Greene County Bancorp, Inc. (GCBC)

Updated January 27th, 2025, by Patrick Neuwirth

Key Metrics

Current Price:	$26.40	**5 Year CAGR Estimate:**	7.3%	**Market Cap:**	$449 M
Fair Value Price:	$24	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date[1]:**	02/14/25
% Fair Value:	110%	**5 Year Valuation Multiple Estimate:**	-1.9%	**Dividend Payment Date[1]:**	02/28/25
Dividend Yield:	1.4%	**5 Year Price Target**	$35	**Years Of Dividend Growth:**	11
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Hold

Overview & Current Events

Greene County Bancorp, Inc. (GCBC), headquartered in Catskill, New York, is a holding company that oversees The Bank of Greene County and manages its cash position. The company focuses on attracting retail deposits and funding from operations and borrowings, which it primarily deploys into residential and commercial real estate mortgages, home equity loans, consumer loans, and commercial business loans. It also provides banking services to local municipalities and operates a real estate investment trust (REIT). Total assets for the company were $2.97 billion at December 31st, 2024. The company was founded in 1889 and has 190 employees.

On January 22nd, 2025, Greene County Bancorp, Inc. announced its results for the second quarter of fiscal year 2025 for the period ending December 31st, 2024. For the quarter, the company reported a net income of $7.5 million, an increase of $1.8 million, or 31.2%, compared to net income of $5.7 million for the same year-ago quarter. Reported earnings per diluted share for these periods were $0.44 and $0.34, respectively, reflecting a significant improvement.

Net interest income for the second quarter increased by $1.7 million to $14.1 million, from $12.4 million for the prior year period, driven by higher interest income on loans and securities, supported by growth in interest-earning assets and increases in average interest rates. The net interest margin for the quarter improved by 10 basis points to 2.04%, up from 1.94% in the previous year, reflecting disciplined balance sheet management in a higher-rate environment. Noninterest income continued its positive trend, rising by 11.4% to $3.9 million for the quarter, supported by increased fee income from customer interest rate swap contracts and higher returns from bank-owned life insurance (BOLI).

Total assets reached a new record of $2.97 billion, while net loans hit a high of $1.53 billion as of December 31st, 2024. Total deposits grew by 3.3% to $2.47 billion, setting another record high, up from $2.39 billion at the end of the previous quarter. Asset quality remained strong, with non-performing loans to total loans at 0.26% and non-performing assets to total assets at 0.14%, maintaining low risk exposure.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$0.42	$0.53	$0.66	$0.85	$1.03	$1.10	$1.41	$1.65	$1.81	$1.45	***$1.60***	***$2.35***
DPS	$0.18	$0.19	$0.19	$0.20	$0.20	$0.22	$0.24	$0.26	$0.28	$0.32	***$0.36***	***$0.53***
Shares[2]	17	17	17	17	17	17	17	17	17	17	***17***	***17***

The company has grown earnings by 14.8% per year over the past decade and 7.8% over the past five years. We expect earnings to increase by 8% per year for the next five years. The company has been able to increase its dividend for 11 consecutive years. Over the last five years, the average annual dividend growth rate is 10.4%. In July 2024, the company increased its quarterly dividend by 12.5% from $0.08 to $0.09 per share.

[1] Estimated date

[2] In millions.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	16.5	15.0	15.9	18.5	15.5	12.0	8.8	11.9	15.1	17.0	***16.5***	***15.0***
Avg. Yld.	1.9%	2.3%	1.8%	1.2%	1.3%	1.7%	1.9%	1.3%	1.0%	1.1%	***1.4%***	***1.5%***

During the past decade shares of Greene County Bancorp have traded with an average price-to-earnings ratio of about 13 and today, it stands at 17.2. We are using 15 times earnings as a fair value baseline, implying the potential for a valuation headwind. The company's dividend yield is currently 1.4% which is below the average yield over the past decade of 1.6%, but is in-line with the five-year average of 1.4%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	44%	46%	44%	52%	34%	38%	42%	31%	32%	32%	***23%***	***23%***

During the past five years, the company's dividend payout ratio has averaged around 40%. Greene County Bancorp 's dividend is comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at least at the same pace and keep the payout ratio around the 25% level.

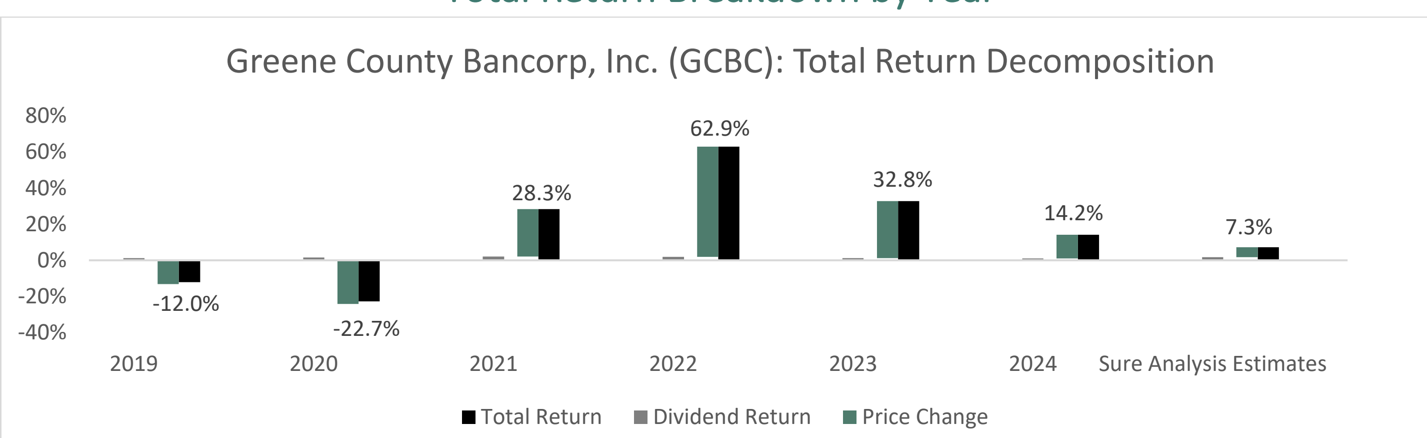
Greene County Bancorp, Inc. (GCBC) benefits from a strong competitive advantage as a community-focused bank with a deep presence in the Hudson Valley and Capital Region of New York. The bank's consistent recognition on the "KBW Bank Honor Roll" for thirteen consecutive years highlights its robust earnings performance and prudent risk management, setting it apart from peers. Additionally, its diversified loan portfolio, including residential mortgages, commercial real estate, and business loans, provides a stable revenue base and mitigates risk concentration.

However, GCBC's heavy reliance on net interest income, which has been pressured by margin compression in the current high-interest rate environment, could pose challenges. The bank's strategy of maintaining competitive deposit rates to retain customer relationships may further impact profitability if the cost of funds continues to rise faster than asset repricing. This sensitivity to interest rates, combined with a relatively high loan-to-deposit ratio, could constrain the bank's ability to manage liquidity and profitability if high rates persist.

Final Thoughts & Recommendation

Greene County Bancorp, Inc. is a well-established financial institution headquartered in Catskill, New York, with deep roots in the Hudson Valley and Capital Region. The bank has a strong track record of consistent earnings growth and sound financial management, contributing to its 11-year consecutive dividend growth track record. However, its current dividend yield of 1.4% is relatively low for a regional bank, which could be a concern for income-focused investors. We estimate total return potential of 7.3% per year for the next five years based on 8% earnings-per-share growth, the dividend yield, and a valuation headwind. The shares earn a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	29	32	37	42	48	53	63	70	73	65
SG&A Exp.	13	14	15	17	19	21	24	26	30	---
D&A Exp.	1	1	1	1	1	1	1	1	1	---
Net Profit	7	9	11	14	17	19	24	28	31	25
Net Margin	24.7%	27.8%	30.4%	34.0%	36.2%	35.0%	38.1%	39.9%	42.0%	38.2%
Free Cash Flow	12	13	14	20	21	26	26	34	27	---
Income Tax	2	3	4	4	4	3	4	5	5	2

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	739	869	982	1,151	1,269	1,677	2,200	2,572	2,698	2,826
Cash & Equivalents	17	18	18	29	32	45	154	73	201	193
Acct. Recv.	3	4	4	5	6	8	8	9	12	14
Total Liabilities	672	794	899	1,055	1,157	1,548	2,051	2,414	2,515	2,620
Long-Term Debt	42	46	30	18	22	25	23	173	49	199
Total Equity	67	74	84	96	112	129	150	158	183	206
LTD/E Ratio	0.62	0.62	0.35	0.19	0.19	0.20	0.15	1.10	0.27	0.97

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.0%	1.1%	1.2%	1.4%	1.4%	1.3%	1.2%	1.2%	1.2%	0.9%
Return on Equity	11.2%	12.7%	14.2%	16.0%	16.8%	15.5%	17.2%	18.2%	18.1%	12.7%
ROIC	7.7%	7.8%	9.6%	12.7%	14.1%	13.0%	14.7%	11.1%	10.9%	7.8%
Shares Out.	17	17	17	17	17	17	17	17	17	17
Revenue/Share	1.71	1.90	2.16	2.48	2.83	3.14	3.69	4.12	4.31	3.81
FCF/Share	0.71	0.78	0.82	1.19	1.23	1.50	1.56	2.01	1.56	---

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

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