



First Mid Bancshares, Inc. (FMBH)

Updated November 23rd, 2023, by Yiannis Zourmpanos

Key Metrics

Current Price:	\$31	5 Year CAGR Estimate:	11.3%	Market Cap:	\$666.8 M
Fair Value Price:	\$37	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	02/09/2024 ¹
% Fair Value:	83%	5 Year Valuation Multiple Estimate:	3.8%	Dividend Payment Date:	03/01/2024 ²
Dividend Yield:	3.0%	5 Year Price Target	\$48	Years Of Dividend Growth:	13
Dividend Risk Score:	C	Retirement Suitability Score:	C	Rating:	Buy

Overview & Current Events

First Mid Bancshares, Inc. is a 1982-founded financial holding company that offers a comprehensive range of banking and financial services through its American subsidiaries. Customers of the business include commercial, retail, and agricultural clients. The company provides deposit products, loans, wealth management, brokerage, Ag services, and insurance through a sizable network of locations across Texas, Illinois, and Missouri, as well as a loan production office in the greater Indianapolis area. First Mid is a company that prioritizes the community and has built a strong reputation in the communities it serves, and its total asset size is \$6.7 billion.

On October 26th, 2023, the company announced results for the third quarter of 2023. FMBH reported Q3 non-GAAP EPS of \$0.77, beating the market's estimates by \$0.10, and revenues of \$73.5 million for the quarter, up 13.0% year-over-year. The company also reported net income of \$15.1 million, down 15.6% compared to the previous year.

Following its acquisition of Blackhawk Bank on August 15th, First Mid Bancshares has significantly expanded its financial footprint. The acquisition introduced approximately \$1.2 billion in deposits and \$730.2 million in loans to the Company's portfolio after adjustments for interest rate marks and the non-PCD (purchased credit deteriorated) credit mark. Notably, the final purchase accounting fair value marks factored in a \$50.7 million discount on loans, reflecting considerations for credit risks and interest rates. Financially, the acquisition has brought with it substantial costs. First, Mid Bancshares incurred \$2.1 million in acquisition-related expenses. In addition, the third quarter reflected a provision expense of \$6.0 million, of which \$5.5 million was ascribed to Blackhawk Bank. This includes a notable \$3.8 million allocated for the "Day Two" current expected credit loss (CECL) requirement, a critical component of the acquisition's financial impact. That said, Blackhawk Bank is expected to transform FMBH's operational scale and financial positioning in the market.

First Mid Bancshares is a cost-efficient and resilient bank. In the last quarter, asset quality metrics demonstrate the company's solid credit profile. The allowance for credit losses (ACL) increased to \$68.2 million and has a final ACL to total loans ratio of 1.23%. Additionally, the ratio of non-performing loans to total loans at the end of Q3 was 0.38%, and the ACL to non-performing loans was 321%. At the end of the quarter, the non-performing asset to total asset ratio was 0.34%, while non-performing loans rose by \$3.5 million to \$18.6 million.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$1.73	\$1.85	\$1.81	\$2.05	\$2.13	\$2.52	\$2.87	\$2.70	\$2.87	\$3.60	\$3.40	\$4.34
DPS	\$0.46	\$0.55	\$0.59	\$0.62	\$0.66	\$0.70	\$0.76	\$0.81	\$0.85	\$0.90	\$0.92	\$1.12
Shares	5.9	7.0	8.5	12.5	12.7	16.7	16.7	16.7	18.1	20.2	21.5	44.4

Thus, considering FMBH's high asset quality, we don't expect the higher interest rate environment to impact its performance materially. However, the bank is small and vulnerable to the macro environment. Thus, we maintain our EPS forecast of \$3.40 for 2023, in line with analysts' estimates, and we have assigned an annual EPS growth rate of 5.0%

¹ The ex-dividend date is estimated based on historical data.

² The dividend payment date is estimated based on historical data.

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.



First Mid Bancshares, Inc. (FMBH)

Updated November 23rd, 2023, by Yiannis Zourmpanos

for the next five years, reaching \$4.34 by 2028. First Mid Bancshares's DPS had a 10-year and five-year CAGR of 7.7% and 16.8%, respectively. Moreover, the bank has consistently increased dividend distributions to shareholders in the past 12 years, and we expect it to continue this track.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Avg. P/E	13.1	11.3	11.8	12.9	16.6	15.0	11.9	10.2	14.3	8.9	9.1	11.0
Avg. Yld.	0.7%	0.7%	0.7%	0.6%	0.5%	0.4%	0.4%	0.4%	0.3%	0.5%	3.0%	2.3%

First Mid Bancshares is trading at a forward P/E of 9.1, lower than its nine-year and five-year average P/E of around 12.0. The suppressed multiple is justifiable considering the financial crisis SVB has spread, and if there is no contagion effect and FMBH remains intact, then we believe a P/E of 11.0 better reflects the bank's risk/reward profile, suggesting a target price of \$48, and a 55% upside from current levels.

Safety, Quality, Competitive Advantage, & Recession Resiliency

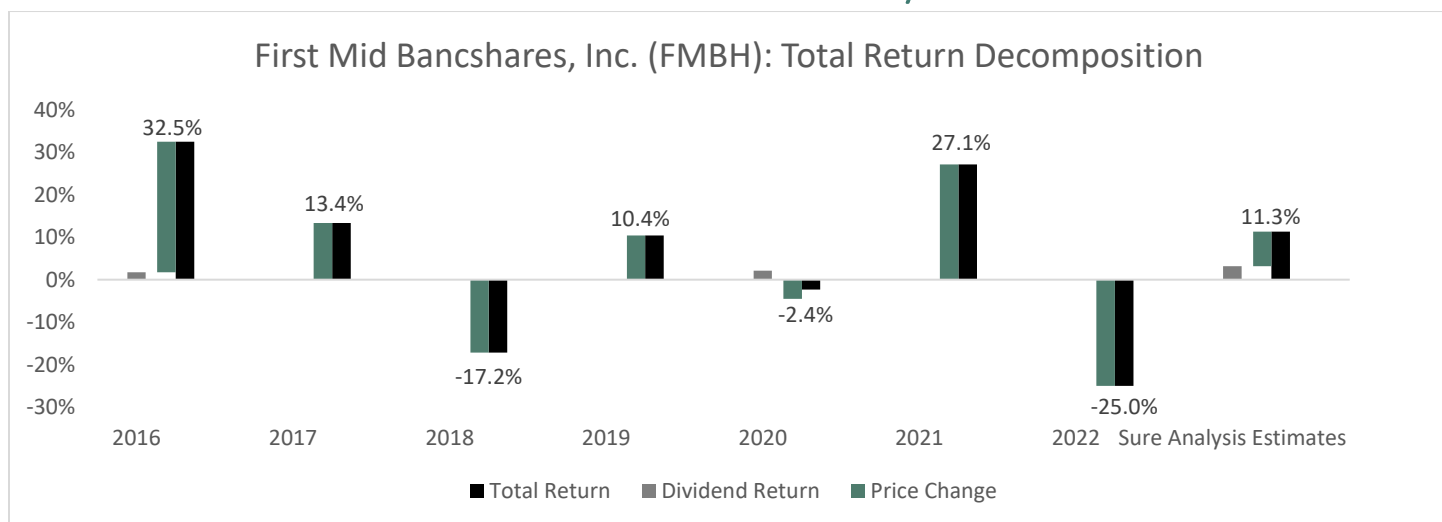
Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	27%	30%	33%	30%	31%	28%	26%	30%	30%	25%	27%	28%

The bank maintained solid capital levels comfortably above the "well capitalized" criteria. Specifically, First Mid Bancshares achieved a "total capital to risk-weighted assets" of 15.20% for 2022. Therefore, the bank remains strong and well-positioned if an economic downturn occurs. Lastly, the competition from community banks and brokerage houses has intensified for the company, but by offering wealth management options, the bank effectively kept the customer's cash inside the business but off the balance sheet.

Final Thoughts & Recommendation

Despite the rising concerns of a contagion effect in the banking sector, the recent plunge in the stock has adequately reflected the relevant risks in our view, offering a wider margin of safety for investors and, therefore, less downside risk from current share price levels. Thus, our buy rating is premised upon the 11.3% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 5.0%, the 3.0% dividend yield, and a valuation tailwind.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

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.



First Mid Bancshares, Inc. (FMBH)

Updated November 23rd, 2023, by Yiannis Zourmpanos

Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	69	70	76	96	121	144	178	185	234	255
SG&A Exp.	26	27	28	35	42	50	65	69	95	103
D&A Exp.	5	4	4	8	8	8	11	12	14	15
Net Profit	15	15	17	22	27	37	48	45	51	73
Net Margin	21.3%	22.1%	21.6%	22.7%	22.0%	25.4%	26.9%	24.5%	22.0%	28.6%
Free Cash Flow	23	17	20	27	45	39	59	61	66	61
Income Tax	9	9	9	12	15	12	15	14	15	18

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets	1,605	1,607	2,114	2,885	2,842	3,840	3,839	4,726	5,987	6,744
Cash & Equivalents	65	51	140	152	90	148	89	419	170	146
Acc. Receivable	7	7	8	11	11	17	16	19	20	28
Goodwill & Int.	28	28	50	71	71	139	133	128	141	170
Total Liabilities	1,456	1,442	1,909	2,604	2,534	3,364	3,313	4,158	5,353	6,111
Accounts Payable	0	0	0	1	1	2	2	2	1	3
Long-Term Debt	41	41	41	82	94	156	138	207	200	579
Total Equity	97	138	178	281	308	476	527	568	634	633
LTD/E Ratio	0.27	0.25	0.20	0.29	0.31	0.33	0.26	0.36	0.32	0.91

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	0.9%	1.0%	0.9%	0.9%	0.9%	1.1%	1.2%	1.1%	1.0%	1.1%
Return on Equity	14.6%	13.2%	10.5%	9.5%	9.1%	9.3%	9.6%	8.3%	8.6%	11.5%
ROIC	6.1%	7.8%	7.3%	7.2%	7.0%	7.1%	7.4%	6.3%	6.4%	7.1%
Shares Out.	5.9	7.0	8.5	12.5	12.7	16.7	16.7	16.7	18.1	20.2
Revenue/Share	11.65	8.34	8.35	9.01	9.65	9.94	10.66	11.01	13.07	12.58
FCF/Share	3.91	1.98	2.21	2.51	3.58	2.69	3.51	3.64	3.67	3.00

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

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.