



First Financial Corporation Indiana (THFF)

Updated February 19th, 2024, by Josh Arnold

Key Metrics

Current Price:	\$38	5 Year CAGR Estimate:	9.1%	Market Cap:	\$452 M
Fair Value Price:	\$45	5 Year Growth Estimate:	4.0%	Ex-Dividend Date:	04/05/24 ¹
% Fair Value:	85%	5 Year Valuation Multiple Estimate:	3.2%	Dividend Payment Date:	04/13/24
Dividend Yield:	2.4%	5 Year Price Target	\$54	Years Of Dividend Growth:	0
Dividend Risk Score:	B	Retirement Suitability Score:	B	Rating:	Hold

Overview & Current Events

First Financial Corporation Indiana is the holding company for First Financial Bank N.A. The company has locations in Indiana and Illinois and can trace its roots back to 1834. First Financial offers clients savings accounts, certificates of deposit and life insurance products, as well as home, automobile, agricultural and commercial loans. The company has a market capitalization of \$452 million and produces about \$200 million in annual revenue.

First Financial posted fourth quarter and full-year earnings on January 30th, 2024, and results were not particularly good. Earnings-per-share came to \$1.06, while revenue was off 6.3% year-over-year to \$50.84 million. Net income on a dollar basis fell from \$16.5 million to \$12.4 million from last year's Q4. On a per-share basis, earnings plummeted from \$1.37 to \$1.06.

Credit loss provisions came to \$2.5 million, down slightly from \$2.7 million. Loans ended the year at \$3.17 billion, up from \$3.07 billion a year ago, driven by broad-based growth in loans across its categories. Deposits ended the year at \$4.09 billion, down sharply from \$4.37 billion a year ago.

Net interest income was \$39.6 million, down from \$43.7 million. Net interest margin was 3.63%, down from 3.81%. In addition, nonperforming loans were much worse than last year's Q4, coming in at \$24.6 million, up from \$9.6 million a year ago.

We start 2024 with an estimate of \$4.45 for this year as First Financial ended 2023 with very weak operating metrics.

Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
EPS	\$2.55	\$2.35	\$3.12	\$2.38	\$3.80	\$3.80	\$3.93	\$4.02	\$5.82	\$5.08	\$4.45	\$5.41
DPS	\$0.98	\$0.98	\$1.00	\$1.00	\$1.02	\$1.03	\$1.05	\$1.06	\$1.07	\$0.99	\$0.90	\$0.90
Shares²	13.0	12.7	12.2	12.3	12.3	13.7	13.6	12.6	12.1	11.8	11.5	10.5

First Financial saw its earnings decrease just 8.5% from 2008 to 2009 – an excellent performance compared to many financial companies. In recent years, First Financial has seen earnings-per-share fluctuate rather wildly. For example, earnings-per-share declined in 2012, 2013, 2015 and 2017. The company has an earnings-per-share growth rate of just ~2% per year over the past decade. We see tailwinds and headwinds somewhat offsetting each other, mostly from higher loan balances and higher rates, but the potential for higher credit losses. First Financial could also see a margin tailwind from lower expenses relative to revenue. We forecast earnings-per-share growth of 4% for the foreseeable future given these factors, and the relatively low base for 2024.

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. First Financial issued a special dividend of \$1.50 per share on 10/20/2017, though this is not a common occurrence and should not be expected to reoccur in the future. We are targeting a sub-30% payout ratio going forward for First Financial, translating to a \$0.90 dividend in 2029. We note the company cut its dividend late last year.

¹ Estimated date

² Share count 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	Now	2029
Avg. P/E	12.9	14.6	12.2	18.4	14.2	11.1	9.2	10.6	7.9	8.5	8.5	10.0
Avg. Yld.	3.0%	2.9%	2.6%	2.3%	2.2%	2.4%	2.9%	2.5%	2.3%	2.3%	2.4%	1.7%

Based off estimates for 2024, shares have a forward price-to-earnings ratio of 8.5. First Financial’s stock has traded with an average multiple of ~13 over the past ten years. We peg fair value at 10 due to low sector valuations and the company’s own uninspiring growth outlook. Still, we see a strong positive impact on total returns from the valuation. First Financial had increased its dividend for the past 34 years, but made a surprising cut at the end of 2023. We have assumed a flat dividend at the current run rate of 90 cents per share annually given this sudden change in dividend policy.

Safety, Quality, Competitive Advantage, & Recession Resiliency

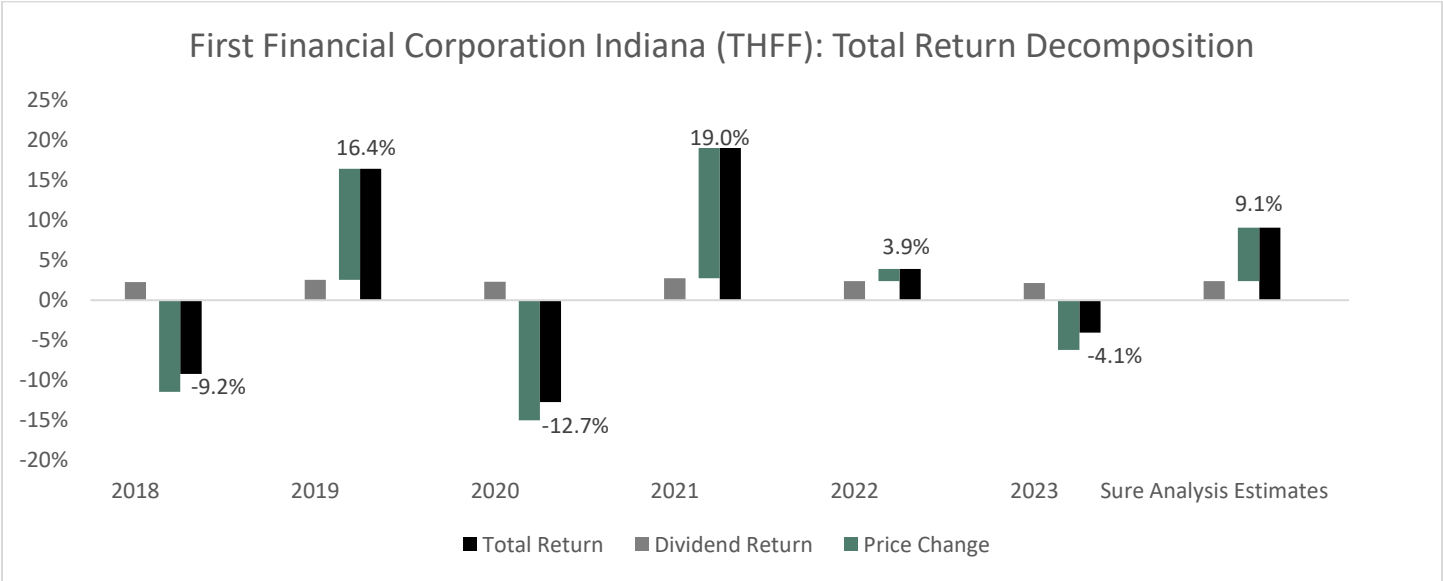
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	38%	42%	32%	42%	27%	27%	27%	26%	18%	19%	20%	17%

While earnings did decline in 2009, First Financial managed to weather the last recession well. Earnings recovered above 2008’s earnings-per-share total in 2010. Since then, the company has experienced varied earnings growth. Investors looking for consistent earnings growth will likely be disappointed by First Financial. If First Financial has a competitive advantage, it is the bank’s presence in its small home markets. In addition, its net interest margin is very high compared to other banks. However, First Financial doesn’t have any sort of competitive moat from its business model as it competes in the same ways every other small bank does.

Final Thoughts & Recommendation

After Q4 results, we now anticipate that First Financial Corporation Indiana could offer 9.1% returns through 2029, up from our last update. Shares are still quite cheaply valued on 2024 estimates. Total returns would be based on 4% earnings growth, the 2.4% yield, and a 3.2% tailwind from the valuation. Based upon this, we are reiterating the stock at a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	148.6	143.7	151.9	143.8	154.8	170	189	185	212	210
SG&A Exp.	57.9	61.9	54.0	52.2	51.6	56	62	66	68	71
D&A Exp.	6.0	5.5	5.0	4.4	4	5	6	6	6	---
Net Profit	33.8	30.2	38.4	29.1	46.6	49	54	53	71	61
Net Margin	22.7%	21.0%	25.3%	20.3%	30.1%	28.7%	28.5%	28.6%	33.5%	29.0%
Free Cash Flow	52.5	37.8	38.1	47.2	55	49	74	51	77	---
Income Tax	14.2	10.4	19.9	20.6	11.1	12	12	13	17	12

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	3003	2980	2989	3001	3009	4023	4558	5171	4989	4851
Cash & Equivalents	78.1	88.7	75.0	74.1	74.4	127	657	683	220	77
Acc. Receivable	11.6	11.7	12.3	12.9	14.0	19	17	17	21	25
Goodwill & Int.	43.4	42.7	36.5	36.0	35.6	89	88	94	94	93
Total Liabilities	2608.3	2569.3	2574.1	2587.1	2566.0	3466	3961	4588	4514	4323
Long-Term Debt	60.9	46.5	81.1	57.7	69.7	31	6	109	80	176
Total Equity	394.2	410.3	414.4	413.6	442.7	558	597	583	475	528
LTD/E Ratio	0.03	0.03	0.20	---	---	0.06	0.01	0.03	0.17	0.33

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.1%	1.0%	1.3%	1.0%	1.6%	1.4%	1.3%	1.1%	1.4%	1.2%
Return on Equity	8.7%	7.5%	9.3%	7.0%	10.9%	9.8%	9.3%	9.0%	13.4%	12.1%
ROIC	7.0%	6.6%	8.1%	6.0%	9.5%	9.0%	8.3%	8.8%	12.3%	10.2%
Shares Out.	12.94	12.74	12.22	12.25	12.25	13.7	13.6	12.6	12.2	11.9
Revenue/Share	11.24	11.19	12.33	11.76	12.63	13.22	13.77	14.06	17.34	17.59
FCF/Share	3.97	2.94	3.10	3.86	4.52	3.79	5.36	3.88	6.34	---

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

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