Value vs Price

Presented by:

David Gershon
Partner
Sheppard Mullin

James Kim
CEO
Community West Bancshares

Marty Plourd
President
Community West Bancshares

Moderated by:

Peter Buck
Managing Director
Piper Sandler & Co.
Mobile: (415) 317-8665
Email: peter.buck@psc.com

VALUE

val•ue

[‘valyoo]

noun

value *(noun)* • ***values*** *(plural noun)*

1. The regard that something is held to deserve; the importance, worth, or usefulness of something

PRICE

price

[pris]

noun

1. The amount of money expected, required, or given in payment for something

Fiduciary Duties in M&A Transactions

Generally, in an M&A transaction, the board's duty is no different than in any other matter: The board is charged with maximizing shareholder value.

Duty of Loyalty

Directors must act in the best interest of the corporation and its shareholders, making decisions independent of personal interests

Duty of Care

Directors must make informed decisions

Business Judgment Rule

Generally, if these duties are satisfied, a director is protected against liability for decisions based on reasonable business judgment.

Fiduciary Duties in M&A Transactions

Cash Transaction

- In a sale for cash, the shareholders' investments terminate. The board's duty is to obtain the best price reasonably available (Revlon (Delaware))
- In theory, one acquiror's cash is the same as any other acquiror's cash

Stock Transaction

- In a stock transaction, the shareholders continue as shareholders of the combined company. The Board's role is to make an informed judgment as to which alternative best maximizes shareholder value
- Which is a better investment?

Case Study: Strategic Merger Between Central Valley Community Bancorp and Community West Bancshares

Key Highlights[1]

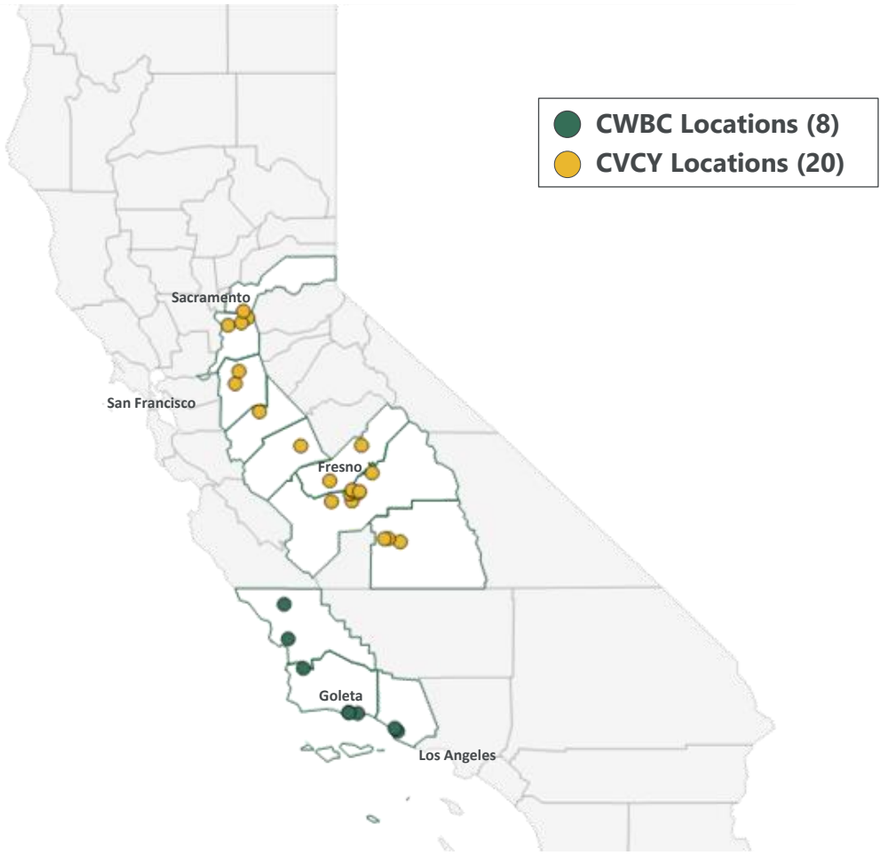
$3.6B Pro Forma Assets	**$2.2B** Pro Forma Loans	**$3.1B** Pro Forma Deposits
$266M Pro Forma Market Cap[2]	**24.0%** Pro Forma ’25 ROATCE	**1.6%** Pro Forma ’25 ROAA

Strategic Rationale

- Materially Accelerates Scale and Profitability
- Attractive Pro Forma Footprint with Expansion into Highly Sought-After Markets
- Diversification of Customer Mix and Products
- Compelling Financial Impact
- Complementary Cultures with Shared Community Focus

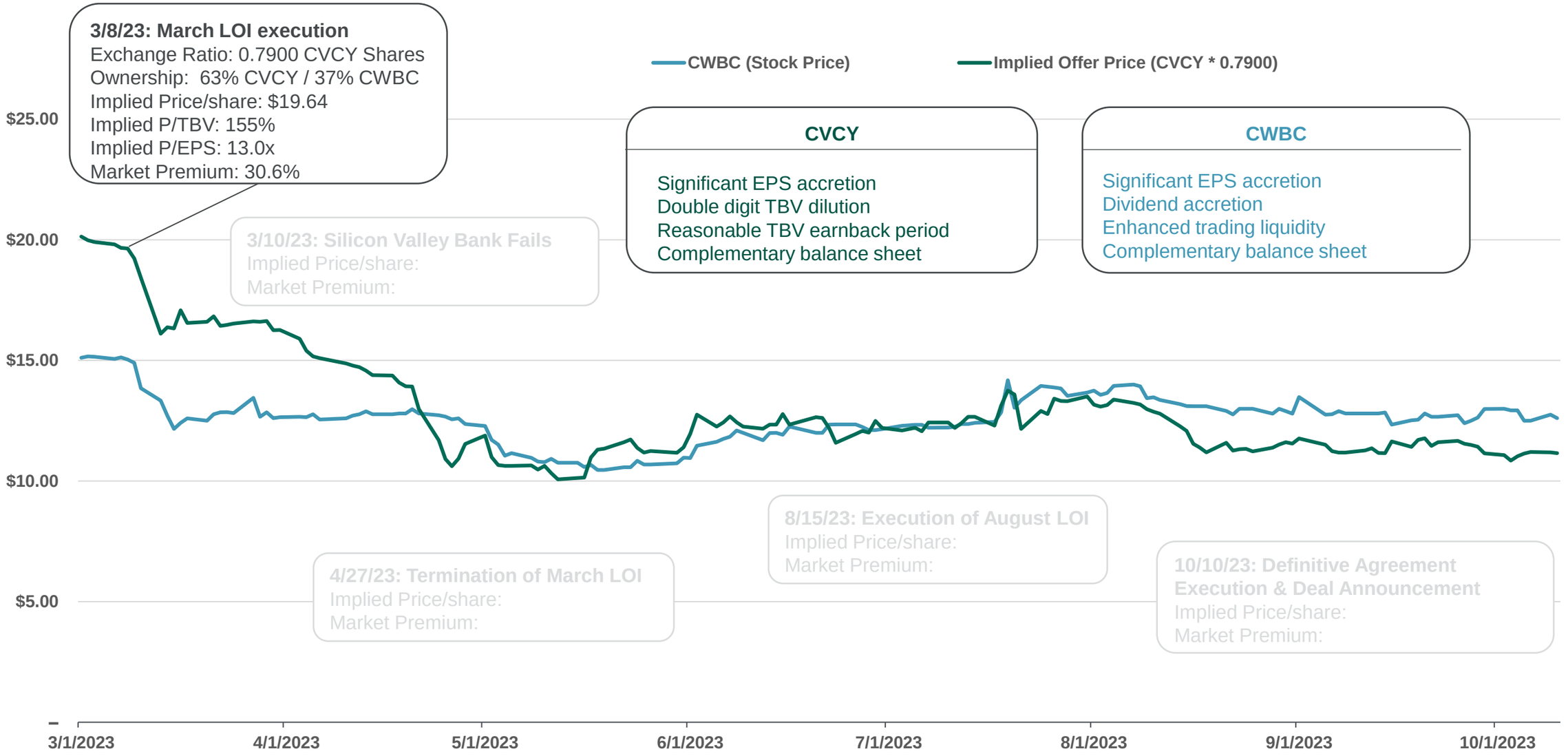
Central Valley Community Bancorp

42.5% Pro Forma ’25 EPS Accretion	**2.4 Years** TBV Earn Back Period	**4.4x** Current Price / Pro Forma ‘25E EPS



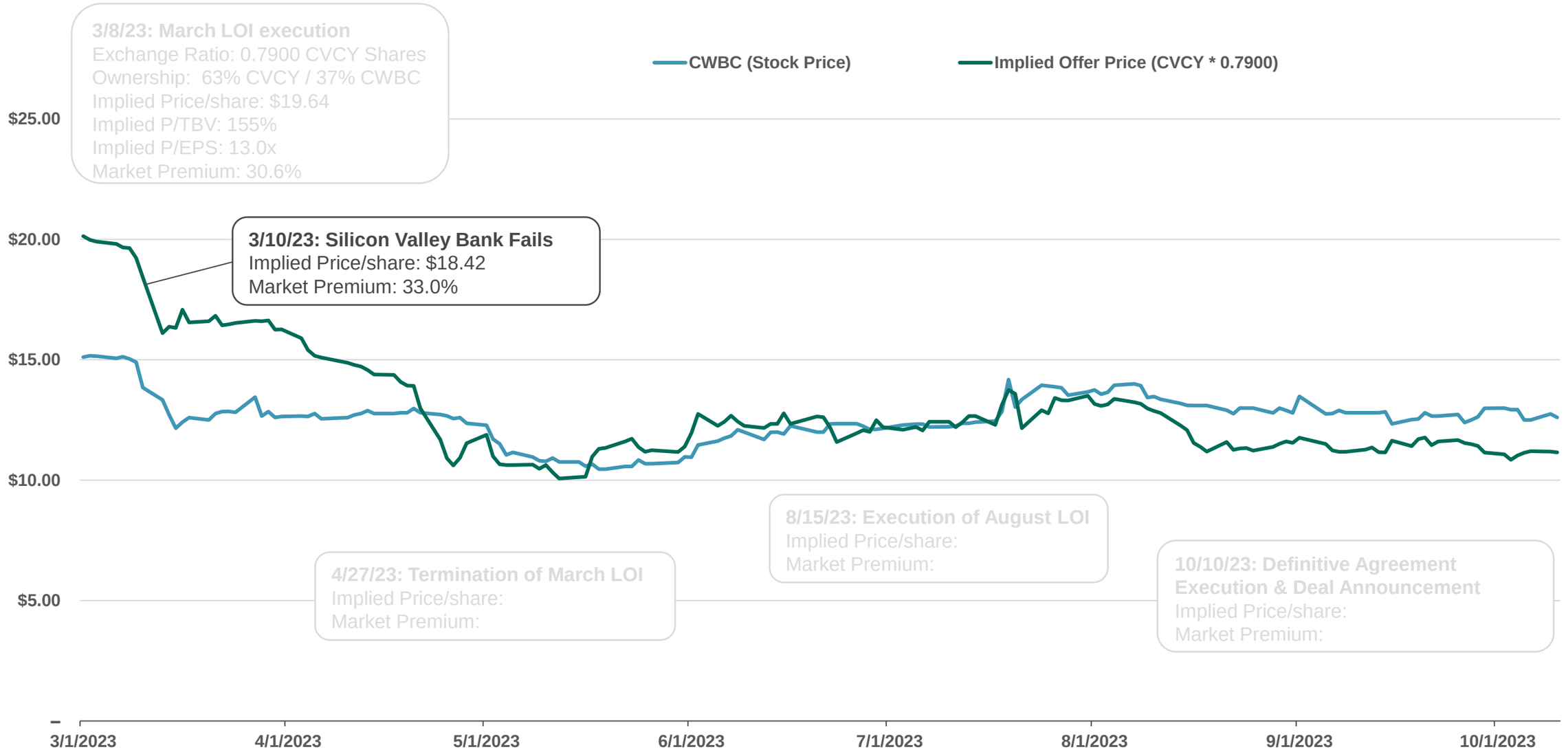
1) Pro forma financials are estimated at close and include the impact of purchase accounting adjustments
2) Market capitalization as of October 10, 2023
Source: S&P Capital IQ Pro

Moment in Time #1: Execution of the Initial LOI



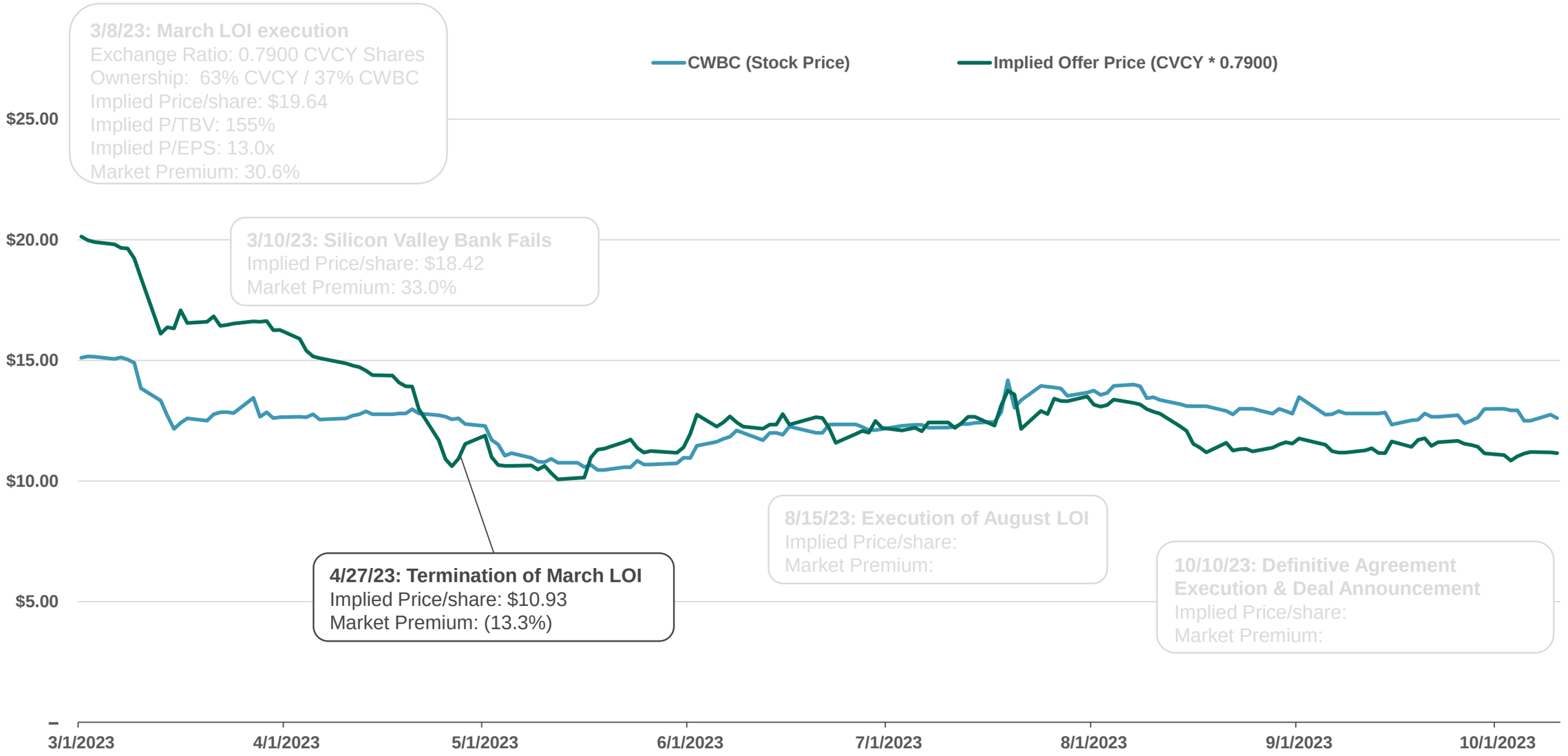
Note: Market data as of October 10, 2023
Source: CVCY/CWBC investor presentation, S&P Capital IQ Pro

Moment in Time #2: Announced Failure of Silicon Valley Bank



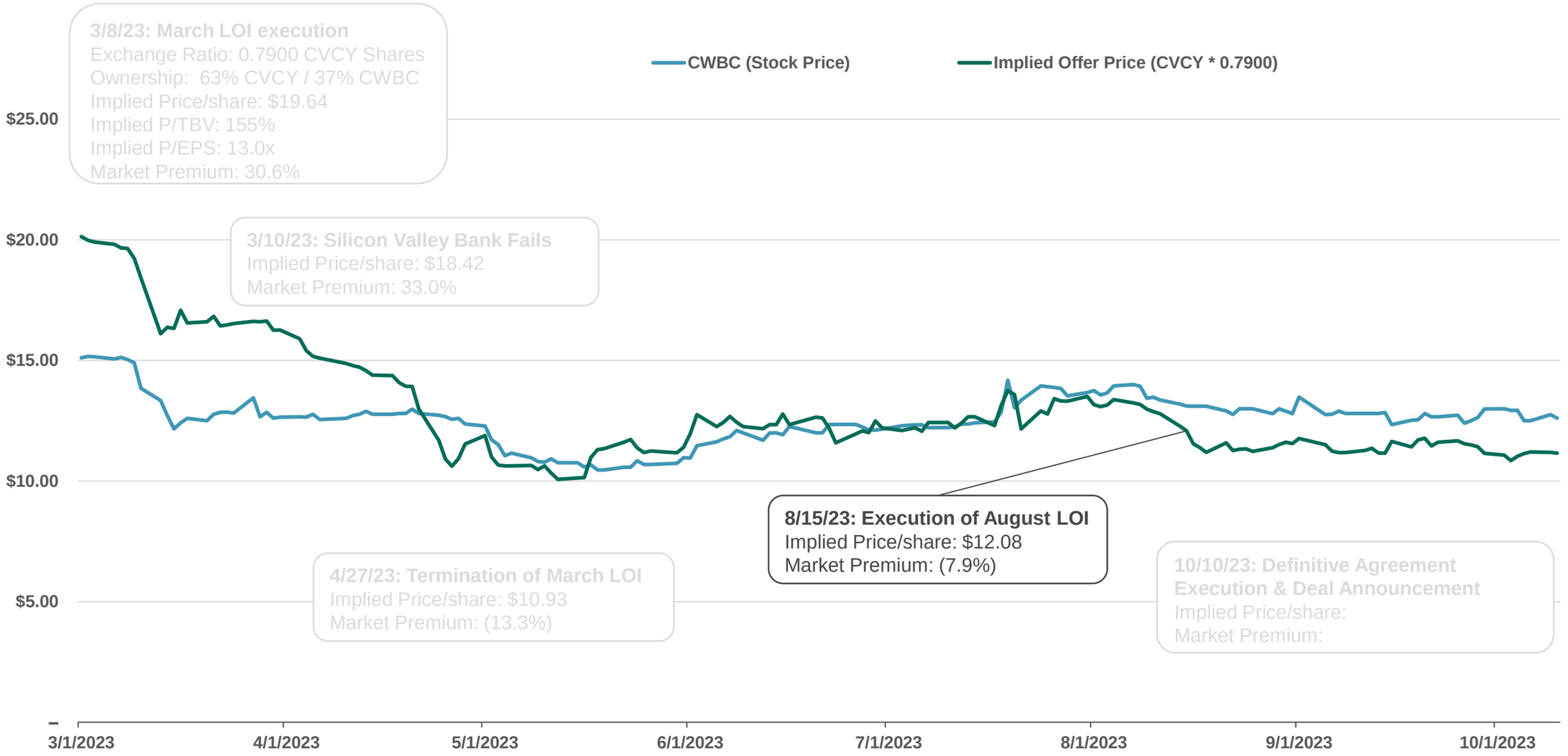
Note: Market data as of October 10, 2023
Source: S&P Capital IQ Pro

Moment in Time #3: Termination of Initial LOI



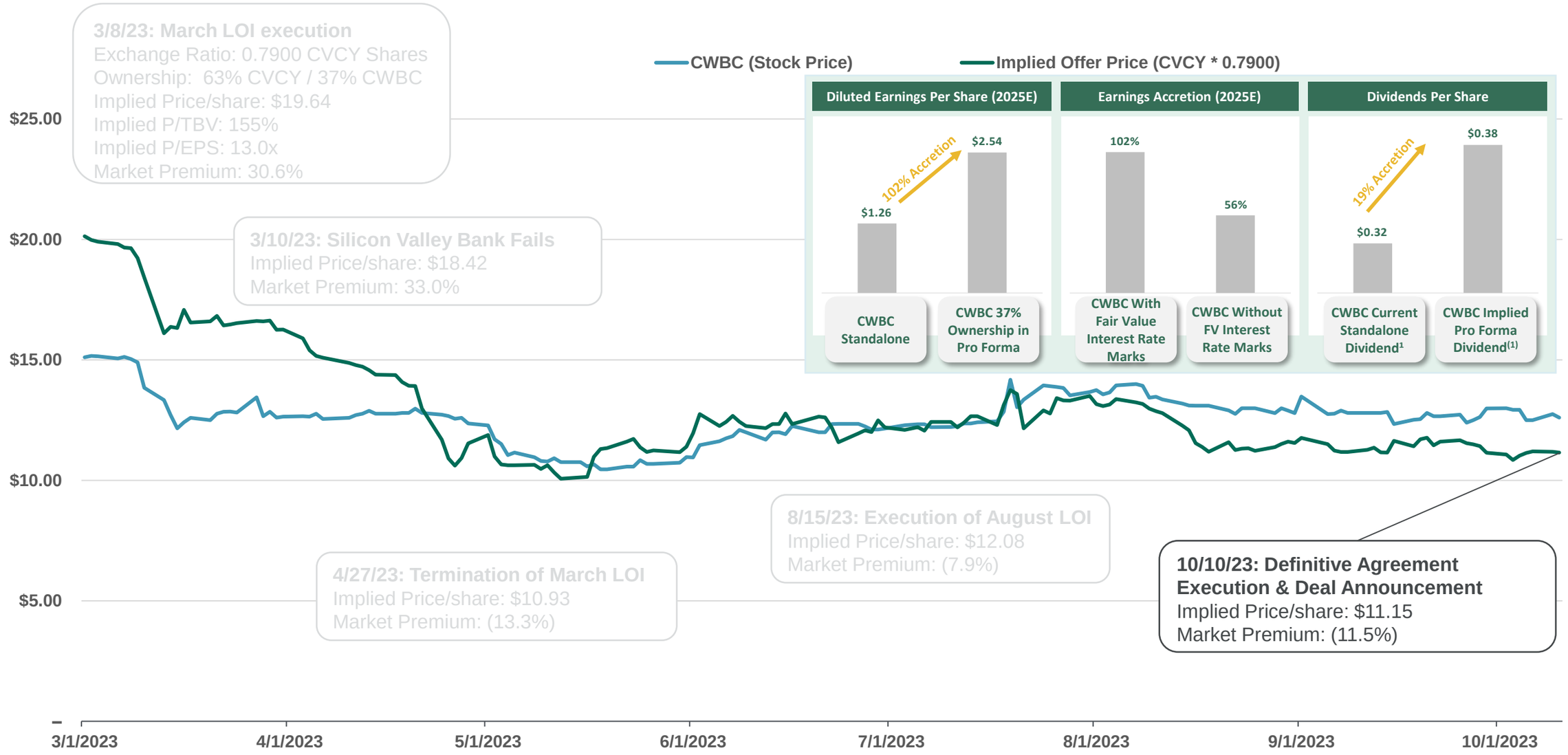
Note: Market data as of October 10, 2023
Source: S&P Capital IQ Pro

Moment in Time #4: Execution of New LOI



Note: Market data as of October 10, 2023
Source: S&P Capital IQ Pro

Moment in Time #5: Deal Announcement



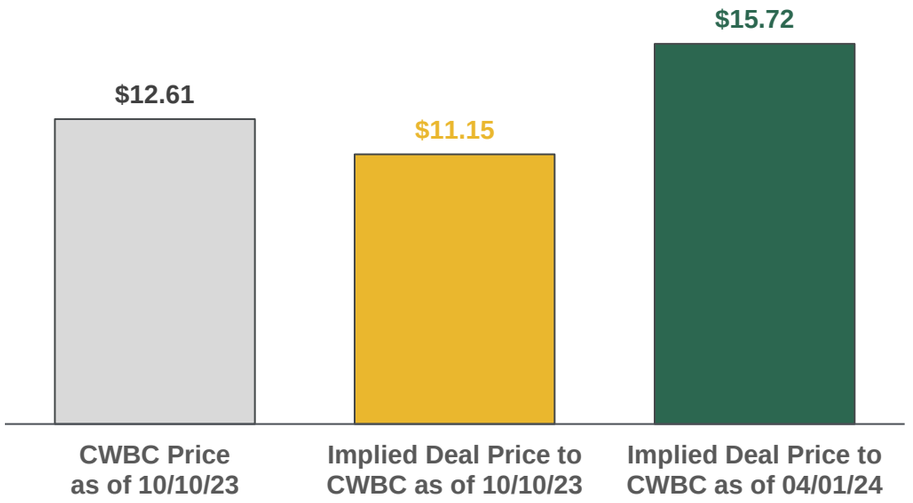
1) Annualized standalone dividend
Note: Market data as of October 10, 2023
Source: CVCY/CWBC investor presentation, S&P Capital IQ Pro

Reflecting on Investor Reaction and Stock Market Performance

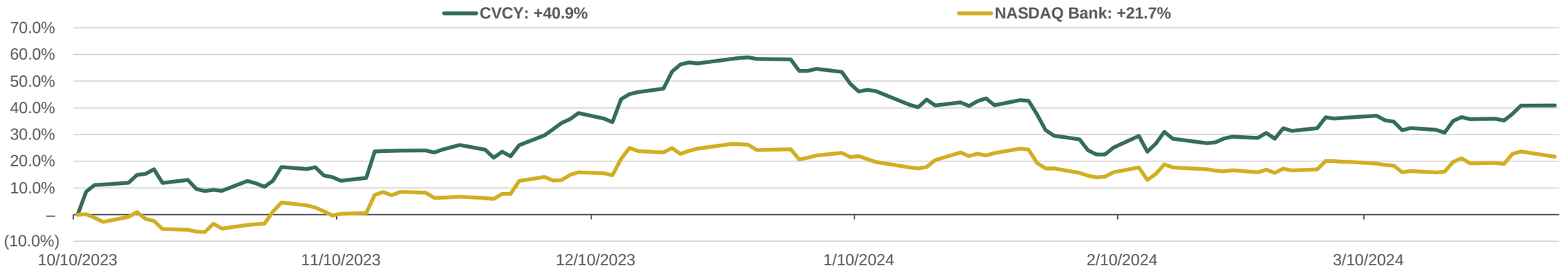
Outperforming the Nasdaq Bank Index by 19% Since Deal Announcement

Summary of Transaction Metrics

Aggregate Deal Value at announcement	$99.4M
Consideration / Exchange Ratio	100% Stock / 0.79x
Price / LTM EPS at announcement	8.7x
Price / TBVPS at announcement	87%
Price / Pro Forma 2025e EPS	4.4x
2025E EPS Accretion	42.5%
TBVPS Dilution / Earnback	(18.7%) / 2.4Yr.



CVCY Post-Announcement Relative Price Performance Through Closing²



1) Relative trading metrics shown as of October 10, 2023
2) Price performance shown from announcement on October 10, 2023 through April 1, 2024
Source: S&P Capital IQ Pro; Investor Presentation; Merger Press Release

Board Meeting Simulation

Proposal Review Scenario 1

ALPHA

Offer Price to GAMMA	$20 per share
ALPHA Stock Price	$10 per share
Consideration	100% Stock
Exchange Ratio to GAMMA	2.00x

BETA

Offer Price to GAMMA	$21 per share
BETA Stock Price	$10 per share
Consideration	100% Stock
Exchange Ratio to GAMMA	2.10x

Proposal Review Scenario 2

ALPHA

Offer Price to GAMMA	$20 per share
ALPHA Stock Price	$10 per share
Price / 2024 ALPHA EPS	8.0x
Consideration	100% Stock
Exchange Ratio to GAMMA	2.00x
Pro Forma Ownership for GAMMA	35%

BETA

Offer Price to GAMMA	$21 per share
BETA Stock Price	$10 per share
Price / 2024 BETA EPS	10.0x
Consideration	100% Stock
Exchange Ratio to GAMMA	2.10x
Pro Forma Ownership for GAMMA	9%

Proposal Review Scenario 2

ALPHA		BETA		Calculation
Offer Price to GAMMA	$20 per share	**Offer Price to GAMMA**	$21 per share	A
ALPHA Stock Price	$10 per share	**BETA Stock Price**	$10 per share	B
Price / 2024 ALPHA EPS	8.0x	**Price / 2024 BETA EPS**	10.0x	C
Consideration	100% Stock	**Consideration**	100% Stock	D
Exchange Ratio to GAMMA	2.00x	**Exchange Ratio to GAMMA**	2.10x	E = (A / B) * D
2024 ALPHA EPS	$1.25	**2024 BETA EPS**	$1.00	F = B / C
EPS to GAMMA	$2.50	**EPS to GAMMA**	$2.10	G = E * F
Peer Price / 2024 EPS	10.0x	**Peer Price / 2024 EPS**	10.0x	H
Implied Value to GAMMA	$25.00	**Implied Value to GAMMA**	$21.00	J = G * H

Proposal Review Scenario 3

ALPHA

Offer Price to GAMMA	$20 per share
ALPHA Stock Price	$10 per share
Price / 2024 ALPHA EPS	8.0x
Consideration	100% Stock
Exchange Ratio to GAMMA	2.00x
Cash Per Share	-

BETA

Offer Price to GAMMA	$24 per share
BETA Stock Price	$10 per share
Price / 2024 BETA EPS	10.0x
Consideration	50% Stock
Exchange Ratio to GAMMA	1.20x
Cash Per Share	$12.00

Proposal Review Scenario 3

ALPHA		BETA		Calculation
Offer Price to GAMMA	$20 per share	**Offer Price to GAMMA**	$24 per share	A
ALPHA Stock Price	$10 per share	**BETA Stock Price**	$10 per share	B
Price / 2024 ALPHA EPS	8.0x	**Price / 2024 BETA EPS**	10.0x	C
Consideration	100% Stock	**Consideration**	50% Stock	D
Exchange Ratio to GAMMA	2.00x	**Exchange Ratio to GAMMA**	1.20x	E = (A / B) * D
Cash Per Share	-	**Cash Per Share**	$12.00	F = A * (1 – D)
2024 ALPHA EPS	$1.25	**2024 BETA EPS**	$1.00	G = B / C
EPS to GAMMA	$2.50	**EPS to GAMMA**	$1.20	H = E * G
Peer Price / 2024 EPS	10.0x	**Peer Price / 2024 EPS**	10.0x	I
Implied Value to GAMMA	$25.00	**Implied Value to GAMMA**	$24.00	J = H * I + F

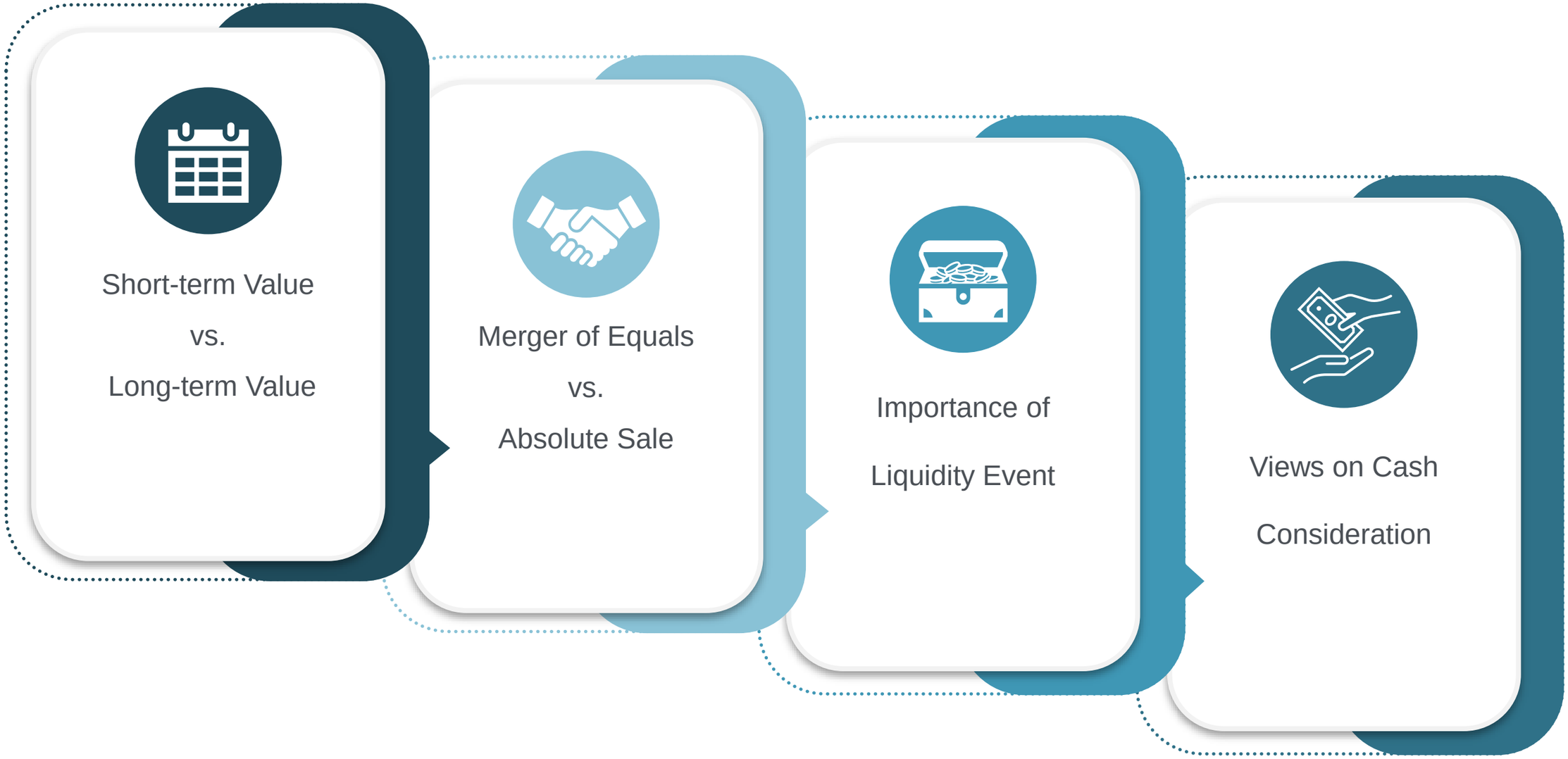
Proposal Review Scenario 4

ALPHA	
Offer Price to GAMMA	$20 per share
ALPHA Stock Price	$10 per share
Price / 2024 ALPHA EPS	8.0x
Consideration	100% Stock
Exchange Ratio to GAMMA	2.00x
2024 ALPHA EPS	$1.25
Total Assets	$1,500M
Market Cap	$150M
Exchange	OTCPK (Pink Sheets)
Avg Daily Trading Volume	1,000 Shares
Acquisition History	None
Transaction Description :	Strategic Merger / In-Market Combination
Pro Forma Ownership for GAMMA	35%

BETA	
Offer Price to GAMMA	$21 per share
BETA Stock Price	$10 per share
Price / 2024 BETA EPS	10.0x
Consideration	100% Stock
Exchange Ratio to GAMMA	2.10x
2024 BETA EPS	$1.00
Total Assets	$6,000M
Market Cap	$850M
Exchange	NASDAQ
Avg Daily Trading Volume	150,000 Shares
Acquisition History	Three Completed
Transaction Description	Market Expansion for BETA
Pro Forma Ownership for GAMMA	9%

Alternative Scenario 2

Perspectives from Professional Investors



Piper Sandler Disclosures

Research Independence

- Our research analysts are independent from our investment bankers and develop their opinions based on the results and merits of a covered company
- Our research analysts, together with research management, make their own coverage decisions, including decisions to initiate or terminate coverage. Our investment bankers do not have any input into company-specific coverage decisions
- Piper Sandler does not offer favorable research or specific ratings or price targets in consideration of, or as an inducement for, investment banking business
- Our research analysts do not participate in efforts to solicit investment banking business

General

- Piper Sandler Companies (NYSE: PIPR) is a leading investment bank driven to help clients Realize the Power of Partnership®
- Securities brokerage and investment banking services are offered in the U.S. through Piper Sandler & Co., member SIPC and NYSE; in the U.K. through Piper Sandler Ltd., authorized and regulated by the U.K. Financial Conduct Authority; and in Hong Kong through Piper Sandler Hong Kong Ltd., authorized and regulated by the Securities and Futures Commission
- Alternative asset management and fixed income advisory services are offered through separately registered advisory affiliates
- ©2024. Since 1895. Piper Sandler Companies. 800 Nicollet Mall, Minneapolis, Minnesota 55402-7036