, Steve Bechman, president and CEO, and Jeffrey Goblen, executive vice president, will continue to manage Heartland Bancshares' operations in central Indiana. In addition, one member of Heartland Bancshares' board will be added to Horizon Bank's board, and a local advisory board will be established shortly after the closing.

The merger will be a tax-free exchange for Heartland Bancshares' shareholders.

Cummings & Co. LLC served as financial adviser to Horizon, with Whitley Cummings acting as lead banker, and Barnes & Thornburg LLP served as the company's legal adviser, with Curt Hidde acting as lead attorney. Donnelly Penman & Partners Inc. served as financial adviser to Heartland, with John Casgrain Donnelly and Andrew Christians acting as lead bankers, while Mark Barnes Law PC acted as legal adviser, with Mark Barnes serving as lead attorney.

Horizon Bancorp will enter Johnson County, Ind., with six branches to be ranked first with a 12.22% share of approximately \$1.67 billion in total market deposits.

Click [here](#) or on the below map to access a larger version of the map as a pdf. To use SNL's branch analytics tools to create custom maps, click [here](#).

