



German American Bancorp, Inc. (GABC)

Updated April 29th, 2025, by Kody Kester

Key Metrics

Current Price:	\$38	5 Year CAGR Estimate:	12.9%	Market Cap:	\$1.4B
Fair Value Price:	\$42	5 Year Growth Estimate:	8.0%	Ex-Dividend Date¹:	05/09/25
% Fair Value:	89%	5 Year Valuation Multiple Estimate:	2.3%	Dividend Payment Date:	05/19/25
Dividend Yield:	3.1%	5 Year Price Target	\$62	Years Of Dividend Growth:	13
Dividend Risk Score:	B	Sector:	Financials	Rating:	Buy

Overview & Current Events

In 1910, German American Bancorp, Inc. began in Jasper, Indiana, a community with a rich history of German American heritage (thus the company name). That serves as the holding company for its German American Bank subsidiary.

The community bank provides a variety of services to customers across the following subsidiaries:

1. German American Bank: This subsidiary offers deposit products like savings and checking accounts, certificates of deposit, and money market accounts. It also provides loan products to customers, such as residential mortgage loans, agricultural loans, and commercial loans.
2. German American Investment Services, Inc.: The subsidiary provides customers with investment advisory, trust, brokerage, and retirement planning services.

As part of its growth strategy, GABC occasionally executes bolt-on acquisitions. In February, GABC completed its acquisition of Heartland Bancorp (HLAN). This bank has 20 retail banking offices in Columbus, Ohio, and Greater Cincinnati - two of the Midwest's fastest-growing markets. At the closing of the transaction, HLAN had \$1.9 billion in total assets. The completion of this deal brought GABC's total assets to approximately \$8.4 billion as of March 31st, 2025.

On April 28th, GABC shared its earnings report for the first quarter ended March 31st. The company's net interest income surged 48% over the year-ago period to \$66.6 million in the quarter. That was mostly attributable to the acquisition of HLAN. Additionally, GABC's net interest margin expanded by 61 basis points year-over-year to 3.96% during the quarter. The company's non-interest income decreased by 6.2% over the year-ago period to \$14.8 million for the quarter. That was due to the sale of insurance operations in Q2 2024. GABC's adjusted EPS was flat at \$0.79 in the quarter.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.51	\$1.57	\$1.67	\$1.99	\$2.29	\$2.34	\$3.17	\$2.78	\$2.91	\$2.83	\$3.02	\$4.44
DPS	\$0.45	\$0.48	\$0.52	\$0.60	\$0.68	\$0.76	\$0.84	\$0.92	\$1.00	\$1.08	\$1.16	\$1.63
Shares²	19.9	22.9	22.9	25.0	26.7	26.5	26.6	29.5	29.6	29.7	37.5	40.8

Since 2015, GABC has grown diluted EPS by a high-single-digit rate annually. We believe that earnings growth will be comparable in the years ahead. GABC's net interest margin improved by 42 basis points sequentially in Q1 2025. The incorporation of HLAN into its results should be another tailwind for the company. In January, the company announced its latest dividend increase, raising the payment by 7.4% to \$1.16/share per year, extending its dividend growth streak to 13 years.

¹ Estimated 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	14.7	22.3	21.2	14.0	15.4	14.1	12.3	13.4	11.1	14.2	12.5	14.0
Avg. Yld.	2.0%	1.4%	1.5%	2.2%	1.9%	2.3%	2.2%	2.5%	3.1%	2.7%	3.1%	2.6%

In the past decade, GABC's P/E ratio has ranged from as little as the low-double-digits to as much as the low 20s. Over that time, the average P/E ratio was 15.3. Overall, GABC's growth profile looks to remain intact. This is why we continue to believe the fair value multiple is around 14. The community bank's current-year multiple of 12.5 represents 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	30%	31%	31%	30%	30%	32%	26%	33%	34%	38%	38%	37%

GABC stands out from its peers with its 115-year operating history. This extensive corporate history has allowed it to build deep and meaningful relationships with existing customers. Thanks to this reputation, prospective customers are also more likely to become customers.

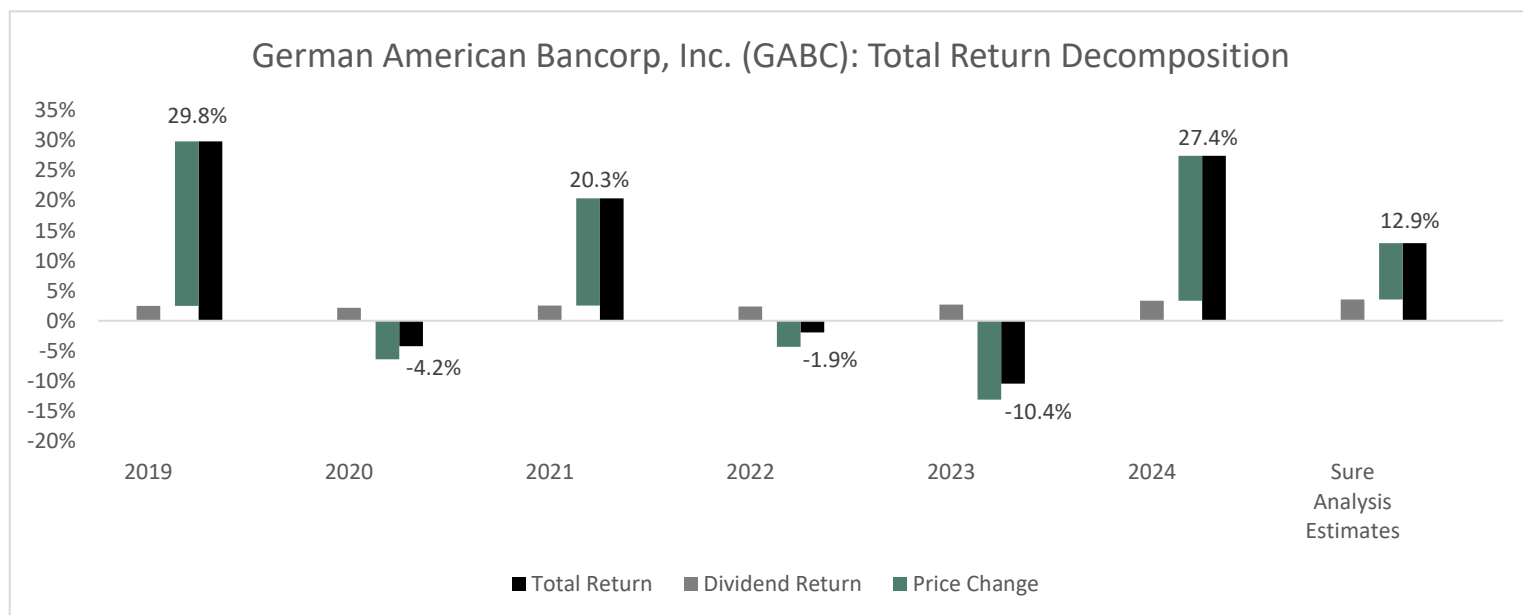
GABC's asset quality is also respectable. As of March 31st, the company's nonperforming assets were 0.22% of its portfolio. GABC's Common Tier 1 or CET1 ratio was 12.7%, which exceeds the Federal Reserve Board's minimum of 4.5%. That suggests the bank's financial position is strong.

GABC's payout ratio still looks positioned to be in the high 30% range in 2025. This sets the bank up to keep increasing its dividends in the coming years.

Final Thoughts & Recommendation

GABC's 3.1% dividend yield, 8.0% annual diluted EPS growth prospects, and 2.3% annual valuation multiple expansion could generate 12.9% annual total returns over the medium term. That's why we're maintaining our buy rating for now.

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	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	103	127	132	152	191	210	220	260	251	253
SG&A Exp.	40	48	51	56	69	72	74	90	91	93
D&A Exp.	4	4	5	6	9	9	9	10	10	9
Net Profit	30	35	41	47	59	62	84	82	86	84
Net Margin	29.2%	27.7%	30.9%	30.7%	31.1%	29.7%	38.2%	31.5%	34.3%	33.2%
Free Cash Flow	30	37	44	47	56	85	96	102	101	91
Income Tax	12	14	12	10	12	13	19	17	18	20

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	2,374	2,956	3,144	3,929	4,398	4,978	5,609	6,156	6,152	6,296
Cash & Equivalents	36	48	47	65	62	59	48	76	79	189
Goodwill & Int.	22	57	56	114	134	131	128	190	187	183
Total Liabilities	2,121	2,626	2,780	3,470	3,824	4,353	4,940	5,598	5,489	5,581
Long-Term Debt	196	208	230	318	303	138	81	125	125	151
Shareholder's Equity	252	330	365	459	574	625	668	558	664	715
LTD/E Ratio	0.78	0.63	0.63	0.69	0.53	0.22	0.12	0.22	0.19	0.21

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.3%	1.3%	1.3%	1.3%	1.4%	1.3%	1.6%	1.4%	1.4%	1.3%
Return on Equity	12.5%	12.1%	11.7%	11.3%	11.5%	10.4%	13.0%	13.3%	14.1%	12.2%
Shares Out.	19.9	22.9	22.9	25.0	26.7	26.5	26.6	29.5	29.6	37.4
Revenue/Share	5.18	5.67	5.75	6.49	7.39	7.90	8.30	8.81	8.48	6.76
FCF/Share	1.49	1.64	1.91	2.02	2.16	3.22	3.62	3.47	3.43	2.43

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

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