Unity Bancorp, Inc. (UNTY)

Updated July 15th, 2025, by Kody Kester

Key Metrics

Current Price:	$53	**5 Year CAGR Estimate:**	8.0%	**Market Cap:**	$536M
Fair Value Price:	$49	**5 Year Growth Estimate:**	9.0%	**Ex-Dividend Date:**	09/05/25[1]
% Fair Value:	110%	**5 Year Valuation Multiple Estimate:**	-1.9%	**Dividend Payment Date:**	09/19/25[1]
Dividend Yield:	1.0%	**5 Year Price Target**	$75	**Years Of Dividend Growth:**	12
Dividend Risk Score:	A	**Sector:**	Financials	**Rating:**	Hold

Overview & Current Events

Founded in 1991 under the name First Community Bank, Unity Bancorp, Inc. is a community bank. UNTY serves as the holding company of Unity Bank.

The company is a full-service commercial bank that mostly serves businesses and consumers in Bergen, Hunterdon, Middlesex, Morris, Ocean, Somerset, Union, and Warren counties in New Jersey. To a lesser extent, Unity Bank reaches into the New York City metropolitan area and Northampton County in Pennsylvania with its banking locations and online services. As of June 30th, 2025, UNTY had $2.9 billion in assets.

The bank offers customers savings products, including personal and business checking accounts, savings accounts, and money market accounts. UNTY also provides Small Business Administration loans, commercial loans, mortgage loans, home equity loans, and personal loans. Additionally, the company offers debit and credit cards, safe deposit boxes, and internet and mobile banking services.

Among banks with less than $5 billion in assets, Bank Director ranks UNTY as the 13th best in the nation. The company's commitment to meeting the needs of customers has earned it this distinction. Not to mention that UNTY's efficiency placed it fifth among all banks under $5 billion in assets with a return on assets of around 1.8%.

On July 15th, the community bank shared its earnings report for the second quarter ended June 30th. UNTY's net interest income jumped 21.9% over the year-ago period to $28.6 million in the quarter. The company's net interest income growth was powered by a 48-basis point expansion in net interest margin to 4.49% and a 9.8% rise in total loan balances during the quarter. UNTY's diluted EPS soared 73.1% year-over-year to $1.61 for the quarter. That topped the analyst consensus in the quarter by $0.43. Backing out one-time realized gains of $3.5 million from the sale of Patriot National Bancorp (PNBK) stock during the quarter, UNTY's non-GAAP EPS would have been $1.20 - $0.02 better than the consensus.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.12	$1.38	$1.20	$2.01	$2.14	$2.19	$3.43	$3.59	$3.84	$4.06	***$4.87***	***$7.49***
DPS	$0.13	$0.17	$0.23	$0.27	$0.31	$0.32	$0.36	$0.43	$0.48	$0.52	***$0.56***	***$0.82***
Shares[2]	9.3	10.5	10.6	10.8	10.9	10.5	10.4	10.6	10.1	10.0	***10.0***	***9.5***

Since 2015, UNTY's diluted EPS has almost quadrupled. Given that the bank is dealing with a larger earnings base, it will be more challenging to deliver this level of growth in the future. However, we still believe that diluted EPS growth can be in the high single digits annually over the medium term. This is due to the continued expansion in the company's net interest margin. UNTY's share count has also gradually decreased in recent years. We think this will be maintained and expect a modest reduction in the share count over the next five years.

[1] Estimated dates based on past dividend dates.

[2] Share count is in millions.

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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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	10.1	11.4	16.5	10.0	10.3	8.0	7.7	7.6	7.7	10.7	***11.0***	***10.0***
Avg. Yld.	1.1%	1.1%	1.2%	1.3%	1.4%	1.8%	1.4%	1.6%	1.6%	1.2%	***1.0%***	***1.1%***

In the past 10 years, UNTY's P/E ratio has ranged from as little as the high single digits to as much as the mid-teens. This accounts for the average P/E ratio of 10 over that time. Since the company's growth profile is arguably intact and it is one of the best community banks in the country, we maintain the view that a P/E ratio of 10 is a rational assumption. Relative to the current-year P/E ratio of 11, this implies shares are more than fully valued.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	12%	12%	19%	13%	14%	15%	10%	12%	13%	13%	***11%***	***11%***

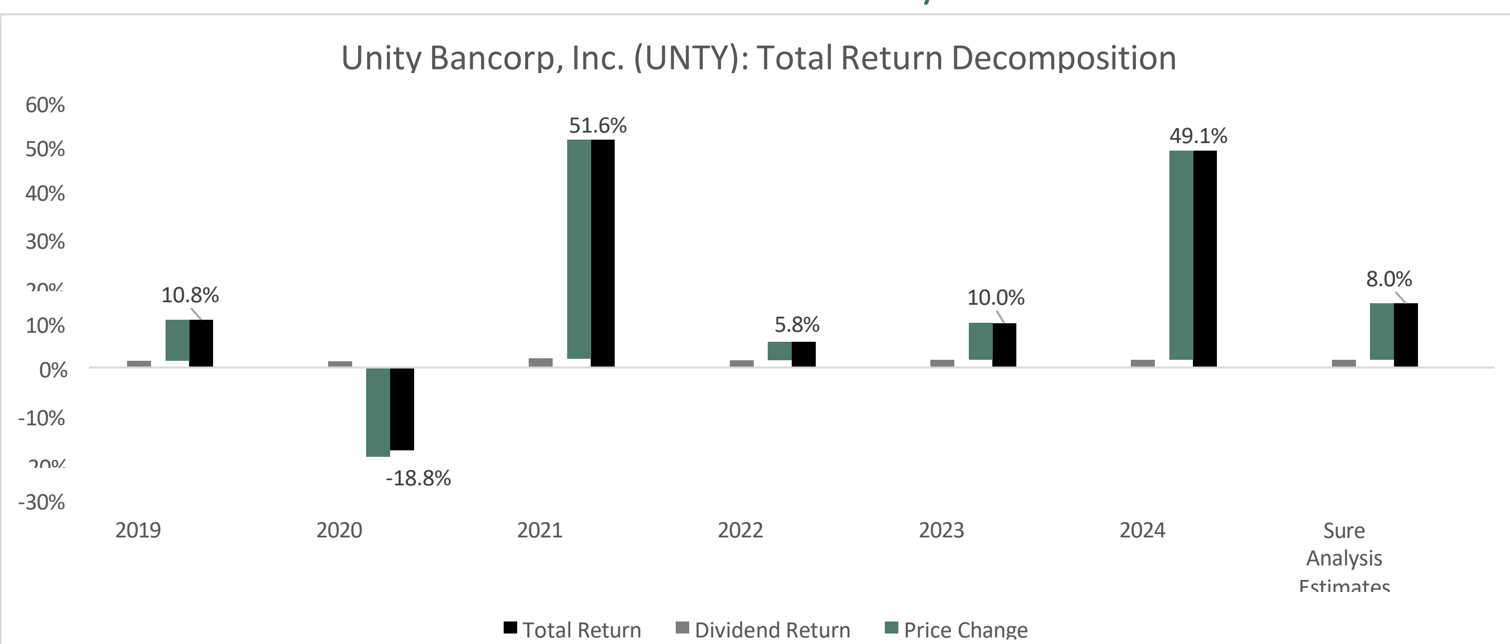
UNTY has managed to achieve a lot in its 34-year operating history. As one of the leading banks headquartered in New Jersey, the company blends the feeling of a bigger bank with the hometown charm of a smaller bank. This keeps existing customer retention elevated and attracts new customers as well.

The company's asset quality is reasonably strong, too. As of June 30th, the company's nonperforming assets ratio was 0.54% - four basis points better than the year-ago period. UNTY's dividend payout ratio is another plus. As it has for most of the past 10 years, this is set to be in the low double-digits in 2025. That provides a sizable buffer for the company to build on its dividend growth streak, with dividend growth almost matching diluted EPS growth in the years to come.

Final Thoughts & Recommendation

UNTY's 1.0% dividend yield, 9.0% annual diluted EPS growth prospects, and 1.9% annual valuation multiple downside potential could produce 8.0% annual total returns through 2030. In the last three months, shares of UNTY have rallied approximately 36%. That has swung the valuation from a meaningful undervaluation to a moderate level of overvaluation. As a result, we're downgrading shares to a hold 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	42	46	53	63	66	77	88	98	101	106
SG&A Exp.	18	19	21	24	24	25	28	30	33	33
D&A Exp.	1	1	1	2	2	2	2	3	2	-
Net Profit	10	13	13	22	24	24	36	38	40	41
Net Margin	22.9%	28.6%	24.1%	34.8%	35.8%	30.9%	41.0%	39.4%	39.3%	38.6%
Free Cash Flow	2	(1)	13	37	32	22	31	41	46	-
Income Tax	5	7	10	5	7	7	12	13	13	13

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,085	1,190	1,455	1,579	1,719	1,959	2,034	2,445	2,579	2,654
Cash & Equivalent	23	22	24	20	21	23	245	115	195	180
Accounts Receivable	4	4	5	6	7	10	10	13	14	13
Goodwill & Int.	2	2	2	2	2	2	2	2	2	2
Total Liabilities	1,006	1,084	1,337	1,441	1,558	1,785	1,828	2,206	2,317	2,358
Accounts Payable	0	0	0	0	0	0	0	1	2	2
Long-Term Debt	92	131	285	220	293	210	50	393	367	231
Shareholder's Equi	78	106	118	138	161	174	206	239	261	296
LTD/E Ratio	1.18	1.24	2.42	1.59	1.83	1.21	0.24	1.64	1.40	0.78

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.9%	1.2%	1.0%	1.4%	1.4%	1.3%	1.8%	1.7%	1.6%	1.6%
Return on Equity	12.9%	14.3%	11.5%	17.1%	15.8%	14.1%	19.0%	17.3%	15.9%	14.9%
ROIC	5.2%	6.5%	4.0%	5.8%	5.8%	5.6%	11.3%	8.7%	6.3%	7.2%
Shares Out.	9.3	10.5	10.6	10.8	10.9	10.5	10.4	10.6	10.1	10.2
Revenue/Share	4.45	4.83	4.98	5.77	5.99	7.08	8.35	9.12	9.76	10.38
FCF/Share	0.22	(0.08)	1.20	3.40	2.95	2.01	2.97	3.85	4.45	-

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