Triumph Bancorp, Inc.

Q4 2018 Earnings Conference Call

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CORPORATE PARTICIPANTS

Luke Wyse – *Senior Vice President of Finance and Investor Relations*

Aaron Graft – *Vice Chairman and Chief Executive Officer*

Bryce Fowler – *Chief Financial Officer*

Dan Karas - *Chief Lending Officer*

PRESENTATION

Operator
Good morning. And welcome to the Triumph Bancorp Fourth Quarter 2018 Earnings Conference Call.

All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation there will be an opportunity to ask questions. To ask a question you may press star, then one on your touchtone phone. To withdraw your question, please press star, then two. Please note this event is being recorded.

I'd now like to turn the conference over to Luke Wyse, Senior Vice President of Finance and Investor Relations. Mr. Wyse, please go ahead.

Luke Wyse
Good morning. Welcome to the Triumph Bancorp conference call to discuss our fourth quarter and full year 2018 financial results.

Before we get started, I'd like to remind you that this presentation may include forward-looking statements. Those statements are subject to risks and uncertainties that could cause actual and anticipated results to differ. The company undertakes no obligation to publicly revise any forward-looking statements.

If you're logged into our webcast, please refer to the slide presentation available online including our Safe Harbor Statement on slide 2. For those joining by phone, please note that the Safe Harbor Statement and presentation are available on our website at www.triumphbancorp.com. All comments made during today's call are subject to that Safe Harbor Statement.

I am joined this morning by Triumph's Vice Chairman and CEO, Aaron Graft; our Chief Financial Officer, Bryce Fowler; and Dan Karas, our Chief Lending Officer. After the presentation, we'll be happy to address any questions you may have.

At this time, I would like to turn the call over to Aaron. Aaron?

Aaron Graft
Good morning. For the fourth quarter we earned net income to common stockholders of $18.1 million, or $0.67 per diluted share. Return on average assets for the quarter was 1.6%.

2018 was a transformative year for TBK. We bought factoring company and three banks. We onboarded hundreds of new team members with these acquisitions, successfully converted them to our core systems, and completed an equity offering to enable all of it. Loans grew by $798 million in total and we generated $378 million of that growth organically.

On top of all this, we completed or will complete in early 2019, 72 separate strategic initiatives that will broaden our product offering, improve the technological advantage in our niche businesses, and lay the framework for efficient growth in the future. My heartfelt thanks to the team for a job well done in 2018.

While it was a busy year in terms of our initiatives and acquisitions, our core earnings have continued to improve. Fourth quarter results reflect the first full quarter of the operations of all entities acquired during 2018. As I said in the opening, our return on average assets for the fourth quarter was 1.6%, which is the highest level we posted this year.

Our return on average assets for all of 2018 was 1.33%. Average loans were up $239 million, or 7% over the prior quarter. Period end loan growth was $96 million. Our ABL portfolio was shrunk during the fourth quarter by $59 million, or 22%, largely as a result of our efforts to decrease the overall risk profile of the portfolio following a fraud loss earlier in the year.

Other lending lines grew during the quarter. Commercial real estate loans increased by $86 million, or 9% and equipment finance loans increased by $28.2 million, or 9%. Mortgage warehouse lending was up at the end of the quarter. The average mortgage warehouse balance decreased $33 million this quarter to $257 million, due to a typical seasonal decrease in demand for mortgages.

At Triumph Business Capital, we continue to see growth. Total factoring revenue increased by $247,000 quarter-over-quarter, or 1% to $29 million. Purchases increased by approximately $38 million, or 3% to $1.5 billion during Q4. The number of invoices purchased climbed 45,000 over Q3 to 882,000 invoices. The average invoice size this quarter decreased $49 to $1,747. Average transportation invoices decreased $41 to $1,625. Outstanding transportation invoices comprised approximately 83% of the gross balance of factored receivables at December 31, 2018.

Our number of active clients increased by 259 clients to a total of 6,191. For TriumphPay, we will have 113 clients utilizing the TriumphPay system, up from 86 last quarter. During Q4, TriumphPay processed 83,000 invoices, paying 19,000 distinct carriers approximately $123 million.

In Q4, we signed a top 25 broker to the TriumphPay platform. We expect to integrate another top 25 broker in Q1. Collectively these two companies will contribute approximately $800 million in annual carrier payments to the TriumphPay platform.

In addition to these large brokers, we continue to sign and integrate several smaller freight brokers onto TriumphPay. We think the future of TriumphPay is bright, but we do not expect it to be a net contributor to our earnings during 2019.

Fourth quarter net interest income was up $3.1 million over Q3. Net interest margin declined by 25 basis points to 6.34%, which is in line with what we expected, considering the acquired bank's portfolio impact on this quarter. Loan yields of 8.14% and the cost of total deposits increased 6 basis points to 91 basis points.

We accreted $1.4 million of loan discount in Q4 and have $17 million of accretable discount at year-end. We have added a disclosure about loan discount accretion to the end of our earnings release. Our loan-to-deposit ratio at year-end increased to 105%. This ratio was inflated by approximately 10% due to our use of FHLB advances to fund mortgage warehouse lending.

Overall, we continue to see improvement in our asset quality metrics. Last quarter we highlighted a single ABL relationship with a fraud-related loss that materially impacted both charge-offs and provision for loan loss. Excluding that single relationship, the ratios for nonperforming loans and assets as well as net charge-offs have been good and improving.

Year-over-year, the level of both nonperforming loans to total loans and nonperforming assets to total assets have decreased and they decreased again this quarter. Nonperforming loans are now down to 1% and nonperforming assets to 84 basis points, below our 1% or better goal for 2018.

Net charge-offs were approximately $1.6 million for the fourth quarter, or five basis points. Year-to-date net charge-offs are 23 basis points of average loans or roughly eight basis points excluding the total ABL fraud-related charge-off.

Noninterest income was up $736,000 from Q3 to $6.8 million. This is up $1.6 million from the first quarter of this year, reflecting the addition of the acquired banks and factoring company in our financial results. Q3 noninterest expense included $5.9 million in transactional cost associated with the bank acquisitions.

Fourth quarter expenses were very close to the $47 million estimate we provided in our last earnings call. The core increase was driven primarily by the full quarter addition of the three acquired banks, as well as investment in technology development and overall infrastructure, including TriumphPay and Triumph Business Capital.

As I mentioned in the first part of my remarks, 2018 has been a transformative year for TBK. We have substantially completed 72 initiatives, which include expansion and improvement in our product offerings, delivery and service, technology enhancements, and office expansion to support our growth. We will increase our investment in 2019 to support technology enhancements and infrastructure development for Triumph Business Capital and TriumphPay.

We estimate that noninterest expense will increase to$49.5 million for the first quarter of 2019 and remain essentially flat for the remainder of the year, resulting in total noninterest expense of approximately $200 million for the fiscal year 2019, assuming no M&A activity. For 2019, we expect organic loan growth of approximately 15%.

As a reminder, the first quarter of each year has historically been our weakest quarter due to seasonal factors, especially in our transportation-related businesses. First quarter loan growth over the past three years has ranged from negative 3.6% to positive 2.2%. If this historical pattern repeats in 2019, first quarter earnings will be weaker than Q4 of 2018, followed by a rebound in subsequent quarters.

Our expectations for the 2019 fiscal year call for mild net interest margin expansion as the commercial finance portion of our business again outpaces the growth of our community bank lending. Following the Christmas holidays, we see a pullback in factored receivable purchases in January of approximately 10% to 11%. That typically translates into relatively flat or down factoring activity in Q1 from Q4 and shifts our net interest margin down on that mix change.

We remain committed to achieving our goal of a 1.8% core return on average assets in the fourth quarter of 2019, which should translate into earnings per share of approximately $0.84 to $0.86 per share in Q4, again assuming no M&A.

In closing, I am encouraged by the core trends in our business. We continue to grow and improve and we are very optimistic about the path forward.

With that, I'll turn the call back over to the operator for any questions.

QUESTIONS AND ANSWERS

Operator
We will now begin the question-and-answer session. To ask a question you may press star, then one on your touchtone phone. If you are using a speakerphone, please pick up your handset before

pressing the keys. To withdraw your question, please press star, then two.

The first question today comes from Brady Gailey with KBW. Please go ahead.

Brady Gailey
Good morning, guys.

Aaron Graft
Good morning, Brady.

Brady Gailey
So if you looked at loan growth in the fourth quarter, it was a little lighter than we had estimated. I know this quarter and 1Q it will seasonally be light as well. I know in the press release, you talked about commercial finance and I think balances were down a little bit as you all are maybe strategically reducing the ABL book, but maybe just talk about the growth trends specifically in commercial finance for 2019.

Aaron Graft
Well on the whole, we think that commercial finance is going to grow more quickly than the community bank portfolio. So we've given you the number that we think loan growth for the year is 15% or roughly $550 million.

We expect commercial finance to be the bulk of that. ABL, I don't think you'll continue to see it contract. We had some credits that have moved out of the bank, and as we hit reset on the business and I think it's got the opportunity to grow in the future, Triumph Business Capital, I think is well positioned for growth, the pipeline, the number of leads that are coming into the system are as robust as ever.

In Q4, we didn't get as many of them onboarded because we were working through an operating system change and move integration with ICC. So I think that business could grow 25% to 30% organically, and equipment finance remained strong. It had another great quarter and I suspect it will do well in '19.

Brady Gailey
Alright. That's helpful. And then, the mild NIM expansion expected for 2019, does that include any assumptions surrounding any additional rate hikes and then I know Q1 is seasonally a weaker NIM quarter. So we should expect a down NIM in Q1 than expansion from there on out?

Aaron Graft
Yes, so our assumptions do not—we're not anticipating or the guidance we're giving on NIM expansion is not tied to any rate increases. And as far as Q1, we pointed it out in the past, we want to be explicit here, NIM will contract as transportation slows, our loan growth will slow and our earnings per share will drop.

That seasonal shift in Q1 is something that I don't feel like that we as a management team have been as clear to the market as we should have been. So I am taking this opportunity to say it that Q1 from a financial performance will not be as good as Q4, and you have the spending increase and we're excited about that because we think it's an investment in some technology initiatives that are going to help these niche businesses, but the experience and the return on that investment you'll see through the remainder of the year, not so much in Q1.

Brady Gailey

Alright. And then Aaron you had a pretty active year in M&A in 2018. Any thoughts on what you think will happen this year?

Aaron Graft
I suspect there will be M&A. I'm not sure we'll buy three banks and a factoring company again. That was opportunistic, but it stretched our resources and we'll continue to look at branch deals. Our primary focus is on branch deals or community bank M&A and allowing our commercial finance businesses to grow organically unless we find something that fits in the niches we're in. We're not going to expand into a new line of business via acquisition in 2019.

Brady Gailey
Got it. Thanks for the color guys.

Operator
The next question comes from Brad Milsaps with Sandler O'Neill. Please go ahead.

Brad Milsaps
Good morning, guys.

Aaron Graft
Good morning, Brad.

Brad Milsaps
Aaron, just maybe a little more color on may be the factoring transportation factoring specifically in the fourth quarter. Typically you do get a really big surge. I see added clients obviously processed a lot more invoices. The average invoice obviously was down a bit. Kind of curious, anything else going on in the quarter. How much of an impact are lower oil prices having on average invoice and how does that affect your guidance in 2019?

Aaron Graft
Well, we can only make guesstimates as to the direct correlation between fuel prices and the spot freight market. There's a lot of things that affect that. So let me remind you of what we always think of the first thing: we look towards net client growth as the harbinger of weather we're doing well.

Q4 was among our lowest net client growth quarters and that as I said not because the market opportunity wasn't there, it's because we had kinks in our system. When a referral comes in, we have to get them through underwriting and onboarded very quickly and we were just resource constrained in Q4 with all the initiatives we had working on.

I am going to make certain that does not happen again, so that we can return to the historical levels of client acquisition, which as we say, sow the seeds for future NFE growth. So I'm excited about the market opportunity, our market position seeing lots of new leads. As far as the actual invoice sizes themselves, fuel prices haven't been this low in quite some time and we have no idea where fuel prices will go in 2019.

Invoice sizes are at relative highs. If you look over the long period that Triumph Business Capital has been in existence. And so my presumption, Brad, is that the growth that we're going to deliver in Triumph Business Capital will come from us taking market share rather than some of the tailwinds we experienced in 2018 from rising invoice prices.

Brad Milsaps

Okay. That's helpful. And then just to follow-up on funding. You guys have essentially utilized and deployed all the excess liquidity you got in the three bank acquisitions. I think the loan deposit ratio is right around 105%. As you think about funding the $550 million of potential loan growth, what's kind of your initial approach to that? Just any thoughts around deposit funding would be helpful.

Bryce Fowler
Sure, this is Bryce. I think our Plan A here that our desired results include as we mentioned before, we've been bringing up internally our treasury management platform that's about ready to launch. I think we have a pretty good hope for a good pipeline there and growth there. So I am expecting pretty significant growth from that cost over the course this year.

We're also bringing up our Dallas branch during the year as well. We've had some growth, even though the branch isn't open, we've gathered over $200 million in deposits so far there in that payment. I think we have more opportunity there. So those are the two primary sources, and then of course we're pushing harder on our branch system for net growth.

Then our outlook beyond that of course would be higher cost of marginal funding that we can always go get if we need to bring the loan deposit ratio back down.

Brad Milsaps
Okay. Thank you.

Operator
The next question comes from Jared Shaw with Wells Fargo. Please go ahead.

Jared Shaw
Hi. Good morning. Just sticking with the factoring for a minute here, separate from the new finance growth, just looking at the growth in the accounts receivable purchased, that was the slowest we've seen for quite some time, especially given that fourth quarter is typically bigger. Is that growth a function of the system reaching capacity and you needing to make more investments to support just the number of tickets coming across the desk? Or was there any impact there, did you see anything from tariffs and all the discussion around that and sort of cross-border trade or what was when you look at the actual accounts receivable purchased growth, what was driving that lower number?

Aaron Graft
I think we believe and we're not economists, but we believe the primary culprit was that business runs like a factory and the factory has to be up and running at all times to onboard new clients and we did that and the team did a tremendous job. But we had a lot of resources, management and internal resources aimed at the launch of Delta, which is our operating platform and integration.

And so I think customers who were coming into the queue, didn't make it across the finish line as quickly as we would like. That is one part of the explanation. As far as seeing a slowdown in the economy, again, we're not economists, what we saw were invoice sizes contract we think largely correlated to fuel prices. But beyond that, when you look at purchases, per client our average utilization especially in our trucking business, the utilization is still really high related to long-term historical standards that we have not seen utilization rates drop.

Jared Shaw
Okay. Alright, thanks. And then on TriumphPay, it's good to see the growth there. When you're saying it's probably not going to be running at a net profit in 2019, is that because you're still investing

additional resources into that system, or you just need to get the actual client base up enough to cover the fixed cost there?

Aaron Graft
Well, it's both and but primarily the first thing you mentioned. Look, understand we are going to do and invest at whatever level it takes to win in this market. We believe it is a large market that we can offer a differentiated solution and so we are investing heavily in technology, the personnel required to do the integrations, and a lot of that investment crosses both Triumph Business Capital and TriumphPay, and so we expect and what we've layered in there for you in our 2019 noninterest expense forecasts, is to make significant investments to make sure that we're the first to the finish line.

And so that being the case, we think TriumphPay will grow substantially in 2019 but as a result of those investments we're not counting on it to deliver net income to the bottom line in 2019. We think that will be more of a 2020 event.

Jared Shaw
Okay. Thanks. And then just a final one for me, I'm not sure with the prior question, but on the ABL side, you think that you have the system in place now that you can feel comfortable growing ABL from this level, or is that an asset class that you just still think is maybe a little more risk than you want, and should we expect to see that continue to be a more modest contributor to growth?

Aaron Graft
We are in the process, we had to make some personnel changes in ABL as the business, in my opinion, outgrew the talent pool that we had servicing it. Those changes have been made. We are continuing to add talented people to the platform.

ABL as a credit discipline is something that many, many banks do. We believe it's something we should do especially on our pathway towards being a regional bank. So I expect it to be here, I expect it to continue to grow. We just need to double down on the talent to make sure that we can do that growth in a way that's safe for the entire institution.

Operator
The next question comes from Matt Olney with Stephens. Please go ahead.

Matt Olney
Thanks. Good morning, guys.

Aaron Graft
Good morning, Matt.

Matt Olney
I wanted to circle back on the commentary on mild margin expansion in 2019. Can you clarify what number you're looking at? Is this a core number in full year '19 verse full-year '18, or is this a fourth-quarter number. Any other details behind that you can give us?

Bryce Fowler
Sure Matt. This is Bryce. I think what we were referring to was for the year 2019 overall and a GAAP number that we were talking about there. You may have noticed, we stopped kind of reporting the adjusted yield on adjusted margin as kind of responsive to—correction the SEC is going with that, but we've put some numbers in there about the overall discount accretion. There's $17 million accretable discount, but it's not a huge impact, it's like $5 million or so for 2019.

Matt Olney
Okay. That's helpful, Bryce. And then, you reported the ROA of 180 in the fourth quarter, you reiterated the goal of the 180 ROA in the fourth quarter of '19. Help us understand the bridge that we need to get from that 160 to 180 over the next four quarters?

Aaron Graft
Matt, it's efficient growth. That's what I think we built the plumbing for that, bringing up treasury management for some of the clients that we have in the system being able to convert them over. That's going to be a contributor, efficient growth in our community bank platform will be a contributor.

When we talk about it, and I just want to make sure that we're clear, if we're talking of 180 Q4 of '19, which is again as we pointed out last year, that's where we believe we will start really achieving the efficiencies of scale. Understand that in the first three quarters of this year, we're still in the building mode and so full year ROA is probably somewhere between a 1.5 and a 1.6 and it will continue to improve throughout the year to a 1.8 in Q4. And so how we get there is 15% loan growth, continued growth in factoring, and the high profitability of that business and for us that's a very achievable number. It's the goal we set for ourselves and we're willing to be held accountable for it.

But in the first part of this year, everyone needs to understand that we're making some investments and continuing to make some investments that we think pay off towards the latter half of the year and that optimized run rate we won't hit until Q4.

Matt Olney
Okay. That's helpful, Aaron, thank you for that. And then can you clarify your M&A thoughts? I think you were clear in previous quarters that you are focused on more of a community bank with strong funding within the core footprint. Anything changed from here in 2019 as far as your M&A appetite?

Aaron Graft
No. What you just said is that's the primary target. Community bank within or adjacent to or within the existing footprint that improves our overall funding mix, improves the strength of our core commercial and community banking efforts. Branch acquisitions are also on the table.

Matt Olney
Got it. Thank you.

Operator
The next question comes from Steve Moss with B. Riley FBR. Please go ahead.

Steve Moss
Good morning. I guess one thing on the factoring invoices here. Just wondering if you could perhaps tighten up the—if oil stayed around $50 to $52 per share or $50 to $53 a barrel, should we expect the average invoice size to be in the $16.50 to $16.75-type range? It obviously came down when oil coming down during the fourth quarter, just kind of wondering if we hold here, what does it bottom out?

Aaron Graft
Yes and as I've said before, oil is just one of many factors that affect the spot freight markets. There is as important as oil is the availability of drivers. As ELD reinforcement, ELDs exist, the enforcement is still pretty lackadaisical. I still think there's an opportunity for contraction of utilization of the existing trucks on the road. And then, what does GDP do? Are we going to be in a trade war and is the budget going to open?

Those actually have a bigger influence on average freight invoices than the price of oil alone. What I can point you to is the over the long term, the average invoice sizes have spent the majority of their time between $1,400 and $1,600 per invoice. We're still above that long-term number, which I think isn't just GDP driven. It's due to the shrinking capacity of the existing trucking fleet as we start to pull shadow hours off the road through ELD enforcement.

So there's just a lot of things that play. It would be impossible for me to predict, regardless of what oil does, what average invoice sizes are going to do in 2019, because there's so many moving parts that small things can move it in unexpected ways.

Steve Moss
Okay. That's helpful. And then on the competitive environment, I just wondered if you talked about it as it relates to commercial loans? What are you seeing for spreads in underwriting [indiscernible]?

Dan Karas
Hi. Good morning. It's Dan Karas. I think commercial real estate is the most profitable markets and I think we'll see compression in yields in that space, but overall we've been able to find niches in which we can compete with strong sponsors and lower levered deal size. So I still expect growth in the commercial real estate sector.

With respect to commercial finance, pricing pressure exists and has and it will continue. It hasn't hampered our yields. I don't expect it to hamper our yields overall. Equipment finance in particular continues to gain in geographic diversification as well as product diversification. So that growth has been strong and I expect it to continue to be strong and probably second to Triumph Business Capital in the growth category for the year.

Steve Moss
Okay. That's helpful. And then on the loan loss reserve ratio here for 2019, obviously you've done a number of deals. Kind of thinking, where should we think that, if credit quality stays stable, where should the ratios end by year-end '19?

Dan Karas
I don't have exact basis point answer for you, but it will creep up probably a few handful of basis points per quarter over the course of year as we kind of renew the acquired portfolios and re-provision on those, that kind of depends on the speed of that turnover to that portfolio, the holding credit quality constant.

Steve Moss
Okay. And then last one just following up on M&A here. It sounds like you guys are still in active discussions, have seller expectations come in with the selloff that we saw in the fourth quarter?

Aaron Graft
It hasn't hampered or we haven't had a specific conversation where there's been an acknowledgment from a seller. I think everybody sort of took a wait-and-see approach in Q4 as no one had a clear direction where the market went. We saw some fairly high profile deals actually get rejected by the shareholder.

So we don't have several different conversations going on at one time. It's more of a handful and all those, everybody just sort of hit pause and was looking to figure out where the market would bottom out with bank stocks. So I would say on the whole, if people want to get something done, they're going to have to adjust their expectations to the new reality of where some of the acquiring company's, ours included, trade.

Steve Moss
All right. Thank you very much guys.

Operator
The next question comes from Brett Rabatin with Piper Jaffray. Please go ahead.

Brett Rabatin
Good morning. Wanted to ask on the margin guidance for the year, just thinking about your loan growth, I know you would like to do some M&A if it makes sense, but can you give us color around does the margin guidance include funding the balance sheet with brokered deposits, or what have you if M&A isn't there, and just how are you thinking about funding growth this year if you're not growing deposits as fast as you need to?

Bryce Fowler
Sure, this is Bryce. I think the answer is the use of broker deposits is available to this as kind of way down the pecking order of what we would hope and tend to use. Again, I think we're looking for pretty aggressive growth from treasury management, our new Dallas branch, some better than historical growth out of our branch system for deposits as well, but wholesale type funding broker or otherwise listing service-type deposits or other national market access to deposits is available to us to fill the gap if needed. But we're hoping that we can do very little of that in 2019.

Brett Rabatin
So you guys are expecting to fund most of your growth of core fund, core sources?

Bryce Fowler
Yes, that's my goal.

Brett Rabatin
Okay. And then the other thing I wanted to make sure I had a grasp on, was you talked about the signing of the top 25 freight brokers and not expecting, trying to pay to contribute this year to earnings given the investments. Does the outlook for '20 change tremendously, i.e. is there significant build that year in profitability as it relates to that or is kind of more of a slow progression in your view?

Aaron Graft
Well Brett, that's hard to predict that far out. Let me start off by saying, as we're approaching TriumphPay specifically, what we care about is market penetration, right? Of course everything we do has an ultimate profitability goal attached to it, but for 2019, even 2020, I am so committed for us to become the go-to payment platform in this market, because I believe it's going to be valuable for freight brokers, it's going to be valuable for carriers, and because it's valuable, I think it will be permanent and it will be a very sticky product because it makes everyone's life better.

I'm so committed to it that even if it doesn't add anything in 2020, that's fine too. We will do what it takes to make sure that we become, like I've said it once before, the ubiquitous payment platform in the freight market, we may take it beyond that market.

My expectation is that these investments we're making, the developers we're hiring, the integration personnel that are coming, and again those don't just—some of that's for TriumphPay, some of its for Triumph Business Capital, that there will be meaningful ROI on those dollars in 2020.

But it's more important right now for us to focus on onboarding both the very large freight brokers, which we've said we have to that we've added to the system and are hopeful to add more this year, and then to continue in the smaller and midsized freight brokers to get them on the system because the more they come of the system, the more it becomes the go-to payment source for this segment of the market.

So once the business is at scale, you have the fee piece of the business from the quick pay revenues, you also get benefit of the float that you look for, and there are probably some other ways to monetize just having the data related to the positioning of trucks that are on the platform.

This business is going to be, TriumphPay, at scale on an order of magnitude of around a 4% return on asset business, could even be better than that. I've said before the Triumph Business Capital is 5.5% return on asset line of business and that depends and these are all internal businesses. So it's how we look at them not just on they're not being totally evaluated on a standalone basis, but TriumphPay not only brings that from the revenue side, but it also brings value from the flow capture.

So, I think that you'll start to see those numbers in 2020. Again we think we get to a 1.8 ROA without TriumphPay being a meaningful contributor in 2019 and what we look like in 2020 that crystal ball is still foggy, but I will tell you we're excited about the direction we're headed.

Brett Rabatin
Okay. I appreciative all of the color on that.

Operator
Again, if you have a question, please press star, then one. The next question comes from Gary Tenner with D.A. Davidson. Please go ahead.

Gary Tenner
Thanks. Good morning. Most of the questions have been asked, but with regard to the two freight brokers that you refer to the one in Q4 and the one pending here in Q1, can you talk about, do you have a sense of, well, I'm sure you have a sense, but can you talk about where their quick pay penetration has been for their carrier base at this point historically?

Aaron Graft
It's been very low as we find with most freight brokers, it generally runs around 10%, because where the freight brokers have been pricing the quick pay, it is not competitive to the factoring industry. So we think over time, the quick pay adoption for TriumphPay will continue to grow, especially when carriers who haul for multiple different freight brokers see TriumphPay's offering from multiple sources.

But a 3% discount quick pay offered by a freight broker is not going to be competitive with most of the large factoring companies what they're offering. So taking that penetration from 10% to 20% makes a meaningful difference for TBK and it's also profitable for the freight broker, but you can't do that at a 3% discount. You're going to have to get down more like a 1.5% rate, it depends.

Gary Tenner
All right. Thanks, Aaron. Most of my other questions have been asked. Thanks.

CONCLUSION

Operator

This concludes our question-and-answer session. I would now like to turn the conference back over to Aaron Graft for any closing remarks.

Aaron Graft
Thank you everyone for joining us today. We appreciate it and look forward to speaking to you down the road.

Operator
This conference has now concluded. Thank you for attending today's presentation. You may now disconnect.