Camden National Corporation NasdaqGS:CAC
FQ4 2025 Earnings Call Transcripts

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Executive VP & CFO

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Executive VP and Chief Experience & Marketing Officer

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CEO, President & Director

ANALYSTS

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

Daniel Edward Cardenas
Janney Montgomery Scott LLC, Research Division

Matthew M. Breese
Stephens Inc., Research Division

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

Presentation

Operator

Good day, and welcome to Camden National Corporation's Fourth Quarter 2025 Earnings Conference Call. My name is Elliot, and I'll be your operator for today's call. I'll 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

Thank you. Good afternoon, and welcome to Camden National Corporation's Conference Call for the Fourth Quarter of 2025. Joining us this afternoon are members of Camden National Corporation's executive team: Simon Griffiths, President and Chief Executive Officer; and Mike Archer, Executive Vice President and Chief Financial Officer. Please note that today's presentation contains forward-looking statements, and actual results could differ materially from what is discussed on today's call. Cautionary language regarding these forward-looking statements is included in our fourth quarter 2025 earnings release issued this morning and in other reports we file with the SEC.

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. In addition, today's presentation includes a discussion of non-GAAP financial measures. Any references to non-GAAP financial measures are intended to provide meaningful insights and are reconciled with GAAP in our earnings release, which is also available on our Investor Relations website. I am pleased to introduce our host, President and Chief Executive Officer, Simon Griffiths.

Simon R. Griffiths

CEO, President & Director

Good afternoon, everyone, and thank you, Renée.

Today marks another meaningful milestone in Camden National's continued momentum and stronger financial performance. Earlier this morning, we reported fourth quarter earnings of $22.6 million, representing yet another record-setting achievement for the organization. This strong finish to the year reflects a 6% increase in earnings from the prior quarter, underscoring the consistent execution and discipline across our teams.

We are pleased that several key financial performance indicators continue to trend positively this quarter, including 13 basis points of net interest margin expansion over the prior quarter to 3.29%, a non-GAAP efficiency ratio below 52% and a return on average assets of 1.3%. These results underscore the durability of our operating model, validate management's effective assimilation of the Northway franchise, and reaffirm our focus on consistent, high-quality performance supported by sustainable growth and disciplined execution.

With the benefits from Northway Financial acquisition now fully delivering, we are pleased to report that we are ahead of our strategic and financial objectives in several areas.

As we move into 2026, we are accelerating organic growth through a broader commercial footprint in our southern markets, continued expansion of retail products and digital capabilities across the franchise and deeper leverage of the strength of our wealth and brokerage franchise.

We had great success in 2025 across our wealth and brokerage divisions, highlighted by 15% organic growth of assets under administration to $2.4 billion at December 31, 2025. Looking ahead, we see significant opportunity to deepen existing customer relationships through advice-led interactions and the continued expansion of treasury management solutions across our footprint.

Our balance sheet remains a source of strength for our company. As of December 31, 2025, our regulatory capital levels were above our internal target levels. Our loan loss reserve was 91 basis points of total loans and reflects the quality of our loan portfolio and liquidity position continues to be solid.

Loans grew organically by 2% for the year, demonstrating our continued emphasis on profitable expansion supported by strategic talents investments. We remain bullish on home equity lending and saw strong performance in this category throughout the year, highlighted by 6% growth in the quarter and 18% organic growth for the year. While total loans were down 1% for the fourth quarter, our overall production levels for the third quarter and fourth quarters were comparable. This quarter's decrease was driven by higher loan payoffs and prepayments muting an otherwise strong quarter of production.

As of year-end, our credit metrics remain strong, underscoring the quality of our underwriting and disciplined risk management approach. Nonperforming assets as of December 31, 2025, were 10 basis points of total assets, and total past due loans were 16 basis points of total loans.

Our credit teams continue to proactively address issues as they arise. During the fourth quarter, we had the opportunity to complete a short sale on a commercial real estate office loan that had been designated as classified for nearly 2 years. After a comprehensive assessment, we determined that entering into a short sale arrangement was the most prudent and proactive step to limit our future exposure and further strengthen our credit profile. The transaction closed late in the fourth quarter, resulting in a $3 million charge-off and an 88% recovery of the loan balance. We remain confident in the overall health of our well-diversified loan portfolio.

We continue to advance our digital strategy to attract and retain highly engaged customers. This quarter, we introduced family wallet, a no fee parent-controlled youth banking platform that helps families build healthy financial habits within Camden National Bank's trusted brand and integrated digital environment. Family Wallet enhances our broader digital suite, including Round Up savings, which now reflects nearly 1 million transactions with users saving on average $103 each since its implementation earlier this year. These investments contributed to a 19% year-over-year increase in digital engagement among customers under the age of 45, as measured by monthly logins.

We are actively managing operating expenses by accelerating enterprise adoption of our automation platform. Through the use of over 143 bots, we have processed more than 5 million tasks since implementation several years ago, freeing up capacity and allowing our teams to focus on higher value customer interactions.

Our performance this year, coinciding with our 150th anniversary, speaks to the effectiveness of our strategy: maintaining a resilient balance sheet, driving high-quality growth, and staying relentlessly focused on delivering value for our customers, communities, and shareholders. We believe we are well-positioned as we look ahead to 2026.

And of course, none of this would be possible without the dedication of our experienced and caring colleagues across Camden National. Their hard work, commitment to our customers and communities and collaboration with one another bring these results to life, strengthening our franchise and delivering meaningful value to shareholders.

With that, I'll hand over to Mike to provide additional financial details for the quarter.

Michael R. Archer

Executive VP & CFO

Thank you, Simon, and good afternoon, everyone.

We are very pleased with our finish to the year, reporting net income of $22.6 million and diluted earnings per share of $1.33 for the fourth quarter and net income of $65.2 million and diluted earnings per share of $3.84 for the year ended December 31, 2025.

In the second half of 2025, we began to see the earnings power of Camden National following the acquisition of Northway at the start of the year and the execution of our cost takeout initiatives during the first half of 2025. Our financial performance in the fourth quarter resulted in strong profitability metrics, including a return on average assets of 1.28%, a return on average tangible equity of 19.06%, and an efficiency ratio of 51.69%. Given the strong performance, we have been able to rebuild capital used in the Northway acquisition at a pace that exceeded our initial projections.

In the fourth quarter, we again saw strong revenue growth, up 4% over the third quarter. Net interest income increased 5% between quarters, driven by a 13-basis-point expansion in net interest margin to 3.29% in the fourth quarter. Funding costs between quarters decreased 11 basis points to 1.79% in the fourth quarter, as we have been able to successfully manage deposit costs following the most recent Fed Rate cuts. Additional drivers of net interest income growth between quarters were average loan growth of 1%, average deposit growth of 2%, and higher fair value mark accretion of $735,000, which was driven by elevated payoffs on acquired loans.

In the fourth quarter, we saw nice momentum in deposits, which were up 2% since September 30. Our growth in savings balances, driven by our high-yield savings product, continues to be a great story for us, increasing 5% during the fourth quarter and 18% organically for the year. Interest checking balances were also up 11% in the fourth quarter compared to last quarter, primarily driven by seasonal municipal deposit flows. We anticipate our first quarter of 2026 deposit balances will be relatively flat with the fourth quarter, despite normal seasonality in our deposit base during the winter months, given the impact of recent deposit relationship wins across our sales teams.

Reported non-interest expense for the fourth quarter was $36.9 million, which was an increase over last quarter as anticipated. The increase reflects continued investment in the franchise, strong performance across our revenue lines, seasonality in our expense base, including year-end performance incentive true-ups and healthcare costs, and other corporate matters. We currently estimate our first-quarter operating expenses will range from $36 million to $37 million.

For the fourth quarter, we reported a provision for credit losses of $3 million, driven by the single charge-off Simon mentioned earlier. As of December 31, our loan loss reserve totaled $45.3 million, which was 91 basis points of total loans and was 6.4 times non-performing loans. We continue to believe we have sufficient loan loss reserves set aside given the strength and historical performance of our loan portfolio, its diversification, and our credit trends at year-end.

Lastly, I wanted to note that in early January, we announced a new share repurchase program that gives us the ability to repurchase up to 850,000 shares of the Company's common stock, or approximately 5% of shares currently outstanding.

This concludes our comments. We will now open the call for questions.

Question and Answer

Operator

First question comes from Steve Moss with Raymond James.

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

Maybe just starting with the margin here, Mike, nice pickup quarter-over-quarter, pretty much as you expected. Just kind of curious where are deposit costs trending here for the Fed rate cuts and kind of how much more expansion are you thinking here going forward?

Michael R. Archer
Executive VP & CFO

Yes. Great question, Steve. I think for the first quarter, we've got some different dynamics in play here. I would say overall, to answer your question directly, we're kind of in a couple of basis points here for the first quarter of core margin expansion. We generally have some seasonality in deposit flows. So, there will be a level of re-mix there that we would otherwise see, which is pretty customary for us. On the funding cost side, we do see that continued improvement there. I would say, in the neighborhood of 7 to 10 basis points potentially for the quarter. That said, I think we'll also see some yield compression, just given some of the pricing characteristics that didn't occur in December with the latest Fed rate cut.

But overall, we're expecting a couple of basis points, plus or minus for the first quarter. And just to be clear, that is on a core basis. I think just long term, Steve, as we look out, we continue to see favorable margin expansion. I would just say, bearing any additional Fed rate cuts, will probably be a bit slower than certainly what we saw this last quarter but we continue to see potential upside here.

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

Okay. Great. And then on the loan growth front, I hear you, Simon, in terms of the payoffs here. It looks like they were late in the quarter. Just kind of curious how the pipeline is and kind of like how you think about dynamic with payoffs here, just as kind of rates have generally -- or spreads have generally come in over the last quarter or so.

Simon R. Griffiths
CEO, President & Director

Yes. Thanks for the question, Steve. I think just generally, we continue to see a decent pipeline. Residential pipeline is just over $83 million, Commercial pipeline is just over $77 million, which certainly is solid for January and puts us in really good footing for the rest of the year. We expect loan growth this quarter, as Mike indicated, to be sort of flat, to up 2%. But certainly, as we get into the rest of the year, we see a pickup in that April, May time- frame and certainly mid, mid-single digits is certainly our outlook. We did see a slight uptick in prepays towards the end of the quarter. And I think certainly in the rate environment, there's the potential that, that sort of sustains, but generally, we feel very positive in terms of loan growth. We are seeing a really nice pickup in the southern end of our market.

New Hampshire continues to be a place of strength for us. We continue to build out our teams. We continue to put alot of resources, training and other pieces into those markets and see a lot of opportunity there and really fruition of the partnership with Northway. So very, very strong on that front.

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

Okay. Great. And then just on capital with the buyback here. Just kind of curious how you guys are thinking about deploying that or using that authorization?

Michael R. Archer
Executive VP & CFO

Yes. I would say our focus right now continues just to be to return capital, continue to build, but certainly, we'll be opportunistic on leveraging the repurchase program but I think our initial prior is continuing to build capital there and position ourselves for whatever the future may hold, but I would say organic growth is the first priority. And from there, Steve, it really is a bit more opportunistic, if you will.

Operator

We now turn to Damon DelMonte with KBW.

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

Just wanted circle back on the fair value accretion that you mentioned, Mike, this quarter. Do you have the dollar amount of what that accretion was?

Michael R. Archer
Executive VP & CFO

Yes. In total, it was $5.3 million, I believe, for the quarter.

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

And I know you noted that it was somewhat accelerated because of some payoffs, but what would be a good range to model on a schedule basis.

Michael R. Archer
Executive VP & CFO

Yes. I mean, I guess like internally, Damon, we are more in that, 4.5%, maybe 4.75%. I think to the extent that, of course, if prepays accelerate, it could creep up like we saw it. But I think on a base perspective, that's pretty solid.

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

Okay. That's helpful. And then with regards to the outlook for loan growth, it sounds like the pipelines are pretty healthy. Do you guys intend to try to make any commercial hires this year or any team of lenders? Do you feel that you're pretty adequately staffed for the foreseeable future?

Simon R. Griffiths
CEO, President & Director

Yes, Damon. We certainly continue to look for talent, particularly in the key markets. We have had a couple of really nice hires recently. And, we're finding people are attracted to the Camden story and continue to build out and deepen the bench of those teams. We have also elevated a couple of folks internally within the Portland market and just starting to push into some different segments. So really, that whole focus is really on growth and building expertise.

As I have also talked about in previous calls, this is just the opportunity to connect commercial into other businesses. We are seeing some great partnership across the wealth franchise, it is starting to really bring the Camden team together, and I think that's a really important focus for us.

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

Okay. Great. And then just lastly, as we try to think about the provision. I heard the comments on the comfort level with the reserve. But if you look at the last couple of quarters of 2025, the provision was kind of a net $3 million range. Do you think that was just necessitated by addressing particular credit issues that came up? Or do you feel like that a little bit, kind of higher level of charge-offs is kind of a normalization of the credit cycle and we should factor in a little bit more in provision?

Michael R. Archer
Executive VP & CFO

That's a great question. I think the $3 million that we saw is more necessitated by some of the credits over the last few quarters, and as we piloted, certainly one-offs from our perspective. I think right now, I would say, overall, we feel pretty good around the 90, 91 basis points on ACL to loans ratio, Damon, so, I would stick there. And, I think we begin to see net charge-offs start to normalize more to things we are accustomed to from here.

Operator

We now turn to Daniel Cardenas with Janney Montgomery Scott.

Daniel Edward Cardenas
Janney Montgomery Scott LLC, Research Division

As you guys think about deposit growth in 2026, do you think it's going to be able to keep up with expectations for growth on the lending front. I know there's a little bit of room on your loan-to-deposit ratio, but how are you guys thinking about overall deposit growth in the coming year?

Simon R. Griffiths
CEO, President & Director

Yes. Thanks, Daniel. Appreciate the question. We continue to feel good. We're putting a lot of resources and focus on deposit growth from a number of fronts and feel very good about how to attract clients and really focus on primary relationships. We see low to mid-single-digit growth this year. We saw, as we talked about earlier in the recorded remarks, some very nice growth on high-yield savings, so, lots of opportunity there. We certainly feel there is plenty of opportunity. We like the southern markets where we see growth in households and lots of opportunities for us to leverage our digital franchise and capabilities. And I think that will really kind of lead us to a positive outlook on our deposit growth this year.

Daniel Edward Cardenas
Janney Montgomery Scott LLC, Research Division

Excellent. Good. And then as I think about operating expenses, kind of on a year-over-year basis, kind of low single-digit type of growth. Is that a good way to think about the outlook for 2026?

Michael R. Archer
Executive VP & CFO

Dan, I think, for more of an annual outlook, if you will, I think, from an efficiency ratio, is the way I might phrase it. I think that mid-50s is probably a good spot and normal for us. Certainly, we have been tracking a little bit lower. But I would think, kind of mid-50s as we reinvest in the franchise is a decent spot for us.

Simon R. Griffiths
CEO, President & Director

And just to add to that, Dan, I would just add that balance investments and continue to invest is certainly, but doing it through a lot of self-funding, a lot of discipline. I think that theme, we've been focused on that. I think we're continuing to leverage some of the automation that we talked about on the call, opportunities to be more efficient and then reinvesting that in growth and building out our teams, whether it's on the commercial side or the wealth side, really is the sort of philosophy of the team. And I think that is showing the results and certainly a very prudent and great way to manage the resources at Camden National Bank.

Daniel Edward Cardenas
Janney Montgomery Scott LLC, Research Division

Excellent. And then last question for me is how should I think about your tax rate on a go-forward basis. You've kind of been in that 20%, 21% level here over the last 2 quarters. Is that kind of a reasonable assumption for you guys?

Michael R. Archer
Executive VP & CFO

I think we will sneak up a little bit. I think we will be a little bit higher from an effective tax rate perspective. We have had some tax credit benefits this year that won't be occurring, at least as of now, from a forecast perspective in '26. So, I think we will see that maybe sneak up 1%.

Operator

We now turn to Matthew Breese with Stephens.

Matthew M. Breese
Stephens Inc., Research Division

A lot of my questions have been answered, but maybe a few. The first one is just in regards to the provision, I think you said it was an office commercial real estate charge-off that has been classified for a couple of years. Would just love a little bit of story there. Why was it on classified for a couple of years? And then when it came to the actual exit, how was pricing relative to where you underwrote it and relative to your expectations? Does it give you any sort of confidence or reemerging confidence in kind of commercial real estate pricing here? Just curious.

Simon R. Griffiths
CEO, President & Director

Yes. Let me take that question. So, we had a borrower, as we talked about, and have been experiencing some fatigue with an underperforming property that was in a stressed asset class, and that obviously being office. The loan tied to this property had a special mention and classified loan for us for nearly 2 years. So it has certainly been in that situation for a while, with the reserve on our books of $1 million. So during the quarter, we had an opportunity to discuss a sale with a few potential buyers in the property, and we were successful in negotiating a deal that provided 88% recovery on the loan, which was, I think, a good outcome for us. There still is some softness in the Boston market and I think this certainly was an opportune moment to take a decisive approach and really put our credit on an even stronger footing. When you step back from this, we have a very well-balanced portfolio and office represents 3.7% of the entire portfolio and is in extremely good condition. We have 35 loans over $1 million and all are pass rated with positive and acceptable debt service coverage.

We've got good occupancy and very good LTVs overall. So, we continue to feel good about that segment for us. Our criticized and classified asset levels remain very solid against historical norms, so we feel very good there as well. On the pricing, we certainly obviously had a lot of discussion as a team and I think the pricing represented a good balance of risk for us to get this to a stronger footing. I think there's some softness you still see in the office space, but generally, I think that is trending positive. So, it was a balanced decision.

I think I would just footnote the comments with as a management leadership team, I think we tend to continue to be very proactive. I think we see opportunities like this and just take a decisive view on the situations like this, and I think it really sets us up for an even, continued momentum and a very strong year, across both the credit front and across our loan growth that we were talking about earlier.

Matthew M. Breese
Stephens Inc., Research Division

Great. I appreciate all that. Michael, maybe just on some of the deposit items. Thinking about what could reprice lower? What is the new blended cost of CDs, including some of the promotional items? And as you think about what's repricing over the next couple of quarters, what might we see with your time deposit, your cost of time deposits kind of ratchet down to?

Michael R. Archer
Executive VP & CFO

Yes. I think over the next 3 months, essentially, about 40% of our CDs are repricing. I think those are at a blended rate at right around 3.35%, in that neighborhood. So, we certainly see some continued opportunity there based on our current CD pricing. And I'd also say Matt, just over the next 12 months, I think, it’s right around 95% that's repricing. I think that's one of the levers, as we look forward and think about the continued upside for us, particularly with, knock on wood, maybe a couple of Fed rate cuts here in the future, we see some continued opportunity there and optimism as we think about our funding costs and just overall margin from here.

Matthew M. Breese
Stephens Inc., Research Division

Is that the current rate or the rate on which they'll come back on the books is estimated at 3.35%?

Michael R. Archer
Executive VP & CFO

Sorry. That's the rate they're currently on our books at, and I believe our current rate is well lower than that, off the top of my head. It depends on different tiers and so forth. But I would say it's kind of 3%, in that neighborhood.

Matthew M. Breese
Stephens Inc., Research Division

Great. Maybe...

Michael R. Archer
Executive VP & CFO

Sorry, I just going to say, Matt, I think the only thing I would add is just we continue to be focused on relationship pricing there. We're certainly not chasing hot money. That's not relationship pricing, from a CD perspective or otherwise. We'll also, where we need to, we'll make exceptions. We will make sure we retain that relationship, just thinking about the overall deposit and loan makeup of that customer. So, we are certainly being thoughtful about this, as we think about overall total deposits and our balance sheet.

Matthew M. Breese
Stephens Inc., Research Division

Got it. Is there anything significant on the securities front maturing or repricing this year? It still looks like you're about 150 bps below market rates on securities?

Michael R. Archer
Executive VP & CFO

No, I don't think there's anything significant per se. I mean our cash flow continues to be pretty steady. I think it's in the neighborhood $10 million, $11 million, call it, a month. We will continue to see that and expect that, and that will continue to run off. I think the ideal opportunity for there is just to continue to be able to take those cash flows and put it into higher earning assets and certainly, the ideal situation would be loan growth.

Matthew M. Breese
Stephens Inc., Research Division

And then last one, I would just love to hear about M&A conversations and activity and maybe frame for us what you would be interested in a target, both in terms of sizing and geography?

Simon R. Griffiths
CEO, President & Director

Yes. I think Matt, I appreciate the question. And I think it's very much a continued path for us, very focused on organic growth and really leveraging the opportunity that New Hampshire and Northway is providing us. I think there's lots of runway there to continue to grow and accelerate growth in that market. On the M&A side, we continue to be opportunistic. I mean it needs to be the right deal. We certainly look at contiguous markets, I think that sort of fit, is really important to us. What we really liked about Northway is the template of that business felt very similar to our own, very strong and similar credit kind of mindset, similar sort of geography and really was allowing us to put the overlay of some of our digital capabilities and our treasury capabilities onto that franchise.

And, I think we'd be looking for something similar to that. Obviously, the number of pieces on the chess board are getting fewer. So I think we have to continue to look, but we're certainly very comfortable with the opportunities around organic growth. But if the right opportunity came along, I think we would certainly be interested.

Matthew M. Breese
Stephens Inc., Research Division

I know your footprint and your market stretch is into Northern Massachusetts. Would you consider a deal in Boston at this point? Or is that market still a bit too far?

Simon R. Griffiths
CEO, President & Director

I think that's stretching the envelope. I know Boston very well, obviously, with my time, ten or so years down there. I mean it's certainly a great market, but it's certainly a very different footprint than our own, never say never, Matt, but I think that certainly doesn't feel within our sort of sweet spot, if you like, but you need to have to look at everything on an individual case-by-case basis.

Operator

And we have 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.

Simon R. Griffiths
CEO, President & Director

Well, thank you for your time today and continued interest in Camden National Corporation. We truly appreciate your support. Have a great rest of your day.

Operator

Conference has now concluded. Thank you for attending today's presentation. You may now disconnect.