



TrustCo Bank Corp NY (TRST)

Updated January 26th, 2022 by Quinn Mohammed

Key Metrics

Current Price:	\$35	5 Year CAGR Estimate:	8.8%	Market Cap:	\$645M
Fair Value Price:	\$38	5 Year Growth Estimate:	4.0%	Ex-Dividend Date¹:	03/04/2021
% Fair Value:	93%	5 Year Valuation Multiple Estimate:	1.6%	Dividend Payment Date²:	04/01/2022
Dividend Yield:	4.0%	5 Year Price Target	\$46	Years Of Dividend Growth:	1
Dividend Risk Score:	D	Retirement Suitability Score:	C	Last Dividend Increase:	4.6%

Overview & Current Events

TrustCo Bank Corp. NY is a financial holding company which provides personal and business banking services for individuals, partnerships, and corporations. The company's products include savings accounts, retirement accounts, money market accounts, mortgages, building loans, auto loans, and more. The bank was founded in 1902 and is headquartered in Glenville, New York. The company operates 147 banking offices across the USA. TrustCo trades on the NYSE under the ticker symbol TRST and has a market capitalization of \$645 million. The bank has \$6.2 billion in savings and loans assets.

TrustCo released fourth quarter and full year fiscal 2021 results on January 24th. Net income of \$16.2 million for the fourth quarter was a 17% increase compared to the fourth quarter 2020 net income of \$13.8 million. Diluted earnings per share of \$0.845 also grew 18% compared to \$0.716 earned in the same prior year period.

For the full fiscal 2021 year, TRST generated \$3.20 diluted EPS compared to \$2.72 in the year 2020, a 17.6% year-over-year gain. Average loans grew 4.4% YoY or by \$185.3 million. Average residential loans grew 5.9%, or by \$223.3 million. Average residential loans remain TrustCo's primary lending focus. Return on average assets and return on average equity for fiscal 2021 were 1.01% and 10.61%, compared to 0.94% and 9.47% in 2020. The number of full-time equivalent employees decreased from the prior year due to a strategic realignment and the impact of COVID-19 on the labor market.

Leadership reports that there are no loans in deferral. Also, TrustCo funded 663 Paycheck Protection Program (PPP) loans totaling \$46 million in 2020 and another \$23 million in 2021. At the end of the year, the bank has 190 PPP loans of \$10 million outstanding.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	\$2.00	\$2.10	\$2.35	\$2.20	\$2.25	\$2.25	\$3.20	\$3.00	\$2.72	\$3.20	\$3.00	\$3.65
DPS	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.30	\$1.36	\$1.36	\$1.36	\$1.37	\$1.40	\$1.47
Shares³	18.8	18.9	19.0	19.1	19.2	19.3	19.3	19.4	19.3	19.3	19.2	18.9

TRST has produced a consistent stream of growth over the last decade, despite the earnings choppiness caused by the COVID-19 pandemic. In the past nine and five years, the company has compounded earnings per share by 5.4% and 7.3% on average, respectively. We estimate, going forward, that TrustCo can continue compounding earnings at around 4.0% per year on average.

TrustCo will achieve this growth primarily through boosting their loan portfolio, namely the residential mortgage loan portfolio which make up the bulk of their assets. Further, continued geographic expansion of the bank's operations can add to organic growth. The Florida region reached over \$1 billion in deposits and \$1 billion in loans in the beginning of 2021. We also anticipate a minor tailwind to earnings as the company attempts to repurchase shares after receiving approval to buy back up to 2% of outstanding shares.

¹ Estimate

² Estimate

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.



TrustCo Bank Corp NY (TRST)

Updated January 26th, 2022 by Quinn Mohammed

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	13.8	14.1	14.6	14.7	14.8	18.5	13.3	13.4	11.6	12.1	11.6	12.5
Avg. Yld.	4.8%	4.4%	3.9%	4.0%	3.9%	3.2%	3.2%	3.4%	4.4%	4.0%	4.0%	3.2%

Over the last nine and five years, TRST has traded at an average PE of 14.1 and 13.8, respectively. We are expecting multiple expansion will bring up TRST's PE closer to its 10-year average PE, to 12.5. We estimate an annual gain of 1.6% compounded over the next five years as the valuation multiple expands. Dividend growth has not been a priority for TrustCo, and we are estimating a 1% growth in the dividend going forward, much lower than earnings growth.

Safety, Quality, Competitive Advantage, & Recession Resiliency

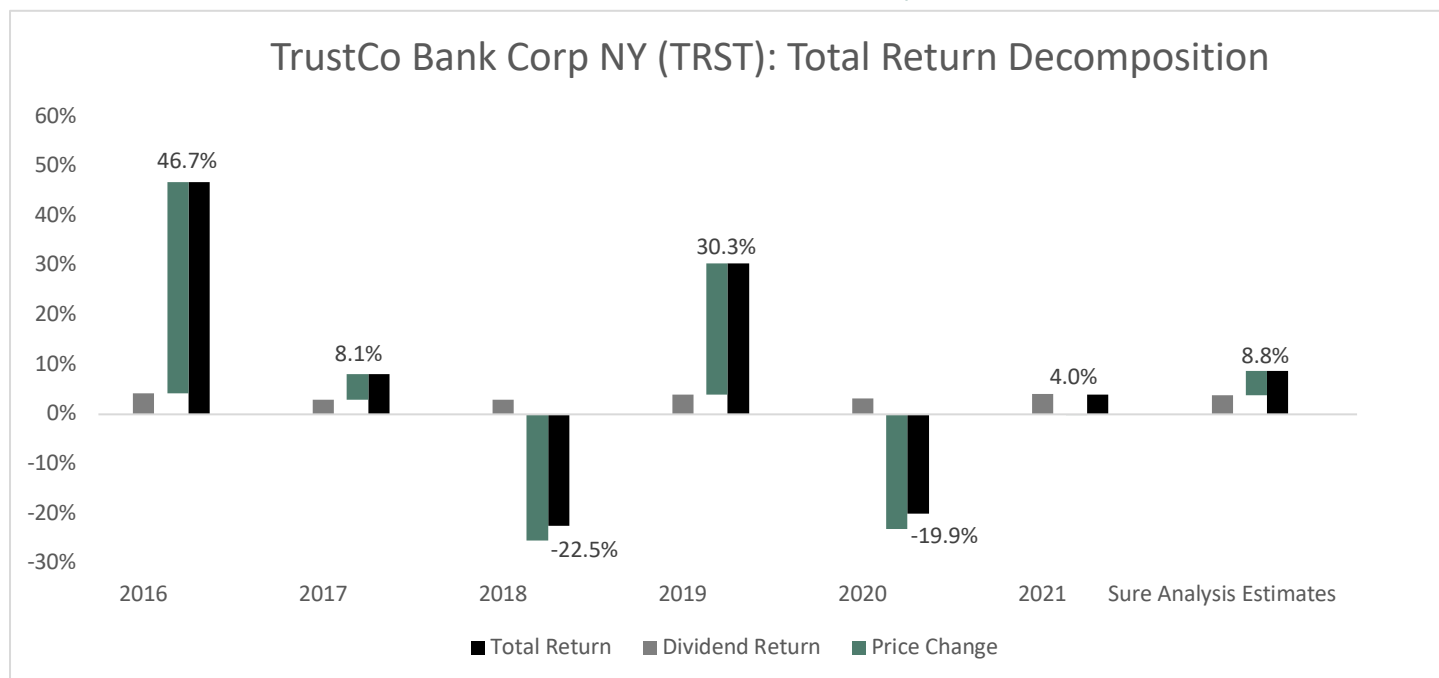
Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	65%	62%	55%	59%	58%	58%	43%	45%	50%	43%	47%	40%

Today TrustCo's payout ratio of around 47% is quite stable and we see no immediate threat. However, the great financial crisis of '08 was brutal to TrustCo, who primarily specializes in residential mortgages. The payout became unsustainable at the time and the dividend was slashed to less than half of its pre-'08 dividend and has barely grown since. TrustCo Bank Corp NY is not recession resistant. We do not see TrustCo as having a strong competitive advantage in its field, as they are a small bank and also do not possess large geographical diversification.

Final Thoughts & Recommendation

We estimate TRST can earn total returns of 8.8% annually over the next five years, as it will gain from earnings growth, valuation expansion, and the strong dividend. We see earnings growth of roughly 4.0%, a 1.6% gain due to valuation expansion, and the dividend is yielding 4.0%. The company is trading at a 7% discount to our fair value and has strong expected returns. Today we rate shares a Hold. That said, the company has an elevated chance of a dividend reduction during another recession, so it is not suitable for all income investors.

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.



TrustCo Bank Corp NY (TRST)

Updated January 26th, 2022 by Quinn Mohammed

Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	156	156	161	161	165	173	179	174	171	178
SG&A Exp.	44	44	45	47	51	54	55	59	58	62
D&A Exp.	5	5	5	5	4	4	4	10	10	
Net Profit	38	40	44	42	43	43	61	58	52	62
Net Margin	24.1%	25.6%	27.4%	26.2%	25.8%	25.0%	34.4%	33.2%	30.7%	34.5%
Free Cash Flow	54	64	46	56	53	58	64	60	58	
Income Tax	22	24	27	25	26	34	18	19	17	21

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	4,347	4,521	4,644	4,735	4,869	4,908	4,959	5,221	5,902	6,197
Cash & Equivalents	56	46	44	42	49	44	49	48	47	48
Total Liab.	3,988	4,160	4,251	4,322	4,436	4,450	4,469	4,683	5,334	5,595
Long-Term Debt	160	204	189	191	209	243	162	149	215	245
Total Equity	359	362	393	413	433	458	490	538	568	601
LTD/E Ratio	0.45	0.56	0.48	0.46	0.48	0.53	0.33	0.28	0.38	0.41

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	0.9%	0.9%	1.0%	0.9%	0.9%	0.9%	1.2%	1.1%	0.9%	1.0%
Return on Equity	10.8%	11.0%	11.7%	10.5%	10.1%	9.7%	13.0%	11.3%	9.5%	10.5%
ROIC	7.5%	7.3%	7.7%	7.1%	6.8%	6.4%	9.1%	8.6%	7.1%	7.6%
Shares Out.	18.8	18.9	19.0	19.1	19.2	19.3	19.3	19.4	19.3	19.3
Revenue/Share	8.33	8.26	8.51	8.46	8.63	8.98	9.25	9.00	8.85	9.26
FCF/Share	2.90	3.37	2.45	2.95	2.76	3.02	3.31	3.09	3.02	

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.