



# The First of Long Island Corp. (FLIC)

Updated November 2<sup>nd</sup>, 2023 by Jonathan Weber

## Key Metrics

<b>Current Price:</b>	\$12	<b>5 Year CAGR Estimate:</b>	8.6%	<b>Market Cap:</b>	\$264M
<b>Fair Value Price:</b>	\$13	<b>5 Year Growth Estimate:</b>	2.0%	<b>Ex-Dividend Date:</b>	01/04/24 <sup>1</sup>
<b>% Fair Value:</b>	96%	<b>5 Year Valuation Multiple Estimate:</b>	0.8%	<b>Dividend Payment Date:</b>	01/15/24 <sup>2</sup>
<b>Dividend Yield:</b>	7.0%	<b>5 Year Price Target</b>	\$14	<b>Years Of Dividend Growth:</b>	45
<b>Dividend Risk Score:</b>	B	<b>Retirement Suitability Score:</b>	A	<b>Rating:</b>	Hold

## 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 October 27. The company reported revenues of \$24 million for the third quarter, which was 29% less 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 decrease can be explained by the fact that the bank's net interest margin declined year over year, from 2.97% during the previous year's quarter to 2.13%. This made FLIC's net interest income decline meaningfully.

FLIC's earnings-per-share totaled \$0.30 during the third quarter, which was down by a hefty 45% year over year. This weak earnings-per-share performance was mostly driven by lower revenues and lower margins, although buybacks partially offset these headwinds. During 2021, FLIC generated earnings-per-share of \$1.81, which was a new record result for the company, and the result was the same for 2022. Earnings-per-share will pull back meaningfully in 2023, on the back of higher provisioning expenses and net margin compression.

## Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
<b>EPS</b>	\$1.03	\$1.10	\$1.22	\$1.34	\$1.43	\$1.63	\$1.67	\$1.72	\$1.81	\$1.81	<b>\$1.25</b>	<b>\$1.38</b>
<b>DPS</b>	\$0.44	\$0.48	\$0.52	\$0.55	\$0.58	\$0.60	\$0.69	\$0.73	\$0.77	\$0.84	<b>\$0.84</b>	<b>\$0.88</b>
<b>Shares<sup>3</sup></b>	20.6	20.8	21.2	23.7	24.7	25.4	24.7	23.9	23.7	22.4	<b>22.0</b>	<b>20.0</b>

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 COVID crisis, as FLIC has been able to expand its net interest margin during the pandemic. 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 years.

<sup>1</sup> Estimated date

<sup>2</sup> Estimated date

<sup>3</sup> In Millions

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## Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
<b>Avg. P/E</b>	14.9	15.4	14.6	15.6	19.7	14.9	13.5	10.5	12.2	9.9	<b>9.6</b>	<b>10.0</b>
<b>Avg. Yld.</b>	2.9%	2.8%	2.9%	2.6%	2.1%	2.6%	3.1%	4.1%	3.5%	4.7%	<b>7.0%</b>	<b>6.4%</b>

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 over the last couple of years, and especially in 2023, due to troubles at some regional banks. We believe that FLIC's shares have some upside potential right now, and investors get a pretty high dividend yield at current prices.

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

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
<b>Payout</b>	42.7%	43.6%	42.6%	41.0%	40.6%	36.8%	41.3%	42.4%	42.5%	46.4%	<b>67.2%</b>	<b>64.0%</b>

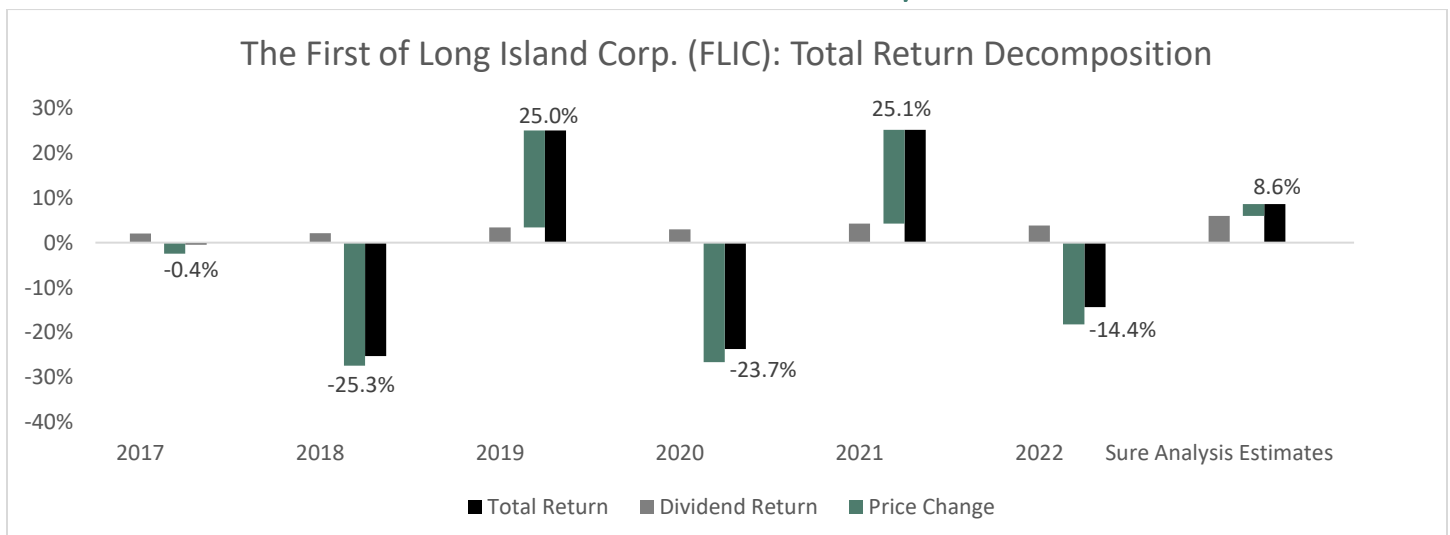
The First of Long Island has increased its dividend annually for more than a decade in a row, adjusted for stock splits. This was possible thanks to regular earnings growth, while the company has also increased its payout ratio over the years. At a payout ratio of around 67%, the dividend still looks safe, we believe.

FLIC is a small regional bank that is focused on Long Island 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 very 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 a solid but not overly attractive investment, which is why we rate the bank a hold at current prices.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Revenue</b>	70	74	84	97	105	105	111	116	119	128
<b>SG&amp;A Exp.</b>	23	24	27	30	33	36	37	37	40	41
<b>D&amp;A Exp.</b>	3	3	3	3	4	4	6	6	9	6
<b>Net Profit</b>	21	23	26	31	35	42	42	41	43	47
<b>Net Margin</b>	30.6%	31.0%	30.7%	32.0%	33.5%	39.7%	37.5%	35.5%	36.1%	36.6%
<b>Free Cash Flow</b>	37	30	30	28	38	54	47	43	43	48
<b>Income Tax</b>	6	6	7	9	10	5	8	8	10	11

## Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Total Assets</b>	2,400	2,721	3,130	3,510	3,895	4,241	4,098	4,069	4,069	4,282
<b>Cash &amp; Equivalents</b>	35	33	40	37	70	47	39	211	44	74
<b>Total Liabilities</b>	2,193	2,488	2,879	3,204	3,540	3,853	3,709	3,662	3,655	3,917
<b>Long-Term Debt</b>	340	425	531	574	689	742	517	296	311	411
<b>Total Equity</b>	207	233	251	306	354	388	389	407	414	365
<b>LTD/E Ratio</b>	1.65	1.82	2.11	1.88	1.94	1.91	1.33	0.73	0.75	1.13

## Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
<b>Return on Assets</b>	0.9%	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	1.1%	1.1%
<b>Return on Equity</b>	10.3%	10.5%	10.7%	11.1%	10.6%	11.2%	10.7%	10.3%	10.5%	12.1%
<b>ROIC</b>	4.5%	3.8%	3.6%	3.7%	3.7%	3.8%	4.1%	5.1%	6.0%	6.3%
<b>Shares Out.</b>	20.6	20.8	21.2	23.7	24.7	25.4	24.7	23.9	23.7	22.4
<b>Revenue/Share</b>	3.37	3.55	3.97	4.20	4.28	4.12	4.46	4.86	5.02	5.58
<b>FCF/Share</b>	1.78	1.41	1.42	1.23	1.56	2.11	1.90	1.80	1.81	1.1%

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

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