Muncy Columbia Financial (CCFN)

Updated September 3rd, 2024 by Nikolaos Sismanis

Key Metrics

Current Price:	$34	**5 Year CAGR Estimate:**	8.9%	**Market Cap:**	$123.2 M
Fair Value Price:	$38	**5 Year Growth Estimate:**	2.5%	**Ex-Dividend Date:**	08/27/2024
% Fair Value:	90%	**5 Year Valuation Multiple Estimate:**	2.0%	**Dividend Payment Date:**	09/12/2024
Dividend Yield:	5.2%	**5 Year Price Target**	$43	**Years Of Dividend Growth:**	28
Dividend Risk Score:	C	**Retirement Suitability Score:**	A	**Rating:**	Hold

Overview & Current Events

Muncy Columbia Financial Corporation operates as a financial holding company mainly via its wholly-owned subsidiary, Journey Bank (formerly known as First Columbia Bank & Trust Co.). The company was formed following the merger of CCFNB Bancorp, Inc. and Muncy Bank Financial, Inc. in November 2023. As of June 30th, 2024, Muncy Columbia had about $1.6 billion in total assets and $1.1 billion in loans. The bank operates 22 branch offices across five counties in Pennsylvania: Clinton, Columbia, Lycoming, Montour, and Northumberland. Muncy Columbia is headquartered in Bloomsburg and it generated $48.3 million in total interest income last year.

On August 12th, 2024, Muncy Columbia reported its Q2 2024 results for the period ending June 30th, 2024. The company posted net interest income of $12.4 million, up 151.6% compared to last year. Non-interest income rose by $0.7 million, or 41.8%, to $2.4 million, driven mainly by higher service charges, fees, and interchange income. Non-interest expenses surged by $4.3 million, or 89.3%, to $9.2 million, primarily due to costs associated with the MBF merger. Still, earnings per share (EPS) were $1.32, significantly up from $0.71 in the same period last year, with most merger-related expenses from last year now gone. For FY2024, we expect EPS of $4.70.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$3.14	$3.20	$3.35	$3.43	$3.77	$4.22	$4.47	$4.53	$4.58	$1.49	***$4.70***	***$5.32***
DPS	$1.38	$1.41	$1.44	$1.47	$1.51	$1.55	$1.59	$1.63	$1.67	$1.71	***$1.76***	***$1.99***
Shares[1]	2.2	2.2	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.3	***3.5***	***3.8***

Over the past decade, Muncy Columbia's EPS has remained somewhat stable, showing only modest growth over time.

From 2014 to 2019, the company experienced slow but steady growth in its EPS, which increased from $3.14 in 2014 to $4.22 in 2019. This period was characterized by a favorable economic environment and consistent organic growth. The company's focus on expanding its loan portfolio, maintaining decent, and improving operational efficiencies contributed to this upward trend. During this period, the bank benefited from a stable interest rate environment, which supported growth in interest income. Additionally, the absence of significant external shocks allowed for a predictable growth trajectory. In 2020, despite the onset of the COVID-19 pandemic, Muncy Columbia managed to continue its growth, with EPS increasing to $4.47 in 2020, $4.53 in 2021, and reaching a peak of $4.58 in 2022. The bank's ability to navigate the challenges of the pandemic, including low-interest rates and economic uncertainty, showcased its prudent capital management. Key to this period's performance was the bank's focus on maintaining strong credit quality and leveraging government support programs, such as the Paycheck Protection Program (PPP), which helped to stabilize its loan portfolio.

The significant drop in EPS to $1.49 in 2023 can be mainly attributed to the merger between CCFNB Bancorp and Muncy Bank forming the new entity, Muncy Columbia Financial Corporation. The merger could lead to long-term synergies and improve the company’s market presence. Still, it did result in a short-term disruption to EPS. Moving forward, we expect

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[1] Share count is in millions.

the company to grow, though at below-market rates mainly due its decent but underwhelming net interest margins. For context, net interest margins came in at just 2.55% in 2022 and 2.34% in 2023, well below the industry average of above 3% during both periods. Accordingly, we expect EPS growth of just 2.5% through 2029.

We have consistently applied the same rate to our dividend growth estimates. Notably, Muncy Columbia has raised its dividend for 28 consecutive years, underscoring the company's exceptionally prudent capital management.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	11.6	11.7	11.4	12.2	12.0	11.4	10.4	10.1	10.1	---	***7.2***	***8.0***
Avg. Yld.	3.8%	3.8%	3.8%	3.5%	3.3%	3.2%	3.4%	3.6%	3.6%	3.7%	***5.2%***	***4.7%***

In recent years, Muncy Columbia has consistently traded at a price-to-earnings (P/E) ratio in the low teens. The stock is now trading at a P/E of 7.2 based on our expected EPS for the year. We believe that this multiple undervalues the stock. The market has likely assigned a discounted multiple due to the company's underwhelming NIM and uncertainties over the recent merger. Still, shares are trading below their book value of $44.11, which is why we have assigned a modest yet higher multiple of 8.0. The dividend yield, at 5.2%, is well-above the company's historical average.

Safety, Quality, Competitive Advantage, & Recession Resiliency

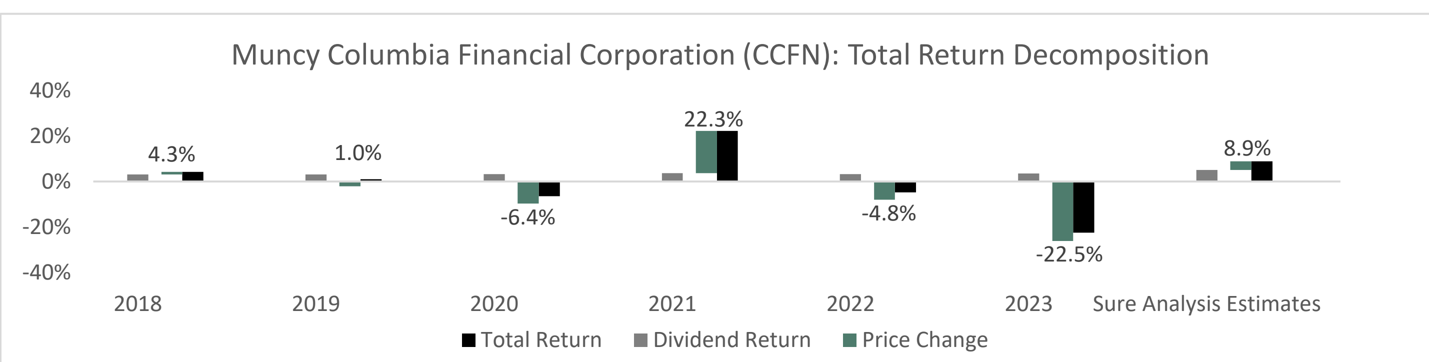
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	44%	44%	43%	43%	40%	37%	36%	36%	36%	115%	***37%***	***37%***

Muncy Columbia possesses some noteworthy competitive advantages. Specifically, the company benefits from a strong capital base, evidenced by its Tier 1 capital ratio of 12.57% and total capital ratio of 13.75% as of June 30, 2024, which are well above regulatory requirements. This strong capitalization provides a buffer against economic downturns, improving the bank's resilience during recessions. It was proven handy both during the Great Financial and COVID-19 pandemic, with Muncy Columbia remaining profitable during both periods. However, as a regional bank, Muncy Columbia Financial Corporation is vulnerable to economic downturns, particularly within its concentrated market area. A recession could lead to loan defaults and reduced demand for services, which would, quite certainly, pressure the bank's financial performance.

Final Thoughts & Recommendation

Muncy Columbia showcases a decent track record, with EPS increasing slowly yet steadily over the years. The company's dividend growth track record is particularly noteworthy, boasting almost three decades of consecutive annual dividend increases. This is quite rare among banks. We forecast annualized total returns of 8.9% over the medium-term, powered by a modest growth estimates, the dividend, and the possibility of a valuation tailwind. Thus, we rate CCFN a hold.

Total Return Breakdown by Year



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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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	25	25	25	27	27	29	30	30	28	30
SG&A Exp.	9	9	9	9	10	10	10	10	11	12
D&A Exp.	1	1	1	1	1	1	1	1	1	1
Net Profit	7	7	7	7	8	9	9	9	10	3
Net Margin	27.4%	27.7%	28.4%	27.2%	29.5%	30.9%	31.4%	31.5%	33.5%	11.1%
Free Cash Flow	18	7	7	8	8	10	7	14	9	6
Income Tax	2	2	2	3	1	2	2	2	2	0

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	639	647	674	709	726	743	855	953	944	1,640
Cash & Equivalents	16	8	14	22	12	19	108	89	13	19
Accounts Receivable	2	2	2	2	2	2	2	1	2	5
Goodwill & Int. Ass.	8	8	9	9	9	9	9	9	8	38
Total Liabilities	559	564	587	620	633	643	749	848	858	1,486
Long-Term Debt	0	10	0	0	14	0	0	0	0	133
Shareholder's Equity	80	83	86	90	93	100	106	104	86	154
LTD/E Ratio	0.00	0.12	0.00	0.00	0.15	0.00	0.00	0.00	0.00	0.87

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.1%	1.1%	1.1%	1.1%	1.1%	1.2%	1.2%	1.0%	1.0%	0.3%
Return on Equity	8.8%	8.5%	8.5%	8.3%	8.8%	9.2%	9.1%	9.0%	10.0%	2.8%
ROIC	8.3%	8.0%	8.0%	8.3%	8.1%	8.6%	9.1%	9.0%	10.0%	1.8%
Shares Out.	2.2	2.2	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.3
Revenue/Share	11.48	11.55	11.79	12.59	12.78	13.65	14.22	14.38	13.66	13.33
FCF/Share	8.06	3.44	3.14	3.54	3.88	4.82	3.48	6.89	4.51	2.68

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