Bar Harbor Bankshares (BHB)

Updated January 26th, 2025, by Patrick Neuwirth

Key Metrics

Current Price:	$31	**5 Year CAGR Estimate:**	10.7%	**Market Cap:**	$475 M
Fair Value Price:	$35	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date[1]:**	02/20/25
% Fair Value:	89%	**5 Year Valuation Multiple Estimate:**	2.3%	**Dividend Payment Date[1]:**	03/20/25
Dividend Yield:	3.9%	**5 Year Price Target**	$44	**Years Of Dividend Growth:**	21
Dividend Risk Score:	B	**Retirement Suitability Score:**	A	**Rating:**	Buy

Overview & Current Events

Bar Harbor Bankshares (BHB) is a bank holding company. The company's operating subsidiary, Bar Harbor Bank & Trust, is a community bank, which offers a range of deposit, loan, and related banking products, as well as brokerage services provided through a third-party brokerage arrangement. In addition, the company offers trust and investment management services through this subsidiary, as well as wealth management services through its subsidiary Bar Harbor Wealth Management. Operating over 50 locations across Maine, New Hampshire, and Vermont, Bar Harbor Bank & Trust is headquartered in Bar Harbor, Maine since 1887 and has more than $4.08 billion in assets. Bar Harbor is a $475 million company.

On January 23rd, 2025, Bar Harbor released its fourth quarter and full year 2024 results for the period ending December 31st, 2024. For the quarter, the company reported net interest income of $29.1 million. Net income was $11.0 million, or $0.72 per diluted share, compared to $9.9 million, or $0.65 per diluted share, in the same quarter of 2023. This growth is attributed to strong earnings driven by increased core deposits, wealth management income, and higher loan yields, despite a rise in the cost of funds. The company's total assets grew slightly to $4.08 billion, supported by steady loan growth. Commercial loans increased by 14% annualized, with commercial real estate loans up by 15% annualized, while residential real estate loans declined by 5% annualized. The net interest margin remained steady at 3.17%, compared to 3.15% in Q3 2024, and consistent year-over-year, as rising loan yields offset higher funding costs. Loan yields rose to 5.40%, while the cost of funds grew by 36 basis points to 2.41%, reflecting a competitive rate environment. Non-interest income increased to $9.4 million, up from $8.7 million in Q4 2023, driven by 9% growth in wealth management fee income and strong customer derivative income. Non-interest expenses declined to $23.9 million, reflecting a focus on cost control, particularly in salaries and benefits. The bank maintained strong credit quality, with the non-accruing loans to total loans ratio improving slightly to 0.22%, compared to 0.23% in Q3 2024, and consistent with prior-year levels. The provision for credit losses on loans was a recapture of $147,000, down from a provision of $687,000 in the same quarter of 2023, highlighting ongoing improvements in asset quality. For the full year, Bar Harbor reported EPS of $2.86, compared to $2.96 in 2023, reflecting solid profitability despite challenges in the interest rate environment.

Bar Harbor's 2025 strategy[2] focuses on improving customer relationships, expanding non-interest income, and reducing expenses. Key initiatives include diversifying income through accelerated growth in the Commercial & Industrial (C&I) lending segment and strengthening the balance sheet. The company will also invest in process improvements, new products, training, technology, and infrastructure to enhance efficiency and service.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.67	$1.63	$1.70	$2.12	$1.45	$2.18	$2.61	$2.88	$2.96	$2.86	***$2.90***	***$3.70***
DPS	$0.67	$0.73	$0.75	$0.79	$0.86	$0.88	$0.94	$1.04	$1.12	$1.20	***$1.20***	***$1.61***
Shares[3]	9	10	15	16	16	15	15	15	15	15	***15***	***15***

[1] Estimated date
[2] Investor Deck - November 2024
[3] In millions.

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Bar Harbor has grown earnings by 6.2% per year over the past decade and 5.9% over the past five years. In 2019, one-time costs associated with the company's branch acquisition and balance sheet optimization initiatives impacted annual earnings by -$0.46 per share. We expect earnings to increase by 5% per year for the next five years.

The company has been able to increase its yearly dividend payout for 21 consecutive years. Over the last five years, the average annual dividend growth rate is 6.9%. In April 2024, the quarterly dividend increased by 7.1% from $0.28 to $0.30 per share. The company's management confirmed its commitment to shareholders to maintain the dividend despite market uncertainty. The board authorized a buyback program of up to 5% of the total outstanding shares.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	13.5	22.0	17.2	13.2	17.2	9.6	10.8	10.8	10.0	11.0	***10.7***	***12.0***
Avg. Yld.	1.9%	2.0%	2.6%	2.8%	3.5%	4.2%	3.3%	3.3%	3.8%	3.9%	***3.9%***	***3.6%***

During the past decade shares of Bar Harbor have traded with an average price-to-earnings ratio of about 13.5 times earnings and today, it stands at 10.7. We are using 12 times earnings as a fair value baseline, which is above with the current valuation, suggesting potential for a valuation tailwind. The company's dividend yield is currently 3.9% which is above the average yield over the past decade of 3.2%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Payout	40%	45%	44%	37%	59%	40%	36%	36%	38%	42%	***41%***	***43%***

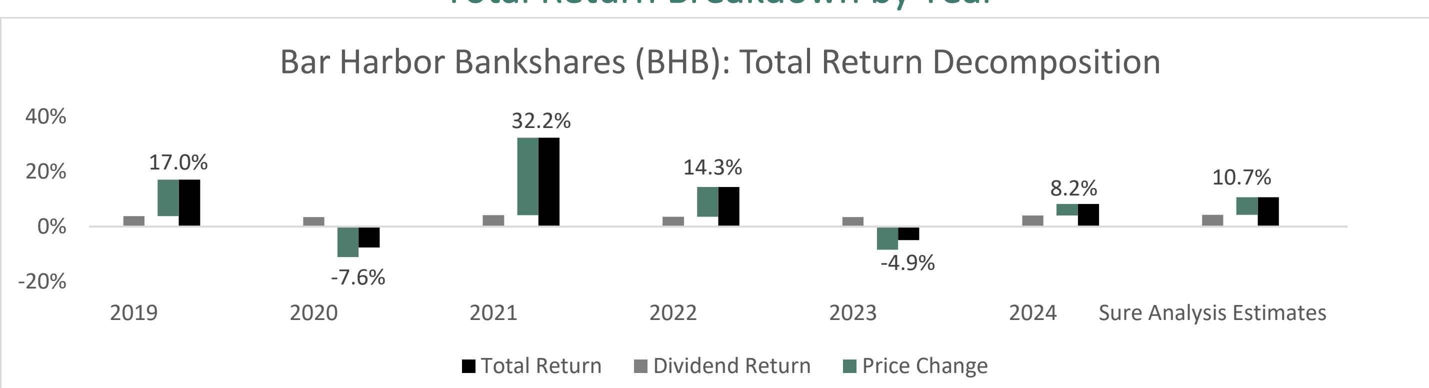
During the past five years, the company's dividend payout ratio has averaged around 42%. Bar Harbor's dividend is comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at the same pace and keep the payout ratio around the same levels which is safe.

Bar Harbor Bank & Trust is the only community bank headquartered in Northern New England with branches in Maine, New Hampshire, and Vermont. The bank has a good track record in both earnings and dividend growth combined with a good dividend yield which makes the shares attractive for dividend investors. The company is well-positioned and has been able to create a strong loan pipeline and grow its loan portfolio while maintaining credit quality. Next to NIM, fee income is fundamental to the company's profitability through its trust and treasury management services. Looking forward, loan growth combined with strong risk management and further diversification of non-interest income sources is essential for Bar Harbor to continue its growth track record.

Final Thoughts & Recommendation

Bar Harbor Bankshares is a community bank stock with an above average dividend yield and a sound dividend payout ratio. We estimate total return potential of 10.7% per year for the next five years based on a 5% earnings-per-share growth, a 3.9% yield, and a valuation tailwind. Shares earn 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	51	54	58	118	119	119	142	138	149	154
SG&A Exp.	18	19	21	45	46	50	53	52	50	54
D&A Exp.	2	2	2	4	5	5	6	6	5	6
Net Profit	15	15	15	26	33	23	33	39	44	45
Net Margin	28.6%	28.2%	25.9%	22.0%	27.7%	19.0%	23.4%	28.5%	29.5%	29.2%
Free Cash Flow	14	18	12	37	33	21	14	59	55	41
Income Tax	6	6	6	17	8	4	8	9	11	12

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,459	1,580	1,755	3,565	3,608	3,669	3,724	3,709	3,910	3,971
Cash & Equivalents	10	10	8	91	99	57	226	250	92	95
Goodwill & Int.	5	5	5	108	108	127	127	126	125	124
Total Liabilities	1,313	1,426	1,599	3,211	3,238	3,273	3,317	3,285	3,516	3,539
Long-Term Debt	427	454	537	830	724	531	336	179	394	332
Total Equity	146	154	157	355	371	396	407	424	393	432
LTD/E Ratio	2.92	2.94	3.42	2.34	1.95	1.34	0.83	0.42	1.00	0.77

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.0%	1.0%	0.9%	1.0%	0.9%	0.6%	0.9%	1.1%	1.1%	1.1%
Return on Equity	10.9%	10.1%	9.6%	10.2%	9.1%	5.9%	8.3%	9.5%	10.7%	10.9%
ROIC	2.7%	2.6%	2.3%	2.8%	2.9%	2.2%	4.0%	5.8%	6.3%	5.8%
Shares Out.	8.95	9.09	9.14	15.29	15.56	15.59	15.27	15.05	15.11	15.20
Revenue/Share	5.72	5.92	6.31	7.73	7.63	7.63	9.31	9.16	9.86	10.10
FCF/Share	1.51	2.03	1.37	2.43	2.12	1.34	0.91	3.91	3.65	2.69

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