Wintrust Financial Corporation (WTFC)

Updated August 26th, 2024 by Nikolaos Sismanis

Key Metrics

Current Price:	$109	**5 Year CAGR Estimate:**	13.6%	**Market Cap:**	$7.2 B
Fair Value Price:	$121	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	11/08/2024[1]
% Fair Value:	90%	**5 Year Valuation Multiple Estimate:**	2.0%	**Dividend Payment Date:**	11/25/2024
Dividend Yield:	1.7%	**5 Year Price Target**	$194	**Years Of Dividend Growth:**	11
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Buy

Overview & Current Events

Wintrust Financial, based in Rosemont, Illinois, is a leading financial holding company with $59.8 billion in assets as June 30th, 2024. The company operates 174 banking locations across the Chicago metropolitan area, southern Wisconsin, and northwest Indiana, providing community-focused personal and commercial banking through its 15 subsidiaries. Beyond traditional banking, Wintrust excels in specialty finance, offering nationwide insurance premium financing and leasing of equipment. Its wealth management division oversees $48.2 billion in assets. Combining personalized local service with a diverse financial portfolio, Wintrust is a key player in the Midwest's financial sector.

On July 17th, 2024, Wintrust Financial Corporation reported its Q2 results for the period ending June 30th, 2024. For the second quarter, net income came in at $152.4 million, or $2.32 per share, down from $187.3 million or $2.89 per share last year. The decline was partly due to the absence of a one-time $19.3 million gain from the sale of the Retirement Benefit Advisors division recorded in Q1 2024.

Despite the drop in net income, net interest income increased slightly to $470.6 million, up from $464.2 million in the first quarter, driven by a $1.9 billion increase in average earning assets. However, the net interest margin declined to 3.50% from 3.57% due to rising interest expenses. For FY2024, we expect EPS to land close to $10.05.

On August 1st, 2024, Wintrust completed its previously announced acquisition of Macatawa Bank Corporation, which at the end of June had about $2.7 billion in assets, $2.3 billion in deposits and $1.3 billion in loans.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$3.12	$3.05	$3.83	$4.53	$5.95	$6.11	$4.72	$7.69	$8.14	$9.72	***$10.05***	***$16.19***
DPS	$0.40	$0.44	$0.48	$0.56	$0.76	$1.00	$1.12	$1.24	$1.36	$1.60	***$1.80***	***$2.90***
Shares[2]	46.5	47.8	50.3	54.7	56.3	56.9	57.5	57.0	59.2	61.1	***61.4***	***63.0***

Over the past decade, Wintrust has delivered impressive growth, as evidenced by its EPS increasing from $3.12 in 2014 to $9.72 last year. This growth has been driven by a mix of acquisitions, organic growth, and diversification of revenues.

More specifically, one of the key drivers of Wintrust's growth has been its aggressive M&A strategy. The company has completed over 20 acquisitions since 2014, expanding its footprint across the Chicago metropolitan area and beyond. Notable acquisitions include the purchase of First National Bank of McHenry in 2015, which expanded its presence in northern Illinois, and the acquisition of the parent company of Delaware Place Bank in 2017, bolstering its position in downtown Chicago. These acquisitions have proven to be accretive to EPS over time.

Organic growth has been another pillar of Wintrust's strategy, particularly through its community banking model, which emphasizes personalized service. Notably, the banking division has achieved a robust net interest margin (NIM) over the years—2.57% in 2021, 3.15% in 2022, and 3.66% in 2023—showing Wintrust can achieve decent investment spreads.

[1] Estimated dates based on past dividend dates.

[2] Share count is 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.

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Finally, diversification through its specialty finance and wealth management segments has played a key role as well. The acquisition of Elektra Holding Company in 2018, for example, strengthened Wintrust's wealth management offerings, supporting continued revenue growth even during challenging periods, such as the COVID-19 pandemic.

We believe that Wintrust's diversified segments will continue to power excellent EPS growth moving forward. Consequently, we expect that EPS will grow at a CAGR of 10% though 2029.

Regarding the dividend, Wintrust cut it in half during the Great Financial Crisis. It held it stable until 2014 and has since increased it rather rapidly. The company now has 11 years of consecutive annual dividend increases. We have also applied a 10% rate in our dividend growth estimates, which we believe the company can support.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	28.4	16.0	13.6	15.4	14.0	12.0	11.3	9.0	10.7	8.4	***10.8***	***12.0***
Avg. Yld.	0.9%	0.9%	0.9%	0.8%	0.9%	1.4%	2.1%	1.8%	1.6%	2.0%	***1.7%***	***1.5%***

Wintrust's valuation has typically ranged in the low to mid-teens, a common benchmark for regional banks. Today, at a P/E ratio of 10.8 based on this year's EPS estimate, we consider the stock to be modestly undervalued. While the current multiple aligns closely with its historical average, we believe that Wintrust's strong growth prospects justify a premium. Consequently, we assign a fair P/E multiple of 12. Further, while the dividend yield of 1.7% may seem modest, investors can anticipate substantial dividend increases over time, significantly boosting income growth.

Safety, Quality, Competitive Advantage, & Recession Resiliency

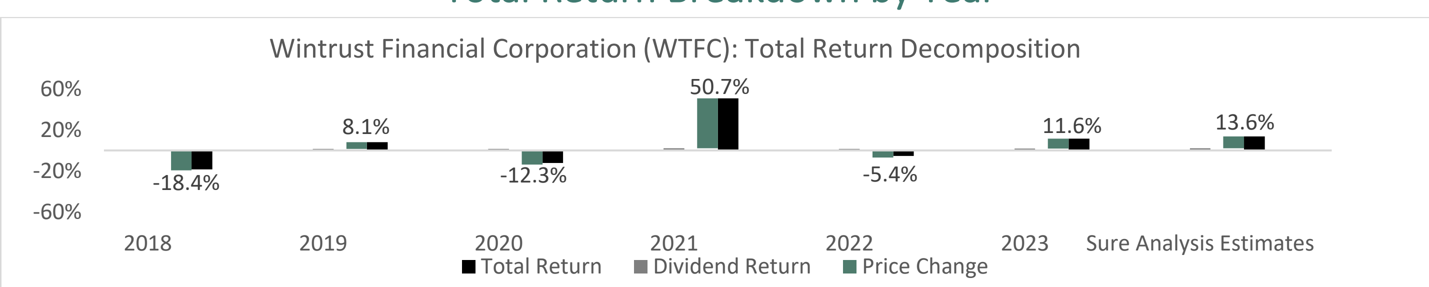
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	13%	14%	13%	12%	13%	16%	24%	16%	17%	16%	***18%***	***18%***

Wintrust's competitive edge stems from its strong community banking focus in the Chicago area, fostering deep customer relationships and offering personalized services that larger banks often can't match. Furthermore, its diversified revenue streams, including wealth management, provide a buffer during economic downturns, as demonstrated by its resilience in the 2008 financial crisis, when the company did cut the dividend but remained profitable. Its regional concentration and smaller scale compared to national banks, however, could still pose a risk in severe economic downturns. Wintrust's Tier 1 leverage ratio of 9.3%, though, suggests that Wintrust is well-capitalized, with a strong capital buffer well above the regulatory minimum of 4%. This ratio shows the bank is financially stable and capable of absorbing potential losses.

Final Thoughts & Recommendation

Wintrust has shown excellent growth, with earnings and dividends rising at double-digit rates over the past decade. We expect this strong performance to continue, projecting an annualized return of 13.6% through 2029, driven by our EPS growth estimate, the dividend, and a potential valuation tailwind. Accordingly, we rate the stock a buy.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	807	908	1,039	1,147	1,317	1,459	1,644	1,711	1,959	2,272
SG&A Exp.	361	416	446	477	538	604	687	766	784	884
D&A Exp.	38	41	53	63	68	88	96	102	82	85
Net Profit	151	157	207	258	343	356	293	466	510	623
Net Margin	18.8%	17.3%	19.9%	22.5%	26.1%	24.4%	17.8%	27.2%	26.0%	27.4%
Free Cash Flow	168	(4)	277	342	309	184	(582)	1,074	1,322	698
Income Tax	95	95	125	132	117	124	97	172	191	222

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	20,011	22,909	25,669	27,916	31,245	36,621	45,081	50,142	52,950	56,260
Cash & Equivalents	1,224	879	1,248	1,341	1,492	2,451	5,125	5,784	2,480	2,508
Acct. Recv.	24	28	25	26	13	17	17	26	16	11
Goodwill	424	496	520	520	623	692	682	683	676	680
Total Liabilities	17,941	20,557	22,973	24,939	27,977	32,929	40,965	45,643	48,153	50,860
Long-Term Debt	1,270	1,463	747	1,201	1,162	1,762	2,426	2,417	3,586	3,650
Shareholder's Equity	1,943	2,101	2,444	2,852	3,143	3,566	3,703	4,086	4,384	4,987
LTD/E Ratio	0.61	0.62	0.28	0.40	0.36	0.48	0.59	0.54	0.75	0.68

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	0.8%	0.7%	0.9%	1.0%	1.2%	1.0%	0.7%	1.0%	1.0%	1.1%
Return on Equity	7.6%	7.1%	8.2%	9.1%	11.0%	10.2%	7.5%	10.8%	11.0%	12.2%
ROIC	5.1%	4.4%	5.7%	6.8%	8.0%	7.2%	4.9%	6.9%	6.7%	7.1%
Shares Out.	46.5	47.8	50.3	54.7	56.3	56.9	57.5	57.0	59.2	61.1
Revenue/Share	15.88	17.48	19.14	20.23	23.02	25.32	28.34	29.61	32.60	36.59
FCF/Share	3.31	(0.09)	5.10	6.04	5.40	3.19	(10.0)	18.58	21.99	11.24

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