



Washington Trust Bancorp, Inc. (WASH)

Updated October 25th, 2022 by Nathan Parsh

Key Metrics

Current Price:	\$48	5 Year CAGR Estimate:	12.7%	Market Cap:	\$825 M
Fair Value Price:	\$59	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	12/30/22 ¹
% Fair Value:	82%	5 Year Valuation Multiple Estimate:	4.1%	Dividend Payment Date:	01/06/23 ²
Dividend Yield:	4.5%	5 Year Price Target	\$75	Years Of Dividend Growth:	11
Dividend Risk Score:	D	Retirement Suitability Score:	C	Rating:	Buy

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 October 24th, 2022, Washington Trust reported third quarter earnings results for the period ending September 30th, 2022. Revenue increased 2.2% to \$57.85 million, which was \$2.89 million more than expected. GAAP earnings-per-share of \$1.08 compared favorably to \$1.07 in the prior year and was \$0.08 above estimates.

Excluding the Paycheck Protection Program, total loans grew 8% to a company record \$4.8 billion. Deposits increased 2% to \$4.6 billion. The company had a provision for credit losses of \$36.9 million, or 0.76% of loans, down sequentially from \$36.3 million, or 0.81% of total loans. Return on average equity and average assets was 15.16% and 1.19%, respectively, with both lower on a sequential basis. Wealth management revenues of \$9.5 million were down 5% and assets under management totaled \$6.3 billion. Net interest income improved 12% quarter-over-quarter to a record \$42 million and net interest margin expanded 11 basis points to 2.82%.

Following earnings, we continue to expect that Washington Trust will earn \$4.19 per share in 2022, up from \$3.82 and \$3.79 previously.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	\$2.13	\$2.16	\$2.41	\$2.54	\$2.70	\$2.64	\$3.93	\$3.96	\$4.00	\$4.39	\$4.19	\$5.35
DPS	\$0.94	\$1.03	\$1.22	\$1.36	\$1.46	\$1.54	\$1.76	\$2.00	\$2.05	\$2.08	\$2.16	\$2.76
Shares³	16	17	17	17	17	17	17	17	17	17	17	17

Washington Trust has seen its earnings-per-share compound at a rate of just over 8% since 2012. 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 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 3.8% for the January 7th, 2022, payment date, Washington Trust has increased its dividend for the past 11 years. The most recent raise stands in stark contrast to the company's average increase of more than 9% dating back to 2012. 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.

¹ Estimated date

² Estimated dividend payment date

³ Share count 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.



Washington Trust Bancorp, Inc. (WASH)

Updated October 25th, 2022 by Nathan Parsh

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	11.6	13.9	14.8	15.2	15.1	19.9	14.1	12.8	9.3	12.8	11.5	14.0
Avg. Yld.	3.8%	3.4%	3.4%	3.5%	3.6%	2.9%	3.2%	3.9%	5.5%	3.7%	4.5%	3.7%

Shares of Washington Trust have decreased \$4, or 7.7%, since our July 27th, 2022 report. Using the current share price and expected earnings-per-share for 2022, Washington Trust trades with a price-to-earnings ratio of 11.5. 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 tailwind from multiple expansion. Reaching our target valuation by 2027 would add 4.1% to annual returns over this period.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	44%	48%	51%	54%	54%	58%	45%	51%	51%	47%	52%	52%

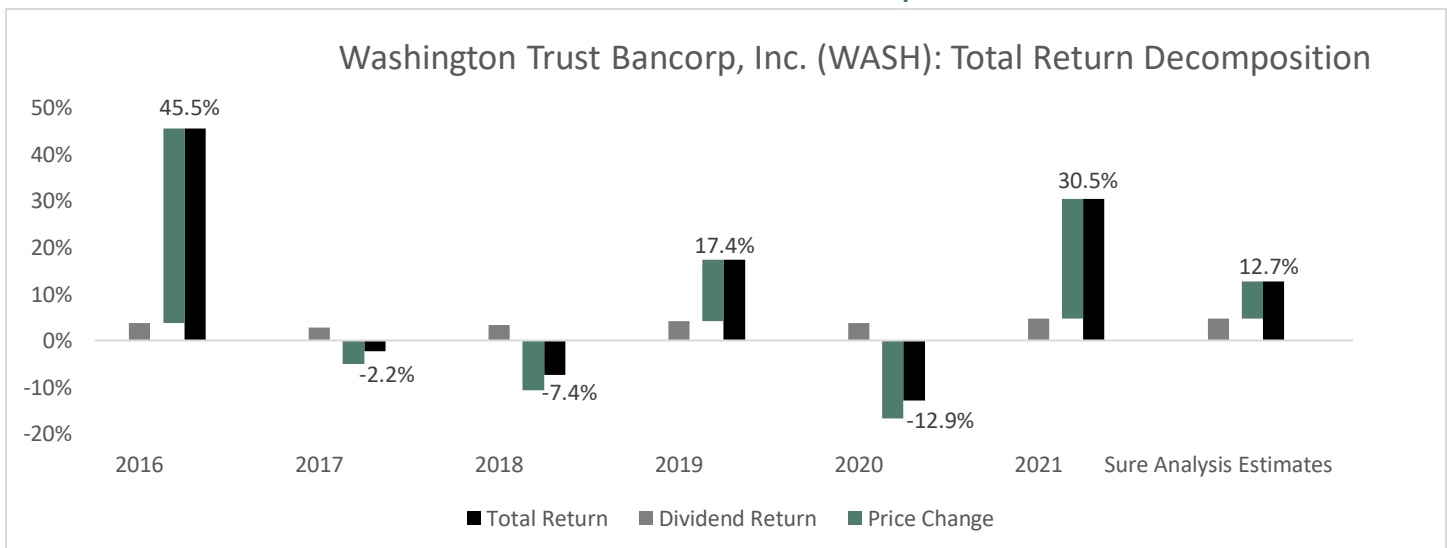
Earnings-per-share declined 44% from 2007 to 2009, showing that Washington Trust was severely impacted by the Great Recession. The company did respond with a new high for earnings-per-share by 2011. Unlike many financial institutions, Washington Trust maintained and grew its dividend through the last 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 more than \$6 billion of assets under management in its wealth management business, a solid showing considering its size.

Final Thoughts & Recommendation

After third quarter results, Washington Trust is expected to return 12.7% annually over the next five years, up from our prior estimate of 10.9%. This projection stems from a 5% earnings growth rate, a 4.5% starting yield, and a single-digit contribution from multiple expansion. Washington Trust showed solid year-over-year loan growth and net interest income continues to benefit from interest rate hikes. We maintain our five-year price target of \$75 due to earnings estimates and continue to view shares of Washington Trust as a buy due to projected returns.

Total Return Breakdown by Year



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

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.



Washington Trust Bancorp, Inc. (WASH)

Updated October 25th, 2022 by Nathan Parsh

Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	147	145	151	162	176	184	194	200	227	229
SG&A Exp.	63	63	62	66	71	72	72	75	86	91
Depr. And Amort.	4	4	4	4	5	4	4	4	4	4
Net Profit	35	36	41	43	46	46	68	69	70	77
Net Margin	23.8%	24.9%	26.9%	26.8%	26.5%	24.9%	35.2%	34.5%	30.8%	33.6%
Free Cash Flow	0	78	(3)	47	57	57	79	70	33	97
Income Tax	16	17	19	21	22	32	18	19	19	21

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	3,072	3,189	3,587	3,772	4,381	4,530	5,011	5,293	5,713	5,851
Cash & Equivalents	73	82	76	93	106	80	90	132	194	175
Goodwill & Int.	64	64	63	76	74	73	72	71	70	69
Total Liabilities	2,776	2,859	3,241	3,396	3,990	4,117	4,563	4,789	5,179	5,286
Long-Term Debt	395	311	429	402	872	814	973	1,164	617	168
Total Equity	296	330	346	375	391	413	448	503	534	565
LTD/E Ratio	1.34	0.94	1.24	1.07	2.23	1.97	2.17	2.31	1.15	0.30

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	1.1%	1.2%	1.2%	1.2%	1.1%	1.0%	1.4%	1.3%	1.3%	1.3%
Return on Equity	12.2%	11.6%	12.1%	12.0%	12.1%	11.4%	15.9%	14.5%	13.5%	14.0%
ROIC	4.5%	5.4%	5.8%	5.6%	4.6%	3.7%	5.2%	4.5%	5.0%	8.2%
Shares Out.	16	17	17	17	17	17	17	17	17	17
Revenue/Share	8.97	8.72	8.98	9.51	10.21	10.63	11.18	11.51	13.04	13.11
FCF/Share	0.02	4.70	(0.15)	2.74	3.29	3.26	4.54	4.04	1.90	5.58

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.