



The First Bancorp (FNLC)

Updated May 14th, 2025 by Aristofanis Papadatos

Key Metrics

| | | | | | |
|-----------------------------|------|--|-------|--------------------------------------|---------|
| Current Price: | \$25 | 5 Year CAGR Estimate: | 11.2% | Market Cap: | \$276 M |
| Fair Value Price: | \$29 | 5 Year Growth Estimate: | 4.0% | Ex-Dividend Date¹: | 7/8/25 |
| % Fair Value: | 88% | 5 Year Valuation Multiple Estimate: | 2.7% | Dividend Payment Date: | 7/18/25 |
| Dividend Yield: | 5.8% | 5 Year Price Target | \$35 | Years Of Dividend Growth: | 12 |
| Dividend Risk Score: | D | Sector: Financials | | Rating: | Hold |

Overview & Current Events

The First Bancorp, which is headquartered in Damariscotta, Maine, is the holding company for First National Bank, a full-service community bank that was founded in 1864. First National Bank is a regional bank with 18 branches along Maine's coast and 2 branches in the greater Bangor area. It provides a wide range of commercial and retail banking services; it has total assets of \$3.2 billion and a market capitalization of only \$276 million.

The First Bancorp benefits from the economic growth of Maine's coastal counties and downtown Bangor. However, in a similar fashion to most regional banks, The First Bancorp generates about 80% of its earnings from net interest income and hence it is highly sensitive to the spread between the interest rates it charges on its loans and the interest rate it pays on its deposits. Due to the surge of interest rates to nearly 23-year highs, the net interest margin of The First Bancorp has pronouncedly contracted in recent quarters.

In late April, The First Bancorp reported (4/23/25) financial results for the first quarter of fiscal 2025. Loans grew 1% while deposits dipped -1% sequentially. Net interest margin expanded from 2.42% to 2.48%, as higher yields more than offset high deposit costs. As a result, net interest income grew 1%. However, earnings-per-share dipped -3%, from \$0.65 to \$0.63, due to higher provisions for loan losses. Notably, the net interest margin of The First Bancorp is among the lowest in the entire financial sector. On the bright side, the bank has just begun to recover from the headwind of high interest rates thanks to the recent interest rate cuts executed by the Fed.

Growth on a Per-Share Basis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------------|---------------|
| EPS | \$1.51 | \$1.66 | \$1.81 | \$2.17 | \$2.34 | \$2.48 | \$3.30 | \$3.53 | \$2.66 | \$2.43 | \$2.55 | \$3.10 |
| DPS | \$0.87 | \$0.91 | \$0.95 | \$1.11 | \$1.18 | \$1.22 | \$1.26 | \$1.32 | \$1.38 | \$1.42 | \$1.44 | \$1.64 |
| Shares² | 10.8 | 10.8 | 10.8 | 10.9 | 10.9 | 10.9 | 11.0 | 11.0 | 11.1 | 11.2 | 11.3 | 11.5 |

The First Bancorp grew its earnings-per-share every single year during 2014-2022. Unfortunately, its earnings-per-share decreased -25% in 2023 due to the impact of high interest rates and an inverted yield curve on net interest margin. The bank has grown its earnings-per-share by 5.4% per year on average over the last decade but it has failed to grow its earnings meaningfully over the last five years. On the bright side, the Fed is likely to reduce interest rates in the upcoming years. As a result, the net interest margin of The First Bancorp is likely to recover from this year. Thanks to this tailwind, we expect 4.0% average annual growth of earnings-per-share over the next five years.

Valuation Analysis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Now | 2030 |
|------------------|------|------|------|------|------|------|------|------|------|------|-------------|-------------|
| Avg. P/E | 12.2 | 13.3 | 15.3 | 13.1 | 11.4 | 9.2 | 8.8 | 8.5 | 9.7 | 10.5 | 9.8 | 11.2 |
| Avg. Yld. | 4.7% | 4.1% | 3.4% | 3.9% | 4.5% | 5.4% | 4.4% | 4.5% | 5.4% | 5.6% | 5.8% | 4.7% |

¹ Estimated date.

² In millions.

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The First Bancorp has traded at an average price-to-earnings ratio of 11.2 over the last decade. We assume this valuation level as fair for this stock. The stock is currently trading at a price-to-earnings ratio of 9.8, which is lower than the historical average valuation level. If the stock trades at its fair valuation level in five years, it will enjoy a 2.7% annualized valuation gain.

Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|--------|------|------|------|------|------|------|------|------|------|------|------|------|
| Payout | 58% | 55% | 52% | 51% | 50% | 49% | 38% | 37% | 52% | 58% | 56% | 53% |

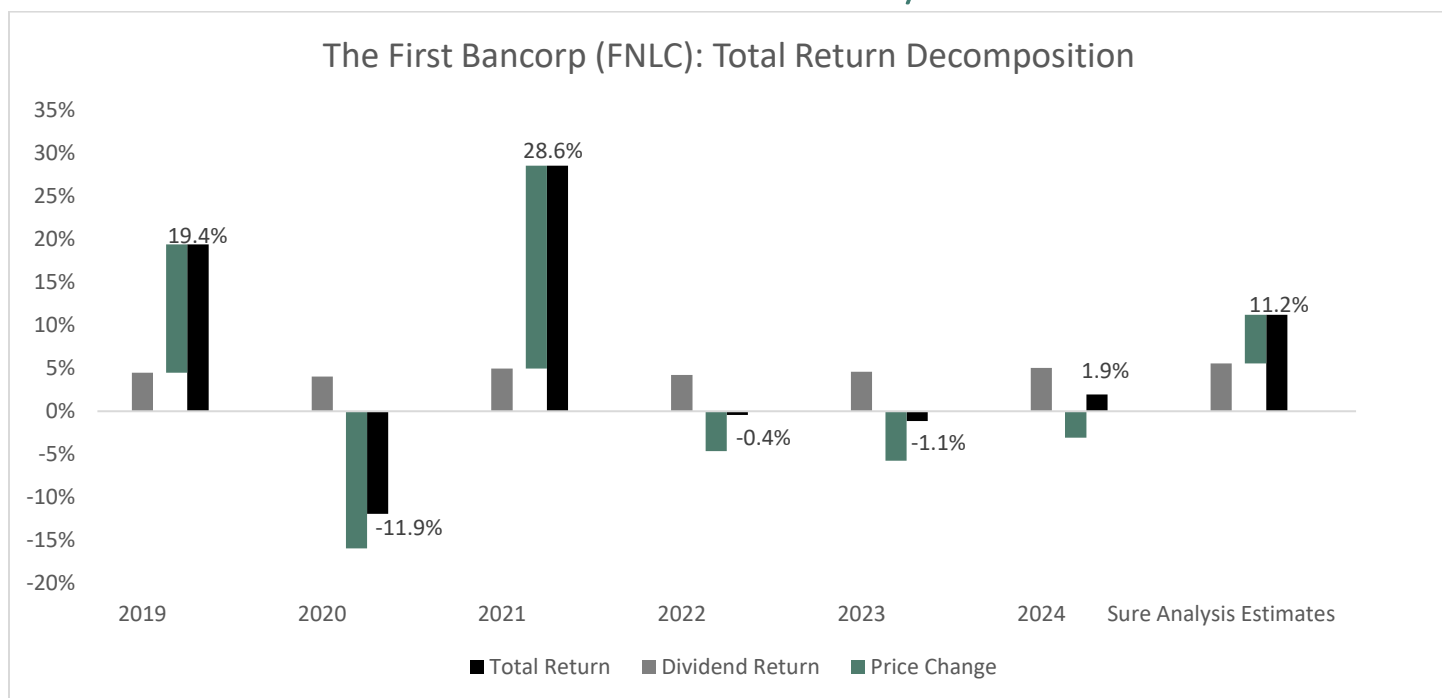
The First Bancorp has raised its dividend for 12 consecutive years. It is also offering a nearly 10-year high dividend yield of 5.8%, which is much higher than the 3.2% median dividend yield of the financial sector. The high dividend yield has resulted from the low stock price, which has been caused by the material decrease in earnings in 2023-2024. This has also caused the payout ratio to surge to a nearly decade-high level of 56%. Nevertheless, as the Fed has provided guidance for lower interest rates in the upcoming years, the worst seems to be behind the bank in reference to the ongoing downturn. Therefore, the dividend appears fairly safe in the absence of a downturn.

The First Bancorp is a well-managed bank, with a conservative business model. It has consistently posted a low ratio of non-performing loans. This ratio is currently standing at 0.25%. In addition, the bank proved resilient to the pandemic, as it kept growing its earnings in 2020 and 2021. Nevertheless, just like most regional banks, The First Bancorp has been hurt by high interest rates. Overall, the stock is suitable for income-oriented investors but it bears the risks related to its small market cap and its sensitivity to the downturns of the financial sector.

Final Thoughts & Recommendation

The First Bancorp has just begun to recover from the impact of high interest rates on its net interest margin. We expect the company to remain in recovery mode this year. The stock could offer an 11.2% average annual return over the next five years thanks to 4.0% growth of earnings-per-share, a 5.8% starting dividend yield and a 2.7% valuation tailwind. It receives a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|----------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Revenue | 53 | 55 | 60 | 63 | 67 | 78 | 86 | 93 | 81 | 80 |
| SG&A Exp. | 16 | 16 | 18 | 19 | 19 | 21 | 22 | 24 | 24 | 27 |
| D&A Exp. | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Net Profit | 16 | 18 | 20 | 24 | 26 | 27 | 36 | 39 | 30 | 27 |
| Net Margin | 30.5% | 32.5% | 32.7% | 37.5% | 38.3% | 34.8% | 42.3% | 41.9% | 36.6% | 33.7% |
| Free Cash Flow | 20 | 19 | 20 | 32 | 24 | 20 | 53 | 40 | 34 | 25 |
| Income Tax | 6 | 6 | 7 | 4 | 5 | 5 | 8 | 8 | 6 | 6 |

Balance Sheet Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|----------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Total Assets | 1,565 | 1,713 | 1,843 | 1,945 | 2,069 | 2,361 | 2,527 | 2,739 | 2,947 | 3,152 |
| Cash & Equivalents | 18 | 18 | 20 | 31 | 26 | 82 | 87 | 26 | 35 | 50 |
| Goodwill & Int. Ass. | 30 | 30 | 30 | 30 | 30 | 31 | 31 | 31 | 31 | 31 |
| Total Liabilities | 1,397 | 1,540 | 1,662 | 1,753 | 1,856 | 2,138 | 2,281 | 2,510 | 2,704 | 2,899 |
| Long-Term Debt | 337 | 279 | 229 | 210 | 185 | 262 | 55 | 39 | 20 | 146 |
| Shareholder's Equity | 167 | 173 | 181 | 192 | 213 | 224 | 246 | 229 | 243 | 252 |
| LTD/E Ratio | 2.01 | 1.62 | 1.26 | 1.10 | 0.87 | 1.17 | 0.22 | 0.17 | 0.08 | 0.58 |

Profitability & Per Share Metrics

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
|------------------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Return on Assets | 1.1% | 1.1% | 1.1% | 1.2% | 1.3% | 1.2% | 1.5% | 1.5% | 1.0% | 0.9% |
| Return on Equity | 9.9% | 10.6% | 11.1% | 12.6% | 12.6% | 12.4% | 15.5% | 16.4% | 12.5% | 10.9% |
| ROIC | 3.4% | 3.8% | 4.5% | 5.8% | 6.4% | 6.1% | 9.2% | 13.7% | 11.1% | 8.2% |
| Shares Out. | 10.8 | 10.8 | 10.8 | 10.9 | 10.9 | 10.9 | 11.0 | 11.0 | 11.1 | 11.1 |
| Revenue/Share | 4.94 | 5.12 | 5.53 | 5.79 | 6.12 | 7.13 | 7.80 | 8.43 | 7.28 | 7.21 |
| FCF/Share | 1.84 | 1.76 | 1.82 | 2.98 | 2.25 | 1.84 | 4.82 | 3.61 | 3.09 | 2.21 |

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

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