



# Berkshire

## DIVIDEND STRATEGY

No Dividend Increases in 8  
Years?...Perfect! M&T Bancorp (MTB)

Gerard Mihalick, CFA | [Gmihalick@berkshiream.com](mailto:Gmihalick@berkshiream.com)

46 Public Square | Wilkes-Barre, PA 18701 | 570.825.2600

# No Dividend Increases in 8 Years?...Perfect! M&T Bancorp (MTB)



- Berkshire original purchase date: February 2016
- Attractive Mid-Atlantic banking franchise
- Culture of conservative loan underwriting, expense control and opportunistic capital allocation
- Disciplined credit history:
  - Quantifiable “lending alpha”
  - Minimal exposure to energy industry
- 1983-2015 dividend growth rate: 13.8%
- 2.60% current dividend yield
- Why hasn't the dividend increased in 8 years?
  - No dividend cut in 2008
  - Used cash for disciplined, “vulture-like” acquisitions during heart of financial crisis
    - Provident Bancorp (December 2008)
    - Wilmington Trust (November 2010)
    - Hudson City Bancorp (August 2012)
  - With acquisitions now integrated EPS could grow 12-14% in 2016, 2017....
  - ...paving the way for attractive dividend increases

# M&T Strategy: Timing and Price Make the Difference



## Wrong Price/Wrong Time/Value Destroying:

- May 2007: Wachovia completes acquisition of Golden West Financial (GDW) at peak of housing crisis. (3x price/book, 15x eps.)
- A huge write down ensues

## Right Price/Right Time/Value Enhancing:

- December 2008: M&T announces acquisition of Provident Bancorp (PBKS) (1x price/book 6x, eps)
- November 2010: M&T announces “take under” of struggling Wilmington Trust at discount to book value
- Instead of paying dividends the last few years, MTB executed low priced, well timed acquisitions. As a result, MTB’s earnings are set to rise sharply in 2016 and 2017...potentially paving the way for attractive dividend increases
- We believe this example epitomizes the difference between good management and bad

\*Holdings, sector weightings, market capitalization and portfolio characteristics are based on representative portfolio and are subject to change at any time. References to particular securities are intended only to explain the rationale for the portfolio manager’s action with respect to such securities. Holdings, sector weightings, market capitalization and portfolio characteristics of individual client portfolios may differ, sometimes significantly, from those shown. This information does not and should not be construed as investment advice or recommendations with respect to the sectors and securities, listed and it should not be used as the sole basis for any investment decision.

# Disclosure



**Organization:** Berkshire Asset Management, LLC is a Registered Investment Advisor under the Investment Advisors Act of 1940. Berkshire Asset Management manages portfolios for individuals and institutions. The firm is also a general partner of three investment partnerships. More information is available by reviewing Berkshire's Form ADV Part 2A available at [www.berkshiream.com](http://www.berkshiream.com) or calling 570-825-2600

**Performance Composite Disclosure:** The composite is composed of assets totaling approximately \$243 million as of 03/31/2015. The inception date of the composite is 05/31/2009. The accounts include a broad group of separately managed accounts of similar objective and managements style. Results are time weighted. Trade date accounting is used. Client liquidity and cash flow needs determine whether or not dividends and interest are reinvested back into the portfolio. All index data assumes reinvestment of interest and dividends at the rate of return of the Index. Performance results presented are calculated quarterly with geometrically linked annual returns. Net performance results do not reflect the deduction of investment advisory fees actually charged to the accounts in the composite but they do reflect the deduction of investment advisory fees based on the maximum standard fee rate charged by Berkshire (1%). Additional solicitor or third party advisor fees may apply and would reduce returns. Actual advisory fees may vary among clients invested in the strategy shown and may be or lower than model advisory fees. Returns for each client will be reduced by such fees and expenses as negotiated in any client contract. The U.S. Dollar is used to express performance. The results are not GIPS compliant nor are they audited by a third party. A complete list of Berkshire's composite is available upon request.

**Risks:** All investments are subject to risk, including possible loss of principal. Past performance does not guarantee future results. Dividends are not guaranteed, and may be subject to change. Investing based on dividends alone may not be favorable as it does not include all material risks. There is no guarantee any stated (or implied) portfolio or performance objective mentioned by Berkshire can be met. Berkshire's equity style may focus its investments in certain sectors or industries, thereby increasing potential volatility relative to other strategies or indices. References to particular outcomes are intended only to explain the rationale for the portfolio manager's action with respect to such securities. Such references do not include all material information about such securities, including risks.

**Market Commentary, Aggregate Holdings, Securities, Sectors, Portfolio Characteristics Mentioned:** No statement made in this presentation shall construe investment advice. This presentation is for informational purposes only. Views, comments or research mentioned is not intended to be a forecast of future events. The mention of any security or sector is not deemed as a recommendation to buy or sell. Any reference to any security or sector is used to explain the portfolio manager's action with respect to such securities. Research or financial statistics cited regarding securities or sectors do not contain all material information. Any securities mentioned represent a partial list of holdings whereas Berkshire portfolios typically contain a limited number of securities (30-40) usually in percentage weightings ranging from 1-5%. A complete list of holdings from a representative account is available upon request. Overall portfolio characteristics mentioned are from a representative account deemed to be similar to the overall strategy. Data may be compiled from Bloomberg LP, Thomson Reuters Baseline, other outside resources and Berkshire estimates. Individual holdings, performance and aggregate characteristics of actual portfolios may vary based on a variety of factors including market conditions, timing of client cash flows and manager discretion. This presentation contains Berkshire opinions and use of Berkshire estimates which are subject to change at any time. Berkshire employees may have personal positions in any securities or sectors mentioned. Charts, presentations or articles may be obtained from third parties and Berkshire does not guarantee their accuracy.

**Definitions:** The S&P 500 Index is a market capitalization weighted index of the largest 500 U.S. stocks. It is a market-value weighted index (stock price times # of shares outstanding), with each stock's weight in the index proportionate to its market value. The index is designed to measure changes in the economy and is representative of most major industries. You cannot invest directly in an index. Beta is a measure of volatility vs. an index. Upside/Downside capture ratios refer to a portfolios performance as a percentage of either positive returns (upside) or negative returns (downside) vs an index. Standard Deviation is a measure of total risk or volatility.