



Northwest Bancshares, Inc. (NWBI)

Updated February 2nd, 2025 by Felix Martinez

Key Metrics

Current Price:	\$13	5 Year CAGR Estimate:	8.4%	Market Cap:	\$1.7 B
Fair Value Price:	\$14	5 Year Growth Estimate:	2.0%	Ex-Dividend Date:	02/03/25
% Fair Value:	94%	5 Year Valuation Multiple Estimate:	1.2%	Dividend Payment Date:	02/14/25
Dividend Yield:	6.1%	5 Year Price Target	\$16	Years Of Dividend Growth:	13
Dividend Risk Score:	F	Retirement Suitability Score:	C	Rating:	Hold

Overview & Current Events

The bank was founded in 1896 in Bradford, Pennsylvania. At that time, the bank was known as Northwest Mutual Savings Association. Northwest Bancshares is a bank holding company that offers full-service financial institutions providing a complete line of personal and business banking products, including employee benefits, investment management services, and trust. Northwest is regulated by the Board of Governors of the Federal Reserve System. Northwest Bank is the leading subsidiary of Northwest Bancshares, and it operates 162 branches in central and western Pennsylvania, western New York, eastern Ohio, and Indiana. Northwest Bancshares trades under the ticker NWBI and has been paying a rising dividend for thirteen consecutive years. Currently, the company has a market capitalization of \$1.7 billion.

On January 24th, 2025, the company announced the fourth quarter results for the fiscal year (FY)2024. The company reported fourth-quarter 2024 net income of \$33 million, or \$0.26 per diluted share, reflecting a \$4 million increase from the same period in 2023 but a slight decline from the previous quarter. Adjusted net income (non-GAAP) was \$35 million, or \$0.27 per diluted share. The company's net interest margin expanded by 9 basis points to 3.42%, bolstered by an interest recovery. Additionally, the efficiency ratio improved to 61.8%. Northwest Bancshares also declared its 121st consecutive quarterly dividend of \$0.20 per share, maintaining an annualized dividend yield of approximately 6.1%. The company experienced changes in its balance sheet, with average loans receivable declining by \$47 million year-over-year due to a shift from personal to commercial banking portfolios. Deposits grew by \$232 million over the same period but declined slightly from the previous quarter. Net interest income rose by \$8 million year-over-year, driven by higher yields on loans, while interest expenses also increased due to a higher cost of deposits. Provision for credit losses rose significantly to \$16.6 million, reflecting loan portfolio adjustments and an increase in charge-offs related to de-risking strategies.

Looking ahead, Northwest Bancshares emphasized its commitment to growth, highlighted by its recent agreement to acquire Penns Woods Bancorp, Inc., expected to close in the third quarter of 2025. CEO Louis J. Torchio expressed confidence in the company's strategic initiatives, citing strong commercial banking performance and operational efficiencies. The company continues to focus on sustainable growth, risk management, and delivering value to shareholders while expanding into new markets in Pennsylvania.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.64	\$0.49	\$0.92	\$1.02	\$1.04	\$0.74	\$1.07	\$1.08	\$1.10	\$1.04	\$1.08	\$1.19
DPS	\$0.56	\$0.60	\$0.64	\$0.68	\$0.72	\$0.76	\$0.79	\$0.80	\$0.80	\$0.80	\$0.80	\$0.88
Shares¹	95.0	101.0	103.0	104.0	106.0	120.0	120.0	120.0	127.0	127.0	127.0	127.0

Over the past ten years, the company has grown earnings at a 5.5% Compound Annual Growth Rate (CAGR). Over the last five years, the company has had a 7.9% CAGR. During 2020 COVID-19 pandemic saw earnings drop by (29)% from

¹ Share count is in millions.

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\$1.04 per share in 2019 to \$0.74 per share in 2020. However, we expect the company to continue to grow earnings at a 2% annual rate for the next five years.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	21.0	36.5	18.2	16.6	15.9	20.4	11.7	13.3	11.78	12.7	12.2	13.0
Avg. Yld.	4.2%	3.3%	3.8%	4.0%	4.3%	6.0%	5.6%	5.7%	6.4%	6.1%	6.1%	5.7%

Because of the erratic earnings over the years, its PE ratios have also seen their ups and downs. For example, in 2016, the company's PE was 36.5, and in 2021 it was 11.7. Over the past ten years, the company has had an average PE of 17.8x and a five-year PE average of 14.0x. We think that a fair PE ratio would be 13x. This is below its ten- and five-year average, but it would account for the erratic behavior of the company earnings. The dividend yield is desirable to income investors. The current dividend yield is 6.1%, higher than its own ten- and five-year average of 4.9% and 5.9%, respectively.

Safety, Quality, Competitive Advantage, & Recession Resiliency

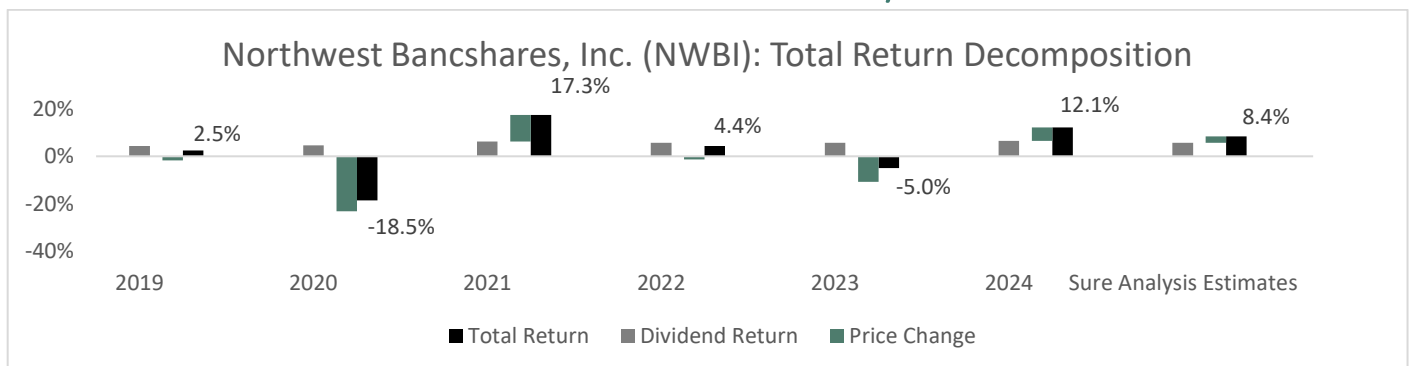
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	87.5%	122.4%	69.6%	66.7%	69.2%	102%	73.8%	74.1%	72.7%	76.9%	74%	74%

Northwest Bancshares is a small local bank compared to other national banks, but its most significant competitive advantage is its size. For example, it's easier for the company to optimize and minimize expenses which will help grow profit. Also, it is faster for small business owners or homeowners to obtain loans, which will help the company compete in the complete loan industry. The company did very well during the Great Recession, considering most banks had substantial earnings drops and dividend cuts. NWBI did not cut its dividend during the Great Recession, but earnings fell by (32)% in 2009. But in 2010, earnings grew by 53% to \$0.53 per share from \$0.44 per share in 2019. However, during the COVID-19 pandemic, the company's earnings fell (29)% from \$1.04 per share in 2019 to \$0.62 per share in 2020. Nevertheless, the company continues to pay a rising dividend. The company has a debt-to-equity ratio of 0.2, which is good. This is the reason the company was able to withstand the COVID-19 pandemic. Overall, NWBI has a solid balance sheet that has withstood two economic recessions.

Final Thoughts & Recommendation

Northwest Bancshares is a solid bank with an outstanding balance sheet and dividend history. The biggest concerns are inconsistent earnings and a higher dividend payout ratio. We expect the company to generate an annual rate of return over the next five years of 8.4%. This will primarily be driven by a higher dividend yield of 6.1%. Thus, Northwest Bancshares earns a hold at the current price.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	329	390	438	428	457	521	507	530	548	
SG&A Exp.	146	171	182	178	185	207	221	216	214	
D&A Exp.	9	15	14	8	4	5				
Net Profit	61	50	94	105	110	75	154	134	135	
Net Margin	18.4%	12.7%	21.5%	24.6%	24.1%	14.4%	30.4%	25.2%	24.6%	
Free Cash Flow	100	120	148	134	117	128				
Income Tax	28	22	41	28	31	18	47	40	40	

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	8,952	9,624	9,364	9,608	10,494	13,806	14,502	14,113	14,420	
Cash & Equivalents	167	390	78	69	61	736	1,279	139	122	
Accounts Receivable	21	22	23	24	26	36	26	36	47	
Goodwill & Int. Ass.	271	340	333	327	369	402	394	390	386	
Total Liabilities	7,789	8,453	8,156	8,350	9,141	12,268	12,918	12,622	12,870	
Accounts Payable	2	1	0	1	1	2	2	3	14	
Long-Term Debt	1,086	254	219	346	368	412	392	924	643	
Shareholder's Equity	1,163	1,171	1,208	1,258	1,353	1,539	1,584	1,491	1,551	
LTD/E Ratio	0.93	0.22	0.18	0.27	0.27	0.27	0.25	0.62	0.41	

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.7%	0.5%	1.0%	1.1%	1.1%	0.6%	1.1%	0.9%	1.0%	
Return on Equity	5.4%	4.3%	7.9%	8.6%	8.5%	5.2%	9.9%	8.7%	8.9%	
ROIC	2.8%	2.7%	6.6%	7.0%	6.6%	4.1%	7.9%	6.1%	5.9%	
Shares Out.	95	101	103	104	106	120	120	127	127	
Revenue/Share	3.47	3.88	4.27	4.13	4.32	4.33	3.97	4.16	4.30	
FCF/Share	1.05	1.20	1.44	1.29	1.10	1.07				

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

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