Timberland Bancorp, Inc. (TSBK)

Updated November 8th, 2025, by Ian Bezek

Key Metrics

Current Price:	$33	**5 Year Annual Expected Total Return:**	12.8%	**Market Cap:**	$260 M
Fair Value Price:	$38	**5 Year Growth Estimate:**	7.0%	**Ex-Dividend Date:**	11/14/25
% Fair Value:	87%	**5 Year Valuation Multiple Estimate:**	2.9%	**Dividend Payment Date:**	11/28/25
Dividend Yield:	3.4%	**5 Year Price Target**	$53	**Years Of Dividend Growth:**	12
Dividend Risk Score:	B	**Sector:**	Financials	**Rating:**	Buy

Overview & Current Events

Timberland Bancorp is a Hoquiam, Washington-based regional bank. The bank was founded in 1915 to help provide financial services to the lumber towns in western Washington state. In 1998, Timberland converted its share structure from a mutual savings bank to a traditional chartered stock bank. The bank has had a generally successful run in the public markets. It survived the 2008 financial crisis, and has delivered strong total returns since that point.

Timberland has enjoyed considerable growth in recent years, both from growth in its core market along with the bank's expansion in business and merchant services. Timberland operates 23 bank branches today, all in Washington, serving both rural areas and some communities in the greater Seattle metropolitan area. It will also be opening a new branch, in University Place, WA, during the next quarter. Timberland has a lending book weighted toward commercial credits, with more than half its loans being in either commercial real estate or construction lending.

Timberland shares fell to a low valuation in recent years amid the jitters in the regional banking sector generally and specific worries around the commercial real estate market. However, Timberland has defied the critics, with its earnings holding up despite the unsettled macroeconomic environment.

On October 30th, 2025, Timberland reported its fiscal fourth quarter and full-year 2025 earnings. Q4 earnings per share of $1.07 soared from the 79 cents it delivered in the same period of 2024. The bank's core metrics are firing on all cylinders right now, with the bank's net interest margin jumping 24 basis points higher on a year-over-year basis. The bank's loan book also grew by 3% year-over-year, and loan metrics remain pristine, with the bank having no net loan charge-offs this period. This quarter was far stronger than expected. We expect earnings growth to slow in fiscal year 2026 however, as we do not think the bank's net interest margin will continue to rise as quickly as it did in 2025.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$1.43	$1.92	$2.22	$2.84	$2.88	$3.27	$2.82	$3.29	$3.01	$3.67	***$3.80***	***$5.33***
DPS	$0.32	$0.42	$0.50	$0.58	$0.75	$0.83	$0.87	$0.91	$0.97	$1.04	***$1.12***	***$1.57***
Shares	7	7	7	7	8	8	8	8	8	8	***8***	***8***

Timberland has been a surprisingly strong growth story within the regional banking space, with its earnings growing at 11% annualized since 2016 and the dividend increasing at a rapid 14% annualized pace over the same period. Future growth is unlikely to be quite this strong. Timberland benefitted from significant business opportunities within its geographical region, a strong construction market, and favorable developments in interest rates.

Since the pandemic, Timberland's growth rate has decelerated significantly, with earnings growing at just 3% annualized over the past five years. We believe the company's true long-term potential lies in the middle of that range and forecast 7% growth going forward. While the company's dividend payout ratio has crept up slightly in recent years, there is still plenty of room for healthy dividend increases; we forecast a 7% annualized increase going forward. On Oct. 30th, 2025, the bank boosted its dividend from 26 cents to 28 cents per quarter.

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	10.8	16.2	13.8	9.5	6.2	8.7	9.6	8.1	10.0	8.7	***8.7***	***10.0***
Avg. Yld.	2.0%	1.5%	1.4%	2.1%	3.7%	2.9%	3.0%	3.3%	3.1%	3.2%	***3.4%***	***2.9%***

Despite Timberland's impressive growth story, the market has not assigned the bank much of a valuation premium. Shares have averaged a 10.2 P/E ratio since 2016, and only a 9.0 P/E ratio over the past five years. We believe the market's sentiment has been overly negative and that the current 8.7x P/E ratio represents a discount to fair value. The bank's current 3.4% dividend yield is well above its long-term average.

Safety, Quality, Competitive Advantage, & Recession Resiliency

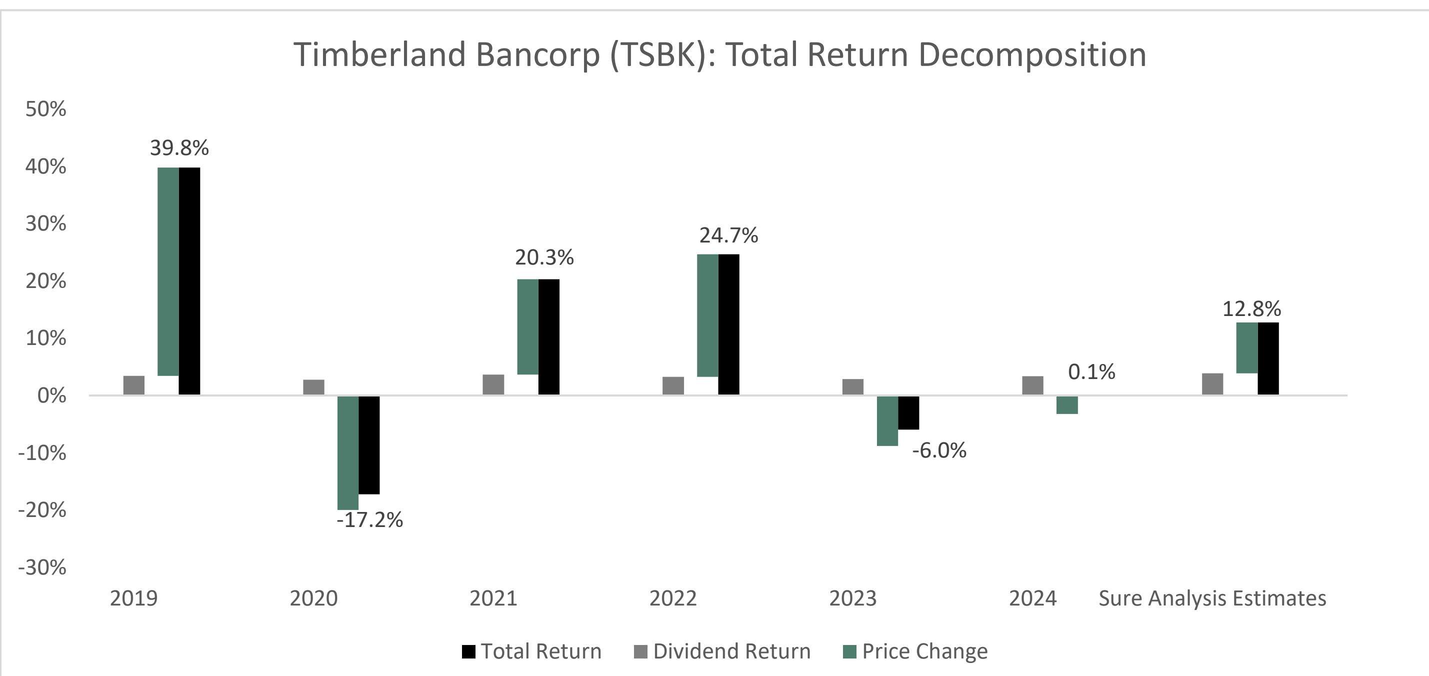
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	22%	22%	23%	20%	26%	25%	31%	28%	32%	28%	***29%***	***29%***

Timberland is a regional bank tied almost entirely to the health of the state of Washington's economy. This risk appeared in 2008, when Timberland shares lost the majority of their value. However, most regional Pacific banks struggled during this period, and Timberland fared better than many of its peers. The bank also faces significant risk from its outsized exposure to commercial real estate and construction lending. These loans can offer higher yields and growth opportunities, but could lead to greater credit risk during a prolonged recession. The bank's payout ratio has ticked up from 22% to 29% over the past decade, but the dividend remains well-supported from earnings.

Final Thoughts & Recommendation

Timberland shares have been deeply undervalued for much of the past few years. The stock has rallied from its lowest levels. Even so, Timberland's shares are trading below fair value and offer a favorable return profile based on the starting 3.4% dividend yield, the bank's earnings growth rate, and the possibility of multiple expansion. We forecast 12.8% annualized returns going forward, which makes shares a buy today.

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.

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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	34	39	45	49	62	65	66	65	76	71
SG&A Exp.	17	17	18	19	24	22	20	22	25	25
D&A Exp.	2	2	2	2	3	3	3	3	3	---
Net Profit	8	10	14	17	24	24	28	24	27	24
Net Margin	24.0%	26.0%	31.6%	34.3%	38.6%	37.3%	42.1%	36.5%	35.9%	33.8%
Free Cash Flow	7	11	10	19	16	32	29	26	30	---
Income Tax	4	5	7	6	6	6	7	6	7	6

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	816	891	952	1,018	1,247	1,566	1,792	1,861	1,840	1,923
Cash & Equivalents	141	162	191	212	221	380	609	340	144	175
Acc. Receivable	2	2	3	3	4	4	4	4	6	7
Goodwill & Int.	7	7	7	8	20	20	20	19	18	17
Total Liabilities	727	795	841	894	1,076	1,378	1,585	1,642	1,607	1,678
Accounts Payable	2	2	2	3	5	4	4	5	6	---
Long-Term Debt	45	30	-	-	-	10	5	-	35	20
Total Equity	89	97	111	125	171	188	207	219	233	245
LTD/E Ratio	0.50	0.31	-	-	-	0.05	0.02	-	0.15	0.08

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.1%	1.2%	1.5%	1.7%	2.1%	1.7%	1.6%	1.3%	1.5%	1.3%
Return on Equity	9.6%	10.9%	13.6%	14.2%	16.2%	13.5%	14.0%	11.1%	12.0%	10.2%
ROIC	6.3%	7.8%	11.9%	14.2%	16.2%	13.2%	13.5%	11.0%	11.1%	9.1%
Shares Out.	7	7	7	7	7	8	8	8	8	8.1
Revenue/Share	4.88	5.50	6.07	5.76	7.34	7.73	7.76	7.71	9.17	8.77
FCF/Share	0.98	1.55	1.40	2.27	1.88	3.78	3.40	3.05	3.62	---

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