Fulton Financial Corporation (FULT)

Updated April 19th, 2024, by Patrick Neuwirth

Key Metrics

Current Price:	$14	**5 Year CAGR Estimate:**	12.3%	**Market Cap:**	$2.4 B
Fair Value Price:	$16	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date[1]:**	06/28/24
% Fair Value:	93%	**5 Year Valuation Multiple Estimate:**	1.4%	**Dividend Payment Date[1]:**	07/15/24
Dividend Yield:	4.7%	**5 Year Price Target**	$22	**Years Of Dividend Growth:**	14
Dividend Risk Score:	D	**Retirement Suitability Score:**	C	**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 $2.4 billion company and has about 3,300 employees.

On April 16th, 2024, Fulton Financial Corporation released its first quarter 2024 results for the period ending March 31st, 2024. For the first quarter, the company reported a net income available to common shareholders of $59.4 million, or $0.36 per diluted share. This was a decrease of $2.3 million, or 3.8%, compared to the fourth quarter of 2023.

The first quarter's net interest income was $206.9 million, a decrease of $5.1 million in comparison to the previous quarter. Net interest margin was 3.32%, slightly lower than the 3.36% in the fourth quarter of 2023. The decrease was primarily due to an increase in the rate on average interest-bearing deposits and a shift in the funding mix from noninterest-bearing demand deposits to interest-bearing deposits, partially offset by higher loan yields and a lower rate on average borrowings and other interest-bearing liabilities. In the first quarter, Fulton Financial Corporation recorded a provision for credit losses of $10.9 million, up slightly from $9.8 million in the fourth quarter of 2023 and $24.5 million in the first quarter of 2023. The provision for credit losses of $10.9 million recorded in the first quarter of 2024 was primarily due to net charge-offs of $8.6 million and loan growth. Non-interest income before investment securities gains was $57.1 million, a decrease of 5% from the previous quarter, primarily due to lower commercial customer interest rate swap fee income. Non-interest expense decreased to $177.6 million, helped by lower FDIC insurance expenses. During the fourth quarter of 2023, the corporation launched the "FultonFirst" initiative that is focused on simplicity, focus, and productivity to drive strategic transformation. In the first quarter of 2024, Fulton Financial Corporation recorded a total of $6.3 million related to the FultonFirst implementation costs and losses on asset disposals. This amount included a $3.6 million loss on disposal of assets, $2.5 million in consulting service expenses, and $0.2 million in severance expenses. Management's guidance for 2024 is more conservative compared to the full year results of 2023, with net interest income between $790 million to $820 million, provision for credit losses of $45 million to $65 million, and non-interest income ranging from $235 million to $250 million.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$0.84	$0.85	$0.93	$0.98	$1.18	$1.35	$1.08	$1.62	$1.67	$1.64	***$1.55***	***$2.17***
DPS	$0.34	$0.38	$0.41	$0.47	$0.48	$0.52	$0.52	$0.56	$0.60	$0.64	***$0.68***	***$0.91***
Shares[2]	179	174	174	175	170	164	162	161	165	167	***169***	***169***

[1] Estimated date.
[2] In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

Fulton Financial Corporation (FULT)

Updated April 19th, 2024, by Patrick Neuwirth

The bank has grown earnings by 7.7% per year over the past 10 years and 2.8% over the past five years. We expect earnings to increase by 7% per year for the next five years. The company has been able to increase its yearly dividend payout for 14 consecutive years. Over the last five years, the average annual dividend growth rate is 5.5%. In December 2023, the quarterly dividend increased by 6.3% from $0.16 to $0.17 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.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	14.4	14.9	15.4	18.7	14.7	12.2	11.1	9.9	9.6	7.5	***9.3***	***10.0***
Avg. Yld.	1.9%	3.0%	2.9%	2.6%	2.8%	3.1%	4.7%	3.5%	3.6%	5.2%	***4.7%***	***4.2%***

During the past decade shares of Fulton Financial Corporation have traded with an average price-to-earnings ratio of about 12.8 times earnings and today, it stands at 9.3. We are using 10 times earnings as a fair value baseline, implying the potential for a small valuation tailwind. The company's dividend yield is currently 4.7% which is well above the average yield over the past decade of 3.4%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	40%	45%	44%	48%	41%	39%	48%	35%	36%	39%	***44%***	***42%***

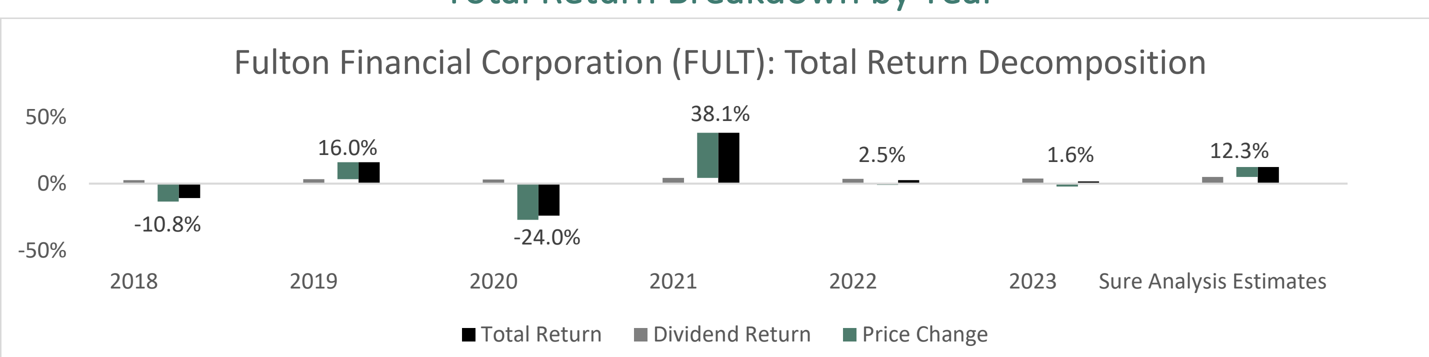
During the past five years, the company's dividend payout ratio has averaged around 41%. The bank's dividend is comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at the same pace and keep the payout ratio around the same levels which 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. We estimate total return potential of 12.3% per year for the next five years based on an 7% earnings-per-share growth, a 4.7% yield, and a valuation tailwind. Shares earn a buy rating.

Total Return Breakdown by Year



Click here to rate and review this research report. Your feedback is important to us.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

Fulton Financial Corporation (FULT)

Updated April 19th, 2024, by Patrick Neuwirth

Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	682	682	711	778	826	865	859	937	1,009	1,082
SG&A Exp.	270	280	300	309	323	328	338	345	376	405
D&A Exp.	26	28	27	28	28	30	29	29	32	33
Net Profit	158	150	162	172	208	226	178	275	287	284
Net Margin	23.1%	21.9%	22.7%	22.1%	25.2%	26.2%	20.7%	29.4%	28.4%	26.2%
Free Cash Flow	186	150	206	255	257	94	137	325	577	330
Income Tax	53	50	47	63	25	38	24	59	60	64

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	17,125	17,915	18,944	20,037	20,682	21,886	25,907	25,796	26,932	27,570
Cash & Equivalents	367	240	239	264	244	518	1,848	1,639	682	532
Inventories	42	43	46	53	59	61	73	57	92	---
Goodwill & Int.	574	573	569	569	570	575	565	573	595	561
Total Liabilities	15,128	15,873	16,823	17,807	18,435	19,544	23,290	23,084	24,352	24,810
Accounts Payable	18	11	10	9	11	9	10	7	10	35
Long-Term Debt	1,305	1,138	996	1,264	1,704	1,765	1,926	621	1,791	1,636
Total Equity	1,997	2,042	2,121	2,230	2,248	2,342	2,424	2,520	2,387	2,567
LTD/E Ratio	0.65	0.56	0.47	0.57	0.76	0.75	0.74	0.23	0.69	0.59

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	4	0.9%	0.9%	0.9%	1.0%	1.1%	0.7%	1.1%	1.1%	1.0%
Return on Equity	7.8%	7.4%	7.8%	7.9%	9.3%	9.9%	7.5%	11.1%	11.7%	10.7%
ROIC	4.7%	4.6%	5.1%	5.2%	5.6%	5.6%	4.1%	7.0%	7.4%	6.5%
Shares Out.	179	174	174	175	170	164	162	161	165	167
Revenue/Share	3.64	3.86	4.08	4.42	4.68	5.15	5.26	5.74	6.10	6.49
FCF/Share	0.99	0.85	1.18	1.45	1.46	0.56	0.84	1.99	3.49	1.98

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