



# Tompkins Financial Corporation (TMP)

Updated July 27<sup>th</sup>, 2025, by Josh Arnold

## Key Metrics

|                             |      |  |            |                                  |          |
|-----------------------------|------|--|------------|----------------------------------|----------|
| <b>Current Price:</b>       | \$64 | <b>5 Year CAGR Estimate:</b>               | 15.0%      | <b>Market Cap:</b>               | \$923 M  |
| <b>Fair Value Price:</b>    | \$70 | <b>5 Year Growth Estimate:</b>             | 10.0%      | <b>Ex-Dividend Date:</b>         | 08/08/25 |
| <b>% Fair Value:</b>        | 91%  | <b>5 Year Valuation Multiple Estimate:</b> | 1.9%       | <b>Dividend Payment Date:</b>    | 08/15/25 |
| <b>Dividend Yield:</b>      | 3.9% | <b>5 Year Price Target</b>                 | \$113      | <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 \$923 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 second quarter earnings on July 25<sup>th</sup>, 2025, and results were decent. Earnings-per-share came to \$1.50, and revenue was almost \$83 million. Net interest margin was 3.08%, up 10 basis points from the prior quarter, and higher by 35 basis points year-over-year. Total average cost of funds was 1.84%, unchanged from Q1, and lower by 12 basis points year-over-year.

Total loans were \$106 million higher than March, or 1.8%. From the year-ago period, loans were \$411 million higher, or 7.1%. Total deposits were \$6.7 billion, in line with March, but almost 7% higher year-on-year. The bank's loan-to-deposit ratio was 91.9%, worse than 89.8% in March and roughly flat to 91.7% a year ago.

We now see \$5.85 in earnings-per-share for this year after a good first half of the year.

## 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>\$5.85</b> | <b>\$9.42</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 10% 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 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, rising again in Q2 of 2025.

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

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## 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 | 12.0 |
| Avg. Yld. | 3.1% | 2.6% | 2.2% | 2.4% | 2.5% | 3.1% | 2.7% | 3.0% | 4.0% | 3.6% | 3.9% | 3.2% |

Tompkins Financial is currently trading at a price-to-earnings ratio of 10.9, which is well below where we see fair value at 12 times earnings. With shares trading at 91% of our estimate of fair value, Tompkins' value proposition is better than our prior update. The yield is 3.9% now, and we see it potentially declining to 3.2% 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%  | 42%  | 39%  |

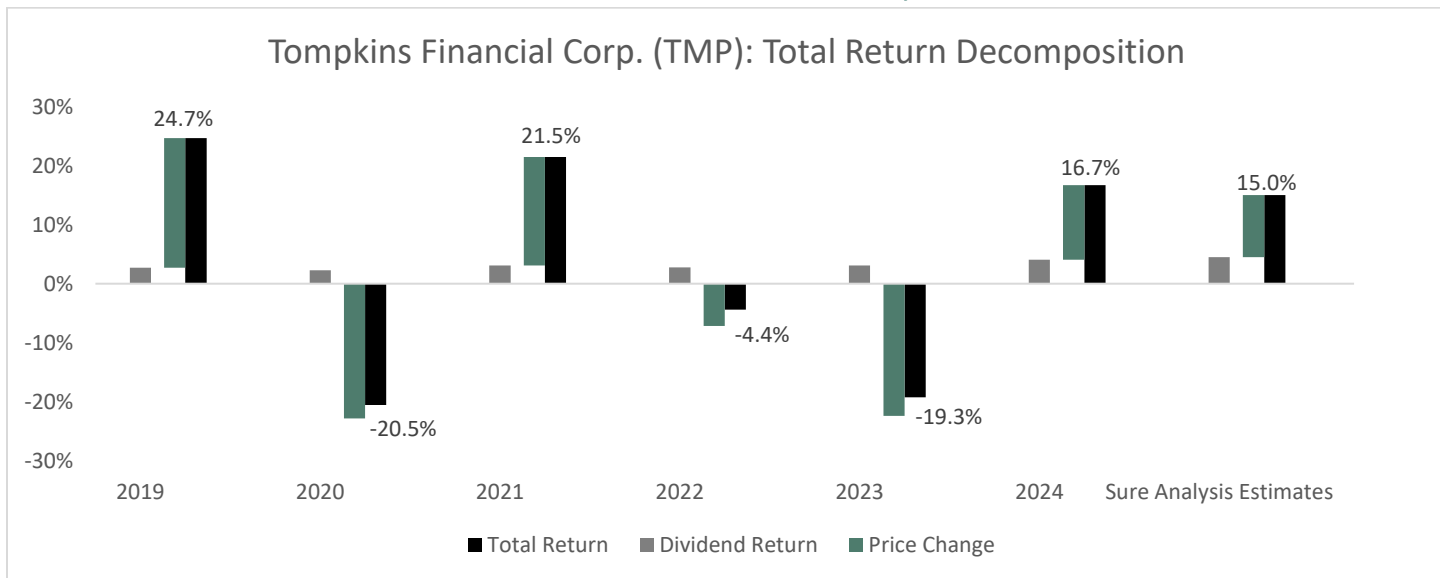
Tompkins Financial has raised its dividend for 38 consecutive years, and we don't see this streak in jeopardy by any means. Due to its modest payout ratio, it has ample room to keep growing its dividend, even with weak earnings growth. We do note that the payout ratio continues to rise given negative 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, but it is also seeing a number of earnings tailwinds presently. The valuation is behind fair value, and the yield is 3.9%. With 10% earnings growth forecast, we see 15% total returns ahead. With total prospective returns higher from our last update, we are reiterating the stock at a buy rating following Q2 results.

## 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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