

Webster Financial (WBS)

\$64.00 (Stock Price as of 12/17/2025)

Price Target (6-12 Months): **\$66.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 10/01/24)

Prior Recommendation: Underperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM: D

Value: B

Growth: F

Momentum: A

Summary

Shares of Webster Financial have outperformed the industry over the past year. Growth in deposit and loan balances will keep supporting the company's financials in future. Strategic acquisitions, including the recent buyout of SecureSave, will help the bank diversify its funding capabilities and unlock new revenue-growth opportunities. The company's efforts to strengthen its balance sheet and reposition its securities portfolio will support top-line growth. However, rising compensation and acquisition costs are likely to hurt the company's bottom-line growth in the near term. The high debt levels and limited liquidity raise concerns about its capital distribution. Its earnings beat estimates in three of the trailing four quarters and missed once. Moreover, a lack of loan portfolio diversification may affect the company's financials.

Data Overview

52 Week High-Low	\$64.87 - \$39.43
20 Day Average Volume (sh)	1,236,843
Market Cap	\$10.3 B
YTD Price Change	15.9%
Beta	1.07
Dividend / Div Yld	\$1.60 / 2.5%
Industry	Banks - Northeast
Zacks Industry Rank	Top 29% (70 out of 243)

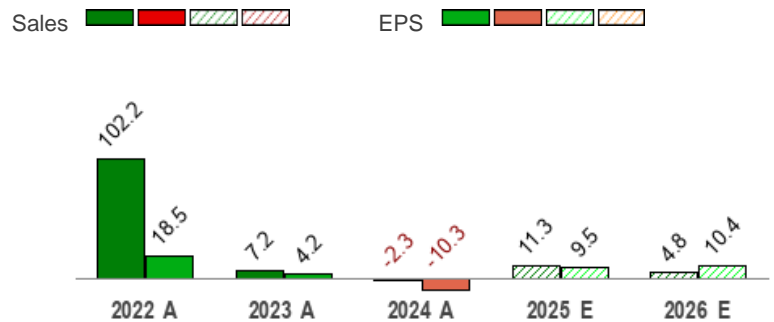
Last EPS Surprise	1.3%
Last Sales Surprise	1.1%
EPS F1 Est- 4 week change	0.3%
Expected Report Date	01/16/2026
Earnings ESP	0.4%

P/E TTM	11.1
P/E F1	10.9
PEG F1	1.1
P/S TTM	2.4

Price, Consensus & Surprise⁽¹⁾



Sales and EPS Growth Rates (Y/Y %)⁽¹⁾



Sales Estimates (millions of \$)⁽¹⁾

	Q1	Q2	Q3	Q4	Annual*
2026	733 E	747 E	764 E	776 E	3,020 E
2025	705 A	716 A	733 A	731 E	2,882 E
2024	667 A	615 A	648 A	661 A	2,590 A

EPS Estimates⁽¹⁾

	Q1	Q2	Q3	Q4	Annual*
2026	1.53 E	1.59 E	1.66 E	1.72 E	6.50 E
2025	1.30 A	1.52 A	1.54 A	1.53 E	5.89 E
2024	1.35 A	1.26 A	1.34 A	1.43 A	5.38 A

*Quarterly figures may not add up to annual.

(1) The data in the charts and tables, including the Zacks Consensus EPS and sales estimates, is as of 12/17/2025.

(2) The report's text and the price target are as of 12/08/2025.

Overview

Headquartered in Stanford, CT, Webster Financial Corporation is the holding company for Webster Bank, National Association and its HSA Bank division. The company provides business and consumer banking, mortgage lending, financial planning, trust and investment services. It reports through the following three segments:

Commercial Banking: The segment caters to businesses with more than \$2 million of revenues through its business banking, middle-market, asset-based lending, equipment finance, commercial real estate, sponsor finance, and treasury services business units. Also, it offers wealth-management solutions to business owners, operators, and consumers through its Wealth group.

Consumer Banking: The segment comprises the Consumer Lending and Small Business Banking (businesses that have less than \$10 million in revenues) business units. Its Webster Investment Services group offers investment services to consumers and small business owners in its targeted markets and retail footprint.

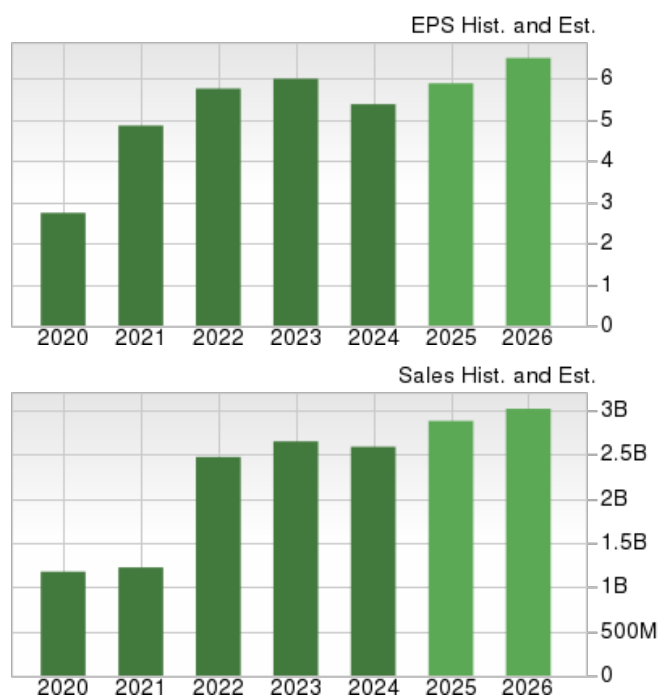
HSA Bank: HSA Bank offers health savings accounts (HSA), health reimbursement accounts, flexible spending accounts and other financial solutions to employers for the benefit of their employees and to individuals.

The Corporate and Reconciling category includes certain treasury activities and adjustments required to reconcile profitability metrics to GAAP reported amounts.

In January 2024, Webster Financial closed the acquisition of Ametros Financial Corp. to further diversify its revenue streams and funding sources.

In January 2023, Webster Financial closed the acquisition of interLink, a deposit-management platform, to further diversify the company's funding sources. In November 2022, HSA Bank acquired around 4,800 HSAs, with \$15.5 million in deposits from Inland Bank and Trust. In February 2022, Webster Financial completed its merger with Bend Financial, which accelerates digital transformation for HSA Bank. In January, it acquired Sterling Bancorp in an all-stock deal valued at \$5.2 billion, making it one of the largest commercial banks in the Northeast United States.

As of Sept. 30, 2025, Webster Financial had \$83.2 billion of assets, \$55.1 billion of total loans and leases, \$68.2 billion of deposits, and \$9.5 billion of shareholders' equity.



As of 12/17/2025



As of 12/17/2025

Reasons To Buy:

- ▲ Webster Financial has a healthy balance sheet position. Deposits and loans recorded a five-year (2019-2024) CAGR of 22.7% and 21.3%, respectively. Both metrics increased year over year in the first nine months of 2025. The acquisition of Ametros (in January 2024) benefited the company by diversifying its portfolio of low-cost and long-duration deposits. Management expects Ametros to grow deposits, seeing a 25% CAGR over the next five years. Moreover, past acquisitions, like that of interLINK, Bend Financial, and Sterling Bancorp, are driving HSA deposits, thereby increasing total deposits. Going forward, growth in deposit and loan balances will keep supporting the company's financials.
- ▲ Webster Financial has an organic growth story. NII witnessed a compound annual growth rate (CAGR) of 19.6% over the last five years (2019-2024), with a rising trend continuing in the first nine months of 2025. Looking ahead, NII is expected to improve, supported by the Federal Reserve's recent rate cuts, which should help stabilize funding and deposit costs. The company's efforts to strengthen its balance sheet and reposition its securities portfolio will also drive NII growth.
- ▲ Webster Financial has been growing via inorganic growth. In December 2025, Webster's division, HSA Bank, has acquired SecureSave, a provider of employer-sponsored emergency-savings accounts (ESAs). The company's acquisition of Ametros in January 2024 will likely enhance its expertise in healthcare financial services and provide a new source of non-interest income. In 2022, Webster Financial merged with Sterling Bancorp which has expanded its selected commercial lending portfolios, HSA Bank, and digital banking offerings. These have helped in diversification and the unlocking of new revenue-growth opportunities. We believe these strategic pacts to aid Webster Financial's growth in the upcoming period.
- ▲ Webster Financial's trailing 12-month return on equity (ROE) reflects its superiority in utilizing shareholders' funds. The company's ROE of 11.07% compares favorably with the industry's 9.87%.
- ▲ WBS shares have outperformed the industry over the past year. The company's 2025 earnings estimates have been unchanged over the past 30 days. Given the strong fundamentals, the stock has decent upside potential in the near term.

Rising NII will boost Webster Financial's top line in the upcoming period. Also, strategic buyouts have fortified its balance sheet, while deposit and loan growth will continue aiding its financials.

Reasons To Sell:

- ▼ As of Sept. 30, 2025, Webster Financial's total debt (comprising long-term debt and federal home loan bank advances) was \$3.8 billion. In contrast, cash and due from banks, as well as interest-bearing deposits, aggregated \$3.1 billion. Moreover, cash and due from banks have witnessed a volatile trend over the past few years. Hence, we believe that Webster Financial might be unable to meet its debt obligations if the economic situation worsens.
- ▼ Elevated non-interest expenses due to incremental costs related to the acquired businesses and higher employee compensation and service contract expenses are a major concern for Webster Financial. The metric saw a CAGR of 17.3% over the last five years (2019-2024), with the rising trend continuing in the first nine months of 2025. The company's ongoing investments in talent, operational support and technology are likely to keep the expense base under pressure in the short term.
- ▼ The sustainability of Webster Financial's capital-distribution activities keeps us apprehensive. It last hiked its dividend by 21% to 40 cents per share in April 2019 and has continued to pay the same since then. In April 2022, the company authorized the repurchase of an additional \$600 million worth of shares under its existing share repurchase program. On April 30, 2025, the board of directors increased management's authority to repurchase shares of Webster Financial common stock under the repurchase program by \$700 million. As of June 30, 2025, the company had \$668.4 million worth of shares remaining under the authorization. However, given the low liquidity levels, the capital distribution activities do not seem sustainable in the long run.
- ▼ The loan portfolio of Webster Financial mainly comprises commercial loans (including commercial non-mortgage and commercial real estate loans). Such loans comprised 79.6% of total loans and leases as of Sept. 30, 2025. The current rapidly changing macroeconomic backdrop is likely to put some strain on commercial lending. As of Sept. 30, 2025, commercial loans constitute 82.8% of total non-performing loans. Thus, a lack of loan portfolio diversification is expected to hurt the company's financials if the economic situation worsens.

An unsound liquidity position makes Webster Financial vulnerable to default interest and debt repayments. Hence, capital distributions seem unsustainable. Commercial loan concentration is a concern.

Last Earnings Report

Webster Financial's Q3 Earnings Top Estimates, NII Rise Y/Y

Webster Financial's third-quarter 2025 earnings per share (EPS) of \$1.54 beat the Zacks Consensus Estimate of \$1.52. Also, the reported figure compared favorably with the EPS of \$1.34 reported a year ago.

Results benefited from a rise in net interest income (NII) and non-interest income. Higher loan and deposit balances and a decline in provision were encouraging, too. However, an increase in non-interest expenses acted as a spoilsport.

Net income applicable to common shareholders (GAAP basis) was \$254.1 million, up 36% from the prior-year quarter.

Revenues & Expenses Increase Y/Y

WBS' total revenues in the quarter increased 13.1% year over year to \$732.6 million. The top line surpassed the Zacks Consensus Estimate by 1.2%.

NII increased 7.1% year over year to \$631.7 million. The net interest margin was 3.40%, down one basis point.

Non-interest income was \$100.9 million, significantly up from the year-ago quarter's reported figure of \$57.7 million. In the third quarter of 2024, total non-interest income included losses of \$19.6 million on the sale of investment securities and \$16 million related to the exit of noncore operations. Excluding this item, total non-interest income increased \$7.6 million.

Non-interest expenses were \$356.7 million, up 2.2% from the year-ago quarter. In the third quarter of 2025, the figure excluded the prior-year quarter's restructuring-related charges and FDIC assessment benefit. Excluding these items, total non-interest expense increased \$28.3 million. The rise was mainly driven by investments in human capital, business development, risk management infrastructure and higher performance-based incentives.

The efficiency ratio was 45.79% compared with 45.49% in the prior-year quarter. An increase in the efficiency ratio indicates a decline in profitability.

Loans & Deposit Balance Rise Sequentially

As of Sept. 30, 2025, total loans and leases increased 2.6% on a sequential basis to \$55.1 billion. Further, total deposits increased 2.8% from the prior quarter to \$68.2 billion.

Credit Quality Mixed Bag

Total non-performing assets were \$545.3 million as of Sept. 30, 2025, up 27.6% from the year-ago quarter. Allowance for loan losses was 1.32% of the total loans, remaining stable from the third quarter of 2024.

The ratio of net charge-offs to annualized average loans was 0.28%, up from 0.27% in the year-ago period.

The provision for credit losses was \$44 million, down 18.5% year over year.

Capital Ratios Improve

As of Sept. 30, 2025, the Tier 1 risk-based capital ratio was 11.90%, which increased from 11.77% as of Sept. 30, 2024. The total risk-based capital ratio was 14.69%, up from the prior-year quarter's 14.06%.

Profitability Ratios Improve

Return on average assets was 1.27%, up from 1.01% in the prior-year quarter.

At the end of the third quarter, the return on average common stockholders' equity was 11.23%, which rose from 8.67% in the prior-year quarter.

Outlook

Fourth Quarter

The company expects loans to grow 1% from the prior quarter's actual.

The deposit balance is expected to decline 1% on a sequential basis.

NII is projected to be \$630 million (non-FTE), excluding \$14 million in FTE adjustments.

Adjusted non-interest income is expected to be \$95-\$100 million.

Adjusted expenses are projected at \$355-\$360 million, whereas the efficiency ratio is expected to be 45-47%.

Management envisions the 2025 common equity tier 1 capital ratio to be 11%.

FY Quarter Ending 12/31/2024

Earnings Reporting Date	Oct 17, 2025
Sales Surprise	1.06%
EPS Surprise	1.32%
Quarterly EPS	1.54
Annual EPS (TTM)	5.79

Webster Financial anticipates the effective tax rate to be 21%.

2025

The company expects loans to grow 4-5% from the 2024 actual.

The deposit balance is expected to rise 4-5% from the 2024 reported number.

NII is projected between \$2.47 billion and \$2.50 billion (non-FTE), excluding \$55 million in FTE adjustments.

Non-interest income is expected to be \$370-\$390 million.

Adjusted expenses are projected at \$1.39-\$1.41 billion, whereas the efficiency ratio is expected to be 45-47%.

Management envisions the 2025 common equity tier 1 capital ratio to be 11%, with a long-term target of 10.5%.

Webster Financial anticipates the effective tax rate to be 20- 21%.

Recent News

Dividend Update

On Oct. 29, 2025, Webster Financial's board of directors announced a common stock dividend of 40 cents per share. The dividend will be paid out on Nov. 20, 2025, to its shareholders of record as of Nov. 10, 2025.

Valuation

Webster Financial's shares are up 16.2% in the past six months and up 5.7% over the trailing 12-month period. Stocks in the Zacks sub-industry and those in the Zacks Finance sector are up 16.1% and up 16.2%, respectively, over the past six months. Over the past year, the stocks in Zacks sub-industry are down 0.6% and the sector is up 11.6%.

The S&P 500 Index is up 17.3% over the past six-month period and 16.2% in the trailing 12-month period.

The stock is currently trading at 9.67X forward 12-months earnings, which compares to 9.34X for the Zacks sub-industry, 17.26X for the Zacks sector, and 23.59X for the S&P 500 Index.

Over the past five years, the stock has traded as high as 16.56X and as low as 5.17X, with a five-year median of 8.54X. Our Neutral recommendation indicates that the stock will perform in line with the market. Our \$66 price target reflects 10.21X forward earnings.

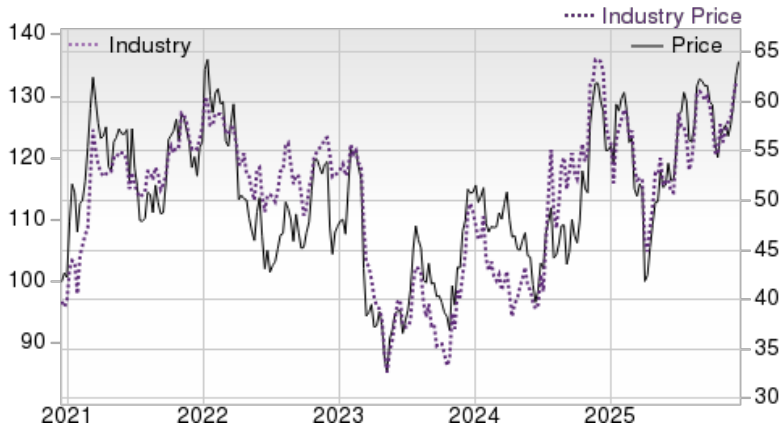
The table below shows the summary valuation data for WBS.

Valuation Multiples - WBS					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	9.67	9.34	17.26	23.59
	5-Year High	16.56	12.51	18.28	23.78
	5-Year Low	5.17	6.72	12.37	15.73
	5-Year Median	8.54	9.25	16.12	21.21
P/TB TTM	Current	1.71	1.59	5.96	12.93
	5-Year High	2.22	1.77	6.03	16.57
	5-Year Low	1.08	1.03	3.44	10.52
	5-Year Median	1.61	1.47	4.74	13.66
P/S F12M	Current	3.35	2.79	9.07	5.33
	5-Year High	5.09	3.26	10.06	5.50
	5-Year Low	2.00	1.81	6.68	3.83
	5-Year Median	3.08	2.55	8.39	5.05

As of 12/05/2025

Source: Zacks Investment Research

Industry Analysis⁽¹⁾ Zacks Industry Rank: Top 29% (70 out of 243)



Top Peers⁽¹⁾

Company (Ticker)	Rec	Rank
Atlantic Union Banks...(AUB)	Neutral	3
Fulton Financial Cor...(FULT)	Neutral	3
Independent Bank Cor...(INDB)	Neutral	2
Merchants Bancorp (MBIN)	Neutral	3
Valley National Banc...(VLY)	Neutral	2
Zions Bancorporation...(ZION)	Neutral	3
OFG Bancorp (OFG)	Underperform	4
Bank OZK (OZK)	Underperform	4

Industry Comparison⁽¹⁾ Industry: Banks - Northeast

	WBS	X Industry	S&P 500	OZK	VLY	ZION
Zacks Recommendation (Long Term)	Neutral	-	-	Underperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	4	2	3
VGM Score	D	-	-	C	F	C
Market Cap	10.32 B	283.23 M	38.74 B	5.41 B	6.64 B	8.75 B
# of Analysts	9	2	22	6	6	8
Dividend Yield	2.50%	2.14%	1.42%	3.72%	3.70%	3.04%
Value Score	B	-	-	B	D	B
Cash/Price	0.30	0.39	0.04	0.57	0.21	0.49
EV/EBITDA	9.19	7.99	14.56	3.18	12.55	4.10
PEG Ratio	1.10	0.82	2.18	NA	NA	0.98
Price/Book (P/B)	1.16	1.07	3.30	0.95	0.91	1.29
Price/Cash Flow (P/CF)	10.99	12.24	15.17	6.68	14.47	9.65
P/E (F1)	10.96	11.62	19.74	7.81	12.35	10.00
Price/Sales (P/S)	2.38	2.04	3.08	1.93	1.90	1.77
Earnings Yield	9.20%	8.50%	5.04%	12.80%	8.07%	10.00%
Debt/Equity	0.42	0.31	0.57	0.13	0.40	0.22
Cash Flow (\$/share)	5.82	2.44	8.99	7.23	0.82	6.15
Growth Score	F	-	-	D	F	F
Hist. EPS Growth (3-5 yrs)	10.17%	-0.71%	8.16%	16.95%	-10.44%	-0.72%
Proj. EPS Growth (F1/F0)	9.48%	19.16%	8.60%	0.81%	54.84%	19.80%
Curr. Cash Flow Growth	-15.45%	-1.91%	6.75%	5.92%	-34.05%	1.38%
Hist. Cash Flow Growth (3-5 yrs)	15.69%	3.15%	7.43%	11.04%	-0.41%	-2.57%
Current Ratio	0.85	0.95	1.18	1.03	0.97	0.82
Debt/Capital	28.71%	23.86%	38.01%	11.13%	27.80%	17.67%
Net Margin	21.32%	15.24%	12.78%	25.81%	14.86%	17.22%
Return on Equity	11.07%	9.87%	17.00%	13.00%	6.67%	13.56%
Sales/Assets	0.05	0.06	0.53	0.07	0.06	0.06
Proj. Sales Growth (F1/F0)	11.30%	0.00%	5.79%	3.70%	8.30%	6.40%
Momentum Score	A	-	-	C	B	B
Daily Price Chg	0.47%	0.00%	-1.16%	0.54%	-0.08%	-0.07%
1 Week Price Chg	2.35%	4.05%	-2.40%	3.05%	3.20%	6.38%
4 Week Price Chg	13.66%	11.69%	1.19%	10.49%	13.12%	17.57%
12 Week Price Chg	6.38%	7.59%	1.26%	-5.46%	10.60%	4.18%
52 Week Price Chg	17.34%	12.56%	14.46%	10.41%	28.79%	11.61%
20 Day Average Volume	1,236,843	32,329	2,751,030	940,966	7,007,857	1,389,778
(F1) EPS Est 1 week change	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.25%	0.00%	0.00%	-0.06%	0.20%	0.64%
(F1) EPS Est 12 week change	0.55%	1.19%	0.69%	-2.65%	2.95%	2.65%
(Q1) EPS Est Mthly Chg	-0.14%	0.00%	0.00%	0.00%	0.00%	0.00%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	B
Growth Score	F
Momentum Score	A
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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