



Independent Bank Corp. (INDB)

Updated January 21st, 2025, by Yiannis Zourmpanos

Key Metrics

Current Price:	\$69	5 Year CAGR Estimate:	5.3%	Market Cap:	\$3.1 B
Fair Value Price:	\$60	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	03/28/2025 ¹
% Fair Value:	116%	5 Year Valuation Multiple Estimate:	-2.9%	Dividend Payment Date:	04/04/2025 ²
Dividend Yield:	3.3%	5 Year Price Target	\$76	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 January 16th, 2025, the company announced results for the fourth quarter of 2024, reporting non-GAAP EPS of \$1.21, beating the market's estimates by \$0.05 and revenues of \$176.85 million that were down 0.2% year-over-year.

Independent Bank Corp reported a solid financial performance for the fourth quarter of 2024, with net income rising to \$50.0 million, or \$1.18 per diluted share, from \$42.9 million, or \$1.01 per share, in Q3. Excluding \$1.9 million in pre-tax merger-related costs linked to the acquisition of Enterprise Bancorp, operating net income came in at \$51.4 million, or \$1.21 per diluted share. This growth was driven by improved net interest income, lower loan loss provisions, and a favorable tax rate. Full-year 2024 net income was \$192.1 million, reflecting a decrease from \$239.5 million in 2023, largely due to higher interest rate-related expenses and economic headwinds.

CEO Jeffrey Tengel highlighted the bank's focus on core fundamentals, noting its readiness to capitalize on net interest margin expansion and the upcoming Enterprise Bancorp merger. Key performance indicators included a return on average assets of 1.02% and a return on average common equity of 6.64%, both of which improved from the prior quarter. Total loans rose by 1% in Q4, reaching \$14.5 billion, driven by strong growth in commercial and industrial loans as well as construction lending, offset by caution in commercial real estate. Average deposits increased 0.7%, while end-of-period deposits dipped slightly due to seasonal factors. With a robust capital position, reflected by an increase in tangible book value per share to \$46.96, and disciplined credit management, Independent Bank Corp. is well-poised for sustained growth.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$2.50	\$2.90	\$3.19	\$4.40	\$5.03	\$3.64	\$3.47	\$5.69	\$5.40	\$4.52	\$5.42	\$6.91
DPS	\$1.04	\$1.16	\$1.28	\$1.52	\$1.76	\$1.84	\$1.92	\$2.08	\$2.20	\$2.28	\$2.28	\$2.91
Shares ³	26.0	26.5	27.4	27.7	32.9	33.3	34.9	46.4	50.1	42.5	45.2	61.4

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 to \$5.42 for 2025, 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 \$6.91 by 2030. Lastly, the company has a solid record of paying dividends despite operating in a macro-sensitive sector, as

¹ Estimated ex-dividend date

² Estimated dividend payment date

³ In Millions

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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 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	18.1	18.0	21.2	17.7	15.6	18.1	22.9	14.5	10.9	12.9	12.7	11.0
Avg. Yld.	2.3%	2.2%	1.9%	2.0%	2.2%	2.8%	2.4%	2.5%	3.7%	3.9%	3.3%	3.8%

The regional bank currently trades at a forward P/E of 12.7, considerably lower than the long-term average P/E of 17.0. 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 2030 EPS target of \$6.91 and P/E of 11.0, our five-year target price for the stock stands at \$76.

Safety, Quality, Competitive Advantage, & Recession Resiliency

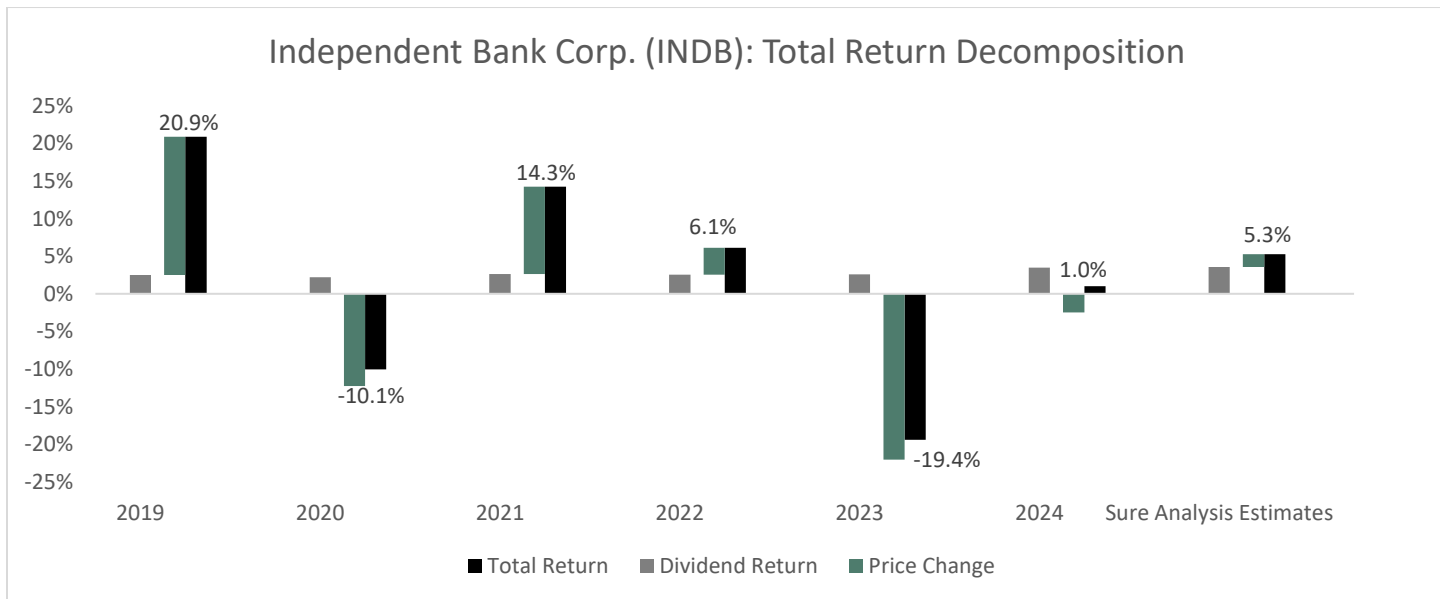
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	42%	40%	40%	35%	35%	51%	55%	37%	41%	50%	42%	42%

Independent Bank has paid a consistent dividend to its shareholders with a 10-year payout ratio averaging 42.5%, 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 5.3% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 5.0%, the 3.3% dividend yield, and a valuation headwind.

Total Return Breakdown by Year



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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.

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