Farmers & Merchants Bancorp, Inc. (FMAO)

Updated August 8th, 2025, by Yiannis Zourmpanos

Key Metrics

Current Price:	$24	**5 Year CAGR Estimate:**	11.9%	**Market Cap:**	$324.8 M
Fair Value Price:	$25	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	10/03/25[1]
% Fair Value:	96%	**5 Year Valuation Multiple Estimate:**	0.8%	**Dividend Payment Date:**	10/20/25[2]
Dividend Yield:	3.7%	**5 Year Price Target**	$37	**Years Of Dividend Growth:**	18
Dividend Risk Score:	B	**Sector:**	Financials	**Rating:**	Buy

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 July 28th, 2025, the company announced results for the second quarter of 2025. F&M reported Q2 GAAP EPS of $0.56, beating estimates by $0.06. Additionally, the company reported revenues of $29.65 million for the quarter, which were up 18.4% year-over-year.

Revenue growth outpaced expense growth, which improved the efficiency ratio to 64.93% from 69.03% a year ago. Net interest margin expanded for the fourth straight quarter, climbing 51 basis points to 3.22%, driven by higher asset yields and stable funding costs. Total loans grew 2.6% to $2.63 billion, while deposits increased 2.6% to $2.71 billion. Asset quality remained strong, with nonperforming loans at just $3.7 million, representing 0.14% of total loans, and no net charge-offs for the quarter.

The bank's balance sheet strength was evident, with Tier 1 leverage at 8.50% and stockholders' equity up 8.7% to $350.8 million. Management highlighted disciplined loan growth, particularly in commercial real estate, along with stable credit performance and continued net interest margin expansion as key drivers for the second half of 2025. Tangible stockholders' equity per share rose to $18.91. The dividend has increased for the 18 consecutive year. With strong profitability trends and robust capital levels, FMAO remains well-positioned to sustain earnings growth in the back half of the year.

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	***$2.27***	***$3.33***
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[3]	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 $2.27 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 $3.33 by 2030. F&M's DPS had a 10-year and 5-year CAGR of 7.6% and 6.2%, respectively.

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[1] Estimated ex-dividend date.

[2] Estimated dividend payment date.

[3] 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	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	***10.6***	***11.0***
Avg. Yld.	3.3%	3.1%	1.7%	1.3%	2.1%	2.9%	2.9%	2.5%	3.8%	3.4%	***3.7%***	***3.4%***

F&M is trading at a forward P/E of 10.6, 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 $37.

Safety, Quality, Competitive Advantage, & Recession Resiliency

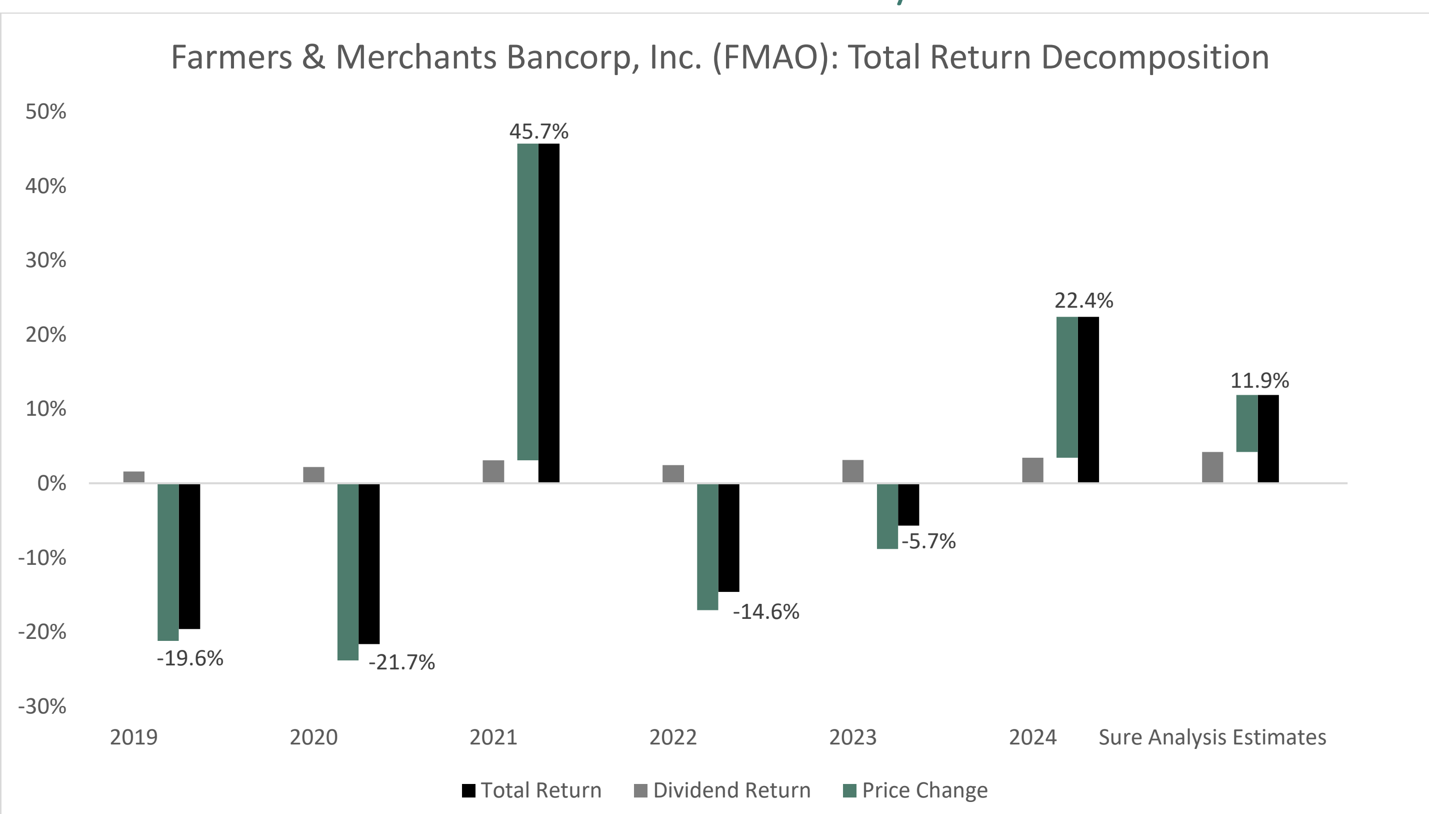
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	39%	37%	36%	35%	37%	37%	35%	33%	51%	45%	***39%***	***38%***

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 earnings-per-share growth in 2025, especially given that interest rates are expected to support profit growth. As a result, we rate FMAO as a buy, premised upon the 11.9% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 8.0%, the 3.7% dividend yield, and a valuation tailwind.

Total Return Breakdown by Year



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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.