

Camden National Corporation NasdaqGS:CAC FQ2 2025 Earnings Call Transcripts

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Call Participants

EXECUTIVES

Michael R. Archer
Executive VP & CFO

Renée D. Smyth
Executive VP and Chief Experience & Marketing Officer

Simon R. Griffiths
CEO, President & Director

ANALYSTS

Matthew M. Breese
Stephens Inc., Research Division

Stephen M. Moss
*Raymond James & Associates, Inc.,
Research Division*

Unknown Analyst

Presentation

Operator

Good day, and welcome to Camden National Corporation's Second Quarter 2025 Earnings Conference Call. My name is Elliot, and I'll be your operator for today's call. [Operator Instructions]

I'll now turn the call over to Renée Smyth, Executive Vice President, Chief Experience and Marketing Officer.

Renée D. Smyth

Executive VP and Chief Experience & Marketing Officer

Thank you. Good afternoon, and welcome to Camden National Corporation's conference call for the second quarter of 2025.

Joining us this afternoon are members of Camden National Corporation's executive team, Simon Griffiths, President and Chief Executive Officer; and Mike Archer, Executive Vice President and Chief Financial Officer.

Please note that today's presentation contains forward-looking statements, and actual results could differ materially from what is discussed on today's call. Cautionary language regarding these forward-looking statements is contained in our second quarter 2025 earnings release issued this morning and in other reports we file with the SEC.

All of these materials and public filings are available on our Investor Relations website at camdennational.bank, Camden National Corporation trades on the NASDAQ under the symbol CAC. In addition, today's presentation includes a discussion of non-GAAP financial measures. Any references to non-GAAP financial measures are intended to provide meaningful insights and are reconciled with GAAP in our earnings release, which is also available on our Investor Relations website.

I am pleased to introduce our host, President and CEO, Simon Griffiths.

Simon R. Griffiths

CEO, President & Director

Good afternoon, everyone, and thank you, Renée. We appreciate you taking the time to join us today.

We're pleased to report on our strong performance in our first full quarter as a unified organization following the acquisition of Northway Financial earlier this year, which bolstered our presence in the New Hampshire market. This quarter marked the beginning of unlocking the financial potential of our combined franchise with pretax pre-provision income, excluding onetime merger-related expenses rising 13% from the prior quarter.

Earlier this morning, we reported strong quarterly earnings of \$14.1 million, resulting in diluted earnings per share of \$0.83. On a non-GAAP basis, adjusted earnings were \$15.2 million or \$0.89 per share. Our strong quarterly earnings accretion continues to rebuild our capital levels following the completion of the Northway acquisition and to enhance shareholder value.

This is evidenced by the expansion of tangible common equity ratio to 6.77% at June 30, and a 3% increase in tangible book value during the second quarter, reaching \$26.90 per share. These outstanding results reflect early success in realizing cost synergies from the Northway acquisition and the ability to drive solid revenue growth, underscoring the strategic value of the acquisition for all our constituents, customers, employees, communities and shareholders.

Several of our key performance indicators continue to trend positively. Net interest margin expanded by an additional 2 basis points and our non-GAAP efficiency ratio improved to 55.5%. We believe these outcomes demonstrate that we are well positioned to sustain interest margin expansion and earnings growth through the second half of 2025.

As reported, one commercial borrower filed for bankruptcy during the second quarter, resulting in the need for additional provisioning on this loan. We are actively engaged with a small group of other lenders involved in this loan and anticipate resolution later this year. In a few minutes, Mike will provide more details on our provision and loan loss reserve levels for the second quarter.

We remain confident in the overall health of our loan portfolio and that this is not a broader trend across our well-diversified loan portfolio, as evidenced by our continued strong asset quality metrics. Our second quarter performance reflects the continued benefits of our strategic investments, both digital and talent focused across the organization along with the disciplined execution of proactive deposit gathering and management.

While average deposits were down 1% on a linked-quarter basis due to seasonal trends, we have seen encouraging growth more recently as the summer months are upon us. While average loans remained stable during the quarter, we grew ending loan balances in both the consumer and commercial businesses. Our commercial team remains highly engaged leveraging strong, long-standing relationships and increased visibility in the high-growth markets of Southern New Hampshire and Maine.

We're seeing consistent pipeline activity across our markets, signaling strong demand and sustained momentum. And at the same time, we remain firmly committed to our underwriting discipline. During the quarter, we achieved robust growth in home equity loan balances and our high-yield savings account, which requires a consumer checking account -- a checking account, helping us expand and deepen relationships.

We also achieved significant success in growing and diversifying our fee revenue. Our fiduciary and brokerage fee income organically grew 16% year-over-year. Our growing wealth management team is realizing substantial operational efficiencies from its new platform, which was implemented last year. We continue to see strong opportunities to expand our services within our existing customer base, particularly as we prioritize advice-driven conversations and extend our treasury management services into the New Hampshire market.

We continue to advance our innovation agenda with strategic investments to modernize our mobile app, aimed at attracting and retaining a digitally savvy customer base. This quarter, we successfully launched both our Round Up feature and Zogo, a digital financial literacy program. The response has been strong.

Within the first 60 days, customers completed over 140,000 Round Up transactions, automatically directing spare change into savings and charitable giving accounts and engaging in more than 13,000 learning activities through our financial education tools.

We are proud of our second quarter financial performance reflects the dedication of our 700-plus United teammates and their unwavering focus on serving our customers and executing our strategy. Their efforts have fueled strong results and built momentum we expect to carry through the second half of 2025 and beyond. We are well positioned to continue delivering exceptional outcomes and unlocking meaningful long-term value for shareholders.

With that, I'll hand over to Mike to provide some additional financial highlights regarding the quarter.

Michael R. Archer
Executive VP & CFO

Thank you, Simon, and good afternoon, everyone.

Our second quarter operating results gave us a first look at our earnings power as a larger organization, having completed the acquisition of Northway Financial, and much of our integration in the first quarter of this year.

As we enter the second half of the year, I'm pleased to report that we remain on track to deliver the financial targets outlined as part of the acquisition, including achieving our targeted cost reductions.

For the second quarter, we reported GAAP net income of \$14.1 million and diluted earnings per share of \$0.83, representing increases of 92% and 93%, respectively, over the previous quarter. On a non-GAAP basis, pretax pre-provision net income excluding M&A-related costs, totaled \$26.1 million for the second quarter and increased 13% over the previous quarter. This increase highlights the improvement in our efficiency ratio during the second quarter, which reached 55.5%, our lowest level since the second quarter of 2022.

Total revenues for the second quarter grew 4% over the last quarter to \$62.3 million, driven by both net interest income and noninterest income growth. Net interest margin and non-GAAP core net interest margin each expanded 2 basis points during the second quarter to 3.06% and 2.70%, respectively. We continue to focus on driving core net interest margin expansion and anticipate further expansion in the third quarter as we'll benefit from seasonal deposit flows and continued steady expansion of our earning asset yield.

Noninterest income reached \$13.1 million for the second quarter, which beat our guidance provided last quarter. We are currently estimating a range for noninterest income for the third quarter of \$12 million to \$13 million. Reported noninterest expense for the second quarter was \$37.6 million, which was 15% lower than the first quarter. Noninterest expense, excluding M&A costs for the second quarter was \$36.2 million, a 2% decrease compared to the prior quarter.

For the third quarter, we currently anticipate noninterest expenses, excluding M&A costs and CDI amortization to land closer to \$34 million as we realized a full quarter of cost synergy savings from the Northway acquisition.

Weighing on the reported financial results for the second quarter were elevated provision expenses of \$6.9 million. During the second quarter, a borrower under a syndicated loan, in which Camden's participation totaled \$12 million, entered bankruptcy, and we placed the loan on nonaccrual status. As of June 30, we carried an allowance on this credit of \$6 million, which represents our best estimate of the potential loss as of the end of the second quarter. This credit was the driver of the elevated provision expense and the increase in our allowance coverage ratio of 12 basis points during the second quarter to 1.08% at June 30. As noted in our earnings release earlier today, we currently anticipate that this credit will be fully resolved later this year.

Overall, our credit trends across the broader loan portfolio remain very strong. Past due loans accounted for 8 basis points of total loans at June 30, net charge-offs were 2 basis points of average loans for the second quarter, and nonperforming loans were 37 basis points of total loans at June 30.

We experienced nice loan growth during the quarter of 1%, coming primarily from commercial and home equity loans. Our loan pipelines were robust at June 30, with a \$150 million committed loan pipeline, representing a 40% increase over the last quarter.

Lastly, our capital position remains very strong, supported by growing ratios as we rebuild capital following the Northway acquisition earlier this year. Our TCE ratio grew to 6.77% at June 30, an increase of 28 basis points from the previous quarter, and our regulatory capital ratios continue to be well in excess of requirements and continue to build as well. We anticipate strong capital generation in the second half of the year, driven by the full realization of synergies and sustained revenue growth.

This concludes our comments. We'll now open up the call for questions.

Question and Answer

Operator

[Operator Instructions] Our first question comes from Steve Moss with Raymond James.

Stephen M. Moss

Raymond James & Associates, Inc., Research Division

Maybe just starting here on the credit front.

Mike, just starting on the credit front here. Just curious what type of C&I loan was it? And did the placement on nonaccrual here this quarter also impact net interest income?

Michael R. Archer

Executive VP & CFO

Yes. So that was one of our C&I loans and was a syndication, Steve. As mentioned in the comments, we're working with a small group of other lenders on that.

In terms of our credit team, they are working very closely and diligently trying to work through the resolution there. And as we mentioned, we anticipate that there will be a full resolution a little bit later this year. It did impact net interest income for the quarter. Overall, it was about a basis point of net interest margin, core margin for the quarter.

Stephen M. Moss

Raymond James & Associates, Inc., Research Division

Okay. I'm sorry, maybe I should have been more specific. Just curious as to like what kind of industry the borrower is active in?

Simon R. Griffiths

CEO, President & Director

Steve, yes. I'd characterize it as a service company.

Stephen M. Moss

Raymond James & Associates, Inc., Research Division

Okay. Got it. And then in terms of the loan pipeline here, just curious color around the drivers of the improvement in the pipeline and kind of what's the coupon you're seeing on new originations?

Simon R. Griffiths

CEO, President & Director

Yes, I'll take that, Steve. And just to go back a click here. I think, obviously, we've mentioned the one loan, but I think we still feel very confident around our credit position. And when you look at nonaccruals, at 15 basis points absent that loan, it really is flat quarter-over-quarter.

So we feel very good about that. And as we push into this quarter, we are seeing a pickup, particularly on the commercial side, we're seeing a lot of activity. We're also seeing some great results in the home equity front. We grew \$16.7 million in the second quarter, as compared to \$18 million all of last year.

So that's very positive momentum there, which I think is really good to see. So we're seeing a nice balance across C&I, small loans, business loans, mortgage is actually quite resilient as well. So it's a broad-based sort of pickup. And certainly, as we say, we've got a very positive pipeline.

Stephen M. Moss

Raymond James & Associates, Inc., Research Division

Okay. Got you. And in terms of the margin expansion here, just kind of thinking about the asset repricing, obviously, originations helped here, too.

Would you think about it as a couple of basis points a quarter? I'm just kind of curious how you guys are thinking about that dynamic.

Simon R. Griffiths
CEO, President & Director

I'll just say, Steve, I think we do see continued momentum back end of this year, obviously, contingent in terms of the Fed. But we see plus/minus 5, 10 basis points for the next quarter dependent obviously on where the Fed goes.

Operator

We now turn to Matthew Breese with Stephens.

Matthew M. Breese
Stephens Inc., Research Division

Just on the C&I credit, a couple from me here. You noted you're actively involved with other lenders on the note. Can you give us some sense for the ultimate size of this loan? And then what is your exposure overall syndicated loans?

Simon R. Griffiths
CEO, President & Director

So our total exposure, Matt, is \$12 million at quarter end. I can certainly say there are 5 or 6 other banks in this group, and total exposure for the bank group is around the \$200 million mark.

Michael R. Archer
Executive VP & CFO

Just in terms of unfunded there, Matt, there's a small piece of remaining exposure out there. I think it's around \$1 million or so, maybe a little bit over, but it's in that neighborhood.

Matthew M. Breese
Stephens Inc., Research Division

And the \$200 million, are those -- how would you characterize those in terms of geography? Are they mostly local? Or are they national? What kind of -- broadly speaking, what kind of businesses are they attached to?

Simon R. Griffiths
CEO, President & Director

It's a mix from national to large regional and local.

Matthew M. Breese
Stephens Inc., Research Division

And there's no other signs of deterioration in the broader book. .

Simon R. Griffiths
CEO, President & Director

No. No, we look very good. I mean, again, just coming back to my earlier points, Matt. Nonaccruals, the 15 basis points of -- , that's pretty much flat quarter-over-quarter. Delinquencies are 8 basis points, up 1 basis point from Q1. charge-offs of 2 basis points annualized.

We feel very good about the overall book, but inevitably sometimes you have these one-off situations, and that's exactly what this is.

Matthew M. Breese
Stephens Inc., Research Division

Understood. Got it. Mike, you mentioned a couple of guidance items. I was hoping to kick the tires on. The first was just fee income of \$12 million to \$13 million next quarter, a little bit of a pullback. And I'm curious as to where we might see that pullback occur?

Michael R. Archer
Executive VP & CFO

Yes, a couple good questions, Matt.

A couple of things in there. One, just on the mortgage side, there is some fair value accounting that's giving a bit of a lift, if you will, on just the pipeline loans at quarter end. The other item is within the BOLI, you would have seen a pop there as well. And obviously, just with the acquisition from different securities supporting one of the underlying BOLI policies that is more tied to the equity markets and we just have more volatility as you can imagine, in some of that.

So a little bit -- that's a little bit of my caution out there. That said, I think mortgage will be strong from a sales perspective this go around. I think we pegged that around \$750,000 to \$1 million. So that can be pretty stable. My hope would be in the \$12.5 to \$13, more in that range.

But there's a couple of items out there that are a little less in our control, if you will, from a valuation perspective.

Matthew M. Breese
Stephens Inc., Research Division

Got it. Okay. And then on expenses, I think you had said \$34 million to \$35 million for the rest of the year. At that point, at year-end, have you kind of done all you can from Northway? And should we expect a little bit of growth from the year-end figure, whether it's \$34 or \$35. Just trying to get some sense for the inflection point on expenses at year-end.

Michael R. Archer
Executive VP & CFO

Yes. I mean so we're targeting something closer to \$34 million for the third quarter, Matt. We anticipate that we'll have certainly the high majority, vast majority of the cost synergies by that point. There could be some items that continue to fall out there, but certainly, the material significant items we would have gained most of that benefit as we close down the third quarter, possibly into the early fourth.

But all things considered, I do think we'll see the most of that in the third quarter. There's a little bit of lumpiness just in the second quarter that is in our numbers in terms of some of the expenses. We just had annual equity grants for board members and directors that flushed through. And so it's a little bit higher than maybe you would have otherwise expected, but that again, that's just more of a seasonality factor and something that we've always had.

Matthew M. Breese
Stephens Inc., Research Division

Understood. Yes, Simon, just on the credit piece, the stock is down 11% today. It feels like it's mostly tied to the increase in nonaccruals and a bit of a mismatch between your commentary today.

So just curious if the stock kind of stays here, would you be interested in the buyback as soon as the window opens up. That's all I had.

Simon R. Griffiths
CEO, President & Director

Yes. I mean, certainly, I think in the context of the credit and the comments, I think we're very well positioned for the second half of the year. I think we see a lot of positives. We're starting to really see the traction which we hoped for with the New Hampshire franchise. We're certainly picking up a lot of the momentum in the commercial volume in New Hampshire, which I think is really positive.

We have buyback open as an option for us. If that makes sense, certainly that optionality is there. We certainly feel very good about the core kind of net interest margins as we've talked about. And I think the continued focus on the team with a trajectory to focusing on getting to 3%, I think, is certainly something the team are very committed to. So I think that's a real positive for us.

We've got cost discipline, I think in place and really landing the commitments we made around the integration. So you put all those pieces together, I think the back half of the year looks very positive, and we're excited as a management team to continue to execute on the integration and opening up the market to New Hampshire and obviously, the organic growth we have in the main markets.

Operator

[Operator Instructions] We now turn to Damon DelMonte with KBW.

Unknown Analyst

This is [Matt Rank] filling in for Damon DelMonte. I hope everybody is doing okay today. Just as a follow-up on the fee income side of things. Just kind of hoping to see how early wealth management conversations are going to New Hampshire and what you think that business and franchise could maybe grow to over the next year?

Simon R. Griffiths
CEO, President & Director

Yes. I think as we've added, particularly in the main footprint. We've added a couple of wealth folks. So we see that potential. We're certainly investing into our core market where we've got strong relationships and certainly continuing to build that out and seen some very nice growth, both within our brokerage business, but also with our wealth franchise.

We've certainly got started taking a step into the New Hampshire market. We're certainly right now focused more on the lending side. The commercial, as I said earlier in my earlier comments, very positive results. Home equity, of course, is as I talked about, we're seeing a lot of traction there, which is exciting. That wasn't a product that the Northway team has. So that's, I think, being a real asset to our customers.

And with those loans, we're bringing in deposits as well and seeing a lot of traction on that side. So I think that helps the funding side, which is real positive. So I think the sort of the wealth picture for us is really probably more as we go into next year, but certainly going to continue to invest and have the potential, I think, some very attractive markets there to continue to build out the wealth team. That's not a this year thing. I think I said that's the next year thing.

Unknown Analyst

Okay. Got it. And then just 1 follow-up. You mentioned a new wealth platform, new mobile app. I was just curious if you're investing in any other technologies that you think could drive efficiencies or maybe revenue generation opportunities?

Simon R. Griffiths
CEO, President & Director

Yes. Thanks for the question. And certainly, that has gone well and the team, I think the wealth team feels very good about both the operational efficiencies, but also the improved customer experience from the mobile app. So that's a sort of very real positive. As you -- from previous calls, we've talked about the Terafina platform, the new online account opening platform. It's been very positive. We're seeing a lot of traction there, just under 10% now of our accounts are coming in through that platform, which is really positive.

And I think a great customer experience. We continue to leverage that platform and build that platform out. We've also had some great innovations recently. We've rolled out some fabulous new innovations around Round Up, Round Up to save, Round Up to donate. We're seeing a lot of energy and traction, as I referenced in my comments, and I think that's all possible as well as a learning platform and starting to see a lot of engagement from our younger customers around that.

So I think it's a very digital forward strategy. We've got other pieces in the pipeline, which we're not ready to talk about. But I think when you start to put all these pieces together, I think it's driving engagement, driving account acquisition, which, of course, is going to be crucial to funding and just the overall health and growth of the bank, I feel very good about the digital strategy and the momentum that we have.

Operator

We have no further questions. So I'll now hand back to Simon Griffiths for any final remarks.

Simon R. Griffiths
CEO, President & Director

Thank you for your time today and your continued interest in Camden National Corporation. We appreciate your support and wish you a productive rest of your day and summer. Thanks, everyone.

Operator

Ladies and gentlemen, today's call has now concluded. We'd like to thank you for your participation. You may now disconnect your lines.

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