



OFG Bancorp (OFG)

Updated February 21st, 2025, by Yiannis Zourmpanos

Key Metrics

Current Price:	\$42	5 Year CAGR Estimate:	11.4%	Market Cap:	\$1.90 B
Fair Value Price:	\$41	5 Year Growth Estimate:	10.0%	Ex-Dividend Date:	03/31/2025
% Fair Value:	103%	5 Year Valuation Multiple Estimate:	-0.5%	Dividend Payment Date:	04/15/2025
Dividend Yield:	2.9%	5 Year Price Target	\$66	Years Of Dividend Growth:	5
Dividend Risk Score:	D	Retirement Suitability Score:	D	Rating:	Buy

Overview & Current Events

Founded in 1964 and headquartered in San Juan, Puerto Rico, OFG Bancorp (NYSE: OFG) is a leading financial holding company that operates Oriental Bank, providing a full suite of banking, mortgage, insurance, and wealth management services. The bank serves retail, commercial, and institutional clients across Puerto Rico and the U.S. Virgin Islands. With its Digital First strategy, OFG has strengthened its competitive position, expanding its market share in key financial segments. The company generates revenue through net interest income, fees from banking and financial services, and investment income. By leveraging technology and strategic acquisitions, OFG continues to solidify its presence as a key player in Puerto Rico's banking sector, offering innovative financial solutions and superior customer service.

On January 22nd, 2025, the company announced results for the fourth quarter of 2024. OFG Bancorp reported Q4 non-GAAP EPS of \$1.09, beating market estimates by \$0.13.

OFG delivered a strong fourth quarter and full-year 2024 performance, driven by solid revenue growth, improved efficiency, and strategic capital deployment. Full-year 2024 EPS rose 10.4% to \$4.23, reflecting robust loan growth, a well-executed Digital First strategy, and disciplined cost management. The company also benefited from lower taxes and strategic share repurchases, acquiring 1.8 million shares during the year. CEO José Rafael Fernández highlighted OFG's continued market share expansion, positioning the company for sustained profitability and shareholder value creation.

Credit quality remained sound, with net charge-offs at 0.82% of average loans, supported by a \$2.6 million recovery from loan sales. While the total provision for credit losses increased to \$30.2 million, it primarily reflected loan growth and a prudent reserve for potential auto delinquency trends. OFG bolstered its capital position, maintaining a 14.26% CET1 ratio, and ended the year with \$591.1 million in cash and equivalents. Despite slight deposit outflows, loan production remained resilient at \$609 million, with auto, commercial, and mortgage lending leading the way. Looking ahead, OFG's strong operational execution, strategic acquisitions, and disciplined risk management are expected to drive continued financial strength and consistent shareholder returns in 2025.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	-\$0.37	\$1.03	\$0.88	\$1.52	\$0.92	\$1.32	\$2.81	\$3.44	\$3.83	\$4.23	\$4.09	\$6.59
DPS	\$0.36	\$0.24	\$0.24	\$0.25	\$0.28	\$0.28	\$0.40	\$0.70	\$0.88	\$1.00	\$1.20	\$1.26
Shares¹	44.2	51.1	43.9	51.3	51.7	51.6	51.4	48.4	47.6	46.9	47.4	50.0

OFG Bancorp is poised for continued growth in 2025, driven by loan portfolio expansion, digital banking enhancements, and strategic acquisitions. The company expects steady net interest income growth, supported by higher loan balances and disciplined cost management. Loan production remains strong, particularly in commercial, auto, and residential mortgage lending, while the Digital First strategy enhances operational efficiency and customer engagement. OFG's strong capital position and prudent risk management provide resilience against economic uncertainties. Thus, we matched analysts' EPS midpoint estimate for 2025 at \$4.09, and with a growth forecast of 10.0% over the next five

¹ Shares in millions.

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years, it leads to our estimated EPS of \$6.59 by 2030. Moreover, the company has a solid record of paying dividends despite operating in a sector influenced by the macro environment.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	-29.0	7.9	11.0	8.7	21.0	9.8	7.5	7.5	7.0	8.8	10.3	10.0
Avg. Yld.	3.4%	3.0%	2.5%	1.9%	1.5%	2.2%	1.9%	2.7%	3.3%	2.7%	2.9%	1.9%

The bank trades at a forward P/E of 10.3, above its long-term average P/E of 6.0, and the five-year average P/E of 8.1. Considering the lower interest rates potentially compress net interest margins, while a strong labor market and consumer spending could support loan demand and asset quality, we have used a multiple of 10.0, implying a target price of \$66 by 2030.

Safety, Quality, Competitive Advantage, & Recession Resiliency

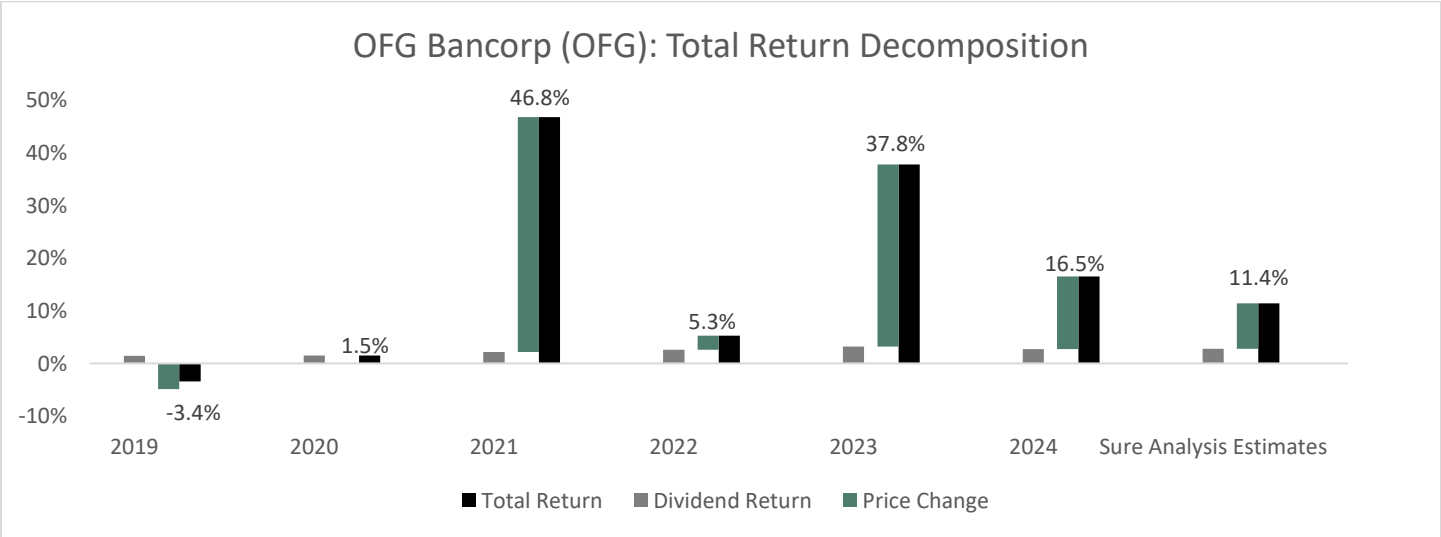
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	-97%	23%	27%	16%	30%	21%	14%	20%	23%	24%	29%	19%

OFG Bancorp benefits from a strong regional market presence, a diversified loan portfolio, and a focus on digital banking, which enhances efficiency and customer engagement. Its resilient credit quality and well-capitalized balance sheet provide a cushion against economic downturns, supporting steady profitability during recessions. The company maintains a conservative approach to debt management, with a 14.26% CET1 ratio, ensuring financial stability. By strategically managing risk and maintaining prudent capital allocation, OFG remains well-positioned to navigate economic fluctuations while continuing to grow its market presence. OFG Bancorp repurchased 1.8 million shares in 2024, including \$45.9 million worth of common shares in Q4, reflecting its commitment to enhancing shareholder value through disciplined capital allocation.

Final Thoughts & Recommendation

As OFG Bancorp continues to execute its Digital First strategy and expand its banking franchise, strong loan growth and operational efficiency should drive solid EPS growth in 2025. The company's healthy capital position, disciplined credit risk management, and strategic acquisitions further support its long-term outlook. Therefore, we rate OFG with a buy rating is premised upon the 11.4% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 10.0%, the 2.9% dividend yield, and a stable valuation.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	317	329	346	356	379	476	497	565	640	712
SG&A Exp.	96	92	92	89	92	151	152	162	176	314
D&A Exp.	13	11	10	10	10	24	24	24	27	
Net Profit	(3)	59	53	84	54	74	146	166	182	198
Net Margin	-0.8%	18.0%	15.2%	23.7%	14.2%	15.6%	29.4%	29.4%	28.4%	27.8%
Free Cash Flow	92	73	145	122	97	20	77	133	278	
Income Tax	(18)	26	15	48	21	20	68	78	83	56

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	7,099	6,502	6,189	6,583	9,298	9,826	9,900	9,819	11,344	11,501
Cash & Equivalents	537	510	485	447	851	2,154	2,023	550	748	591
Acc. Receivable	21	20	50	34	37	66	57	62	71	
Goodwill & Int.	101	102	101	100	194	179	171	163	154	169
Total Liabilities	6,202	5,581	5,244	5,583	8,252	8,740	8,831	8,776	10,151	10,246
Long-Term Debt	437	142	136	115	115	102	65	27	201	326
Total Equity	721	744	769	908	953	994	1,069	1,042	1,193	1,254
LTD/E Ratio	0.49	0.15	0.14	0.11	0.11	0.09	0.06	0.03	0.17	0.26

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.0%	0.9%	0.8%	1.3%	0.7%	0.8%	1.5%	1.7%	1.7%	1.7%
Return on Equity	-0.3%	6.5%	5.6%	8.7%	5.3%	7.0%	13.6%	15.7%	16.3%	16.2%
ROIC	-0.2%	4.9%	4.9%	7.7%	4.7%	6.3%	12.6%	15.1%	14.8%	13.3%
Shares Out.	44.2	51.1	43.9	51.3	51.7	51.6	51.4	48.4	47.6	46.9
Revenue/Share	6.17	6.43	6.78	6.94	7.33	9.24	9.68	11.67	13.46	15.17
FCF/Share	1.78	1.43	2.84	2.37	1.87	0.38	1.50	2.76	5.84	

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

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