First Financial Corporation Indiana (THFF)

Updated April 26th, 2018 by Nate Parsh

Key Metrics

Current Price:	$44	**5 Year CAGR Estimate:**	4.5%	**Quality Percentile:**	N/A
Fair Value Price:	$44	**5 Year Growth Estimate:**	2.3%	**Momentum Percentile:**	N/A
% Fair Value:	100%	**5 Year Valuation Multiple Estimate:**	-0.1%	**Total Return Percentile:**	N/A
Dividend Yield:	2.3%	**5 Year Price Target**	$49	**Valuation Percentile:**	N/A

Overview & Current Events

First Financial Corporation Indiana is the holding company for First Financial Bank N.A. The company, which has locations in Indiana and Illinois and can trace its roots back to 1834, offers clients savings accounts, certificates of deposit and life insurance products. First Financial offers home, automobile, agricultural and commercial loans as well. First Financial has a market cap of almost $535 million and had sales of almost $142 million in 2017.

First Financial reported 1st quarter 2018 earnings results on 4/24/2018. The company earned $0.73 per share, $0.03 below estimates and $0.04 below Q1 2017. Revenue declined 5.3% to $35.6 million, missing estimates by $0.61 million. Average total loans grew 3.64% to $1.91 billion. Nonperforming loans climbed $1 million to $20.7 million, representing just 1.09% of total loans. The company saw net interest income grow 3.6% year-over-year to $27.5 million.

Growth on a Per-Share Basis

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2023
EPS	$1.89	$1.73	$2.14	$2.83	$2.48	$2.37	$2.55	$2.35	$3.12	$2.38	***$3.38***	***$3.79***
DPS	$0.89	$0.90	$0.92	$0.94	$0.95	$0.96	$0.98	$0.98	$1.00	$1.00	***$1.02***	***$1.35***

First Financial saw its earnings decrease 8.5% from 2008 to 2009. While the last recession saw earnings drop, this decline wasn't that extreme as competitors and the company returned to growth the following year. In recent years, First Financial has seen EPS fluctuate wildly. EPS have declined in 2012, 2013, 2015 and 2017. As a result, the company has an earnings per share growth rate of just 2.3% per year over the past decade. Applying the company's earnings growth rate to expected 2018 EPS of $3.28, shares of First Financial could earn $3.79 by 2023.

First Financial pays a semi-annual dividend to shareholders in the months of January and July. The company has raised its dividend an average of 1.5% per year over the past ten years. The company last raised its dividend for this past January's payment by 2%. First Financial issued a special dividend of $1.50 per share on 10/20/2017, though this is not a common occurrence for the company and shouldn't be expected in the future. We are targeting a payout ratio of 35.5% going forward for First Financial. This translates to an annual per share dividend of $1.35 in 2023.

Valuation Analysis

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Now	2023
Avg. P/E	18.5	18.9	13.6	11.2	12.4	13.5	12.9	14.6	12.2	18.4	***13.0***	***12.9***
Avg. Yld.	2.5%	2.7%	3.2%	3.0%	3.1%	3.0%	3.0%	2.9%	2.6%	2.3%	***2.3%***	***2.0%***

Shares of First Financial have traded with an average multiple of 14.6 over the past ten years. However, there have been three years (2008, 2009 and 2017) where the P/E was artificially elevated due to earnings declines. Excluding these outlier years, First Financial has average P/E multiple of 12.9. Shares could see their multiple contract slightly by 2023.

First Financial has increased its dividend for the past 30 years and managed to do so during the last recession. While EPS figures declined in 2009, the company's dividend grew. Investors shouldn't expect the company to have high dividend growth though. We are expecting dividend growth of just 2.3% a year moving forward, in line with EPS growth. Even with the recently issued special dividend, First Financial hasn't shown a willingness to be more aggressive with its dividend increases.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2023
Debt/A	87.5%	87.8%	86.9%	88.3%	87.1%	87.2%	86.9%	86.2%	86.1%	86.2%	***87%***	***86.4%***
Payout	47.1%	52%	43%	33.2%	38.3%	40.5%	38.4%	41.7%	32.1%	42%	***35.5%***	***35.5%***
Std. Dev.	78.8%	60.7%	34.2%	42.1%	24.3%	20.6%	19.7%	19.4%	21.3%	23.4%	***25.6%***	***34.5%***

While earnings did decline in 2009, First Financial managed to weather the last recession well. Earnings recovered above 2008's EPS total in 2010. Since then, the company has experienced varied earnings growth over the past decade. Investors looking for consistent earnings growth year in and year out will likely be disappointed by First Financial.

Even with a high degree of variance in the company's earnings numbers, First Financial has managed to maintain a very stable dividend payout ratio. The payout ratio has often been around 40%, leaving the company plenty of room to continue to increase dividends. We are expecting the payout ratio to stay around its current level in the future. An acceleration of EPS growth would likely lead to higher dividend growth as well.

Final Thoughts & Recommendation

Shareholders of First Financial could reasonably expect to see a total return of 4.5% per year through 2023. This total return is based off of earnings growth (2.3%), dividends (2.3%) and multiple contraction (-0.1%).

While the stock's yield is slightly above that of the S&P 500, shares of First Financial offer a low total yearly return over the next five years. The company has had difficulty growing earnings at a consistent rate over the past decade.

While First Financial has a fairly low P/E ratio and long dividend history, there is little else to like about this stock. A low P/E ratio alone does not make a stock a bargain. We do not recommend First Financial as a buy at this time.

Total Return Breakdown by Year