Camden National Corporation NasdaqGS:CAC
FQ3 2026 Earnings Call Transcripts

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Call Participants

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Simon R. Griffiths
CEO, President & Director

ANALYSTS

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Freddie Justin Strickland
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Stephen M. Moss
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Presentation

Operator

Good day, and welcome to Camden National Corporation's Third Quarter 2026 Earnings Conference Call. My name is Lucas Penner, and I will be your operator for today's call. I will now turn the call over to Renée Smyth, Executive Vice President, Chief Experience and Marketing Officer.

Renée D. Smyth
Executive VP and Chief Experience & Marketing Officer

Welcome to Camden National Corporation's Third Quarter 2026 Earnings Conference Call. With me today are Simon Griffiths, our President and Chief Executive Officer, and Mike Archer, our Executive Vice President and Chief Financial Officer.

Before we begin, please note that today's remarks include forward-looking statements, and actual results could differ materially from what we discuss on the call. You can find cautionary language about these statements in our third quarter 2026 earnings release issued this morning and in our other SEC filings.

All of these materials and public filings are available on our Investor Relations website at camdennational.bank. Camden National Corporation trades on NASDAQ under the symbol CAC. We'll also refer to non-GAAP financial measures during this call. These measures provide additional insight into our performance, and reconciliations to GAAP are included in today's earnings release.

With that, I'll turn the call over to Simon.

Simon R. Griffiths
CEO, President & Director

Good afternoon, everyone, and thank you, Renee. Earlier this morning, we reported third quarter net income of $22.8 million and diluted earnings per share of $1.34. Compared with third quarter 2025, net income rose 8% and diluted EPS rose 7%, reflecting strong earnings momentum driven by continued execution across our core franchise. These results were driven by strong core deposit growth that led to an improved funding mix and drove 15 basis points of net interest margin expansion over the last quarter.

I'm pleased to report disciplined expense management complemented this performance even as we continue to invest in the franchise. Pretax pre-provision income for the third quarter rose 4% from the second quarter and 6% from a year ago to $31.2 million, reflecting stronger core operating performance and improved operating leverage. That momentum also showed in record total revenue, which rose to $68.7 million from $67.4 million in the second quarter. We ended the quarter with approximately $7.1 billion in total assets and a strong balance sheet, supported by ample liquidity, solid capital and sound credit quality.

This strength positions us well to support future growth across evolving market conditions. Total loans were essentially unchanged from both the prior quarter and a year ago at $5 billion. Home equity remains a notable growth driver, up 7% during the quarter and 25% year-over-year, reaching a high of $392 million, while residential real estate grew modestly. Commercial balances declined slightly during the quarter, reflecting payoffs and the planned exit of certain credits that no longer aligned with our portfolio objectives.

During the quarter, we added 4 experienced commercial bankers, 2 covering the Massachusetts market and 2 in the Southern Maine market. While they are ramping up, we are encouraged by the strength of the pipelines they are building. The decision to join Camden also speaks to the appeal of our strategy, culture and growth prospects. We expect these additions to support commercial growth over time, while we remain disciplined on structure and pricing.

On the funding side, seasonal deposit inflows, strong customer retention and new customer relationships supported deposit growth and improved our funding mix during the third quarter. Total deposits increased 5% from the second quarter and 8% from a year ago to $5.8 billion. This outstanding performance improves our balance sheet flexibility and supports future asset growth, particularly in a rising rate environment.

Within our fee-based businesses, we remain focused on expanding recurring fee streams and diversifying our revenue mix. Our strategy to expand financial advisory services and deepen customer relationships is yielding positive results. Wealth and brokerage assets under administration reached $2.6 billion at the quarter end, up 10% year-over-year, highlighting our ability to maintain a balanced revenue mix over time.

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To support deeper customer relationships and more effective execution, we are investing in our data capabilities. Our early partnership with Snowflake is already changing how we operate. For example, business teams are actively using Snowflake Explorer to access customer and performance insights directly, reducing reliance on manual analysis and enabling faster, better-informed decisions. This is already supporting more targeted sales outreach and demonstrating how our early adopter technology investments can improve execution, productivity and customer engagement.

In summary, the third quarter demonstrated the strength of our relationship-based model, continued progress on our growth strategy and record year-to-date earnings. We are investing in experienced talent, deeper customer relationships and technology capabilities that position Camden for sustainable growth. We feel good about our Q4 outlook, and we believe we are well positioned for 2027.

With that strategic overview, I'll turn it over to Mike to walk through the financial results in more detail.

Michael R. Archer
Executive VP & CFO

Good afternoon, everyone. As Simon highlighted, for the third quarter, we delivered strong financial results, headlined by net income of $22.8 million and diluted EPS of $1.34. Both were up nicely from a year ago and fell just short of last quarter's record results. Profitability also remained strong with a return on average assets of 1.31% and a return on average tangible common equity of 17.47%. Net interest income totaled $55.4 million for the third quarter. Reported net interest margin rose 15 basis points from the second quarter to 3.41%, exceeding our guidance range provided on our last call.

On a non-GAAP basis, core net interest margin increased 13 basis points to 3.10%. The increase reflected a more favorable funding mix and lower funding costs. Average funding costs for the third quarter declined to 1.63% from 1.7% in the second quarter, and average deposit costs edged down to 1.55%. For the fourth quarter, we are estimating our net interest margin to be relatively consistent with the third quarter.

Turning to fee income. Noninterest income was $13.2 million for the third quarter, down 8% from the second quarter and 6% from a year ago. The linked-quarter decline was driven by lower BOLI and mortgage banking income, both of which are sensitive to market conditions. On a linked-quarter basis, the change in fair value accounting was $921,000 lower between periods. For the fourth quarter, we currently estimate noninterest income to increase to $13.5 million to $14.5 million. Noninterest expense totaled $37.5 million for the third quarter, essentially unchanged from the second quarter and up 4% from a year ago.

We continue to actively manage our expense base while making targeted investments in the franchise, including the key hires Simon mentioned earlier. As a result, we reported a non-GAAP efficiency ratio of 52.44% for the third quarter, down from 53.23% in the second quarter. We anticipate non-interest expense for the fourth quarter to approximate our current quarterly run rate, and we are currently estimating a range of $37.5 million to $38 million.

Over the longer term, we remain focused on managing our efficiency ratio in the mid-50s, plus or minus. We believe this level balances continued investment in the franchise with strong shareholder returns. On credit, key metrics improved from the second quarter. Nonperforming loans declined to 16 basis points of total loans at September 30 from 24 basis points last quarter, and past due loans were 14 basis points of total loans at quarter end, down from 15 basis points last quarter.

Net charge-offs were 7 basis points of average loans on an annualized basis for the third quarter and 5 basis points on a year-to-date basis. As of September 30, the allowance for credit losses was 0.92% of total loans, up 1 basis point from last quarter. The increase in the ACL coverage ratio contributed to provision expense of $1.9 million for the third quarter of 2026 compared to $710,000 in the second quarter. The increase in provision expense reflected changes in the economic outlook and an increase in unfunded reserves driven by strong HELOC production. Overall credit performance remained sound throughout the third quarter.

Capital remained strong at the end of the third quarter. The total risk-based capital ratio increased to 14.82%, and the Tier 1 leverage ratio increased to 9.92% during the quarter. At quarter end, the tangible common equity ratio was 7.73%, and tangible book value per share was $31.40. Both declined from June 30 due to the impact of higher market interest rates on accumulated other comprehensive loss. Overall, the quarter reflected solid profitability, improved operating leverage, sound credit performance and strong capital. We believe these results demonstrate the strength of our core earnings profile and position us well heading into the fourth quarter.
That concludes our prepared remarks. Operator, please open the line for questions.

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Question and Answer

Operator

Our first question comes from the line of Fred Strickland with Hovde Group.

Feddie Justin Strickland
Hovde Group, LLC, Research Division

Just wanted to ask, I guess, first about deposits here, really strong deposit growth in the quarter, particularly strong DDAs. And I know there's some seasonality in there. But can you give us a sense for maybe how much of the growth was more seasonal versus what's more likely to stick around maybe from new operating accounts or residential customers?

Michael R. Archer
Executive VP & CFO

Yes. I mean, we generally see in the neighborhood of 1%, 2%, just overall deposit growth just in terms of seasonality. But we have seen some nice growth just from new customer acquisition, some of our larger customers. We've seen some nice deposit inflows there as well. And certainly, we've highlighted in past calls, our high-yield savings product has been a nice growth tool, growth engine for us in driving primacy and accounts. So certainly, we're very pleased with what we saw in deposit growth this quarter, and I think it sets us up very well here heading into the fourth quarter, end of the year.

Simon R. Griffiths
CEO, President & Director

Yes. Just to add to that, Fred, that as a team, we've been very focused on building out and focusing on prime relationships and relationship banking. We feel the technology we built, the innovation is really building a tremendous customer experience that we're seeing showing up in a number of fronts, and that's driving certainly underlying strength of our deposit growth and certainly is a piece of the story here.

Freddie Justin Strickland
Hovde Group, LLC, Research Division

Great. And I just wanted to switch to the margin. Mike, I appreciate the NIM guide for flat for the fourth quarter. But as we think out to '27, do you think you can defend that 3.40-ish level even if we see some hikes just given the level of loan and securities opportunity for yield to move up? Or do the funding costs maybe eat into that a little bit if we get 1 to 2 more hikes?

Michael R. Archer
Executive VP & CFO

Yes. I think we're positioned well to see continued margin expansion into 2027. I do think with pending rate hikes, if you will, that the pace in which we've been seeing it will likely slow. And I think the other reality is between quarters, just given some seasonality, it could be choppy. But on an annual basis, certainly, we're thinking about it continuing to move forward.

Freddie Justin Strickland
Hovde Group, LLC, Research Division

Great. And just one last one for me, if I could squeeze it in on loan growth. Could we see a return to commercial growth in the fourth quarter? Or are there any other kind of larger maturities coming up that could drive a decline there?

Simon R. Griffiths
CEO, President & Director

Yes. I think in the fourth quarter, Fred, we're going to see modest growth, but we are feeling very good about the potential moving forward. We have just strong pipelines and it's showing obviously up with the momentum that we're building with the additions we're seeing in the commercial team. We have two new folks in the Massachusetts market, and we have a commercial loan pipeline of $127 million, which is strong for us. Residential is also strong. So, I think the momentum is there, and we're building the platform for a strong 2027. I think the fourth quarter will be certainly in the ballpark of where we were for the third quarter.

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Operator

Your next question comes from the line of Steve Moss with Raymond James.

Stephen M. Moss
Raymond James & Associates, Inc., Research Division

Simon, just following up on your commercial lender hires there. Just wondering if you could give a little color on the types of hires and what types of books of business do you expect them to bring over?

Simon R. Griffiths
CEO, President & Director

Steve, good to hear from you. We've been talking in an earlier call, Steve, about the momentum and investment in that business. As we've mentioned in earlier calls, talked about our growth in the New Hampshire market. We've added a couple of great hires into the Massachusetts market. And I think already seeing some early signs of some positive momentum there. We're also starting to build out on the Southern New Hampshire side and also the Southern Maine side.

We're starting to build out the team, strengthen and picking up some good hires across those markets as well. And I think that's just a sort of continued focus on investment. But as you can see from our efficiency ratio, Steve, we're doing this in a very thoughtful way. We're self-funding a lot of these hires with continued investment in technology and building efficiencies that we're leveraging to create that capacity. So, it's really a thoughtful approach, but we're certainly continuing to do that, and we'll continue to do that through 2027.

Stephen M. Moss
Raymond James & Associates, Inc., Research Division

Okay. I appreciate that. And then just in terms of going back to deposit growth here, it sounds like you guys expect most of it to stick around and definitely good to see that and see some good momentum in a more challenging rate environment. Just kind of curious, it looks like it's mostly sitting in cash too in terms of deposits. How are you guys thinking about deploying that over time here?

Michael R. Archer
Executive VP & CFO

Yes. Great question, Steve. I guess what I would say, there is a portion of that, I wouldn't call it seasonal. We did have a large customer of ours that parked some deposits with us near quarter end. And I think as we think about our margin guidance for the fourth quarter being relatively flat, some of this comes into play as well. So, I think in terms of deployment, at this point, we really optimized a lot of our funding base, and we've kind of squeezed that lever. So, I think ideally, we continue to fund it into loan growth, but probably in the near term as well, we probably would look at some shorter-term investments and other strategies like that to put the money to work.

Stephen M. Moss
Raymond James & Associates, Inc., Research Division

Okay. And then I guess the other thing, just thinking about into 2027, and obviously, you had quite a move in rates. Maybe just an update as to how to think about cash flows from the securities portfolio and maybe cash flows from the loan portfolio, too.

Michael R. Archer
Executive VP & CFO

Yes. So, our securities portfolio, in up or down, we're pretty kind of in that $30 million to $40 million range per quarter on the investment book. I mean I think our base is probably closer to that midpoint of $35 million on average per quarter. On the loan side, we're in the neighborhood of $200 million to $250 million just in total contractual and estimated prepay cash flow on a quarterly basis, again, plus or minus, but generally in that range.

Stephen M. Moss
Raymond James & Associates, Inc., Research Division

Okay. And just as we think about loan pricing these days, just kind of curious, what are you guys getting on new loans?

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Michael R. Archer
Executive VP & CFO

Yes. Our portfolio origination rate for the third quarter, I want to say was right around 6.30-ish in that neighborhood. And I think with rates going up, I mean, I do think we'll continue to be in that 6.25%, 6.50% in the near term, and we'll see kind of what happens with rates from there, Steve. But I would say that's probably a good ballpark for us right now.

Operator

Your next question comes from the line of Damon DelMonte with KBW.

Damon Paul DelMonte
Keefe, Bruyette, & Woods, Inc., Research Division

I just wanted to circle back on the loan growth to make sure I understood it correctly. Simon, did you say in your prepared remarks that you had some targeted payoffs during the quarter, which kind of ultimately led to a flat end-of-period balance, is that correct?

Simon R. Griffiths
CEO, President & Director

That's correct, Damon. Yes, we had a couple of payoffs and certainly felt strategically that made sense to let those ones go. But yes, I think overall, we were flat because of that, but I think we're building some nice momentum into the fourth quarter and into next year and certainly looking for getting into the low single-digit growth through '27.

Damon Paul DelMonte
Keefe, Bruyette, & Woods, Inc., Research Division

Got it. Okay. And then you also commented that the home equity product continues to be a good source of growth for you guys. I'm guessing those pipelines remain favorable here as we head into the end of the year and into '27?

Simon R. Griffiths
CEO, President & Director

Yes, Damon, it's been a really great business for us and just big credit to the team in terms of building out just a great customer experience. We broadened out our sales network and really put a lot of focus on the experience of the customer. Home equity remains a strong contributor. It's increased 7% in the quarter, 25% year-over-year, with the balance now at $392 million. So we're seeing very nice momentum. And we continue to feel like that's going to be a great business for us heading into next year and continue to build out capabilities and product and position that within our team, and I think it's looking very positive.

Damon Paul DelMonte
Keefe, Bruyette, & Woods, Inc., Research Division

Okay. Great. And then maybe one for Mike here on the provision this quarter, came in a bit higher than what we were looking for and with kind of the flattish loan growth. Just kind of curious on some of the dynamics behind that. It seemed to pretty comfortably exceed net charge-offs. So just kind of curious on the provision this quarter.

Michael R. Archer
Executive VP & CFO

Yes. I would say just -- I think one of the drivers is we're just up a basis point on our ACL to loans ratio. So just based on our loan book, that's, call it, $0.5 million. And then the other piece is we have had lots of success in the home equity products, and we do have some nice pipelines and so forth. So just setting aside some unfunded reserves, it's just -- it's really the combination of those 2 that I would say is probably steering us a bit higher. But overall, we feel very strong, feel very good and comfortable at 92 basis points. We'll see what the macro environment does. But again, credit quality looks very strong for us there.

Operator

With no further questions, this concludes our question-and-answer session. I would like to turn the conference back over to Simon Griffiths for any closing remarks.

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Simon R. Griffiths
CEO, President & Director

Thank you for joining us and your continued interest in Camden National Corporation. We remain focused on disciplined execution, prudent investment and sustainable growth as we work to deliver long-term value for shareholders and the customers and communities that we serve. Thank you for your continued support. Have a great day.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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