Community Financial System (CBU)

Updated October 24th, 2025, by Josh Arnold

Key Metrics

Current Price:	$57	**5 Year CAGR Estimate:**	14.3%	**Market Cap:**	$3 B
Fair Value Price:	$57	**5 Year Growth Estimate:**	12.0%	**Ex-Dividend Date:**	12/12/2025
% Fair Value:	99%	**5 Year Valuation Multiple Estimate:**	0.1%	**Dividend Payment Date:**	01/12/2026
Dividend Yield:	3.3%	**5 Year Price Target**	$101	**Years Of Dividend Growth:**	33
Dividend Risk Score:	C	**Sector:**	Financials	**Rating:**	Hold

Overview & Current Events

Community Financial System was formed in 1983 and since that time, it has expanded to become a diversified financial services company with more than 200 locations in the northeastern U.S. Its principal business is traditional community banking, but it also owns a large benefits administration business, in addition to offering a variety of insurance products. Its market capitalization is $3 billion, and it produces about $820 million in annual revenue.

Community Financial posted third quarter earnings on October 21st, 2025, and results were better than expected on the bottom line, but missed on revenue. Adjusted earnings-per-share came to $1.09, which was four cents ahead of estimates. Revenue was up 9.6% year-over-year to $207 million, but missed expectations by almost $2 million.

Net interest income was $128 million, a gain of $3.4 million quarter-over-quarter, and up $50 million year-over-year, or 13.7%. Net interest margin was 3.33%, up fractionally from Q2's 3.30%.

Provisions for credit losses were $5.6 million. Noninterest expenses were $128 million, which included a decline in salaries and benefits, offset by a new branch and higher consulting expenses. Allowances for credit losses came to $85 million for the quarter.

Total loans ended the quarter at $10.75 billion, which was up 4.9% year-over-year. Total ending deposits were $14.06 billion, up 4.3% year-over-year. That puts the bank's loan-to-deposit ratio at 76%, which is middle-of-the-road as far as its peers.

We now see $4.10 in adjusted earnings-per-share for this year with a single quarter remaining.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$2.19	$2.32	$2.55	$3.23	$3.28	$3.24	$3.49	$3.58	$3.35	$3.43	***$4.10***	***$7.23***
DPS	$1.22	$1.26	$1.34	$1.44	$1.58	$1.66	$1.70	$1.76	$1.78	$1.82	***$1.88***	***$2.08***
Shares[1]	41	44	49	51	52	54	54	54	53	53	***53***	***53***

Earnings-per-share have been volatile in the past decade but in recent years, growth has been steadier. We see that continuing as the bank is focused on profitable growth, but we forecast 12% earnings-per-share growth annually. We are less cautious given interest rate headwinds are abating, and CBU stands to benefit greatly should that continue. We see interest rates, as well as higher loan balances as drivers for earnings growth.

Community Financial System continues to see earnings tailwinds from very low deposit funding costs and organic revenue growth, as well as a constant flow of acquisitions. Growth-by-acquisition is generally tough in the financial services industry, but Community Financial System has proven adept at executing this strategy over time, and this should be the primary growth driver going forward. Community Financial System is performing well, but its lending margins are already strong, so we think upside from there is somewhat limited. However, credit quality remains favorable, and the loan-to-deposit ratio provides some additional leverage for growth in the future.

[1] Share count 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.

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Dividend growth has been moderate, but management appears to be willing to pay out half of earnings or more on the dividend. We see modest dividend growth ahead given the pace of earnings growth.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	17.0	18.9	17.8	18.3	19.5	18.5	21.1	17.6	15.6	18.0	***13.9***	***14.0***
Avg. Yld.	3.3%	2.9%	2.5%	2.4%	2.5%	2.8%	2.3%	2.8%	3.4%	3.0%	***3.3%***	***2.1%***

Community Financial System's price-to-earnings multiple has moved around significantly in the past decade as its fortunes have improved and deteriorated. We maintain our target valuation of 14 times earnings given the sector is seeing better valuations applied by investors. As the stock trades just below that, we see almost no impact from the valuation. We see the dividend yield at 2.1% in five years, lower than today's levels as we think the share price will markedly outpace growth in the dividend.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	54%	53%	53%	45%	48%	51%	49%	49%	53%	53%	***46%***	***29%***

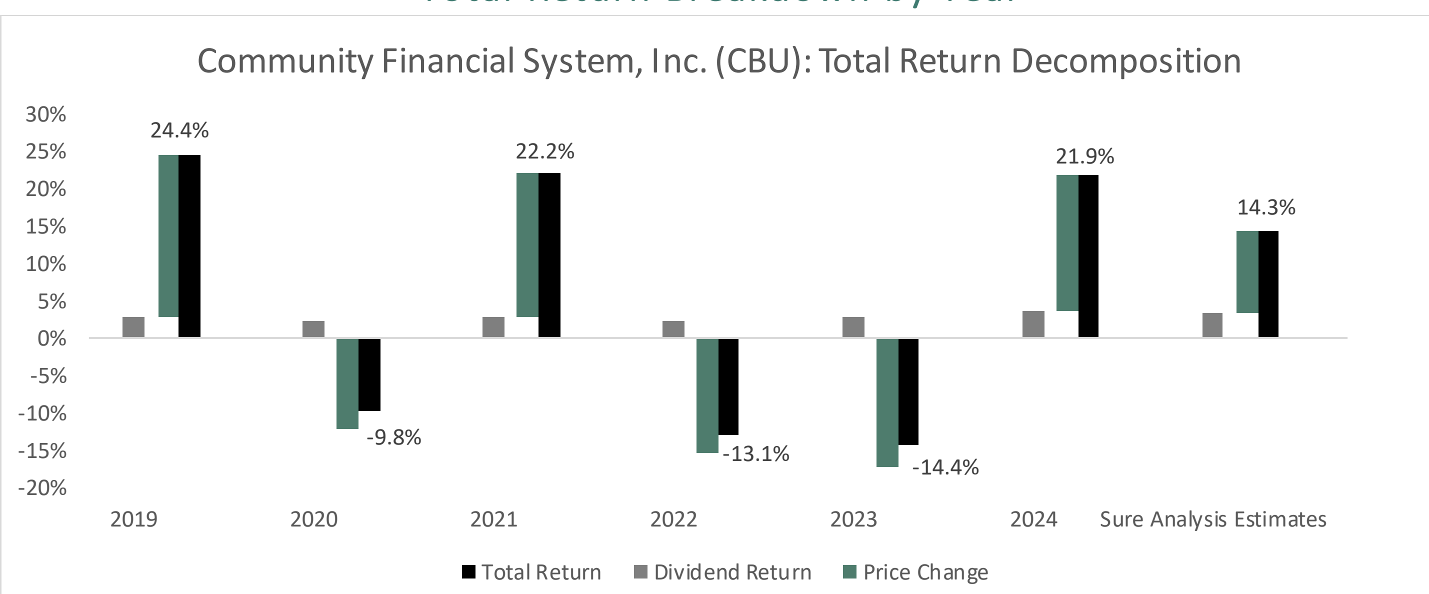
We see the payout ratio remaining under half of earnings for the foreseeable future. The bank's impressive dividend streak appears to be safe at this point, and we see many more years of increases coming, even if a recession strikes. Growth rates should be low, however, given management's past tendencies.

Community Financial System's competitive advantage is its dominant market position in many of its service areas. It competes in areas that have sparse levels of competition and thus the company is able to hold strong market share in those locations, with many at or above a third of total market deposits. That does not make it immune to recessions, but its strong performance means it can be an acquirer during downturns, softening the blow of economic weakness.

Final Thoughts & Recommendation

Overall, Community Financial's total returns look further improved since our last report. We forecast total annual returns of 14.3%, and we're reiterating the stock at a hold rating. The 3.3% yield is attractive at more than double the S&P 500, and the growth outlook for the bank remains strong.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	372	430	518	569	590	596	621	679	652	746
SG&A Exp.	174	198	234	256	273	274	302	257	298	317
D&A Exp.	17	20	33	34	32	31	30	38	28	29
Net Profit	91	104	151	169	169	165	190	188	137	182
Net Margin	24.5%	24.2%	29.1%	29.6%	28.7%	27.6%	30.6%	27.7%	20.9%	24.5%
Free Cash Flow	107	123	179	209	197	165	189	202	210	222
Income Tax	41	51	9	44	40	41	52	52	38	54

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	8553	8666	10746	10607	11410	13931	15553	15836	15555	16386
Cash & Equivalents	153	174	221	212	205	1646	1875	210	191	197
Accounts Receivable	26	31	36	31	32	39	36	53	55	54
Goodwill & Int. Ass.	484	481	825	807	837	847	864	903	898	901
Total Liabilities	7412	7468	9111	8894	9555	11827	13452	14284	13852	14623
Accounts Payable	135	144	181	157	215	231	211	134	159	---
Long-Term Debt	403	248	149	154	103	87	330	791	461	737
Shareholder's Equity	1141	1198	1635	1714	1855	2104	2101	1552	1703	1763
LTD/E Ratio	0.35	0.21	0.09	0.09	0.06	0.04	0.16	0.51	0.27	0.42

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.1%	1.2%	1.6%	1.6%	1.5%	1.3%	1.3%	1.2%	0.9%	1.1%
Return on Equity	8.6%	8.9%	10.6%	10.1%	9.5%	8.3%	9.0%	10.3%	8.4%	10.5%
ROIC	6.1%	6.9%	9.3%	9.2%	8.8%	7.4%	8.2%	8.5%	6.1%	7.8%
Shares Out.	41	44	49	51	52	54	54	54	54	53
Revenue/Share	8.98	9.66	10.47	11.00	11.29	11.15	11.39	12.53	12.08	14.07
FCF/Share	2.59	2.77	3.62	4.03	3.77	3.10	3.48	3.72	3.91	4.19

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