



Northwest Bancshares, Inc. (NWBI)

Updated May 15th, 2025 by Felix Martinez

Key Metrics

Current Price:	\$13	5 Year Annual Expected Total Return:	16.3%	Market Cap:	\$1.6 B
Fair Value Price:	\$17	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	05/08/25
% Fair Value:	75%	5 Year Valuation Multiple Estimate:	6.0%	Dividend Payment Date:	05/20/25
Dividend Yield:	6.4%	5 Year Price Target	\$23	Years Of Dividend Growth:	0
Dividend Risk Score:	F	Sector:	Financials	Rating:	Sell

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 \$1.6 billion.

The company reported a Q1 2025 net income of \$43 million, or \$0.34 per diluted share, up 49% from \$29 million, or \$0.23 per diluted share, in Q1 2024, and 32.7% from \$33 million, or \$0.26 per diluted share, in Q4 2024. Adjusted net income rose to \$44 million, or \$0.35 per diluted share, from \$35 million, or \$0.27 per diluted share, in Q4 2024, driven by a \$14 million net interest income increase, including a \$13.1 million non-accrual loan interest recovery. The net interest margin expanded to 3.87% from 3.10% in Q1 2024, marking the fourth consecutive quarter of improvement. Total revenue grew 19% year-over-year, while the cost of funds declined for the third straight quarter.

Balance sheet highlights include a 1.7% increase in average deposits to \$12.09 billion and a 52.3% decrease in average borrowings from Q1 2024, reflecting strategic pay-downs from a Q2 2024 investment portfolio restructure. Average loans fell 1.5% to \$11.18 billion, with a shift toward higher-yielding commercial loans. Credit quality remained stable, with nonperforming assets at 0.52% of total assets, though classified loans rose to 2.49% of total loans. The provision for credit losses increased to \$8 million from \$3.4 million in Q1 2024, driven by commercial loan growth and economic forecasts. Noninterest income was flat at \$28.4 million compared to Q1 2024 but dropped 29.2% from Q4 2024 due to one-time gains in the prior quarter. Noninterest expenses rose 1.9% to \$91.7 million from Q1 2024, driven by higher personnel costs, but fell 3.8% from Q4 2024 due to lower non-personnel expenses. The company received approvals for its Penns Woods merger, set for completion by July 2025, and declared a \$0.20 per share dividend, yielding 6.7%. CEO Louis Torchio emphasized strong execution and cost control, expressing confidence in sustainable growth despite economic uncertainties.

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	\$1.21	\$1.62
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
Shares ¹	95.0	101.0	103.0	104.0	106.0	120.0	120.0	120.0	127.0	127.0	162.8	145.0

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 10.3% 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 6% annual rate for the next five years.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	15.00	20.7	16.4	16.9	17.8	17.1	15.5	12.9	15.6	11.9	10.5	14.00
Avg. Yld.	2.0%	1.4%	1.3%	1.3%	1.4%	1.7%	2.2%	2.8%	2.8%	3.5%	6.4%	3.9%

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 16x and a five-year PE average of 14.6x. We think that a fair PE ratio would be 14x. 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 6.4%, higher than its own ten-year and five-year average of 2.0% and 2.6%, respectively.

Safety, Quality, Competitive Advantage, & Recession Resiliency

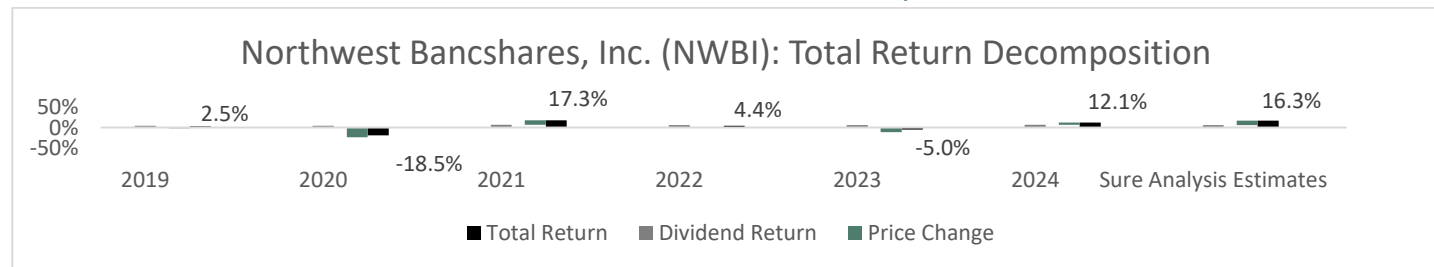
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	88%	122%	70%	67%	69%	103%	74%	74%	73%	77%	66%	55%

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 16.3%. This will primarily be driven by a higher dividend yield of 6.4%. However, Northwest Bancshares earns a sell at the current price due to the lack of dividend growth.

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	520
SG&A Exp.	146	171	182	178	185	207	221	216	214	235
D&A Exp.	9	15	14	8	4	5				21
Net Profit	61	50	94	105	110	75	154	134	135	100
Net Margin	18.4%	12.7%	21.5%	24.6%	24.1%	14.4%	30.4%	25.2%	24.6%	19.2%
Free Cash Flow	100	120	148	134	117	128				125
Income Tax	28	22	41	28	31	18	47	40	40	29

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	14410
Cash & Equivalents	167	390	78	69	61	736	1,279	139	122	288
Accounts Receivable	21	22	23	24	26	36	26	36	47	46
Goodwill & Int. Ass.	271	340	333	327	369	402	394	390	386	384
Total Liabilities	7,789	8,453	8,156	8,350	9,141	12,268	12,918	12,622	12,870	12810
Accounts Payable	2	1	0	1	1	2	2	3	14	7
Long-Term Debt	1,086	254	219	346	368	412	392	924	643	445
Shareholder's Equity	1,163	1,171	1,208	1,258	1,353	1,539	1,584	1,491	1,551	1597
LTD/E Ratio	0.93	0.22	0.18	0.27	0.27	0.27	0.25	0.62	0.41	0.28

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%	0.7%
Return on Equity	5.4%	4.3%	7.9%	8.6%	8.5%	5.2%	9.9%	8.7%	8.9%	6.4%
ROIC	2.8%	2.7%	6.6%	7.0%	6.6%	4.1%	7.9%	6.1%	5.9%	4.7%
Shares Out.	95	101	103	104	106	120	120	127	127	127
Revenue/Share	3.47	3.88	4.27	4.13	4.32	4.33	3.97	4.16	4.30	4.09
FCF/Share	1.05	1.20	1.44	1.29	1.10	1.07				0.99

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

Disclaimer

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