First Mid Bancshares, Inc. (FMBH)

Updated May 28th, 2024, by Yiannis Zourmpanos

Key Metrics

Current Price:	$32	**5 Year CAGR Estimate:**	9.4%	**Market Cap:**	$683.6 M
Fair Value Price:	$35	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	08/12/2024[1]
% Fair Value:	91%	**5 Year Valuation Multiple Estimate:**	2.0%	**Dividend Payment Date:**	09/03/2024[2]
Dividend Yield:	2.9%	**5 Year Price Target**	$45	**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 April 25th, 2024, the company announced results for the first quarter of 2024. FMBH reported non-GAAP EPS of $0.93, beating the market's estimates by $0.08.

Highlights include robust asset quality and a record quarter for noninterest income of $24.5 million, primarily driven by solid insurance revenues. Net interest income decreased slightly by $2.0 million due to lower loan balances.Despite this, the bank's net interest margin only saw a minor decrease when considering the impact of lower accretion income, which suggests stability in its core earnings capacity. This resilience in net interest margin, even amidst declining loan balances and challenging interest rate environments, reflects a strong liquidity management strategy.

Total deposits rose to $6.24 billion, with a notable increase in noninterest and interest-bearing deposits. The company was also named a Top Workplace by USA Today. Furthermore, the board declared a quarterly dividend of $0.23 per share. Despite a few challenges, First Mid's strategic additions and diverse revenue streams continue to strengthen its financial position.

On the expenses side, First Mid reported a total of $53.4 million in noninterest expenses, which included $2.3 million of nonrecurring integration-related costs. The bank has effectively managed these costs, as evidenced by a decrease from the previous quarter. Moreover, a negotiated agreement with the primary provider led to a credit of $0.9 million in debit card fees, illustrating the bank's ongoing efforts to optimize operational efficiencies.

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	***$3.21***	***$4.10***
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[3]	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 $3.21 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 $4.10 by 2029. First Mid Bancshares's DPS had a 10-year and 5-year CAGR of 5.9% and

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

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

[3] 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.

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.

Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Now	2029
Avg. P/E	11.4	11.9	12.9	16.6	14.9	11.9	10.2	14.3	10.1	8.3	***10.0***	***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 10.0, lower than its long-term average P/E of around 12.0. Considering the resiliency of the bank and the strength of 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 $45.

Safety, Quality, Competitive Advantage, & Recession Resiliency

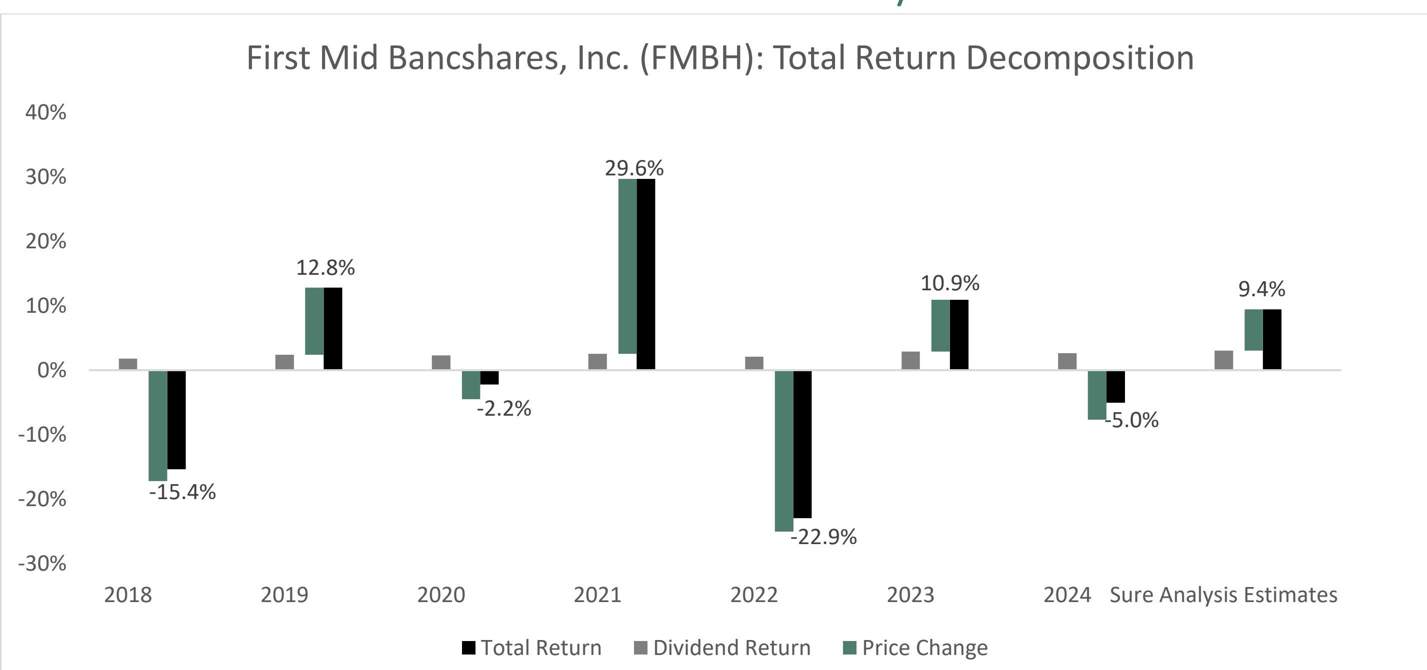
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	30%	33%	30%	31%	28%	26%	30%	30%	25%	27%	***29%***	***27%***

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 15.35% in the last quarter. 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 capitalizes on elevated interest rate environments, offering minimal downside risk from current share price levels. Thus, we maintain our hold rating premised upon the 9.4% 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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	70	76	96	121	144	178	185	234	255	275
SG&A Exp.	27	28	35	42	50	65	69	95	103	111
D&A Exp.	4	4	8	8	8	11	12	14	15	15
Net Profit	15	17	22	27	37	48	45	51	73	69
Net Margin	22.1%	21.6%	22.7%	22.0%	25.4%	26.9%	24.5%	22.0%	28.6%	25.1%
Free Cash Flow	17	20	27	45	39	59	61	66	61	69
Income Tax	9	9	12	15	12	15	14	15	18	19

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,607	2,114	2,885	2,842	3,840	3,839	4,726	5,987	6,744	7,587
Cash & Equivalents	51	140	152	90	148	89	419	170	146	136
Acc. Receivable	7	8	11	11	17	16	19	20	28	35
Goodwill & Int.	28	50	71	71	139	133	128	141	170	264
Total Liabilities	1,442	1,909	2,604	2,534	3,364	3,313	4,158	5,353	6,111	6,794
Accounts Payable	0	0	1	1	2	2	2	1	3	5
Long-Term Debt	41	41	82	94	156	138	207	200	579	395
Total Equity	138	178	281	308	476	527	568	634	633	793
LTD/E Ratio	0.25	0.20	0.29	0.31	0.33	0.26	0.36	0.32	0.91	0.50

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.0%	0.9%	0.9%	0.9%	1.1%	1.2%	1.1%	1.0%	1.1%	1.0%
Return on Equity	13.2%	10.5%	9.5%	9.1%	9.3%	9.6%	8.3%	8.6%	11.5%	9.7%
ROIC	7.8%	7.3%	7.2%	7.0%	7.1%	7.4%	6.3%	6.4%	7.1%	5.7%
Shares Out.	7.0	8.5	12.5	12.7	16.7	16.7	16.7	18.1	20.2	21.9
Revenue/Share	8.34	8.35	9.01	9.65	9.94	10.66	11.01	13.07	12.58	12.57
FCF/Share	1.98	2.21	2.51	3.58	2.69	3.51	3.64	3.67	3.00	3.15

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