Alerus Financial (ALRS)

Updated August 19th, 2026 by Aristofanis Papadatos

Key Metrics

Current Price:	$34	**5 Year CAGR Estimate:**	4.7%	**Market Cap:**	$834 M
Fair Value Price:	$36	**5 Year Growth Estimate:**	1.0%	**Ex-Dividend Date[1]:**	9/25/26
% Fair Value:	94%	**5 Year Valuation Multiple Estimate:**	1.1%	**Dividend Payment Date:**	10/9/26
Dividend Yield:	2.6%	**5 Year Price Target**	$38	**Years Of Dividend Growth:**	21
Dividend Risk Score:	C	**Sector:** Financials		**Rating:**	Hold

Overview & Current Events

Alerus Financial is a financial services company headquartered in North Dakota. Its operations date back to 1879, when it was originally founded as the Bank of Grand Forks, one of the first banks in Dakota. In 2000, it changed its name to Alerus Financial to reflect its evolution from a traditional community bank to a financial services company. Alerus Financial provides financial solutions to businesses and consumers through four distinct business segments—banking, retirement and benefit services, wealth management and mortgage. Instead of focusing on the broader population, it targets specific business and consumer segments, which offer significant growth potential. The bank has a market cap of $834 million and is characterized by prudent management. As a result, it has raised its dividend for 21 consecutive years.

On July 1st, 2022, Alerus Financial acquired Metro Phoenix Bank for $85.3 million in an effort to grow its presence in Arizona. As the deal value is 10% of the current market cap of Alerus Financial, it is obviously significant for the bank.

On May 15th, 2024, Alerus Financial agreed to acquire HMN Financial (HMNF) for ~$116.4 million in an all-stock deal. As per the terms of the deal, the shareholders of HMNF received 1.25 shares of Alerus Financial for each share they owned. The combined company has 29 branches in the Midwest and Arizona and enjoys economies of scale. The deal, which closed in October-2024, was immediately accretive to earnings.

On July 29th, 2026, Alerus Financial reported results for the second quarter of 2026. Loans remained flat but deposits dipped -4 sequentially. Net interest margin expanded from 3.77% to 3.97% and thus net interest income grew 6%. Due to higher provisions for loan losses, adjusted earnings-per-share declined -10%, from $0.89 to $0.80, missing the analysts' estimates by $0.01. The aforementioned acquisition has greatly improved the net interest margin and the earnings-per-share of the bank. Management expects net interest margin of 3.70%-3.80% and mid-single-digit growth of loans in 2026. As a result, we have raised our forecast for earnings-per-share in 2026 from $2.60 to $3.00.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$1.00	$1.07	$1.84	$1.91	$2.52	$2.97	$2.10	$0.58	$0.98	$2.78	***$3.00***	***$3.15***
DPS	$0.44	$0.48	$0.53	$0.57	$0.60	$0.63	$0.72	$0.76	$0.79	$0.83	***$0.88***	***$1.04***
Shares[2]	14.0	14.0	14.1	15.1	17.4	17.5	20.2	20.0	25.1	25.7	***26.0***	***30.0***

Alerus Financial has exhibited a decent but volatile performance record over the last decade. If the bank meets our forecast for earnings-per-share of $3.00 this year, it will have grown its earnings-per-share at a 6.3% average annual rate over the past eight years. The bank is trying to grow primarily via the acquisition of smaller peers. The recent acquisition of HMN financial, which is the largest and marked the 26th acquisition in the history of the bank, is likely to prove a material growth driver in the upcoming years. Alerus Financial incurred excessive losses from the sale of securities amid high interest rates in 2023-2025 but it is likely to recover in the upcoming years thanks to lower interest rates. Nevertheless, given the volatile performance record of the bank, we assume 1% average annual growth of earnings-per-share over the next five years, in order to establish a margin of safety.

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[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.

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	17.7	18.0	13.0	10.6	8.2	10.1	11.7	31.7	21.6	7.6	***11.3***	***12.0***
Avg. Yld.	2.5%	2.5%	2.2%	2.8%	2.9%	2.1%	2.9%	4.1%	3.7%	4.0%	***2.6%***	***2.7%***

Alerus Financial is trading at a price-to-earnings ratio of 11.3, which is much lower than the 10-year average price-to-earnings ratio of 15.0 of the stock. We assume a fair earnings multiple of 12.0 for the stock, in line with the norm for banks. If the stock trades at this valuation level in five years, it will enjoy a 1.1% annualized valuation gain.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	44%	45%	29%	30%	24%	21%	34%	131%	81%	30%	***29%***	***33%***

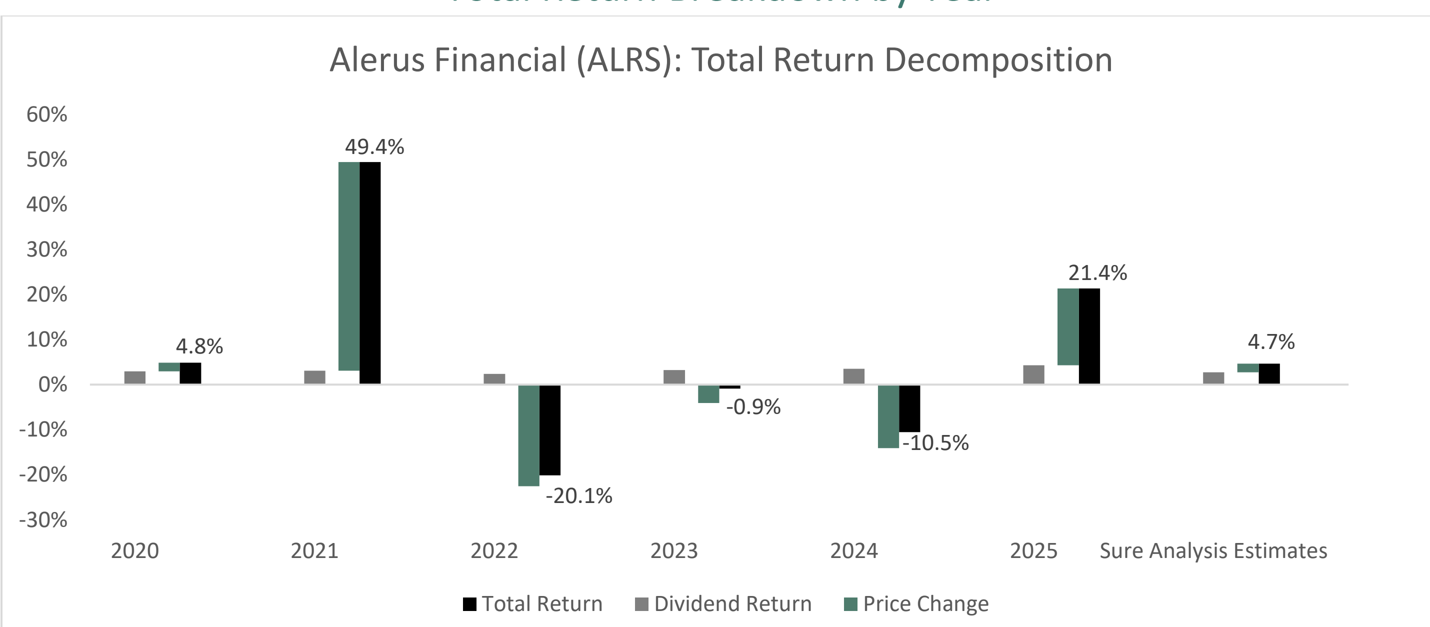
Alerus Financial has fairly prudent management, which is focused on maintaining healthy credit quality metrics. During the last 25 years, the bank has maintained an average net loan charge-off ratio of only 0.3%. Thanks to its cautious strategy, the company has proved resilient to recessions. Most banks faced material loan losses due to the pandemic in 2020, but Alerus Financial proved resilient to this crisis thanks to its defensive business model. The bank grew its earnings-per-share in both 2020 and 2021, though its reported (not adjusted) earnings have now dipped due to the decrease in the value of the fixed-income investments of the bank caused by high interest rates.

Alerus Financial just raised its dividend by 5%. As a result, it has now raised its dividend for 21 consecutive years and is currently offering a dividend yield of 2.6%. Given its healthy payout ratio of 29%, the bank is likely to continue raising its dividend for years.

Final Thoughts & Recommendation

Alerus Financial has promising growth prospects thanks to its acquisition of Metro Phoenix Bank and HMN Financial, which marked the largest acquisition in the history of the bank. The stock has more than doubled off its bottom in 2023 and hence it has become less attractive. It could offer a 4.7% average annual return over the next five years thanks to 1% growth of earnings-per-share, its 2.6% dividend and a 1.1% valuation tailwind. The stock maintains its hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	166	168	176	186	228	230	209	166	216	224
SG&A Exp.	89	71	73	77	92	97	84	79	91	---
D&A Exp.	11	10	9	9	9	9	8	9	15	---
Net Profit	14	15	26	30	45	53	40	12	18	17
Net Margin	8.5%	8.9%	14.7%	15.9%	19.6%	22.9%	19.1%	7.2%	8.2%	7.6%
Free Cash Flow	32	45	50	16	(26)	147	101	26	17	---
Income Tax	7	18	7	9	14	16	12	4	5	5

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	2,051	2,136	2,179	2,357	3,014	3,393	3,780	3,908	5,262	5,230
Cash & Equivalents	207	122	41	144	173	242	58	130	61	67
Goodwill & Int. Ass.	65	59	54	50	58	54	72	66	137	119
Total Liabilities	1,882	1,956	1,982	2,071	2,684	3,033	3,423	3,539	4,766	4,665
Long-Term Debt	58	88	58	58	58	59	432	373	298	95
Shareholder's Equity	169	180	197	286	330	359	357	369	495	565
LTD/E Ratio	0.34	0.49	0.29	0.20	0.18	0.16	1.21	1.01	0.60	0.72

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	0.7%	0.7%	1.2%	1.3%	1.7%	1.6%	1.1%	0.3%	0.4%	0.3%
Return on Equity	8.0%	8.6%	13.7%	12.2%	14.5%	15.3%	11.2%	3.2%	4.1%	3.3%
ROIC	5.9%	6.1%	9.9%	9.9%	12.2%	13.1%	6.6%	1.5%	2.3%	2.0%
Shares Out.	14.0	14.0	14.1	15.1	17.4	17.5	18.9	20.1	21.3	25.7
Revenue/Share	11.83	12.03	12.50	12.32	13.05	13.17	11.06	8.25	10.12	12.90
FCF/Share	2.31	3.21	3.54	1.08	(1.50)	8.43	5.36	1.28	0.78	---

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

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