



Northeast Indiana Bancorp, Inc. (NIDB)

Updated November 1st, 2023 by Nathan Parsh

Key Metrics

Current Price:	\$19	5 Year CAGR Estimate:	5.3%	Market Cap:	\$46.6 M
Fair Value Price:	\$18	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	11/08/2023
% Fair Value:	106%	5 Year Valuation Multiple Estimate:	-1.1%	Dividend Payment Date:	11/24/2023
Dividend Yield:	3.6%	5 Year Price Target	\$21	Years Of Dividend Growth:	28
Dividend Risk Score:	A	Retirement Suitability Score:	A	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 less than 10 full-service branches.

On July 14th, 2023, Northeast Indiana Bancorp completed a two-for-one stock split. All data has been updated to reflect the split.

On October 26th, 2023, Northeast Indiana Bancorp increased its quarterly dividend 6.3% to \$0.17, extending the company's dividend growth streak to 28 consecutive years.

Also on October 26th, 2023, Northeast Indiana Bancorp reported third quarter results for the period ending September 30th, 2023. For the quarter, earnings-per-share of \$0.51 compared to \$0.68 in the prior year.

Net loans increased 16% on an annualized basis to \$359.3 million while total deposits grew 9% on an annualized basis to \$391.5 million from the prior year. Northeast Indiana Bancorp has had provisions for credit losses totaling \$270,000 year-to-date. The bank's return on average assets contracted by 51 basis points to 1.02% while return on average equity declined 393 basis points to 11.16%. Net interest income decreased 8.4% to \$3.74 million. Net interest margin was lower by 56 basis points to 3.21%. Book value per share increased 3.7% to \$18.08 from \$17.43 year-over-year.

We now expect that Northeast Indiana Bancorp will earn \$2.00 per share in 2023.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$1.01	\$1.30	\$1.60	\$1.50	\$1.42	\$1.75	\$1.96	\$2.33	\$3.04	\$2.73	\$2.00	\$2.32
DPS	\$0.39	\$0.40	\$0.41	\$0.43	\$0.45	\$0.49	\$0.51	\$0.55	\$0.57	\$0.61	\$0.68	\$0.79
Shares¹	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4

Northeast Indiana Bancorp has increased earnings-per-share at a rate of 11.7% 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 also announced a \$1.25 per share special dividend that was distributed on November 23, 2022. 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 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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Now	2028
Avg. P/E	10.4	10.0	9.4	11.0	12.4	10.6	10.3	8.6	7.7	7.9	9.5	9.0
Avg. Yld.	3.7%	3.0%	2.7%	2.6%	2.6%	2.6%	2.5%	2.7%	2.4%	2.8%	3.6%	3.8%

Shares of Northeast Indiana Bancorp have declined \$2, or 9.5%, since our July 30th, 2023 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 9.5. If the stock were to revert to our target price-to-earnings ratio by 2028 then valuation would be a 1.1% headwind to annual returns over this period.

Northeast Indiana Bancorp currently yields 3.6%, which is above its long-term average yield of 2.8% and the average yield of the S&P 500.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	38%	31%	25%	28%	32%	28%	34%	23%	19%	22%	34%	34%

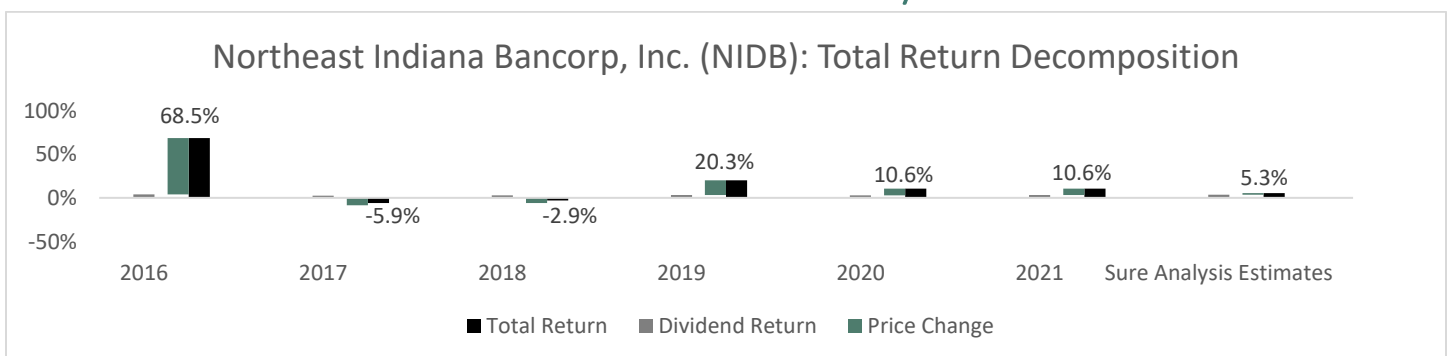
Northeast Indiana Bancorp performed well during the last recession. Earnings-per-share declined by -71% from 2006 to 2007, but rebounded by 58% from 2007 through 2009. The bank's performance during the last recession gives us some confidence that it would endure the next recession as well. Northeast 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 does not 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

After third quarter results, Northeast Indiana Bancorp is projected to offer a total annual return of 5.3% through 2028, down from 8.1% previously. This estimate is based on a 3.0% earnings growth rate and a starting yield of 3.6%, offset by multiple compression. We note that total returns could be higher due to special dividends. Northeast Indiana Bancorp's stock has stabilized somewhere since the recent banking crisis emerged. Loan activity and deposit activity were strong during the period, though net interest income and margin declined. We have lowered our 2028 price target \$6 to \$21 due to revised earnings estimates, but continue to rate shares of Northeast Indiana Bancorp as a hold due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	11	12	13	13	13	14	15	17	19	19
SG&A Exp.	5	5	5	5	6	6	6	7	7	8
D&A Exp.	1	1	1	1	1	1	1	2	2	1
Net Profit	2	3	4	4	3	4	5	6	7	7
Net Margin	21.9%	25.2%	29.7%	28.1%	27.0%	30.0%	31.4%	33.1%	38.8%	35.4%
Free Cash Flow	7	4	4	3	2	4	4	6	7	6
Income Tax	1	1	1	1	2	1	1	1	2	1

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	269	276	284	301	314	334	354	391	418	446
Cash & Equivalents	15	19	24	16	9	10	15	18	18	5
Acc. Receivable	1	1	1	1	1	1	1	2	1	2
Total Liabilities	241	246	252	267	279	297	313	346	369	402
Long-Term Debt	20	23	33	-	61	60	46	38	14	32
Total Equity	28	30	32	34	36	37	41	46	49	43
LTD/E Ratio	0.72	0.76	1.02	-	1.72	1.61	1.12	0.83	0.29	0.74

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	0.9%	1.1%	1.4%	1.2%	1.1%	1.3%	1.4%	1.5%	1.8%	1.5%
Return on Equity	9.2%	10.8%	12.2%	10.9%	9.9%	11.4%	11.9%	12.9%	15.5%	14.3%
ROIC	4.8%	6.2%	6.5%	7.3%	5.2%	4.3%	5.1%	6.6%	10.0%	9.5%
Shares Out.	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Revenue/Share	4.58	5.14	5.37	5.33	5.26	5.81	6.23	7.02	7.83	7.72
FCF/Share	2.66	1.52	1.78	1.33	0.77	1.69	1.85	2.40	2.89	2.69

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

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