



First United Corporation (FUNC)

Updated February 7th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$37	5 Year CAGR Estimate:	12.0%	Market Cap:	\$236.6 M
Fair Value Price:	\$40	5 Year Growth Estimate:	8.0%	Ex-Dividend Date:	04/16/2025 ¹
% Fair Value:	92%	5 Year Valuation Multiple Estimate:	1.6%	Dividend Payment Date:	05/01/2025
Dividend Yield:	2.4%	5 Year Price Target	\$58	Years Of Dividend Growth:	6
Dividend Risk Score:	C	Retirement Suitability Score:	D	Rating:	Buy

Overview & Current Events

First United Corporation is a financial services holding company based in Oakland, Maryland. Through its subsidiary, First United Bank & Trust, it runs 22 branches located across Maryland, West Virginia, Virginia, and Pennsylvania. The bank provides a full range of financial services, such as personal and commercial banking, wealth management, and insurance solutions. Its lending portfolio spans residential and commercial real estate, construction, and small business loans. As at the end of the fourth quarter of 2024, the bank had \$2.0 billion in assets and \$1.6 billion in deposits. Last year, the bank generated \$92.0 million in interest income. First United Corporation trades at a market cap of \$236.6 million.

On February 5th, 2025, First United reported its Q4 and full-year results for the period ending December 31st, 2024. The bank posted net income of \$6.2 million, up from \$1.8 million last year, while EPS came in at \$0.95 up from \$0.26 in Q4-2024. This was driven by strong loan growth, higher net interest income, and disciplined expense management. Last year's lower earnings were impacted by one-time costs, including a \$4.2 million investment portfolio restructuring loss and \$0.5 million in branch closure expenses. For FY2024, EPS was \$3.15. For FY2025, we expect EPS of \$3.30.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.65	\$0.84	\$0.58	\$1.51	\$1.85	\$1.98	\$2.95	\$3.77	\$2.25	\$3.15	\$3.30	\$4.85
DPS	---	---	---	\$0.36	\$0.40	\$0.52	\$0.58	\$0.60	\$0.78	\$0.80	\$0.88	\$1.55
Shares²	6.2	6.3	6.9	7.1	7.1	7.0	6.7	6.7	6.7	6.5	6.5	6.5

First United has managed to grow its EPS rather rapidly over the years, though earnings have also been quite volatile. In 2015, EPS spiked to \$1.65, due to a one-time pre-tax arbitration settlement of \$11.6 million, which boosted net income significantly. However, EPS fell back to \$0.84 in 2016 due to the absence of such extraordinary income and higher loan provisions to address deteriorating loan relationships.

In 2017, EPS further fell to \$0.58, largely due to a \$3.2 million one-time tax expense from the revaluation of deferred tax assets under the Tax Cuts and Jobs Act. By 2018, EPS rebounded to \$1.51, due to better asset quality, lower provisions, increased net interest income, and growth in wealth management income. This marked the start of sustained earnings growth.

Between 2019 and 2021, EPS climbed steadily to \$2.95 in 2021. Key drivers included strong loan production, improved asset quality, release of loan loss provisions as the economic environment stabilized, and cost management initiatives. First United also benefited from the Paycheck Protection Program (PPP) during the pandemic, which contributed to fee income. In 2022, EPS peaked at \$3.77, boosted by higher interest rates that improved net interest margins, strong loan and deposit growth, and operational efficiencies.

Still, by 2023, EPS declined to \$2.25, reflecting one-off restructuring costs the bank's investment portfolio. In FY2024, EPS recovered to \$3.15. Moving forward, we believe First United can grow its EPS by 8%, due to expanding loan demand in its core markets and continued growth in noninterest income from wealth management and insurance services. We

¹ Estimated dates based on past dividend dates.

² Share count is in millions.

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have applied a stronger dividend growth rate of 12% in our estimates, which we believe the company can afford. The company has grown its dividend for six consecutive years.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	5.3	12.3	24.4	12.0	10.6	8.9	5.6	5.1	7.8	7.4	11.1	12.0
Avg. Yld.	---	---	---	2.0%	2.0%	3.0%	3.5%	3.1%	4.5%	3.4%	2.4%	2.7%

First United's P/E ratio has fluctuated significantly over the years, driven by earnings volatility and market conditions. The low P/E in 2015 reflected a one-time earnings boost, while the spike in 2017 resulted from reduced EPS due to tax adjustments. From 2018 to 2022, multiples compressed steadily as consistent earnings growth outpaced share price performance. Today, we believe shares are modestly undervalued at 11.1x this year's expected EPS. We have set our fair multiple at 12x EPS given the company's growth prospects.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	---	---	---	24%	22%	26%	20%	16%	35%	25%	27%	32%

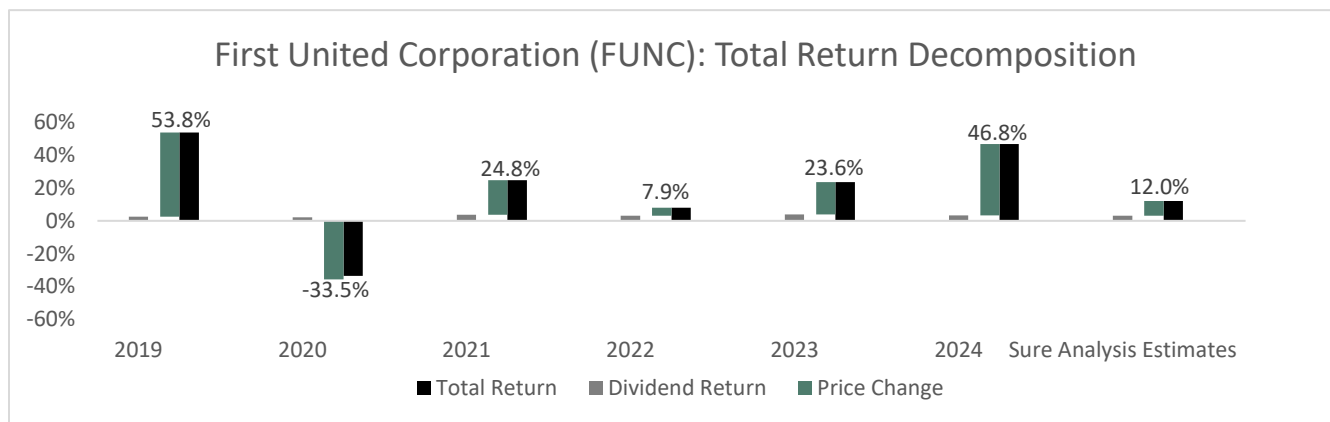
First United benefits from its strong regional presence, with 22 branches across Maryland, West Virginia, Virginia, and Pennsylvania, allowing it to maintain close customer relationships and local market expertise. Moreover, its diversified offerings, including personal banking, commercial lending, wealth management, and insurance services, offer multiple revenue streams that help cushion against economic downturns. Also, the bank's strong capital position, evidenced by a CET1 ratio of 12.79% as of the most recent quarter, highlights its financial health.

However, First United operates in a highly competitive industry, facing pressure from larger regional and national banks with greater scale and resources. The banking sector is inherently susceptible to economic cycles, and while First United posted growing earnings during the pandemic, it did report heavy losses during the Great Financial Crisis.

Final Thoughts & Recommendation

First United offers a decent investment case, similar to the many regional banks that Sure Dividend covers. Its regional presence and diversified revenue streams are noteworthy. Recent EPS growth reflects higher net interest margins and improved efficiency, while its robust capital position and focus on core market expansion should position the bank for steady long-term performance despite economic challenges. We forecast annualized returns of 12.0% moving forward, backed by our EPS growth estimate of 8%, the 2.4% starting dividend yield, and the potential for a 1.6% annual valuation tailwind. First United earns a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	50	50	52	54	59	63	67	73	76	71
SG&A Exp.	22	23	22	23	25	25	23	26	26	30
Net Profit	6	13	7	5	11	13	14	20	25	15
Net Margin	11.3%	25.9%	13.9%	9.8%	18.0%	20.8%	20.6%	27.1%	33.1%	21.1%
Free Cash Flow	3	21	8	6	9	12	15	19	23	22
Income Tax	1	6	3	7	3	3	4	7	8	4

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,332	1,323	1,318	1,336	1,384	1,442	1,733	1,730	1,848	1,906
Cash & Equivalents	35	52	63	84	24	50	149	116	74	50
Total Liabilities	1,223	1,203	1,204	1,228	1,267	1,316	1,602	1,588	1,696	1,744
Accounts Payable	20	21	23	19	20	20	17	16	0	1
Long-Term Debt	183	148	132	121	141	101	101	31	31	111
Shareholder's Equity	79	91	94	108	117	126	131	142	152	162
LTD/E Ratio	1.68	1.22	1.16	1.12	1.20	0.80	0.77	0.22	0.20	0.69

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	0.4%	1.0%	0.6%	0.4%	0.8%	0.9%	0.9%	1.1%	1.4%	0.8%
Return on Equity	5.3%	11.3%	6.2%	4.7%	9.5%	10.8%	10.8%	14.5%	17.1%	9.6%
ROIC	1.9%	4.6%	2.8%	2.2%	4.4%	5.4%	6.0%	9.8%	14.1%	6.6%
Shares Out.	6.2	6.2	6.3	6.9	7.1	7.1	7.0	6.7	6.7	6.7
Revenue/Share	7.90	8.01	8.35	7.78	8.39	8.90	9.59	10.85	11.36	10.64
FCF/Share	0.51	3.33	1.21	0.92	1.24	1.75	2.08	2.81	3.45	3.30

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

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