Woodlands Financial Services Company (WDFN)

Updated June 16th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	$21.50	**5 Year Annual Expected Total Return:**	3.7%	**Market Cap:**	$30.3 M
Fair Value Price:	$16.80	**5 Year Growth Estimate:**	3.0%	**Ex-Dividend Date:**	08/09/2025
% Fair Value:	128%	**5 Year Valuation Multiple Estimate:**	-4.8%	**Dividend Payment Date:**	08/23/2025
Dividend Yield:	5.4%	**5 Year Price Target**	$19.48	**Years Of Dividend Growth:**	15
Dividend Risk Score:	D	**Sector:**	Financials	**Rating:**	Hold

Overview & Current Events

Woodlands Financial Services Company is a financial services holding company for Woodlands Bank and Woodlands Stock Corporation. Woodlands Bank, a state-chartered commercial bank based in Williamsport, Pennsylvania, operates as a traditional community bank offering commercial and consumer banking and trust services in Lycoming and Clinton Counties and the surrounding market area. The company generated $27.3 million in net interest income last year. It now trades at a market cap of just $30.3 million.

On April 29th, 2025, Woodlands Financial Services reported its Q1 results for the period ending March 31st, 2025. The company posted net income of $1.03 million, a notable increase from $0.49 million in the same quarter of 2024, with diluted EPS rising to $0.74 from $0.35.

Net interest income after provisions for credit losses improved to $4.02 million, up from $3.50 million, driven by loan growth of 1.4% and stronger net interest margins, despite continued pressure from rising funding costs. Non-interest income rose to $1.25 million from $1.12 million, supported by higher service charges, gains on loan sales, and other asset-related gains.

Total loans reached $345.2 million, while deposits remained stable at $547.2 million. The bank highlighted progress on balance sheet repositioning and cost control, maintaining solid credit quality as it navigates ongoing economic uncertainty and competitive pressures in its regional markets. For FY2025, we forecast EPS of $2.80.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$2.13	$2.18	$2.06	$3.54	$3.44	$3.14	$3.69	$3.64	($2.86)	$2.23	***$2.80***	***$3.25***
DPS	$0.77	$0.80	$0.82	$0.94	$1.02	$1.04	$1.06	$1.10	$1.14	$1.16	***$1.16***	***$1.34***
Shares[1]	1.5	1.5	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.4	***1.4***	***1.3***

Over the past ten years, Woodlands Financial Services has seen EPS fluctuate in response to credit cycle shifts, interest rate trends, and local economic conditions. EPS held steady between 2015 and 2017, around $2.00, reflecting consistent loan demand and solid credit quality across its core Pennsylvania markets.

The sharp rise to $3.54 in 2018 and sustained strength through 2019 came as net interest margins expanded in a rising rate environment, and the company benefited from disciplined expense control and loan portfolio growth. In 2020, the pandemic introduced margin pressure, but government support programs and resilient credit quality kept EPS at $3.14.

A rebound in economic activity and loan demand helped push EPS to $3.69 in 2021. In 2022, earnings remained strong, but 2023 brought a sharp EPS decline to ($2.86) as rising funding costs and higher credit loss provisions weighed on results. By 2024, EPS recovered to $2.23 as provisioning normalized and net interest income stabilized.

We believe the company will be able to grow its EPS at an annual rate of 3% over the medium term. We have applied the same estimate in our dividend forecast. The company has increased its dividend every single year since the Great Financial Crisis, and even back then, it didn't cut its dividend but instead just suspended dividend hikes.

---

[1] Share count is in millions.

Woodlands Financial Services Company (WDFN)

Updated June 16th, 2025 by Nikolaos Sismanis

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Avg. P/E	10.1	10.6	11.4	7.4	8.0	9.1	8.0	8.1	---	11.3	***7.7***	***6.0***
Avg. Yld.	3.6%	3.5%	3.5%	3.6%	3.7%	3.6%	3.6%	3.8%	4.2%	4.6%	***5.4%***	***6.9%***

Woodlands Financial's P/E multiples have stayed somewhat humble over the years, largely due to its OTC listing, small size, limited trading liquidity, and lack of sustained earnings growth. Multiples hovered near 8–11 times earnings even during stronger earnings periods, reflecting muted investor interest and the challenges of attracting broader market attention. The recent multiple compression underscores continued market caution despite EPS recovery. While today's higher dividend yield could draw some interest in the stock, we do believe that shares will continue to trade at a soft valuation moving forward. In fact, we have set our fair multiple an even lower 6 times EPS.

Safety, Quality, Competitive Advantage, & Recession Resiliency

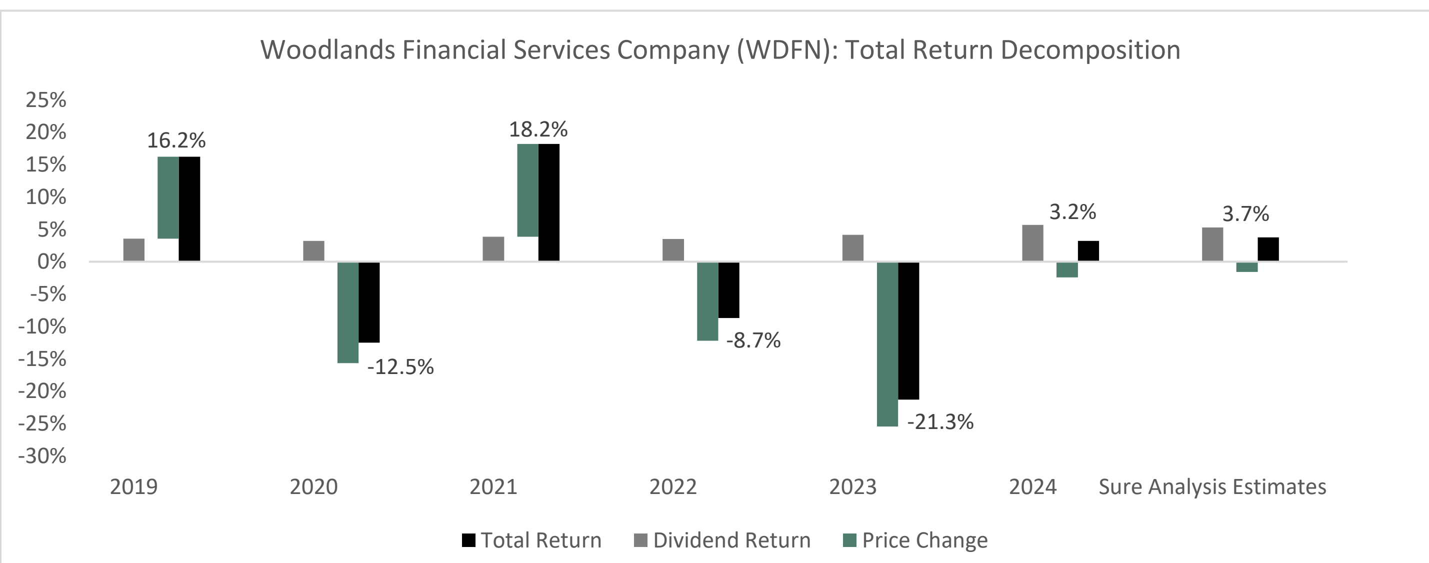
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	36%	37%	40%	27%	30%	33%	29%	30%	---	52%	***41%***	***41%***

Woodlands Financial's safety and quality are supported by its conservative credit culture, solid asset quality, and focus on core community banking in its Pennsylvania markets. The company maintains strong capital levels and disciplined underwriting, but its small size, OTC listing, and limited geographic footprint constrain competitive advantages. Larger regional and national banks pose a competitive threat with greater scale, technology, and product breadth. The bank's earnings remain sensitive to local economic conditions, making it susceptible to downturns, though its relationship-driven model and prudent risk management help provide some resilience in challenging environments. In any case, we believe that today's dividend payout ratio levels are healthy, and therefore the current levels of payouts should be safe.

Final Thoughts & Recommendation

Woodlands Financial offers a cautious investment case, with steady loan growth, solid credit quality, and disciplined cost management. However, its small size, OTC listing, and limited market reach constrain valuation and scalability. We see annualized returns of just 3.7% though 2030, as a potential valuation headwind could offset returns from growth and the starting dividend yield. We rate shares a hold, but believe there are much more compelling opportunities in the sector.

Total Return Breakdown by Year



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.

Woodlands Financial Services Company (WDFN)

Updated June 16th, 2025 by Nikolaos Sismanis

Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	15	16	17		19	19	20	21	20	20
SG&A Exp.	0	0	0		0	0	0	0	0	1
Net Profit	3	3	3		5	5	5	5	(4)	3
Net Margin	21.9%	21.0%	19.0%		27.9%	25.0%	26.3%	23.7%	-19.5%	15.6%
Free Cash Flow	4	3	4		5	2	4	5	4	5
Income Tax	1	1	2		1	1	1	1	(2)	0

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	375	391	396		416	502	573	611	613	601
Cash & Equivalents	7	15	20		10	50	51	28	13	10
Total Liabilities	340	355	358		370	454	526	575	579	565
Accounts Payable	0	0	0		0	0	0	0	1	1
Long-Term Debt	21	15	14		12	5	4	4	24	24
Shareholder's Equity	35	37	39		46	48	48	36	33	36
LTD/E Ratio	0.59	0.41	0.36		0.26	0.10	0.08	0.11	0.72	0.67

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.9%	0.9%	0.8%		1.3%	1.0%	1.0%	0.9%	-0.7%	0.5%
Return on Equity	9.7%	9.4%	8.4%		12.5%	10.1%	11.0%	12.1%	-11.5%	9.0%
ROIC	6.6%	6.3%	6.1%		9.6%	8.6%	10.0%	11.0%	-8.2%	5.3%
Shares Out.	1.5	1.5	1.5	1.5	1.5	1.5	1.4	1.4	1.4	1.4
Revenue/Share	9.74	10.39	10.87		12.30	12.56	14.04	15.36	14.67	14.33
FCF/Share	2.42	1.76	2.80		3.11	1.36	2.94	3.38	3.00	3.23

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