First Mid Bancshares, Inc. (FMBH)

Updated November 14th, 2024, by Yiannis Zourmpanos

Key Metrics

Current Price:	$42	**5 Year CAGR Estimate:**	5.1%	**Market Cap:**	$897.2 M
Fair Value Price:	$38	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	11/14/2024
% Fair Value:	111%	**5 Year Valuation Multiple Estimate:**	-2.0%	**Dividend Payment Date:**	11/29/2024
Dividend Yield:	2.3%	**5 Year Price Target**	$49	**Years Of Dividend Growth:**	14
Dividend Risk Score:	C	**Retirement Suitability Score:**	D	**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 October 31st, 2024, the company announced results for the third quarter of 2024. First Mid Bancshares reported Q3 non-GAAP EPS of $0.83, missing the market's estimates by $0.01.

Loan growth of 1% supported a second consecutive quarter of net interest income expansion, while wealth management and insurance revenues combined grew by 16.6% year-over-year. The company's tangible book value per share rose 6.6%, further strengthening its balance sheet. In addition, First Mid Bancshares reduced its debt burden, repurchasing $16 million in subordinated notes, generating a $0.4 million gain, and ending the quarter with total deposits at $6.09 billion, despite a reduction in brokered CDs.

CEO Joe Dively highlighted the company's steady loan and deposit growth, as well as its commitment to shareholder value. First Mid Bancshares' asset quality remains strong, with an allowance for credit losses (ACL) ratio of 1.22% and nonperforming loans representing just 0.32% of total loans. Noninterest income rose to $23.0 million, aided by growth in wealth management and ag services, though seasonality impacted insurance revenues. The board of directors declared a $0.24 dividend per share, underscoring First Mid Bancshares' robust capital position and focus on returning value to shareholders while advancing strategic initiatives for sustained growth.

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	***$3.46***	***$4.41***
DPS	$0.55	$0.59	$0.62	$0.66	$0.70	$0.76	$0.81	$0.85	$0.90	$0.92	***$0.96***	***$1.17***
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 $3.46 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 $4.41 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 14 years, and we expect it to continue this track.

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[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	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	***12.2***	***11.0***
Avg. Yld.	2.6%	2.7%	2.3%	1.9%	1.9%	2.2%	2.9%	2.1%	2.5%	3.2%	***2.3%***	***2.4%***

First Mid Bancshares is trading at a forward P/E of 12.2, around 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 $49.

Safety, Quality, Competitive Advantage, & Recession Resiliency

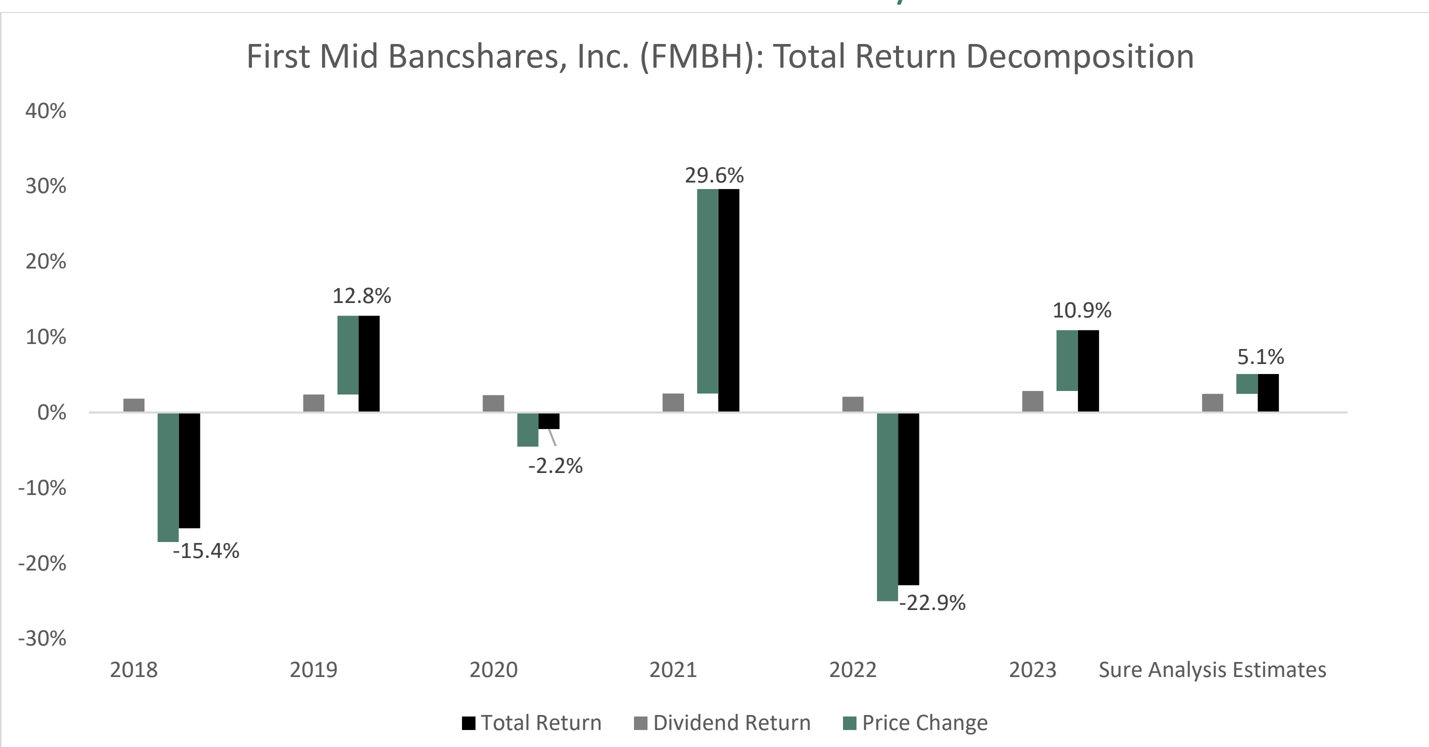
Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	30%	33%	30%	31%	28%	26%	30%	30%	25%	27%	***28%***	***26%***

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 15.46% 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. During Q3, First Mid Bancshares strategically repurchased $16 million of its subordinated notes, reducing debt and generating a net gain, demonstrating its commitment to strengthening shareholder value and optimizing capital allocation.

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 5.1% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 5.0%, the 2.3% 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.