



New York Community Bancorp (NYCB)

Updated February 10th, 2024, by Josh Arnold

Key Metrics

Current Price:	\$4.90	5 Year CAGR Estimate:	7.3%	Market Cap:	\$3.5 B
Fair Value Price:	\$4.90	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	02/13/24
% Fair Value:	100%	5 Year Valuation Multiple Estimate:	0.0%	Dividend Payment Date:	02/28/24
Dividend Yield:	4.1%	5 Year Price Target	\$5.96	Years Of Dividend Growth:	0
Dividend Risk Score:	D	Retirement Suitability Score:	C	Rating:	Sell

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 \$3.5 billion, having been cut in half since our last update.

NYCB posted fourth quarter and full-year earnings on January 31st, 2024. The bank posted an unexpected and sizable provision for credit losses, which surprised Wall Street. The stock fell by more than 50% in the days after the report as fears of the bank failing have persisted.

Fourth quarter earnings came to a loss of 27 cents per share, despite revenue soaring more than 50% higher year-over-year to \$886 million. The company's 2023 acquisitions of Flagstar and Signature moved NYCB over the \$100 billion asset threshold, meaning capital requirements are much higher. This is part of the issue the bank is facing in terms of liquidity and capital requirements.

Net interest margin was 2.82% in the fourth quarter, down 45 basis points from Q3. The provision for losses was a massive \$552 million, or more than 60% of Q4's revenue. This is stoking fears NYCB cannot maintain its capital requirements and that's why the stock has been sold so heavily.

NYCB also slashed its dividend from 17 cents per quarter to five cents. We see 70 cents in earnings-per-share as a starting point for 2024, but we note this is largely dependent upon the bank's ability to fund its capital requirements. There are no signs just yet of a deposit run on NYCB, but if that were to occur, NYCB could fail. NYCB's risk profile has deteriorated enormously since our last update.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$1.09	-\$0.11	\$1.01	\$0.81	\$0.79	\$0.77	\$0.87	\$1.24	\$1.23	\$0.80	\$0.70	\$0.85
DPS	\$1.00	\$1.00	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68	\$0.68	\$0.20	\$0.20
Shares¹	443	485	487	488	474	467	464	465	681	722	740	750

NYCB's growth prospects had been improving with the Flagstar and Signature acquisitions. The issue has become that it appears NYCB expanded too quickly, and its balance sheet was unprepared. This year will either set up strong future growth in earnings from a low base, or could be the beginning of the end of the bank.

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. NYCB's deposit base is thus far intact, but should that change, it would be extremely negative.

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	14.6	---	15.0	16.7	14.6	14.9	11.4	9.7	7.0	12.8	7.0	7.0
Avg. Yld.	6.3%	5.8%	4.5%	5.0%	5.9%	5.9%	6.8%	5.6%	7.9%	6.6%	4.1%	3.4%

We see fair value for NYCB at 7 times earnings based primarily based upon the fact that the bank's balance sheet has been called into question. 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 times our estimate of 2024 earnings-per-share, so it is fairly valued in our view. We see no impact from the valuation, but no path for the dividend to be raised for the foreseeable future.

Safety, Quality, Competitive Advantage, & Recession Resiliency

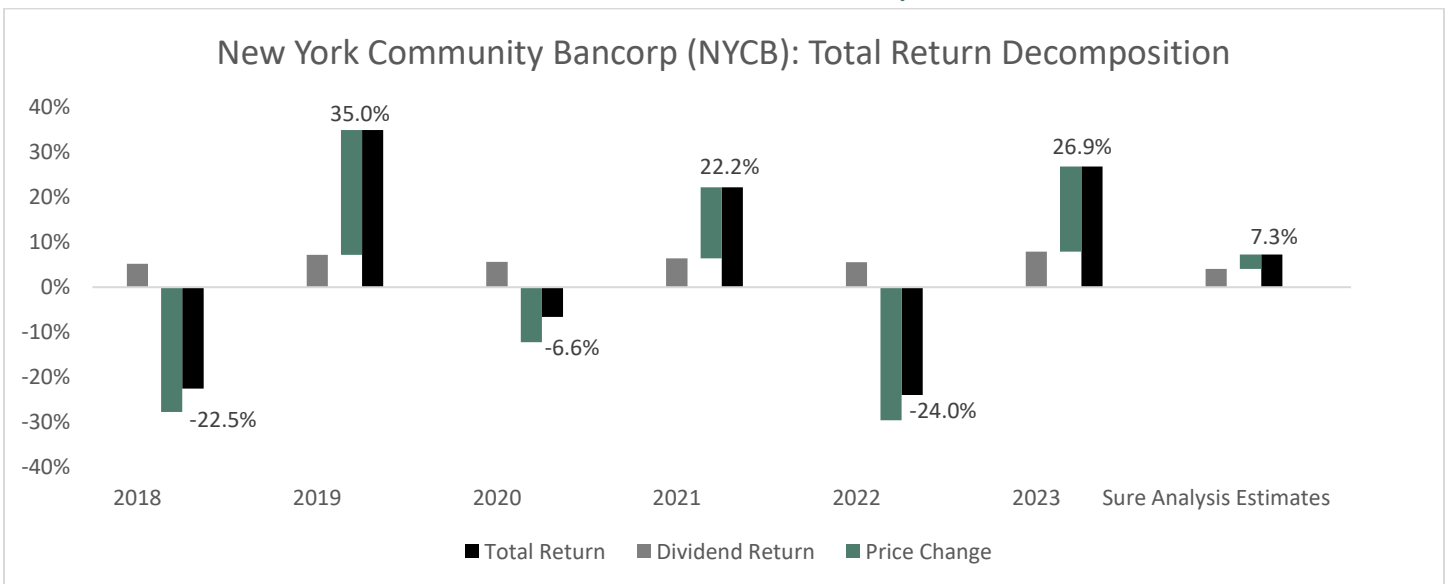
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	92%	---	67%	84%	86%	88%	78%	55%	55%	85%	29%	24%

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. The new dividend is quite small but depending upon what happens with its ability to fund its capital requirements, it is possible we will see NYCB eliminate the dividend entirely.

Final Thoughts & Recommendation

NYCB's total return prospects now stand at 7.3% annually after Q4 results. These returns would stem from 4% earnings growth, the 4.1% yield, and no impact from the valuation. However, we're placing a sell rating on the stock given the huge amount of risk that is present with NYCB now. It is clear the bank expanded too quickly and was unprepared. The provision for credit losses taken in Q4 was a massive shock and the size and scale of the provisions is not something NYCB can easily overcome. The dividend cut is another sign of weakness, and we have serious concerns over the future path of NYCB's earnings. This year will prove to be pivotal, but we do not believe this is a stock income investors should be interested in at the moment given the risk.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	1357	628	1439	1366	1123	1042	1161	1350	1484	3633
SG&A Exp.	495	523	546	561	447	422	425	430	354	1149
D&A Exp.	36	37	35	33	32	27	24	21	23	---
Net Profit	485	-47	495	466	422	395	511	596	650	2374
Net Margin	35.8%	-7.5%	34.4%	34.1%	37.6%	37.9%	44.0%	44.1%	43.8%	65.3%
Free Cash Flow	649	-455	671	1299	531	510	334	286	1023	---
Income Tax	288	-85	282	202	135	128	77	210	176	32

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	48559	50318	48927	49124	51899	53641	56306	59527	90144	116322
Cash & Equivalents	564	538	558	2528	1475	742	1948	2211	2032	11493
Goodwill & Int. Ass.	2671	2686	2670	2442	2437	2426	2426	2426	3746	4162
Total Liabilities	42777	44383	42803	42329	45244	46929	49464	52483	81320	105502
Long-Term Debt	10541	13822	12023	12464	13708	13758	15284	16562	21332	21267
Shareholder's Equity	5782	5935	6124	6293	6152	6209	6339	6541	8321	10317
LTD/E Ratio	1.82	2.33	1.96	1.83	2.06	2.05	2.23	2.35	2.42	1.97

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.0%	-0.1%	1.0%	1.0%	0.8%	0.7%	0.9%	1.0%	0.9%	2.3%
Return on Equity	8.4%	-0.8%	8.2%	7.5%	6.8%	6.4%	8.1%	9.3%	8.7%	25.5%
ROIC	2.9%	-0.3%	2.6%	2.5%	2.1%	1.9%	2.4%	2.6%	2.5%	7.6%
Shares Out.	443	485	487	488	474	467	464	465	485	715
Revenue/Share	3.08	1.40	2.97	2.80	2.30	2.24	2.51	2.91	3.06	5.08
FCF/Share	1.47	-1.01	1.38	2.67	1.09	1.10	0.72	0.62	2.11	---

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

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