



# Calvin B. Taylor Bankshares (TYCB)

Updated November 29<sup>th</sup>, 2021 by Jonathan Weber

## Key Metrics

<b>Current Price:</b>	\$38	<b>5 Year CAGR Estimate:</b>	11.3%	<b>Market Cap:</b>	\$105 M
<b>Fair Value Price:</b>	\$43	<b>5 Year Growth Estimate:</b>	6.0%	<b>Ex-Dividend Date:</b>	12/30/21
<b>% Fair Value:</b>	88%	<b>5 Year Valuation Multiple Estimate:</b>	2.6%	<b>Dividend Payment Date:</b>	01/15/22
<b>Dividend Yield:</b>	3.1%	<b>5 Year Price Target</b>	\$58	<b>Years Of Dividend Growth:</b>	30
<b>Dividend Risk Score:</b>	C	<b>Retirement Suitability Score:</b>	B	<b>Last Dividend Increase:</b>	11.5%

## Overview & Current Events

Calvin B. Taylor Bankshares (TYCB) is a bank that was founded in 1890 and has a market capitalization in the ~\$100 million range. The bank has 12 branches in the eastern coastal area of the US and offers a wide range of loan, deposit and ancillary services through both physical branches and digital delivery channels.

Calvin B. Taylor Bankshares reported its most recent earnings results on November 13. The company announced that it generated revenues of \$6.0 million during the third quarter of 2021, which was up 18% compared to the revenues that the bank generated during the previous year's quarter. Calvin B. Taylor Bankshares' assets continued to grow, rising 28% so far this year. Calvin B. Taylor managed to grow its loan portfolio by 5% in 2021 so far, as a result of its customers having a higher need to borrow money. The increase in the bank's loan balances allowed Calvin B. Taylor to grow its loan interest revenue, which makes up the majority of the bank's overall revenues, to \$5.5 million during the quarter.

Thanks to higher revenues and the benefits of some margin expansion, Calvin B. Taylor Bankshares saw its net profits rise as well, and at a pretty attractive pace of 41% year over year. Calvin B. Taylor Bankshares generated earnings-per-share of \$0.97 during the quarter. The company has performed very well so far in fiscal 2021, earning \$2.65 per share in the first nine months. It seems likely that the company will grow its EPS to a new record level this year. The company's book value per share rose by 5% year over year, to \$35.70, which is slightly below the current stock price.

## Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
<b>EPS</b>	\$1.54	\$1.46	\$1.39	\$1.53	\$1.59	\$1.70	\$1.95	\$2.64	\$2.99	\$2.62	<b>\$3.45</b>	<b>\$4.62</b>
<b>DPS</b>	\$0.92	\$0.93	\$0.94	\$0.95	\$0.96	\$0.97	\$0.98	\$0.99	\$1.00	\$1.16	<b>\$1.16</b>	<b>\$1.63</b>
<b>Shares<sup>1</sup></b>	3.00	2.98	2.96	2.92	2.90	2.88	2.81	2.79	2.78	2.77	<b>2.77</b>	<b>2.65</b>

Calvin B. Taylor Bankshares exhibited a poor performance during the financial crisis and up to 2013, as its earnings-per-share declined from \$2.33 in 2007 to just \$1.39 in 2013. Unlike many peers, however, the bank remained profitable during that time. Calvin B. Taylor Bankshares has returned to its growth trajectory in recent years, prior to COVID.

During the last two years, the bank reported particularly promising results, as basically all major metrics moved in the right direction. The impact of a lower tax rate that boosted its net profits was a one-time item, though. During the last couple of years, the bank managed to grow its deposits and its loans at an attractive pace, which allowed the company to generate higher net interest income, despite some interest margin pressures. The company opened its latest branch in Virginia, and thus now serves residents and businesses in three different states. The opening of new branches should help Calvin B. Taylor in growing its customer count and its assets further, which bodes well for long-term revenue and earnings growth. As the Federal Reserve has reversed its policy of raising interest rates, there will not be any tailwinds from rising interest margins for Calvin B. Taylor Bankshares going forward, and in the near term, interest margins will likely decline slightly. This offsets some of the growth in the bank's loan portfolio. The company should, however, still be able to grow its profits in the long run, thanks to factors such as its steadily growing loan book, the opening of new branches, and share repurchases that lower the share count over the years.

<sup>1</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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## Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
Avg. P/E	15.0	17.8	17.4	17.7	19.0	16.4	18.3	12.5	12.0	13.4	<b>11.0</b>	<b>12.5</b>
Avg. Yld.	3.6%	3.8%	3.7%	3.7%	3.6%	3.5%	3.2%	3.0%	2.8%	3.3%	<b>3.1%</b>	<b>2.8%</b>

Calvin B. Taylor Bankshares saw its profits decline during and following the financial crisis, but unlike many other banks it remained profitable. This stability, relative to other financial corporations, was rewarded with an above-average price-to-earnings multiple. Shares became less expensive over the last couple of years, but that seems justified to us, as current interest rates will likely put a lid on banks' valuations. We think that shares are slightly undervalued today.

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

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout	59.7%	63.7%	67.6%	62.1%	60.4%	57.1%	50.3%	37.5%	33.4%	44.3%	<b>33.6%</b>	<b>35.2%</b>

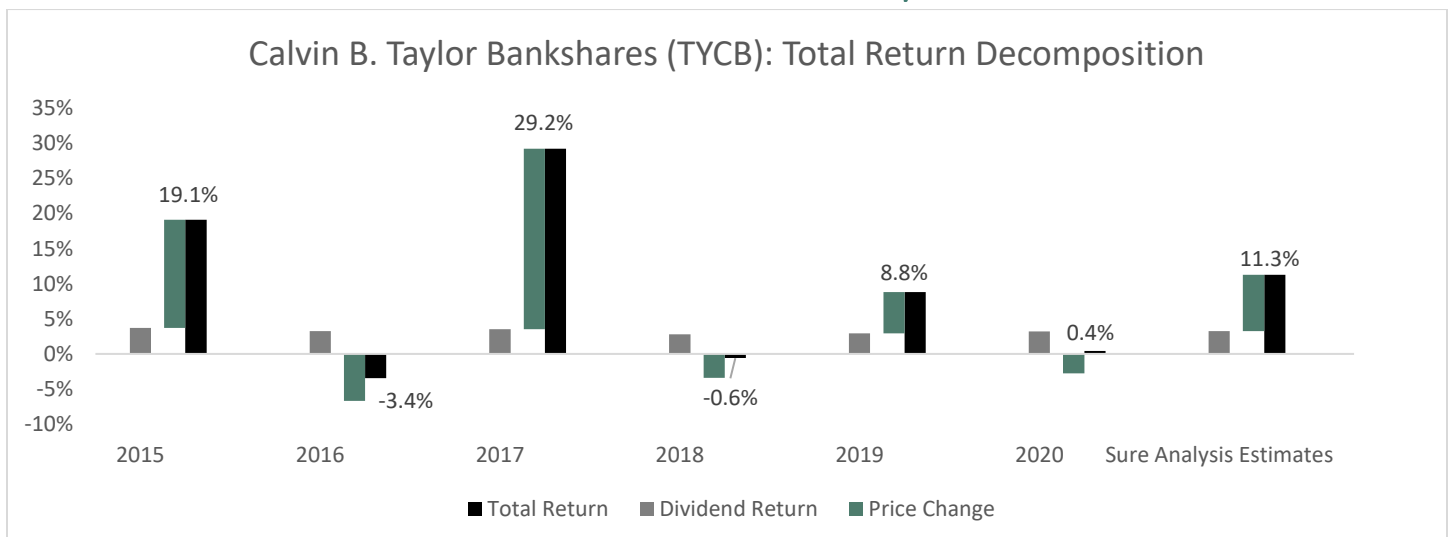
Calvin B. Taylor Bankshares has raised its dividend very reliably during the last decade and before that. The company is a Dividend Champion, which is remarkable, as many other financial corporations had to cut or at least freeze their dividends during the last financial crisis. This past stability, coupled with a payout ratio that is not high at all, makes us believe that the risk of a dividend cut by Calvin B. Taylor Bankshares is quite low.

Calvin B. Taylor Bankshares saw its profits decline by close to 30% during the last financial crisis. Compared to many other banks that was a relatively solid result, as most peers were hit much harder. Investors should expect that Calvin B. Taylor Bankshares will perform better than other banking peers during future recessions, too, including the current pandemic. Calvin B. Taylor Bankshares does not have any size or scale advantages due to its small size, but it has seemingly carved out a profitable niche in the small geographic markets that it is active in.

## Final Thoughts & Recommendation

Despite its small size, Calvin B. Taylor Bankshares has a long history. Its decades-long dividend growth track record is very sound, and the dividend yield is at a solid level of 3.1% right now. Going forward, Calvin B. Taylor Bankshares should generate attractive total returns through a combination of dividend payments and earnings growth. We rate the stock a buy at current prices, as shares trade below our fair value estimate.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	16	16	15	15	15	16	18	20	22	22
SG&A Exp.	6	6	6	6	7	7	8	8	9	9
D&A Exp.	1	0	0	0	0	1	1	1	1	1
Net Profit	5	4	4	5	5	5	6	7	8	7
Net Margin	28.6%	28.1%	27.2%	29.6%	30.1%	30.0%	30.6%	36.7%	37.8%	33.3%
Free Cash Flow	6	5	6	6	4	4	5	8	7	5
Income Tax	3	2	2	2	3	3	3	2	3	2

## Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	416	443	447	451	467	489	522	532	548	712
Cash & Equivalents	33	37	57	29	32	39	44	45	38	23
Accounts Receivable	1	1	1	1	1	1	1	1	1	2
Goodwill & Int. Ass.	0	0	0	0	0	0	0	0	0	0
Total Liabilities	341	366	370	373	387	408	440	447	458	617
Accounts Payable	0	0	0	0	0	0	0	0	0	0
Long-Term Debt	-	-	-	-	-	-	-	-	2	-
Shareholder's Equity	76	77	77	78	80	81	82	85	90	95
D/E Ratio	-	-	-	-	-	-	-	-	0.02	-

## Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	1.1%	1.0%	0.9%	1.0%	1.0%	1.0%	1.1%	1.4%	1.5%	1.2%
Return on Equity	6.2%	5.7%	5.3%	5.8%	5.8%	6.1%	6.7%	8.9%	9.5%	7.9%
ROIC	6.2%	5.7%	5.3%	5.8%	5.8%	6.1%	6.7%	8.9%	9.4%	7.8%
Shares Out.	3.00	2.98	2.96	2.92	2.90	2.88	2.81	2.79	2.78	2.77
Revenue/Share	5.38	5.19	5.12	5.19	5.27	5.69	6.36	7.20	7.92	7.87
FCF/Share	2.10	1.72	1.96	1.92	1.29	1.48	1.76	2.79	2.62	1.68

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

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