



Kearny Financial Corp. (KARNY)

Updated April 27th, 2025, by Ian Bezek

Key Metrics

Current Price:	\$6.37	5 Year CAGR Estimate:	8.2%	Market Cap:	\$398 M
Fair Value Price:	\$5.52	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	05/07/25
% Fair Value:	115%	5 Year Valuation Multiple Estimate:	-2.8%	Dividend Payment Date:	05/21/25
Dividend Yield:	6.9%	5 Year Price Target	\$7.05	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Sector:	Financials	Rating:	Sell

Overview & Current Events

Kearny Financial Corp. is a bank holding company. Headquartered in Fairfield, New Jersey, the bank operates 43 branches, primarily in New Jersey along with a couple of locations in New York City. Over the years, Kearny has evolved from being a traditional thrift institution into a full-service community bank. The bank is currently focused on updating its technological systems, offering a greater diversity of loan products, and improving operational efficiency.

Kearny had enjoyed tremendous growth over the past decade as it executed on this strategy to enlarge and diversify the bank. However, the shift in the interest rate environment and uncertainty in the commercial real estate market has provoked significant uncertainty around Kearny's operating outlook going forward. Kearny reported a large loss tied to one-time expenses in 2024, and the company has been hampered by falling net interest income as well. In the company's Q3 2025 results, reported April 24th, 2025, Kearny reported a profit of \$0.11 per share. This topped analyst consensus by a penny, but fell from the \$0.12 the bank earned in the same period of last year. We had expected a slightly better result given that Kearny's business had stabilized in the prior quarter and appeared to be back on the upswing.

We believe that the past two years were a uniquely poor operating environment for Kearny and that it will enjoy more normal profitability eventually. That said, the outlook for inflation and interest rates looks increasingly unsettled. It may take longer for regional banks such as Kearny to return to more normalized levels of profitability than previously expected. That's especially true if tariff-related uncertainty leads to lack of business investment and resulting loan growth in coming quarters. We have trimmed our full-year EPS outlook slightly following the lackluster Q3 results.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.06	\$0.18	\$0.22	\$0.24	\$0.46	\$0.55	\$0.77	\$0.95	\$0.63	\$-1.39	\$0.46	\$0.59
DPS	\$0.00	\$0.08	\$0.10	\$0.13	\$0.21	\$0.29	\$0.35	\$0.43	\$0.44	\$0.44	\$0.44	\$0.51
Shares¹	92	90	85	83	91	82	82	71	65	62	60	55

Kearny delivered a breathtaking growth trajectory between 2015 and 2022, growing earnings from 6 cents to 95 cents per share over that period. This fueled tremendous growth in the company's dividend as well. However, Kearny was seemingly caught offside by the sharp rise in interest rates. The firm's large writedown in 2024 was bad optically, but the bigger underlying issue was that the bank's net interest margin plunged from 2.9% in 2022 to just 2.0% in fiscal year 2024. However, the Fed's rate reduction campaign should provide almost immediate relief to Kearny as its cost of deposits drops in line with the Fed's rate cuts. Meanwhile, the bank has enough duration on its loan book to earn a fatter spread on its overall assets as rates fall. As such, we believe Kearny will return to fairly robust profitability over the next year or two, and enjoy 5% annualized growth from that point forward.

¹ In millions.

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As far as the dividend goes, we believe hikes will be extremely limited in the near-term as the bank's payout ratio has soared in recent years. Kearny's management has aggressively repurchased stock, reducing its share count by a third since 2019. This buyback activity should continue, particularly as shares trade fairly near 10-year lows at present.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	185.4	73.0	67.3	68.4	28.1	15.2	14.9	11.3	11.4	--	13.8	12.0
Avg. Yld.	0.1%	0.4%	0.5%	0.6%	1.3%	2.8%	2.7%	4.0%	5.3%	6.2%	6.9%	7.2%

Kearny had a far higher P/E ratio a decade ago, although this was due to the bank having limited overall profitability as it invested heavily for growth. Over the past five years, the P/E ratio has settled in at a more typical 13.2x. We believe that 12 is an appropriate P/E ratio for a community bank with this sort of growth and geographic profile. The bank's dividend yield spiked in recent years, topping 6% in 2024 and moving even higher over the past quarter.

Safety, Quality, Competitive Advantage, & Recession Resiliency

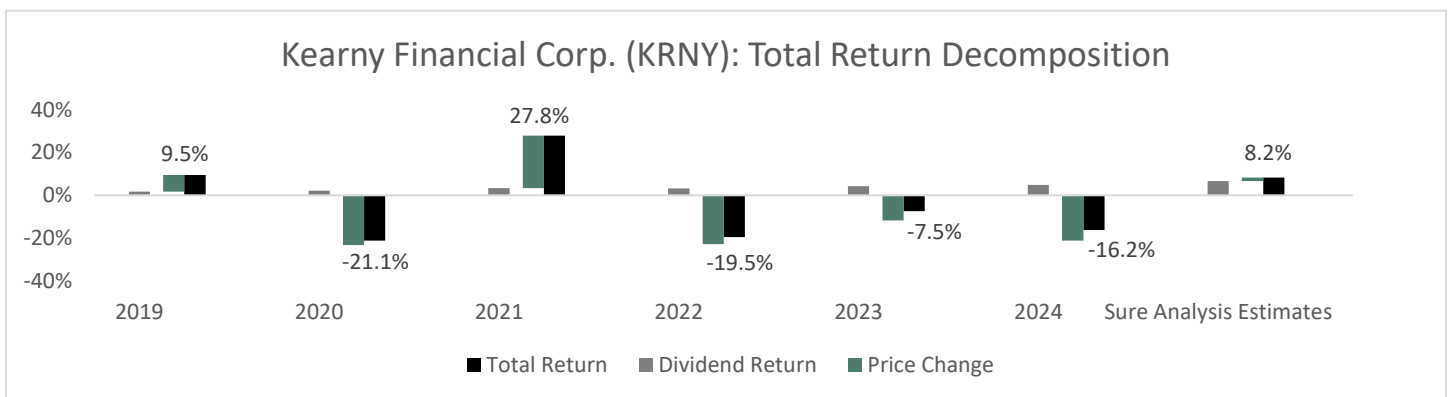
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	0%	44%	45%	54%	46%	53%	45%	45%	70%	--	96%	87%

Kearny's dividend payout ratio has soared in recent years. We think the dividend is sustainable at current levels, but the bank will be hard-pressed to offer much in the way of increases until earnings recover. Some investors are worried about Kearny's outsized exposure to multi-family housing loans – the NYC multi-family market in particular has drawn a lot of attention from skeptical analysts. While Kearny has earned solid returns on this asset class historically, further diversification of the loan book would help allay these concerns. Though the bank has repurchased a huge amount of its stock, it has done so, on average, at levels well above today's share price. As such, this program has not been a great allocation of capital to-date.

Final Thoughts & Recommendation

Kearny shares traded for as much as \$15 each a decade ago, and now go for just \$6.37. Given the dramatic underlying growth in Kearny's operations and profitability over that span, in one sense KARNY stock may seem like quite a compelling bargain at today's levels. If the bank can return to its pre-pandemic growth trajectory, shareholders should do very well from today's starting price. But there are many moving parts here around the slide in the bank's net interest margin and operating efficiency. While the dividend yield is significant, management still has to prove that it can return the bank to solid EPS growth going forward. We see 8.2% annualized total returns, though that is almost entirely driven by the 6.9% yield. Shares earn a sell rating for now due to the risky dividend score and lack of recent dividend increases.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	89	106	114	135	169	169	206	211	179	141
SG&A Exp.	44	48	54	61	71	68	76	83	84	78
D&A Exp.	3	3	3	4	5	6	7	7	6	5
Net Profit	6	16	19	20	42	45	63	68	41	(87)
Net Margin	6.4%	15.0%	16.3%	14.6%	25.0%	26.6%	30.7%	32.1%	22.8%	-61.6%
Free Cash Flow	18	37	34	37	33	13	70	78	68	43
Income Tax	(1)	7	9	14	14	12	21	25	12	6

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	4,237	4,500	4,818	6,580	6,635	6,758	7,284	7,720	8,065	7,683
Cash & Equivalents	340	199	78	129	39	181	68	102	71	64
Acc. Receivable	10	11	12	19	19	17	19	20	28	30
Goodwill & Int.	109	109	109	217	216	215	215	214	213	115
Total Liabilities	3,070	3,352	3,761	5,311	5,508	5,674	6,241	6,826	7,196	6,930
Long-Term Debt	571	614	806	1,199	1,322	1,173	686	901	1,507	1,610
Total Equity	1,167	1,148	1,057	1,269	1,127	1,084	1,043	894	869	754
LTD/E Ratio	0.49	0.54	0.76	0.94	1.17	1.08	0.66	1.01	1.73	2.14

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.1%	0.4%	0.4%	0.3%	0.6%	0.7%	0.9%	0.9%	0.5%	-1.1%
Return on Equity	0.7%	1.4%	1.7%	1.7%	3.5%	4.1%	5.9%	7.0%	4.6%	-10.7%
ROIC	0.4%	0.9%	1.0%	0.9%	1.7%	1.9%	3.2%	3.8%	2.0%	-3.7%
Shares Out.	92	90	85	83	91	82	82	71	65	62
Revenue/Share	0.96	1.18	1.35	1.63	1.85	2.05	2.50	2.97	2.76	2.25
FCF/Share	0.20	0.41	0.41	0.45	0.36	0.16	0.85	1.11	1.05	0.68

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

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