

# Investors Bancorp in N.J. Focused on Execution after Raising \$2B

by [Robert Barba](#)

MAY 8, 2014 5:00pm ET

Investors Bancorp (ISBC) in Short Hills, N.J., just raised \$2.2 billion in capital, but its leader plans to celebrate the achievement with a slice of humble pie.

The company [completed its second-step conversion](#) from a mutual holding company to a stock corporation on Wednesday. The move comes about eight years after a first-step conversion raised \$500 million.

Kevin Cummings, Investors' chief executive, projected in late 2008 that the thrift with a portfolio skewed toward securities would have \$10 billion in assets in five years and that commercial loans would make up nearly a third of its portfolio. Through acquisitions and hiring talent, Investors ended the first quarter with \$16.4 billion in assets, and half of its portfolio consists of commercial and multifamily loans.

Cummings, having achieved his goals with the first conversion, wants to use the latest round of capital to get Investors to \$30 billion in assets in the next five to six years. The key, he says, is improved execution of its game plan.

"If we think we can do the same thing we did the first time and be as successful, we are wrong," he says. "We have to do it better."

For Investors, that means building out its commercial team, Cummings says. In 2007, the team had less than 25 people. Today, it has more than a 100 and the company is looking for more ways to bring in additional talent.

While Investors is striving to make the strategy better, the way it gets there is by making sure it stays grounded, Cummings says. He wants to foster a culture within the company that is congenial, humble and keeps in touch with its customers. To drive home his point, Cummings turns to sports analogies, singling out Alex Rodriguez, the suspended third baseman for the New York Yankees, who is largely viewed as arrogant.

"We don't want our people to act like A-Rod," he says. "Act like Cal Ripken Jr., and make others better. Don't suck the air out of the room when you enter it."

While Cummings is reluctant to rely on past achievements as an indication of future success, industry observers are supportive of the company. They say Cummings has built a reputation with investors as a leader who does a good job deploying capital.

"They have a good banking team and have succeeded with both organic growth and M&A in a difficult time," says Don Musso, president of FinPro, a community bank advisory firm in Liberty Corner, N.J. "They played it as well as they could have played it."

About 40% of Investors' growth since the first-step conversion is tied to acquisitions, Cummings says. Investors' deals often stood out because the company was buying when others were playing defense and because it was able to make creative deals work.

Investor's acquisition strategy ramped up in recent years as it looked to absorb other mutual holding companies before it embarked on its second-step conversion. Now that it is a stock corporation, Investors is no longer allowed to buy mutual holding companies. In December, it [completed its purchase of the \\$1.7 billion-asset Roma Financial](#). A month later, it closed on the [acquisition of the \\$301 million-asset Gateway Community Financial](#).

"They talked to every mutual or mutual holding company out there and did what they could do," Musso says.

Acquisitions will also be part of the company's strategy going forward, Cummings says, just not right now. It is still completing the conversions of Roma and Gateway. Investors will also complete a full core processing conversion to Fiserv this year.

"Our back office is fully focused on" the processing conversion, Cummings says.

Investors should be able to return to acquisitions next year, Cummings says. That should also give the company's stock some time to rebound from the dilution brought on by the issuance of \$2.2 billion in stock. On Thursday, the company's stock was trading at 105% of its tangible book value when adjusted for the exchange ratio. Cummings says he wants it to be trading at more than 125% of tangible book before it looks to buy again.

"The core processing conversion fits in nicely with the timing," Cummings says. "We want to be in the 125% to 135% range. We will be more attractive and we want to be good stewards of our capital."

When it returns, Investors will likely be looking for "singles and doubles," Cummings says. Targets will likely have \$1 billion to \$2 billion in assets and will be deposit rich since the company's loan-to-deposit ratio exceeds 100%. He says there are up to 70 banks with \$500 million to \$10 billion in assets between Philadelphia and New York's Long Island that could pique Investors' attention.

Investors' first-quarter earnings rose 26% from a year earlier, to \$34.4 million. Cummings notes that the company earned \$12 million for the entirety of 2007.

"Our success scares me. We can't become arrogant. We have to stay humble and work hard," Cummings says. "There are plenty of conversions that have not done as well in the second step as they did the first time."