



Century Financial Corporation (CYFL)

Updated May 17th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$43	5 Year CAGR Estimate:	10.9%	Market Cap:	\$71.2 M
Fair Value Price:	\$50	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	06/06/2025 ¹
% Fair Value:	87%	5 Year Valuation Multiple Estimate:	2.9%	Dividend Payment Date:	06/20/2025
Dividend Yield:	2.3%	5 Year Price Target	\$66	Years Of Dividend Growth:	13
Dividend Risk Score:	B	Sector:	Financials	Rating:	Buy

Overview & Current Events

Century Financial Corporation is a bank holding company based in Coldwater, Michigan, that operates primarily through its wholly-owned subsidiary, Century Bank and Trust. The bank offers a wide range of financial services, like traditional banking products such as deposit accounts, commercial and consumer loans, residential mortgage loans, and wealth management services. Also, the bank provides specialized financial services, such as trust and investment management, which are important contributors to non-interest income. Century Bank and Trust serves its local communities through a network of 11 banking offices located across Branch, St. Joseph, and Hillsdale Counties in Michigan, as well as various ATM locations. At the end of March, Century Financial had deposits of \$415.1 million. The company has a market cap of \$71.2 million and its shares trade Over the Counter (OTC).

On May 5th, 2025, Century Financial Corporation released its Q1 results for the period ending March 31st, 2025. For the quarter, net income reached \$2.3 million, or \$1.38 per share, up from \$2.0 million or \$1.18 per share last. Net interest income totaled \$5.0 million, an increase from \$4.7 million in Q1 2024, driven by growth in loans and a stable interest rate environment. Non-interest income grew to \$1.35 million, up from \$1.33 million a year earlier, reflecting continued strength in trust and investment management services. Non-interest expense increased modestly to \$3.5 million. For FY2025, we expect EPS of \$5.50.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.30	\$1.37	\$0.60	\$2.00	\$2.44	\$2.80	\$2.95	\$3.35	\$4.71	\$5.41	\$5.50	\$7.36
DPS	\$0.44	\$0.50	\$0.54	\$0.60	\$0.70	\$0.76	\$0.80	\$0.86	\$0.90	\$0.96	\$1.00	\$1.34
Shares²	1.9	1.9	1.9	1.9	1.9	1.8	1.8	1.7	1.7	1.7	1.7	1.6

Over the past decade, Century Financial Corporation's EPS has grown from \$1.30 in 2015 to \$5.41 in 2024, reflecting a compound annual growth rate (CAGR) of about 17%. This growth has been driven by a combination of macroeconomic factors, strategic management decisions, and changes in tax and interest rate environments.

From 2015 to 2016, the bank's EPS rose modestly from \$1.30 to \$1.37. This period was marked by consistent economic recovery post-recession, with low interest rates encouraging borrowing and supporting loan growth, particularly in commercial and residential real estate. The banking environment during these years was stable, and Century Financial capitalized on the growing demand for loans and favorable economic conditions to maintain steady, organic EPS growth.

In 2017, EPS dropped sharply to \$0.60 due to the one-time impact of the Tax Cuts and Jobs Act (TCJA), which required revaluation of deferred tax assets. This created a temporary setback despite the eventual benefit of lower corporate tax rates. EPS rebounded to \$2.00 in 2018 as Century benefited from tax cuts and loan growth in a strong economic environment. By 2020, EPS rose further to \$2.80, with the bank navigating the COVID-19 pandemic through government stimulus programs like the Paycheck Protection Program (PPP).

¹ Estimated dates based on past dividend dates.

² Share count is in millions.

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In 2021, EPS increased to \$2.95, fueled by economic recovery and increased loan demand. By 2022, EPS reached \$3.35, benefiting from the Federal Reserve’s interest rate hikes, which expanded net interest margins. In 2023, EPS hit \$4.71, driven by strong loan growth. Century’s solid asset quality and minimal loan losses helped maximize profitability during a favorable rate environment. This trend continued in 2024, with EPS hitting a new record.

Moving forward, we expect the company’s EPS to grow by about 6%. This is a softer rate compared to its past-decade average, though it is due to the possibility of net interest margins getting compressed in the face of rate cuts.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	8.3	9.6	26.1	8.8	8.0	7.3	7.3	6.9	5.2	5.0	7.8	9.0
Avg. Yld.	4.1%	3.8%	3.4%	3.4%	3.6%	3.7%	3.7%	3.7%	3.7%	3.5%	2.3%	2.0%

Century Financial has historically seen its P/E hover in the low-single digits. This implies a notable discount compared to its industry peers. One the one hand, we believe that this discount is fairly justified given that this is a regional bank with an elevated risk profile given its concentrated regional presence. On the other hand, the company features a strong EPS growth track record that could even justify a premium. In any case, we believe shares would be more fairly valued at about 9 times earnings, implying the possibility of a soft valuation tailwind.

Safety, Quality, Competitive Advantage, & Recession Resiliency

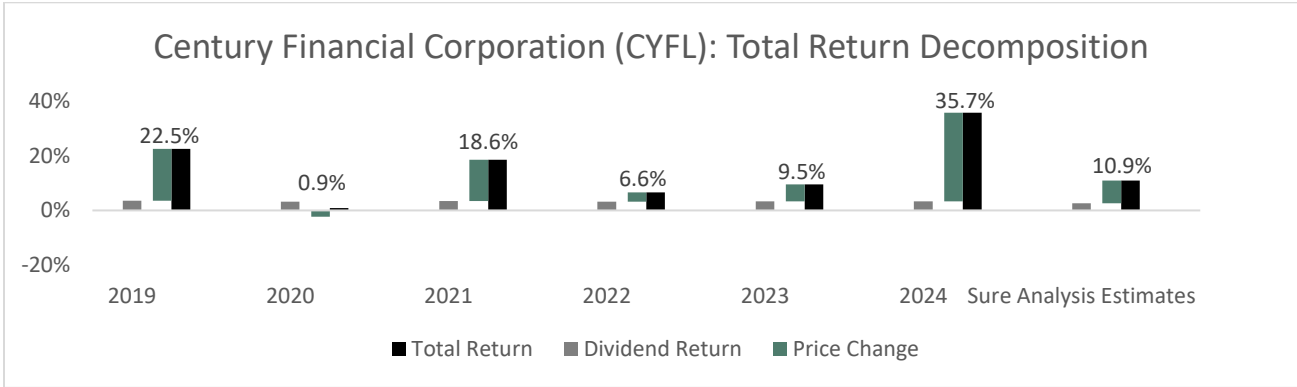
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	34%	36%	90%	30%	29%	27%	27%	26%	19%	18%	18%	18%

Century Financial benefits from its strong capitalization and solid credit management practices, which make for robust competitive advantages. The bank’s Total Risk-Based Capital Ratio of 21.5%, Common Equity Tier 1 (CET1) Ratio of 20.3%, and Tier 1 Leverage Ratio of 13.0%, at the end of 2024, all demonstrate a robust buffer well above regulatory minimums, positioning the bank to weather economic downturns and financial stress. However, Century’s geographic concentration in a limited market area exposes it to regional economic risks. The lack of notable geographic or business line diversification could hinder its ability to fully mitigate the impacts of wider economic slowdowns. Also, while the company has maintained strong asset quality and capital ratios, its fairly smaller scale compared to national competitors may present growth challenges in the long term. In any case, we believe the company’s dividend remains well covered.

Final Thoughts & Recommendation

Century Financial has delivered excellent returns to shareholders in recent years, backed by industry-leading EPS growth and solid dividend growth. We expect this trend to endure. We see an annualized total return potential of 10.9% in the medium-term, driven by our growth estimates, the dividend, and a valuation tailwind. Shares earn a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	---	---	15	16	17	18	18	19	23	25
SG&A Exp.	---	---	2	2	2	2	2	2	2	2
D&A Exp.	---	---	0	0	0	0	0	0	0	0.4
Net Profit	---	---	1	4	5	5	5	6	8	9
Net Margin	---	---	7.6%	23.4%	26.9%	28.6%	30.2%	30.4%	34.2%	36.0%
Free Cash Flow	---	---	3	5	4	4	7	6	7	9.7
Income Tax	---	---	0	1	1	1	1	1	2	2

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	---	---	302	316	322	401	452	454	474	467
Cash & Equivalents	---	---	30	36	40	117	168	70	82	81
Total Liabilities	---	---	265	278	280	355	405	411	424	410
Accounts Payable	---	---	0	0	0	0	0	0	0	0
Long-Term Debt	---	---	5	3	8	6	6	6	6	5
Shareholder's Equity	---	---	37	38	42	45	48	43	50	57
LTD/E Ratio	---	---	0.14	0.07	0.19	0.12	0.12	0.13	0.11	0.09

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	---	---	0.4%	1.2%	1.5%	1.4%	1.3%	1.3%	1.7%	1.9%
Return on Equity	---	---	3.5%	10.3%	11.5%	11.8%	11.5%	12.9%	17.2%	16.8%
ROIC	---	---	2.7%	9.3%	10.2%	10.2%	10.3%	11.5%	15.4%	15.3%
Shares Out.	1.9	1.9	1.9	1.9	1.9	1.8	1.8	1.7	1.7	1.7
Revenue/Share	---	---	7.82	8.54	9.10	9.81	9.74	11.01	13.77	15.12
FCF/Share	---	---	1.60	2.45	2.29	2.08	4.10	3.64	4.40	5.85

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

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