



UMB Financial Corporation (UMBF)

Updated February 5th, 2025, by Josh Arnold

Key Metrics

Current Price:	\$115	5 Year CAGR Estimate:	4.1%	Market Cap:	\$8.3 B
Fair Value Price:	\$103	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	03/10/25
% Fair Value:	111%	5 Year Valuation Multiple Estimate:	-2.1%	Dividend Payment Date:	04/01/25
Dividend Yield:	1.4%	5 Year Price Target	\$132	Years Of Dividend Growth:	33
Dividend Risk Score:	B	Retirement Suitability Score:	D	Rating:	Hold

Overview & Current Events

UMB Financial Corporation is a financial services holding company headquartered in Kansas City, Missouri. Through several operating subsidiaries, UMB offers complete banking, asset management, health spending solutions, and related financial services to commercial, institutional, and personal customers nationwide. The company's most prominent operating subsidiary is UMB Bank, N.A. UMB has increased its dividend for an impressive 33 consecutive years. It trades with an \$8.3 billion market capitalization and produces about \$2.5 billion in annual revenue.

UMB posted fourth quarter and full-year earnings on January 28th, 2025, and results were better than expected on both the top and bottom lines. Adjusted earnings-per-share came to \$2.49, which was 23 cents ahead of expectations. Revenue was \$434 was up 17% year-over-year, and beat estimates by \$22 million.

Net interest income was \$269 million, up \$21.6 million, or 8.7% from the third quarter. This was driven primarily by balance sheet growth, favorable reinvestment yields, and decreased interest expense from funding composition.

Average earning assets rose \$1.6 billion, or 3.9%, from the third quarter. This was driven by increases of \$903 million in average loans, \$586 million in average securities, and \$102 million in federal funds sold and resell agreements.

Average loans rose 14.8% on an annualized basis to \$25.3 billion as compared to the third quarter. Average loans rose 9.4% from the year before. Average deposits were up 30.9% from the third quarter on an annualized basis to \$38 billion.

Credit quality was strong with net charge-offs at just 0.1% of average loans for the year, which is exceptional.

The company completed its Heartland Financial acquisition on January 31st, seeing an increase in the share count of about 50%. That takes the company's market cap to more than \$8 billion and is reflected in our tables going forward.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$2.44	\$3.22	\$3.67	\$3.94	\$4.96	\$6.12	\$7.27	\$8.88	\$8.14	\$9.41	\$9.40	\$12.00
DPS	\$0.95	\$0.99	\$1.04	\$1.17	\$1.21	\$1.25	\$1.38	\$1.49	\$1.53	\$1.57	\$1.60	\$1.85
Shares¹	49	50	50	49	49	48	48	48	49	49	73	73

UMB's adjusted earnings-per-share have compounded at about 10% per year in the past decade. Interest rates moved sharply higher in 2022 and into 2023, which has helped create better lending margins in the sector. We note 2020's earnings had a huge boost from the bank's investment in TTCF. We forecast 5% annual growth from 2024 earnings, which is primarily from a lack of meaningful lending spread growth. We think continued asset base expansion is the key as UMB is working away from fee generation and more towards traditional lending, and a modest boost in fee income. Rates have moved unfavorably in recent months for the bank's earnings. However, the bank has thus far been able to overcome an unfavorable yield curve by swiftly expanding the amount of lending it is doing, as it showed in 2019, 2020, and indeed 2021. We think this growth will be difficult to replicate as the current economic cycle matures, so we have become more cautious on the bank's projected growth, in addition to that high base of earnings. UMBF's net interest

¹ Share count in millions.

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margin remains a big headwind. The Heartland acquisition should be accretive long-term, but promises to produce higher expenses for at least 2025.

The dividend could continue to grow at 3% annually in the coming years, rising from \$1.60 this year to \$1.85 or so in 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	21.4	17.7	20.2	18.5	13.3	9.2	12.8	9.4	10.3	12.0	12.2	11.0
Avg. Yld.	1.8%	1.7%	1.4%	1.6%	1.8%	2.2%	1.5%	1.8%	1.8%	1.4%	1.4%	1.4%

UMB has traded in a wide range in the past decade, encompassing 9 times earnings to 22 times. We see the banks as facing economic headwinds, so we assess UMB's fair value at 11 times earnings. The stock now trades at 12.2 times earnings estimates for this year, so we see it as overvalued at the moment. We expect the dividend yield to remain around 1.4% for the foreseeable future.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	39%	31%	28%	30%	24%	20%	19%	17%	19%	17%	17%	16%

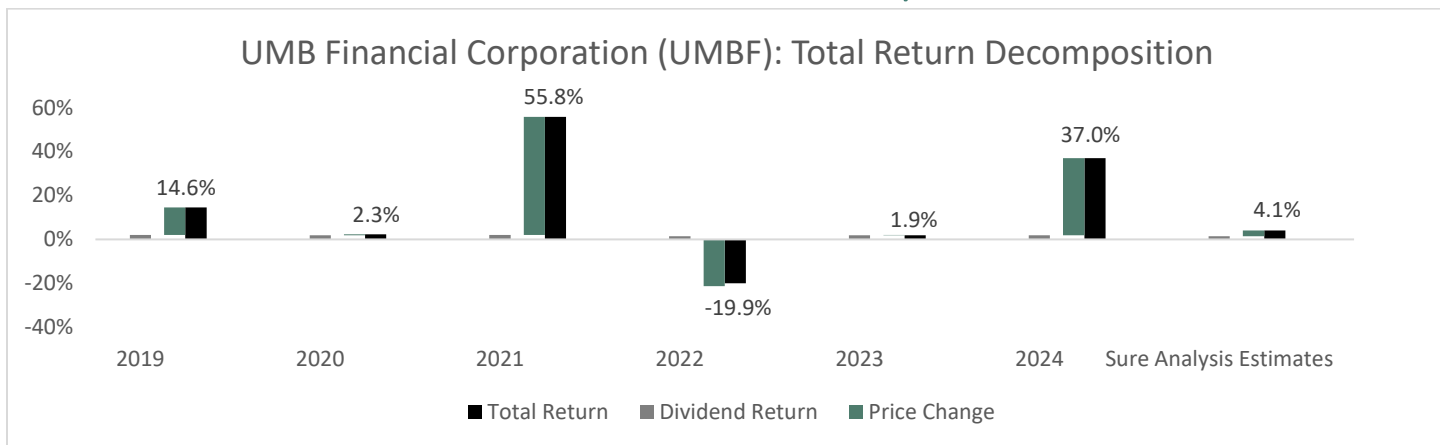
UMB's payout ratio is just one-sixth of earnings, and the bank boasts a 33-year dividend increase streak following its last payout increase. Given these factors, we see the dividend as safe with lots of room to grow in the future. We don't forecast a lot of upside to the payout ratio, so the dividend should grow modestly, keeping the payout ratio under 20% for the foreseeable future.

UMB Financial Corporation's largest competitive advantage is its entrenched position in the financial services sector. Because of industry regulations, it is very difficult for a new competitor to enter the market and take market share from established lenders like UMB. The company's small size is also a potential advantage, as it allows the company to explore smaller, less-competitive growth opportunities that the big banks would not be interested in pursuing. Of course, recessions aren't kind to banks of any size, but we note UMB weathered 2020 quite well, and 2021 showed record earnings.

Final Thoughts & Recommendation

We see the stock as trading ahead of fair value, but given 5% growth expectations, a decent yield of 1.4%, and a modest negative impact from the valuation, we expect 4.1% total annual returns going forward. As such, we reiterate UMBF at a hold rating, noting the bank's outstanding credit quality is being offset by low margins.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	726	841	921	948	1,028	1,218	1,196	1,359	1,326	1,467
SG&A Exp.	420	444	468	472	518	536	550	579	579	622
D&A Exp.	53	55	55	53	56	63	56	54	59	---
Net Profit	116	159	247	196	244	287	353	432	350	441
Net Margin	16.0%	18.9%	26.8%	20.6%	23.7%	23.5%	29.5%	31.8%	26.4%	30.0%
Free Cash Flow	158	246	290	238	268	313	500	718	446	---
Income Tax	32	45	53	27	42	52	76	100	72	100

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	19,094	20,683	21,772	23,351	26,561	33,128	42,693	38,512	44,012	50,410
Cash & Equivalents	981	1,138	1,744	1,693	1,698	3,541	9,256	1,680	5,607	8,559
Goodwill & Int.	275	207	201	196	208	202	189	286	278	271
Total Liabilities	17,201	18,720	19,590	21,123	23,955	30,111	39,548	35,845	40,911	46,943
Long-Term Debt	91	77	79	83	70	270	272	381	2,183	385
Total Equity	1,894	1,962	2,182	2,228	2,606	3,017	3,145	2,667	3,100	3,467
LTD/E Ratio	0.05	0.04	0.04	0.04	0.03	0.09	0.09	0.14	0.70	0.11

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.6%	0.8%	1.2%	0.9%	1.0%	1.0%	0.9%	1.1%	0.8%	0.9%
Return on Equity	6.6%	8.2%	11.9%	8.9%	10.1%	10.2%	11.5%	14.9%	12.1%	13.4%
ROIC	6.4%	7.9%	11.5%	8.6%	9.8%	9.6%	10.5%	13.4%	8.4%	10.6%
Shares Out.	49	50	50	49	49	48	48	49	49	49
Revenue/Share	15.26	17.07	18.47	19.04	20.94	25.20	24.54	27.89	27.19	29.90
FCF/Share	3.32	4.98	5.82	4.78	5.45	6.48	10.27	14.73	9.14	---

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

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