



The First of Long Island Corp. (FLIC)

Updated February 2nd, 2021 by Jonathan Weber

Key Metrics

Current Price:	\$17	5 Year CAGR Estimate:	13.5%	Market Cap:	\$410M
Fair Value Price:	\$21	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	04/07/21 ¹
% Fair Value:	79%	5 Year Valuation Multiple Estimate:	4.8%	Dividend Payment Date:	04/20/21 ²
Dividend Yield:	4.5%	5 Year Price Target	\$27	Years Of Dividend Growth:	12
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. FLIC 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 January 29. The company reported revenues of \$28 million for its fiscal fourth quarter, which was 3% more than the revenues that the company generated during the previous year's period. FLIC's revenues were in-line with what analysts had forecasted for the quarter. FLIC's revenue growth was possible thanks to an expansion of its net interest margin, by 7 basis points year over year, which was a strong result in today's ultra-low interest rate environment, as low rates normally lead to compression in net interest margins.

FLIC's earnings-per-share totaled \$0.44 during the fourth quarter, up 16% year over year. Results beat estimates, as analysts had forecasted earnings-per-share of \$0.42 for the quarter. FLIC's earnings growth was boosted by a decline in its average share count compared to the previous year's period, which is why earnings-per-share grew even faster than the company-wide net income, which grew from \$9.2 million to \$10.5 million. 2020, overall, was a year during which FLIC continued to experience growing profits. The company was thus not harmed by the pandemic in a meaningful way.

Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
EPS	\$0.98	\$1.16	\$1.03	\$1.10	\$1.22	\$1.34	\$1.43	\$1.63	\$1.67	\$1.72	\$1.65	\$2.11
DPS	\$0.38	\$0.42	\$0.44	\$0.48	\$0.52	\$0.55	\$0.58	\$0.60	\$0.69	\$0.73	\$0.76	\$1.04
Shares³	19.8	20.2	20.6	20.8	21.2	23.7	24.7	25.4	24.7	23.9	23.5	22.5

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

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



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Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
Avg. P/E	12.1	10.8	14.9	15.4	14.6	15.6	19.7	14.9	13.5	10.5	10.3	13.0
Avg. Yld.	3.3%	3.4%	2.9%	2.8%	2.9%	2.6%	2.1%	2.6%	3.1%	4.1%	4.5%	3.8%

The First of Long Island has historically traded at a mid-teens 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 pandemic. We believe that FLIC's shares nevertheless have substantial upside potential right now, while investors get an above-average dividend yield of more than 4% on top of that.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	38.8%	36.2%	42.7%	43.6%	42.6%	41.0%	40.6%	36.8%	41.3%	42.4%	46.1%	49.4%

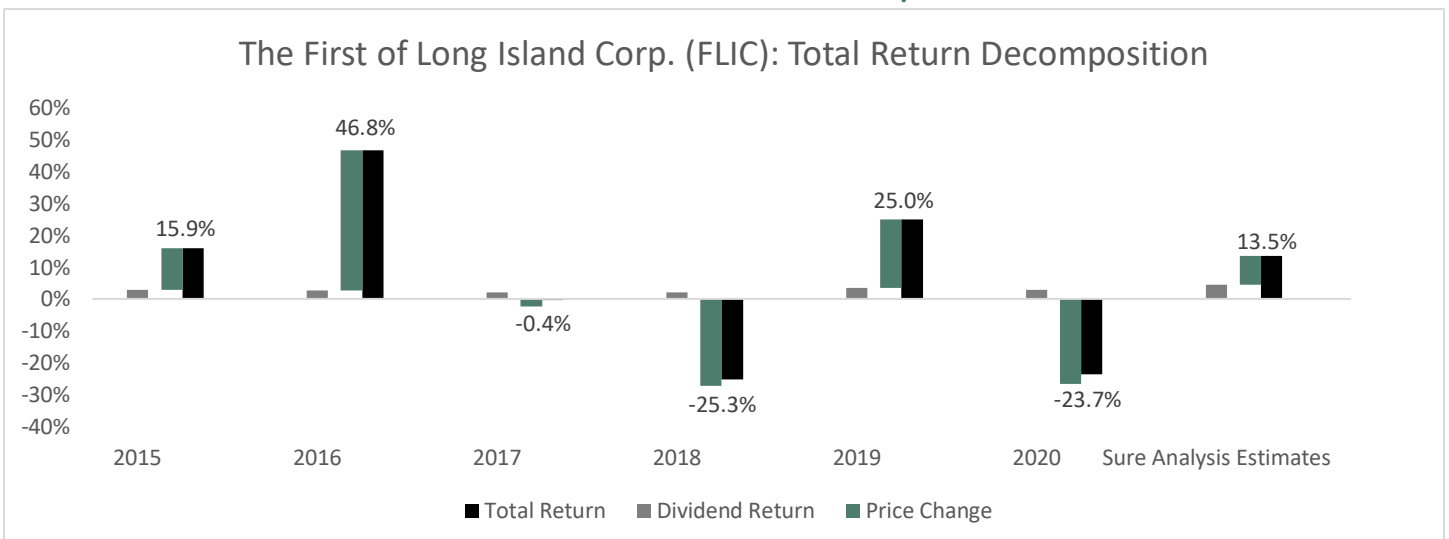
The First of Long Island has increased its dividend annually for more than a decade in a row, adjusted for stock splits. This was possible thanks to regular earnings growth, while the company has also increased its payout ratio over the years. At a payout ratio of less than 50%, the dividend still looks quite safe, we believe.

FLIC is a small regional bank that is focused on New Jersey and some burrows of New York. As such, it has benefited from a growing population and strong housing market in the areas it is active in. One could thus 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 as well, proving the below-average level of risk.

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 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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