



# Tompkins Financial Corporation (TMP)

Updated May 4<sup>th</sup>, 2025, by Josh Arnold

## Key Metrics

<b>Current Price:</b>	\$62	<b>5 Year CAGR Estimate:</b>	12.3%	<b>Market Cap:</b>	\$892 M
<b>Fair Value Price:</b>	\$66	<b>5 Year Growth Estimate:</b>	8.0%	<b>Ex-Dividend Date:</b>	05/09/25
<b>% Fair Value:</b>	95%	<b>5 Year Valuation Multiple Estimate:</b>	1.1%	<b>Dividend Payment Date:</b>	05/16/25
<b>Dividend Yield:</b>	4.0%	<b>5 Year Price Target</b>	\$96	<b>Years Of Dividend Growth:</b>	38
<b>Dividend Risk Score:</b>	A	<b>Sector:</b>	Financials	<b>Rating:</b>	Buy

## Overview & Current Events

Tompkins Financial is a regional financial services holding company headquartered in Ithaca, NY that can trace its roots back more than 180 years. It trades with a market capitalization of \$892 million and has total assets of about \$8 billion, which produce about \$330 million in annual revenue. The company offers a wide range of services, including checking and deposit accounts, time deposits, loans, credit cards, insurance services, and wealth management to its customers in New York and Pennsylvania. Tompkins also sports an extremely impressive 38-year dividend increase streak after boosting its payout for November 2024.

Tompkins posted first quarter earnings on April 25<sup>th</sup>, 2025, and results showed good progress for the small bank. Revenue was up more than 12% year-over-year to \$81.7 million, and earnings-per-share came to \$1.37.

Net interest margin came to 2.98%, up from 2.93% in the prior quarter, and up sharply from 2.73% in the year-ago period. Average cost of funds was 1.84%, down four basis points from Q4, and down two basis points from the year-ago period from funding mix and lower market interest rates.

Provisions for credit losses were \$5.3 million, compared to \$1.4 million in Q4 and \$854k in last year's Q1.

Total loans were up \$47 million, or 3.1% annualized from Q4. Loans were up \$426 million, or 7.6%, from the year-ago period. Deposits were \$6.8 billion, up 17.4% annualized from Q4, and up \$304 million, or 4.7%, from last year's Q1. That puts the bank's loan-to-deposit ratio at 89.8%, compared to 93.0% from Q4 and 87.5% in last year's Q1.

We now see \$5.70 in earnings-per-share for this year after a good start to 2025.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$3.87	\$3.91	\$4.42	\$5.33	\$5.37	\$5.20	\$6.25	\$5.89	\$4.29	\$4.97	<b>\$5.70</b>	<b>\$8.38</b>
<b>DPS</b>	\$1.70	\$1.77	\$1.82	\$1.94	\$2.02	\$2.10	\$2.19	\$2.31	\$2.40	\$2.44	<b>\$2.48</b>	<b>\$3.64</b>
<b>Shares<sup>1</sup></b>	14.9	15.1	15.3	15.3	15.0	14.9	14.6	14.4	14.2	14.3	<b>14.2</b>	<b>13.8</b>

As 2018 earnings greatly benefited from the one-time effect of tax reform, it is prudent to focus on historical growth before that point. Excluding the non-recurring write-off of 2017, Tompkins Financial grew its earnings-per-share at a 6.4% average annual rate during 2008-2017 and a 6.5% rate during 2012-2017. However, we are much more cautious on Tompkins' ability to grow in the near-term given the interest rate environment, and other factors, including what we view as unsustainably high earnings for 2021. Earnings in 2021 were boosted by credit loss recoveries that will not reoccur, and 2023 earnings were quite weak. In conjunction with this, we're estimating 8% growth going forward as 2025's base of earnings is still relatively low.

Given the state of the yield curve, we don't see a lot of additional deterioration in margins, but it may take some time before Tompkins sees any material improvement in its lending spreads. We note NIM has moved higher, but Tompkins still has below-peer margins despite its very full loan book. Given this, the outlook for revenue and margins is somewhat

<sup>1</sup> Share count in millions

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unfavorable. The bank’s share repurchase program should help, but only with fractional declines in the float annually. Extremely high loan-to-deposit ratios are yet another headwind, although it is off its highs currently.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	14.0	17.7	24.2	15.3	15.1	13.2	12.8	13.2	14.0	13.6	10.9	11.5
Avg. Yld.	3.1%	2.6%	2.2%	2.4%	2.5%	3.1%	2.7%	3.0%	4.0%	3.6%	4.0%	3.8%

Tompkins Financial is currently trading at a price-to-earnings ratio of 10.9, which is well ahead of where we see fair value at 11.5 times earnings. With shares trading at 95% of our estimate of fair value, Tompkins’ value proposition is much better than our prior update. The yield is 4% now, and we see it potentially declining to 3.8% over time as the share price should move higher more quickly than the dividend if our growth forecast comes to fruition.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	44%	45%	53%	36%	38%	40%	35%	39%	56%	49%	44%	44%

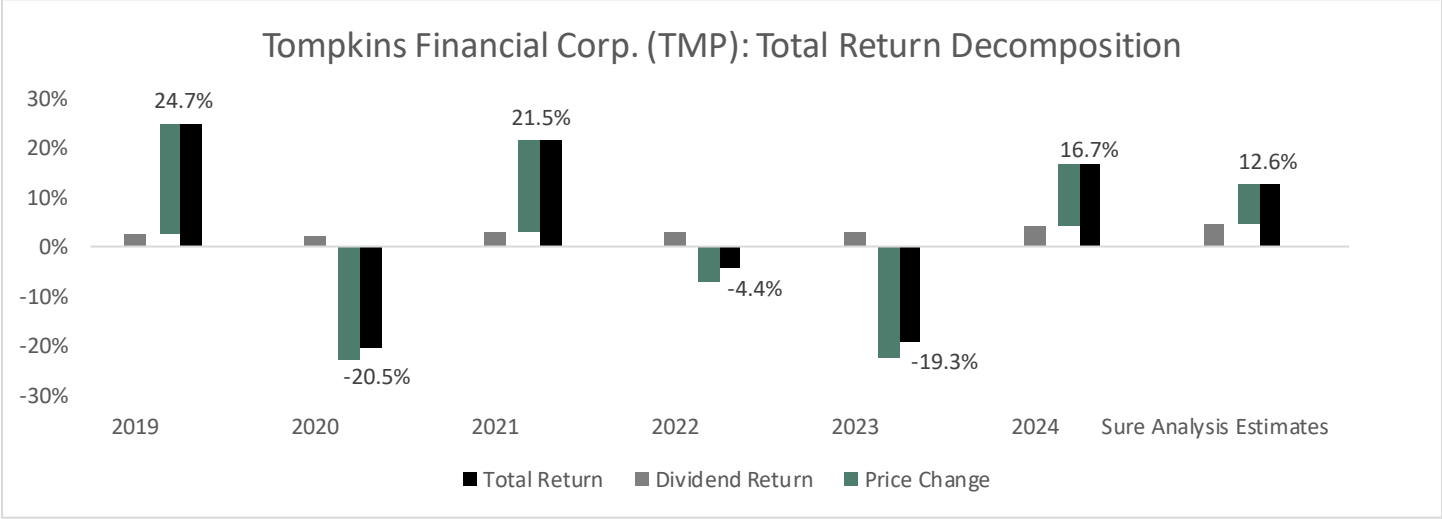
Tompkins Financial has raised its dividend for 38 consecutive years, and we don’t see this streak in jeopardy by any means. Due to its modest payout ratio, it has ample room to keep growing its dividend, even with weak earnings growth. We do note that the payout ratio continues to rise given negative earnings growth in recent years, which is something for investors to keep an eye on going forward.

The company also exhibited remarkable resilience in the Great Recession. In the worst financial crisis of the last 90 years, when most banks incurred losses or saw their earnings collapse, Tompkins Financial grew its earnings-per-share 17%, from \$2.53 in 2008 to \$2.96 in 2009. The defensive behavior of Tompkins Financial during economic downturns is particularly important. Tompkins’ competitive advantage, if it has one, is its focus on targeted local markets in the Northeast U.S. The local bank feel is something consumers in small communities gravitate towards, which benefits Tompkins. Tompkins performed well in 2020, but credit quality did deteriorate some during the year, unsurprisingly.

## Final Thoughts & Recommendation

We have concerns about Tompkins’ ability to grow longer-term. The valuation is still well ahead of fair value, and the yield is 4%. With 8% earnings growth forecast, we see 12.3% total returns ahead. With total prospective returns higher from our last update, we are boosting the stock from hold to buy.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	238	247	267	283	283	296	303	308	220	299
SG&A Exp.	103	112	119	126	129	136	120	123	125	128
D&A Exp.	8	9	10	11	12	12	12	12	12	10
Net Profit	58	59	52	82	82	78	89	85	10	71
Net Margin	24.6%	24.0%	19.7%	29.1%	28.9%	26.2%	29.5%	27.6%	4.3%	23.7%
Free Cash Flow	76	75	51	89	96	97	116	95	82	89
Income Tax	29	27	43	22	21	20	25	25	2	22

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	5,690	6,237	6,648	6,758	6,726	7,622	7,820	7,671	7,820	8,109
Cash & Equivalents	58	64	84	80	138	388	63	78	80	134
Accounts Receivable	82	84	83	82	101	110	116	181	---	---
Goodwill & Int. Ass.	104	104	102	100	99	97	96	95	95	95
Total Liabilities	5,174	5,687	6,072	6,138	6,063	6,904	7,091	7,053	7,150	7,396
Long-Term Debt	574	922	1,088	1,093	675	278	124	291	602	790
Shareholder's Equity	515	548	575	619	662	716	728	616	669	713
LTD/E Ratio	1.11	1.68	1.89	1.76	1.02	0.39	0.17	0.47	0.90	1.11

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.1%	1.0%	0.8%	1.2%	1.2%	1.1%	1.2%	1.1%	0.1%	0.9%
Return on Equity	11.6%	11.2%	9.4%	13.8%	12.8%	11.3%	12.4%	12.7%	1.5%	10.2%
ROIC	5.9%	4.6%	3.3%	4.9%	5.4%	6.6%	9.7%	9.7%	0.9%	5.1%
Shares Out.	14.9	15.1	15.3	15.3	15.0	14.9	14.6	14.4	14.3	14.3
Revenue/Share	15.99	16.53	17.72	18.70	18.88	20.07	20.66	21.4	15.4	21.0
FCF/Share	5.14	4.99	3.37	5.89	6.38	6.57	7.95	6.61	5.75	6.22

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

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