UMB Financial Corporation (UMBF)

Updated May 10th, 2025, by Josh Arnold

Key Metrics

Current Price:	$103	**5 Year CAGR Estimate:**	6.5%	**Market Cap:**	$7.8 B
Fair Value Price:	$109	**5 Year Growth Estimate:**	4.0%	**Ex-Dividend Date:**	06/10/25
% Fair Value:	95%	**5 Year Valuation Multiple Estimate:**	1.1%	**Dividend Payment Date:**	07/01/25
Dividend Yield:	1.6%	**5 Year Price Target**	$132	**Years Of Dividend Growth:**	33
Dividend Risk Score:	B	**Sector:**	Financials	**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 a $7.8 billion market capitalization and produces about $2.5 billion in annual revenue.

UMB posted first quarter earnings on April 30th, 2025, and results were better than expected. Adjusted earnings-per-share came to $2.58, which beat estimates by 39 cents. Revenue was up 41% year-over-year to $564 million, beating estimates by almost $5 million. Most of the gain in revenue was from the company's recently completed acquisition of Heartland Financial.

Fee income was $166 million, including $5.2 million in mark-to-market losses and $17 million in additional income contributed by Heartland. Operating expenses were $331 million, including $16 million in new amortization expenses. Provisions for credit losses were $86 million, including allowances related to Heartland.

Credit and debit card purchase volume was up almost 19% year-over-year to $5.4 billion, again driven largely by Heartland. The acquisition also added $14 billion in deposits and added branches in 13 states.

Average loans were up 28% to $32.3 billion, with legacy UMB loans growing 8%. Average deposits rose 32% to $50 billion. We now see $9.90 in adjusted earnings-per-share for this year after a great start to 2025.

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	***$9.90***	***$12.04***
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***
Shares[1]	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 4% annual growth from 2025's record earnings base, 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 margin remains a big headwind. The Heartland acquisition, in the first quarter since its completion, added meaningfully to UMB's results, and we are optimistic.

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[1] Share count in millions.

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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	***10.4***	***11.0***
Avg. Yld.	1.8%	1.7%	1.4%	1.6%	1.8%	2.2%	1.5%	1.8%	1.8%	1.4%	***1.6%***	***1.4%***

UMB has traded in a wide range in the past decade, encompassing 9 times earnings to 21 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 10.4 times earnings estimates for this year, so we see it as undervalued at the moment. We expect the dividend yield to remain around 1.5% 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%	***16%***	***15%***

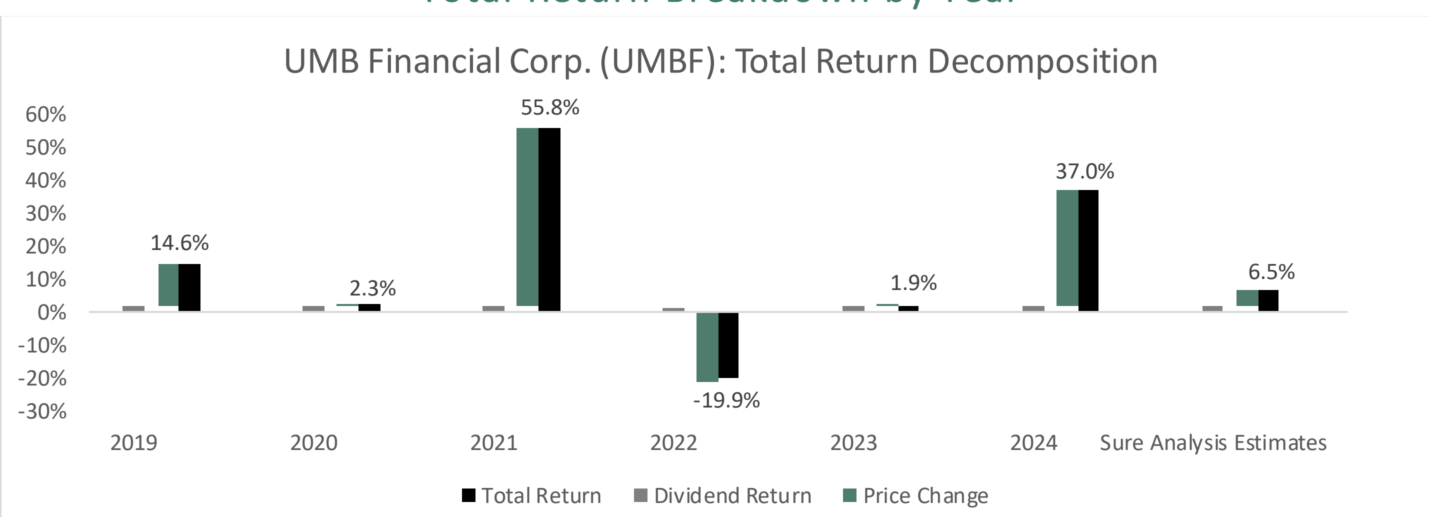
UMB's payout ratio is just one-sixth of earnings, and the bank boasts a 33-year dividend increase streak following its last payout increase. Given these factors, we see the dividend as safe with lots of room to grow in the future. We don't forecast a lot of upside to the payout ratio, so the dividend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

Final Thoughts & Recommendation

We see the stock as trading below fair value with 4% growth expectations. With a decent yield of 1.6%, and a modest positive impact from the valuation, we expect 6.5% 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



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	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	53
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	201
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	4.10

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