

**STOCK ANALYSIS REPORT****Sterling Bancorp (STL) – Analysis by Nathan Ramos – September 10, 2009**<http://www.betapeg.com>

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Industry: **Regional Bank**  
Sector: **Financial**  
Recommendation: **STRONG BUY**  
Price: **\$7.61 (as of September 10, 2009)**  
52 Week Low-High: **\$6.27-18.64**  
Intrinsic Value: **\$13.78 or about 81% under priced**  
Fundamental Grade: **B**  
Investment Style: **Small Cap Value**  
Consider Buying: **When less than \$11**

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**BUSINESS SUMMARY**

Sterling Bancorp (Sterling) serves as a financial holding company for Sterling National Bank (the Bank). The Bank provides a range of banking and financial products and services, including business and consumer lending, asset-based financing, factoring/accounts receivable management services, equipment leasing, commercial and residential mortgage lending and brokerage, deposit services, international trade financing, trust and estate administration, investment management and investment services. The Company has operations in New York, New Jersey and North Carolina and conducts business throughout the United States. The Bank maintains 12 offices in New York: nine offices in New York City (six branches and an international banking facility in Manhattan and three branches in Queens); two branches in Nassau County, one in Great Neck and another in Woodbury, New York, and one branch in Yonkers, New York

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**ANALYSIS**

Sterling Bancorp (NYSE: STL) is a New York-based banking and financial services company with assets exceeding \$2.2 billion. Sterling has suffered along with the financial sector in the sub-prime financial crisis. The Company has differentiated itself from failed titans such as Citigroup with their conservative approach to banking. The Bank's financial services revolve around 3 strategies which are personal attention for customers, direct access to executives, and a diversified portfolio of services. This has allowed the Company to maintain a strong capital base allowing Sterling to weather the financial storm. Demand deposits accounted for 36% of total deposits indicating the Bank to be one of the best capitalized in the industry. The Company has gained further liquidity by participating in the U.S. Treasury's Capital Purchase Program allowing Sterling to increase its loan portfolio by 7%. Sales and profits have increased a conservative 26% and -45% respectively. The decline in profit can be attributable to the sub-prime financial crisis which has affected even the best banks. Despite the recession, this Company has remained profitable showing improvement in profits of 49% since 2006. The PE, PS, and PB ratios indicate Sterling to be substantially undervalued. Sterling is valued at \$13.78 for FY2009. With a current price of \$7.61 (September 10, 2009), Sterling is 81% undervalued for the fiscal year giving it a high margin of safety. The Company has a reasonable earnings yield and profit margin of 8% and 10% respectively. Current profit levels would enable Sterling to pay off all long-term debt within 3 years on profit alone indicating good liquidity levels. The Company's beta of .73 indicates the stock is 27% less volatile than the market. The stock can be expected to remain flat or go lower short term. Sterling has outperformed 19% of the market in the last 12 months indicating the stock to be highly undervalued relative to its fundamentals grade. This indicates the stock will be higher long term. Risks include loan defaults, credit contractions, falling asset values, and macro-economic risks to the financial system.

<http://www.sterlingbancorp.com/proxy/Sterling%20Bancorp%202008.pdf>

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**CORPORATE INFORMATION**

Location: 650 Fifth Avenue  
New York, NY 10019  
Phone: 212-7573300  
Web Site: [http://www.sterlingbancorp.com/default\\_flash.cfm](http://www.sterlingbancorp.com/default_flash.cfm)  
Employees: 562  
Exchange: NYSE

**KEY STATISTICS**

Market Capitalization: **\$137.79 Mil – Micro Cap**  
Revenue (past 12-mo.): **\$111.1 Mil**  
Net Income (past 12-mo.): **\$10.7 Mil**  
Net Profit Margin: **9.91%**  
Total Shares Outstanding: **18.1 Mil**  
P/E (past 12-mo.): **12.45**  
Forward P/E: **15.10**  
Price/Sales: **1.23**  
Price/Book: **.87**  
PEG: **-.90**  
Debt/Income: **2.36**  
Debt Ratio: **.93**  
Return on Equity: **.52%**  
Dividend Rate per Share: **\$0.44**  
Dividend Yield: **5.84%**  
EPS (past 12-mo.): **\$0.61**  
Earnings Yield: **8.03%**  
Beta: **0.73**

**PRICE HISTORY****5-Year Price Chart**

The chart indicates a bearish channel pattern as indicated by the bold lines. The stock can be expected to remain flat or go lower short term as indicated by this pattern. The stock will continue channeling downward until it is able to break either the upper or lower trend line. For more information on this pattern, go to <http://www.thestockbandit.com/Descending-channel.htm>.

**HISTORICAL FINANCIAL PERFORMANCE AND ESTIMATES**

<b>Date</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009 Est.</b>
<i>Stock Price</i>	26.89	19.73	19.7	13.41	12.87	13.78
<i>Sales (millions)</i>	120	136	150	157	151	162
<i>Net Income</i>	25	24	11	15	16	13
<i>Total Assets</i>	1871	2056	1886	2013	2215	2273
<i>Long-term Debt</i>	26	26	26	26	26	26
<i>Total Liabilities</i>	1722	1908	1754	1892	2054	2117
<i>Total Equity</i>	149	148	132	121	160	156
<i>Shares Outstanding</i>	19	19	19	18	18	18
<i>Operating Cash Flow</i>	45	14	25	1	14	20
<i>Capital Expenditures</i>	3	2	2	2	2	2
<i>Dividend Payout</i>	12	14	14	14	14	15
<i>Net Cash Balance</i>	48	69	50	66	32	34
<i>PE</i>	20.44	15.62	34.03	16.09	14.48	15.10
<i>PS</i>	4.26	2.76	2.50	1.54	1.53	0.86
<i>PB</i>	3.43	2.53	2.84	1.99	1.45	1.08
<i>Revenue/Share</i>	\$6.32	\$7.16	\$7.89	\$8.72	\$8.39	9.12
<i>EPS</i>	\$1.32	\$1.26	\$0.58	\$0.83	\$0.89	0.75
<i>Dividend Rate</i>	\$0.63	\$0.74	\$0.74	\$0.78	\$0.78	0.82
<i>Dividend Yield</i>	2.35%	3.73%	3.74%	5.80%	6.04%	7.32%
<i>Long-term Debt/Share</i>	\$1.37	\$1.37	\$1.37	\$1.44	\$1.44	1.47
<i>Total Equity/Share</i>	\$7.84	\$7.79	\$6.95	\$6.72	\$8.89	8.79
<i>Free Cash Flow/Share</i>	\$2.21	\$0.63	\$1.21	-\$0.06	\$0.67	-0.13
<i>Net Cash/Share</i>	\$2.53	\$3.63	\$2.63	\$3.67	\$1.78	1.93
<i>Net Profit Margin</i>	20.83%	17.65%	7.33%	9.55%	10.60%	\$0.08
<i>Total Assets/Share</i>	\$98.47	\$108.21	\$99.26	\$111.83	\$123.06	\$127.97
<i>Total Liabilities/Share</i>	\$90.63	\$100.42	\$92.32	\$105.11	\$114.11	\$119.15

**RELATIVE STRENGTH**

STL has outperformed 19% of the market in the last 12 months. This indicates the stock to be highly undervalued relative to its fundamentals grade.

**STOCK PRICE VALUATION****Stock Price Estimates (FY2009)**

Methodologies	Intrinsic Values	Discount Rates
PE	\$11.26	47.98%
PEII	\$17.89	135.14%
PS	\$7.86	3.26%
PSII	\$7.88	3.53%
PSIII	\$21.11	177.37%
PB	\$9.50	24.89%
PBII	\$21.76	185.94%
Market Ratio	\$12.87	69.12%
FS	\$22.39	194.27%
Gamma	\$47.83	528.57%
Inverse Gamma	\$14.01	84.09%
52 Week	\$19.30	153.59%
Yield	\$11.24	47.69%
Stock Price I	\$9.37	23.06%
Stock Price II	\$8.21	7.91%
Stock Price III	\$10.85	42.60%
Cash Flow	\$14.15	85.99%
Dividend Growth	\$8.03	5.56%
Delta	-\$2.55	-133.54%
Sigma	\$13.99	83.89%
Lambda	\$12.68	66.65%
Tau	\$12.73	67.30%
Upsilon	\$10.80	41.87%
Kappa	\$13.96	83.50%
Ksi	\$9.25	21.53%
Eta	\$13.38	75.88%
Zeta	\$12.30	61.65%
Future Intrinsic Value	\$13.78	81.08%

STL is valued at \$13.78 for FY2009. With a current price of \$7.61, STL is 81% undervalued for the fiscal year.

**OFFICERS AND DIRECTORS**

Louis J. Cappelli	Chairman of the Board, Chief Executive Officer
John C. Millman	President, Director
John W. Tietjen	Chief Financial Officer, Executive Vice President
Howard M. Applebaum	Senior Vice President
Eliot S. Robinson	Executive Vice President of Sterling National Bank
Henry J. Humphreys	Director
Joseph M. Adamko	Director
Allan F. Hershfield	Director
Eugene T. Rossides	Director

**INSIDER ACTIVITY**

The following corporate insiders or major shareholders have recently filed transaction reports with the SEC.

## Recent Insider Trading Activity: Sterling Bancorp

Date	Name	Transaction	Num Shares	Price(s)	Value
05/12/09	<a href="#">TIETJEN JOHN W</a> *	Sold	7,400	\$11.73	86,802.00
03/25/09	<a href="#">LAZAR ROBERT W</a>	Purchase	400	\$10.41	4,164.00
02/27/09	<a href="#">MILLMAN JOHN C</a>	Sold	20,000	\$9.19	183,800.00
02/04/09	<a href="#">ROBINSON ELIOT S</a>	Exercise	7,443	\$8.69	64,679.67
02/04/09	<a href="#">ROBINSON ELIOT S</a>	Sold	7,443	\$11.50	85,594.50
01/30/09	<a href="#">ABRAMS ROBERT</a>	Purchase	900	\$11.00	9,900.00
01/30/09	<a href="#">APPLEBAUM HOWARD M</a> *	Exercise	12,003	\$8.69	104,306.07
01/29/09	<a href="#">ROBINSON ELIOT S</a>	Exercise	4,560	\$8.69	39,626.40
01/23/09	<a href="#">APPLEBAUM HOWARD M</a>	Exercise	12,003	\$8.69	104,306.07

**MAJOR HOLDERS**

## TOP INSTITUTIONAL HOLDERS

Holder	Shares	% Out	Value*	Reported
Barclays Global Investors UK Holdings Ltd	1,473,449	8.14	\$12,303,299	30-Jun-09
GAMCO INVESTORS INC	1,049,935	5.80	\$8,766,957	30-Jun-09
VANGUARD GROUP, INC. (THE)	806,507	4.45	\$6,734,333	30-Jun-09
DIMENSIONAL FUND ADVISORS INC	644,777	3.56	\$5,383,887	30-Jun-09
BANK OF AMERICA CORPORATION	633,855	3.50	\$5,292,689	30-Jun-09
GABELLI FUNDS, LLC	495,050	2.73	\$4,133,667	30-Jun-09
OPPENHEIMER FUNDS, INC.	405,141	2.24	\$3,382,927	30-Jun-09
GOLDMAN SACHS GROUP INC	376,009	2.08	\$3,139,675	30-Jun-09
STATE STREET CORPORATION	329,145	1.82	\$2,748,360	30-Jun-09
Bank of New York Mellon Corporation	292,322	1.61	\$2,440,888	30-Jun-09

## TOP MUTUAL FUND HOLDERS

Holder	Shares	% Out	Value*	Reported
Columbia Fds Ser Tr I-Columbia Small Cap Value Fd I	313,526	1.73	\$3,103,907	31-Mar-09
EQ Advisors Trust-EQ/GAMCO Small Company Value Portfolio	280,000	1.55	\$2,772,000	31-Mar-09
DFA U.S. MICRO CAP SERIES	274,969	1.52	\$3,030,158	31-Jan-09
ISHARES RUSSELL 2000 INDEX FD	237,662	1.31	\$1,917,932	31-Jul-09
ISHARES S&P SMALLCAP 600 INDEX FD	228,945	1.26	\$1,847,586	31-Jul-09
GOLDMAN SACHS SMALL CAP VALUE FUND	203,036	1.12	\$2,010,056	31-Mar-09
GABELLI SMALL CAP GROWTH FUND	200,000	1.10	\$1,670,000	30-Jun-09
GABELLI EQUITY INCOME FUND (THE)	200,000	1.10	\$1,670,000	30-Jun-09
VANGUARD TOTAL STOCK MARKET INDEX FUND	193,444	1.07	\$1,915,095	31-Mar-09
VANGUARD SMALL-CAP INDEX FUND	191,272	1.06	\$1,893,592	31-Mar-09

**COMPETITION**

## DIRECT COMPETITOR COMPARISON

	<b>STL</b>	<b>C</b>	<b>JPM</b>	<b>NYB</b>	<u>Industry</u>
Market Cap:	137.79M	26.16B	169.18B	3.70B	54.87M
Employees:	562	279,000	220,255	2,699	162
Qtrly Rev Growth (yoy):	-9.10%	68.00%	17.70%	76.90%	9.30%
Revenue (ttm):	106.54M	34.69B	53.35B	781.61M	24.35M
Oper Margins (ttm):	19.49%	-57.85%	10.98%	92.76%	22.81%
Net Income (ttm):	10.64M	-23.79B	1.48B	304.80M	N/A
EPS (ttm):	0.584	-3.651	0.896	0.887	0.39
P/E (ttm):	13.03	N/A	48.01	12.07	18.25
PEG (5 yr expected):	3.24	N/A	2.18	0.94	2.21
P/S (ttm):	1.29	0.74	3.16	4.75	2.60

**C** = Citigroup, Inc.

**JPM** = JPMorgan Chase & Co.

**NYB** = New York Community Bancorp Inc.

**Industry** = Regional - Northeast Banks

**GLOSSARY**

**Bear Market:** Market dominated by sellers.

**Beta:** A measure of stock price history relative to the market price history which indicates volatility. A company with a beta of 1 would be as volatile as the market. A beta less than one indicate less volatility to the market. The higher the beta, the more volatile a stock price is.

**Bull Market:** Market dominated by buyers.

**Dividend Rate per Share:** The amount of dividends paid per share.

**Dividend Yield:** The dividend return as a percentage of the stock price.

**Earnings:** The amount of profits that a company produces during a specific period.

**Earnings per Share (EPS):** Total earnings divided by all shares outstanding.

**Fair Value:** The price at which a stock is intrinsically valued.

**Fiscal Year:** Any 12-month period that a company uses for accounting purposes.

**Forward P/E:** Same as the traditional P/E except the estimated future EPS is used. If earnings are expected to grow in the future, the estimated P/E will be lower than the current P/E.

**Fundamental Analysis:** Method of stock analysis in which the company data is used to place an *intrinsic value* of the stock. This value is compared to the current market price. If the *intrinsic value* is less than the market price, the stock is undervalued, indicating a potential buy position.

**Fundamental Grade:** A grading system used to evaluate the quality of a company based on fundamental analysis.

**Industry:** A category used to describe a company's primary business activity.

**Insider Activity:** Corporate insiders (i.e. CEOs, executives, etc.) and major shareholders transactions of stock.

**Institutional Investor:** A non-bank investor who trades stocks in such large amounts that they require special treatment and lower commissions.

**Institutional Ownership:** The percentage of institutional investors who have a position in stock.

**Intrinsic Value:** The actual value of a stock based on tangible and intangible aspects of the company.

**Investment Style:** A classification used to indicate what kind of investors the stock is most attractive too. There are nine categories and they include:

- Large value
- Large blend
- Large growth
- Medium value
- Medium blend
- Medium growth
- Small value
- Small blend
- Small growth

**Market Capitalization:** The market value of a company is the value of its outstanding shares. This figure is found by taking the stock price and multiplying it by the total number of shares outstanding.

**Outstanding Shares:** Stock currently held by investors.

**Price/Earnings (PE) Ratio:** A valuation ratio of a company's current share price compared to its per-share earnings.

Calculated as:

$$= \frac{\text{Market Value per Share}}{\text{Earnings per Share (EPS)}}$$

The P/E ratio is a comparison of the stock price and earning. The lower the P/E, the better valued the company relative to earnings.

**Price/Sales (P/S) Ratio:** A ratio for valuing a stock relative to its own past performance. Price to sales is calculated by dividing a stock's current price by its revenue per share for the trailing 12 months:

$$\text{PSR} = \frac{\text{Share Price}}{\text{Revenue Per Share}}$$

**Revenue:** The income that comes directly from business operations.

**Sector:** A group of stocks in the same industry or market.

**Target Price:** An analyst's estimated stock price for a given period of time.

**Technical Analysis:** Method of stock analysis in which stock price data is used to determine trends. Charting the stock price history indicates up trends (buy), down trends (sell), and flat trends (even). Support lines drawn along lows and resistance lines drawn along highs indicate the time to buy and sell.

**Volatility:** A measure of the fluctuations in stock price. The higher the volatility, the more you can win and lose. *Betas* higher than 1 are more volatile than the market. If the market goes up 1%, a stock with a beta = 3 would likely go up 3%. Likewise, the same the can be true for declines.

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## **SOURCES OF INFORMATION**

1. <http://www.investopedia.com>
  2. <http://www.moneycentral.msn.com>
  3. <http://www.finance.yahoo.com>
  4. <http://www.finance.google.com>
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**ANALYTICAL METHODOLOGY**

This stock report is based on the financial models developed by Nathan Ramos and available to the public at [www.betapeg.com](http://www.betapeg.com). Ratings are based on a ratio of fundamentals to valuation. Highly rated stocks have excellent fundamentals and high valuation relative to market value while low rated stocks have weak fundamentals and low valuation relative to market value.

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**DISCLAIMER**

This document was prepared by Nathan Ramos, a non-certified stock analyst. The material contained is based upon information considered to be accurate but is not warranted by its source. Any opinions expressed are in good faith and are only correct as of the stated date of the report. This report serves as a guide to researching a particular company and does not serve any professional advisory function whatsoever.