Independent Bank Corp. (INDB)

Updated October 22nd, 2024, by Yiannis Zourmpanos

Key Metrics

Current Price:	$62	**5 Year CAGR Estimate:**	4.4%	**Market Cap:**	$2.6 B
Fair Value Price:	$50	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	12/23/2024[1]
% Fair Value:	124%	**5 Year Valuation Multiple Estimate:**	-4.3%	**Dividend Payment Date:**	01/06/2025[2]
Dividend Yield:	3.7%	**5 Year Price Target**	$64	**Years Of Dividend Growth:**	14
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 October 17th, 2024, the company announced results for the third quarter of 2024, reporting non-GAAP EPS of $1.01, that missed the market's estimates by $0.02 and revenues of $175.25 million that were down 4.5% year-over-year.

The bottom-line decline was mainly due to an increased provision for credit losses tied to a single commercial real estate loan. Notwithstanding the decrease in net income, revenues increased due to incremental net interest income, which reached $141.7 million and was driven by a balanced expansion in margins and loan yields. This bank's return on average assets stood at 0.88%, while the return on average common equity was 5.75%, each compared to the prior quarter.

Deposit growth remained strong, as average deposits were up $330 million, or 2.2%, compared to the linked quarter, driving a 1bp increase in funding costs. The bank further said that assets were stable at $19.4 billion, while noninterest income was up 3.8%. Total loans declined slightly, reflecting conservative growth in the commercial real estate and construction segments, while consumer loans grew. Tangible book value per share at the bank expanded 3.1% to $46.57, while the total equity-to-assets ratio improved, underlining a strong capital position.

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	***$4.53***	***$5.78***
DPS	$0.96	$1.04	$1.16	$1.28	$1.52	$1.76	$1.84	$1.92	$2.08	$2.20	***$2.28***	***$2.91***
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 downwards to $4.53 in 2024, matching the analysts' estimates' midpoint.

We also expect an EPS annual growth forecast of 5.0% over the next five years, leading to our estimated EPS of $5.78 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 14 years. Thus, we expect the company to maintain its dividend growth and have forecasted a dividend CAGR of 5.0%, leading to an expected dividend of $2.91 in 2029.

[1] Estimated ex-dividend date
[2] Estimated dividend payment date
[3] In Millions

Independent Bank Corp. (INDB)

Updated October 22nd, 2024, by Yiannis Zourmpanos

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	15.3	18.1	18.0	21.2	17.7	15.6	18.1	22.9	14.5	10.9	***13.7***	***11.0***
Avg. Yld.	2.5%	2.3%	2.2%	1.9%	2.0%	2.2%	2.8%	2.4%	2.5%	3.8%	***3.7%***	***4.6%***

The regional bank currently trades at a forward P/E of 13.7, 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 a 2029 EPS target of $5.78 and P/E of 11.0, our five-year target price for the stock stands at $64.

Safety, Quality, Competitive Advantage, & Recession Resiliency

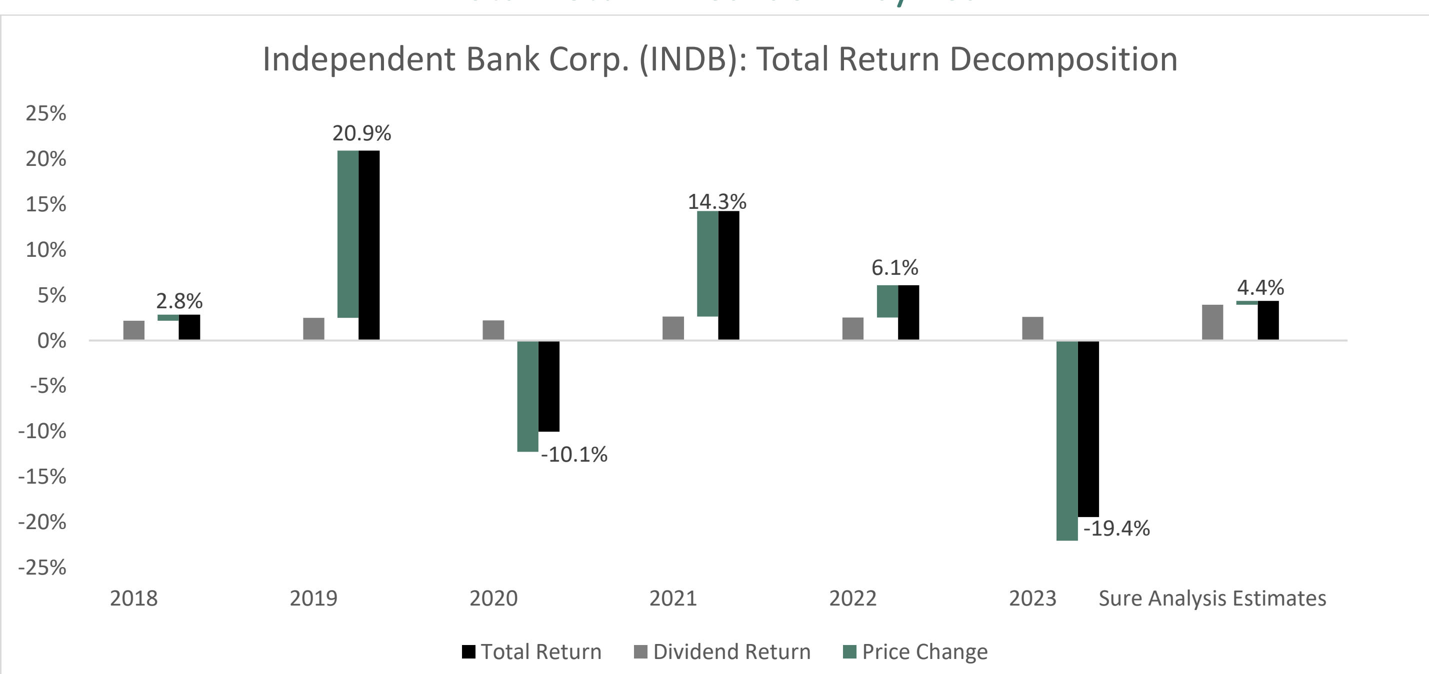
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	39%	42%	40%	40%	35%	35%	51%	55%	37%	41%	***50%***	***50%***

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. The company's stockholders' equity remained constant because of healthy net income, which greatly offset the dividend payout and share repurchase operations.

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 medium-term. INDB has underperformed in the last year. We maintain our hold rating, premised upon 4.4% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 5.0%, the 3.7% dividend yield, and a valuation headwind.

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.

Independent Bank Corp. (INDB)

Updated October 22nd, 2024, by Yiannis Zourmpanos

Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	266	287	307	338	387	503	473	502	720	722
SG&A Exp.	106	118	122	130	137	163	155	177	212	234
D&A Exp.	12	12	14	16	16	19	27	33	39	36
Net Profit	60	65	77	87	122	165	121	121	264	240
Net Margin	22.5%	22.6%	24.9%	25.8%	31.5%	32.9%	25.6%	24.1%	36.6%	33.2%
Free Cash Flow	83	79	83	106	131	200	52	165	399	261
Income Tax	24	27	35	47	34	53	32	36	84	76

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	6,365	7,209	7,709	8,082	8,852	11,395	13,204	20,423	19,294	19,350
Cash & Equivalents	178	276	289	213	250	151	1,297	2,241	353	224
Goodwill & Int.	180	213	231	241	271	535	529	1,018	1,010	1,003
Total Liabilities	5,724	6,438	6,845	7,138	7,778	9,687	11,502	17,405	16,407	16,450
Long-Term Debt	209	210	159	161	259	303	181	152	113	1,218
Total Equity	641	771	865	944	1,073	1,708	1,703	3,018	2,887	2,895
LTD/E Ratio	0.33	0.27	0.18	0.17	0.24	0.18	0.11	0.05	0.04	0.42

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.0%	1.0%	1.0%	1.1%	1.4%	1.6%	1.0%	0.7%	1.3%	1.2%
Return on Equity	9.7%	9.2%	9.4%	9.6%	12.1%	11.9%	7.1%	5.1%	8.9%	8.3%
ROIC	7.1%	7.1%	7.6%	8.2%	10.0%	9.9%	6.2%	4.8%	8.6%	6.7%
Shares Out.	24.0	26.0	26.5	27.4	27.7	32.9	33.3	34.9	46.4	44.2
Revenue/Share	11.08	11.06	11.61	12.36	13.98	15.30	14.21	14.40	15.53	16.34
FCF/Share	3.44	3.05	3.12	3.87	4.73	6.09	1.56	4.73	8.60	5.91

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