



Norwood Financial Corp. (NWFL)

Updated May 5th, 2025, by Patrick Neuwirth

Key Metrics

Current Price:	\$27	5 Year CAGR Estimate:	12.1%	Market Cap:	\$250 M
Fair Value Price:	\$32	5 Year Growth Estimate:	5.0%	Ex-Dividend Date¹:	07/15/25
% Fair Value:	85%	5 Year Valuation Multiple Estimate:	3.3%	Dividend Payment Date¹:	08/01/25
Dividend Yield:	4.6%	5 Year Price Target	\$40	Years Of Dividend Growth:	33
Dividend Risk Score:	B	Sector:	Financials	Rating:	Buy

Overview & Current Events

Norwood Financial Corp. (NWFL) is a bank holding company that operates through its subsidiary, Wayne Bank. The company is an independent community bank with over 14 offices in Northeastern Pennsylvania and approximately 16 offices in Delaware, Sullivan, Ontario, Otsego and Yates Counties, New York. It offers a range of personal and business credit services, trust and investment products, and real estate settlement services to the consumers, businesses, non-profit organizations and municipalities in each of the communities that the company serves. It operates a Wealth Management/Trust Department, which provides estate planning, investment management and financial planning to customers. As of March 31st, 2025, Norwood Financial Corp. had total assets of \$2.38 billion, loans outstanding of \$1.77 billion, and total deposits of \$2.0 billion. The company was founded in 1870 and has 264 employees.

On April 17th, 2025, Norwood Financial Corp. released its first quarter results for the period ending March 31st, 2025. For the quarter, the company reported a net income of \$5.8 million, which represented a significant improvement compared to a net loss of \$12.7 million in the fourth quarter of 2024 and net income of \$4.4 million in the same period of 2024. Reported quarterly earnings per diluted share for the same periods were \$0.63, compared to \$(1.54) in Q4 2024 and \$0.55 in Q1 2024. The improved earnings reflect a rebound following the one-time \$20 million loss incurred on the sale of securities in the previous quarter as part of a strategic investment portfolio repositioning.

Net interest income on a fully taxable equivalent (FTE) basis was \$18.1 million during the quarter, an increase from \$16.6 million in Q4 2024 and \$14.9 million in Q1 2024. The FTE-yield on interest-earning assets for the first quarter of 2025 was 5.54%, up from 5.35% in Q4 2024 and 5.10% in Q1 2024. However, this increase was partially offset by the rise in the cost of funds, which reached 2.93%, compared to 3.04% in Q4 2024 and 3.03% in Q1 2024. This favorable disparity between the yield on assets and the cost of funds had a positive impact on the net interest margin. The net interest margin improved to 3.30% in Q1 2025, up from 3.04% in Q4 2024 and 2.80% in Q1 2024, reflecting stronger asset yields and controlled funding costs. Consequently, the annualized net interest spread (FTE) for the first quarter of 2025 was 2.61%, up from 2.31% in Q4 2024 and 2.08% in Q1 2024.

Management remains optimistic about 2025, pointing to improved capital and earnings strength from December's portfolio repositioning, which has enhanced the net interest margin and supported robust loan and deposit growth; while the company is benefiting from lower deposit costs and reduced reliance on wholesale borrowings, it is maintaining a cautious and prudent stance in light of global economic uncertainty and its potential impact on local customers.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$1.07	\$1.15	\$1.31	\$2.17	\$2.25	\$2.09	\$3.04	\$3.58	\$2.07	-\$0.02	\$2.64	\$3.37
DPS	\$0.83	\$0.83	\$0.86	\$0.88	\$0.96	\$1.00	\$1.04	\$1.12	\$1.16	\$1.20	\$1.24	\$1.58
Shares²	6	6	6	6	6	8	8	8	8	8	9	10

¹ Estimated date

² In millions.

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The company has experienced negative grown earnings by 6.5% per year since 2015 when exclude the 2024 earnings and +4.8% over the past five years. We expect earnings to increase by 5% per year for the next five years. The company has been able to increase its dividend for 33 consecutive years. Over the last five years, the average annual dividend growth rate is 3.9%. In December 2024, the company increased its quarterly dividend by 3.3% from \$0.30 to \$0.31 per share.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	18.1	16.6	21.0	15.6	14.5	13.1	8.5	8.9	10.8	10.8	10.2	12.0
Avg. Yld.	1.9%	4.4%	3.2%	2.7%	3.0%	3.7%	4.1%	3.7%	4.1%	4.1%	4.6%	3.9%

During the past decade shares of Norwood Financial Corp. have traded with an average price-to-earnings ratio of 13.8 and today, it stands at 10.2. We are using 12 times earnings as a fair value baseline, implying the potential for a valuation tailwind. The company’s dividend yield is currently 4.6%, which is above the average yield over the past decade of 3.7%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	78%	72%	66%	41%	43%	48%	34%	31%	56%	--	47%	47%

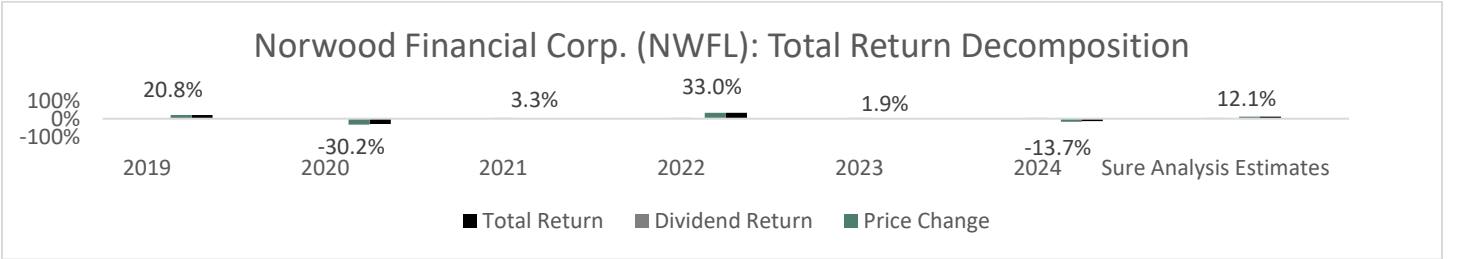
During the past five years, the company’s dividend payout ratio has averaged around 42%. However, in 2024, Norwood Financial Corp. reported a GAAP net loss of \$0.02 per share, primarily due to a one-time \$20 million loss from securities repositioning. Excluding this non-recurring loss, adjusted EPS was \$1.93, resulting in a payout ratio of approximately 59.1%. While this is higher than historical levels, the dividend remains well covered by adjusted earnings. Given the company’s expected earnings growth and improved net interest margin, there is room for continued dividend growth while maintaining a sustainable payout ratio.

Wayne Bank’s business model remains focused on lending to local businesses and residents within the communities it serves, funded primarily through gathering local deposits at its community offices. The bank holds a strong market position in several counties, ranking third in FDIC-insured deposits in Wayne County with approximately 22.3% market share and second in Pike County with 18.1%. Additionally, the bank operates a Wealth Management/Trust Department, offering estate planning, investment management, and financial planning services, with compensation typically based on a percentage of assets under management. This business segment provides a diversified revenue stream, complementing the bank’s core lending and deposit operations.

Final Thoughts & Recommendation

Norwood Financial is a well-established community bank operating in northeastern U.S. counties, with a strong local presence and a 4.6% dividend yield. In 2024, the company faced a challenging year, reporting a net loss of \$0.02 per share, primarily due to a one-time \$20 million securities repositioning loss. Despite this, adjusted earnings remained strong, and the bank demonstrated resilience through loan and deposit growth, and an improving net interest margin. We estimate total return potential of 12.1% per year for the next five years based on an 5% earnings-per-share growth, the dividend yield, and a valuation tailwind. The 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	29	34	42	44	45	58	74	78	70	51
SG&A Exp.	11	14	16	17	18	21	25	23	25	27
D&A Exp.	1	1	1	1	1	1	2	1.6	1.5	1.4
Net Profit	6	7	8	14	14	15	25	29	17	0
Net Margin	20.2%	19.9%	19.6%	31.1%	31.3%	25.9%	33.8%	37.2%	24.3%	-0.3%
Free Cash Flow	10	11	14	16	17	13	28	28.6	28.4	20
Income Tax	2	2	7	3	3	3	6	7.2	4.4	-0.1

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	751	1,111	1,133	1,185	1,231	1,852	2,069	2,047	2,201	2,317
Cash & Equivalents	10	17	17	18	15	112	207	31.9	66	72
Goodwill & Int.	10	12	12	12	12	30	30	30	29.5	29
Total Liabilities	650	1,000	1,017	1,062	1,093	1,657	1,863	1,880	2,020	2,104
Long-Term Debt	61	32	54	68	88	42	30	82	144	159
Total Equity	101	111	116	122	137	195	205	167	181	214
LTD/E Ratio	0.60	0.29	0.47	0.56	0.64	0.22	0.15	0.49	0.80	0.74

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.8%	0.7%	0.7%	1.2%	1.2%	1.0%	1.3%	1.4%	0.8%	0.0%
Return on Equity	5.9%	6.3%	7.2%	11.5%	10.9%	9.1%	12.5%	15.7%	9.6%	-0.1%
ROIC	4.2%	4.4%	5.2%	7.6%	6.8%	6.5%	10.5%	12.1%	5.8%	0.0%
Shares Out.	6	6	6	6	6	8	8	8	8	8.09
Revenue/Share	5.28	5.79	6.67	6.98	7.17	8.06	8.98	9.58	8.68	6.31
FCF/Share	1.84	1.86	2.30	2.61	2.66	1.80	3.41	3.50	3.52	2.43

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

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