



Canandaigua National Corp. (CNND)

Updated March 11th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$179	5 Year CAGR Estimate:	15.8%	Market Cap:	\$332 M
Fair Value Price:	\$250	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	07/25/2025 ¹
% Fair Value:	72%	5 Year Valuation Multiple Estimate:	6.9%	Dividend Payment Date:	08/01/2025
Dividend Yield:	5.1%	5 Year Price Target	\$319	Years Of Dividend Growth:	22
Dividend Risk Score:	B	Retirement Suitability Score:	A	Rating:	Buy

Overview & Current Events

Canandaigua National Corporation (CNC) is the parent company of The Canandaigua National Bank & Trust Company (CNB) and Canandaigua National Trust Company of Florida (CNTF), offering a wide range of financial services, including banking, lending, mortgage services, trust, investment management, and insurance. With 23 branches across its service areas, CNC is focus on serving local communities by providing personalized financial solutions to individuals, businesses, and municipalities. CNC emphasizes community banking, focusing on reinvesting in the local economy through a diverse lending portfolio. As of December 31st, 2024, CNC reported total deposits of \$4.0 billion.

In early March, Canandaigua National released its full-year results for the period ending December 31st, 2024. For the year, total interest income grew 13% to \$248 million. Total interest expenses grew 29% to \$111 million. Net interest income grew by 3% to \$137 million. Total other income (service charges on deposit accounts and trust and investment services) increased 6% to \$54 million. Total other expenses (Inc. salaries, occupancy, and marketing) grew 6% to \$125 million. Net income was \$45 million, relatively flat year-over-year. EPS was \$24.15. For FY2025, we expect EPS of \$25.00.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$11.18	\$11.97	\$11.75	\$19.16	\$20.91	\$22.57	\$23.90	\$25.51	\$23.99	\$24.15	\$25.00	\$31.91
DPS	\$3.69	\$3.97	\$4.30	\$4.80	\$5.70	\$7.00	\$7.60	\$8.70	\$9.00	\$9.10	\$9.20	\$11.74
Shares	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9

CNC's EPS growth over the years has been shaped by key financial and economic factors, with notable changes in its net interest margin (NIM) playing a significant role. From 2015 to 2016, EPS grew modestly from \$11.18 to \$11.97, reflecting stable loan growth and a low-interest-rate environment. During this period, CNC's NIM remained solid, contributing to steady earnings, though limited by near-zero interest rates.

In 2018, EPS saw a dramatic increase to \$19.16, largely due to the Tax Cuts and Jobs Act, which significantly reduced corporate tax rates, boosting net income. Rising interest rates during this time also helped lift CNC's NIM, which reached 3.62% in 2019, contributing to an EPS of \$20.91. In 2020, despite the challenges posed by the COVID-19 pandemic, EPS continued to rise to \$22.57. This was supported by income from Paycheck Protection Program (PPP) loans and careful expense management. However, the NIM slightly decreased to 3.37% as the Federal Reserve slashed interest rates, compressing margins across the industry.

The recovery in 2021 saw EPS increase to \$23.90, while the NIM ticked up slightly to 3.40%, benefiting from rising loan demand as the economy recovered. In 2022, EPS surged to \$25.51, but the NIM began to decline to 3.36%, as the Federal Reserve's aggressive interest rate hikes started to increase CNC's cost of deposits and borrowings. By 2023, EPS dipped to \$23.99, and the NIM dropped significantly to 2.88%, a 14.3% decline from the previous year. The rapid rise in interest rates significantly increased CNC's cost of funding, particularly deposit interest expenses, which rose by 270%.

¹ Estimated dates based on past dividend dates. Dividends are paid semi-annually.

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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This higher cost outpaced the benefits of higher-yielding assets, compressing margins and leading to a decline in overall profitability, despite CNC's efforts to maintain strong loan growth. EPS stabilized to \$24.15 in 2024.

Moving forward, we expect CNC's EPS to grow at a CAGR of 5%. Note that the company has increased its dividend every year since 2002, marking 22 years of consecutive annual dividend increases. Dividend growth has been quite vigorous, with its ten-year CAGR standing at 10.5%. We see dividend growth of 5% through 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	10.5	10.2	11.7	7.8	7.6	7.6	8.2	7.9	8.5	8.6	7.2	10.0
Avg. Yld.	3.2%	3.3%	3.1%	3.2%	3.6%	4.1%	3.9%	4.3%	4.4%	4.4%	5.1%	3.7%

CNC has historically traded at P/E ratios in the high single digits to very low teens, consistent with regional banks. Today, the stock is trading at 7.2 times our expected EPS for 2025, which we believe significantly undervalues the stock. While this multiple may reflect the fact that the bank doesn't trade on a major exchange, it's still very soft. The dividend yield, now at 5.1%, will provide a notable contribution to the stock's total return prospects.

Safety, Quality, Competitive Advantage, & Recession Resiliency

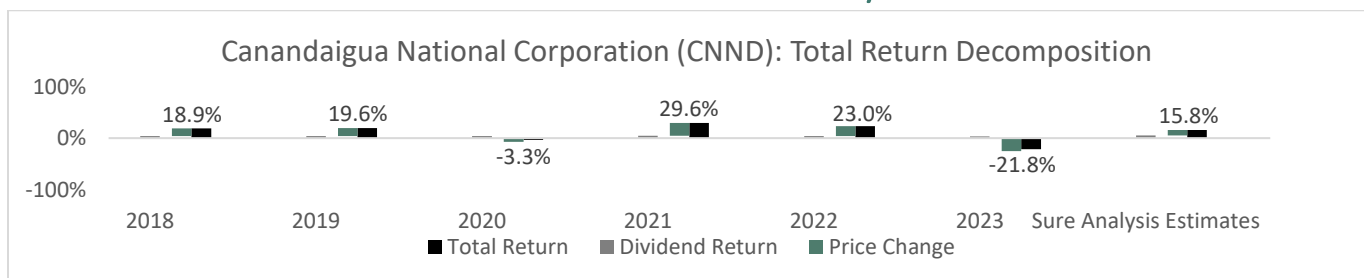
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	33%	33%	37%	25%	27%	31%	32%	34%	38%	38%	37%	37%

CNC possesses several competitive advantages that have allowed it to navigate challenging economic environments and maintain profitability. A key advantage is its community banking model, which focuses on serving local businesses and individuals through personalized service and a diversified loan portfolio, thereby reducing exposure to high-risk sectors. CNC's conservative approach to risk management, such as limiting its exposure to volatile industries, helped the bank remain profitable even during major economic downturns like the Great Financial Crisis of 2008 and the COVID-19 pandemic in 2020. The company's focus on customer relationships and its local decision-making process provide it with a moat against larger, national competitors that may not offer the same level of tailored service. Evidently, CNC's history of consistent dividend payments, even during recessions, underscores its financial resilience. Hence, we believe the company's dividend is highly reliable. However, note that the stock is highly illiquid. As of writing this report, the stock's 3-month daily volume average stood at just 48 shares. This could make for an advantage as well, however, as the stock experience no major fluctuations even during highly volatile market periods.

Final Thoughts & Recommendation

CNC features a respectable track record of earnings growth over the years. The company's dividend growth track record is particularly noteworthy, boasting over two decades of consecutive annual dividend increases. This is quite rare among banks. We forecast annualized total returns of 15.8% over the medium-term, powered by our modest growth estimates, the dividend, and a potential valuation tailwind. Thus, we rate CNC a buy.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	107	113	119	127	146					
SG&A Exp.	51	56	59	62	70					
D&A Exp.	7	7	7	6	6					
Net Profit	21	21	22	22	36					
Net Margin	19.3%	18.7%	18.8%	17.3%	24.7%					
Free Cash Flow	25	26	33	33	49					
Income Tax	10	11	12	17	10					

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	2,117	2,272	2,476	2,662	2,862					
Cash & Equivalents	48	49	128	56	69					
Accounts Receivable	7	7	7	8	9					
Goodwill & Int. Ass.	19	18	18	17	16					
Total Liabilities	1,947	2,088	2,282	2,454	2,629					
Accounts Payable	23	23	26	25	31					
Long-Term Debt	196	249	212	290	357					
Shareholder's Equity	169	182	194	208	234					
LTD Ratio	1.16	1.37	1.09	1.40	1.53					

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.0%	1.0%	0.9%	0.9%	1.3%					
Return on Equity	12.7%	11.9%	11.9%	10.9%	16.3%					
ROIC	7.1%	5.3%	5.4%	4.9%	6.6%					
Shares Out.	1.9	1.9	1.9	1.9	1.9					
Revenue/Share	56.20	59.09	62.82	67.00	76.94					
FCF/Share	12.89	13.80	17.42	17.28	25.72					

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

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