



Fulton Financial Corporation (FULT)

Updated October 20th, 2023, by Patrick Neuwirth

Key Metrics

Current Price:	\$12	5 Year CAGR Estimate:	18.7%	Market Cap:	\$2.1 B
Fair Value Price:	\$17	5 Year Growth Estimate:	8.0%	Ex-Dividend Date¹:	12/29/23
% Fair Value:	72%	5 Year Valuation Multiple Estimate:	6.8%	Dividend Payment Date¹:	01/15/24
Dividend Yield:	5.2%	5 Year Price Target	\$25	Years Of Dividend Growth:	13
Dividend Risk Score:	C	Retirement Suitability Score:	B	Rating:	Buy

Overview & Current Events

Fulton Financial Corporation (FULT) is a U.S.-based diversified financial services company with over \$27 billion in assets and more than 200 branches across Pennsylvania, Maryland, Delaware, New Jersey, and Virginia. It offers a range of consumer and commercial banking products and services, such as checking and savings deposit products and loan products. Its services cover five distinct divisions: consumer banking, commercial banking, mortgage banking, wealth management, and others. In November 2022, Prudential Bank merged into Fulton Bank, N.A. and announced the subsequent conversion of Prudential Bank's systems onto Fulton Bank's banking platforms. Fulton Financial Corporation founded in 1882, is a \$2.1 billion company and has about 3,300 employees.

On October 17th, 2023, Fulton Financial Corporation released third quarter 2023 results for the period ending September 30th, 2023. For the quarter, the company reported net income available to common shareholders of \$69.5 million, or \$0.42 per diluted share, a decrease of \$7.5 million, or 9.7%, in comparison to the second quarter of 2023. For the first nine months of 2023, net income available to shareholders was \$212.3 million, or \$1.27 per diluted share, marking a 7.5% increase compared to the same period in 2022. The net interest income for the reported quarter was \$213.8 million, with the net interest margin for the third quarter of 2023 was 3.40%, consistent with the second quarter of 2023. The \$1.0 million increase in net interest income was primarily due to higher loan yields and an increase in the average balance of net loans, partially offset by an increase in the rate of average interest-bearing deposits and a shift in the funding mix from noninterest-bearing demand deposits to interest-bearing deposits.

The company also reported improvements in asset quality, with non-performing assets decreasing to \$143.5 million, or 0.52% of total assets, at the end of September 2023. Net charge-offs for the quarter were standing at 0.10% of total average loans. Management's 2023 guidance for net interest income is in the range of \$830 to \$840 million², previously in the range of \$850 to \$870 million and compared to \$781 million in 2022. For the first nine months of 2023, the company reported \$642 million net interest income.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$0.83	\$0.84	\$0.85	\$0.93	\$0.98	\$1.18	\$1.35	\$1.08	\$1.62	\$1.67	\$1.70	\$2.50
DPS	\$0.32	\$0.34	\$0.38	\$0.41	\$0.47	\$0.48	\$0.52	\$0.52	\$0.56	\$0.60	\$0.64	\$0.86
Shares³	194	179	174	174	175	170	164	162	161	165	169	169

The bank has grown earnings by 8.1% per year over the past nine years and 7.6% over the past five years. We expect earnings to increase by 8% per year for the next five years.

The company has been able to increase its yearly dividend payout for 13 consecutive years. Over the last five years, the average annual dividend growth rate is 3.5%. In June 2023, the quarterly dividend increased by 6.7% from \$0.15 to \$0.16 per share. The company paid special dividends of \$0.04 per share in 2019, \$0.04 in 2020, \$0.08 in 2021, and \$0.06 in 2022.

¹ Estimated date.

² Q2-2023 Management presentation

³ In millions.

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Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Avg. P/E	16.2	14.4	14.9	15.4	18.7	14.7	12.2	11.1	9.9	9.6	7.2	10.0
Avg. Yld.	1.9%	2.7%	3.0%	2.9%	2.6%	2.8%	3.1%	4.7%	3.5%	3.6%	5.2%	3.4%

During the past decade shares of Fulton Financial Corporation have traded with an average price-to-earnings ratio of about 13.7 times earnings and today, it stands at 7.2. We are using 10 times earnings as a fair value baseline, implying the potential for a valuation tailwind. The company's dividend yield is currently 5.2% which is well above the average yield over the past decade of 3.1%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	39%	40%	45%	44%	48%	41%	39%	48%	35%	36%	38%	34%

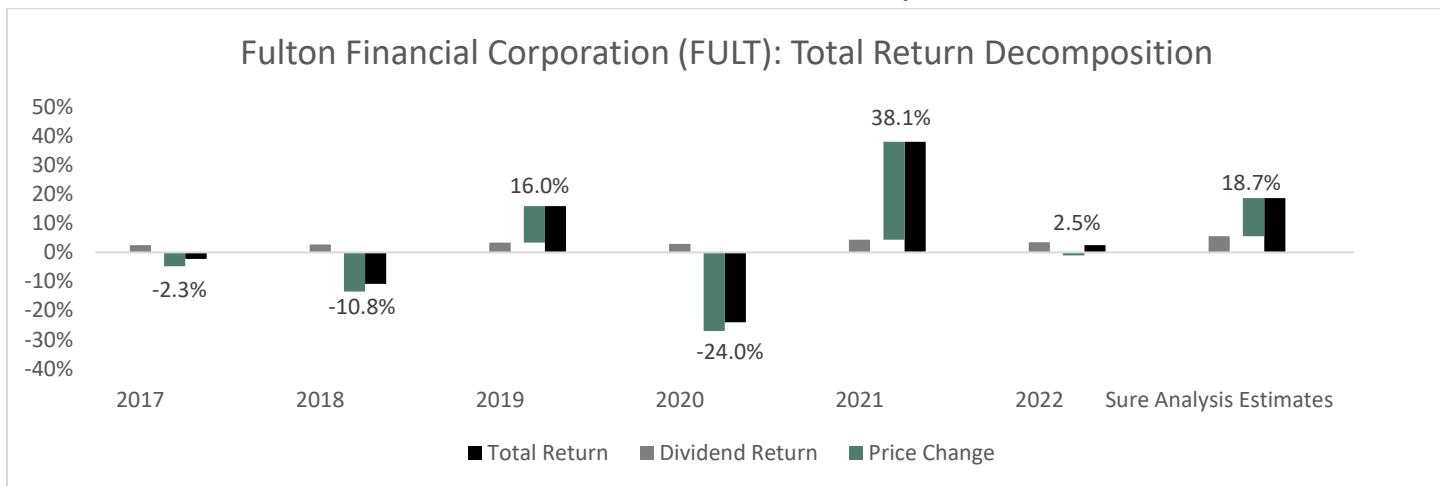
During the past five years, the company's dividend payout ratio has averaged around 41%. The bank's dividend is comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at the same pace and keep the payout ratio around the same levels which is safe.

Fulton Financial Corporation is a well-established financial services company that has a strong presence in the Mid-Atlantic region of the United States. The bank's income and revenue model is primarily based on the interest income from loans and investment securities, as well as fees and commissions from various financial services. The company's diversified business model, coupled with its focus on providing exceptional customer service, has helped it achieve consistent growth and financial performance over the years. With a strong balance sheet, a solid track record of profitability, and a commitment to innovation, Fulton Financial Corporation is well-positioned to continue delivering value to its shareholders and customers in the years to come.

Final Thoughts & Recommendation

Fulton Financial Corporation is a U.S.-based diversified financial services company with an above-average dividend yield, combined with a sound dividend payout ratio. The bank's diversified business model and focus on efficiency, innovation, and customer service, mixed with its strong regional presence, should support its future earnings growth. The share price has come under selling pressure since the banking crisis emerged and is down 28% year-to-date. We estimate total return potential of 18.7% per year for the next five years based on an 8% earnings-per-share growth, a 5.2% yield, and a valuation tailwind. Shares earn a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	715	682	682	711	778	826	865	859	937	1,009
SG&A Exp.	273	270	280	300	309	323	328	338	345	376
D&A Exp.	28	26	28	27	28	28	30	29	29	32
Net Profit	162	158	150	162	172	208	226	178	275	287
Net Margin	22.6%	23.1%	21.9%	22.7%	22.1%	25.2%	26.2%	20.7%	29.4%	28.4%
Free Cash Flow	277	186	150	206	255	257	94	137	325	577
Income Tax	51	53	50	47	63	25	38	24	59	60

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	16,935	17,125	17,915	18,944	20,037	20,682	21,886	25,907	25,796	26,932
Cash & Equivalents	289	367	240	239	264	244	518	1,848	1,639	682
Inventories	44	42	43	46	53	59	61	73	57	92
Goodwill & Int.	576	574	573	569	569	570	575	565	573	595
Total Liabilities	14,871	15,128	15,873	16,823	17,807	18,435	19,544	23,290	23,084	24,352
Accounts Payable	15	18	11	10	9	11	9	10	7	10
Long-Term Debt	1,384	1,305	1,138	996	1,264	1,704	1,765	1,926	621	1,791
Total Equity	2,063	1,997	2,042	2,121	2,230	2,248	2,342	2,424	2,520	2,387
LTD/E Ratio	0.67	0.65	0.56	0.47	0.57	0.76	0.75	0.74	0.23	0.69

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	1.0%	0.9%	0.9%	0.9%	0.9%	1.0%	1.1%	0.7%	1.1%	1.1%
Return on Equity	7.8%	7.8%	7.4%	7.8%	7.9%	9.3%	9.9%	7.5%	11.1%	11.7%
ROIC	4.9%	4.7%	4.6%	5.1%	5.2%	5.6%	5.6%	4.1%	7.0%	7.4%
Shares Out.	194	179	174	174	175	170	164	162	161	165
Revenue/Share	3.68	3.64	3.86	4.08	4.42	4.68	5.15	5.26	5.74	6.10
FCF/Share	1.43	0.99	0.85	1.18	1.45	1.46	0.56	0.84	1.99	3.49

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

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