First Mid Bancshares, Inc. (FMBH)

Updated February 16th, 2024, by Yiannis Zourmpanos

Key Metrics

Current Price:	$32	**5 Year CAGR Estimate:**	9.0%	**Market Cap:**	$683.6 M
Fair Value Price:	$35	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	02/15/2024
% Fair Value:	93%	**5 Year Valuation Multiple Estimate:**	1.5%	**Dividend Payment Date:**	03/01/2024
Dividend Yield:	2.9%	**5 Year Price Target**	$44	**Years Of Dividend Growth:**	13
Dividend Risk Score:	C	**Retirement Suitability Score:**	C	**Rating:**	Hold

Overview & Current Events

First Mid Bancshares, Inc. (FMBH) 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 January 25th, 2024, the company announced results for the fourth quarter of 2023. FMBH reported Q4 non-GAAP EPS of $0.77, beating the market's estimates by $0.10. This was the first complete quarter after the merger with Blackhawk Bank, bolstering the firm's performance.

The bank has successfully integrated the merger and repositioned the balance sheet through increased sales of more bonds worth $79.7 million, which improved the net interest margin to 3.33%. Additionally, net interest income increased by 13.9% to $7.0 million quarter-over-quarter, courtesy of the Blackhawk acquisition, loan growth, and higher interest rates. The total loans stood at $5.58 billion, recording a modest uptick with diversified growth across loan categories. Asset quality remained stout at moderate net charge-offs, and the non-performing loans ratio was 0.36%. Total deposits declined seasonally to $6.12 billion.

Noninterest income for Q4 registered at $21.8 million, reflecting a full quarter impact of Blackhawk as well as higher insurance revenues. Noninterest expenses increased to $57.0 million, reflecting the Blackhawk integration and associated one-time costs. Finally, the board declared a quarterly dividend of $0.23 per share, again highlighting the company's strong results and growth strategy by acquiring the Blackhawk.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	$1.85	$1.81	$2.05	$2.13	$2.52	$2.87	$2.70	$2.87	$3.60	$3.40	***$3.14***	***$4.01***
DPS	$0.55	$0.59	$0.62	$0.66	$0.70	$0.76	$0.81	$0.85	$0.90	$0.92	***$0.92***	***$1.12***
Shares[1]	7.0	8.5	12.5	12.7	16.7	16.7	16.7	18.1	20.2	21.1	***21.4***	***41.0***

Considering FMBH's high asset quality, we do not expect the higher interest rate environment to impact its performance materially. However, the bank is small and vulnerable to the macro environment. Thus, our EPS forecast stands at $3.14 for 2024, matching the midpoint of analysts' estimates. Also, we have maintained the annual EPS growth rate of 5.0% for the next five years, reaching $4.01 by 2029. First Mid Bancshares's DPS had a 10-year and 5-year CAGR of 5.9% and 14.6%, respectively. Moreover, the bank has consistently increased dividend distributions to shareholders for the past 13 years, and we expect it to continue this track.

[1] In millions.

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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Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Avg. P/E	11.4	11.9	12.9	16.6	14.9	11.9	10.2	14.3	10.1	8.3	***10.2***	***11.0***
Avg. Yld.	2.6%	2.7%	2.3%	1.9%	1.9%	2.2%	2.9%	2.1%	2.5%	3.2%	***2.9%***	***2.5%***

First Mid Bancshares is trading at a forward P/E of 10.2, lower than its nine-year and five-year average P/E of around 12.0. Considering the resiliency of the bank and the expanding net interest income amidst the high-interest rate environment, we believe a P/E of 11.0 better reflects the bank's risk/reward profile, suggesting a target price of $44.

Safety, Quality, Competitive Advantage, & Recession Resiliency

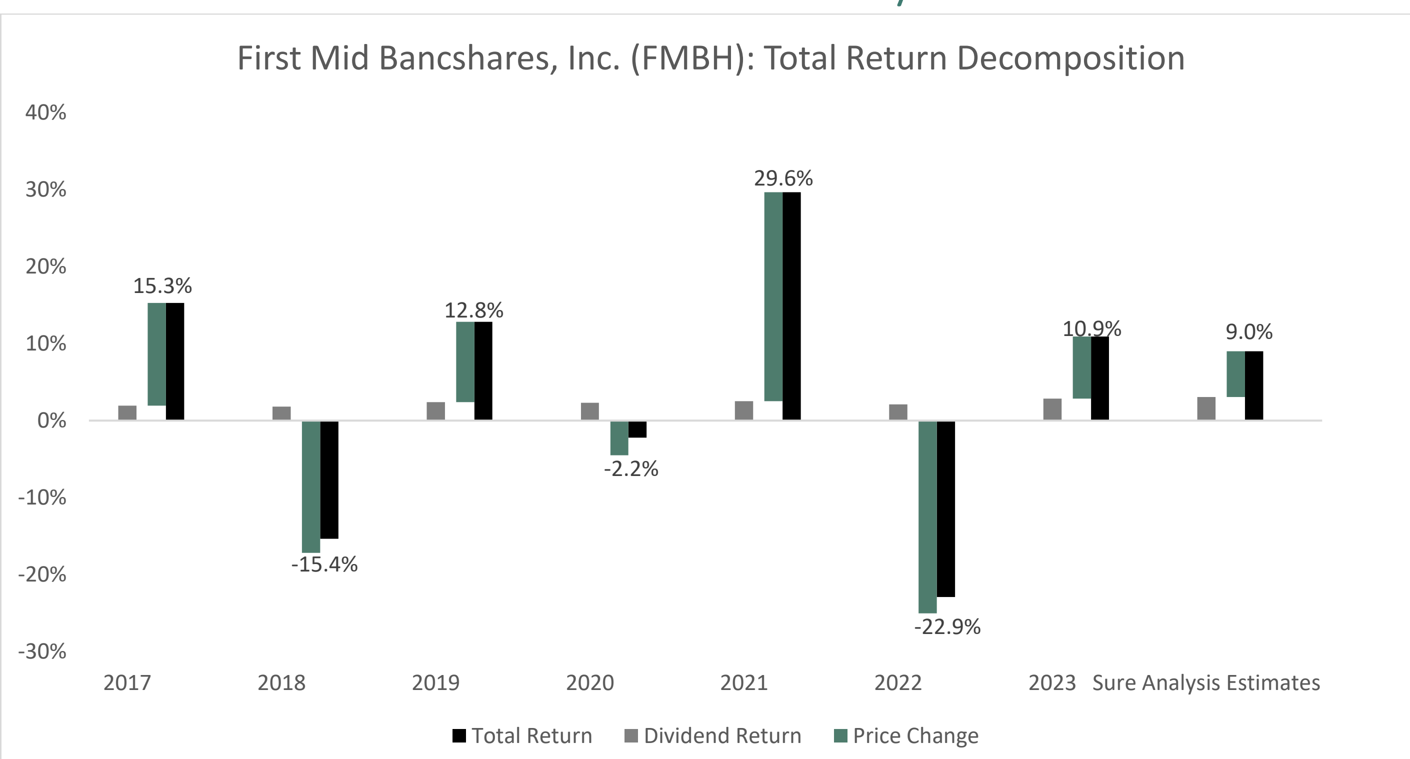
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	30%	33%	30%	31%	28%	26%	30%	30%	25%	27%	***29%***	***28%***

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 14.84% for 2023. 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

The bank is capitalized on the elevated interest rate environments offering minimal downside risk from current share price levels. Thus, our hold rating is premised upon the 9.0% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 5.0%, the 2.9% dividend yield, and a valuation tailwind.

Total Return Breakdown by Year



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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.

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