Northrim BanCorp, Inc. (NRIM)

Updated February 2nd, 2025, by Yiannis Zourmpanos

Key Metrics

Current Price:	$84	**5 Year CAGR Estimate:**	7.2%	**Market Cap:**	$451 M
Fair Value Price:	$63	**5 Year Growth Estimate:**	10.0%	**Ex-Dividend Date:**	03/06/2025
% Fair Value:	134%	**5 Year Valuation Multiple Estimate:**	-5.7%	**Dividend Payment Date:**	03/14/2025
Dividend Yield:	3.0%	**5 Year Price Target**	$101	**Years Of Dividend Growth:**	16
Dividend Risk Score:	C	**Retirement Suitability Score:**	C	**Rating:**	Hold

Overview & Current Events

Northrim BanCorp, Inc. (NRIM) is a financial services company headquartered in Anchorage, Alaska, that operates in two segments: Community Banking and Home Mortgage Lending. Founded in 1990 by a group of Alaskans who wanted to establish a strong, independent, local bank that prioritized community and customer service, Northrim BanCorp has grown to employ 451 individuals and generated $125.3 million or revenue last year. Northrim Bank has a significant presence in Alaska, serving individuals, small businesses, and corporations, and its strong competitive position in the industry is driven by its focus on delivering high-quality customer service and its local presence, which allows it to have a deep understanding of the unique financial needs of Alaskans. While the company has faced challenges due to Alaska's economic volatility, its revenue segments have remained strong, with its Community Banking segment being the primary source of income.

On January 24th, 2025, the company announced results for the fourth quarter of 2024. NRIM reported Q4 non-GAAP EPS of $1.95, beating analysts' estimates by $0.31 and revenue of $43.87 million up 32.1% year-over-year.

The earnings growth was primarily driven by increased purchased receivable income following the acquisition of Sallyport Commercial Finance, completed on October 31st, 2024. The acquisition added factoring and asset-based lending services across the U.S., Canada, and the U.K., contributing to a diversified revenue stream. Additionally, mortgage banking income saw a notable increase due to higher fair value adjustments on mortgage servicing rights acquired during the quarter. Net interest income rose 7% to $30.8 million, supported by loan and deposit growth, with the net interest margin expanding 12 basis points sequentially to 4.47%. Total deposits increased 2% to $2.68 billion, while portfolio loans grew 6% to $2.13 billion, reflecting Northrim's expanding market share and strategic lending efforts. The company's return on average equity surged to 16.32%, reinforcing its strong profitability profile.

For the full year 2024, net income jumped 46% reflecting continued expansion in both community banking and mortgage banking segments. Loan growth, higher net interest income, and an improved mortgage origination environment supported results, although increased operating expenses, primarily salaries and professional fees related to Sallyport, offset some gains. Notably, total assets surpassed $3 billion for the first time, marking a milestone for the company. While the efficiency ratio remained stable, Northrim maintained strong liquidity and capital levels, with a tangible book value per share of $39.17. Dividends per share remained steady at $0.62 in Q4, reflecting confidence in the company's earnings power. Looking ahead, management expects Sallyport to drive further fee income diversification while maintaining a disciplined growth strategy in Alaska and beyond.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$2.56	$2.06	$1.88	$2.86	$3.04	$5.11	$6.00	$5.27	$4.49	$6.62	***$7.83***	***$12.61***
DPS	$0.74	$0.78	$0.86	$1.02	$1.26	$1.38	$1.50	$1.82	$2.40	$2.46	***$2.56***	***$4.51***
Shares[1]	6.9	6.9	6.9	6.9	6.7	6.4	6.2	5.8	5.6	5.5	***5.4***	***4.7***

[1] In millions of shares

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Considering the expected declining interest rate environment, we revised upwards our EPS estimate for 2025 to $7.83, which matches the midpoint of analysts' estimates. We have maintained the annual EPS growth of 10.0% for the following years, lower than the company's 5-year CAGR of 47.6%, in anticipation of a lower net interest margin, leading to NRIM's EPS of $12.61 by 2030. In addition, the bank's DPS had a 10-year and 5-year CAGR of 14.5% and 49.1%, respectively, and has consistently increased the dividend payments over the last 15 years.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	10.1	12.7	16.7	13.1	12.0	5.6	6.9	8.5	10.3	9.5	***10.7***	***8.0***
Avg. Yld.	2.9%	3.0%	2.7%	2.7%	3.4%	4.9%	3.6%	4.1%	5.2%	3.9%	***3.0%***	***4.5%***

Northrim BanCorp trades at a forward P/E of 10.7, in line with its 10-year and five-year average P/E of 10.5 and 8.1, respectively. Considering the bank's resiliency, we have assumed a stable P/E of 8.0 to value the company in 2030, in-line with its medium-term average, suggesting a target price of $101.

Safety, Quality, Competitive Advantage, & Recession Resiliency

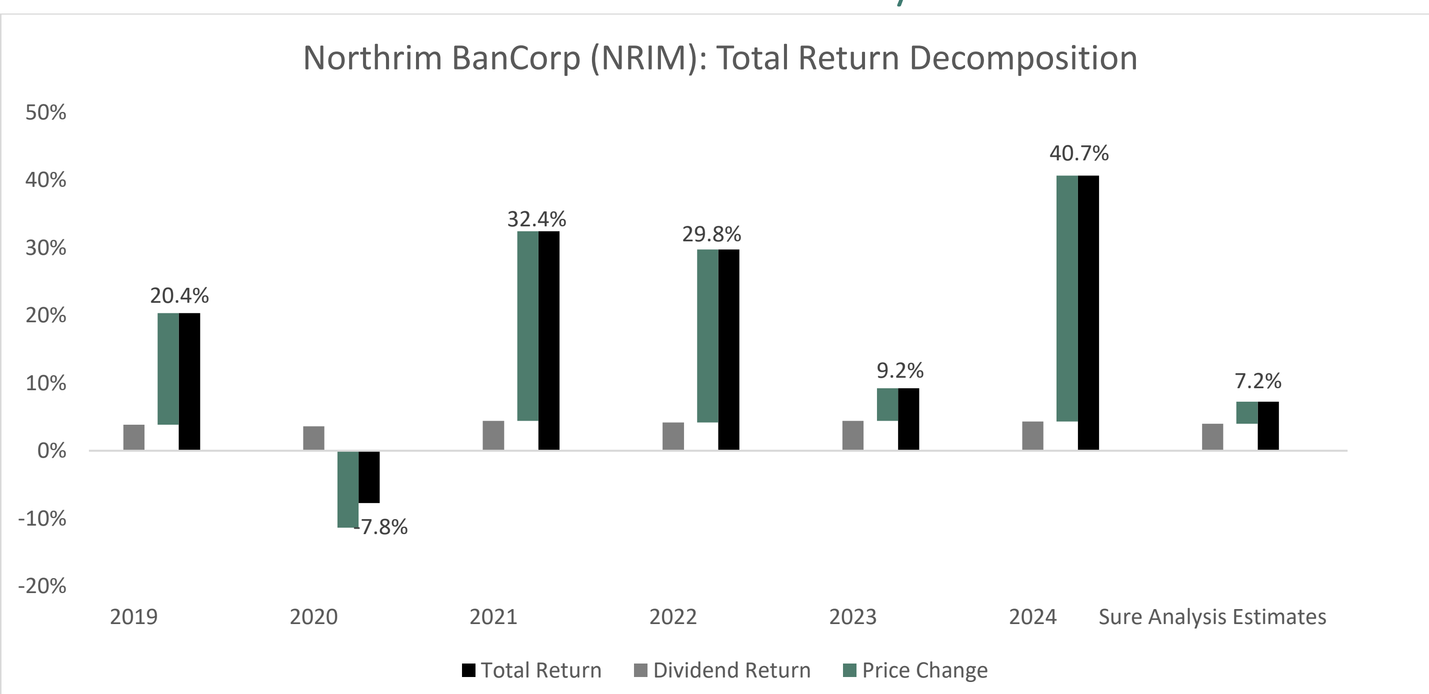
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	29%	38%	46%	36%	41%	27%	25%	35%	53%	37%	***33%***	***36%***

Northrim BanCorp, has a competitive advantage through its strong local presence, which enables it to deliver high-quality customer service tailored to Alaskans' unique financial needs. Northrim BanCorp's financial performance during recessions has varied, as it was founded from the ashes of the recession in 1990.

Final Thoughts & Recommendation

The bank is well-positioned to benefit from the declining interest rate environment. Thus, we revised our rating to hold premised upon the 7.2% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 10.0%, 3.0% dividend yield, and the 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	68	102	100	94	93	102	134	133	129	130
SG&A Exp.	35	52	55	54	54	61	65	65	63	67
D&A Exp.	2	3	3	4	3	4	4	4	4	4.5
Net Profit	17	18	14	13	20	21	33	38	31	25
Net Margin	25.4%	17.5%	14.5%	14.0%	21.4%	20.3%	24.5%	28.2%	23.8%	19.2%
Free Cash Flow	14	3	17	12	21	(4)	(40)	109	74	33
Income Tax	8	9	6	10	4	5	10	10	8	6.2

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,449	1,499	1,527	1,519	1,503	1,644	2,122	2,725	2,674	2,807
Cash & Equivalents	72	59	51	78	78	95	116	646	259	119
Acc. Receivable	3	4		4	5	5	8	7	10	12
Goodwill & Int.	25	25	20	29	33	34	32	34	38	38
Total Liabilities	1,285	1,322	1,340	1,326	1,297	1,437	1,900	2,487	2,456	2,573
Long-Term Debt	45	21	23	18	18	19	25	25	24	24
Total Equity	164	177	187	193	206	207	222	238	219	235
LTD/E Ratio	0.27	0.12	0.12	0.09	0.09	0.09	0.11	0.10	0.11	0.10

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.3%	1.2%	1.0%	0.9%	1.3%	1.3%	1.7%	1.5%	1.1%	0.9%
Return on Equity	11.3%	10.4%	7.9%	6.9%	10.0%	10.0%	15.3%	16.3%	13.5%	11.2%
ROIC	9.2%	8.7%	7.1%	6.3%	9.2%	9.2%	13.9%	14.7%	12.2%	10.1%
Shares Out.	6.8	6.9	6.9	6.9	6.9	6.7	6.4	6.2	5.8	5.7
Revenue/Share	9.99	14.61	14.28	13.43	13.37	14.95	20.83	21.30	22.16	22.90
FCF/Share	1.99	0.50	2.41	1.73	3.03	(0.57)	(6.18)	17.52	12.74	5.76

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