Fulton Financial Corporation (FULT)

Updated October 16th, 2024, by Patrick Neuwirth

Key Metrics

Current Price:	$18.79	**5 Year CAGR Estimate:**	8.8%	**Market Cap:**	$3.4 B
Fair Value Price:	$17.50	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date[1]:**	12/27/24
% Fair Value:	107%	**5 Year Valuation Multiple Estimate:**	-1.4%	**Dividend Payment Date[1]:**	01/15/25
Dividend Yield:	3.6%	**5 Year Price Target**	$25	**Years Of Dividend Growth:**	14
Dividend Risk Score:	D	**Retirement Suitability Score:**	C	**Rating:**	Hold

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 $3.4 billion company and has about 3,400 employees.

On October 15th, 2024, Fulton Financial Corporation released its third quarter 2024 results for the period ending September 30th, 2024. For the third quarter, the company reported a net income available to common shareholders of $60.6 million, or $0.33 per diluted share, a significant decrease of $31.8 million, or $0.19 per share, in comparison to the second quarter of 2024. The decline in earnings per share was primarily due to a $55.1 million reduction in the gain on acquisition compared to the previous quarter, along with higher non-interest expenses driven by severance costs and acquisition-related expenses. Despite the lower EPS, operating net income available to common shareholders for Q3 2024 increased to $91.3 million (or $0.50 per diluted share), marking a rise of $8.8 million, or $0.03 per share, compared to the second quarter. Net interest income for Q3 2024 was $258 million, up $16.3 million from Q2, primarily driven by the full-quarter impact of the Republic Bank acquisition and higher on-balance sheet liquidity. Net interest margin expanded to 3.49%, an increase of 6 basis points from the prior quarter. Fulton recorded a provision for credit losses of $11.9 million, significantly lower than the $32.1 million provision in the second quarter. The Q2 provision had been elevated due to the acquisition, which included a $23.4 million provision for non-purchased credit deteriorated loans. In Q3, the lower provision reflected a stabilization in loan loss expectations. Non-interest income dropped to $59.7 million, a sharp decline from $113.3 million in Q2, mainly due to the aforementioned $55.1 million reduction in the gain on acquisition. Non-interest expense increased to $226.1 million in Q3, up from $199.5 million in Q2. This was largely due to $14.2 million of acquisition-related expenses and $9.4 million in costs associated with the ongoing FultonFirst initiative, including severance payments.

Management's guidance for full-year 2024 remains consistent, with expectations for net interest income ranging between $925 million and $950 million, provision for credit losses of $40 million to $60 million, and non-interest income between $240 million and $260 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	***$1.75***	***$2.45***
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 October 16th, 2024, by Patrick Neuwirth

The bank has grown earnings by 7.7% per year over the past 10 years and 5.3% 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	***10.7***	***10.0***
Avg. Yld.	1.9%	3.0%	2.9%	2.6%	2.8%	3.1%	4.7%	3.5%	3.6%	5.2%	***3.6%***	***3.7%***

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 10.7. We are using 10 times earnings as a fair value baseline, implying the potential for a small valuation headwind. The company's dividend yield is currently 3.6% which is just 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%	***39%***	***37%***

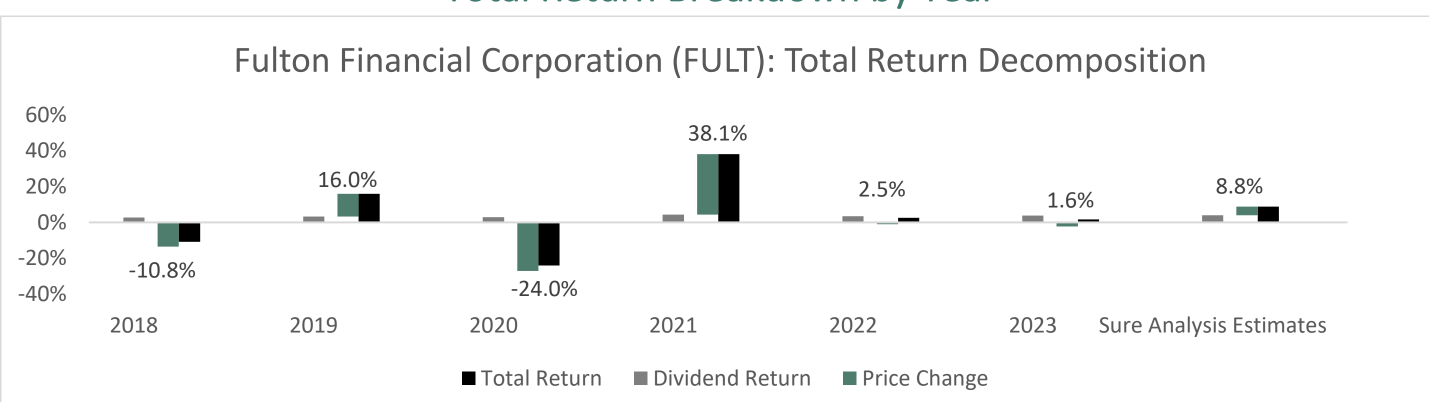
During the past five years, the company's dividend payout ratio has averaged around 41%. The bank's dividend is comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at the same pace and keep the payout ratio around the same levels which 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 8.8% per year for the next five years based on an 7% earnings-per-share growth, a 3.5% yield, and a valuation headwind. Shares earn a hold rating.

Total Return Breakdown by Year



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 October 16th, 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.