Boyle Bancorp (BYLB)

Updated October 5th, 2024 by Nikolaos Sismanis

Key Metrics

Current Price:	$80	**5 Year CAGR Estimate:**	11.2%	**Market Cap:**	$69.2 M
Fair Value Price:	$93	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	12/13/2024[1]
% Fair Value:	86%	**5 Year Valuation Multiple Estimate:**	3.1%	**Dividend Payment Date:**	12/27/2024
Dividend Yield:	3.8%	**5 Year Price Target**	$119	**Years Of Dividend Growth:**	12
Dividend Risk Score:	C	**Retirement Suitability Score:**	B	**Rating:**	Buy

Overview & Current Events

Boyle Bancorp is a one-bank holding company headquartered in Danville, Kentucky, operates through its wholly-owned subsidiary, Farmers National Bank of Danville. Established in 1879, Farmers National Bank is one of the oldest banks in the State of Kentucky, with a long-standing history of serving its local communities. Over the years, the bank has grown to offer a full range of commercial and personal banking services, including deposit products, loans, fiduciary activities, brokerage, and insurance services. Today, Boyle Bancorp has a strong presence across central Kentucky, with multiple branches serving Danville, Harrodsburg, Stanford, and surrounding areas. Boyle reports only once a year. It has a market cap of just $69.2 million, and its shares trade Over the Counter (OTC).

By the end of 2023, Boyle's total assets had reached $958.8 million, reflecting an increase of 1.4% compared to last year. The loan portfolio, in particular, saw significant expansion, increasing by 13.8% to $636.5 million. Boyle's stockholders' equity also rose 14.4% to $72.5 million, with the company continuing to build its equity value. Its book value per share stood at $83.72 at the end of the year.

A key contributor to Boyle's success during the year can be attributed to WealthSouth, the bank's wealth management division, which now manages over $1 billion in assets and advises on more than $3.7 billion. WealthSouth has also been instrumental in driving loan growth, contributing $229 million in loans outstanding by year's end.

For the year ending December 31st, 2023, Boyle reported solid results, showcasing steady growth across key metrics. The company posted a net interest income of $31.3 million, an increase of 9% from the previous year. Despite rising interest expenses, which jumped to $11.8 million from $2.9 million in 2022, the bank's net interest margin remained healthy, supported by strong loan growth.

The provision for credit losses was $1.3 million, slightly down from $1.6 million in 2022. Non-interest income increased to $13.4 million, driven by a combination of fiduciary activities, customer service fees, and brokerage services. Non-interest expense also saw an uptick, reaching $29.4 million, primarily due to increased salaries, employee benefits, and data processing costs. Net income for the year was $11.0 million, up 12% year-over-year, with EPS rising to $12.74 from $11.36 in 2022. For 2024, we expect EPS to come in close to $12.40, estimating that rate cuts could slightly hurt Boyle's net interest margins.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	---	---	---	---	---	$6.30	$6.35	$9.24	$11.36	$12.74	***$12.40***	***$15.83***
DPS	$2.00	$2.40	$2.60	$2.64	$2.68	$2.72	$2.76	$2.80	$2.84	$2.91	***$3.00***	***$3.83***
Shares[2]	---	---	---	---	---	---	---	---	868.1	865.6	***865.6***	***860.0***

While historical EPS data before 2019 is unavailable, Boyle Bancorp has demonstrated impressive growth over the past five years, with EPS rising from $6.30 in 2019 to $12.74 in 2023—a 102% increase. Early growth in 2019 and 2020 was steady, as the bank focused on core operations and weathered the challenges of the pandemic. In 2021, EPS surged to

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[1] Estimated dated based on past dividend dates.

[2] Share count is in millions.

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$9.24, driven by strong loan growth and the expansion of its WealthSouth division. Continued loan expansion and rising interest income pushed EPS to $11.36 in 2022 and $12.74 in 2023. Moving forward, we anticipate Boyle's EPS growth to moderate, as interest cuts could prove a headwind to its net interest margins. Given that the company is coming off a high estimate in FY2024, we expect EPS growth of only 5% through 2029.

We also expect a similar growth rate for the dividend over the same period. The company has increased its dividend for 12 consecutive years. Dividend growth has slowed down lately with the most 5-year dividend growth average standing at just 2%. Still, its track record is noteworthy.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	---	---	---	---	---	12.2	9.9	9.2	7.5	6.2	***6.5***	***7.5***
Avg. Yld.	---	---	---	---	---	3.5%	4.4%	3.3%	3.3%	3.7%	***3.8%***	***3.2%***

Boyle's P/E ratio has contracted in recent years, despite the company's EPS showing significant growth. Yet, shares have not appreciated at the same rate. While we believe that Boyle's shares deserve to trade at a discount due to its small size, low liquidity, and OTC status, we find the stock undervalued at its current levels. As a result, we have set a fair P/E multiple of 7.5, which we believe is more appropriate. The stock trades at an almost 5% discount to book value as well. The 3.8% dividend yield should contribute to the stock's total return prospects.

Safety, Quality, Competitive Advantage, & Recession Resiliency

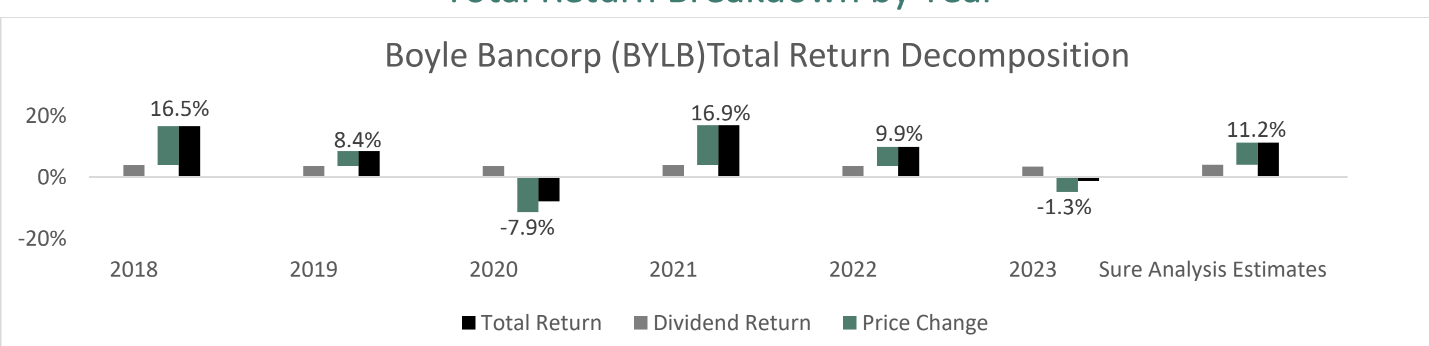
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	---	---	---	---	---	43%	43%	30%	25%	23%	***24%***	***24%***

Boyle competitive advantage stems from its strong regional presence, diversified revenue streams, and prudent financial management. The bank's WealthSouth division, offering wealth management services, provides a notable source of non-interest income. Its focused operations in central Kentucky enable strong community ties and customer loyalty. When it comes to its recession resilience, we lack data from the Great Financial Crisis. However, During the COVID-19 pandemic, Boyle showed resilience, maintaining earnings growth. However, note that its competitive moat is somewhat limited by its regional focus compared to larger competitors. Also, note that shares are highly illiquid, with only about 100 shares, on average, changing hands on a daily basis. Regardless, we consider Boyle's dividend rather safe today.

Final Thoughts & Recommendation

Boyle has delivered noteworthy returns over the years, despite share appreciation failing to match its underlying EPS growth. Moving forward, we believe the stock can deliver annualized returns of 11.2% through 2029, driven by our 5% EPS growth estimate, the starting dividend yield of 3.8%, and the possibility of a 3.1% annual valuation tailwind. Thus, Boyle earns a buy rating. However, we do note that the lack of sufficient liquidity is a serious factor to keep in mind.

Total Return Breakdown by Year



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Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue						31	35	37	42	
SG&A Exp.						1	1	1	1	
D&A Exp.						1	1	1	1	
Net Profit						5	6	8	10	
Net Margin						17.7%	16.0%	21.6%	23.7%	
Income Tax						1	1	2	2	

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets						585	791	907	946	
Cash & Equivalents						49	156	204	142	
Goodwill & Int. Ass.						-	3	3	3	
Total Liabilities						519	720	833	883	
Shareholder’s Equity						65	71	74	63	

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets										
Return on Equity										
ROIC										
Shares Out.										
Revenue/Share										
FCF/Share										

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