



New York Community Bancorp (NYCB)

Updated November 6th, 2023, by Josh Arnold

Key Metrics

Current Price:	\$9.68	5 Year CAGR Estimate:	15.4%	Market Cap:	\$7 B
Fair Value Price:	\$14	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	11/03/23
% Fair Value:	72%	5 Year Valuation Multiple Estimate:	6.9%	Dividend Payment Date:	11/16/23
Dividend Yield:	7.0%	5 Year Price Target	\$16	Years Of Dividend Growth:	0
Dividend Risk Score:	D	Retirement Suitability Score:	C	Rating:	Buy

Overview & Current Events

New York Community Bancorp is the parent of a state-chartered bank called New York Community Bank. The wholly owned subsidiary operates 236 branches in New York, New Jersey, Ohio, Florida, and Arizona. The holding company was founded in 1993 but the banking operations of the company can be traced to 1859. The bank focuses on multi-family loans in New York City, particularly in buildings that are rent controlled. That book of business is about three-quarters of its entire lending portfolio. The bank has a market capitalization of \$7 billion.

NYCB posted third quarter earnings on October 26th, 2023, and results were better than expected on both the top and bottom lines. Adjusted earnings-per-share came to 36 cents, which was a penny better than expected. Earnings fell from 47 cents in Q2, but rose nicely from 31 cents a year ago. Revenue was \$1.04 billion, and beat estimates by over \$100 million.

Net interest margin came to 3.27%, which was up six basis points over the June quarter. The company noted it was growing its loan book despite higher interest rates, and that deposit trends were stable.

Net interest income was \$882 million, down from \$900 million in Q2, and almost triple the \$326 million from the same quarter a year ago.

Provisions for credit losses rose to \$62 million from \$49 million in Q2, and up from just \$2 million a year ago. Total loans and leases held for investment were \$84 billion, up slightly from the June quarter. Deposits were \$82.7 billion, down from \$88.5 billion in Q2.

We now see \$1.35 in earnings-per-share for this year after Q3 results that were quite good.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$1.08	\$1.09	-\$0.11	\$1.01	\$0.81	\$0.79	\$0.77	\$0.87	\$1.24	\$1.23	\$1.35	\$1.64
DPS	\$1.00	\$1.00	\$1.00	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68
Shares¹	441	443	485	487	488	474	467	464	465	681	681	681

NYCB's growth prospects are improving rapidly. The transition away from New York City-focused multi-family home lending should help as business loans should see improved credit quality. NYCB is heavily invested in turning itself into a more conventional commercial bank and early signs are that significant progress is being made. We now expect 4% growth going forward, reflecting this.

On the bright side, NYCB's deposit mix is very strong for an environment where rates are moving around. We note that the bank's loan-to-deposit ratio is extremely high, meaning risks are higher, and the runway for additional growth is essentially nothing due to already-high leverage. We like the Flagstar acquisition and the Signature deal, both of which have produced signs of growth and diversification for NYCB.

¹ Share count 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	13.5	14.6	---	15.0	16.7	14.6	14.9	11.4	9.7	7.0	7.2	10.0
Avg. Yld.	6.8%	6.3%	5.8%	4.5%	5.0%	5.9%	5.9%	6.8%	5.6%	7.9%	7.0%	4.1%

We see fair value for NYCB at 10 times earnings based primarily upon peer valuations. The stock has traded with a wide range of valuations in the past decade, between 10 and 17. Today, however, the stock trades for 7.2 times our estimate of 2023 earnings-per-share, so it is well undervalued in our view. We see a sizable tailwind from the valuation, and investors get a 7% current yield as well.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	93%	92%	---	67%	84%	86%	88%	78%	55%	55%	50%	41%

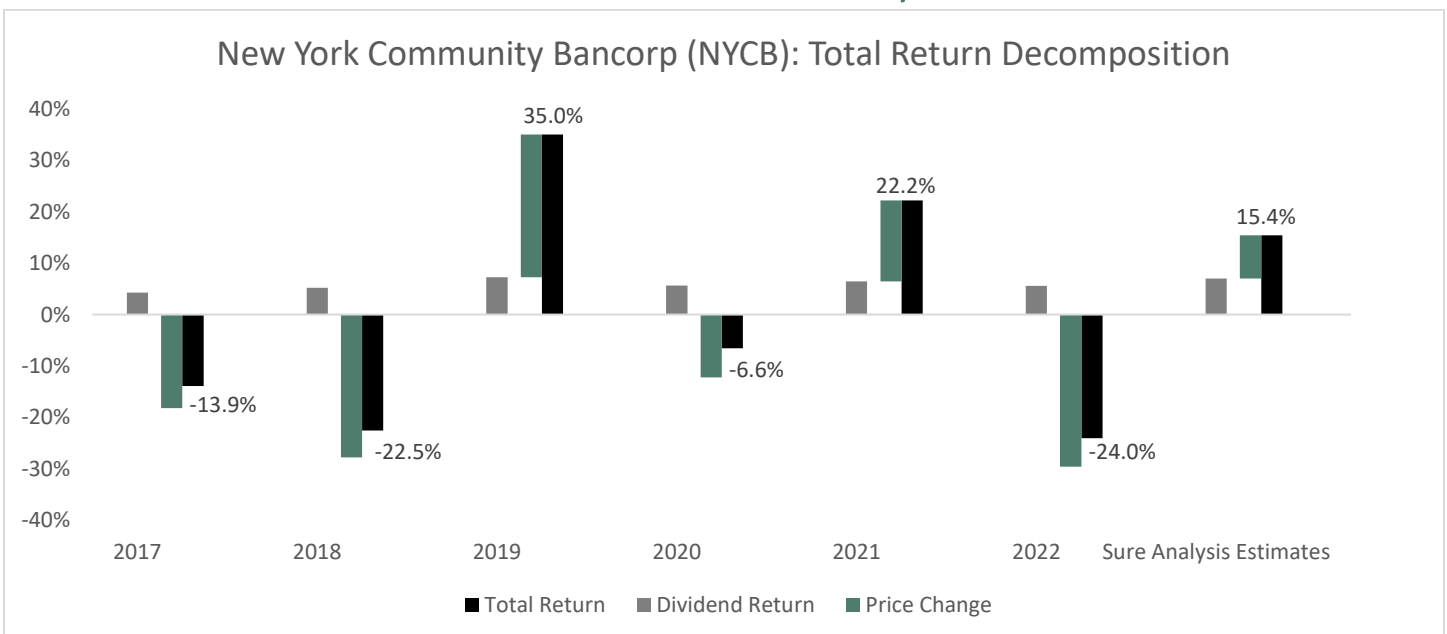
NYCB doesn't necessarily have a competitive advantage, as those are difficult to come by in banking. NYCB has invested heavily in its expansion and its loan and deposit bases are much larger than they were in the past couple of quarters.

The payout ratio has improved greatly in recent years, and NYCB is in a much better position to afford its current payout. We don't foresee any cuts upcoming, and while the bank could raise the payout, there have been no signs of any appetite for that from management. The Flagstar and Signature deals would indicate growth is favored by management instead of dividend increases. Indeed, the bank decided to fund the Signature deal in early-2023 in another sign of focusing on growth.

Final Thoughts & Recommendation

NYCB offers investors strong total annual return potential with some measure of risk involved. The stock's yield is certainly attractive and shares trade under our estimate of fair value. With projected returns of 15.4%, stemming from the 7% yield, 4% growth, and 6.9% valuation tailwind, we are reiterating the stock at a buy rating despite the higher share price. The company's prospects are rapidly improving.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	1375	1357	628	1439	1366	1123	1042	1161	1350	1484
SG&A Exp.	484	495	523	546	561	447	422	425	430	354
D&A Exp.	44	36	37	35	33	32	27	24	21	---
Net Profit	476	485	-47	495	466	422	395	511	596	650
Net Margin	34.6%	35.8%	-7.5%	34.4%	34.1%	37.6%	37.9%	44.0%	44.1%	43.8%
Free Cash Flow	1339	649	-455	671	1299	531	510	334	286	---
Income Tax	272	288	-85	282	202	135	128	77	210	176

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	46688	48559	50318	48927	49124	51899	53641	56306	59527	90144
Cash & Equivalents	645	564	538	558	2528	1475	742	1948	2211	2032
Goodwill & Int. Ass.	2693	2671	2686	2670	2442	2437	2426	2426	2426	3746
Total Liabilities	40953	42777	44383	42803	42329	45244	46929	49464	52483	81320
Long-Term Debt	11231	10541	13822	12023	12464	13708	13758	15284	16562	21332
Shareholder's Equity	5736	5782	5935	6124	6293	6152	6209	6339	6541	8321
LTD/E Ratio	1.96	1.82	2.33	1.96	1.83	2.06	2.05	2.23	2.35	2.42

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	1.0%	1.0%	-0.1%	1.0%	1.0%	0.8%	0.7%	0.9%	1.0%	0.9%
Return on Equity	8.3%	8.4%	-0.8%	8.2%	7.5%	6.8%	6.4%	8.1%	9.3%	8.7%
ROIC	3.0%	2.9%	-0.3%	2.6%	2.5%	2.1%	1.9%	2.4%	2.6%	2.5%
Shares Out.	441	443	485	487	488	474	467	464	465	485
Revenue/Share	3.13	3.08	1.40	2.97	2.80	2.30	2.24	2.51	2.91	3.06
FCF/Share	3.05	1.47	-1.01	1.38	2.67	1.09	1.10	0.72	0.62	---

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

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