



The First of Long Island Corp. (FLIC)

Updated July 28th, 2024 by Jonathan Weber

Key Metrics

Current Price:	\$13	5 Year CAGR Estimate:	4.6%	Market Cap:	\$286M
Fair Value Price:	\$9	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	09/04/24 ¹
% Fair Value:	139%	5 Year Valuation Multiple Estimate:	-6.4%	Dividend Payment Date:	09/15/24 ²
Dividend Yield:	6.5%	5 Year Price Target	\$12	Years Of Dividend Growth:	45
Dividend Risk Score:	C	Retirement Suitability Score:	A	Rating:	Hold

Overview & Current Events

The First of Long Island Corporation is the holding company for *The First National Bank of Long Island*, a small-sized bank that provides a range of financial services to consumers and small to medium-sized businesses. Its offerings include business loans, consumer loans, mortgages, savings accounts, etc. FLIC operates around 50 branches in two Long Island counties and several NYC burrows, including Queens, Brooklyn, and Manhattan. FLIC has a history of almost 100 years since being founded in 1927, and the company is headquartered in Glen Head, New York.

FLIC reported its most recent quarterly results, for the fiscal second quarter, on July 25. The company reported revenues of \$21 million for the first quarter, which was 13% less than the revenues that the company generated during the previous year's period. FLIC's revenues beat what analysts had forecasted for the quarter. FLIC's revenue decrease can be explained by the fact that the bank's net interest margin declined year over year, from 2.17% during the previous quarter to 1.80%. This made FLIC's net interest income decline meaningfully.

FLIC's earnings-per-share totaled \$0.21 during the second quarter, which was down by a hefty 32% year over year. This weak earnings-per-share performance was mostly driven by lower revenues and lower margins, although buybacks partially offset these headwinds. During 2022, FLIC generated earnings-per-share of \$2.04, which was a new record result for the company. Earnings-per-share pulled back meaningfully in 2023, on the back of higher provisioning expenses and net margin compression, and another decline is forecasted for 2024.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$1.10	\$1.22	\$1.34	\$1.43	\$1.63	\$1.67	\$1.72	\$1.81	\$2.04	\$1.16	\$0.85	\$1.08
DPS	\$0.48	\$0.52	\$0.55	\$0.58	\$0.60	\$0.69	\$0.73	\$0.77	\$0.84	\$0.84	\$0.84	\$0.88
Shares³	20.8	21.2	23.7	24.7	25.4	24.7	23.9	23.7	22.4	22.4	22.0	20.0

The First of Long Island has generated solid, yet not spectacular growth over the last decade. Between 2010 and 2019, earnings-per-share have grown by 5% annually, although the growth rate has been a bit uneven over that time frame. FLIC's dividend has grown somewhat faster during that time frame, at a 10-year average rate of slightly more than 7%.

FLIC's earnings-per-share growth in the past was mainly possible thanks to a solid pace of business growth. FLIC's revenues roughly doubled over the last decade, as the bank was able to expand its presence in its markets while also generating higher revenues per branch during that time frame. Low interest rates, which are normally seen as a headwind for banks due to the fact that they usually go hand in hand with low net interest margins, have not been a major headwind for FLIC. This also holds true for the COVID crisis, as FLIC has been able to expand its net interest margin during the pandemic. FLIC saw its share count rise substantially between 2010 and 2018, which is why earnings-per-share growth lagged behind net income growth during that time frame. More recently, FLIC has started to buy back shares, which has been beneficial for earnings-per-share growth in recent years.

¹ Estimated date

² Estimated date

³ 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	15.4	14.6	15.6	19.7	14.9	13.5	10.5	12.2	9.9	11.2	15.3	11.0
Avg. Yld.	2.8%	2.9%	2.6%	2.1%	2.6%	3.1%	4.1%	3.5%	4.7%	6.4%	6.5%	7.4%

The First of Long Island has historically traded at a mid-teens earnings multiple on average, but we believe that it will not go back to 14-15 times earnings multiples in the near term. Overall, valuations for the whole industry came down over the last couple of years, and especially in 2023, due to troubles at some regional banks. We believe that FLIC's shares have significant downside potential right now while investors get a high dividend yield at current prices.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	43.6%	42.6%	41.0%	40.6%	36.8%	41.3%	42.4%	42.5%	46.4%	72.4%	98.8%	81.4%

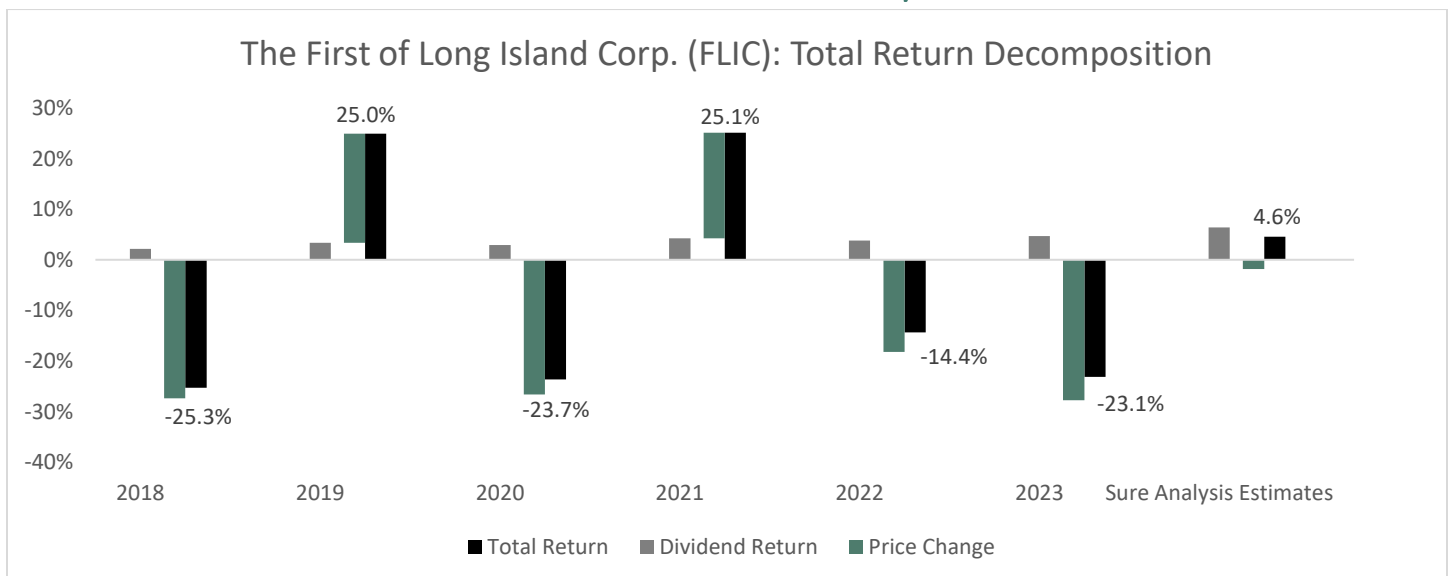
The First of Long Island has increased its dividend annually for decades, adjusted for stock splits. This was possible thanks to regular earnings growth, while the company has also increased its payout ratio over the years. At a forecasted payout ratio of around 100% for the current year, there is some dividend cut risk.

FLIC is a small regional bank that is focused on Long Island and some burrows of New York. As such, it has benefited from a growing population and strong housing market in the areas it is active in. One could thus say that it has a competitive advantage in terms of being focused on an attractive geographical market, although FLIC does not enjoy large scale advantages. Nevertheless, FLIC has solid fundamentals, including an above-average return on equity of ~11% and strong loan stability, with below-average credit charge-offs, even during the current crisis. During the Great Recession, FLIC performed better than many of its peers as well, proving the below-average level of risk.

Final Thoughts & Recommendation

The First of Long Island is not a very large bank, but it is active in an attractive regional market and operates profitably. FLIC has not been a high-growth business in the past, but through a combination of dividends and some earnings growth, returns have still been solid. Based on our total return estimates, FLIC seems like a solid but not very attractive investment, which is why we rate the bank a hold at current prices.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	74	84	97	105	105	111	116	119	128	93
SG&A Exp.	24	27	30	33	36	37	37	40	41	37
D&A Exp.	3	3	3	4	4	6	6	9	6	6
Net Profit	23	26	31	35	42	42	41	43	47	26
Net Margin	31.0%	30.7%	32.0%	33.5%	39.7%	37.5%	35.5%	36.1%	36.6%	28.2%
Free Cash Flow	30	30	28	38	54	47	43	43	48	29
Income Tax	6	7	9	10	5	8	8	10	11	3

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	2,721	3,130	3,510	3,895	4,241	4,098	4,069	4,069	4,282	4,236
Cash & Equivalents	33	40	37	70	47	39	211	44	74	61
Total Liabilities	2,488	2,879	3,204	3,540	3,853	3,709	3,662	3,655	3,917	3,856
Long-Term Debt	425	531	574	689	742	517	296	311	411	543
Total Equity	233	251	306	354	388	389	407	414	365	380
LTD/E Ratio	1.82	2.11	1.88	1.94	1.91	1.33	0.73	0.75	1.13	1.43

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	1.1%	1.1%	0.6%
Return on Equity	10.5%	10.7%	11.1%	10.6%	11.2%	10.7%	10.3%	10.5%	12.1%	7.0%
ROIC	3.8%	3.6%	3.7%	3.7%	3.8%	4.1%	5.1%	6.0%	6.3%	3.1%
Shares Out.	20.8	21.2	23.7	24.7	25.4	24.7	23.9	23.7	22.4	22.4
Revenue/Share	3.55	3.97	4.20	4.28	4.12	4.46	4.86	5.02	5.58	4.11
FCF/Share	1.41	1.42	1.23	1.56	2.11	1.90	1.80	1.81	1.1%	1.29

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

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