



First Financial Corporation Indiana (THFF)

Updated October 28th, 2024, by Josh Arnold

Key Metrics

Current Price:	\$43	5 Year CAGR Estimate:	7.3%	Market Cap:	\$497 M
Fair Value Price:	\$39	5 Year Growth Estimate:	6.0%	Ex-Dividend Date:	01/02/25 ¹
% Fair Value:	110%	5 Year Valuation Multiple Estimate:	-1.9%	Dividend Payment Date:	01/15/25
Dividend Yield:	4.2%	5 Year Price Target	\$52	Years Of Dividend Growth:	1
Dividend Risk Score:	B	Retirement Suitability Score:	A	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 \$497 million and produces about \$200 million in annual revenue.

First Financial posted third quarter earnings on October 22nd, 2024, and results were much weaker than expected. Earnings-per-share came to 74 cents, which was 17 cents light of estimates. Revenue missed estimates as well, but only fractionally, rising 10.6% year-over-year to \$58.4 million.

Net income was \$8.7 million, just over half what it was last year at the same time. Credit loss provisions were \$9.4 million, up from \$1.2 million a year ago. For the nine months, net income was \$31 million, down from \$48.3 million. Credit loss provisions soared from \$4.8 million to \$14.2 million.

Total loans outstanding at the end of the quarter were \$3.72 billion, up from \$3.12 billion a year earlier. The main driver was \$467 million in loans acquired in the SimplyBank acquisition. Organic growth was from Commercial Construction and Development, Commercial Real Estate, and Consumer Auto Loans.

Total deposits were \$4.72 billion, up \$585 million, due to \$622 million acquired in the SimplyBank acquisition.

Net interest income was \$47.2 million, up \$6 million from the year-ago period, due mostly to higher loan balances. Net interest margin was 3.78%, up from 3.74% a year ago.

We've set our final estimate for 2024 at \$3.90 in earnings-per-share in what would be the weakest year of earnings since 2019, if achieved.

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	\$3.90	\$5.22
DPS	\$0.98	\$0.98	\$1.00	\$1.00	\$1.02	\$1.03	\$1.05	\$1.06	\$1.07	\$0.99	\$1.80	\$1.80
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 6% for the foreseeable future given these factors, and the low base for 2024. We also note net interest margin has moved unfavorably in recent quarters, but ticked higher year-over-year in Q3.

¹ Estimated date

² Share count in millions

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First Financial now pays its dividend each quarter, rather than semi-annually. 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 recur in the future. We are targeting a sub-50% payout ratio going forward for First Financial, translating to a \$1.80 dividend for the foreseeable future. We note the company cut its dividend in 2023.

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	11.0	10.0
Avg. Yld.	3.0%	2.9%	2.6%	2.3%	2.2%	2.4%	2.9%	2.5%	2.3%	2.3%	4.2%	3.4%

Based off estimates for 2024, shares have a forward price-to-earnings ratio of 11.0. 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. We see a small negative impact on total returns from the valuation, but the stock is essentially fairly valued today.

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 \$1.80 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%	46%	35%

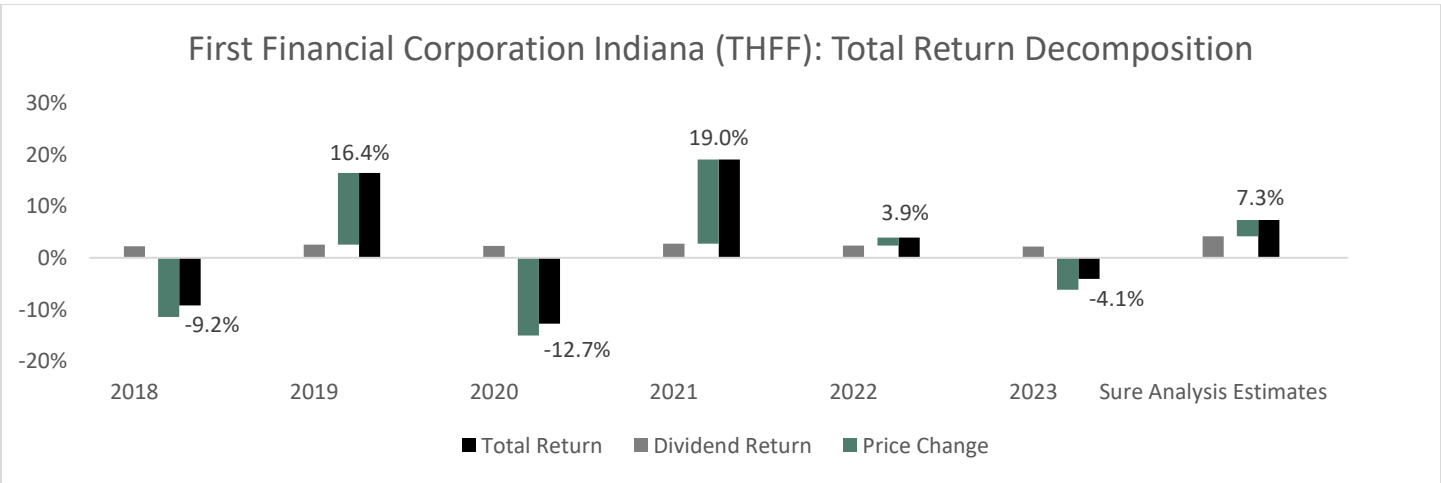
While earnings did decline in 2009, First Financial managed to weather the last recession well. Earnings recovered above 2008’s earnings-per-share total in 2010. Since then, the company has experienced varied earnings growth. Investors looking for consistent earnings growth will likely be disappointed 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 Q3 results, we now anticipate that First Financial Corporation Indiana could offer 7.3% returns through 2029, down from our last update. Total returns would be based on 6% earnings growth, the 4.2% yield, and a 1.9% headwind from the valuation. We are reiterating our 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	7
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	80
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	6.66

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

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