BankUnited, Inc. (BKU)

Updated January 24th, 2025, by Patrick Neuwirth

Key Metrics

Current Price:	$40	**5 Year CAGR Estimate:**	10.0%	**Market Cap:**	$3 B
Fair Value Price:	$43	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date[1]:**	04/14/25
% Fair Value:	93%	**5 Year Valuation Multiple Estimate:**	1.5%	**Dividend Payment Date[1]:**	04/28/25
Dividend Yield:	2.9%	**5 Year Price Target**	$57	**Years Of Dividend Growth:**	5
Dividend Risk Score:	D	**Retirement Suitability Score:**	D	**Rating:**	Buy

Overview & Current Events

BankUnited, Inc. (BKU) is a regional bank holding company primarily serving commercial and consumer banking needs across Florida and select markets in the northeastern United States. Through its principal subsidiary, BankUnited, N.A., the company offers a comprehensive range of financial products and services, including deposit accounts, lending solutions, and treasury management services. The company was formerly known as BU Financial Corporation. BankUnited is a $3 billion company that was founded in 2009 and has 1,600 employees.

On January 22nd, 2025, BankUnited released its financial results for the fourth quarter and full year ending December 31st, 2024. For the quarter, the company reported net income of $69.3 million, representing a significant increase from $20.8 million in the same quarter of 2023 and $61.5 million in Q3 2024. Earnings per diluted share (EPS) were $0.91, compared to $0.27 in Q4 2023 and $0.81 in the previous quarter.

The company reported net interest income of $239.3 million, an increase from $234.1 million in the prior quarter and $217.2 million in Q4 2023, aided by a net interest margin (NIM) expansion to 2.84%, compared to 2.78% in Q3 2024 and 2.60% a year ago. The improvement reflects lower funding costs and strong management of deposit pricing. BankUnited achieved modest deposit growth, with total deposits reaching $27.87 billion, a slight increase from $27.86 billion in Q3 2024 and up by $1.33 billion year-over-year. Non-interest-bearing demand deposits represented 27% of total deposits, consistent with the prior quarter and reflecting robust growth of 11% year-over-year. Total loans declined slightly to $24.3 billion, down $101 million quarter-over-quarter, largely driven by strategic reductions in non-core portfolios, including residential and franchise loans. However, the core commercial real estate and commercial and industrial (C&I) loan segments grew by $185 million during the quarter and $470 million for the full year. Non-interest income totaled $25.2 million, an improvement from $17.1 million in Q4 2023, attributed to higher syndication fees and other bank-owned life insurance gains. Non-interest expense decreased to $160.5 million, down from $164.6 million in Q3 2024 and significantly lower than $190.9 million in Q4 2023, driven by the absence of an FDIC special assessment that impacted results in the prior year.

The provision for credit losses was $11 million, compared to $19.3 million in Q4 2023. The allowance for credit losses declined slightly to 0.92% of total loans, with net charge-offs annualized at 0.16%.

For the full year, BankUnited reported net income of $232.5 million, up from $178.7 million in 2023, with diluted EPS of $3.08, a notable increase from $2.38 the prior year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$2.35	$2.09	$5.58	$2.99	$3.13	$2.06	$4.52	$3.54	$2.38	$3.08	***$3.30***	***$4.42***
DPS	$0.63	$0.84	$0.84	$0.84	$0.84	$0.90	$0.92	$0.98	$1.06	$1.16	***$1.16***	***$1.48***
Shares[2]	103	104	106	104	96	92	90	79	74	74	***74***	***74***

[1] Estimated date

[2] In millions.

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The company has grown earnings by 3.1% per year since 2015 and 9.9% over the past five years. Worth noting, results for the quarter and year ended December 31, 2023 , were impacted by a $35.4 million pre-tax FDIC special assessment, reducing net income by $26.2 million and EPS by $0.35. The company has been able to increase its dividend for 5 consecutive years. Over the last five years, the average annual dividend growth rate is 5.2%. In February 2024, the company increased its quarterly dividend by 7.4% from $0.27 to $0.29 per share.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	15.8	18.7	17.1	4.8	13.4	16.8	10.6	8.3	11.0	15.6	***12.1***	***13.0***
Avg. Yld.	1.9%	2.2%	2.1%	2.8%	2.3%	2.6%	2.2%	2.9%	3.3%	2.9%	***2.9%***	***2.6%***

During the past decade shares of BankUnited have traded with an average price-to-earnings ratio of about 13 and today, it stands at 12.1. We are using 13 times earnings as a fair value baseline, implying the potential for a valuation tailwind. The company's dividend yield is currently 2.9% which is above the average yield of 2.6% over the past decade.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Payout	10%	18%	14%	16%	25%	31%	45%	21%	29%	29%	***35%***	***34%***

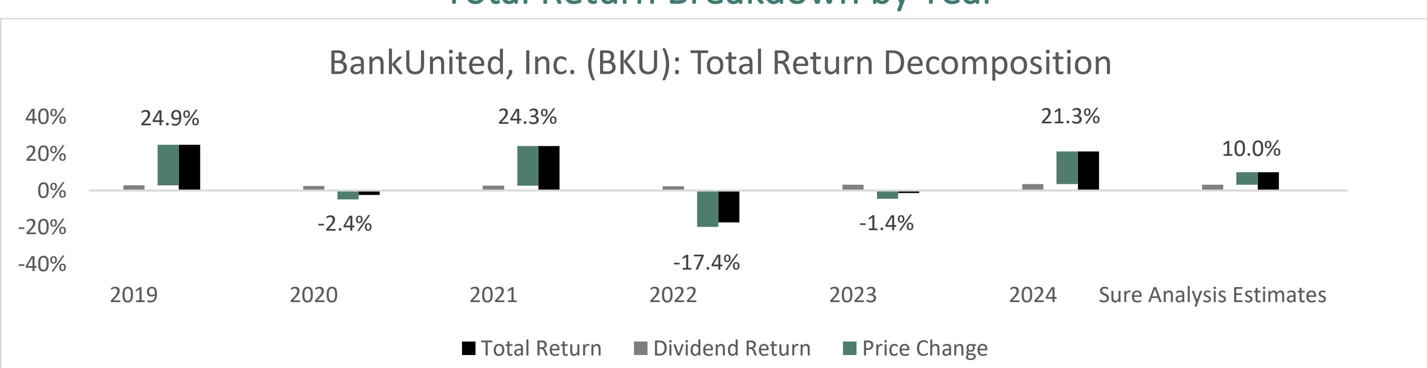
During the past five years, the company's dividend payout ratio has averaged around 31%. BankUnited's dividend is comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at least at the same pace and keep the payout ratio around the same levels which is safe.

BankUnited is a leading regional bank with a strong focus on commercial banking and a commitment to delivering tailored financial solutions. Its strategic focus centers on expanding its commercial banking presence, emphasizing middle-market businesses, professional service firms, and healthcare entities. This emphasis on local expertise enables the company to effectively identify market opportunities and navigate regional challenges. BankUnited generates a significant portion of its revenue from commercial customers, reflecting its robust business banking presence. The bank's commercial real estate (CRE) portfolio accounts for 26% of total loans and 169% of total risk-based capital, both below peer medians of 35% and 222%, respectively, highlighting its prudent portfolio management. BankUnited continues to prioritize digital transformation initiatives to enhance customer experiences and streamline operations.

Final Thoughts & Recommendation

BankUnited, Inc. is a well-established regional bank headquartered in Florida, with a strong presence in commercial banking, a growing earnings profile, and a dividend yield of 2.9%. The bank focuses on middle-market businesses, professional service firms, and healthcare entities, providing stable, recurring revenue and growth opportunities. However, its high CRE exposure relative to risk-based capital (169%) poses potential risks, particularly in the office segment during market downturns. We estimate total return potential of 10.0% per year for the stock over the next five years based on a 6% earnings-per-share growth, the dividend yield, and a valuation tailwind. Shares earn a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	848	977	1,108	1,182	900	885	930	991	961	1,013
SG&A Exp.	334	401	436	536	252	239	262	284	347	352
D&A Exp.	43	56	62	64	72	73	79	78	74	
Net Profit	252	226	614	325	313	198	415	285	179	232
Net Margin	29.7%	23.1%	55.4%	27.5%	34.8%	22.4%	44.6%	28.8%	18.6%	22.9%
Free Cash Flow	32	220	219	634	572	845	1,189	1,294	657	
Income Tax	45	110	(210)	91	91	52	34	90	58	84

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	23,883	27,880	30,347	32,164	32,871	35,010	35,815	37,027	35,762	35,242
Cash & Equivalents	268	448	195	382	215	398	315	573	588	491
Goodwill & Int.	78	78	78	78	78	78	78	78	78	78
Total Liabilities	21,640	25,462	27,321	29,240	29,891	32,027	32,778	34,591	33,184	32,427
Long-Term Debt	4,401	5,632	5,165	5,190	4,876	3,813	2,596	6,113	5,797	3,639
Total Equity	2,244	2,418	3,026	2,924	2,981	2,983	3,038	2,436	2,578	2,814
LTD/E Ratio	1.96	2.33	1.71	1.78	1.64	1.28	0.85	2.51	2.25	1.29

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.2%	0.9%	2.1%	1.0%	1.0%	0.6%	1.2%	0.8%	0.5%	0.7%
Return on Equity	11.7%	9.7%	22.6%	10.9%	10.6%	6.6%	13.8%	10.4%	7.1%	8.6%
ROIC	4.2%	3.1%	7.6%	4.0%	3.9%	2.7%	6.7%	4.0%	2.1%	3.1%
Shares Out.	103	104	106	104	96	92	90	79	74	74
Revenue/Share	8.23	9.42	10.47	11.36	9.41	9.65	10.29	12.57	13.07	13.70
FCF/Share	0.31	2.12	2.07	6.09	5.98	9.21	13.15	16.42	8.94	

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