Associated Banc-Corp (ASB)

Updated January 26th, 2025, by Patrick Neuwirth

Key Metrics

Current Price:	$25.12	**5 Year CAGR Estimate:**	8.6%	**Market Cap:**	$4.1 B
Fair Value Price:	$24.00	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	02/28/25
% Fair Value:	105%	**5 Year Valuation Multiple Estimate:**	-0.9%	**Dividend Payment Date[1]:**	03/14/25
Dividend Yield:	3.7%	**5 Year Price Target**	$32	**Years Of Dividend Growth:**	14
Dividend Risk Score:	D	**Retirement Suitability Score:**	C	**Rating:**	Hold

Overview & Current Events

Associated Banc-Corp (ASB) is a diversified bank holding company. Through its subsidiaries, it provides banking and nonbanking products and services to individuals and businesses, primarily within its three-state branch footprint of Wisconsin, Illinois, and Minnesota. It is Wisconsin's largest bank, with $43 billion in assets and nearly 200 offices. Half of its loans remain in its home state, followed by 22% in Illinois and 16% in Minnesota, with the remainder distributed across 40 other states. Its loan portfolio composition includes 24% commercial real estate and construction loans, 28% general commercial loans, 18% home equity lines, and 30% residential mortgages. ASB is a $4.1 billion company and has about 4,200 employees.

On January 23rd, 2025, Associated Banc-Corp released its fourth quarter and full year 2024 results for the period ending December 31st, 2024. For the quarter, the company reported a net loss of $164 million compared to net income of $85 million in the preceding quarter and a net loss of $94 million in the same quarter last year. Earnings per diluted share (EPS) for the same periods were $(1.03), $0.56, and $(0.62), respectively.

Associated Banc-Corp showed resilient core operations, supported by balanced loan and core deposit growth and strong credit quality metrics. Total period-end loans decreased by $222 million, driven by the sale of $723 million in residential mortgages as part of a strategic balance sheet repositioning. Adjusted for the sale, loans increased by $501 million during the quarter. Total deposits rose by $1.1 billion, supported by an $869 million increase in core customer deposits. Net interest income increased to $270 million, up $8 million from the prior quarter, with a net interest margin of 2.81%, compared to 2.78% in Q3. Noninterest expense increased to $224 million, up from $201 million in Q3, reflecting a $14 million expense for the prepayment of FHLB advances. The provision for credit losses was $17 million, down from $21 million in Q3, indicating stable credit quality. The CET1 capital ratio improved to 10.00%, up from 9.72% in Q3.

For the full year 2024, EPS was $0.72, or $2.38 on an adjusted basis, excluding nonrecurring items. This compares to EPS of $1.13 in 2023, representing a 36% decline on a GAAP basis. On an adjusted basis, EPS increased by 9% from $2.19 in 2023 to $2.38 in 2024. The nonrecurring items primarily stemmed from strategic balance sheet repositioning in the fourth quarter, including a $148 million net loss on the sale of investments, a $130 million loss on the sale of $723 million in residential mortgage loans, a $14 million expense for prepayment of FHLB advances, a $1 million increase in the provision for credit losses, and a $39 million tax benefit.

Associated Banc-Corp's 2025 outlook reflects optimism driven by strategic actions, with expectations of 5%-6% loan growth and 4%-5% core customer deposit growth. The company anticipates 12% to 13% net interest income growth and stable credit quality, supported by operational enhancements and balance sheet repositioning.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.19	$1.26	$1.52	$1.89	$1.91	$1.86	$2.18	$2.34	$1.13	$0.72	***$2.40***	***$3.21***
DPS	$0.41	$0.45	$0.50	$0.62	$0.69	$0.72	$0.76	$0.81	$0.85	$0.88	***$0.92***	***$1.35***
Shares[1]	151	152	153	164	157	154	149	149	149	149	***149***	***149***

[1] In millions.

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The company has grown earnings by -5.4% per year over the past decade and 5.2% over the past five years. We expect earnings to increase by 6% per year for the next five years. This is based on the assumption of net interest income growth, supported by loan and deposit growth. 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 5.0%. In October 2024, the company increased its quarterly dividend by 4.5% from $0.22 to $0.23 per share.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	15.9	15.1	16.1	13.5	11.1	8.1	9.8	9.8	9.9	12.0	***10.5***	***10.0***
Avg. Yld.	1.9%	2.4%	2.0%	2.4%	3.2%	4.8%	3.6%	3.8%	4.1%	3.7%	***3.7%***	***4.2%***

During the past decade shares of Associated Banc-Corp have traded with an average price-to-earnings ratio of 12.5 times earnings and today, it stands at 10.5. We are using 10.0 times earnings as a fair value baseline, implying the potential for a valuation headwind. The company's dividend yield is currently 3.7%, which is above the average yield over the past decade of 3.2%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	34%	36%	33%	33%	36%	39%	35%	35%	75%	122%	***38%***	***42%***

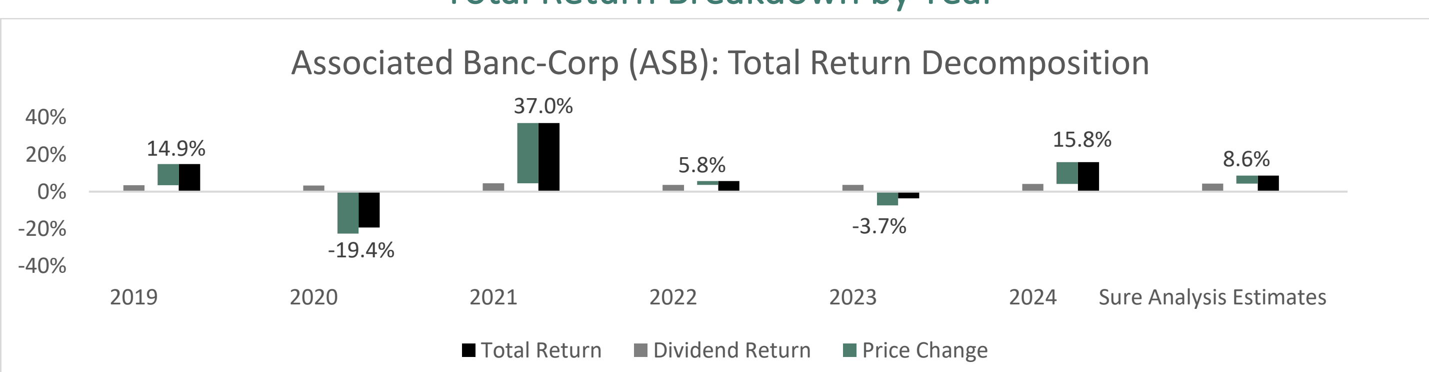
During the past five years, the company's dividend payout ratio has averaged around 60%. Associated Banc-Corp 's dividend is comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at least at the same pace and keep the payout ratio around the same levels which is safe.

The bank is well-positioned to continue its loan growth this year. ASB's lending capabilities have expanded in recent quarters through its new auto finance, equipment finance, and asset-based lending verticals. In addition to this growth-focused strategy, the bank has planned a $50 million investment over the next five years, called "Digital Forward," aimed at improving its digital capabilities and processes. This initiative is expected to result in a growing net interest margin, an improved efficiency ratio, and expanded operating leverage. The company launched a new Mass Affluent initiative in 2022, which has driven core customer deposit growth of 3%-5%, resulting in an increase of over $1.5 billion since its launch. The bank also plans to launch 15 new consumer and business products, along with digital initiatives, to drive deposit acquisition and expand its commercial presence by adding 26 commercial and business relationship managers (RMs).

Final Thoughts & Recommendation

Associated Banc-Corp is a regional bank with a solid earnings-per-share track record and an above average dividend yield of 3.7%. The bank should benefit from higher interest rates and its strategy to grow loans and become more digital. We estimate total return potential of 8.6% per year for the next five years, based on 6% earnings-per-share growth, the dividend, and a valuation headwind. Shares earn a hold rating due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	972	1,006	1,060	1,067	1,228	1,208	1,257	1,049	1,234	1,097
SG&A Exp.	496	517	543	552	616	615	552	548	502	564
D&A Exp.	65	62	60	59	66	81	83	75	54	94
Net Profit	191	188	200	229	334	327	307	351	366	183
Net Margin	19.6%	18.7%	18.9%	21.5%	27.2%	27.1%	24.4%	33.5%	29.7%	16.7%
Free Cash Flow	149	247	538	411	431	507	495	477	784	381
Income Tax	86	81	87	110	80	80	20	85	94	23

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	26,822	27,712	29,139	30,484	33,615	32,386	33,420	35,104	39,410	41,020
Cash & Equivalents	1,016	455	596	683	728	581	715	1,026	594	909
Acc. Receivable	---	---	---	---	---	91	90	81	144	170
Goodwill & Int.	997	1,047	1,049	1,050	1,313	1,332	1,220	1,218	1,232	1,230
Total Liabilities	24,022	24,775	26,048	27,246	29,834	28,464	29,329	31,079	35,390	36,840
Long-Term Debt	4,504	3,079	3,345	3,749	4,415	3,760	2,240	1,905	4,604	2,481
Total Equity	2,741	2,816	2,931	3,078	3,524	3,665	3,737	3,832	3,821	3,980
LTD/E Ratio	1.61	1.05	1.08	1.16	1.17	0.96	0.55	0.47	1.15	0.59

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	0.7%	0.7%	0.7%	0.8%	1.0%	1.0%	0.9%	1.0%	1.0%	0.5%
Return on Equity	6.8%	6.8%	7.0%	7.6%	10.1%	9.1%	8.3%	9.3%	9.6%	4.5%
ROIC	2.8%	2.8%	3.2%	3.4%	4.4%	4.1%	4.4%	5.7%	5.0%	2.4%
Shares Out.	152	151	152	153	164	157	154	149	151	151
Revenue/Share	6.14	6.68	7.07	6.94	7.23	7.46	8.18	6.90	8.20	7.27
FCF/Share	0.94	1.64	3.58	2.68	2.54	3.13	3.22	3.14	5.21	2.53

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