First Mid Bancshares, Inc. (FMBH)

Updated January 29th, 2025, by Yiannis Zourmpanos

Key Metrics

Current Price:	$38	**5 Year CAGR Estimate:**	8.1%	**Market Cap:**	$911 M
Fair Value Price:	$40	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date:**	02/13/2025
% Fair Value:	96%	**5 Year Valuation Multiple Estimate:**	0.9%	**Dividend Payment Date:**	02/28/2025
Dividend Yield:	2.5%	**5 Year Price Target**	$51	**Years Of Dividend Growth:**	14
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 23rd, 2025, the company announced results for the fourth quarter of 2024. First Mid Bancshares reported Q4 non-GAAP EPS of $0.87, beating the market's estimates by $0.03.

The company's performance was driven by a 6-basis-point expansion in net interest margin, supported by loan growth and a decline in interest expenses. Net interest income increased 2.4% sequentially to $1.4 million, as lower interest rates and strategic adjustments in funding costs helped offset the impact of declining interest income. Wealth management and insurance revenues saw a strong finish to the year, posting an 11% quarterly increase and a 26% year-over-year jump, reflecting robust farmland sales and improved sales performance. Noninterest income surged 21.1% from the prior year, buoyed by these factors, along with a gain from the sale of a property. Meanwhile, the company's efficiency ratio improved to 59.5%, benefiting from revenue growth and strategic investments in technology.

Loan balances ended the quarter at $5.67 billion, marking a 1% sequential increase, with growth concentrated in construction, land development, and commercial and industrial loans. Despite this, deposits declined slightly to $6.06 billion, primarily due to seasonal cash flow needs and a reduction in wholesale CDs. Asset quality remained stable, though non-performing loans increased due to a single borrower in organic farming undergoing liquidation. The allowance for credit losses stood at $70.2 million, or 1.24% of total loans, with a provision expense of $3.6 million. First Mid Bancshares' Board of Directors declared a quarterly dividend of $0.24 per share, reinforcing its commitment to shareholder returns while maintaining a strong capital position. CEO Joe Dively emphasized the company's focus on executing strategic technology investments to enhance efficiency and customer experience heading into 2025.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.81	$2.05	$2.13	$2.52	$2.87	$2.70	$2.87	$3.60	$3.40	$3.30	***$3.61***	***$4.60***
DPS	$0.59	$0.62	$0.66	$0.70	$0.76	$0.81	$0.85	$0.90	$0.92	$0.94	***$0.96***	***$1.17***
Shares[1]	8.5	12.5	12.7	16.7	16.7	16.7	18.1	20.2	21.1	23.9	***23.9***	***39.6***

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 $3.61 for 2025, matching the midpoint of analysts' estimates. Also, we have maintained the annual EPS growth rate of 5.0% for the next five years, reaching $4.60 by 2030. First Mid Bancshares's DPS had a 10-year and 5-year CAGR of 5.3% and

[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.

11.2%, respectively. Moreover, the bank has consistently increased dividend distributions to shareholders for the past 14 years, and we expect it to continue this track.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	11.9	12.9	16.6	14.9	11.9	10.2	14.3	10.1	8.3	10.7	***10.5***	***11.0***
Avg. Yld.	2.7%	2.3%	1.9%	1.9%	2.2%	2.9%	2.1%	2.5%	3.2%	2.7%	***2.5%***	***2.3%***

First Mid Bancshares is trading at a forward P/E of 10.5, 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 is a fair starting point given the bank's risk/reward profile, suggesting a five-year target price of $51.

Safety, Quality, Competitive Advantage, & Recession Resiliency

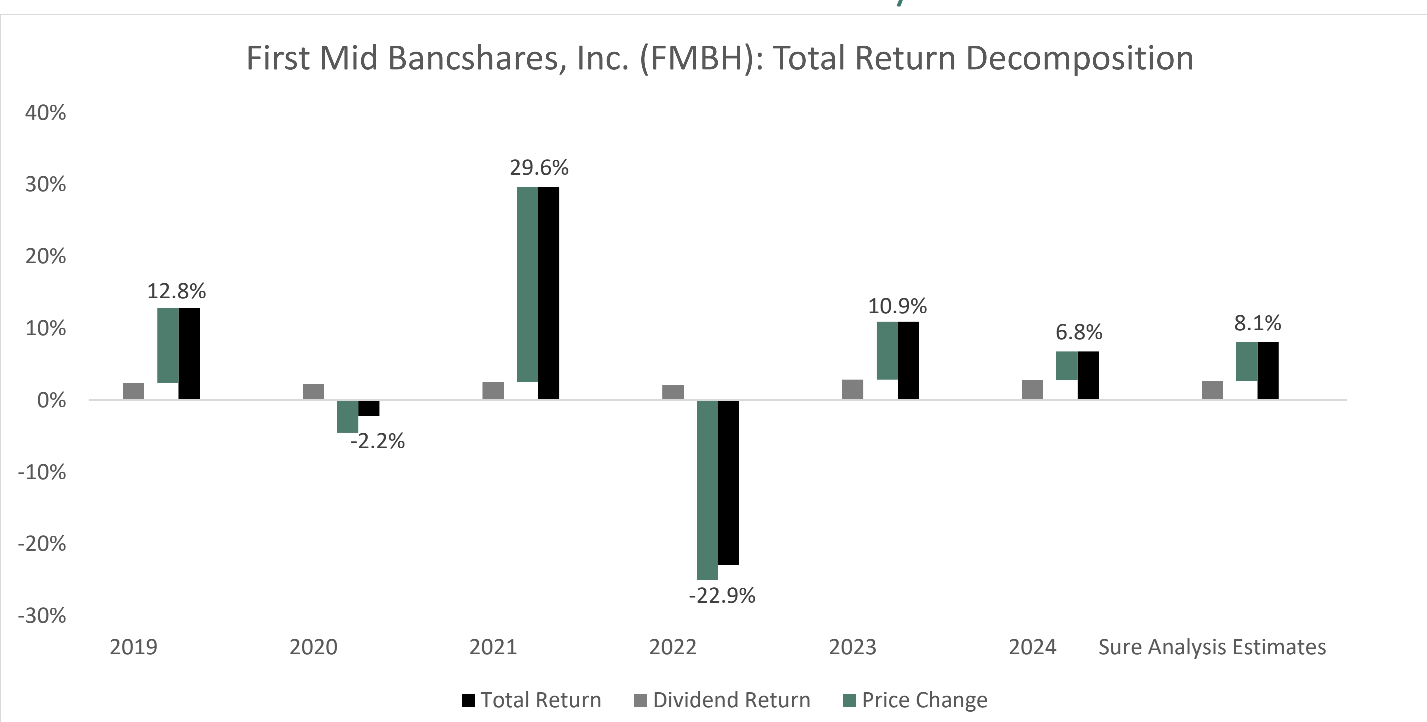
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	33%	30%	31%	28%	26%	30%	30%	25%	27%	28%	***27%***	***25%***

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 15.37% 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, which could offer minimal downside risk from current share price levels. Thus, we maintain our hold rating premised upon the 8.1% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 5.0%, the 2.5% 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.