



# Andover Bancorp (ANDC)

Updated April 15<sup>th</sup>, 2025 by Nikolaos Sismanis

## Key Metrics

<b>Current Price:</b>	\$19.65	<b>5 Year Annual Expected Total Return:</b>	-3.4%	<b>Market Cap:</b>	\$39.9 M
<b>Fair Value Price:</b>	\$12.00	<b>5 Year Growth Estimate:</b>	1.0%	<b>Ex-Dividend Date:</b>	06/12/2025 <sup>1</sup>
<b>% Fair Value:</b>	164%	<b>5 Year Valuation Multiple Estimate:</b>	-9.4%	<b>Dividend Payment Date:</b>	07/01/2025
<b>Dividend Yield:</b>	3.9%	<b>5 Year Price Target</b>	\$12.61	<b>Years Of Dividend Growth:</b>	42
<b>Dividend Risk Score:</b>	C	<b>Sector:</b>	Financials	<b>Rating:</b>	Hold

## Overview & Current Events

Andover Bancorp is a financial holding company that operates via its wholly-owned subsidiary, Andover Bank. Founded in 1884, Andover Bank has a long history of providing community-focused financial services in northeastern Ohio and western Pennsylvania regions. The company operates through 10 branches and a loan production office, serving both individual and commercial customers. Its financial services include traditional products like deposit accounts, loan services, and mortgage lending as well as additional services such as debit card processing, investment services, and bank-owned life insurance policies. In 2024, Andover Bank reported total assets of \$565.6 million and total deposits of about \$533.2 million. The company has a market cap of merely \$39.9 million.

On April 9<sup>th</sup>, 2025, Andover Bancorp released its annual results for the period ending December 31<sup>st</sup>, 2024. For the year, net earnings totaled \$3.16 million, or \$1.53 per share, down from \$3.78 million or \$1.80 per share in 2023. Net interest income remained relatively flat at \$14.4 million, despite an increase in interest income to \$20.4 million, up from \$18.1 million the prior year. The increase in income was offset by a substantial rise in interest expense on deposits, which surged to \$5.5 million, up 81.8% year-over-year. Non-interest income was steady at \$3.78 million, while non-interest expenses rose to \$14.9 million, mainly due to higher compensation, equipment costs, and postage. For 2025, earnings are expected to face continued margin pressures. We forecast EPS of \$1.50 for the year.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$1.33	\$1.51	\$1.56	\$1.57	\$1.56	\$1.85	\$2.42	\$2.29	\$1.80	\$1.53	<b>\$1.50</b>	<b>\$1.58</b>
<b>DPS</b>	\$0.695	\$0.705	\$0.710	\$0.725	\$0.730	\$0.735	\$0.740	\$0.745	\$0.750	\$0.755	<b>\$0.76</b>	<b>\$0.80</b>
<b>Shares<sup>2</sup></b>	2.5	2.5	2.5	2.4	2.4	2.3	2.2	2.1	2.1	2.1	<b>2.1</b>	<b>2.0</b>

Andover Bancorp's EPS track record from 2015 to 2024 reflects a series of fluctuations driven by a mix of organic growth, economic conditions, and M&A. During period, EPS grew at a CAGR of just 1.6%. Andover recorded steady EPS growth from \$1.33 in 2015 to \$1.57 by 2018, supported by conservative lending practices and local economic stability. The acquisition of Community National Bank of Northwestern Pennsylvania in 2015 also contributed to boosted scale and earnings, as evidenced by consistent growth during that period.

From 2019 to 2020, EPS rose from \$1.56 to \$1.85, boosted by favorable interest rates and economic growth prior to the pandemic. The spike to \$2.42 in 2021 was largely attributed to the post-pandemic economic rebound and elevated loan demand, which benefited the bank's core lending operations. However, by 2023 and 2024, EPS declined to \$1.80 and \$1.53, respectively, due to rising interest rates and inflation, which increased the cost of deposits and reduced loan demand. Moving forward, we believe EPS will grow at a CAGR of just 1%, as we doubt if Andover's conservative practices and size can lead to competitive net interest margins or meaningful growth in its deposits.

Regarding the dividend, while we were unable to confirm this via multiple sources, the bank's latest annual report claims the company has grown its annual dividend for 42 consecutive years. Nevertheless, the increases have been weak, with

<sup>1</sup> Estimates dates based on past dividend dates.

<sup>2</sup> Share count is in millions.

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the dividend growth CAGR over the past ten and five years standing at 0.9% and 0.7%, respectively. We believe this also illustrates the company's rather limited growth prospects moving forward. Thus, we project a 1% growth through 2030, matching our EPS growth estimate. It's worth noting that modest buybacks have taken place over the past decade.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	18.0	16.6	16.0	14.6	13.5	9.7	7.9	8.7	10.8	13.1	<b>13.1</b>	<b>8.0</b>
Avg. Yld.	2.9%	2.8%	2.8%	3.2%	3.5%	4.1%	3.9%	3.7%	3.8%	3.8%	<b>3.9%</b>	<b>6.3%</b>

Excluding the relatively insignificant period between 2015 and 2017, when Andover's stock had very low trading volume, the company has generally traded at P/E ratios in the high-single digits to low teens, in-line with its regional bank peers. Currently, the stock is trading at 13.1 times our projected EPS for the year, which we view as a high multiple considering the limited growth prospects and risks related to its lack of geographic scope and scale. As a result, we have set our fair value multiple at 8X, suggesting potential valuation headwinds. While the dividend yield, now at 3.9%, offers a modest contribution to the stock's total return prospects, we expect a higher yield from Andover in the medium term.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

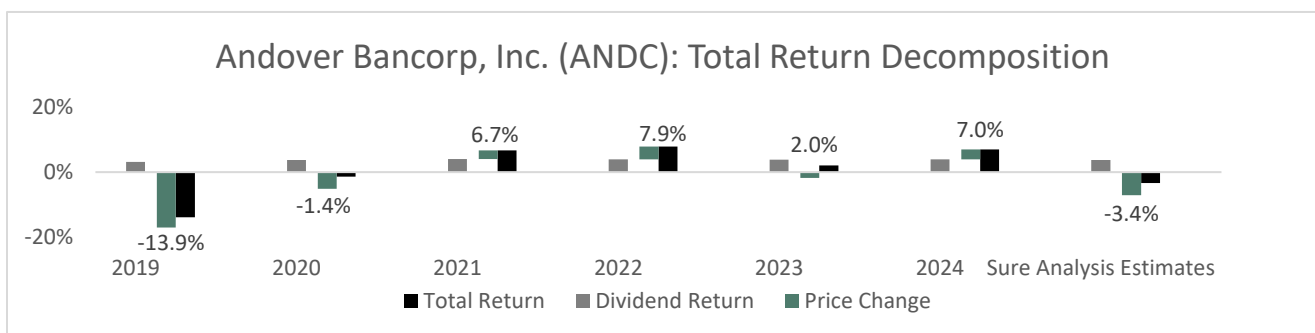
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	52%	47%	46%	46%	47%	40%	31%	33%	42%	49%	<b>51%</b>	<b>51%</b>

Andover's competitive advantages lie in its strong community banking model, conservative financial management, and long-standing presence in northeastern Ohio and western Pennsylvania. Its focus on sustaining high asset quality, careful loan underwriting, and avoiding riskier financial products like brokered deposits and excessive wholesale borrowings has helped the bank remain stable even in uncertain economic environments. For example, during the challenging economic environment post-COVID, the bank remained profitable, reflecting its resilience and prudent risk management. While its regional presence provides a solid foundation, however, the bank's smaller scale compared to national competitors may limit its ability to leverage technology and innovation as rapidly, which could be a potential vulnerability in the long run. In any case, Andover's focus on core deposits and relationship-based banking continues to offer a durable moat against larger, less personalized financial institutions, and so for this reason we remain confident in its dividend coverage. Note that only a few hundred shares a day are traded Over the Counter (OTC). The stock is highly illiquid.

## Final Thoughts & Recommendation

Andover's robust community presence and footprint in the areas it serves make it a seemingly solid choice for investors seeking exposure to a well-managed regional bank with a track record of consistent earnings and dividend growth. That said, its total return outlook seems gloomy. Our growth estimates are too soft, while valuation headwinds offset returns from the dividend. Still, Andover Bancorp earns a hold rating due to its tremendous dividend growth track record.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	---	---	---	---	15	16	18	18	18
SG&A Exp.	---	---	---	---	1	1	1	1	1
D&A Exp.	---	---	---	---	1	1	1	1	1
Net Profit	---	---	---	---	4	4	5	5	4
Net Margin	---	---	---	---	24.4%	26.6%	30.1%	26.4%	20.7%
Free Cash Flow	---	---	---	---	4	8	6	6	5
Income Tax	---	---	---	---	0	0	0	0	0

## Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	---	---	---	---	427	527	575	571	558
Cash & Equivalents	---	---	---	---	13	19	18	15	29
Goodwill & Int. Ass.	---	---	---	---	3	3	3	3	3
Total Liabilities	---	---	---	---	384	478	528	558	538
Accounts Payable	---	---	---	---	0	0	0	0	1
Long-Term Debt	---	---	---	---	15	18	20	30	10
Shareholder's Equity	---	---	---	---	43	49	47	14	20
LTD/E Ratio	---	---	---	---	0.35	0.36	0.42	2.18	0.49

## Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	---	---	---	---	---	0.9%	1.0%	0.9%	0.7%
Return on Equity	---	---	---	---	---	9.3%	11.3%	16.2%	22.2%
ROIC	---	---	---	---	---	6.9%	8.1%	8.9%	10.3%
Shares Out.	2.5	2.5	2.5	2.4	2.4	2.3	2.2	2.1	2.1
Revenue/Share	---	---	---	---	6.37	6.94	8.05	8.66	8.69
FCF/Share	---	---	---	---	1.51	3.59	2.85	2.64	2.59

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

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### Disclaimer

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