Independent Bank Corp. (INDB)

Updated February 14th, 2024, by Yiannis Zourmpanos

Key Metrics

Current Price:	$51	**5 Year CAGR Estimate:**	8.9%	**Market Cap:**	$2.78 B
Fair Value Price:	$51	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	03/27/2024[1]
% Fair Value:	100%	**5 Year Valuation Multiple Estimate:**	0.0%	**Dividend Payment Date:**	04/05/2024[2]
Dividend Yield:	4.3%	**5 Year Price Target**	$65	**Years Of Dividend Growth:**	13
Dividend Risk Score:	D	**Retirement Suitability Score:**	C	**Rating:**	Hold

Overview & Current Events

Independent Bank Corp. (INDB) operates as the holding company for Rockland Trust Company, serving individuals and small-to-medium-sized businesses in Massachusetts. It offers various banking services like interest checking, money market, savings accounts, and commercial lending for real estate, construction, and consumer needs. Additionally, it provides investment management, trust services, online banking, estate settlement, and financial planning.

On January 18th, 2024, the company announced results for the fourth quarter of 2024. Independent Bank Corporation reported non-GAAP EPS of $1.26, beating market estimates by $0.02. The bank reported a marginal year-over-year drop in return on average assets and common equity for 2023, with Q4 figures at 1.13% and 7.51%, respectively. The total assets increased to $19.3 billion by year-end, growing slightly at 0.4% for the fourth quarter and driven mainly by consumer real estate loans. Deposit balances fell by 1.3% to $14.9 billion, as the banking sector typically experiences seasonal decreases in deposits this time of year due to a growing preference for higher-yield accounts. The company increased borrowings from the Federal Home Loan Bank by 21.8% to support stock buybacks.

The returns on average assets and common equity decreased in 2022, and the company thus faced challenging performance in 2023. It reported a decrease in net interest income of 3.2% in the fourth quarter and a reduction in the net interest margin, indicating that the increase in deposit costs outweighed the gains from the repricing of assets. Noninterest income declined 4.4% due to lower investment management income and decreased gains from life insurance policies. Noninterest expenses were up 3.0% due to higher salaries and occupancy costs, while a steep rise in FDIC assessment fees was due to a special charge.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$2.49	$2.50	$2.90	$3.19	$4.40	$5.03	$3.64	$3.47	$5.69	$5.40	***$4.65***	***$5.93***
DPS	$0.96	$1.04	$1.16	$1.28	$1.52	$1.76	$1.84	$1.92	$2.08	$2.20	***$2.20***	***$2.81***
Shares[3]	24.0	26.0	26.5	27.4	27.7	32.9	33.3	34.9	46.4	50.1	***54.6***	***83.7***

With these challenges, the bank's asset quality is maintained through a consistent provision for credit losses and a slight increase in the allowance for credit losses. A dip in performance metrics shows the impact of a challenging operating environment and the impact of rising costs, which emphasizes the need for strategic adjustments heading into the future. Therefore, we have revised our EPS estimate downward to $4.65 in 2024, matching the analysts' estimates' midpoint. We also expect a slower EPS annual growth forecast of 5.0% over the next five years, leading to our estimated EPS of $5.93 by 2029. Lastly, the company has a solid record of paying dividends despite operating in a macro-sensitive sector, as Independent Bank has paid increasing dividends for the past 13 years. Thus, we expect the company to maintain its dividend growth and have forecasted a dividend CAGR of 5.0%, leading to a dividend of $2.81 in 2029.

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[1] Estimated ex-dividend date

[2] Estimated dividend payment date

[3] In millions.

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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Avg. P/E	15.3	18.1	18.0	21.2	17.7	15.6	18.1	22.9	14.5	10.9	***11.0***	***11.0***
Avg. Yld.	2.5%	2.3%	2.2%	1.9%	2.0%	2.2%	2.8%	2.4%	2.5%	3.8%	***4.3%***	***4.3%***

The regional bank currently trades at a forward P/E of 11.0, considerably lower than the long-term average P/E of 17.2. Even though the core deposit growth and an uptick in loan demand are likely to benefit the company in the near term, we maintain a target P/E of 11.0 on the stock, which is a fair reflection of its value in our view. Accordingly, with an 2029 EPS target of $5.93 and P/E of 11.0, our five-year target price for the stock stands at $65.

Safety, Quality, Competitive Advantage, & Recession Resiliency

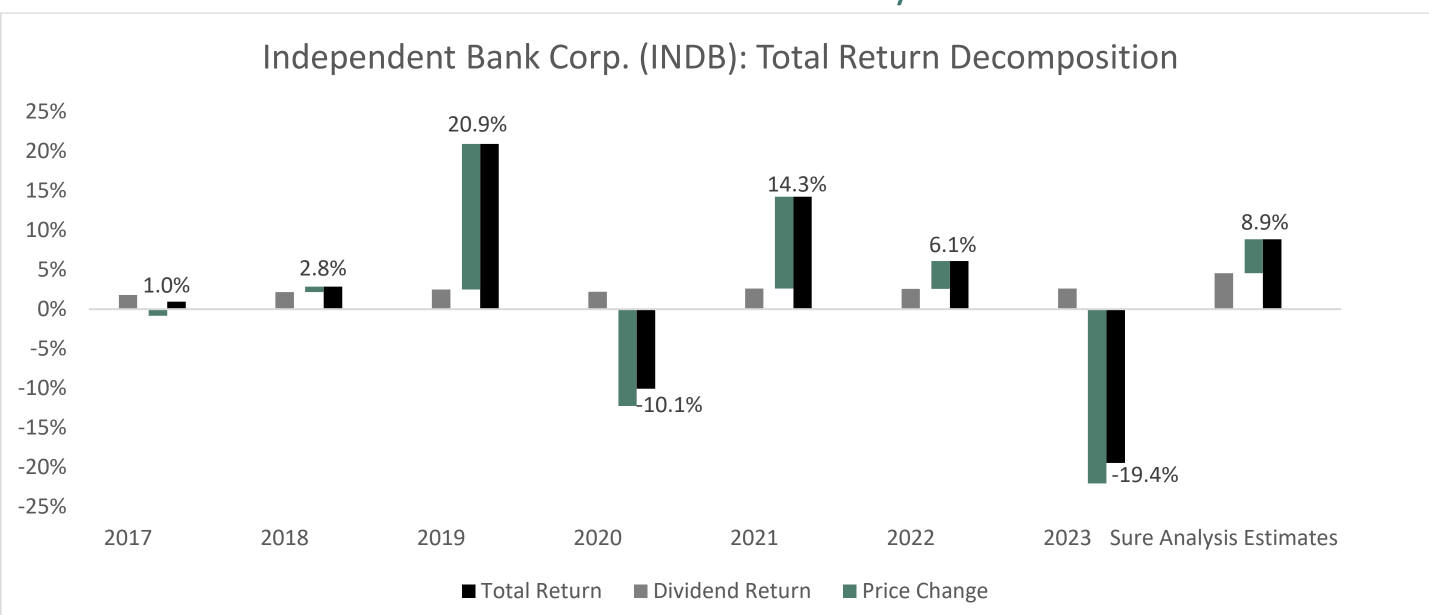
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	39%	42%	40%	40%	35%	35%	51%	55%	37%	41%	***47%***	***47%***

Independent Bank has paid a consistent dividend to its shareholders with a 10-year payout ratio averaging 41.3%, and we expect the company to maintain and increase its payout in the future. The demand for the company's loan products has improved in recent quarters, and we expect the company to be in a much better position in the future compared to where it is today. In addition, the net interest income continues to improve in a rising rate environment, and the asset quality metrics ought to be steady. During Q4, the company bought back 1.3 million shares under a $100 million stock repurchase plan.

Final Thoughts & Recommendation

While Independent Bank runs a regional banking business, increased interest income and loan yield will be a positive catalyst for EPS growth. Indeed, Independent Bank's dividend growth prospects could remain strong throughout the mid-term. INDB has underperformed in the last year. We have revised our buy rating to hold, premised upon 8.9% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 5.0%, the 4.3% dividend yield, and a stable valuation multiple.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	247	266	287	307	338	387	503	473	502	720
SG&A Exp.	103	106	118	122	130	137	163	155	177	212
D&A Exp.	8	12	12	14	16	16	19	27	33	39
Net Profit	50	60	65	77	87	122	165	121	121	264
Net Margin	20.4%	22.5%	22.6%	24.9%	25.8%	31.5%	32.9%	25.6%	24.1%	36.6%
Free Cash Flow	132	83	79	83	106	131	200	52	165	399
Income Tax	16	24	27	35	47	34	53	32	36	84

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	6,099	6,365	7,209	7,709	8,082	8,852	11,395	13,204	20,423	19,294
Cash & Equivalents	216	178	276	289	213	250	151	1,297	2,241	353
Goodwill & Int.	183	180	213	231	241	271	535	529	1,018	1,010
Total Liabilities	5,508	5,724	6,438	6,845	7,138	7,778	9,687	11,502	17,405	16,407
Long-Term Debt	244	209	210	159	161	259	303	181	152	113
Total Equity	592	641	771	865	944	1,073	1,708	1,703	3,018	2,887
LTD/E Ratio	0.41	0.33	0.27	0.18	0.17	0.24	0.18	0.11	0.05	0.04

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	0.8%	1.0%	1.0%	1.0%	1.1%	1.4%	1.6%	1.0%	0.7%	1.3%
Return on Equity	9.0%	9.7%	9.2%	9.4%	9.6%	12.1%	11.9%	7.1%	5.1%	8.9%
ROIC	5.8%	7.1%	7.1%	7.6%	8.2%	10.0%	9.9%	6.2%	4.8%	8.6%
Shares Out.	23.1	24.0	26.0	26.5	27.4	27.7	32.9	33.3	34.9	46.4
Revenue/Share	10.69	11.08	11.06	11.61	12.36	13.98	15.30	14.21	14.40	15.53
FCF/Share	5.72	3.44	3.05	3.12	3.87	4.73	6.09	1.56	4.73	8.60

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