



Apollo Bancorp (APLO)

Updated January 16th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$34	5 Year CAGR Estimate:	10.4%	Market Cap:	\$17.9 M
Fair Value Price:	\$40	5 Year Growth Estimate:	2.0%	Ex-Dividend Date:	03/11/2025 ¹
% Fair Value:	86%	5 Year Valuation Multiple Estimate:	3.1%	Dividend Payment Date:	04/01/2025
Dividend Yield:	6.6%	5 Year Price Target	\$44	Years Of Dividend Growth:	16
Dividend Risk Score:	D	Retirement Suitability Score:	B	Rating:	Buy

Overview & Current Events

Apollo Bancorp, through its subsidiary Apollo Trust Company, operates five branches, all located in Pennsylvania. These branches serve communities primarily within the Kiski Valley, northeast of Pittsburgh. The bank's main office is in Apollo, Pennsylvania, with additional branches in North Apollo, Spring Church, Allegheny Township, and North Washington. Apollo Trust focuses on providing personalized banking services, including residential and commercial loans, deposit accounts, and other financial services, primarily to individuals and businesses within its service area. The company has market cap of just \$17.9 million.

On December 18th, 2024, Apollo Bancorp raised its dividend by 1.8% to a quarterly rate of \$0.57.

On January 15th, 2025, Apollo Bancorp posted its Q4 and full-year results for the period ending December 31st, 2024. For the quarter, Apollo posted net income of \$757,000, or \$1.46 per share, compared with net income of \$426,000, or \$0.82 per share last year. The \$330,000 boost in earnings was the result of a \$474,000 increase in earnings on bank owned life insurance and a \$93,000 increase in net interest income offset by \$220,000 and \$93,000 higher noninterest expense and provision for credit losses, respectively. For FY2024, EPS grew 17.4% to \$3.85. For FY2025, we see EPS of \$4.00.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$2.81	\$2.82	\$3.63	\$2.77	\$4.02	\$3.35	\$3.66	\$3.68	\$3.28	\$3.85	\$4.00	\$4.42
DPS	\$1.89	\$1.93	\$1.97	\$2.01	\$2.05	\$2.09	\$2.13	\$2.17	\$2.21	\$2.25	\$2.28	\$2.52
Shares²	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5

Apollo Bancorp's EPS track record over the past decade reflects somewhat steady, yet slow growth. In 2015 and 2016, the bank experienced stable yet modest EPS growth. This period coincided with a low-interest-rate environment post the 2008 financial crisis, which, while stabilizing the economy, compressed the interest income that banks could earn, impacting net interest margins across the industry. Apollo Bancorp, which focuses on traditional banking services, saw steady loan demand but was limited by these industry-wide conditions.

In 2017, EPS rose to \$3.63, driven by rising interest rates initiated by the Federal Reserve and improving macroeconomic conditions. The higher interest rates boosted the bank's loan interest income, notably improving profitability. However, 2018 witnessed a dip back to \$2.77, reflecting challenges such as higher operating expenses and higher loan provisions due to credit quality concerns, common during a volatile economic cycle.

By 2019, Apollo Bancorp experienced a record EPS of \$4.02. This growth was driven by strong loan demand, particularly in the real estate sector, as Apollo capitalized on economic growth. Loan portfolio expansion and solid underwriting also played critical roles in improving profitability, resulting in better margins and asset quality. Still, the COVID-19 pandemic in 2020 brought a reversal, with EPS dropping to \$3.35. The economic uncertainty caused by the pandemic led to lower loan growth and higher provisions for potential credit losses, reflecting conservative risk management.

¹ Estimated ex-dividend date.

² Share count is in millions.

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As the economy began recovering in 2021, Apollo Bancorp's EPS rebounded to \$3.66 and remained stable at \$3.68 in 2022. The recovery was aided by economic stimulus measures and an increase in borrowing activity, alongside rising interest rates, which contributed to higher net interest margins. Moreover, Apollo Bancorp benefited from lower credit losses during this period, supporting its profitability. Strong interest income continued to drive performance in 2023.

Looking ahead, we expect EPS growth to remain modest at around 2%, driven by Apollo's concentrated regional focus and its conservative capital management, which limit significant growth opportunities.

Apollo has raised its dividend for 16 consecutive years, with incremental raises of \$0.01 per quarter, or \$0.04 annually, over the past decade. While this steady growth is commendable, it has gradually slowed dividend increases. We expect this trend to continue, projecting 2% annual dividend growth through 2030, aligned with our EPS forecast.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	14.2	11.6	15.9	11.4	12.8	11.5	11.4	15.2	9.6	10.7	8.6	11.0
Avg. Yld.	4.8%	4.7%	4.6%	4.5%	4.9%	5.1%	5.2%	4.4%	6.1%	5.4%	6.6%	5.2%

In recent years, Apollo Bancorp 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 8.6 based on our expected EPS for the year. We believe that this multiple undervalues the stock despite the lack of notable growth prospects ahead. We have applied a fair multiple of 11 in our estimates, instead. The dividend yield, at a substantial 6.6%, is well-above Apollo's historical average and should provide a solid income stream.

Safety, Quality, Competitive Advantage, & Recession Resiliency

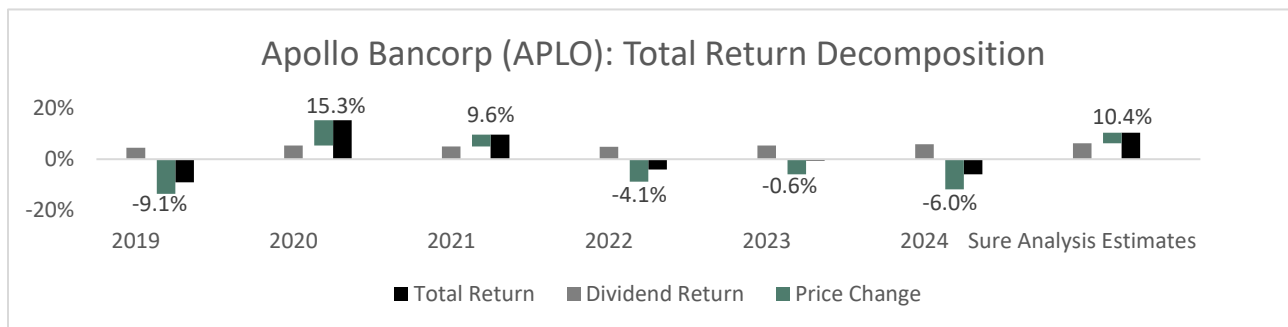
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	67%	68%	54%	73%	51%	62%	58%	59%	67%	58%	57%	57%

Apollo Bancorp's competitive advantage lies in its strong local ties and prudent capital management, which helped the bank remain resilient during the COVID-19 pandemic. Its strong capital ratios, including a Tier 1 capital ratio of 12.47% and a total capital ratio of 13.91% as of the end of 2022 (will update with release of 2023 annual report), show its ability to weather economic downturns. These ratios provide a significant buffer against potential losses, reinforcing the bank's capacity to maintain stability during economic downturns. Still, its highly concentrated regional focus and conservative growth approach limit its expansion opportunities, making it less competitive against larger institutions operating in broader markets. Note that the stock is highly illiquid, with a few hundred shares being exchanged daily, on average.

Final Thoughts & Recommendation

Apollo Bancorp features a solid dividend growth track record backed by relatively stable earnings resulting from a fairly conservative capital management strategy. Backed by the notable dividend yield, our soft growth estimates, and the potential for a valuation tailwind, we see annualized total returns of 10.4% through 2030. We rate the stock as a buy.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	---	---	---	---	---	8	7	8	8	8
SG&A Exp.	---	---	---	---	---	0	0	0	0	0
D&A Exp.	---	---	---	---	---	0	0	0	0	0
Net Profit	---	---	---	---	---	2	2	2	2	2
Net Margin	---	---	---	---	---	26.1%	23.3%	24.4%	23.1%	20.1%
Free Cash Flow	---	---	---	---	---	2	2	2	2	2
Income Tax	---	---	---	---	---	0	0	0	0	0

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	---	---	---	---	---	161	167	182	183	198
Goodwill & Int. Ass.	---	---	---	---	---	4	2	12	6	3
Total Liabilities	---	---	---	---	---	140	144	159	161	175
Long-Term Debt	---	---	---	---	---	14	4	-	2	27
Shareholder's Equity	---	---	---	---	---	21	22	23	22	23
LTD/E Ratio	---	---	---	---	---	0.67	0.16	-	0.07	1.17

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	---	---	---	---	---	---	1.1%	1.1%	1.0%	0.9%
Return on Equity	---	---	---	---	---	---	8.0%	8.4%	8.5%	7.5%
ROIC	---	---	---	---	---	---	5.7%	7.8%	8.2%	4.6%
Shares Out.	---	---	---	---	---	0.5	0.5	0.5	0.5	0.5
Revenue/Share	---	---	---	---	---	15.38	14.40	14.99	15.91	16.34
FCF/Share	---	---	---	---	---	3.93	3.29	4.78	4.59	3.80

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

Disclaimer

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