Bank of Marin Bancorp (BMRC)

Updated December 23rd, 2022, by Patrick Neuwirth

Key Metrics

Current Price:	$33	**5 Year CAGR Estimate:**	13.7%	**Market Cap:**	$525m
Fair Value Price:	$47	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date[1]:**	02/04/23
% Fair Value:	71%	**5 Year Valuation Multiple Estimate:**	7.1%	**Dividend Payment Date[1]:**	02/14/23
Dividend Yield:	3.0%	**5 Year Price Target**	$57	**Years Of Dividend Growth:**	17
Dividend Risk Score:	B	**Retirement Suitability Score:**	B	**Rating:**	Buy

Overview & Current Events

Bank of Marin Bancorp (BMRC) operates as the holding company for Bank of Marin that provides a range of financial services primarily to small to medium-sized businesses, professionals, not-for-profit organizations, and individuals through 31 retail offices and eight commercial banking offices in California, the United States. It offers commercial and retail deposit and lending programs, personal and business checking and savings accounts, and wealth management and trust services. The majority of its revenue comes from interest income, with total assets of $4.3 billion, and total interest-earning assets of $4.1 billion. The company was founded in 1889 and has 302 employees.

On October 24th, 2022, Bank of Marin Bancorp released its third quarter 2022 results for the period ending September 30th, 2022. For the quarter the company reported record earnings of $12.2 million which represents a 9.9% increase compared to the $11.1 million for the second quarter of 2022. Reported earnings per diluted share for the same periods were $0.76 and $0.69, an increase of 10.1% compared to the second quarter of 2022. Diluted earnings per share were $2.11 and $1.69 for the first nine months of 2022 and 2021, respectively. Certain periods of earnings were impacted by the costs associated with the acquisition of American River Bank ("ARB"). For the reporting period, the loans totaled $2.158 billion which is a small decrease of $4.3 million, while deposits increased by $72.0 million to $3.903 billion. The third quarter tax-equivalent net interest margin improved 11 basis points over the preceding quarter from 3.05% to 3.16%. Credit quality remains strong, with non-accrual loans representing 0.49% of total loans as of September 30, 2022, compared to 0.37% at June 30, 2022. Net interest income totaled $33.0 million for the third quarter of 2022, compared to $31.2 million for the prior quarter. Non-interest income, related to Wealth Management and Trust Services, totaled $2.7 million for the third, largely unchanged from the preceding quarter.

Growth on a Per-Share Basis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
EPS	$1.64	$1.29	$1.65	$1.52	$1.89	$1.28	$2.33	$2.48	$2.22	$2.30	***$2.91***	***$3.54***
DPS	$0.35	$0.37	$0.40	$0.45	$0.51	$0.56	$0.64	$0.80	$0.92	$0.94	***$1.00***	***$1.40***
Shares[2]	11	11	12	12	12	14	14	14	14	16	***16***	***16***

The company has grown earnings by 3.8% per year over the past nine years and 17.9% over the past five years. We expect earnings to increase by 4% per year for the next five years. The company has been able to increase its dividend for an impressive 17 consecutive years. Over the last five years, the average annual dividend growth rate is 12%. In August 2022, the company increased its quarterly dividend by 4.2% from $0.24 to $0.25 per share.

[1] Estimated date

[2] In millions.

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Valuation Analysis

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Avg. P/E	11.4	14.3	14.1	16.6	13.8	26.0	16.8	17.3	15.4	15.8	***11.3***	***16.0***
Avg. Yld.	1.9%	1.7%	1.7%	1.8%	2.0%	1.7%	1.6%	1.9%	2.7%	2.6%	***3.0%***	***2.5%***

During the past decade shares of Bank of Marin Bancorp have traded with an average price-to-earnings ratio of about 16 and today, it stands at 11.3. We are using 16 times earnings as a fair value baseline, implying the potential for a valuation tailwind. The company's dividend yield is currently 3.0% which is above the average yield over the past decade of 2.0%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2027
Payout	21%	29%	24%	30%	27%	44%	27%	32%	41%	41%	***34%***	***40%***

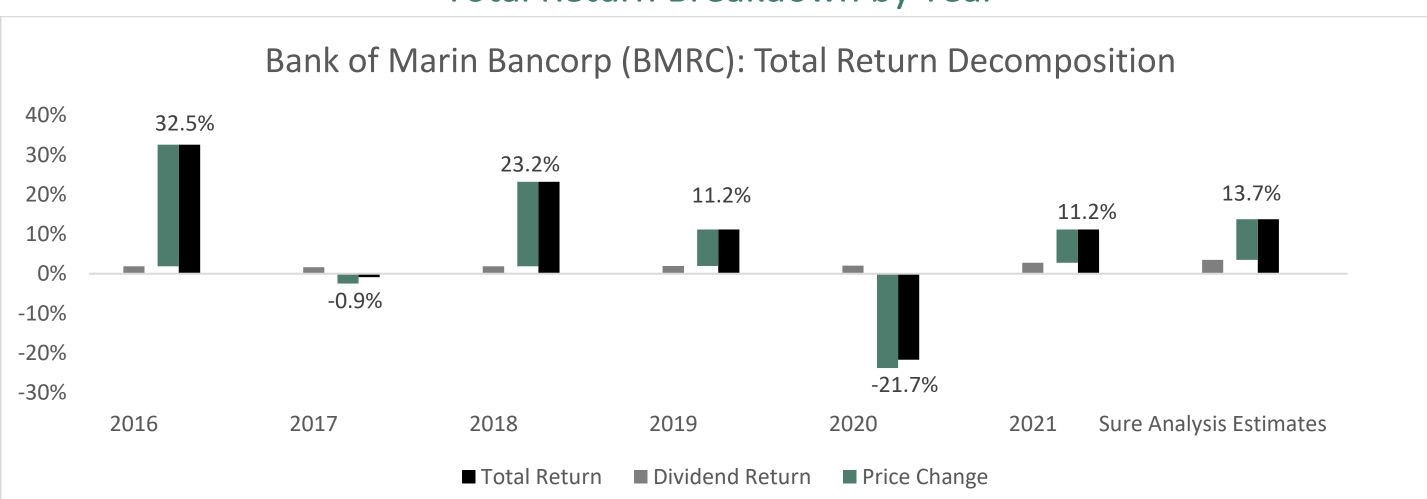
During the past five years, the company's dividend payout ratio has averaged around 37%. Bank of Marin Bancorp 's dividend is at the moment comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at least at the same pace and keep the payout ratio around the same levels which is safe.

Bank of Marin Bancorp has demonstrated a solid financial performance combined with a sound asset quality track record and has a business model focused on business and community banking. The majority of its revenue comes from interest income. Solid loan originations, excellent credit quality, and efficient processes are key in this business and has management's attention. The bank has a strong base of core deposits that allows the company to grow efficiently while delivering consistent performance in all rate environments. The local presence and local market expertise help the company to keep funding costs low. As a result, the company has an impressive track record of 17 consecutive years of dividend increases. Bank of Marin Bancorp is included in the Russell 2000 Small-Cap Index and Nasdaq ABA Community Bank Index.

Final Thoughts & Recommendation

Bank of Marin Bancorp is a business and community bank in Northern California, with assets of $4.3 billion, and has 31 retail branches and 8 commercial banking offices located across 10 counties. The local presence, local market expertise, a strong base of core deposits and good credit quality should enable the bank to delivering consistent performance in all rate environments. We estimate total return potential of 13.7% per year for the next five years based on a 4% earnings-per-share growth, and a valuation tailwind. The shares earn a buy rating.

Total Return Breakdown by Year



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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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revenue										
SG&A Exp.										
D&A Exp.										
Net Profit										
Net Margin										
Free Cash Flow										
Income Tax										

Balance Sheet Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Total Assets										
Cash & Equivalents										
Goodwill & Int.										
Total Liabilities										
Long-Term Debt										
Total Equity										
LTD/E Ratio										

Profitability & Per Share Metrics

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Return on Assets										
Return on Equity										
ROIC										
Shares Out.										
Revenue/Share										
FCF/Share										

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