



First Farmers Financial Corp. (FFMR)

Updated May 25th, 2025 by Josh Arnold

Key Metrics

Current Price:	\$66	5 Year CAGR Estimate:	7.7%	Market Cap:	\$463 M
Fair Value Price:	\$66	5 Year Growth Estimate:	5.0%	Ex-Dividend Date:	06/28/25 ¹
% Fair Value:	100%	5 Year Valuation Multiple Estimate:	0.0%	Dividend Payment Date:	07/15/25 ¹
Dividend Yield:	3.0%	5 Year Price Target	\$84	Years Of Dividend Growth:	34
Dividend Risk Score:	A	Sector:	Financials	Rating:	Buy

Overview & Current Events

First Farmers Financial is a holding company for First Farmers Bank & Trust, which provides banking products and services to individuals, families, and commercial customers. It offers core checking and savings accounts, health savings accounts, business accounts, construction loans, auto loans, collateral loans, mortgages, and other services. The bank has 29 offices in Indiana and 6 offices in Illinois, so it is a very small community bank. First Farmers was founded in 1885, generates about \$100 million in annual revenue, and trades with a market capitalization of \$463 million. First Farmers also has a dividend streak of 34 years, meaning it qualifies to be a Dividend Champion. We note that First Farmers reports results only one time per year.

First Farmers posted its 2024 annual report, as it only posts results once per year. The 2024 review showed a sizable decline in earnings, with net earnings falling 23.3% to \$35.4 million from 2023. On a per-share basis, earnings plummeted from \$6.57 to \$5.04. The bank noted the increase in deposit costs was a primary driver of poor earnings for 2024.

Revenue was up 6%, or \$7.3 million, to \$126 million year-over-year. Net interest income was most of the gain, as average earning assets rose 11.3%, while net interest margin declined 19 basis points to 3.64%. The bank noted the normalization of the yield curve helped improve margins later in 2024 and into 2025.

Provisions for credit losses were up \$17.3 million to \$22.4 million year-over-year. The allowance of credit losses were \$33.5 million, or 1.4% of total loans, which is extremely high based upon our coverage universe. First Farmers noted one commercial and one industrial borrower drove the big decline in credit quality.

First Farmers paid a \$1.93 per share dividend in 2024, and it's on pace for \$1.96 in 2025. In addition to the \$1.9 million of share repurchases in 2024, there's a further \$4 million authorized for 2025.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$2.35	\$2.38	\$3.03	\$3.87	\$4.13	\$4.29	\$5.11	\$5.88	\$6.57	\$5.04	\$6.00	\$7.66
DPS	\$0.59	\$0.65	\$0.69	\$1.02	\$1.22	\$1.29	\$1.39	\$1.73	\$1.88	\$1.93	\$1.96	\$2.50
Shares	7.1	7.2	7.2	7.2	7.1	7.1	7.1	7.0	7.0	7.0	7.0	7.0

First Farmers has grown its earnings-per-share at a rate of more than 10% annually since 2012, which is very impressive to say the least. However, we do not expect that sort of performance to continue given the bank's current balance sheet and profitability metrics. Note that First Farmers executed a 2-for-1 stock split in 2018, which the above numbers reflect. We estimate 5% annual earnings-per-share growth for the next five years, as we see First Farmers continuing to maintain its elevated loan-to-deposit ratio, but with little room for growth there. At ~84%, First Farmers' loan-to-deposit ratio moved down slightly in recent years, reducing balance sheet leverage. We think growth off of the very high base of earnings at present is going to be tough, as we saw in 2024.

¹ Estimated date

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In addition to that, First Farmers made a significant amount of loans while interest rates have been at or near historical lows, and we note that 2024 results showed worsening credit quality and lending margins, a nasty combination.

First Farmers does buy back stock, but it's quite minimal, so we don't see that as a significant factor in terms of powering earnings-per-share growth. The 2025 authorization is good for about 1% of the float.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	14.9	17.5	15.5	10.9	11.3	10.2	8.8	10.4	12.1	13.3	11.0	11.0
Avg. Yld.	1.7%	1.6%	1.5%	2.4%	2.6%	3.0%	3.1%	2.8%	2.4%	2.9%	3.0%	3.0%

First Farmers has traded with an elevated P/E ratio in past years, generally trading around the mid-teens or higher. However, we see First Farmers as facing a number of growth challenges, as detailed above, and given that sector valuations are still quite low, we assess fair value at 11 times earnings. The stock trades for 11 times earnings today, so it is in line with our estimate of fair value, implying basically no impact from the valuation.

We note that the valuation and consistent dividend raises have sent the current dividend yield to an impressive 3%. We see the yield remaining where it is today in the coming years.

Safety, Quality, Competitive Advantage, & Recession Resiliency

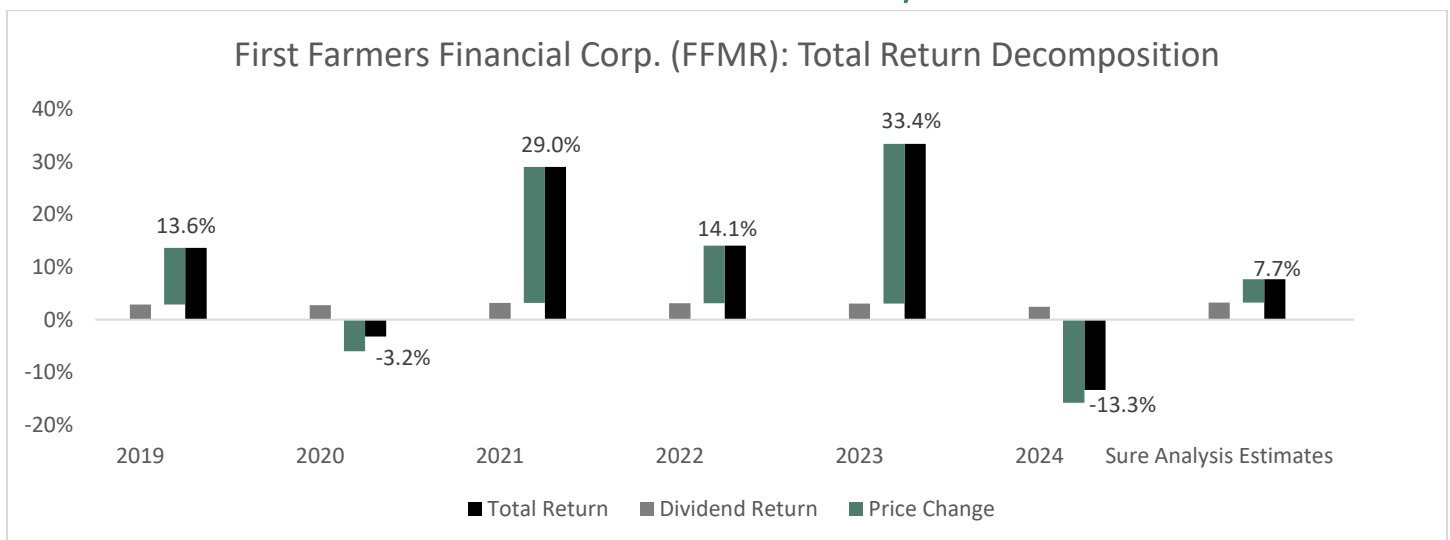
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2024	2030
Payout	25%	27%	23%	26%	30%	30%	27%	29%	29%	38%	33%	33%

First Farmers, like any other community bank, struggles for competitive advantages given that banking is a highly commoditized business with similar offerings from most players. That said, its performance during periods of low interest rates has been impressive, having grown its earnings consistently through periods of extremely low rates. The bank's payout ratio is also quite manageable at just one-third of earnings, so we see the dividend as safe. First Farmers has been able to hold up very nicely during recessions, and we believe that will remain the case going forward.

Final Thoughts & Recommendation

We see First Farmers as a fairly valued income stock among community banks. We forecast 7.7% total annual shareholder returns in the next five years, and with a 3% yield, 5% earnings growth, and no impact from the valuation, the security now earns a buy rating after 2024 results.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	56	63	68	74	81	85	103	96	107	119
SG&A Exp.	20	24	26	28	29	31	35	34	33	35
D&A Exp.	3	4	4	3	3	4	4	5	3	4
Net Profit	16	17	17	22	28	30	36	30	41	46
Net Margin	28.8%	26.5%	25.1%	29.4%	34.3%	34.7%	34.9%	31.9%	38.3%	38.7%
Free Cash Flow	18	16	22	27	36	30	65	25	51	43
Income Tax	6	6	6	5	5	5	7	6	10	11

Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,340	1,480	1,616	1,677	1,749	1,916	2,439	2,214	2,749	3,006
Cash & Equivalents	80	53	111	88	52	60	221	191	101	60
Accounts Receivable	16	20	20	24	24	26	31	29	61	---
Goodwill & Int. Ass.	12	13	12	11	10	10	9	9	9	9
Total Liabilities	1,228	1,356	1,480	1,523	1,577	1,718	2,196	1,992	2,515	2,747
Accounts Payable	12	11	19	15	12	21	21	30	33	---
Long-Term Debt	114	120	140	173	158	173	81	209	143	89
Shareholder's Equity	112	125	136	154	172	198	243	222	233	260
D/E Ratio	1.02	0.96	1.03	1.13	0.92	0.87	0.33	0.94	0.61	0.34

Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	---	1.2%	1.1%	1.3%	1.6%	1.6%	1.6%	1.5%	1.6%	1.6%
Return on Equity	---	14.2%	13.1%	15.0%	17.0%	16.0%	15.5%	14.5%	17.4%	18.7%
ROIC	---	7.1%	6.5%	7.2%	8.4%	8.4%	9.6%	7.6%	11.8%	12.7%
Shares Out.	7.1	7.2	7.2	7.2	7.1	7.1	7.1	7.1	7.0	7.0
Revenue/Share	7.89	8.86	9.47	10.30	11.29	11.90	14.65	13.47	15.36	16.91
FCF/Share	2.48	2.28	3.10	3.75	5.02	4.22	9.28	3.54	7.21	6.15

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

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