



Northeast Indiana Bancorp, Inc. (NIDB)

Updated April 25th, 2021 by Nathan Parsh

Key Metrics

Current Price:	\$42	5 Year CAGR Estimate:	6.0%	Market Cap:	\$51 M
Fair Value Price:	\$43	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	5/13/2021 ¹
% Fair Value:	97%	5 Year Valuation Multiple Estimate:	0.5%	Dividend Payment Date:	5/28/2021 ²
Dividend Yield:	2.7%	5 Year Price Target	\$50	Years Of Dividend Growth:	26
Dividend Risk Score:	A	Retirement Suitability Score:	A	Last Dividend Increase:	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 4/13/2021, Northeast Indiana Bancorp reported fourth quarter earnings results for the period ending 3/31/2021. Revenue grew 24.5% to \$4.58 million. Net income of \$1.89 million, or \$1.58 per share, compared very favorably to net income of \$1.03 million, or \$0.86 per share, in the prior year.

Total loans improved 1.9% to \$406.3 million year-over-year while total deposits increased 6% to \$315 million. The bank's return on average assets was higher by 72 basis points to 1.88% while return on average equity expanded more than 500 basis points to 14.87%. Provisions for loan losses declined \$100K to \$120K. We reaffirm our 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
EPS	\$1.65	\$2.31	\$2.01	\$2.59	\$3.20	\$2.99	\$2.84	\$3.49	\$3.91	\$4.65	\$4.79	\$5.55
DPS	\$0.71	\$0.73	\$0.77	\$0.79	\$0.81	\$0.85	\$0.90	\$0.97	\$1.02	\$1.09	\$1.12	\$1.30
Shares³	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2

Northeast Indiana Bancorp has increased earnings-per-share at a rate of 12.2% 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
Avg. P/E	7.4	7.1	10.4	10.0	9.4	11.0	12.4	10.6	10.3	8.6	8.8	9.0
Avg. Yld.	5.8%	4.5%	3.7%	3.0%	2.7%	2.6%	2.6%	2.6%	2.5%	2.7%	2.7%	2.6%

Shares of Northeast Indiana Bancorp have increased \$2, or 5%, since our 3/9/2021 update. The stock has 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

¹ Estimated ex-dividend date.

² Estimated dividend payment 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.



Northeast Indiana Bancorp, Inc. (NIDB)

Updated April 25th, 2021 by Nathan Parsh

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 8.8. If this were to revert to our target price-to-earnings ratio by 2026 then valuation would be a 0.5% 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%	23%	23%

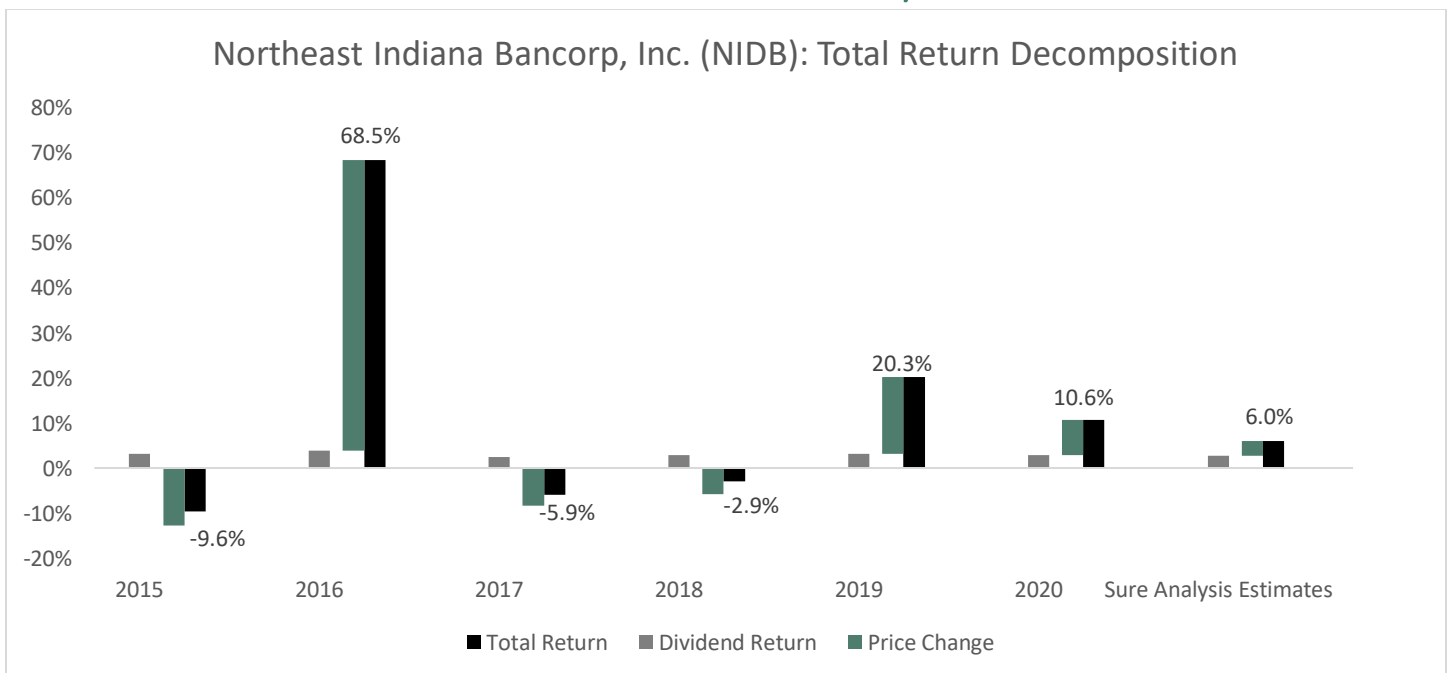
Northeast Indiana Bancorp performed well during the last recession. Earnings-per-share declined by -71% from 2006 to 2007 but rebounded by 58% to \$1.53 from 2007 through 2009. The bank's performance during the last recession gives us some confidence that it would endure the next recession as well. Northeast 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 6.0% through 2026, down from our prior projection of a 7.0% return. This estimate is based on a 3.0% earnings growth rate, 2.7% dividend yield and a slight contribution from valuation expansion. Northeast Indiana Bancorp saw its good end of year performance in 2020 continue into the first quarter of the new year. Loan and deposit growth was solid and we note that the company decreased its provisions for loan losses by a very high rate. We maintain our \$50 five-year price target as well as our hold rating on Northeast Indiana Bancorp due to projected returns.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

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.



Northeast Indiana Bancorp, Inc. (NIDB)

Updated April 25th, 2021 by Nathan Parsh

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.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.