



Northeast Indiana Bancorp, Inc. (NIDB)

Updated October 23rd, 2022 by Nathan Parsh

Key Metrics

Current Price:	\$42	5 Year CAGR Estimate:	7.9%	Market Cap:	\$50 M
Fair Value Price:	\$47	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	11/09/2022 ¹
% Fair Value:	89%	5 Year Valuation Multiple Estimate:	2.4%	Dividend Payment Date:	11/23/2022 ²
Dividend Yield:	2.9%	5 Year Price Target	\$55	Years Of Dividend Growth:	27
Dividend Risk Score:	A	Retirement Suitability Score:	As	Rating:	Hold

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 October 21st, 2022, Northeast Indiana Bancorp reported third quarter results for the period ending September 30th, 2022. For the quarter, revenue fell slightly to \$4.9 million while earnings-per-share of \$1.35 compared to \$1.62 in the prior year.

Net loans increased 14.8% to \$304.7 million while total deposits increased 5.8% to \$356.7 million from the prior year. The bank's return on average assets contracted by 25 basis points to 1.53% while return on average equity declined 81 basis points to 15.09%. Net interest income of \$3.95 billion was essentially flat from the previous year. Northeast Indiana Bancorp once again had no provisions for loan losses. Book value per share decreased to \$34.85 from \$41.22 year-over-year.

Following third quarter earnings results, we now expect that Northeast Indiana Bancorp will earn \$5.25 per share in 2022, up from \$5.00 previously. We have updated our forecast accordingly.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	\$2.31	\$2.01	\$2.59	\$3.20	\$2.99	\$2.84	\$3.49	\$3.91	\$4.65	\$6.08	\$5.25	\$6.09
DPS	\$0.73	\$0.77	\$0.79	\$0.81	\$0.85	\$0.90	\$0.97	\$1.02	\$1.09	\$1.14	\$1.20	\$1.39
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 11.4% 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 7.1% to \$0.30 for the November 26th, 2021 payment. The bank has now raised its dividend for 27 consecutive years. Northeast Indiana Bancorp also announced a \$1.25 per share special dividend that was distributed on December 23, 2021. The bank often distributes a special dividend near the end of its calendar year, but we have not included this in our projections as the amount can vary from year to year.

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.



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Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	7.1	10.4	10.0	9.4	11.0	12.4	10.6	10.3	8.6	7.7	8.0	9.0
Avg. Yld.	4.5%	3.7%	3.0%	2.7%	2.6%	2.6%	2.6%	2.5%	2.7%	2.4%	2.9%	2.5%

Shares of Northeast Indiana Bancorp have decreased \$2, or 4.5%, since our August 18th, 2022 report. The stock has traded hands with an average price-to-earnings ratio of 8.8 since 2012. 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 8.0. If the stock were to revert to our target price-to-earnings ratio by 2027 then valuation would be a 2.4% tailwind to annual returns over this period of time.

Northeast Indiana Bancorp currently yields 2.9%, more than a full percentage point higher than the yield of the S&P 500.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	32%	38%	31%	25%	28%	32%	28%	34%	23%	19%	23%	23%

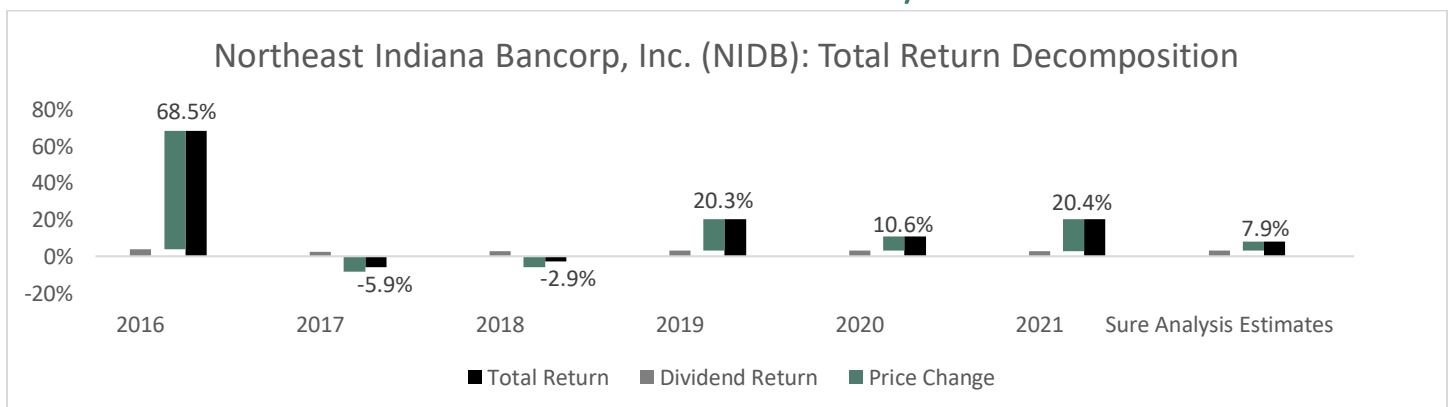
Northeast Indiana Bancorp performed well during the last recession. Earnings-per-share declined by -71% from 2006 to 2007 but rebounded by 58% to \$1.53 from 2007 through 2009. The bank's performance during the last recession gives us some confidence that it would endure the next recession as well. Northeast 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 may prefer the smaller bank operation.

Final Thoughts & Recommendation

Following third quarter results, Northeast Indiana Bancorp is projected to offer a total annual return of 7.9% through 2027, up from our prior estimate of a 5.9% return. This estimate is based on a 3.0% earnings growth rate, a 2.9% dividend yield, and a low single-digit contribution from multiple expansion. Northeast Indiana Bancorp had solid growth for loans and deposits, but ROA and ROE continue to fall from the prior year. We have raised our 2027 price target \$3 to \$55, but maintain our hold rating on shares of Northeast Indiana Bancorp due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	262	269	276	284	301	314	334	354	391	269
Cash & Equivalents	14	15	19	24	16	9	10	15	18	15
Acc. Receivable	1	1	1	1	1	1	1	1	2	1
Total Liabilities	235	241	246	252	267	279	297	313	346	241
Long-Term Debt	30	20	30	39	-	-	-	46	38	20
Total Equity	26	28	30	32	34	36	37	41	46	28
LTD/E Ratio	1.15	0.72	0.99	1.22	-	-	-	1.12	0.83	0.72

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
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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