Zions Bancorporation (ZION)

Updated January 23rd, 2025, by Patrick Neuwirth

Key Metrics

Current Price:	$58	**5 Year CAGR Estimate:**	8.7%	**Market Cap:**	$8.7 B
Fair Value Price:	$58	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date[1]:**	02/14/25
% Fair Value:	99%	**5 Year Valuation Multiple Estimate:**	0.1%	**Dividend Payment Date[1]:**	02/28/25
Dividend Yield:	3.0%	**5 Year Price Target**	$78	**Years Of Dividend Growth:**	12
Dividend Risk Score:	C	**Retirement Suitability Score:**	C	**Rating:**	Hold

Overview & Current Events

Zions Bancorporation (ZION) is a bank holding company that operates full-service banking offices in 11 western states in the U.S. The company also offers a range of investment, mortgage, insurance, and electronic commerce services. Zions primarily focuses on providing banking services to small and midsize businesses, with the majority of its loans focused on commercial and commercial real estate lending. The company was formerly known as ZB, National Association and changed its name to Zions Bancorporation, National Association in September 2018. Zions Bancorporation is an $8.7 billion company that was founded in 1873 and has 9,696 employees.

On January 21st, 2025, Zions Bancorporation released its fourth quarter and full-year 2024 results for the period ending December 31st, 2024. For the quarter, the company reported net earnings of $200 million, a decrease from $204 million in the prior quarter, but an increase compared with net earnings of $116 million in the same quarter of 2023. Earnings per diluted share were $1.34, compared to $0.78 for the year-ago quarter and $1.37 in the previous quarter.

The company's net interest income was $627 million, up from $583 million in the prior-year quarter and $620 million in the third quarter of 2024. Results were primarily aided by a fourth consecutive quarter of net interest margin (NIM) expansion, higher revenues, and an improved efficiency ratio. However, challenges remain, including an increase in classified loans, particularly in commercial real estate (CRE). The net interest margin (NIM) was 3.05%, up from 2.91% in the fourth quarter of 2023 and 3.03% in the previous quarter. Noninterest income was $193 million, up from $156 million in the same quarter of the previous year and $172 million in the third quarter of 2024. Noninterest expense increased slightly to $509 million, compared to $502 million in the prior quarter, but remained flat compared to the same quarter in 2023. Total loans and leases were $59.3 billion, marking a 3.2% increase year-over-year. The provision for credit losses was $41 million, compared to $13 million in the prior quarter, with net charge-offs at an annualized 0.24% of loans. The allowance for credit losses remained stable at 1.25% of loans and leases.

The efficiency ratio was 62.0%, down from 64.2% for the full year of 2024 and 62.5% in the prior quarter, indicating continued operating efficiency. Total deposits were $76.4 billion, compared to $75.7 billion in the prior quarter, with noninterest-bearing deposits showing stability. The estimated Common Equity Tier 1 (CET1) capital ratio improved to 10.9%, up from 10.7% in the prior quarter and 10.3% in the previous year.

For the full year 2024, diluted earnings per share were $4.95, an increase from $4.35 in 2023, representing growth of 13.8%. Management's guidance for 2025 remains cautiously optimistic. Net interest income is expected to see moderate growth, supported by asset repricing, deposit repricing, and earning asset remix.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.20	$1.99	$2.83	$4.08	$4.16	$3.02	$6.79	$5.79	$4.35	$4.95	***$5.30***	***$7.09***
DPS	$0.22	$0.28	$0.44	$1.04	$1.28	$1.36	$1.44	$1.59	$1.59	$1.64	***$1.72***	***$2.20***
Shares[2]	204	203	198	188	165	164	152	150	150	150	***150***	***150***

[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.

Zions Bancorporation (ZION)

Updated January 23rd, 2025, by Patrick Neuwirth

The company has grown earnings by 17.1% per year since 2015 and 11.9% over the past five years. After the above-average growth EPS in 2021 and the decline in EPS for 2022 due to the absence of loan loss provision recoveries that occurred that year ($276 million), we expect earnings to increase by 6% per year for the next five years and key business drivers such as loan growth and NII to return to historical levels. The company has been able to increase its dividend for 12 consecutive years. Over the last five years, the average annual dividend growth rate is 4.8%. In November 2024, the company increased its quarterly dividend by 4.9% from $0.41 to $0.43 per share.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	23.7	14.4	15.6	12.7	11.2	11.8	8.0	9.3	9.5	10.8	***10.9***	***11.0***
Avg. Yld.	1.9%	1.0%	1.0%	2.0%	2.7%	3.8%	2.6%	3.2%	3.5%	3.2%	***3.0%***	***2.8%***

During the past decade shares of Zions Bancorporation have traded with an average price-to-earnings ratio of about 13 and today, it stands at 10.9. We are using 11 times earnings as a fair value baseline, implying the potential for a small valuation tailwind. The company's dividend yield is currently 3.0% which is above the average yield of 2.4% over the past decade.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Payout	10%	18%	14%	16%	25%	31%	45%	21%	29%	29%	***32%***	***31%***

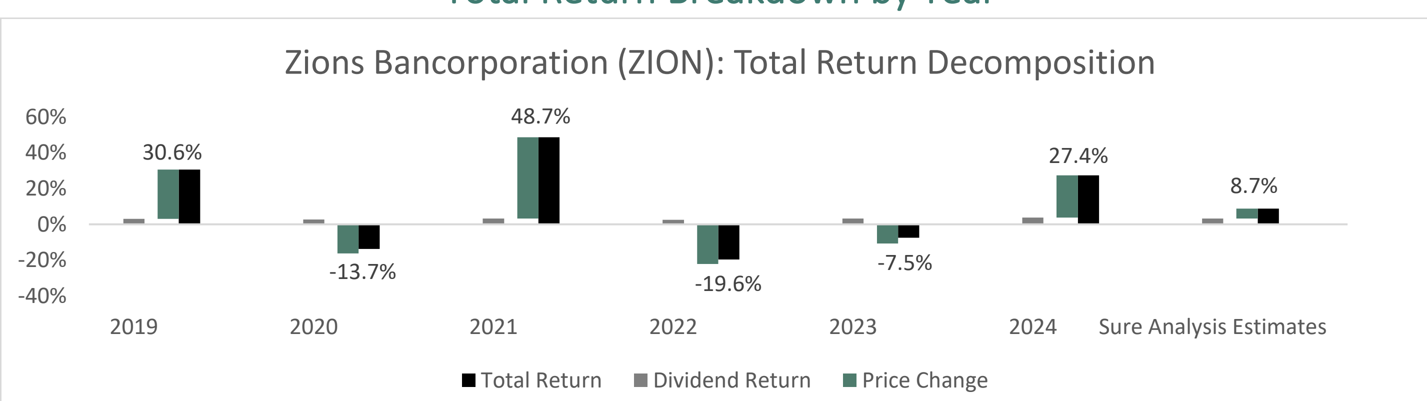
During the past five years, the company's dividend payout ratio has averaged around 31%. Zions Bancorporation's dividend is comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at least at the same pace and keep the payout ratio around the same levels which is safe.

Zions Bancorporation is a strong collection of community banks with local decision-making, a focus on commercial banking, and a strong credit performance. The local "ownership" helps the company to spot local market opportunities and better understand specific regional challenges. Zions Bancorporation is one of only three banks to have averaged 16 or more Greenwich Excellence Awards since 2009. Roughly 2/3 of revenue is from commercial customers. The bank has completed its digital banking replacement project (called FutureCore) to improve its customer experience and lower operating costs. The new digital banking should strengthen Zions' competitive position, and reduces its risk profile.

Final Thoughts & Recommendation

Zions Bancorporation is an old and well-established regional bank active in 11 western states with a solid earnings track record and a dividend yield of 3.0%. As with many regional banks, Zions' share price has come under selling pressure since the banking crisis emerged, but showed a very strong recovery since the second half of 2023. We estimate total return potential of 8.7% per year for the stock over the next five years based on a 6% earnings-per-share growth, the dividend yield, and a small valuation tailwind. 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.

Zions Bancorporation (ZION)

Updated January 23rd, 2025, by Patrick Neuwirth

Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	2,173	2,072	2,383	2,609	2,782	2,834	2,790	2,923	3,152	3,115
SG&A Exp.	1,014	1,032	1,040	1,081	1,146	1,185	1,131	1,171	1,324	1,400
D&A Exp.	58	86	123	179	193	188	86	(14)	110	140
Net Profit	398	309	469	592	884	816	539	1,129	907	680
Net Margin	18.3%	14.9%	19.7%	22.7%	31.8%	28.8%	19.3%	38.6%	28.8%	21.8%
Free Cash Flow	205	307	400	759	1,047	580	548	423	1,280	772
Income Tax	223	142	236	344	259	237	133	317	245	206

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	57,209	59,665	63,239	66,288	68,746	69,172	81,479	93,200	89,540	87,200
Cash & Equivalents	8,020	6,906	2,148	1,330	1,233	1,448	1,617	10,878	1,997	2,204
Goodwill & Int.	1,040	1,030	1,022	1,016	1,015	1,014	1,016	1,015	1,065	1,059
Total Liabilities	49,839	52,157	55,605	58,609	61,168	61,819	73,593	85,737	84,650	81,510
Long-Term Debt	1,092	811	1,034	3,982	5,224	2,719	1,332	1,008	7,747	2,063
Total Equity	6,366	6,679	6,924	7,113	7,012	6,787	7,320	7,023	4,453	5,251
LTD/E Ratio	0.15	0.11	0.14	0.52	0.69	0.37	0.17	0.14	1.58	0.36

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	0.7%	0.5%	0.8%	0.9%	1.3%	1.2%	0.7%	1.3%	1.0%	0.8%
Return on Equity	6.7%	4.7%	6.9%	8.4%	12.5%	11.8%	7.6%	15.7%	15.8%	12.9%
ROIC	4.6%	3.7%	5.5%	5.8%	7.2%	7.1%	5.6%	12.8%	8.6%	6.7%
Shares Out.	203	204	203	198	188	165	164	152	150	148
Revenue/Share	11.27	10.17	11.67	12.44	13.47	15.20	16.85	18.24	20.98	21.08
FCF/Share	1.06	1.51	1.96	3.62	5.07	3.11	3.31	2.64	8.52	5.23

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