Fifth Third Bancorp (FITB)

Updated January 21st, 2025 by Nathan Parsh

Key Metrics

Current Price:	$45	**5 Year CAGR Estimate:**	2.2%	**Market Cap:**	$30 billion
Fair Value Price:	$36	**5 Year Growth Estimate:**	3.0%	**Ex-Dividend Date:**	03/27/2025[1]
% Fair Value:	124%	**5 Year Valuation Multiple Estimate:**	-4.3%	**Dividend Payment Date:**	04/15/2025[2]
Dividend Yield:	3.3%	**5 Year Price Target**	$42	**Years Of Dividend Growth:**	14
Dividend Risk Score:	D	**Retirement Suitability Score:**	C	**Rating:**	Sell

Overview & Current Events

Fifth Third Bancorp owns and operates banks in 12 midwestern and southern U.S. states, including Georgia, Florida, Michigan, and Ohio. The company has nearly 1,100 offices. Fifth Third Bancorp has a market capitalization of $30 billion and generates annual revenues of ~$9 billion.

On September 12th, 2024, Fifth Third Bancorp announced that it was increasing its quarterly dividend 5.7% to $0.37 for the October 15th, 2024 payment date, extending the company's dividend growth streak to 14 years.

On January 21st, 2025, Fifth Third Bancorp announced fourth quarter and full year earnings results for the period ending December 31st, 2024. For the quarter, revenue grew 0.5% to $2.18 billion, but this was $30 million less than expected. Adjusted earnings-per-share of $0.90 compared to $0.99 in the prior year, but was $0.03 ahead of estimates. For the year, revenue declined 5.4% to $8.51 billion while adjusted earnings-per-share of $3.14 compared to $3.22 in 2023.

For the quarter, average portfolio loans and leases decreased 0.8% year-over-year, but grew 0.9% from Q3 2024 to $117.9 billion. Provisions for credit losses of $179 million compared to $55 million a year ago and to $160 million for the preceding quarter. The nonperforming asset ratio of 0.71% was higher by 12 basis points compared to the prior year's period and up 9 basis points from the third quarter of 2024. Average deposits of $167.2 billion represented a decline of 1.3% year-over-year, but was essentially unchanged quarter-over-quarter. Net interest income was higher by ~1.3% compared to both the prior year and preceding quarter. Net interest margin of 2.97% was up 12 basis points from last year and higher by 7 basis points sequentially. Compared to the prior year, Fifth Third Bancorp had return on average tangible common equity of 18.4% versus 19.8%, return on average common equity of 13.0% versus 12.9%, and return on average assets of 1.17% versus 0.98%.

Fifth Third Bancorp is expected to earn $3.62 in 2025.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
FFO	$2.01	$1.93	$2.65	$2.55	$2.77	$2.16	$3.77	$3.41	$3.22	$3.14	***$3.62***	***$4.20***
DPS	$0.52	$0.53	$0.60	$0.74	$0.94	$1.08	$1.20	$1.26	$1.34	$1.42	***$1.48***	***$1.72***
Shares[3]	785	750	694	647	709	713	698	694	688	675	***675***	***665***

Fifth Third Bancorp's earnings-per-share had a compound annual growth rate (CAGR) of 9% for the 2014 to 2023 period. The COVID-19 pandemic greatly impacted the banking sector in general and Fifth Third Bancorp in particular in 2020, setting up a very easy comparison for 2021. The previous 2010 to 2019 -year period saw a CAGR of almost 16%. That said, even this growth rate is deceiving as the bank was in the midst of a recovery from the 2007-2009 recession and started from a low base. We feel that a 3% earnings growth rate going forward is appropriate.

[1] Estimated ex-dividend date
[2] Estimated dividend payment date
[3] Share count 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.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	9.9	10.0	10.1	11.7	10.0	10.3	11.6	9.6	9.6	13.5	***12.4***	***10.0***
Avg. Yld.	2.6%	2.7%	2.2%	2.5%	3.4%	4.9%	2.5%	3.8%	3.9%	3.4%	***3.3%***	***4.1%***

Shares of Fifth Third Bancorp have increased $1, or 2.3%, since our October 24th, 2024 report. The stock has traded with an incredibly consistent valuation range over the last decade, rarely dropping below a price-to-earnings ratio of 8 and rarely averaging above 12. We have a five-year target multiple of 10 times earnings, as we feel that this valuation reflects the company's business prospects and reflects the medium- and long-term average price-to-earnings ratios. With shares trading with a price-to-earnings ratio of 12.4, this implies a 4.3% annual headwind to total returns from multiple compression through 2030.

Shares yield nearly twice the average yield of the S&P 500 index and the dividend has a 10-year CAGR of 5.1%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

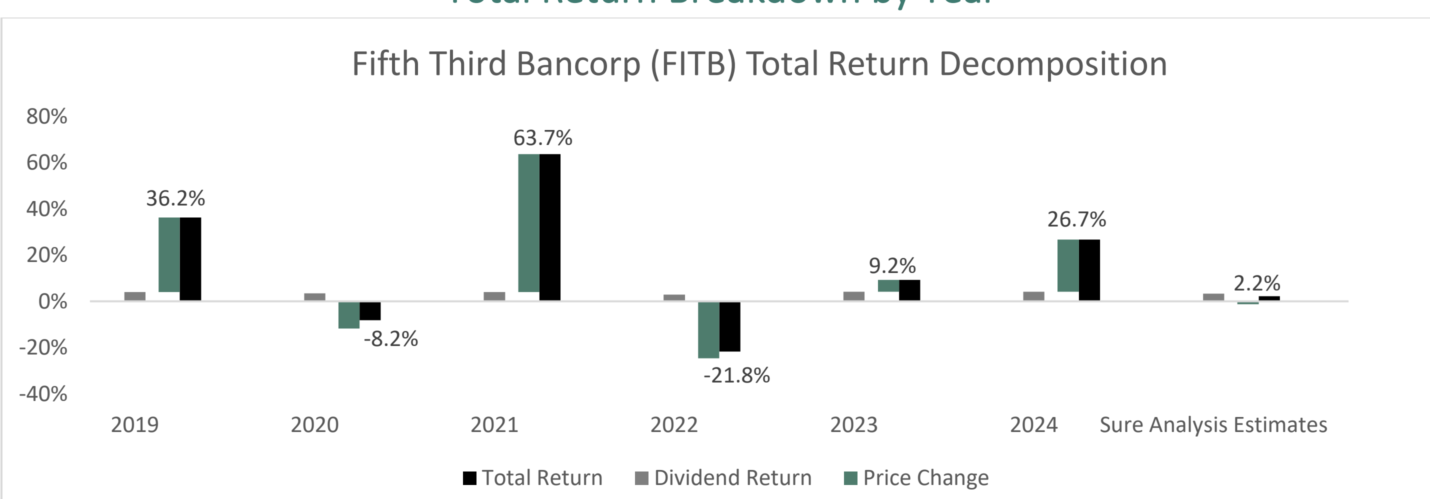
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	26%	27%	23%	29%	34%	50%	32%	37%	37%	45%	***41%***	***41%***

Along with much of the banking sector, Fifth Third Bancorp suffered significant losses during the financial crisis recession. Earnings-per-share totaled $1.70, -$3.94, and $0.67 for 2007, 2008 and 2009 respectively. At the same time, the dividend was cut twice for a total reduction of 98%. It took the company until 2013 to establish a new earnings-per-share high and the dividend still has not recovered from its pre-Great Recession levels. Growth since has been mixed, even without the impact of the COVID-19 pandemic. Therefore, we do not believe that Fifth Third Bancorp is a recession-proof name. We also do not find that Fifth Third Bancorp possess any significant advantages to its peers. The company does have a presence in certain growing states, such as Florida, but much of its core business is in the Midwest, which has seen population decline in recent years.

Final Thoughts & Recommendation

Fifth Third Bancorp is now expected to return 2.2% annually through 2030, up from our prior forecast of 1.1%. Our projected return stems from a 3% earnings growth rate and a starting yield of 3.3% that are offset by a mid-single-digit headwind from valuation. Totals loans fell slightly during the period, but the quality of the loan book remains very high. We have raised our five-year price target $4 to $42 to reflect earnings estimates for 2025, but we continue to view shares of Fifth Third Bancorp as a sell due to projected returns.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	5,892	5,659	5,649	6,098	7,164	7,243	7,506	8,059	8,410	8,395
SG&A Exp.	2,181	2,319	2,364	2,502	2,836	2,952	2,984	2,935	3,102	3,010
D&A Exp.	441	453	341	360	472	492	349	436	462	
Net Profit	1,712	1,547	2,180	2,193	2,512	1,427	2,770	2,446	2,349	2,314
Net Margin	29.1%	27.3%	38.6%	36.0%	35.1%	19.7%	36.9%	30.4%	27.9%	27.6%
Free Cash Flow	2,169	1,779	1,249	2,664	1,520	13	2,395	5,956	4,018	
Income Tax	659	665	799	572	690	370	747	647	639	602

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	141048	142177	142081	146069	169369	204680	211116	207452	214574	212927
Cash & Equivalents	2540	2392	2514	2681	3278	3147	2994	3466	3142	3014
Acc. Receivable	1982	2508	2141	2401	2702	2607	3025	3282	2804	
Goodwill & Int.	3213	3169	3330	3456	5446	5053	5791	6830	6781	6712
Total Liabilities	125178	125945	125861	129819	148166	181569	188906	190125	195402	193282
Long-Term Debt	15810	16888	18029	14426	14970	15012	11821	18040	18908	18787
Total Equity	14508	14874	14869	14919	19433	20995	20094	15211	17056	17529
LTD/E Ratio	1.00	1.04	1.11	0.89	0.71	0.65	0.53	1.04	0.99	0.96

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.2%	1.1%	1.5%	1.5%	1.6%	0.8%	1.3%	1.2%	1.1%	1.1%
Return on Equity	10.9%	9.6%	13.4%	13.5%	13.4%	6.4%	12.2%	12.4%	12.9%	11.9%
ROIC	5.5%	4.8%	6.5%	6.8%	7.5%	3.8%	7.7%	7.0%	6.4%	6.0%
Shares Out.	785	750	694	647	709	713	698	694	688	675
Revenue/Share	7.30	7.40	7.63	8.90	9.95	10.06	10.55	11.60	12.23	12.21
FCF/Share	2.69	2.33	1.69	3.89	2.11	0.02	3.37	8.57	5.84	

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