



# Northeast Indiana Bancorp, Inc. (NIDB)

Updated March 29<sup>th</sup>, 2021 by Nathan Parsh

## Key Metrics

<b>Current Price:</b>	\$40	<b>5 Year CAGR Estimate:</b>	7.0%	<b>Market Cap:</b>	\$49 M
<b>Fair Value Price:</b>	\$43	<b>5 Year Growth Estimate:</b>	3.0%	<b>Ex-Dividend Date:</b>	5/13/2021 <sup>1</sup>
<b>% Fair Value:</b>	93%	<b>5 Year Valuation Multiple Estimate:</b>	1.5%	<b>Dividend Payment Date:</b>	5/28/2021 <sup>2</sup>
<b>Dividend Yield:</b>	2.8%	<b>5 Year Price Target</b>	\$50	<b>Years Of Dividend Growth:</b>	26
<b>Dividend Risk Score:</b>	A	<b>Retirement Suitability Score:</b>	A	<b>Last Dividend Increase:</b>	3.7%

## Overview & Current Events

Northeast Indiana Bancorp, Inc. is a bank holding company for First Federal Savings Bank based in Indiana. The bank offers a variety of financial services, including savings, checking, retirement and health savings accounts along with certificates of deposits and direct deposits. Customers also have access to debt and credit cards, safe deposit boxes and online banking services. Northeast Indiana Bancorp's loan portfolio consists of mortgage, new construction, home equity, auto and recreational vehicle loans. The bank was founded in 1995 and operates nine full-service branches.

On 2/5/2021, Northeast Indiana Bancorp reported fourth quarter earnings results for the period ending 12/31/2020. For the quarter, net income improved 36.4% to \$1.5 million from \$1.1 million. Earnings-per-share improved 28% to \$1.23. For the year, net income increased 19.5% to \$5.6 million, or \$4.65 per share, from \$4.7 million, or \$3.91 per share, in the previous year.

Total loans increased 4.2% to \$264.2 million year-over-year while total deposits improved 17.7% to \$297 million. The bank's return on average assets improved 11 basis points to 1.44% while return on average equity was up 87 basis points to 12.63%. Provisions for loan losses increased \$155K to \$580K. We initiate earnings-per-share estimates for 2021 at \$4.79.

## Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
<b>EPS</b>	\$1.65	\$2.31	\$2.01	\$2.59	\$3.20	\$2.99	\$2.84	\$3.49	\$3.91	\$4.65	<b>\$4.79</b>	<b>\$5.55</b>
<b>DPS</b>	\$0.71	\$0.73	\$0.77	\$0.79	\$0.81	\$0.85	\$0.90	\$0.97	\$1.02	\$1.09	<b>\$1.12</b>	<b>\$1.30</b>
<b>Shares<sup>3</sup></b>	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	<b>1.2</b>	<b>1.2</b>

Northeast Indiana Bancorp has increased earnings-per-share at a rate of 9.1% over the last decade. Given its size and the expected increase in earnings-per-share this year, we feel that a target growth rate of 3% going forward is appropriate. This takes into consideration the company's history paired against the uncertainty and low rates of the current environment.

Northeast Indiana Bancorp raised its quarterly dividend 3.7% to \$0.28 for the 11/27/2020 payment. The bank has now raised its dividend for 26 consecutive years. Northeast Indiana Bancorp also announced a \$1.00 per share special dividend payable 12/23/2020 for shareholders of record at the close of business on 12/9/2020.

## Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
<b>Avg. P/E</b>	7.4	7.1	10.4	10.0	9.4	11.0	12.4	10.6	10.3	8.6	<b>8.4</b>	<b>9.0</b>
<b>Avg. Yld.</b>	5.8%	4.5%	3.7%	3.0%	2.7%	2.6%	2.6%	2.6%	2.5%	2.7%	<b>2.8%</b>	<b>2.6%</b>

<sup>1</sup> Estimated ex-dividend date.

<sup>2</sup> Estimated dividend payment date.

<sup>3</sup> 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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Shares of Northeast Indiana Bancorp have traded hands with an average price-to-earnings ratio of 11.3 since 2010. We have used a targeted price-to-earnings ratio of 9.0 due to the size of the bank and valuation of peer companies. Using the current share price and our expected earnings-per-share for the year, the stock is trading with a current price-to-earnings ratio of 8.4. If this were to revert to our target price-to-earnings ratio by 2026 then valuation would be a 1.5% tailwind to annual returns over this period of time.

Northeast Indiana Bancorp currently yields 2.7%, more than a full percentage point higher than the yield of the S&P 500.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	43%	32%	38%	31%	25%	28%	32%	28%	34%	23%	<b>23%</b>	<b>23%</b>

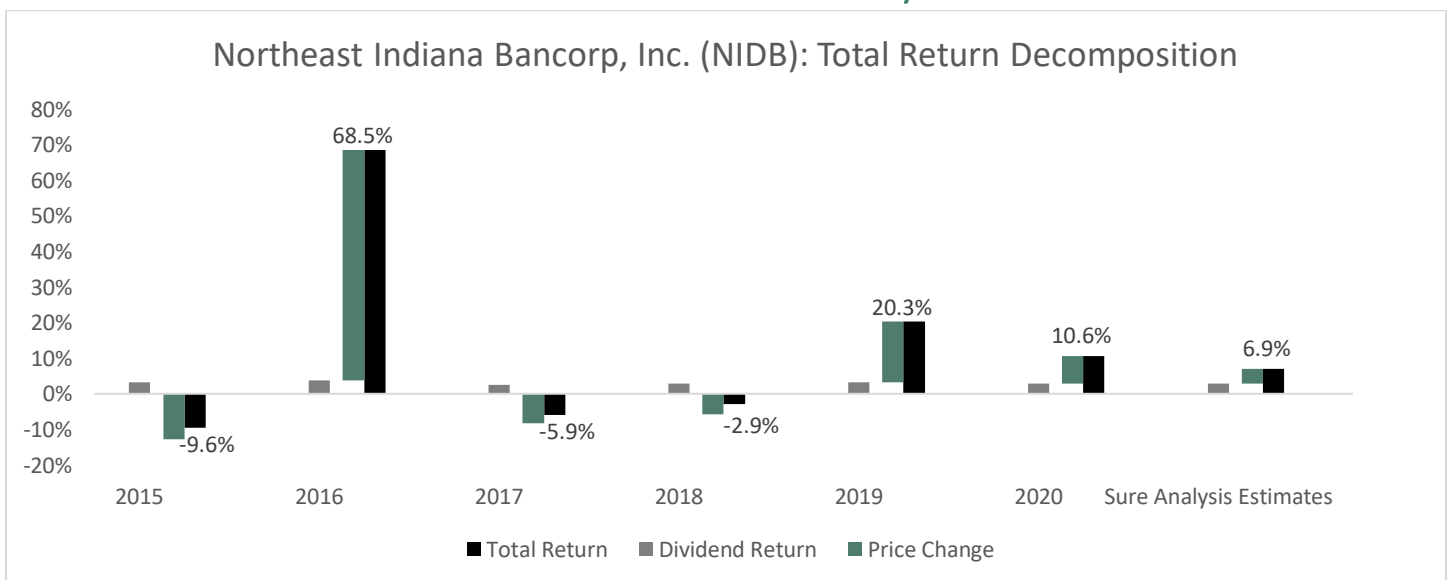
Northeast Indiana Bancorp performed well during the last recession. Earnings-per-share declined by -71% from 2006 to 2007 but rebounded by 58% to \$1.53 from 2007 through 2009. The bank's performance during the last recession gives us some confidence that it would endure the next recession as well. Northeast Indiana Bancorp's ability to pay and raise its dividend for more than a quarter century despite its size is a sign of a strong business model.

As a small regional bank, Northeast Indiana Bancorp doesn't have the numerous advantages of larger regional banks. One point in the bank's favor is that offers a wide variety of services that compares favorably to those offered by its larger peers. This will likely aid Northeast Indiana Bancorp's ability to prevent customers from switching to a different bank. In addition, some customers prefer the smaller bank operation.

## Final Thoughts & Recommendation

Northeast Indiana Bancorp could offer a total annual return of 7.0% through 2026, up from our prior projection of a 6.2% return. This estimate is based on a 3.0% earnings growth rate, 2.8% dividend yield and a slight contribution from the valuation. Northeast Indiana Bancorp performed quite well during 2020. The bank's dividend track record, including its habit of issuing special dividends, makes Northeast Indiana Bancorp look attractive for income investors. Due to projected returns, however, we feel that the stock is a hold at the current price. We have raised our five-year price target \$3 to \$50 due to earnings-per-share estimates for 2021.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	12	11	13	13	13	13	14	15	17	12
SG&A Exp.	5	5	5	6	5	6	6	6	7	5
D&A Exp.	1	1	1	1	1	1	1	1	2	1
Net Profit	2	2	3	4	4	3	4	5	6	2
Net Margin	17.5%	21.7%	25.0%	29.4%	28.1%	27.0%	30.0%	31.4%	33.1%	17.5%
Free Cash Flow	5	7	4	4	3	2	4	4	6	5
Income Tax	1	1	1	1	1	2	1	1	1	1

## Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	262	269	276	284	301	314	334	354	391	262
Cash & Equivalents	14	15	19	24	16	9	10	15	18	14
Acc. Receivable	1	1	1	1	1	1	1	1	2	1
Total Liabilities	0	0	0	0	0	0	0	0	0	0
Long-Term Debt	235	241	246	252	267	279	297	313	346	235
Total Equity	30	20	30	39	-	-	-	46	38	30
D/E Ratio	26	28	30	32	34	36	37	41	46	26

## Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	0.8%	0.9%	1.1%	1.4%	1.2%	1.1%	1.3%	1.4%	1.5%	0.8%
Return on Equity	8.1%	9.2%	10.8%	12.2%	10.9%	9.9%	11.4%	11.9%	12.9%	8.1%
ROIC	3.4%	4.8%	5.8%	5.8%	6.8%	9.9%	11.4%	7.5%	6.6%	3.4%
Shares Out.	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Revenue/Share	9.43	9.27	10.37	10.86	10.66	10.51	11.62	12.46	14.04	9.43
FCF/Share	4.33	5.32	3.03	3.56	2.66	1.55	3.37	3.69	4.80	4.33

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

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