



East West Bancorp, Inc. (EWBC)

Updated December 14th, 2024 by Nikolaos Sismanis

Key Metrics

Current Price:	\$102	5 Year CAGR Estimate:	8.8%	Market Cap:	\$14.1 B
Fair Value Price:	\$100	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	02/03/2025 ¹
% Fair Value:	101%	5 Year Valuation Multiple Estimate:	-0.2%	Dividend Payment Date:	02/14/2025
Dividend Yield:	2.2%	5 Year Price Target	\$141	Years Of Dividend Growth:	7
Dividend Risk Score:	C	Retirement Suitability Score:	D	Rating:	Hold

Overview & Current Events

East West Bancorp, headquartered in Pasadena, California, is the parent company of East West Bank, a regional bank with more than 120 branches across the U.S. and Asia. Founded in 1973, the bank offers commercial and retail banking services, including deposits, loans, and treasury management, with specialized expertise in facilitating U.S.-Asia business transactions. Its branch network spans major metropolitan areas such as Los Angeles, New York, and San Francisco, as well as key Asian markets like Hong Kong and Shanghai, serving a diverse client base of businesses and individuals. The bank posted \$3.69 billion in total interest and dividend income last year. It now has a market cap of \$14.1 billion.

On October 22nd, 2024, East West Bancorp reported its Q3 results for the period ending September 30th, 2024. The bank posted net income of \$299 million and EPS of \$2.14, compared to \$288 million and \$2.02 in Q3 2023. Total loans grew 5% year-over-year to \$53.3 billion, while deposits increased 12% to \$61.7 billion. Asset quality remained strong, with a nonperforming assets ratio of 0.26%. For FY2024, we believe the bank will achieve EPS close to \$8.36.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$2.42	\$2.67	\$3.00	\$3.50	\$4.86	\$4.63	\$3.99	\$6.16	\$7.98	\$8.23	\$8.36	\$11.73
DPS	\$0.72	\$0.80	\$0.80	\$0.80	\$0.86	\$1.06	\$1.10	\$1.32	\$1.60	\$1.92	\$2.20	\$3.38
Shares²	143.6	144.5	145.2	145.9	146.2	146.2	143.0	143.1	142.5	141.9	140.3	135.0

East West Bancorp's EPS rose steadily from \$2.42 in 2014 to \$4.86 in 2018, backed by multiple acquisitions and organic growth. The acquisition of MetroCorp Bancshares in 2014 added notable scale in Texas and Southern California, bringing in \$1.2 billion in loans and \$1.3 billion in deposits, while expanding the bank's cross-border service capabilities. In 2016, East West acquired Standard Chartered Bank's Los Angeles-based U.S. private banking operations, improving its wealth management and private banking footprint.

In 2019, EPS dipped slightly to \$4.63 due to declining interest rates that compressed net interest margins. That said, the acquisition of a \$1 billion commercial real estate loan portfolio from Santander Bank in 2019 added notable volume to the balance sheet, diversifying revenue streams and boosting East West Bancorp's market share in high-growth regions like California. In 2020, the onset of the COVID-19 pandemic reduced EPS to \$3.99, driven by increased credit provisions and economic uncertainty. Despite these challenges, East West Bancorp remained resilient, leveraging its healthy capital position and continuing to grow deposits and loans. The bank benefited from a recovery in commercial activity in 2021, as EPS surged to \$6.16, due to solid loan demand, better credit quality, and higher non-interest income.

In 2022, EPS rose further to \$7.98, supported by a rising interest rate environment that boosted net interest income. Additionally, the bank's focus on middle-market commercial lending, real estate, and cross-border services continued to drive growth. In 2023, EPS increased modestly to \$8.23, reflecting strong net interest income tempered by slower loan growth and macroeconomic pressures, including heightened competition and geopolitical challenges impacting cross-border banking.

¹ Estimated dates based on past dividend dates.

² Share count is in millions.

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Moving forward, we believe East West Bancorp can grow its EPS by 7% from our FY2024 estimate, driven by expansion in key markets, rising demand for cross-border banking, and growing non-interest income. We have applied a 9% growth rate in our dividend estimate as well, which believe the company can afford. Note that East West Bancorp has increased its dividend for 7 consecutive years.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	14.2	14.8	12.8	14.6	12.6	10.8	10.0	10.2	9.4	7.6	12.2	12.0
Avg. Yld.	2.1%	2.0%	2.1%	1.6%	1.4%	2.1%	2.8%	2.1%	2.1%	3.1%	2.2%	2.4%

East West Bancorp's P/E ratio has steadily declined over the years as market sentiment adjusted to economic conditions. Strong growth kept valuations higher through 2017, but compressing margins and pandemic-driven uncertainty lowered multiples in 2019-2020. By 2023, the P/E fell to 7.6, reflecting concerns over slowing growth and economic risks despite solid earnings. Today, we believe that the stock's P/E reflects the stock's growth prospects rather fairly.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	30%	30%	27%	23%	18%	23%	28%	21%	20%	23%	26%	29%

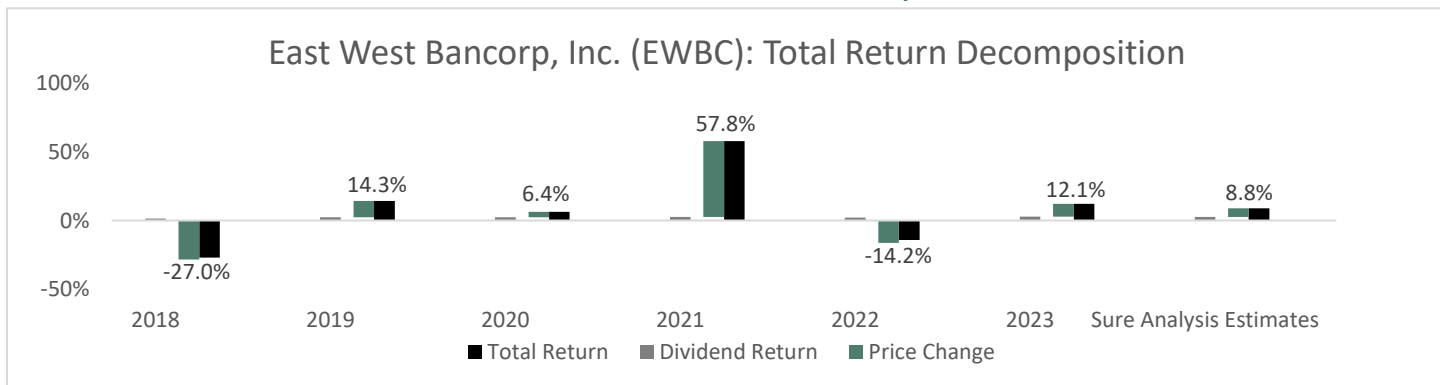
East West Bancorp benefits from a unique niche as a bridge between U.S. and Asian markets, leveraging its expertise in cross-border banking and trade. Its diversified loan portfolio, which includes commercial and residential lending, offers stability, while its disciplined credit management and strong regulatory capital ratios, such as a CET1 ratio of 14.08%, reflect its financial health. The bank's efficiency ratio of 34.4% highlights strong cost management.

Nevertheless, East West operates in a highly competitive environment, facing challenges from both regional banks and global players with broader resources. In addition, the financial services industry is sensitive to macroeconomic cycles, with loan demand and asset quality at risk during downturns. While its exposure on high-growth U.S. and Asia markets makes it more resilient, heightened competition and geopolitical tensions remain potential headwinds. In any case, we believe that the stock's current dividend is rather safe.

Final Thoughts & Recommendation

East West Bancorp's investment case is supported by its unique cross-border banking expertise, strong presence in high-growth markets, and disciplined credit management. Despite recent economic pressures, its focus on loan growth, non-interest income expansion, and strategic positioning between the U.S. and Asia offers solid prospects for sustained long-term profitability. We forecast annualized returns of 8.8% over the medium term, supported by our growth estimate of 7.0%, the starting yield of 2.2%, and the possibility of a tiny 0.2% annual valuation headwind. Shares earn a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	1,021	1,120	1,201	1,352	1,561	1,676	1,599	1,801	2,319	2,564
SG&A Exp.	270	291	335	371	414	428	419	451	497	612
D&A Exp.	117	89	138	150	139	144	120	157	160	163
Net Profit	346	385	432	506	704	674	568	873	1,128	1,161
Net Margin	33.9%	34.3%	35.9%	37.4%	45.1%	40.2%	35.5%	48.5%	48.6%	45.3%
Free Cash Flow	393	463	638	690	869	723	693	1,168	2,066	1,425
Income Tax	101	194	141	229	115	170	118	183	284	299

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	28,744	32,351	34,789	37,122	41,042	44,196	52,157	60,871	64,112	69,613
Cash & Equivalents	1,040	1,661	2,202	2,573	3,372	3,457	4,828	4,649	3,621	4,625
Total Liab.	469	469	469	469	466	466	466	466	466	466
Accounts Payable	25,887	29,228	31,361	33,280	36,618	39,178	46,888	55,033	58,128	62,662
Long-Term Debt	543	1,226	568	495	531	927	825	401	152	4,653
Total Equity	2,856	3,123	3,428	3,842	4,424	5,018	5,269	5,837	5,985	6,951
LTD/E Ratio	0.19	0.39	0.17	0.13	0.12	0.18	0.16	0.07	0.03	0.67

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.3%	1.3%	1.3%	1.4%	1.8%	1.6%	1.2%	1.5%	1.8%	1.7%
Return on Equity	13.3%	12.9%	13.2%	13.9%	17.0%	14.3%	11.0%	15.7%	19.1%	18.0%
ROIC	11.0%	9.9%	10.3%	12.1%	15.1%	12.4%	9.4%	14.2%	18.2%	13.1%
Shares Out.	143.6	144.5	145.2	145.9	146.2	146.2	143.0	143.1	142.5	141.9
Revenue/Share	7.11	7.75	8.28	9.26	10.68	11.46	11.18	12.58	16.27	18.07
FCF/Share	2.74	3.20	4.39	4.73	5.95	4.95	4.84	8.16	14.50	10.04

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

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