

# Camden National: integrating Northway without losing the relationship franchise

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**A strategy case for MBA students and working professionals**

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## The integration choice

On November 7, 2024, Camden National Corporation filed its latest quarterly report. The company had announced its agreement to acquire Northway Financial two months earlier. Both boards had approved the agreement, but the transaction still needed Northway shareholder and regulatory approvals. Management had presented a case for scale and growth in New Hampshire alongside projected cost savings. It had also acknowledged risks from customer and employee reactions and from failing to realize those savings on schedule.

The strategic question had shifted from whether to sign the deal to how to combine the organizations. Camden and Northway shared a core banking platform, but integration still involved products, operating processes, people, controls, customer relationships and funding. Camden's projected earnings benefit depended heavily on cost savings. Its presentation identified possible revenue opportunities but did not include them in the pro forma model.

As a member of Camden's integration leadership team, recommend a governance and sequencing approach for the period before and after closing. Choose one of three **constructed teaching alternatives**:

1. **Rapid absorption:** align systems and operating processes quickly to pursue cost savings early.
2. **Staged integration:** sequence major changes through explicit operating, customer and employee gates.
3. **Hybrid sequencing:** integrate control, risk and back-office work early while pacing customer-facing products and relationship practices.

These are teaching alternatives, not plans disclosed by Camden's board. Your recommendation should name the evidence that would cause you to change course. The CEO had publicly said all branches would remain except the consolidation of the two Portsmouth locations that occupied the same building. Treat that management statement as a constraint; it was not a covenant in the merger agreement. No other branch closures are among the alternatives.

## Camden and Northway

Camden National is a publicly traded bank holding company headquartered in Maine. At September 30, 2024, Camden reported \$5.7 billion in assets, \$4.6 billion in deposits and \$4.1 billion in loans. Its Q3 net income was \$13.1 million and diluted EPS was \$0.90. Management reported an FTE net interest margin of 2.46%, a non-GAAP measure. Q3 deposits were up 1% from June; core deposits grew 2% under the company's definition. Savings deposits grew 8%, which Camden said was primarily due to the high-yield savings product introduced earlier in 2024. Camden's capital measures remained above regulatory minimums, and it reported credit-quality metrics including 0.17% nonperforming loans to total loans.

Northway Financial, headquartered in New Hampshire, was the parent company of Northway Bank. The merger presentation described Northway as a relationship-oriented bank with 17 branches. As of June 30, 2024, the presentation reported approximately \$1.3 billion of assets, \$0.9 billion of loans and \$1.0 billion of deposits. It also showed an 84% core-deposit share and an 87.8% efficiency ratio. Those Northway figures were presented by Camden using S&P Global Market Intelligence data; they are not a standalone audited report in this case packet.

The companies operated in adjacent geographies. Camden's rationale emphasized a larger balance sheet and the ability to extend its New Hampshire presence, technology, wealth services and commercial lending capabilities. Management described the banks as culturally aligned, with similar credit and risk profiles. The CEO said both used Jack Henry core banking software. These are management assessments of fit; shared software does not establish that customer, loan, deposit, data, control and employee processes can be combined without difficulty.

## The transaction

Camden agreed to acquire Northway in an all-stock transaction. Northway shareholders would receive 0.83 shares of Camden common stock for each Northway share. At Camden's September 9 closing price of \$37.90, the company estimated a transaction value of about \$86.6 million, or \$31.46 per Northway share. At the presentation's assumptions, existing Camden shareholders would own about 86% of the combined company and Northway shareholders about 14%.

The companies described a combined organization with approximately \$7.0 billion in assets, \$5.1 billion in loans, \$5.5 billion in deposits and \$2.0 billion of assets under administration, based on June 30 balances. The investor presentation listed 74 pro forma branches. That is a transaction-date pro forma count, not a final operating branch count. The CEO said the companies would retain all branches except consolidating their two Portsmouth locations in the same building.

Closing remained conditional on Northway shareholder approval, regulatory approvals, effectiveness of Camden's registration statement for the shares to be issued, and other agreement conditions. The 10-Q filed at the cutoff reported no completed transaction or integration outcome.

## The financial case and its limits

Camden's merger presentation estimated that cost savings would equal 35% of Northway's noninterest expense base, with 75% phased in during 2025 and 100% thereafter. It estimated \$13.5 million of one-time pre-tax merger costs. Management projected GAAP EPS accretion of approximately 19.9% in 2025 and 32.7% in 2026. The model did not include identified future revenue synergies.

The same presentation estimated 16.2% tangible-book-value dilution at closing and a 3.3-year earn-back period. A separate non-GAAP view excluding AOCI and interest-rate marks showed immediate tangible-book-value accretion and no earn-back period. The two measures answer different questions. Camden also described a \$10.5 million gross credit mark, an estimated \$79.8 million loan interest-rate mark and an estimated \$34.1 million core deposit intangible, among other purchase-accounting items.

These were management projections based on deal assumptions, not realized savings or earnings. The public materials did not show the detailed cost baseline by initiative, the cost to achieve each synergy, a task-level integration plan or a customer-level revenue forecast. The call discussion said possible balance-sheet optimization remained to be evaluated nearer to closing; it was not included in the deal model.

Camden's own Q3 results provide an execution baseline, not a forecast of the combined company. Net income was \$13.1 million, including \$727,000 of merger and acquisition costs. Company-defined core net income was \$13.6 million after excluding those costs. Nine-month GAAP net income was \$38.3 million versus \$34.9 million in 2023; nine-month core net income was \$38.2 million versus \$40.6 million. The core measure excluded different items in the two years, including a large securities-sale loss in 2023, so it is not a like-for-like underlying trend. Deposits and operating measures also moved with interest rates, seasonality, loan flows and normal business changes.

The Q3 report showed 15.3% of deposits were uninsured and uncollateralized under Camden's definition, with available liquidity sources equal to 2.0 times that amount. In August, Camden prepaid its remaining \$170 million of Bank Term Funding Program borrowings and reported lowering the rate from 4.76% to 4.09% through refinancing and swaps on \$150 million of borrowings. Credit metrics remained strong at the reporting date, but neither current strength nor a projected capital ratio removes integration risk.

## **Managing the trade-off**

Each approach allocates risk differently. Rapid absorption may bring savings forward and standardize controls, but early systems or process changes could disrupt customers and employees. Staging can preserve local knowledge and make cause and effect easier to measure, but it may delay savings, prolong duplicate work and leave integration costs in place. A hybrid can move common control and back-office functions while protecting customer-facing continuity, but it requires clear ownership and can create transitional complexity.

Public management statements provide some useful constraints and hypotheses. Camden said the banks shared Jack Henry core software and had similar risk profiles. It planned to keep the branches, with the Portsmouth exception, and identified product and technology opportunities. Yet the projected cost savings are not a detailed operating plan; revenue opportunities were excluded from the financial model; and the filings warn of customer disintermediation, employee reaction, synergy shortfall and regulatory conditions.

Recommend a sequence, not just a slogan. Identify planning that may be permissible before close, subject to counsel and regulatory limits, and defer operational coordination and customer or system changes until required approvals and legal close. Specify who should own each decision and what evidence should trigger a pause or acceleration. Define measures for customer and deposit retention, employee retention, system and control quality, realized net value and timing, and any proposed product expansion. The public record does not provide customer-level data or a conversion date, so state what management would need to learn before setting targets.

## Exhibits

### Exhibit 1. Camden National at and through September 30, 2024

| Measure                                                               | Value                                                                          |
|-----------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Total assets                                                          | \$5.7bn                                                                        |
| Total loans                                                           | \$4.1bn                                                                        |
| Total deposits                                                        | \$4.6bn                                                                        |
| Q3 GAAP net income / diluted EPS                                      | \$13.1m / \$0.90                                                               |
| Q3 core net income / core diluted EPS (non-GAAP)                      | \$13.6m / \$0.94                                                               |
| Q3 FTE NIM (non-GAAP)                                                 | 2.46%                                                                          |
| Q3 deposits, sequential change                                        | +1%                                                                            |
| Q3 core deposits, company-defined non-GAAP                            | +2%                                                                            |
| Savings deposits, Q3 growth                                           | +8%, primarily due to the earlier introduction of a high-yield savings product |
| Q3 merger/acquisition costs                                           | \$0.727m                                                                       |
| Common equity ratio / TCE ratio (non-GAAP)                            | 9.22% / 7.69%                                                                  |
| Uninsured and uncollateralized deposits / available liquidity sources | 15.3% / 2.0x                                                                   |
| NPL / loans; ACL / loans; Q3 annualized NCO / average loans           | 0.17%; 0.86%; 0.03%                                                            |

Source: Camden Q3 2024 earnings release and Q3 10-Q [1, 2]. FTE NIM and core measures are non-GAAP; see reconciliation/definitions in the earnings release. All other reported financial measures are as labeled by Camden.

### Exhibit 2. Northway and announced combined scale (June 30, 2024 basis)

| Measure       | Northway | Pro forma combined             |
|---------------|----------|--------------------------------|
| Assets        | ~\$1.3bn | ~\$7.0bn                       |
| Loans         | ~\$0.9bn | ~\$5.1bn                       |
| Deposits      | ~\$1.0bn | ~\$5.5bn                       |
| Branches      | 17       | 74 transaction-date pro forma  |
| Core deposits | 84%      | Camden reported ~85% pro forma |

Sources: Camden's September 10 investor presentation and call [3, 4]. Northway financial data are shown in the transaction presentation using S&P Global Market Intelligence data. The pro forma branch count is not a final operating count; the CEO said the same-building Portsmouth pair would be consolidated while other branches would remain.

### Exhibit 3. Transaction terms and management projections

| Item                                                        | Publicly disclosed terms or estimate      |
|-------------------------------------------------------------|-------------------------------------------|
| Consideration                                               | 100% stock; 0.83 CAC share per NWYF share |
| Estimated transaction value at CAC Sep. 9 close             | ~\$86.6m; \$31.46 per NWYF share          |
| Estimated 2025 / 2026 GAAP EPS accretion                    | ~19.9% / ~32.7%                           |
| Estimated cost savings vs Northway noninterest expense base | 35%                                       |
| Savings phase-in                                            | 75% in 2025; 100% thereafter              |
| Estimated one-time pre-tax costs                            | ~\$13.5m                                  |
| Revenue synergies in pro forma model                        | None                                      |
| Estimated TBV dilution / earn-back                          | 16.2% / 3.3 years                         |

Source: Camden's transaction presentation [3]. All accretion, savings, costs and purchase-accounting impacts are management estimates, not realized results.

## Exhibit 4. Operating commitments and decision constraints

| Topic                      | Public information by cutoff                                                                                                                                                   |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Core platform              | CEO said both banks used Jack Henry core banking software.                                                                                                                     |
| Branches                   | CEO said all branches would remain except consolidation of the two Portsmouth locations in the same building. This is a management statement, not a merger-agreement covenant. |
| Approvals                  | Northway shareholder, Federal Reserve, OCC and New Hampshire regulatory approvals and other conditions remained outstanding.                                                   |
| Risks                      | Company filings identify customer/employee reaction, customer disintermediation, delay or shortfall in synergies, credit/rate risks and regulatory conditions.                 |
| Revenue growth             | Product and technology opportunities were discussed, but not included in the pro forma financial model.                                                                        |
| Balance-sheet optimization | CFO said it remained to be evaluated nearer to closing; no value was included in deal projections.                                                                             |

Sources: transaction 8-K, merger agreement, CEO/CFO call transcript and investor presentation [3-5].

## Your assignment

Prepare a recommendation for Camden's integration leadership team that:

- Selects rapid absorption, staged integration or hybrid sequencing and explains why.
- Distinguishes permissible pre-close planning, subject to counsel and regulatory limits, from operational coordination and customer/system changes that wait until required approvals and legal close.
- Preserves the stated branch-retention constraint, with only the Portsmouth same-building consolidation exception.
- Connects the 35% cost-savings projection to realized net value and timing, and distinguishes the \$13.5 million estimated one-time pre-tax merger expense from any additional, undisclosed costs-to-achieve.
- Proposes leading indicators for customer/deposit retention, employee retention, operating controls and system quality.

- Treats revenue synergies as an unmodeled hypothesis and specifies evidence needed before incorporating them.
- States at least two conditions that would cause management to slow, accelerate or redesign integration.

## Sources

1. Camden National, [Q3 2024 earnings release](#), October 29, 2024.
2. Camden National, [Q3 2024 Form 10-Q](#), accession 0000750686-24-000262, accepted November 7, 2024, 10:03:29 ET; [SEC filing detail](#).
3. Camden National, [September 10 merger investor presentation](#), Exhibit 99.2 to 8-K accession 0001193125-24-216333.
4. Camden National, [September 10 merger call transcript](#), filed under Rule 425.
5. Camden National, [merger agreement and 8-K](#), accession 0001193125-24-216628, agreement dated September 9, 2024.

This case uses only information public by the stated cutoff. Later proxy materials, approvals, closing and integration results are excluded.