



# Washington Trust Bancorp, Inc. (WASH)

Updated May 18<sup>th</sup>, 2021 by Nathan Parsh

## Key Metrics

<b>Current Price:</b>	\$54	<b>5 Year CAGR Estimate:</b>	10.0%	<b>Market Cap:</b>	\$924.3 M
<b>Fair Value Price:</b>	\$59	<b>5 Year Growth Estimate:</b>	5.0%	<b>Ex-Dividend Date:</b>	6/30/2021 <sup>1</sup>
<b>% Fair Value:</b>	92%	<b>5 Year Valuation Multiple Estimate:</b>	1.7%	<b>Dividend Payment Date:</b>	7/9/2021 <sup>2</sup>
<b>Dividend Yield:</b>	3.9%	<b>5 Year Price Target</b>	\$75	<b>Years Of Dividend Growth:</b>	10
<b>Dividend Risk Score:</b>	D	<b>Retirement Suitability Score:</b>	C	<b>Last Dividend Increase:</b>	2.0%

## Overview & Current Events

Washington Trust Bancorp, Inc. operates as a holding company that has nearly \$6 billion assets. The company also provides banking services such as savings accounts, certificates of deposit and money market accounts. Washington Trust also offers loans for residential, commercial, consumer and construction customers as well as reverse mortgages. Lastly, the company also offers wealth management services, including asset management, financial planning and advisory services. Washington Trust has 22 branches located in Rhode Island and one branch in Connecticut.

On 4/21/2021, Washington Trust reported first quarter earnings results for the period ending 3/31/2021 that easily beat estimates. Revenue grew 12.1% to \$58.9 million, \$1.25 million ahead of expectations. GAAP earnings-per-share of \$1.17 compared favorably to \$0.68 in the prior year and was \$0.13 above what analysts had anticipated.

Total loans improved 3% to \$4.2 billion as mortgage originations were up compared to the prior year. Deposits grew 23% year-over-year to a record \$4 billion. Provisions for credit losses was -\$2.2 million compared to \$1.8 million in the fourth quarter of 2020. Return on average equity and average assets was 15.55% and 1.45%, respectively, which was an improvement sequentially. Wealth management revenues grew 7% to \$9.9 million and assets undermanagement reached a record \$7 billion. Net interest income grew 2% quarter-over-quarter while net interest margin expanded 12 basis points to 2.51%. Washington Trust is expected to earn \$4.20 in 2021.

## Growth on a Per-Share Basis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
<b>EPS</b>	\$1.82	\$2.13	\$2.16	\$2.41	\$2.54	\$2.70	\$2.64	\$3.93	\$3.96	\$4.00	<b>\$4.20</b>	<b>\$5.36</b>
<b>DPS</b>	\$0.88	\$0.94	\$1.03	\$1.22	\$1.36	\$1.46	\$1.54	\$1.76	\$2.00	\$2.05	<b>\$2.08</b>	<b>\$2.65</b>
<b>Shares<sup>3</sup></b>	16	16	17	17	17	17	17	17	17	17	<b>17</b>	<b>17</b>

Washington Trust has seen its earnings-per-share compound at a rate of just over 9%, both for the last five and 10-year periods of time. This shows remarkable consistency over both periods. Earnings growth hasn't come at massive share buybacks either as the improvement is attributed to better business performance. For a very small regional bank, this is a very solid long-term growth rate. That said, we are more cautious in our long-term view because of lower interest rates and the possible lateness of the economic cycle as well as due to Washington Trust's size and scale.

Following a dividend increase of 1.96% for the 1/9/2021 payment date, Washington Trust has increased its dividend for the past 10 years. The most recent raise stands in stark contrast to the company's average increase of almost 10% dating back to 2011. Earnings-per-share still managed to grow last year even in the face of COVID-19 headwinds, so it remains to be seen if this last raise was an outlier or a sign of things to come for shareholders.

<sup>1</sup> Estimated date

<sup>2</sup> Estimated dividend payment date

<sup>3</sup> Share count in millions

Disclosure: This analyst has a long position in the security discussed in this research report.



# Washington Trust Bancorp, Inc. (WASH)

Updated May 18<sup>th</sup>, 2021 by Nathan Parsh

## Valuation Analysis

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Now	2026
Avg. P/E	13.1	11.6	13.9	14.8	15.2	15.1	19.9	14.1	12.8	9.3	12.9	14.0
Avg. Yld.	3.7%	3.8%	3.4%	3.4%	3.5%	3.6%	2.9%	3.2%	3.9%	5.5%	3.9%	3.5%

Using the current share price and expected earnings-per-share for 2021, Washington Trust trades with a price-to-earnings ratio of 12.9. The stock has an average price-to-earnings ratio of approximately 14 over the medium- and long-term. We feel that this is a good starting place for a fair value estimate, implying a small tailwind from valuation expansion. Reaching our target valuation by 2026 would add 1.7% to annual returns over this period of time.

Washington Trust's dividend yield of 3.9% is higher than the 3.7% yield that the stock has averaged since 2011.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2026
Payout		44%	48%	51%	54%	54%	58%	45%	51%	51%	50%	50%

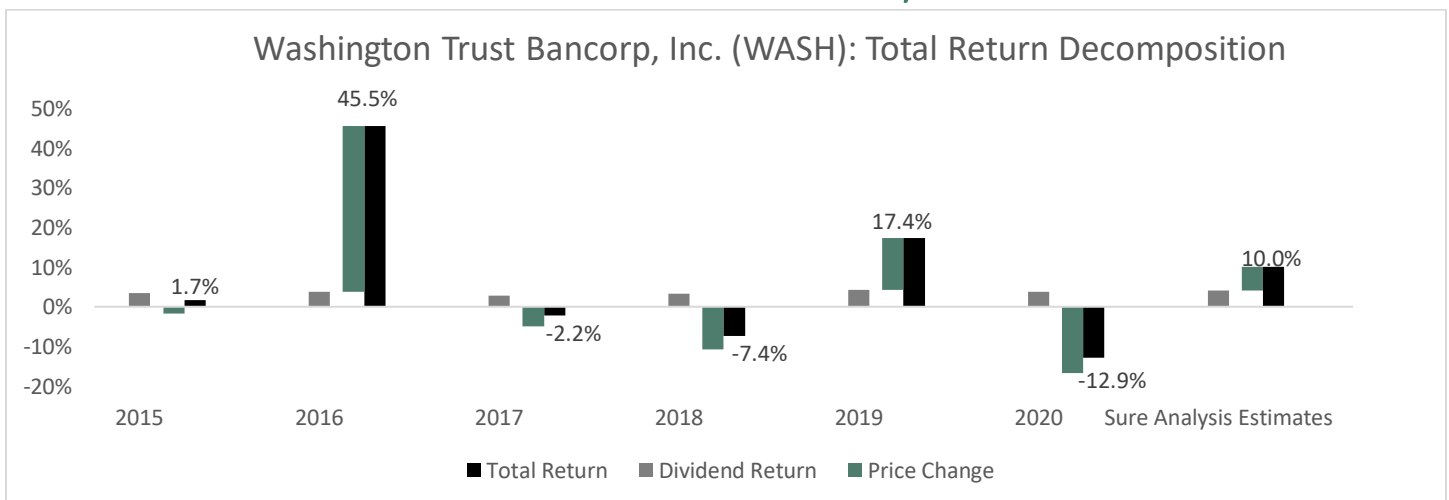
Earnings-per-share declined 44% from 2007 to 2009, showing that Washington Trust was severely impacted by the Great Recession. The company did respond with a new high for earnings-per-share by 2011. Unlike many financial institutions, Washington Trust maintained and grew its dividend through the last recession. The company did pause its dividend in 2010, ending its 16-year run of dividend growth.

Washington Trust has no discernable competitive advantages as it has just a handful of branches that are primarily located in Rhode Island. The company does boast \$7 billion of assets under management in its wealth management business, a solid showing considering its size.

## Final Thoughts & Recommendation

Following first quarter results, Washington Trust is expected to return 10% annually over the next five years. This projection stems from a 5% earnings growth rate, 3.9% starting yield and a small contribution from multiple expansion. The company showed solid top- and bottom-line growth in the quarter, with nearly all metrics improving year-over-year. We note that our projected earnings growth rate is below the company's long-term average, meaning our total return estimate could turn out to be conservative. We initiate coverage of Washington Trust with a buy rating and a 2026 price target of \$75.

## Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

Disclosure: This analyst has a long position in the security discussed in this research report.



# Washington Trust Bancorp, Inc. (WASH)

Updated May 18<sup>th</sup>, 2021 by Nathan Parsh

## Income Statement Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	129	147	145	151	162	176	184	194	200	227
SG&A Exp.	55	63	63	62	66	71	72	72	75	86
Depr. And Amort.	4	4	4	4	4	5	4	4	4	4
Net Profit	30	35	36	41	43	46	46	68	69	70
Net Margin	23.0%	23.8%	24.9%	26.9%	26.8%	26.5%	24.9%	35.2%	34.5%	30.8%
Free Cash Flow	34	0	78	(3)	47	57	57	79	70	33
Income Tax	13	16	17	19	21	22	32	18	19	19

## Balance Sheet Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Assets	3,064	3,072	3,189	3,587	3,772	4,381	4,530	5,011	5,293	5,713
Cash & Equivalents	82	73	82	76	93	106	80	90	132	194
Goodwill & Int.	65	64	64	63	76	74	73	72	71	70
Total Liabilities	2,783	2,776	2,859	3,241	3,396	3,990	4,117	4,563	4,789	5,179
Long-Term Debt	574	395	311	429	402	872	814	973	1,164	617
Total Equity	281	296	330	346	375	391	413	448	503	534
D/E Ratio	2.04	1.34	0.94	1.24	1.07	2.23	1.97	2.17	2.31	1.15

## Profitability & Per Share Metrics

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Return on Assets	1.0%	1.1%	1.2%	1.2%	1.2%	1.1%	1.0%	1.4%	1.3%	1.3%
Return on Equity	10.8%	12.2%	11.6%	12.1%	12.0%	12.1%	11.4%	15.9%	14.5%	13.5%
ROIC	3.5%	4.5%	5.4%	5.8%	5.6%	4.6%	3.7%	5.2%	4.5%	5.0%
Shares Out.	16	16	17	17	17	17	17	17	17	17
Revenue/Share	7.94	8.97	8.72	8.98	9.51	10.21	10.63	11.18	11.51	13.04
FCF/Share	2.06	0.02	4.70	(0.15)	2.74	3.29	3.26	4.54	4.04	1.90

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

### Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.