# Eastern Bankshares, Inc. (EBC)

*Updated January 24th, 2025, by Patrick Neuwirth*

## Key Metrics

| | | | | | |
|---|---|---|---|---|---|
| **Current Price:** | $17.60 | **5 Year CAGR Estimate:** | 10.5% | **Market Cap:** | $2.9 B |
| **Fair Value Price:** | $19.50 | **5 Year Growth Estimate:** | 6.0% | **Ex-Dividend Date[1]:** | 03/03/25 |
| **% Fair Value:** | 90% | **5 Year Valuation Multiple Estimate:** | 2.1% | **Dividend Payment Date[1]:** | 03/17/25 |
| **Dividend Yield:** | 2.7% | **5 Year Price Target** | $26 | **Years Of Dividend Growth:** | 25 |
| **Dividend Risk Score:** | A | **Retirement Suitability Score:** | B | **Rating:** | Buy |

## Overview & Current Events

Eastern Bankshares Inc. provides commercial banking products and services primarily to retail, commercial and small business customers. It provides banking, trust, and investment services, as well as insurance services, through its full-service bank branches and insurance offices. Eastern Bankshares Inc. is based in Boston, Massachusetts. Eastern Bank made a major move to expand its private banking with a $528 million acquisition of Cambridge Trust (CATC), which was completed in July 2024. Simultaneously, the bank sold its insurance business for $510 million to brokerage giant Arthur J. Gallagher & Co. in 2023. As of December 31, 2024, Eastern Bankshares had total consolidated assets of $25.6 billion, total gross loans of $18.1 billion, and total deposits of $21.3 billion. The company was founded in 1818 and has 1744 employees.

On January 23rd, 2025, Eastern Bankshares announced its fourth-quarter and full year 2024 results for the period ending December 31st, 2024. For the quarter, the company reported net income of $60.8 million, which contrasts sharply with a net loss of $6.2 million in the third quarter of 2024. Reported earnings per diluted share for the same periods were $0.30 and $(0.03), respectively, marking a significant improvement. Despite this turnaround, operating net income grew 37% to $68.3 million.

Net interest income, before the provision for credit losses, increased by $9.3 million, or 5%, to $179.2 million for the fourth quarter, compared to $169.9 million for the third quarter of 2024. This improvement was driven by a reduction in deposit costs and continued benefits from the Cambridge merger, which further enhanced the net interest margin. The adjusted net interest margin expanded by 8 basis points to 3.05%, up from 2.97% in the third quarter of 2024.

The Cambridge Bancorp merger mid-2024 added over $25.5 billion in total assets and $8.4 billion in Wealth Management Assets Under Management and Administration. The integration of CATC's assets and operations has further strengthened Eastern Bankshares' market position and provided substantial growth opportunities. Total deposits increased by $74.8 million, or 0.4%, to $21.3 billion as of year-end, reflecting continued seasonal and business deposit growth. This addition has reinforced Eastern Bankshares' position as the largest independent bank headquartered in Boston. Asset quality ratios weakened slightly, with non-performing loans to total loans increasing from 0.70% in the third quarter to 0.76% in the fourth quarter, primarily due to acquired credit-deteriorated loans. For full-year 2024, EPS was $0.66, representing a 53.8% decline compared to $1.43 in 2023, largely due to merger-related impacts. Looking ahead, the company expects to benefit from its $1.2 billion investment portfolio repositioning, which is projected to add approximately $0.13 to 2025 EPS and expand the net interest margin by 18 basis points.

## Growth on a Per-Share Basis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EPS** | -- | -- | -- | -- | -- | $0.13 | $0.90 | $1.21 | $1.43 | $0.66 | ***$1.30*** | ***$1.74*** |
| **DPS** | -- | -- | -- | -- | -- | $0.00 | $0.30 | $0.40 | $0.41 | $0.45 | ***$0.48*** | ***$0.64*** |
| **Shares[2]** | -- | -- | -- | -- | -- | 172 | 172 | 166 | 162 | 162 | ***162*** | ***160*** |

[1] Estimated date

[2] In millions.

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We have elected to use CATC's historical information through 2023 for average earnings growth and valuation averages. Based on CATC's historical information, the company has grown earnings by 1.5% per year over the past decade and decreased by 4.1% over the past five years. We expect earnings to increase by 6% per year for the next five years. Eastern Bankshares has been able to increase its dividend for 25 consecutive years, including its predecessor banks' streaks. Over the last years, the average annual dividend growth rate is 8.0%. In October 2024, the company increased its quarterly dividend by 9.1% from $0.11 to $0.12 per share.

## Valuation Analysis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Now | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Avg. P/E | -- | -- | -- | -- | -- | -- | 35.0 | 46.9 | 17.0 | 17.3 | ***13.5*** | ***15.0*** |
| Avg. Yld. | -- | -- | -- | -- | -- | -- | 1.5% | 2.3% | 2.9% | 2.8% | ***2.7%*** | ***2.5%*** |

As a reference, during the past decade shares of Cambridge Bancorp have traded with an average price-to-earnings ratio of about 13 and today, the merger combination company PE-ratio stands at 16.8. We are using 15 times earnings as a fair value baseline, implying the potential for a valuation headwind. The company's dividend yield is currently 2.7% which is below the historical average yield of Cambridge Bancorp over the past decade of 3.2% and above the five-year average of 2.8%.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Payout | -- | -- | -- | -- | -- | -- | 33% | 33% | 29% | 68% | ***37%*** | ***37%*** |

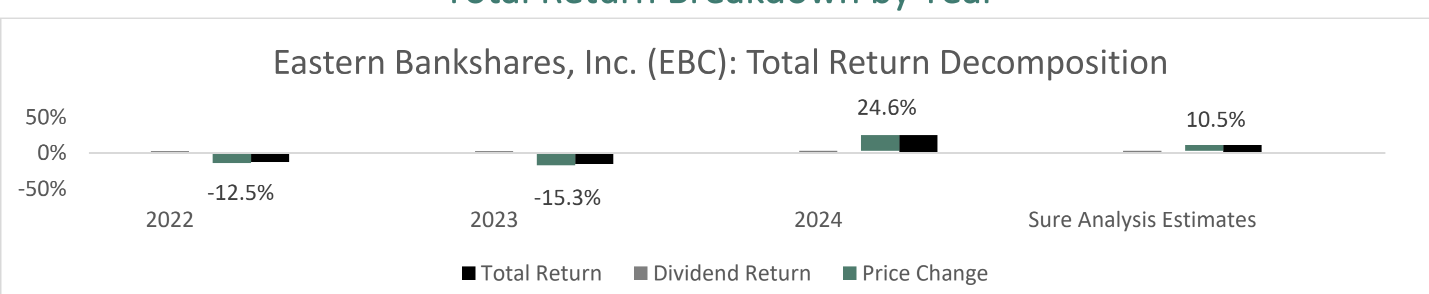
During the past five years, the company's dividend payout ratio has averaged around 40%. Eastern Bankshares dividend is comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at least at the same pace and keep the payout ratio below the 50% levels.

Eastern Bankshares is strategically positioned as a dominant player in the New England banking market, particularly following its merger with Cambridge Bancorp. This combination has solidified EBC's status as the largest independent bank headquartered in Boston, with significant scale advantages. This positions EBC as the largest bank-owned independent investment advisor in Massachusetts, giving it a competitive edge in attracting both retail and commercial clients. The integration of Cambridge Bancorp introduces complexity and potential risks, particularly in managing the combined entity's commercial real estate portfolio, which includes office loans—a sector currently under pressure due to shifts in work patterns and higher interest rates. EBC's capital position remains strong, with a CET1 ratio of 15.7%, the ongoing economic uncertainties and competitive pressures in the deposit market could challenge its ability to maintain this advantage.

## Final Thoughts & Recommendation

Eastern Bankshares is a well-established financial institution with deep roots in New England, particularly in Massachusetts. The bank has a robust earnings history and a reputation for prudent management, which has allowed it to maintain a solid dividend yield of 2.7%. We estimate total return potential of 10.5% per year for the next five years based on a 6% earnings-per-share growth, the dividend yield, and a valuation tailwind. Shares earn a buy 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 | --- | --- | --- | --- | 567 | 589 | 570 | 518 | 638 | 308 |
| SG&A Exp. | --- | --- | --- | --- | 255 | 264 | 274 | 240 | 249 | 283 |
| D&A Exp. | --- | --- | --- | --- | 20 | 19 | 28 | 23 | 23 | 24 |
| Net Profit | --- | --- | --- | --- | 123 | 135 | 23 | 155 | 200 | 232 |
| Net Margin | --- | --- | --- | --- | 21.7% | 22.9% | 4.0% | 29.8% | 31.3% | 75.3% |
| Free Cash Flow | --- | --- | --- | --- | 196 | 189 | 65 | 169 | 221 | 254 |
| Income Tax | --- | --- | --- | --- | 35 | 39 | 13 | 30 | 52 | (63) |

## Balance Sheet Metrics

| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Assets | --- | --- | --- | --- | 11,378 | 11,629 | 15,964 | 23,512 | 22,647 | 21,133 |
| Cash & Equivalents | --- | --- | --- | --- | 260 | 363 | 2,054 | 1,232 | 170 | 693 |
| Goodwill & Int. | --- | --- | --- | --- | 381 | 378 | 377 | 650 | 568 | 566 |
| Total Liabilities | --- | --- | --- | --- | 9,945 | 10,029 | 12,536 | 20,106 | 20,175 | 18,158 |
| Long-Term Debt | --- | --- | --- | --- | 166 | 34 | 28 | 34 | 741 | 48 |
| Total Equity | --- | --- | --- | --- | 1,433 | 1,600 | 3,428 | 3,406 | 2,472 | 2,975 |
| LTD/E Ratio | --- | --- | --- | --- | 0.12 | 0.02 | 0.01 | 0.01 | 0.30 | 0.02 |

## Profitability & Per Share Metrics

| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| Return on Assets | --- | --- | --- | --- | --- | 1.2% | 0.2% | 0.8% | 0.9% | 1.1% |
| Return on Equity | --- | --- | --- | --- | --- | 8.9% | 0.9% | 4.5% | 6.8% | 8.5% |
| ROIC | --- | --- | --- | --- | --- | 8.4% | 0.9% | 4.5% | 6.0% | 7.4% |
| Shares Out. | --- | --- | --- | --- | --- | --- | 172 | 172 | 166 | 162 |
| Revenue/Share | --- | --- | --- | --- | 2.70 | 2.80 | 3.32 | 3.01 | 3.85 | 1.90 |
| FCF/Share | --- | --- | --- | --- | 0.93 | 0.90 | 0.38 | 0.98 | 1.34 | 1.56 |

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