Peoples Financial Services (PFIS)

Updated May 13th, 2026 by Aristofanis Papadatos

Key Metrics

Current Price:	$57	**5 Year CAGR Estimate:**	13.5%	**Market Cap:**	$574 M
Fair Value Price:	$81	**5 Year Growth Estimate:**	3.0%	**Ex-Dividend Date:**	5/29/26
% Fair Value:	70%	**5 Year Valuation Multiple Estimate:**	7.3%	**Dividend Payment Date:**	6/15/26
Dividend Yield:	4.4%	**5 Year Price Target**	$94	**Years Of Dividend Growth:**	10
Dividend Risk Score:	D	**Sector:** Financials		**Rating:**	Hold

Overview & Current Events

Peoples Financial Services (PFIS) is the holding company of Peoples Security Bank and Trust Company, a community bank that was founded in 1905 and is headquartered in Scranton, Pennsylvania. It operates 40 branches in Pennsylvania and provides various banking products and services to consumers, municipalities and businesses. Peoples Financial Services has a market capitalization of $574 million.

On July 1st, 2024, Peoples Financial Services completed its acquisition of FNCB Bancorp in an all-stock deal. As per the terms of the deal, the shareholders of FNCB now own ~29% of the combined entity. Thanks to the merger, the bank grew its total assets from $3.7 billion to $5.5 billion and thus it became the 5th largest community bank in Pennsylvania. It also raised its dividend by 51% and thus it is now offering a dividend yield of 4.4%. In addition, thanks to the acquisition, the bank grew its earnings-per-share 61% last year.

In late April, Peoples Financial Services reported (4/30/26) financial results for the first quarter of fiscal 2026. Loans grew 2% while deposits remained essentially flat during the quarter. Net interest margin expanded from 3.50% in the prior year's quarter to 3.67% thanks to lower deposit costs. As a result, net interest income grew 8%. Nevertheless, due to higher provisions for loan losses, earnings-per-share dipped -5%, from $1.51 to $1.43. Earnings-per-share missed the analysts' consensus by $0.10. Before the recent acquisition of FNCB Bancorp, Peoples Financial Services had one of the narrowest net interest margins in the financial sector, thus revealing the existence of strong competitive forces. However, the bank has greatly improved its net interest margin after the takeover. Moreover, as the Fed intends to cut interest rates in the upcoming years, the net interest margin of the bank is likely to improve further. We view the recent merger positively, given the expected growth. Thanks to the highly accretive acquisition of FNCB Bancorp, we expect all-time high earnings-per-share of $6.50 this year.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$2.65	$2.50	$3.37	$3.47	$4.00	$6.02	$5.28	$4.03	$3.77	$6.07	***$6.50***	***$7.54***
DPS	$1.24	$1.26	$1.31	$1.37	$1.44	$1.50	$1.58	$1.64	$2.06	$2.47	***$2.50***	***$2.75***
Shares[1]	7.4	7.4	7.4	7.4	7.3	7.2	7.2	7.1	10.0	10.0	***10.0***	***10.0***

Peoples Financial Services has more than doubled its loans and its deposits and has grown its earnings-per-share by 9.6% per year on average over the last decade. The bank had stagnated in the last three years but it now has promising growth prospects thanks to the recent acquisition of FNCB Bancorp, which is major for the bank given the size of the deal (43% of the market cap of the bank before the merger). In addition, the Fed is likely to reduce interest rates in the upcoming years. As a result, while Peoples Financial Services was hurt by high deposit costs amid high interest rates in 2023-2024, it is likely to enjoy an expansion of its net interest margin in the upcoming years. Nevertheless, given the high comparison base formed by the blowout earnings expected this year, we expect 3.0% average annual growth of earnings-per-share beyond this year.

[1] In millions.

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	14.8	17.6	13.4	13.1	9.6	7.4	9.7	11.0	11.9	8.1	***8.8***	***12.5***
Avg. Yld.	3.2%	2.9%	2.9%	3.0%	3.7%	3.4%	3.1%	3.7%	4.6%	5.0%	***4.4%***	***2.9%***

Peoples Financial Services has traded at an average price-to-earnings ratio of 12.5 over the last nine years. We assume this valuation level as fair for this stock. The stock is currently trading at a price-to-earnings ratio of 8.8, which is much lower than the historical average of the bank. If the stock trades at its average valuation level in five years, it will enjoy a 7.3% annualized valuation gain.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	47%	50%	39%	39%	36%	25%	30%	41%	55%	41%	***38%***	***37%***

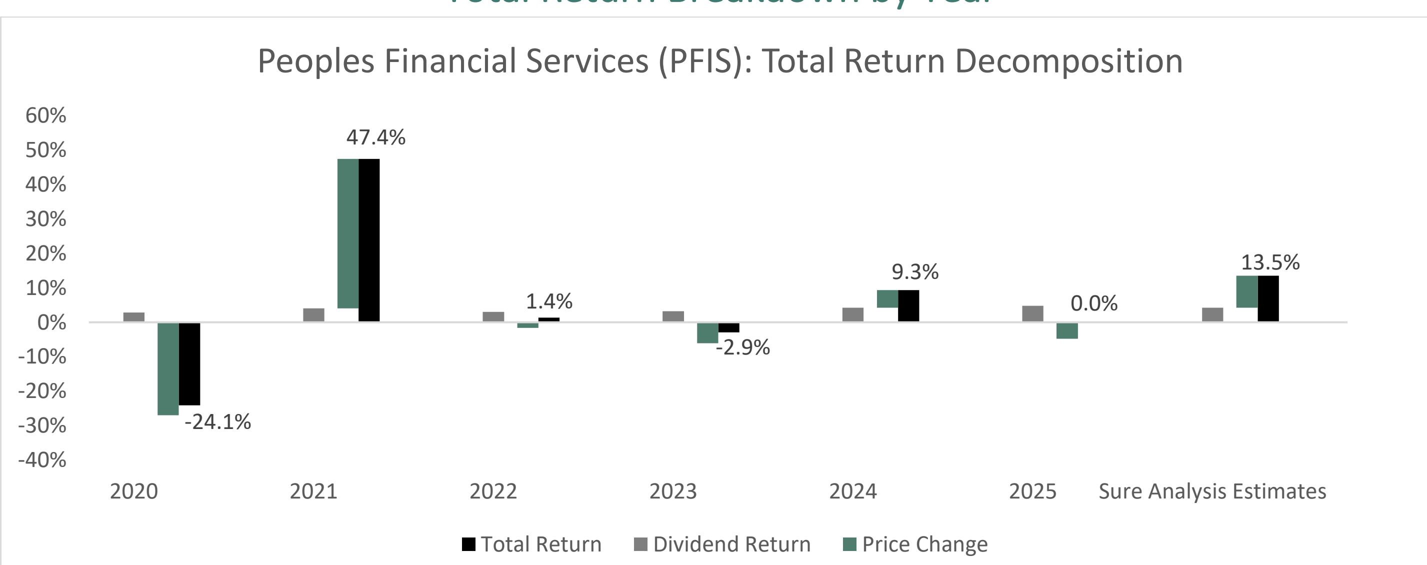
Peoples Financial Services has raised its dividend by 1% this year and thus it has raised its dividend for 10 consecutive years. Thanks to its recent major acquisition, the bank raised its dividend by 51% in 2024 and thus it is currently offering a dividend yield of 4.4%, which is much higher than the 2.9% median dividend yield of the financial sector. The bank also has a healthy payout ratio of 38% and hence it is likely to continue raising its dividend in the upcoming years.

Peoples Financial Services is prudently managed and thus it outperformed its peers during the Great Recession. In that crisis, the non-performing loans of the bank increased only modestly, in contrast to what happened to most banks. Peoples Financial Services also proved resilient to the pandemic, as it grew its earnings in 2020 and 2021. Nevertheless, the bank is not immune to downturns. Its earnings-per-share declined -33% between 2021 and 2023 due to the surge of interest rates, which compressed the net interest margin of the bank and caused losses in its investment portfolio.

Final Thoughts & Recommendation

Peoples Financial Services recently completed a major acquisition and thus it has promising growth prospects ahead while it is also offering an attractive dividend. The stock has rallied 18% this year but it can still offer a 13.5% average annual return over the next five years thanks to 3.0% growth of earnings-per-share, its 4.4% dividend and a 7.3% valuation tailwind. It appears highly attractive and 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.

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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	75	80	85	91	96	98	108	101	229	280
SG&A Exp.	24	27	30	32	31	31	35	37	---	---
D&A Exp.	3	3	3	4	4	4	4	3	7	---
Net Profit	20	18	25	26	29	44	38	27	8	59
Net Margin	26.2%	22.9%	29.3%	28.4%	30.4%	44.3%	35.2%	27.1%	3.7%	21.1%
Free Cash Flow	21	22	29	31	35	36	35	27	31	---
Income Tax	5	8	3	3	5	10	7	5	0	13

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	1,999	2,169	2,289	2,475	2,884	3,369	3,554	3,742	5,099	5,271
Cash & Equivalents	40	37	33	31	45	38	38	43	47	58
Goodwill & Int. Ass.	68	67	66	66	65	65	64	64	110	104
Total Liabilities	1,743	1,904	2,010	2,176	2,567	3,029	3,238	3,402	4,630	4,751
Long-Term Debt	141	173	124	185	98	36	148	76	168	226
Shareholder's Equity	257	265	279	299	317	340	315	340	469	520
LTD/E Ratio	0.55	0.65	0.45	0.62	0.31	0.11	0.47	0.22	0.36	0.50

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	1.0%	0.9%	1.1%	1.1%	1.1%	1.4%	1.1%	0.8%	0.2%	1.1%
Return on Equity	7.7%	7.1%	9.2%	8.9%	9.5%	13.2%	11.6%	8.4%	2.1%	12.0%
ROIC	5.3%	4.4%	5.9%	5.8%	6.5%	11.0%	9.1%	6.2%	1.6%	8.4%
Shares Out.	7.4	7.4	7.4	7.4	7.3	7.2	7.2	7.1	8.6	10.1
Revenue/Share	10.09	10.88	11.48	12.23	13.14	13.59	14.99	14.11	26.72	27.83
FCF/Share	2.88	3.02	3.86	4.25	4.75	4.96	4.79	3.82	3.65	---

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