TowneBank (TOWN)

Updated October 24th, 2025 by Aristofanis Papadatos

Key Metrics

Current Price:	$33	**5 Year CAGR Estimate:**	8.9%	**Market Cap:**	$2.6 B
Fair Value Price:	$35	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date[1]:**	12/30/25
% Fair Value:	95%	**5 Year Valuation Multiple Estimate:**	1.1%	**Dividend Payment Date:**	1/13/26
Dividend Yield:	3.3%	**5 Year Price Target**	$44	**Years Of Dividend Growth:**	14
Dividend Risk Score:	C	**Sector:** Financials		**Rating:**	Hold

Overview & Current Events

TowneBank is a financial services company that was founded in 1999 and is headquartered in Portsmouth, Virginia. It started with three offices in 1999 and now operates 51 banking offices throughout Hampton Roads and Central Virginia, as well as Northeastern and Central North Carolina. The bank provides retail and commercial banking services to individuals and corporations. It has the #1 market share in deposits in Hampton Roads and has a market capitalization of $2.6 billion. The bank operates through three segments: Banking, Realty and Insurance.

On August 19th, 2025, TowneBank agreed to acquire Raleigh-based Dogwood State Bank in an all-stock deal valued ~$476 million at the time of the deal. As per the terms of the deal, the shareholders of Dogwood will receive 0.7 shares for each share of Dogwood they own. If the deal materializes, TowneBank will grow its assets by approximately 22%, from $18 billion to $22 billion. TowneBank expects the acquisition to be completed in the first quarter of 2026 and enhance earnings-per-share by approximately 8% in 2027.

In late October, TowneBank reported (10/22/25) financial results for the third quarter of fiscal 2025. Loans and deposits grew 8% each over the previous quarter thanks to the acquisition of Old Point. Net interest margin expanded from 3.38% to 3.48% thanks to lower deposit costs and net interest income grew 7% thanks to growth of loans and a wider net interest margin. Earnings-per-share grew 2%, from $0.81 to $0.83, and exceeded the analysts' consensus by $0.07. The bank has exceeded the analysts' estimates for 6 consecutive quarters. Net interest margin is likely to improve even further in the upcoming quarters thanks to the recent interest rate cut implemented by the Fed and some additional expected cuts. Indeed, TowneBank expects the impact of high interest rates on deposit costs to fade in the upcoming quarters. The bank also continues to see significant loan and deposit growth opportunities in its markets. We still expect nearly all-time high earnings-per-share of $2.90 this year.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.22	$1.18	$1.41	$1.88	$1.92	$2.01	$2.97	$2.60	$2.06	$2.18	***$2.90***	***$3.70***
DPS	$0.47	$0.51	$0.55	$0.62	$0.70	$0.72	$0.78	$0.89	$0.98	$1.00	***$1.08***	***$1.30***
Shares[2]	51.2	57.0	62.4	71.3	72.2	72.3	72.6	72.6	74.8	75.3	***76.0***	***100.0***

TowneBank has consistently grown its earnings-per-share over the last decade thanks to its disciplined expansion. The bank has grown its earnings-per-share by 6.7% per year on average over the last decade but by only 2.6% per year on average over the last five years due to the impact of nearly 23-year high interest rates on deposit costs. Just like nearly all regional banks, TowneBank has proved vulnerable to the headwind from high interest rates. However, the Fed is likely to reduce interest rates in the upcoming years. As a result, TowneBank is likely to experience an expansion of its net interest margin. In addition, the aforementioned pending acquisition of Dogwood State Bank is likely to prove a significant growth driver. Thanks to these growth drivers, we expect 5.0% average annual growth of earnings-per-share over the next five years.

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[1] Estimated date.

[2] 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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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	14.5	19.4	22.7	16.1	14.1	10.1	10.2	11.5	12.6	13.9	***11.4***	***12.0***
Avg. Yld.	2.7%	2.2%	1.7%	2.1%	2.6%	3.5%	2.6%	3.0%	3.8%	3.3%	***3.3%***	***2.9%***

TowneBank has traded at an average price-to-earnings ratio of 12.0 over the last five years. We assume this valuation level as fair for this stock. TowneBank has rallied 50% in the last two years thanks to an improved outlook of interest rates, and hence 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 enjoy a 1.1% annualized valuation gain.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	39%	43%	39%	33%	36%	36%	26%	34%	48%	46%	***37%***	***35%***

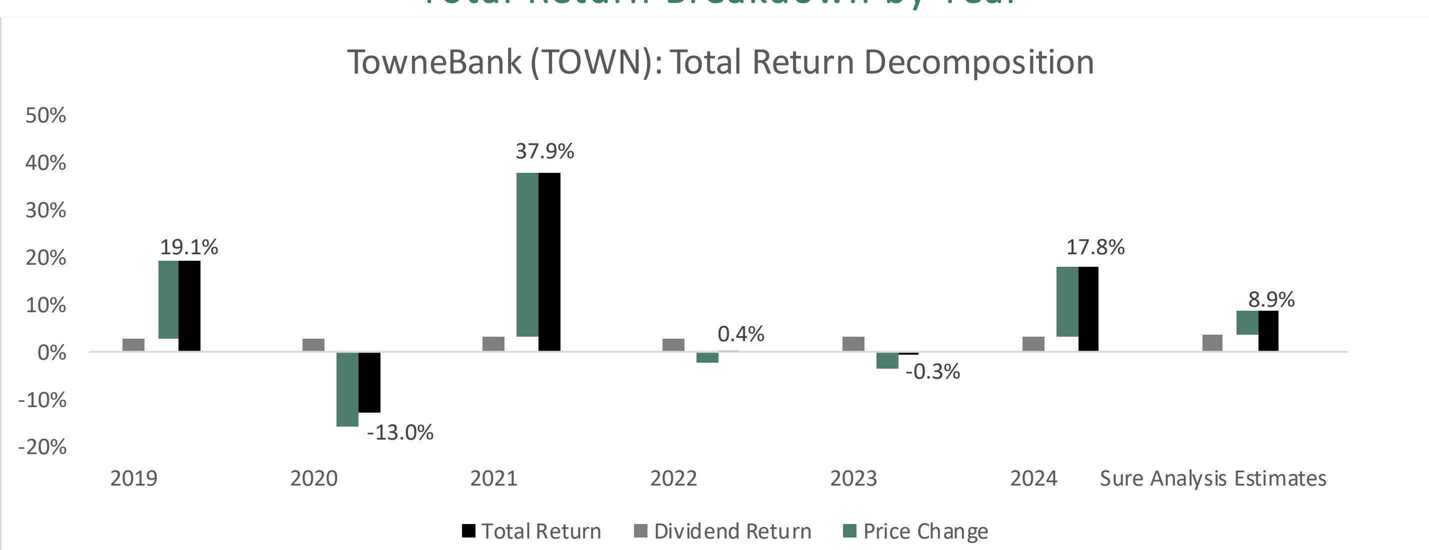
TowneBank has raised its dividend by 8% this year and thus it has raised its dividend for 14 years in a row. It is offering a dividend yield of 3.3%, which is slightly higher than the 3.1% median yield of the financial sector. The payout ratio is standing at 37% and hence the dividend seems to have a margin of safety, given also the recovery in earnings expected in the upcoming years.

TowneBank has a healthy tier 1 capital ratio of 11.2% while its net loan charge-offs have remained below 0.05% and its non-performing loans have remained below 0.12% in each of the last eleven quarters. In addition, the bank proved resilient to the pandemic, as it posted record earnings-per-share in 2020 and 2021. However, TowneBank proved vulnerable to the downturn caused by the surge of interest rates in 2022-2023, with a -31% decrease in earnings-per-share in 2023 vs. 2021. Overall, TowneBank is offering a dividend with a wide margin of safety but it is not immune to unexpected downturns.

Final Thoughts & Recommendation

TowneBank has just begun to recover from the increased deposit costs that have resulted from the high interest rates that have prevailed in the last two years. The stock could offer an 8.9% average annual return over the next five years thanks to 5.0% growth of earnings-per-share, its 3.3% dividend and a 1.1% valuation tailwind. The stock receives a hold 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	297	373	448	532	563	662	679	686	695	693
SG&A Exp.	141	174	205	244	262	253	267	280	305	322
D&A Exp.	16	21	25	29	29	29	29	29	34	35
Net Profit	62	67	88	134	139	146	215	189	154	162
Net Margin	21.0%	18.0%	19.6%	25.1%	24.6%	22.0%	31.7%	27.5%	22.1%	23.4%
Free Cash Flow	58	166	128	297	(26)	82	488	363	117	81
Income Tax	27	29	55	34	33	32	55	47	31	28

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	6,297	7,974	8,522	11,163	11,948	14,626	16,361	15,845	16,835	17,247
Cash & Equivalents	252	137	521	687	443	1,864	3,297	1,153	1,128	1,339
Goodwill & Int. Ass.	181	303	309	492	501	498	508	502	521	518
Total Liabilities	5,476	6,887	7,380	9,625	10,294	12,843	14,445	13,957	14,779	15,091
Long-Term Debt	429	688	774	1,047	720	705	405	277	460	263
Shareholder's Equity	811	1,075	1,131	1,526	1,641	1,767	1,899	1,874	2,040	2,139
LTD/E Ratio	0.53	0.64	0.68	0.69	0.44	0.40	0.21	0.15	0.23	0.12

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.1%	0.9%	1.1%	1.4%	1.2%	1.1%	1.4%	1.2%	0.9%	0.9%
Return on Equity	8.7%	7.1%	7.9%	10.0%	8.7%	8.5%	11.6%	9.9%	7.8%	7.7%
ROIC	5.5%	4.4%	4.8%	5.9%	5.6%	6.0%	9.0%	8.4%	6.6%	6.6%
Shares Out.	51.2	57.0	62.4	71.3	72.2	72.3	72.6	72.6	74.8	75.2
Revenue/Share	5.81	6.57	7.19	7.46	7.80	9.15	9.36	9.46	9.31	9.21
FCF/Share	1.13	2.93	2.05	4.16	(0.37)	1.13	6.72	5.00	1.57	1.08

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