WSFS Financial Corporation (WSFS)

Published September 17th, 2024, by Kody Kester

Key Metrics

Current Price:	$53	**5 Year CAGR Estimate:**	9.5%	**Market Cap:**	$3.1B
Fair Value Price:	$57	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date[1]:**	11/07/24
% Fair Value:	93%	**5 Year Valuation Multiple Estimate:**	1.4%	**Dividend Payment Date:**	11/22/24
Dividend Yield:	1.1%	**5 Year Price Target**	$79	**Years Of Dividend Growth:**	10
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Hold

Overview & Current Events

Tracing its corporate roots back to 1832, WSFS Financial Corporation is a regional bank. WSFS serves as the holding company for the Wilmington Savings Fund Society or WSFS Bank. The company's lengthy track record positions it as one of the 10 oldest banks in the United States continuously operating under the same name.

As of June 30, 2024, the company operated 114 branches. These are almost entirely concentrated in Pennsylvania (57 offices), Delaware (39 offices), and New Jersey (14 offices). The company also had two offices in Florida and one office each in Nevada and Virginia.

WSFS offers a variety of products to its individual, business, and municipality customers. Savings products include savings accounts, checking accounts, money market accounts, and certificates of deposit. Loan products provided are residential mortgages, automobile loans, home equity loans, commercial mortgages, commercial loans, and construction loans. As of June 30, the company held $20.7 billion of assets on its balance sheet.

Via its Bryn Mawr Capital Management, LLC and WSFS Wealth Management, LLC (Powdermill) subsidiaries, WSFS also provides fee-only asset management services and multi-family office services to affluent clientele throughout the U.S., respectively. The subsidiaries held $84.9 billion in assets under management and administration as of June 30.

On July 25th, WSFS shared its financial results for the second quarter ended June 30. The company's total net revenue rose by 7% in the quarter to $266 million. Higher-yielding deposits led its net interest margin to contract by 26 basis points year-over-year to 3.85% during the quarter. Higher loans mostly offset this reduced net interest margin, which is why net interest income fell by 4.1% over the year-ago period to $174.4 million for the quarter. An uptick in assets under management and more ATM customers resulted in a 36.9% spike in fee revenue to $91.6 million in the quarter. WSFS' core EPS decreased by 7.4% year-over-year to $1.08 during the quarter. This topped the analyst consensus by $0.04 for the quarter.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$1.81	$2.02	$2.19	$2.56	$3.55	$3.74	$1.91	$5.63	$4.25	$4.55	***$4.35***	***$6.10***
DPS	$0.17	$0.21	$0.25	$0.30	$0.42	$0.47	$0.48	$0.51	$0.56	$0.60	***$0.60***	***$0.81***
Shares[2]	28.2	29.8	31.4	31.4	31.4	51.6	47.8	47.6	61.6	60.5	***59.3***	***68.1***

In the past decade, WSFS' core EPS has compounded by approximately 10% annually. Moving forward, we believe that the company's core EPS will grow at a high single-digit rate annually. This is because the bank's net interest margin has improved by one basis point sequentially. As the Federal Reserve lowers the federal funds rate in the coming quarters, this should lead to more loan activity. Customers will also be less inclined to hoard as much cash as they have been in the currently high-rate environment as well. That should WSFS return to solid growth beyond this year.

---

[1] Estimate

[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.

WSFS Financial Corporation (WSFS)

Published September 17th, 2024, by Kody Kester

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Avg. P/E	14.0	16.0	21.2	18.7	10.6	11.8	23.4	8.9	10.7	10.1	***12.1***	***13.0***
Avg. Yld.	0.7%	0.6%	0.5%	0.6%	1.1%	1.1%	1.1%	1.0%	1.2%	1.3%	***1.1%***	***1.0%***

In the last decade, WSFS' P/E ratio has ranged from the high single-digits to the low 20s. In that time, the average P/E ratio has been 14.5. Though, in the last five years, that multiple has been 13. In the years to come, we believe that a reasonable fair value multiple for WSFS is 13. That's because growth will likely be slightly diminished compared to the past due to a greater earnings base requiring more to move the growth needle. Relative to the current multiple of 12.1, this represents a modest margin of safety.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	9%	10%	11%	12%	12%	13%	25%	9%	13%	13%	***14%***	***13%***

WSFS' nearly two-century operating history is its competitive advantage. The company has built deep and meaningful relationships with existing customers over that time. Coupled with its extensive product offerings, that should keep attracting new customers as well. This is what has led to decent growth in core EPS in the past decade.

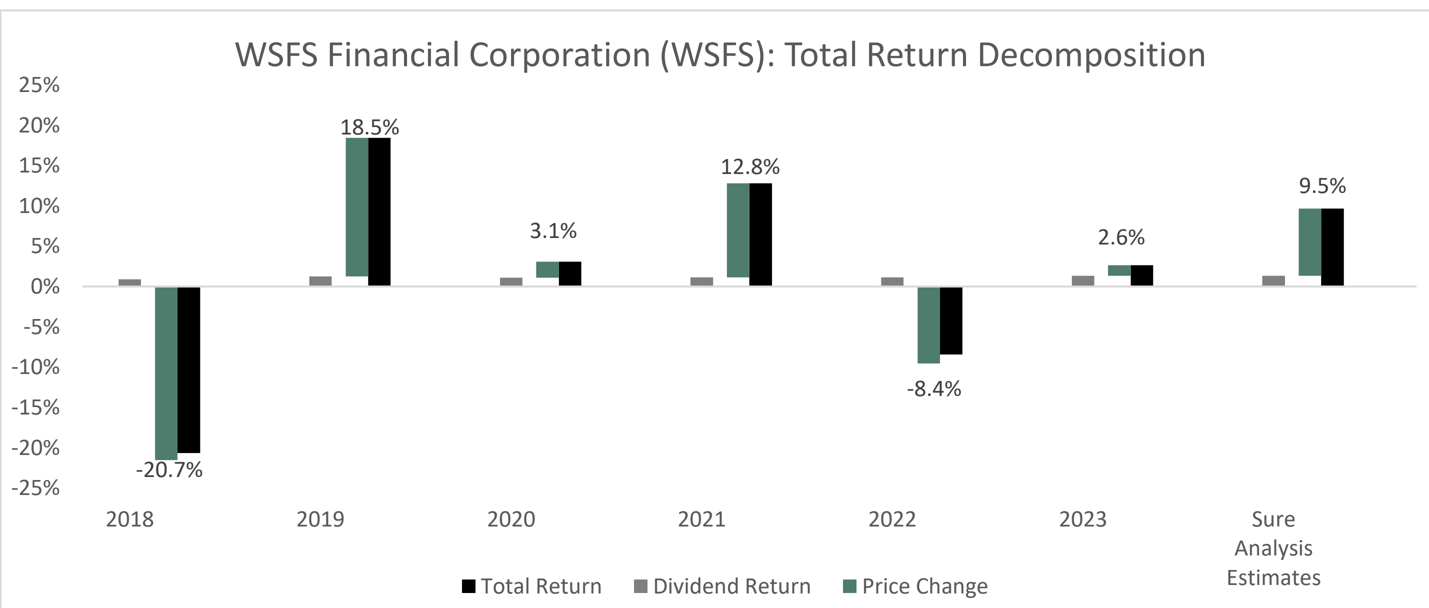
WSFS' asset quality is also respectable. The company's nonperforming assets to total assets ratio improved sequentially by a basis point to 0.32% as of June 30. This is why it possesses a Baa2 (BBB equivalent) credit rating from Moody's on a stable outlook.

WSFS' payout ratio set to be in the low teens provides a cushion for a temporary drop in core EPS. This positions the dividend well to continue growing in the years ahead.

Final Thoughts & Recommendation

WSFS' 1.1% dividend yield, 7.0% annual diluted EPS growth potential, and 1.3% annual valuation multiple upside could deliver 9.5% annual total returns through 2029. The stock's valuation multiple isn't quite favorable enough to warrant a buy rating here, so we're initiating coverage with a hold rating currently.

Total Return Breakdown by Year



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.

WSFS Financial Corporation (WSFS)

Published September 17th, 2024, by Kody Kester

Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	220	256	297	344	408	629	660	618	922	1,014
SG&A Exp.	88	96	108	126	137	204	202	224	297	313
D&A Exp.	7	8	10	12	11	50	38	38	61	49
Net Profit	54	54	64	50	135	149	115	271	222	269
Net Margin	24.4%	20.9%	21.6%	14.6%	33.1%	23.6%	17.4%	43.9%	24.1%	26.5%
Free Cash Flow	63	66	70	122	130	76	8	119	472	231
Income Tax	19	30	33	58	36	46	32	86	78	96

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	4,853	5,585	6,765	7,000	7,249	12,256	14,334	15,777	19,915	20,595
Cash & Equivalents	508	561	822	724	621	572	1,655	1,533	837	1,093
Accounts Receivable	12	14	17	19	22	38	44	42	74	86
Goodwill & Int. Ass.	58	95	191	188	186	569	557	547	1,012	1,005
Total Liabilities	4,364	5,004	6,078	6,275	6,428	10,407	12,544	13,840	17,713	18,125
Accounts Payable	1	1	1	1	2	3	1	1	5	47
Long-Term Debt	540	805	1,137	910	542	294	341	239	727	895
Shareholder's Equity	489	580	687	724	821	1,850	1,792	1,939	2,205	2,478
LTD/E Ratio	1.10	1.39	1.65	1.26	0.66	0.16	0.19	0.12	0.33	0.36

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.1%	1.0%	1.0%	0.7%	1.9%	1.5%	0.9%	1.8%	1.2%	1.3%
Return on Equity	12.3%	10.0%	10.1%	7.1%	17.4%	11.1%	6.3%	14.6%	10.7%	11.5%
ROIC	4.9%	4.4%	4.0%	2.9%	9.0%	8.5%	5.4%	12.6%	8.7%	8.6%
Shares Out.	28.2	29.8	31.4	31.4	31.4	51.6	47.8	47.6	61.6	60.5
Revenue/Share	7.89	8.84	9.56	10.65	12.67	12.70	13.06	12.96	14.49	16.56
FCF/Share	2.26	2.27	2.26	3.79	4.04	1.53	0.16	2.50	7.42	3.77

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