Hawthorn Bancshares (HWBK)

Updated August 29th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	$33	**5 Year CAGR Estimate:**	0.9%	**Market Cap:**	$228 M
Fair Value Price:	$27	**5 Year Growth Estimate:**	2.0%	**Ex-Dividend Date:**	9/15/25
% Fair Value:	122%	**5 Year Valuation Multiple Estimate:**	-4.0%	**Dividend Payment Date:**	10/1/25
Dividend Yield:	2.4%	**5 Year Price Target**	$30	**Years Of Dividend Growth:**	14
Dividend Risk Score:	C	**Sector:** Financials		**Rating:**	Hold

Overview & Current Events

Hawthorn Bancshares is a financial holding company that is the parent company of Hawthorn Bank, which was founded in 1865 and is headquartered in Jefferson City, Missouri. The bank, which has 18 branches, conducts a general banking and trust business, offering its customers checking and savings accounts, internet banking, debit cards, brokerage services and a wide range of loans, such as commercial and industrial loans, personal loans and residential real estate loans. Commercial real estate loans comprise 50% of total loans while residential real estate loans comprise 24% of total loans. Hawthorn Bancshares has a market capitalization of only $228 million.

In late July, Hawthorn Bancshares reported (7/30/25) results for the second quarter of fiscal 2025. Loans and deposits decreased -0.5% and 2%, respectively, over the previous quarter. Net interest margin expanded from 3.67% to 3.89% and thus net interest income grew 5%. As a result, earnings-per-share grew 14%, from $0.77 to $0.88. After many consecutive quarters of compressed net interest margin, Hawthorn Bancshares has seen its net interest margin improve in each of the last three quarters thanks to the interest rate cuts executed by the Fed in late 2024. As the results exceeded our expectations, we have raised our forecast for 2025 from $2.75 to $2.90. Nevertheless, we reiterate that the excessive losses from bond sales incurred in Q4-2023 raise a red flag about management.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.15	$0.98	$0.46	$1.46	$2.20	$1.96	$3.15	$2.94	$0.14	$2.61	***$2.90***	***$3.20***
DPS	$0.15	$0.16	$0.21	$0.30	$0.39	$0.44	$0.54	$0.62	$0.67	$0.74	***$0.80***	***$1.04***
Shares[1]	7.4	7.4	7.4	7.3	7.3	7.3	7.1	7.1	7.1	7.0	***7.0***	***6.8***

Hawthorn Bancshares has exhibited a decent but volatile performance record over the last decade. During the last five years, the bank has grown its loans and its deposits at an average annual rate of 7%. However, the bank incurred a -95% plunge in earnings-per-share in 2023 due to excessive losses from sales of bonds. The losses were caused by the impact of high interest rates on the value of bonds. This is a stern reminder of the inherent risk of this small-cap bank. While the excessive losses do not bode well for the quality of management, Hawthorn Bancshares has recovered strongly, as the realized losses in 2023 are most likely non-recurring in nature. The bank is also likely to see its net interest margin improve in the upcoming years thanks to the interest rate reductions expected by the Fed. Overall, we assume 2.0% average annual growth of earnings-per-share over the next five years, slightly below the 5-year growth rate of the company for the sake of conservatism. The bank may exceed our expectations but it is prudent to be on the safe side, given the vulnerable business model of this small-cap bank.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	8.8	11.2	34.1	12.2	9.2	8.8	6.5	8.0	141.4	8.9	***11.4***	***9.3***
Avg. Yld.	1.5%	1.5%	1.3%	1.7%	1.9%	2.5%	2.6%	2.6%	3.4%	3.2%	***2.4%***	***3.5%***

[1] In millions.

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.

Hawthorn Bancshares (HWBK)

Updated August 29th, 2025 by Aristofanis Papadatos

Excluding the years 2017 and 2023, in which abnormally low earnings resulted in abnormally high price-to-earnings ratios, Hawthorn Bancshares has traded at an average price-to-earnings ratio of 9.3 over the last decade. We assume this valuation level as fair for this small-cap financial stock. The stock has rallied 50% off its bottom last year thanks to expectations for lower interest rates in the upcoming years. As a result, it is currently trading at a price-to-earnings ratio of 11.4. If it trades at its fair valuation level in five years, it will incur a -4.0% annualized valuation drag.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	13%	16%	46%	21%	18%	22%	17%	21%	479%	28%	***28%***	***32%***

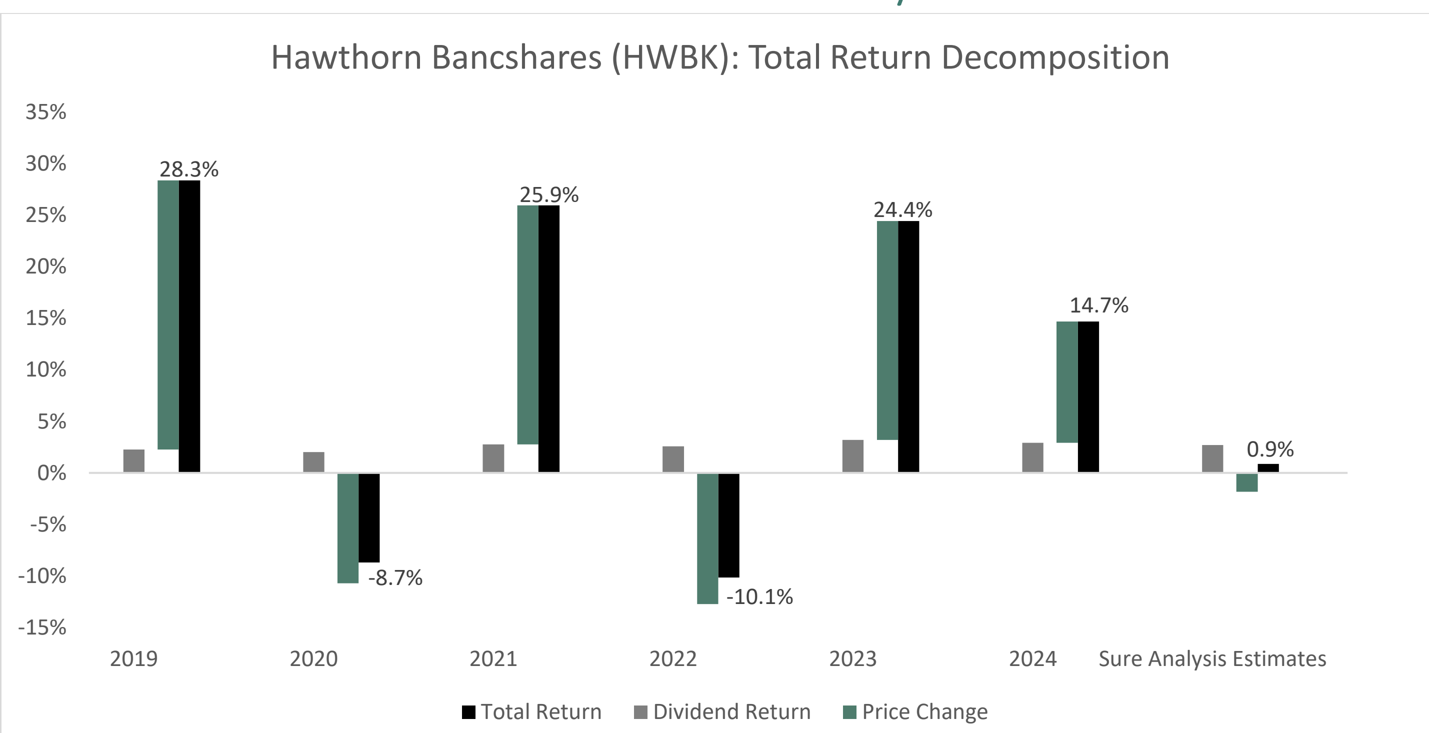
Hawthorn Bancshares just raised its dividend by 5% and thus it has now raised its dividend for 14 consecutive years. It is also offering a 2.4% dividend yield, with a solid payout ratio of only 28%. In addition, the bank has a healthy tier 1 capital ratio of 13.9% while its net loan charge-offs have remained below 0.05% in each of the last five years. Therefore, the dividend of the bank appears safe in the absence of a severe downturn.

Hawthorn Bancshares also proved resilient to the pandemic, as it reported just an -11% decrease in earnings-per-share in 2020 and posted record earnings-per-share in 2021. However, the bank proved highly vulnerable to the unexpected surge of inflation, which led the Fed to raise interest rates to 23-year highs within a short period. The excessive losses of the bank in the fourth quarter of 2023 are reminders of the inherent risk of this small-cap bank. Overall, Hawthorn Bancshares does not appear suitable for conservative, income-oriented investors.

Final Thoughts & Recommendation

Hawthorn Bancshares has begun to recover strongly from the downturn caused by the surge of interest rates to 23-year highs. With that said, the stock has surged 50% in 11 months and hence it has become overvalued from a long-term perspective. It could offer a 0.9% average annual return over the next five years, as 2.0% growth of earnings-per-share and a 2.4% dividend may be partly offset by a -4.0% valuation headwind. The stock receives a hold rating.

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.

Hawthorn Bancshares (HWBK)

Updated August 29th, 2025 by Aristofanis Papadatos

Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	50	49	52	54	58	68	75	73	55	110
SG&A Exp.	23	22	23	24	23	27	29	29	30	---
D&A Exp.	2	2	2	2	2	2	2	2	2	2
Net Profit	9	7	3	11	16	14	23	21	1	18
Net Margin	17.2%	14.8%	6.6%	19.8%	27.9%	20.9%	29.8%	28.5%	1.7%	16.6%
Free Cash Flow	12	12	11	14	17	19	30	18	16	(12)
Income Tax	5	4	8	2	4	3	6	4	(1)	4

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	1,201	1,287	1,429	1,482	1,493	1,734	1,832	1,924	1,875	1,825
Cash & Equivalents	20	27	27	36	33	29	158	87	93	24
Total Liabilities	1,114	1,196	1,338	1,382	1,378	1,603	1,683	1,796	1,739	1,676
Acct. Payable	0	0	1	1	1	1	0	1	2	---
Long-Term Debt	99	143	171	145	146	156	127	147	156	133
Shareholder's Equity	87	91	91	99	115	131	149	127	136	150
LTD/E Ratio	1.14	1.57	1.87	1.45	1.27	1.20	0.85	1.16	1.15	0.89

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.7%	0.6%	0.3%	0.7%	1.1%	0.9%	1.3%	1.1%	0.1%	1.0%
Return on Equity	10.2%	8.2%	3.7%	11.2%	15.0%	11.6%	16.1%	15.0%	0.7%	12.8%
ROIC	4.8%	3.5%	1.4%	4.2%	6.4%	5.2%	8.0%	7.5%	0.3%	6.3%
Shares Out.	7.4	7.4	7.4	7.3	7.3	7.3	7.1	7.1	7.1	7.0005
Revenue/Share	6.70	6.64	7.03	7.38	7.87	9.38	10.56	10.30	7.83	15.67
FCF/Share	1.67	1.65	1.52	1.90	2.35	2.63	4.14	2.51	2.20	(1.77)

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