



The First of Long Island Corp. (FLIC)

Updated December 9th, 2020 by Jonathan Weber

Key Metrics

| | | | | | |
|-----------------------------|------|--|-------|----------------------------------|-----------------------|
| Current Price: | \$18 | 5 Year CAGR Estimate: | 12.8% | Market Cap: | \$430 M |
| Fair Value Price: | \$22 | 5 Year Growth Estimate: | 5.0% | Ex-Dividend Date: | 01/07/21 ¹ |
| % Fair Value: | 81% | 5 Year Valuation Multiple Estimate: | 4.2% | Dividend Payment Date: | 01/20/21 ² |
| Dividend Yield: | 4.2% | 5 Year Price Target | \$28 | Years Of Dividend Growth: | 25 |
| Dividend Risk Score: | B | Retirement Suitability Score: | A | Last Dividend Increase: | 5.6% |

Overview & Current Events

The First of Long Island Corporation is the holding company for *The First National Bank of Long Island*, a small-sized bank that provides a range of financial services to consumers and small to medium-sized businesses. Its offerings include business loans, consumer loans, mortgages, savings accounts, etc. FLIC operates around 50 branches in two Long Island counties and several NYC burrows, including Queens, Brooklyn, and Manhattan. The \$430 million company has a history of almost 100 years since being founded in 1927, and the company is headquartered in Glen Head, New York.

FLIC reported its most recent quarterly results on October 29th, 2020. The company reported revenue of \$31 million for its fiscal third quarter, which was 13% more than the revenue that the company generated during the previous year's period. FLIC easily beat the consensus estimate, as analysts had forecasted a mid-single digit growth rate. FLIC's revenue growth was possible thanks to an expansion of its net interest margin, by 10 base points year over year, in combination with an overall larger loan book. FLIC also benefited from being a member in the PPP program during Q3.

FLIC's earnings-per-share totaled \$0.45 during the third quarter, up 2% year over year. Results beat estimates marginally, as analysts had forecasted earnings-per-share of \$0.44 for the quarter. FLIC's earnings growth was possible thanks to a decline in its average share count compared to the previous year's period, as net income on a company-wide basis remained unchanged from the previous year's quarter, at \$10.8 million. FLIC has raised its dividend by 5.6%, to \$0.19 per share, during the third quarter, keeping its growth record intact.

Growth on a Per-Share Basis

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2025 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------|
| EPS | \$1.03 | \$0.98 | \$1.16 | \$1.03 | \$1.10 | \$1.22 | \$1.34 | \$1.43 | \$1.63 | \$1.67 | \$1.70 | \$2.17 |
| DPS | \$0.34 | \$0.38 | \$0.42 | \$0.44 | \$0.48 | \$0.52 | \$0.55 | \$0.58 | \$0.60 | \$0.69 | \$0.76 | \$1.04 |
| Shares³ | 19.3 | 19.8 | 20.2 | 20.6 | 20.8 | 21.2 | 23.7 | 24.7 | 25.4 | 23.9 | 23.8 | 23.5 |

The First of Long Island has generated solid, yet not spectacular growth over the last decade. Between 2010 and 2019, earnings-per-share have grown by 5% annually, although the growth rate has been a bit uneven over that time frame. FLIC's dividend has grown somewhat faster during that time frame, at a 10-year average rate of slightly more than 7%.

FLIC's earnings-per-share growth in the past was mainly possible thanks to a solid pace of business growth. FLIC's revenues roughly doubled over the last decade, as the bank was able to expand its presence in its markets while also generating higher revenues per branch during that time frame. Low interest rates, which are normally seen as a headwind for banks due to the fact that they usually go hand in hand with low net interest margins, have not been a major headwind for FLIC. This also holds true for the current crisis, as FLIC has been able to expand its net interest margin in recent quarters. FLIC saw its share count rise substantially between 2010 and 2018, which is why earnings-per-share growth lagged behind net income growth during that time frame. More recently, FLIC has started to buy back shares, which has been beneficial for earnings-per-share growth in recent quarters.

¹ Estimated date

² Estimated date

³ In millions

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Valuation Analysis

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Now | 2025 |
|-----------|------|------|------|------|------|------|------|------|------|------|-------------|-------------|
| Avg. P/E | 11.7 | 12.1 | 10.8 | 14.9 | 15.4 | 14.6 | 15.6 | 19.7 | 14.9 | 13.5 | 10.6 | 13.0 |
| Avg. Yld. | 3.0% | 3.3% | 3.4% | 2.9% | 2.8% | 2.9% | 2.6% | 2.1% | 2.6% | 3.1% | 4.2% | 3.7% |

The First of Long Island has historically traded at a mid-single digits earnings multiple on average, but we believe that it will not go back to 14-15 times earnings multiples in the near term. Overall, valuations for the whole industry came down in 2019, even before the current crisis. We believe that FLIC's shares nevertheless have moderate upside potential right now, while investors get an above-average dividend yield of slightly above 4% on top of that.

Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2025 |
|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------------|--------------|
| Payout | 33.0% | 38.8% | 36.2% | 42.7% | 43.6% | 42.6% | 41.0% | 40.6% | 36.8% | 41.3% | 44.7% | 48.0% |

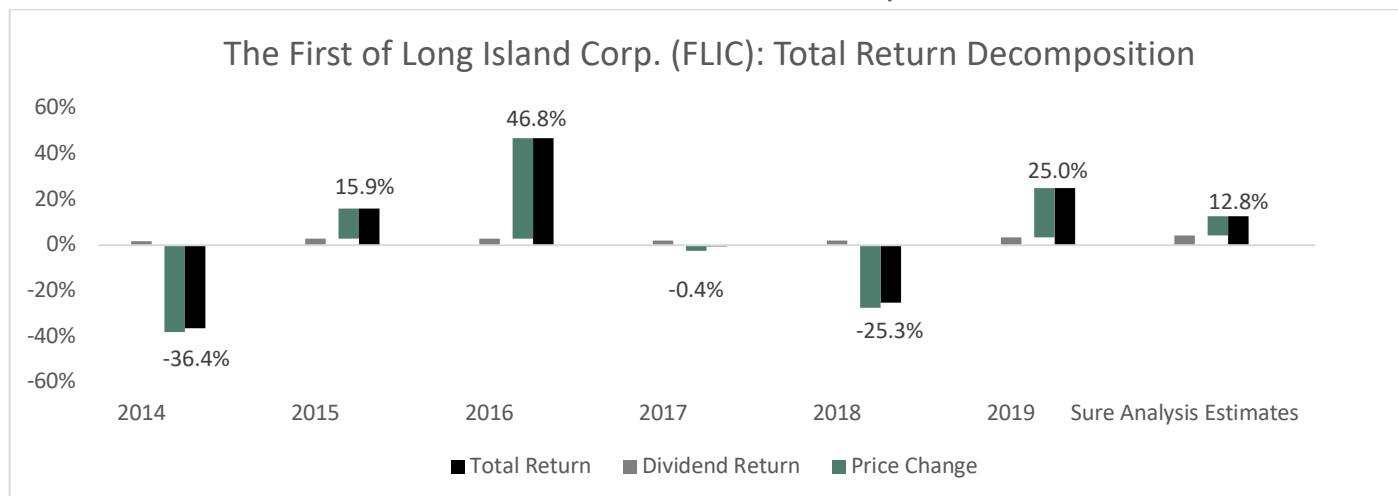
The First of Long Island has increased its dividend annually for two and a half decades. This was possible thanks to regular earnings growth, while the company has also increased its payout ratio over the years. At a payout ratio of less than 50%, the dividend still looks quite safe, we believe.

FLIC is a small regional bank that is focused on Long Island and some burrows of New York City. As such, it has benefited from a growing population and strong housing market in the areas it is active in. One could say that it has a competitive advantage in terms of being focused on an attractive geographical market, although FLIC does not enjoy large scale advantages. Nevertheless, FLIC has solid fundamentals, including an above-average return on equity of ~11% and strong loan stability, with below-average credit charge-offs, even during the current crisis. During the Great Recession, FLIC performed better than many of its peers, and results so far also look resilient during this pandemic.

Final Thoughts & Recommendation

The First of Long Island is not a large bank, but it is active in an attractive regional market and operates profitably. FLIC has not been a high-growth business in the past, but through a combination of dividends and some earnings growth, returns have still been very solid. Based on our total return estimate of 12.8% annually for the coming years, FLIC seems like an attractive stock right here, as its valuation is considerably below our fair value estimate. We rate FLIC a buy at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenue | 64 | 65 | 70 | 70 | 74 | 84 | 97 | 105 | 105 | 111 |
| SG&A Exp. | 21 | 21 | 21 | 23 | 24 | 27 | 30 | 33 | 36 | 37 |
| D&A Exp. | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 4 | 6 |
| Net Profit | 18 | 19 | 20 | 21 | 23 | 26 | 31 | 35 | 42 | 42 |
| Net Margin | 28.9% | 29.9% | 29.0% | 30.6% | 31.0% | 30.7% | 32.0% | 33.5% | 39.7% | 37.5% |
| Free Cash Flow | 22 | 26 | 29 | 37 | 30 | 30 | 28 | 38 | 54 | 47 |
| Income Tax | 5 | 5 | 5 | 6 | 6 | 7 | 9 | 10 | 5 | 8 |

Balance Sheet Metrics

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total Assets | 1,711 | 2,022 | 2,108 | 2,400 | 2,721 | 3,130 | 3,510 | 3,895 | 4,241 | 4,098 |
| Cash & Equivalents | 18 | 29 | 42 | 35 | 33 | 40 | 37 | 70 | 47 | 39 |
| Total Liabilities | 1,554 | 1,833 | 1,903 | 2,193 | 2,488 | 2,879 | 3,204 | 3,540 | 3,853 | 3,709 |
| Long-Term Debt | 254 | 183 | 192 | 340 | 425 | 531 | 574 | 689 | 742 | 517 |
| Total Equity | 157 | 189 | 205 | 207 | 233 | 251 | 306 | 354 | 388 | 389 |
| D/E Ratio | 1.62 | 0.96 | 0.93 | 1.65 | 1.82 | 2.11 | 1.88 | 1.94 | 1.91 | 1.33 |

Profitability & Per Share Metrics

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Return on Assets | 1.1% | 1.0% | 1.0% | 0.9% | 0.9% | 0.9% | 0.9% | 0.9% | 1.0% | 1.0% |
| Return on Equity | 13.5% | 11.2% | 10.3% | 10.3% | 10.5% | 10.7% | 11.1% | 10.6% | 11.2% | 10.7% |
| ROIC | 4.6% | 5.0% | 5.3% | 4.5% | 3.8% | 3.6% | 3.7% | 3.7% | 3.8% | 4.1% |
| Shares Out. | 19.3 | 19.8 | 20.2 | 20.6 | 20.8 | 21.2 | 23.7 | 24.7 | 25.4 | 23.9 |
| Revenue/Share | 3.53 | 3.27 | 3.47 | 3.37 | 3.55 | 3.97 | 4.20 | 4.28 | 4.12 | 4.46 |
| FCF/Share | 1.19 | 1.30 | 1.45 | 1.78 | 1.41 | 1.42 | 1.23 | 1.56 | 2.11 | 1.90 |

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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