WSFS Financial Corporation (WSFS)

Updated October 28th, 2024, by Kody Kester

Key Metrics

Current Price:	$50	**5 Year CAGR Estimate:**	10.6%	**Market Cap:**	$2.9B
Fair Value Price:	$56	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	11/08/24
% Fair Value:	88%	**5 Year Valuation Multiple Estimate:**	2.5%	**Dividend Payment Date:**	11/22/24
Dividend Yield:	1.2%	**5 Year Price Target**	$79	**Years Of Dividend Growth:**	10
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**Rating:**	Buy

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 earns it the distinction of being one of the 10 oldest banks in the United States continuously operating under the same name.

As of September 30th, 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 September 30th, the company held $20.9 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 $87.2 billion in assets under management and administration as of September 30th.

On October 24th, WSFS released its 3Q earnings for the period ending September 30th. The company's total net revenue increased by 4.9% over the year-ago period to $267.7 million during the quarter. Modestly reduced asset yields and a greater mix of higher-yielding deposits led net interest income to decline by 2.8% year-over-year to $177.5 million in the quarter. Core fee revenue surged 24.1% over the year-ago period to $90.1 million for the quarter. That was made possible by higher wealth management revenue via strength in equity markets and growth in Cash Connect. WSFS' core EPS dropped by 11.5% year-over-year to $1.08 during the quarter. This figure exceeded the analyst consensus by $0.03.

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	***$4.32***	***$6.06***
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[1]	28.2	29.8	31.4	31.4	31.4	51.6	47.8	47.6	61.6	60.5	***59.0***	***67.4***

Since 2014, WSFS' core EPS has compounded by more than 10% annually. In the years to come, we still think that the company's core EPS will grow by a high single-digit rate annually. This is because the Federal Reserve began what will likely be a two-year rate-cutting cycle last month. As rate cuts begin to impact the economy, the bank's net interest margin should continue to improve. That should restore WSFS to decent core EPS growth beyond this year.

[1] 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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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	***11.5***	***13.0***
Avg. Yld.	0.7%	0.6%	0.5%	0.6%	1.1%	1.1%	1.1%	1.0%	1.2%	1.3%	***1.2%***	***1.0%***

WSFS' P/E ratio has varied from the high single-digits to the low 20s in the last decade. In that time, the average P/E ratio has been 14.5. In the past five years, that multiple has been 13. We continue to believe that a reasonable fair value multiple for WSFS is 13. That's because growth won't be quite as high compared to the past due to a greater earnings base requiring more to move the growth needle. Relative to the current-year multiple of 11.5, this represents an acceptable 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 has led to decent growth in core EPS in the past decade.

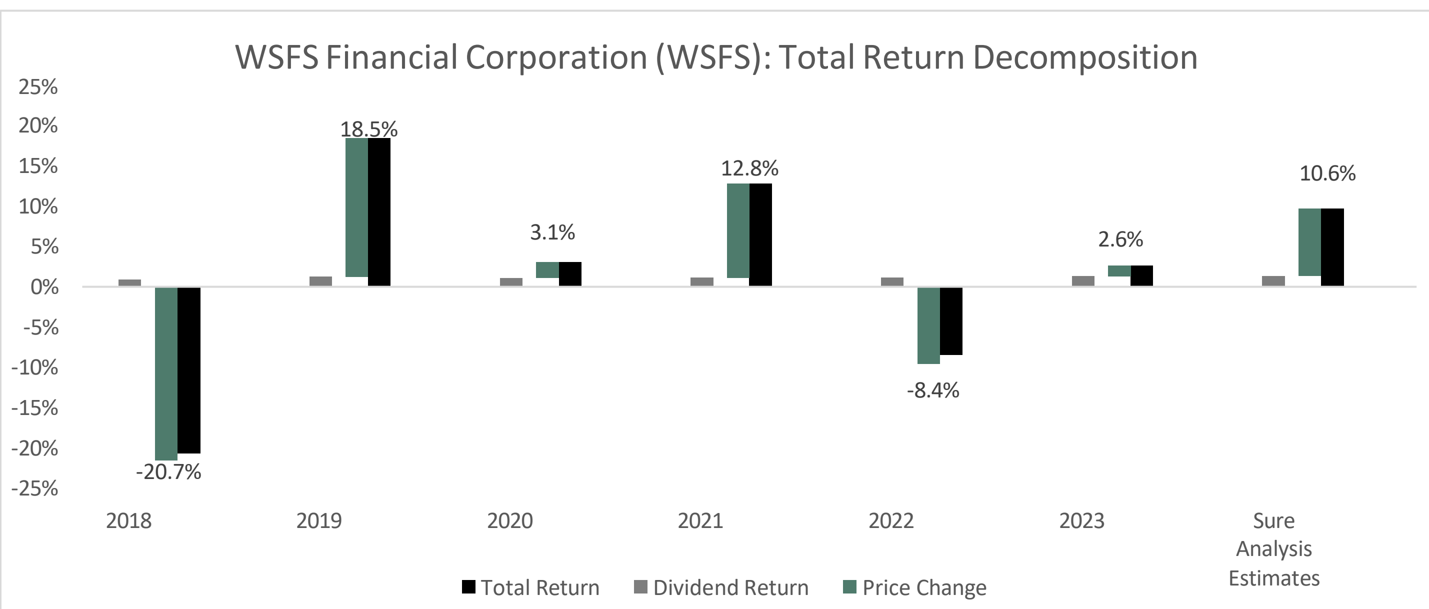
WSFS' asset quality is also reasonably healthy. The company's nonperforming assets to total assets ratio was 0.44% as of September 30th. This is why it still possesses a Baa2 (BBB equivalent) credit rating from Moody's on a stable outlook.

WSFS' payout ratio is poised to be in the low teens in 2024. That suggests the dividend is at least somewhat secure for the foreseeable future.

Final Thoughts & Recommendation

WSFS' 1.2% dividend yield, 7.0% annual diluted EPS growth potential, and 2.5% annual valuation multiple expansion potential could generate 10.6% annual total returns in the medium term. The stock's pullback since our initial coverage makes it more attractive than it was last month, so we're upgrading it to a buy now.

Total Return Breakdown by Year



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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.