

INVESTOR'S EDGE

DeWitt-based Community Bank is still a solid performer

*The company has expanded
into other financial services.*

*"Consistency is the foundation of
virtue." — Francis Bacon*



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Guest columnist

Thirteen years ago in this column, I recommended our readers buy DeWitt based Community Bank common stock.

The title of my column back then was "Community Bank Systems a solid performer." That title is a perfect description of what investors have received — and are likely to continue to receive — by buying shares in this superbly run local bank.

Now simply known as Community Bank (Symbol: CBU) the company's stock has outperformed the S&P Regional Banks index through the end of 2022 on a 1-, 5-, 10- and 15-year basis. And although it was down 13.1% for the full year of 2022, it handily outperformed the S&P 500 index, which was down 19.4%. Over the long-term, CBU's stock has handily outperformed the S&P 500 index, posting a 15 year annualized return of 9.9%, versus the S&P's 6.6%.

That is solid performance indeed.

Mark Tryniski has been the CEO of Community Bank since 2006. I spoke with him via phone recently to get his thoughts on the company's prospects going forward.

"There's a misnomer with the name Community in our title, which makes people think we are small", said Tryniski. "We are actually the 125th largest bank out of 5,000 in the country."

"In fact, we are a super-regional bank and in an ideal spot because we are small enough to be responsive and nimble but large enough to compete with the bigger banks."

Under Tryniski's leadership, Community Bank has also expanded successfully into other areas of the financial services industry.

"We have a diversified business model beyond just banking. We have an employee benefits business, a wealth management business, and an insurance business. The insurance business is in the top 80 largest insurance companies in the United States and over the last 10 years, our employee benefits business has gone from \$15 million in revenue to \$150 million."

According to the company's webpage, Community Bank has more than \$15.8 billion in assets and saw a 19% increase in loans last year. Community Bank serves retail, commercial, and municipal customers in its New York, Pennsylvania, Vermont, and Massachusetts branches along with its digital banking platform.

The company has more than 200 customer locations along with enhanced digital banking services, including mobile banking, online deposit account opening, and loan applications.

"We have seen a huge shift to digital channels, obviously accelerated by COVID-19. Younger customers really want this, and so we have been able to consolidate 40 branches."



Mark Tryniski, president and CEO of Community Bank, Maureen Gillan-Myer, an executive vice president. *Gabrianna Dacko, Community Bank*

Community Bank also has a foundation of sticky, low-cost deposits in markets that are unlikely to attract a lot of branch-based competition. In fact, in 12 of the 13 counties where it has \$500 million or more in deposits, it has a deposit share of 25% or higher — and over 70% in some cases.

“We have loyal customers that pay their bills, honor their obligations, and appreciate our commitment to sincere customer service.”

Indeed, Community Bank was named to Forbes “America’s Best Banks” and the “World’s Best Banks” 2022 lists, as well as ranking sixth in Newsweek’s annual “Most Trusted Banks in the United States.”

Community Bank has made a number of smart acquisitions over the last seven years, including Elmira Savings Bank, Steuben Trust Corp., Kinderhook Bank Corp., and others.

“We are active on the M&A front because we would always want to partner with profitable, successful businesses.”

Community Bank yields 2.9% and has raised its dividend for 30 consecutive years, a rather remarkable feat for any company in any industry. “Of the 5,000 or so banks in this country, we are one of only a handful who have been able to do that.”

Tryniski proudly points out that Community Bank trades at a significant premium to its peers. This is true. CBU trades

at 17.4 times earnings while the S&P Regional Bank Index trades at about 11.

That said, I can smell a bargain, and I believe the market is offering you one. Currently, CBU is trading at about \$60 a share, 18% of its 52-week high of \$74. That is a very attractive entry point for such high quality assets.

Not surprisingly, Tryniski is bullish on Community Bank’s outlook.

“We are not trying to offer returns like Tesla. But we forecast 4-5% of organic growth over the long term, 4-5% growth from mergers and acquisitions, and a 2-3% dividend payout.”

“I think we offer a solid risk-adjusted return. We have superior asset quality, stable funding costs, and lots of capital and liquidity.”

So, CBU is a quiet, very successful local publicly traded company.

Remember, not all stocks are buy and hold investments, but Community Bank certainly is.

So buy it.

Jim Burns, a chartered financial analyst, is president of J.W. Burns & Co. The opinions expressed here are his and do not necessarily reflect those of The Post-Standard. Readers should do research before deciding on an investment. Contact him at jburns@jwburns.com

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