First Business Financial Services, Inc. (FBIZ)

Updated April 28th, 2025, by Kody Kester

Key Metrics

Current Price:	$48	**5 Year CAGR Estimate:**	12.7%	**Market Cap:**	$400M
Fair Value Price:	$57	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	05/07/25[1]
% Fair Value:	84%	**5 Year Valuation Multiple Estimate:**	3.5%	**Dividend Payment Date:**	05/21/25[1]
Dividend Yield:	2.4%	**5 Year Price Target**	$80	**Years Of Dividend Growth:**	13
Dividend Risk Score:	B	**Sector:**	Financials	**Rating:**	Buy

Overview & Current Events

Founded in 1909, First Business Financial Services, Inc. is the bank holding company that owns First Business Bank. This Madison, Wisconsin-based enterprise is a commercial bank with operations in Wisconsin, Kansas, and Missouri. More specifically, FBIZ operates in the following areas:

- South Central Wisconsin (e.g., Madison and surrounding counties)
- Southeast Wisconsin (i.e., the Milwaukee metro area)
- Northeast Wisconsin (Appleton, Green Bay, and Oshkosh)
- The Kansas City metro area (15 counties and 50 communities on both sides of the Missouri and Kansas state lines).

The company serves small and medium-sized businesses and business owners, with products and services, such as commercial and industrial lending, real estate lending, and treasury management solutions. As of March 31st, 2025, FBIZ's business banking business managed $3.9 billion in total client assets. Via its private wealth business, the company also serves high-net-worth individuals. FBIZ provides wealth management services to these clients, including financial planning, investment management, trust and estate administration, and creating and executing asset allocation strategies. As of March 31st, the company's private wealth business oversaw $3.4 billion in assets under management and administration.

On April 24th, FBIZ released its first-quarter earnings report for the period ended March 31st, 2025. The company's operating revenue climbed 12.6% over the year-ago period to $40.8 million in the quarter. Net interest income grew by 12.7% year-over-year to $33.3 million during the quarter. That was driven by a 9.4% growth rate in loans and an 11-basis point expansion in the net interest margin to 3.69% for the quarter. FBIZ's non-interest income fell by 5.3% over the year-ago period to $7.6 million in the quarter. This was due to a drop in loan fee income stemming from the reclassification of certain types of C&I loan fees from non-interest income to interest income during the quarter. FBIZ's diluted EPS jumped 26.9% year-over-year to $1.32 for the quarter. That beat the analyst consensus in the quarter by $0.05.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.90	$1.71	$1.36	$1.77	$2.68	$1.97	$4.17	$4.75	$4.33	$5.20	***$5.45***	***$7.64***
DPS	$0.44	$0.48	$0.52	$0.56	$0.60	$0.66	$0.72	$0.79	$0.91	$1.00	***$1.16***	***$1.63***
Shares[2]	8.7	8.7	8.8	8.8	8.6	8.6	8.5	8.4	8.3	8.3	***8.3***	***8.0***

Dating back to 2015, FBIZ has produced double-digit annual diluted EPS growth for shareholders. Over the medium term, we still believe that it's reasonable to expect high-single-digit annual diluted EPS growth from the anticipated 2025 base of $5.45. This is because of FBIZ's robust loan growth.

[1] Estimated dates based on past dividend dates.

[2] Share count is in millions.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	13.2	13.9	16.2	11.0	9.8	9.3	7.0	7.7	9.3	9.7	***8.8***	***10.5***
Avg. Yld.	1.8%	2.0%	2.4%	2.9%	2.3%	3.6%	2.5%	2.2%	2.3%	2.2%	***2.4%***	***2.0%***

FBIZ's current P/E ratio is 8.8, which is less than the average of 10.7 since 2015. That includes periods in which the P/E was as little as the high single digits in peak years for earnings to as much as the mid-teens in trough years for earnings. FBIZ's growth profile looks to be largely holding up. This is why we believe that a valuation multiple of 10.5 is a rational estimate for fair value moving forward. That would imply shares are priced at a moderate discount to our fair value estimate.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	23%	28%	38%	32%	22%	34%	17%	17%	21%	19%	***21%***	***21%***

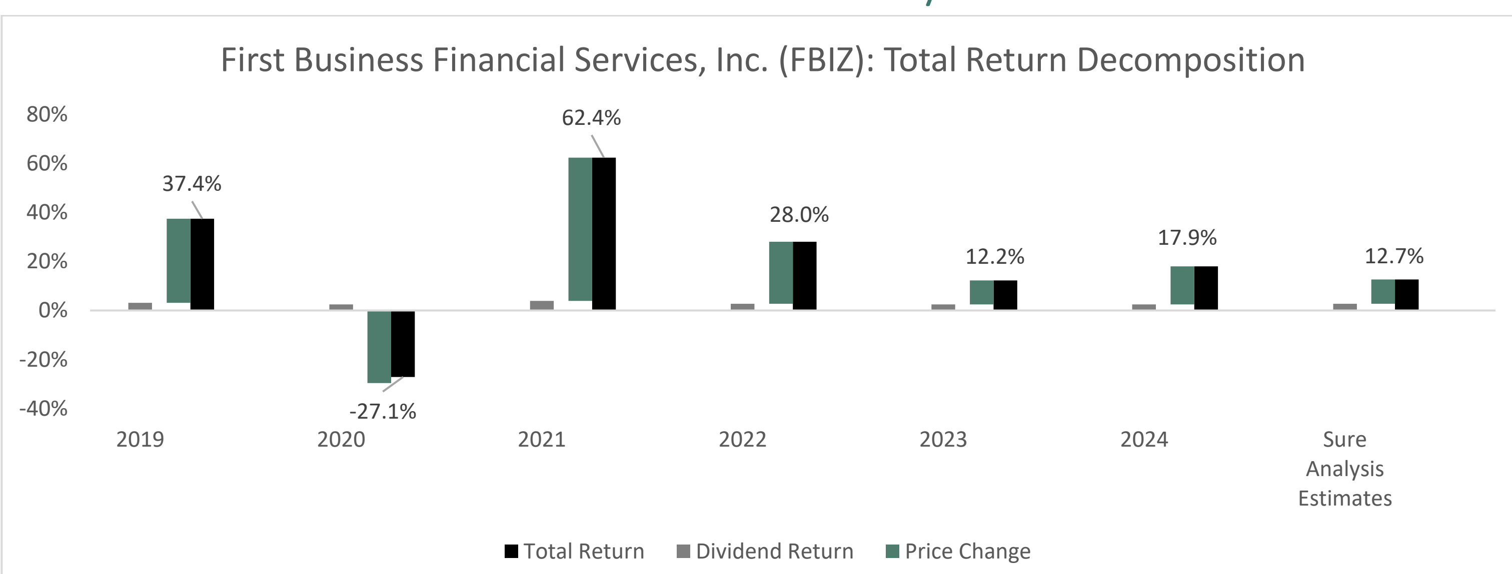
FBIZ's competitive advantage lies in a rich corporate history of doing right by its clients. Operating for more than a century has allowed the company to get to know the communities which it serves and earn their trust. FBIZ further distinguishes itself by its niche business expertise within the commercial and industrial loan spaces. That is what has won over and retained customers for many years, and we believe this should continue in the future.

FBIZ is heavily exposed to commercial real estate, with just over 60% of its loan balances as of March 31st linked to that loan category. Fortunately, the company counteracts this risk with a decent balance sheet. FBIZ had nearly $2 billion in available liquidity against almost $1.1 billion in total uninsured deposits. This is an estimated uninsured deposit coverage ratio of 185%. FBIZ's dividend is also quite manageable. The payout ratio remains poised to be in the low 20% range for 2025.

Final Thoughts & Recommendation

FBIZ's 2.4% dividend yield, 7.0% annual diluted EPS growth prospects, and 3.5% annual valuation multiple expansion potential could generate 12.7% annual total returns through 2030. As a result, we're reiterating our buy 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.

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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	56	76	78	74	83	89	102	113	128	144
SG&A Exp.	27	39	43	44	46	51	49	55	61	66
D&A Exp.	2	(0)	2	2	1	3	3	4	4	4
Net Profit	14	17	15	12	16	23	17	36	41	37
Net Margin	25.1%	21.8%	19.2%	16.0%	19.5%	26.2%	16.7%	31.7%	32.0%	25.7%
Free Cash Flow	9	22	26	21	24	29	26	36	35	49
Income Tax	7	8	2	2	1	1	1	11	11	10

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,629	1,782	1,781	1,794	1,966	2,097	2,568	2,653	2,977	3,508
Cash & Equivalents	103	114	78	53	87	67	57	57	103	140
Accounts Receivable	4	4	5	5	6	6	9	5	9	13
Goodwill & Int. Ass.	12	12	13	13	12	12	12	12	12	12
Total Liabilities	1,492	1,631	1,619	1,625	1,786	1,903	2,362	2,420	2,716	3,218
Long-Term Debt	44	45	70	218	309	329	429	414	457	331
Shareholder's Equity	138	151	162	169	181	194	206	232	249	278
LTD/E Ratio	0.32	0.30	0.43	1.29	1.71	1.70	2.08	1.78	1.75	1.14

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.0%	1.0%	0.8%	0.7%	0.9%	1.1%	0.7%	1.4%	1.5%	1.1%
Return on Equity	11.4%	11.4%	9.5%	7.2%	9.3%	12.4%	8.5%	16.3%	16.6%	13.5%
ROIC	9.0%	8.7%	7.0%	3.8%	3.7%	4.6%	2.9%	5.6%	6.0%	5.5%
Shares Out.	8.7	8.7	8.7	8.8	8.8	8.6	8.6	8.5	8.4	8.3
Revenue/Share	7.15	8.85	9.05	8.65	9.66	10.47	12.12	13.56	15.54	17.70
FCF/Share	1.10	2.62	2.98	2.46	2.81	3.38	3.15	4.28	4.31	6.08

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