



The First of Long Island Corp. (FLIC)

Updated May 3rd, 2021 by Jonathan Weber

Key Metrics

| | | | | | |
|-----------------------------|------|--|-------|----------------------------------|-----------------------|
| Current Price: | \$21 | 5 Year CAGR Estimate: | 10.4% | Market Cap: | \$510M |
| Fair Value Price: | \$23 | 5 Year Growth Estimate: | 5.0% | Ex-Dividend Date: | 06/07/21 ¹ |
| % Fair Value: | 90% | 5 Year Valuation Multiple Estimate: | 2.2% | Dividend Payment Date: | 06/20/21 ² |
| Dividend Yield: | 3.6% | 5 Year Price Target | \$30 | Years Of Dividend Growth: | 12 |
| Dividend Risk Score: | B | Retirement Suitability Score: | B | 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 April 29. The company reported revenues of \$29 million for its fiscal first quarter, which was 5% more than the revenues that the company generated during the previous year's period. FLIC's revenues beat 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 low interest rate environment, as low rates normally lead to compression in net interest margins.

FLIC's earnings-per-share totaled \$0.47 during the first quarter, up 24% year over year. Results beat estimates, as analysts had forecasted earnings-per-share of \$0.44 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 million to \$11 million. 2021 looks like it will be a new record year for The First of Long Island, following an already quite strong 2020, during which the pandemic didn't impact earnings.

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 | \$1.80 | \$2.30 |
| 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 | 11.7 | 13.0 |
| Avg. Yld. | 3.3% | 3.4% | 2.9% | 2.8% | 2.9% | 2.6% | 2.1% | 2.6% | 3.1% | 4.1% | 3.6% | 3.5% |

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 upside potential right now, while investors get an above-average dividend yield of more than 3.5% 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% | 42.2% | 45.3% |

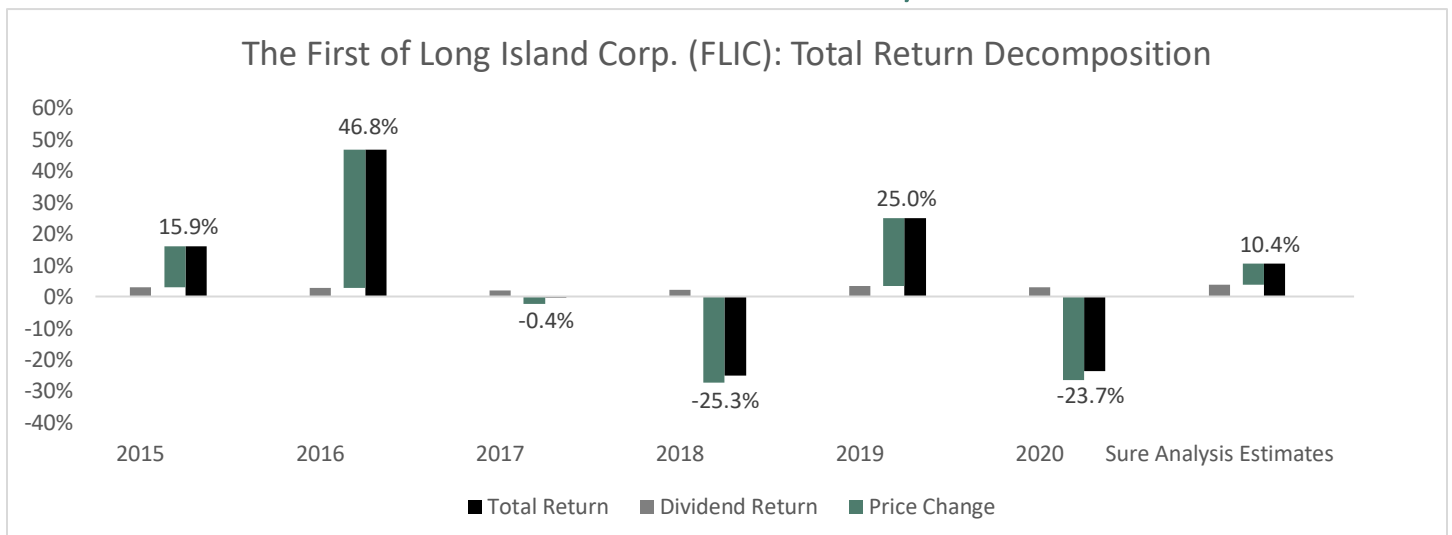
The First of Long Island has increased its dividend annually for more than a decade in a row, adjusted for stock splits. This was possible thanks to regular earnings growth, while the company has also increased its payout ratio over the years. At a payout ratio of less than 50%, the dividend still looks 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 quite 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 solid. Based on our total return estimates, FLIC seems like an attractive stock right here, as its valuation is 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 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenue | 65 | 70 | 70 | 74 | 84 | 97 | 105 | 105 | 111 | 116 |
| SG&A Exp. | 21 | 21 | 23 | 24 | 27 | 30 | 33 | 36 | 37 | 37 |
| D&A Exp. | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 4 | 6 | 6 |
| Net Profit | 19 | 20 | 21 | 23 | 26 | 31 | 35 | 42 | 42 | 41 |
| Net Margin | 29.9% | 29.0% | 30.6% | 31.0% | 30.7% | 32.0% | 33.5% | 39.7% | 37.5% | 35.5% |
| Free Cash Flow | 26 | 29 | 37 | 30 | 30 | 28 | 38 | 54 | 47 | 43 |
| Income Tax | 5 | 5 | 6 | 6 | 7 | 9 | 10 | 5 | 8 | 8 |

Balance Sheet Metrics

| Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|--------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total Assets | 2,022 | 2,108 | 2,400 | 2,721 | 3,130 | 3,510 | 3,895 | 4,241 | 4,098 | 4,069 |
| Cash & Equivalents | 29 | 42 | 35 | 33 | 40 | 37 | 70 | 47 | 39 | 211 |
| Total Liabilities | 1,833 | 1,903 | 2,193 | 2,488 | 2,879 | 3,204 | 3,540 | 3,853 | 3,709 | 3,662 |
| Long-Term Debt | 183 | 192 | 340 | 425 | 531 | 574 | 689 | 742 | 517 | 296 |
| Total Equity | 189 | 205 | 207 | 233 | 251 | 306 | 354 | 388 | 389 | 407 |
| D/E Ratio | 0.96 | 0.93 | 1.65 | 1.82 | 2.11 | 1.88 | 1.94 | 1.91 | 1.33 | 0.73 |

Profitability & Per Share Metrics

| Year | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Return on Assets | 1.0% | 1.0% | 0.9% | 0.9% | 0.9% | 0.9% | 0.9% | 1.0% | 1.0% | 1.0% |
| Return on Equity | 11.2% | 10.3% | 10.3% | 10.5% | 10.7% | 11.1% | 10.6% | 11.2% | 10.7% | 10.3% |
| ROIC | 5.0% | 5.3% | 4.5% | 3.8% | 3.6% | 3.7% | 3.7% | 3.8% | 4.1% | 5.1% |
| Shares Out. | 19.8 | 20.2 | 20.6 | 20.8 | 21.2 | 23.7 | 24.7 | 25.4 | 24.7 | 23.9 |
| Revenue/Share | 3.27 | 3.47 | 3.37 | 3.55 | 3.97 | 4.20 | 4.28 | 4.12 | 4.46 | 4.86 |
| FCF/Share | 1.30 | 1.45 | 1.78 | 1.41 | 1.42 | 1.23 | 1.56 | 2.11 | 1.90 | 1.80 |

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

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