



United Bankshares, Inc. (UBSI)

Updated November 7th, 2022, by Josh Arnold

Key Metrics

Current Price:	\$43	5 Year CAGR Estimate:	-1.7%	Market Cap:	\$5.8 B
Fair Value Price:	\$32	5 Year Growth Estimate:	0.0%	Ex-Dividend Date:	12/10/22 ¹
% Fair Value:	135%	5 Year Valuation Multiple Estimate:	-5.8%	Dividend Payment Date:	01/07/23
Dividend Yield:	3.3%	5 Year Price Target	\$32	Years Of Dividend Growth:	48
Dividend Risk Score:	A	Retirement Suitability Score:	A	Rating:	Sell

Overview & Current Events

United Bankshares was formed in 1982 and since that time, has acquired more than 30 separate banking institutions. This focus on acquisitions, in addition to organic growth, has allowed United to expand into a regional powerhouse in the Mid-Atlantic with a \$5.8 billion market capitalization, more than \$27 billion in total assets, and annual revenue of about a billion dollars. The company has a long dividend history, with 2021 marking the 48th consecutive year of dividend increases.

United posted third quarter earnings on October 27th, 2022, and results were mixed. Earnings-per-share beat expectations by 10 cents at 76 cents. Earnings were up from 71 cents per share in the year-ago period. Revenue missed expectations, however.

Net interest income was up \$59 million, or 33%, year-over-year. The increase was due to higher average earning assets, as well as the rise of interest rates on loans. These were partially offset by higher rates on deposits, which boosts the bank's cost of funds. Average earning assets rose 4% year-over-year. The bank's interest rate spread for the quarter was up 69bps to 3.52%. This was due to a 96bps gain in average yield on earning assets, offset partially by a 27bps increase in the average cost of funds. Net interest margin was 3.78%, an increase of 80bps year-over-year.

Provisions for credit losses were \$7.7 million, sharply worse than the net benefit of \$7.8 million from a year ago.

We now see \$2.90 in earnings-per-share for this year after Q3 results.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	\$1.64	\$1.70	\$1.92	\$1.98	\$1.99	\$1.54	\$2.45	\$2.55	\$2.80	\$2.97	\$2.90	\$2.90
DPS	\$1.24	\$1.25	\$1.28	\$1.29	\$1.32	\$1.33	\$1.36	\$1.37	\$1.40	\$1.41	\$1.44	\$1.59
Shares²	50	50	68	70	74	98	102	102	129	129	129	129

Earnings-per-share have been steadily moving higher in recent years with the exception of 2017, the product of higher noninterest expense from integrating Cardinal. However, that was a one-time blip as Cardinal was a huge acquisition for United. Given that the Carolina acquisition has now been lapped, as well as what we saw as one-time gains in 2020 from the PPP and Carolina, we are now forecasting 0% annual earnings growth. We note the relatively high base in earnings for 2022 as making future growth more challenging.

United has always grown through acquisition, and we do not believe that will change. However, its net interest margin is going to be at risk in the coming quarters as the rapid decline in rates in 2020 produced a huge decline in the cost of funds. Rates moved favorably for banks in 2021, and have moved sharply higher so far in 2022. Assuming rates normalize at some point, United will be subject to potentially much higher funding costs, which will see its NIM deteriorate if it cannot produce commensurate gains in lending yields. Net interest margin is turning higher as prevailing interest rates are moving up, as evidenced in Q3.

¹ Estimated date

² 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.



United Bankshares, Inc. (UBSI)

Updated November 7th, 2022, by Josh Arnold

Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Now	2027
Avg. P/E	15.9	16.4	16.6	19.4	19.3	23.6	14.7	14.6	10.0	12.5	14.8	11.0
Avg. Yld.	4.8%	4.5%	4.0%	3.4%	3.4%	3.8%	3.8%	3.7%	5.0%	3.8%	3.3%	5.0%

We see fair value at 11 times earnings, given where peer valuations are at present. We see increased risk for United given the relatively weak performance historically of the company's net interest margin and we think investors will pay slightly less for the stock as a result. Shares are meaningfully overvalued at the moment. The yield on the stock is now 3.3%, so it is a strong choice for income investors, and we think the dividend will rise at low single-digit rates over the intermediate-term. We believe the yield could be higher still in the coming years. Given the yield and its 48-year dividend increase streak, United is an exemplary dividend stock.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	75%	73%	64%	64%	66%	87%	56%	54%	50%	47%	50%	55%

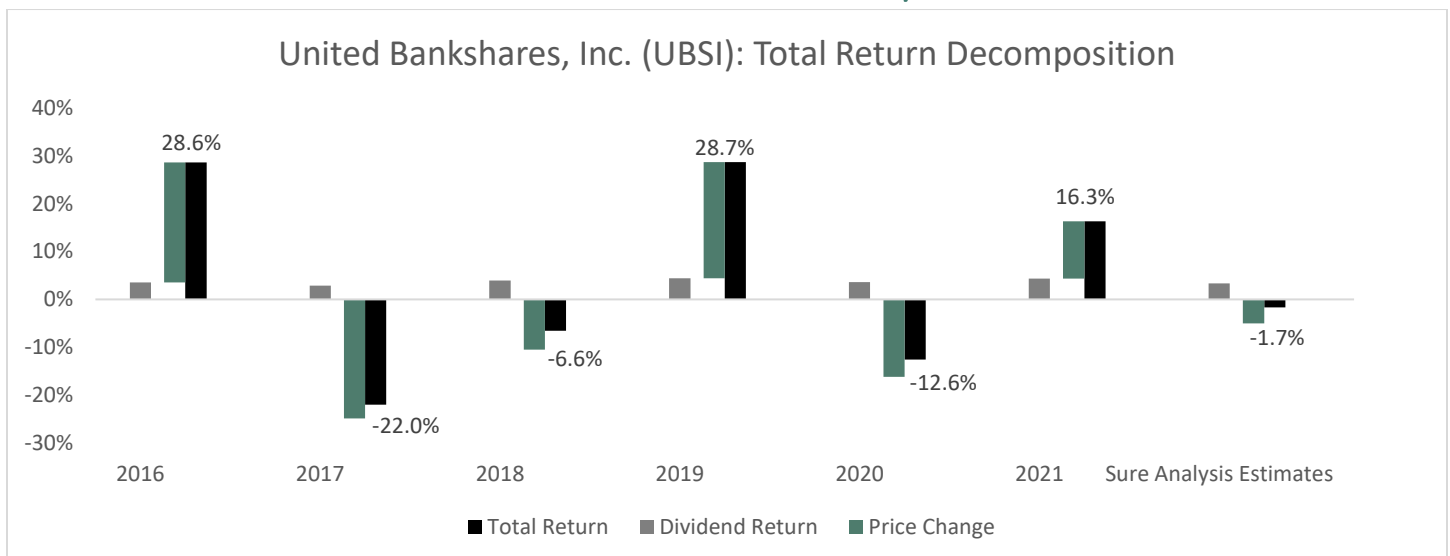
United's dividend payout ratio is now 50% of earnings, and we expect it will move higher. We see United's dividend as safe and able to weather an economic downturn, as it did during the Great Recession. The higher share count makes the dividend more costly, but United has raised its payout for nearly five decades.

United's competitive advantage is in its strong market position in the areas it serves. It is headquartered in West Virginia where competition is relatively light, and it is expanding into more densely populated areas like northern Virginia. That does not make it immune from recessions, but its performance in 2008 and 2009 was exemplary, and held up in very challenging conditions in 2020, and thrived in 2021.

Final Thoughts & Recommendation

United is now expected to produce -1.7% annual returns in the coming years, as we forecast no growth, and see the stock as overvalued, driving a 5.8% headwind. The yield is attractive at 3.3% and should remain safe for years to come, so United could be worth a look for pure income investors. However, shares earn a sell rating as we see the road ahead being very tough from a growth perspective for a variety of reasons, and the stock is still overvalued in our view.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

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.



United Bankshares, Inc. (UBSI)

Updated November 7th, 2022, by Josh Arnold

Income Statement Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue	341	335	446	456	494	679	713	727	1,037	1,007
SG&A Exp.	111	109	133	138	146	229	236	240	369	374
D&A Exp.	10	12	2	1	(9)	(22)	(21)	(21)	(16)	8
Net Profit	83	86	130	138	147	151	256	260	289	368
Net Margin	24.2%	25.6%	29.1%	30.2%	29.8%	22.2%	36.0%	35.8%	27.9%	36.5%
Free Cash Flow	124	136	144	170	163	240	287	137	121	594
Income Tax	39	39	65	66	76	134	71	64	71	95

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets	8420	8735	12329	12578	14509	19059	19250	19662	26184	29328
Cash & Equivalents	431	416	752	857	1434	1665	1020	837	2209	3757
Accounts Receivable	26	27	32	36	39	53	61	58	67	65
Goodwill & Int. Ass.	376	376	710	710	864	1478	1478	1478	1845	1910
Total Liabilities	7428	7694	10673	10865	12273	15818	15999	16298	21887	24610
Long-Term Debt	385	791	1053	1074	1122	1514	1674	2088	1007	817
Shareholder's Equity	992	1042	1656	1713	2236	3241	3252	3364	4298	4719
LTD/E Ratio	0.39	0.76	0.64	0.63	0.50	0.47	0.51	0.62	0.23	0.17

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets	1.0%	1.0%	1.2%	1.1%	1.1%	0.9%	1.3%	1.3%	1.3%	1.3%
Return on Equity	8.4%	8.4%	9.6%	8.2%	7.5%	5.5%	7.9%	7.9%	7.5%	8.2%
ROIC	6.1%	5.3%	5.7%	5.0%	4.8%	3.7%	5.3%	5.0%	5.4%	6.9%
Shares Out.	50	50	68	70	74	98	102	102	129	130
Revenue/Share	6.64	6.54	6.50	6.52	6.62	6.89	6.82	7.13	8.63	7.77
FCF/Share	2.47	2.70	2.12	2.44	2.21	2.45	2.75	1.34	1.01	4.59

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

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.