Farmers & Merchants Bancorp, Inc. (FMAO)

Updated July 5th, 2025, by Yiannis Zourmpanos

Key Metrics

Current Price:	$28	**5 Year CAGR Estimate:**	7.1%	**Market Cap:**	$382 M
Fair Value Price:	$23	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	07/07/25
% Fair Value:	121%	**5 Year Valuation Multiple Estimate:**	-3.8%	**Dividend Payment Date:**	07/20/25
Dividend Yield:	3.2%	**5 Year Price Target**	$34	**Years Of Dividend Growth:**	17
Dividend Risk Score:	B	**Sector:**	Financials	**Rating:**	Hold

Overview & Current Events

Farmers & Merchants Bancorp, Inc. (FMAO) or F&M is a bank holding company headquartered in Archbold, Ohio, USA. It was founded in 1897 and currently operates in Ohio, Indiana, and Michigan. FMAO caters to a diverse set of customers, including individuals, businesses, and farmers, and offers a range of financial services, including deposit accounts, loans, credit cards, and online banking. FMAO faces significant competition from other regional and national banks, but its strong customer relationships and commitment to personalized service help it maintain a competitive position in the market. The company has a competitive position in the community banking market and holds a market share of 10%. FMAO's revenue segments are retail banking, commercial banking, and agricultural lending.

On April 29th, 2025, the company announced results for the first quarter of 2025. F&M reported Q1 GAAP EPS of $0.51, beating estimates by $0.06. Additionally, the company reported revenues of $27.52 million for the quarter, up 14.4% year-over-year.

Farmers & Merchants Bancorp kicked off 2025 with an upbeat first quarter, marking its 88th consecutive quarter of profitability. Net income jumped nearly 30% year-over-year to $7.0 million, or $0.51 per share, as the bank benefited from a healthy boost in interest income and steady loan growth. Total interest income climbed 6.1% to $41 million, helped by both a higher yield on earning assets and a growing average loan balance. Total loans rose by $40.5 million to $2.58 billion, supported by steady demand in the agricultural and commercial sectors. Meanwhile, deposits edged up to $2.70 billion, giving the bank a stronger funding base as it continues to optimize its mix toward lower-cost core deposits.

President and CEO Lars Eller credited the solid start to the year to the team's disciplined focus on managing growth and enhancing efficiency. F&M's net interest margin expanded to 3.03%, reflecting better loan repricing and deposit cost management. Asset quality stayed strong, with nonperforming loans holding at just 0.17% of total loans—well below historical averages. On top of this, the company lifted its dividend again, marking the 30th straight year of increases, demonstrating F&M's enduring commitment to returning value to shareholders.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$1.12	$1.26	$1.38	$1.61	$1.66	$1.80	$2.01	$2.46	$1.67	$1.90	***$2.10***	***$3.09***
DPS	$0.44	$0.46	$0.50	$0.56	$0.61	$0.66	$0.71	$0.80	$0.85	$0.85	***$0.89***	***$1.25***
Shares[1]	9.2	9.1	9.2	9.2	11.0	11.1	11.6	13.1	13.6	13.7	***14.3***	***18.1***

We have revised upwards our EPS forecast to match analysts' estimate of $2.10 for 2025. The forecasts suggest lower interest rates in the coming years despite the high-interest rate environment. Further, EPS can grow due to margin expansion. With a projected annual EPS growth of 8.0%, we believe that FMAO's EPS can reach $3.09 by 2030. F&M's DPS had a 10-year and 5-year CAGR of 7.6% and 6.2%, respectively.

[1] In millions.

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Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	11.8	11.9	21.6	25.8	17.3	12.9	12.1	13.0	13.3	13.3	***13.3***	***11.0***
Avg. Yld.	3.3%	3.1%	1.7%	1.3%	2.1%	2.9%	2.9%	2.5%	3.8%	3.4%	***3.2%***	***3.7%***

F&M is trading at a forward P/E of 13.3, compared to its 10-year and five-year average P/E of 15.3 and 12.9, respectively. Considering the bank's resiliency, we have assumed a P/E of 11.0 to value the stock, slightly lower than its historical averages. This suggests a target price of $34.

Safety, Quality, Competitive Advantage, & Recession Resiliency

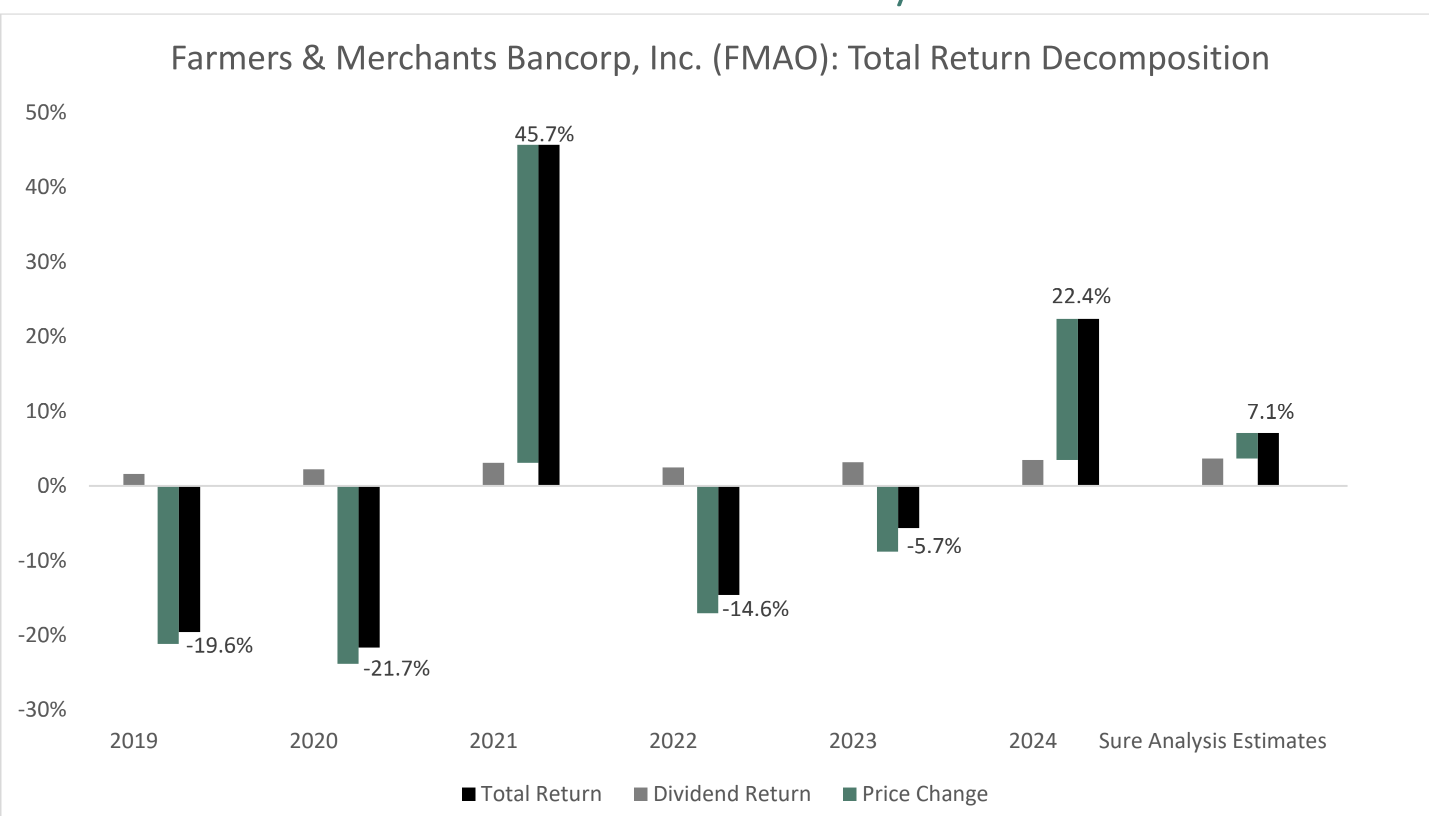
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	39%	37%	36%	35%	37%	37%	35%	33%	51%	45%	***42%***	***40%***

The company's competitive advantage lies in its longstanding reputation for providing quality financial services to its customers, along with its strong presence in the communities it serves. During the recession of 2008, F&M, performed well due to its conservative lending practices and strong capital position. In general, F&M has a stable dividend payout ratio, and we expect it to hover in the 40% range, which is above its historical average of 38%.

Final Thoughts & Recommendation

The bank's loan pipeline and the margins are performing better; thus, we anticipate relatively stable earnings-per-share in 2025, especially given that interest rates are expected to support profit growth. Thus, we rate FMAO as a hold, premised upon the 7.1% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 8.0%, the 3.2% dividend yield, and a valuation headwind.

Total Return Breakdown by Year



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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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	41	44	46	49	64	75	85	100	95	99
SG&A Exp.	21	20	21	23	30	32	38	42	50	48
D&A Exp.	2	2	2	2	4	4	5	4	6	6.4
Net Profit	10	12	13	15	18	20	23	33	23	26
Net Margin	25.3%	26.8%	27.9%	30.3%	28.9%	26.8%	27.7%	32.4%	24.2%	26.3%
Free Cash Flow	13	10	16	8	20	24	33	38	11	31
Income Tax	4	5	5	3	4	5	6	8	6	6.6

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	989	1,056	1,107	1,116	1,607	1,910	2,638	3,015	3,283	3,365
Cash & Equivalents	21	29	37	42	54	103	146	88	144	177
Goodwill & Int.	6	6	6	6	50	51	84	90	92	92
Total Liabilities	869	930	973	973	1,377	1,660	2,341	2,717	2,967	3,030
Long-Term Debt	10	10	5	-	25	18	99	172	300	281
Total Equity	120	126	134	143	230	249	297	298	317	335
LTD/E Ratio	0.08	0.08	0.04	-	0.11	0.07	0.33	0.58	0.95	0.84

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	1.1%	1.1%	1.2%	1.3%	1.4%	1.1%	1.0%	1.2%	0.7%	0.8%
Return on Equity	8.8%	9.5%	9.8%	10.8%	9.9%	8.4%	8.6%	10.9%	7.4%	8.0%
ROIC	8.5%	8.8%	9.3%	10.6%	9.2%	7.7%	7.1%	7.5%	4.2%	4.2%
Shares Out.	9.2	9.1	9.2	9.2	11.0	11.1	11.6	13.1	13.5	13.4
Revenue/Share	4.45	4.77	4.98	5.37	5.72	6.72	7.27	7.60	7.02	7.37
FCF/Share	1.43	1.10	1.72	0.88	1.84	2.17	2.81	2.88	0.83	2.28

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