



Merchants Bancorp (MBIN)

Updated October 30th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	\$32	5 Year Annual Expected Total Return:	13.0%	Market Cap:	\$1.46 B
Fair Value Price:	\$40	5 Year Growth Estimate:	7.0%	Ex-Dividend Date:	12/12/2025 ¹
% Fair Value:	80%	5 Year Valuation Multiple Estimate:	4.6%	Dividend Payment Date:	01/02/2026
Dividend Yield:	1.3%	5 Year Price Target	\$56	Years Of Dividend Growth:	8
Dividend Risk Score:	B	Sector:	Financials	Rating:	Buy

Overview & Current Events

Merchants Bancorp, headquartered in Carmel, Indiana, operates six branches across the state, providing community banking services alongside its national mortgage banking platform. The company is a top lender in affordable multi-family housing and healthcare facility financing, managing over \$19.4 billion in total assets and \$13.9 billion in total deposits. It also specializes in mortgage warehousing, supporting independent mortgage bankers nationwide, and SBA lending. The bank generated \$1.30 billion in total interest income last year. It now has a market cap of \$1.46 billion.

On October 28th, 2025, Merchants Bancorp released its Q3 results for the period ending September 30th, 2025. The bank reported net income of \$54.7 million, down 11% from Q3 2024, while EPS came in at \$0.97, down 17% year-over-year but up 62% from the prior quarter. The year-over-year decline was mainly due to a 22% decrease in net interest income after provision for credit losses and a 26% increase in noninterest expense, partly offset by a 157% increase in noninterest income. Results benefited from lower provision expenses, improved credit quality, and a 47% increase in gain on sale of loans, highlighting the rebound in core performance following elevated charge-offs in Q2.

For this year, we believe the bank will achieve EPS close to \$3.45. However, we are using an EPS power of \$5.00 in our estimates, which we believe the bank could achieve if it weren't for this year's one-off provision-related losses.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$0.90	\$0.98	\$1.52	\$1.38	\$1.58	\$3.85	\$4.78	\$4.49	\$5.66	\$6.32	\$3.45	\$7.01
DPS	\$0.13	\$0.13	\$0.03	\$0.16	\$0.19	\$0.21	\$0.24	\$0.28	\$0.32	\$0.36	\$0.40	\$0.62
Shares²	31.6	31.7	33.9	43.1	43.1	43.2	43.3	43.3	43.3	45.0	45.9	45.0

Merchants Bancorp's EPS rose from \$0.90 in 2015 to \$1.58 in 2019, driven by robust growth in multi-family mortgage banking and servicing income. During this period, the company undertook strategic acquisitions to bolster its operations and market presence. In 2018, it acquired Farmers-Merchants Bank of Illinois, strengthening its foothold in community banking. That year, acquiring NattyMac, a warehouse lending platform, boosted its mortgage warehousing capabilities. In 2020, EPS skyrocketed to \$3.85 as historically low interest rates spurred a wave of refinancing and strong demand for single-family and multi-family lending. The bank also capitalized on its expertise in securitization, adding liquidity to its balance sheet and fueling additional loan growth.

By 2021, EPS grew to \$4.78, reflecting enduring strength in mortgage banking and warehouse lending and expansion in SBA lending. The pandemic-driven boom moderated in 2022, with EPS declining slightly to \$4.49, as higher rates began to impact origination volumes. Nevertheless, disciplined cost management and a diversified portfolio helped mitigate the effects of a cooling market. In 2023, EPS climbed to \$5.66, backed by a 9% increase in loans sold into the secondary market and continued gains in multi-family lending. The company also benefited from its focus on affordable housing financing, a resilient segment amidst broader market worries. This trend carried over to 2024, with EPS rising to \$6.32.

¹ Estimated dates based on past dividend dates.

² Share count is in millions.

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Moving forward, we believe Merchants can grow its EPS by 7%, supported by lasting demand for affordable multi-family housing financing, enduring expansion in its warehouse lending platform, and increased efficiency through securitization of loans sold into the secondary market. Additionally, its focus on SBA lending and strategic growth in healthcare and senior housing financing provides further opportunities to capitalize on resilient and growing sectors. We have also set our dividend growth estimate at 9%, which we believe the company can afford rather comfortably. The company has increased its dividend for 8 consecutive years.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	---	---	8.0	11.2	8.7	3.3	4.8	5.9	4.9	6.1	6.4	8.0
Avg. Yld.	---	---	0.2%	1.0%	1.4%	1.7%	1.0%	1.1%	1.2%	0.9%	1.3%	1.1%

Merchants Bancorp’s P/E has consistently traded at a discount compared to industry peers, reflecting its niche focus on multi-family mortgage banking and perceived reliance on cyclical mortgage markets. While we believe a soft discount is appropriate, the stock appears too cheap at its current levels considering its earnings strength in recent years. We have set our fair multiple at 8.0, implying the possibility of a multiple expansion ahead.

Safety, Quality, Competitive Advantage, & Recession Resiliency

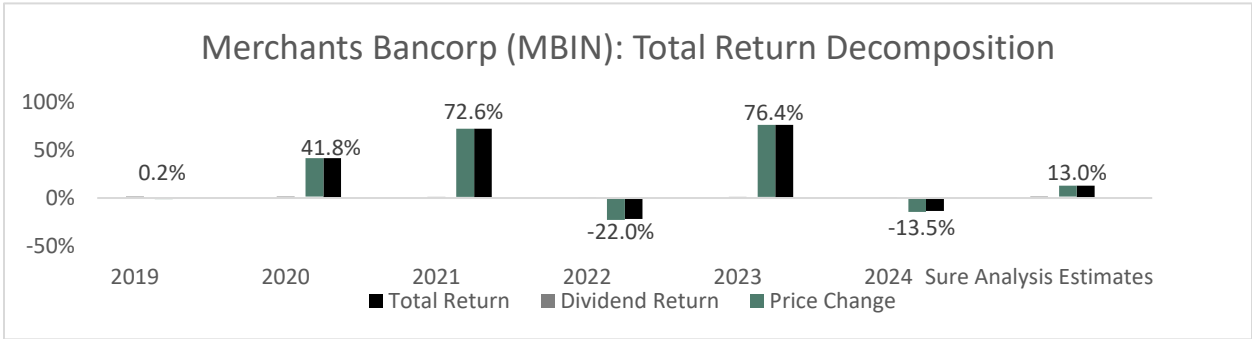
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	14%	13%	2%	12%	12%	5%	5%	6%	6%	6%	8%	9%

Merchants’ competitive advantages stem from its specialized focus on multi-family mortgage banking and warehouse lending, areas where it holds significant market share. Its ability to securitize loans, as evidenced by the \$629 million healthcare loan securitization it achieved this past October, improves its capital efficiency while reducing credit risk exposure. The bank’s robust capital position, with a CET1 ratio of 9.1% as of the end of last year, also underpins its financial stability. However, the industry’s competitive landscape poses challenges, with larger players offering broader services and scale advantages. Additionally, the bank operates in sectors susceptible to market downturns, such as mortgage origination and real estate financing. While its targeted focus and strong operational model mitigate some risks, fluctuating rates and economic uncertainties could pressure growth in the near term.

Final Thoughts & Recommendation

Merchants Bancorp’s investment case is supported by its strong position in multi-family mortgage banking, efficient loan securitization, and steady growth in warehouse lending. With healthy capital ratios and continued focus on affordable housing and healthcare financing, we believe the bank is well-positioned to deliver sustainable growth despite industry cyclicality. We forecast annualized returns of 13.0% moving forward, driven by our 7% EPS growth estimate, the starting dividend yield of 1.3%, and the possibility of a 4.6% annual valuation tailwind. Thus, shares earn a buy 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	66	78	110	135	165	343	428	440	559	667
SG&A Exp.	13	15	22	33	41	65	88	93	122	157
D&A Exp.	0	0	0	0	1	2	2	2	3	3
Net Profit	28	33	55	63	77	181	227	220	279	320
Net Margin	42.8%	42.3%	49.6%	46.6%	46.9%	52.7%	53.1%	50.0%	49.9%	48.0%
Free Cash Flow	117	(152)	(178)	189	(1,271)	(879)	(53)	967	(364)	(854)
Income Tax	19	22	22	21	25	63	78	71	69	102

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	2,269	2,719	3,393	3,884	6,372	9,645	11,279	12,615	16,953	18,810
Cash & Equivalents	447	446	360	337	507	180	1,033	226	584	477
Total Liab.	2,121	2,512	3,026	3,463	5,718	8,835	10,123	11,155	15,251	16,560
Accounts Payable	2	---	---	---	---	---	---	---	---	---
Long-Term Debt	57	57	57	195	181	1,236	874	910	964	4,336
Total Equity	138	165	326	380	441	598	793	960	1,201	1,571
LTD/E Ratio	0.39	0.28	0.15	0.46	0.28	1.52	0.76	0.62	0.57	1,933

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets		1.3%	1.8%	1.7%	1.5%	2.3%	2.2%	1.8%	1.9%	1.8%
Return on Equity		18.7%	19.1%	15.9%	14.4%	24.7%	23.1%	16.8%	17.7%	16.3%
ROIC		14.1%	15.9%	12.1%	10.7%	12.5%	11.1%	10.0%	11.1%	6.9%
Shares Out.	31.6	31.7	33.9	43.1	43.1	43.2	43.3	43.3	43.3	45.0
Revenue/Share	2.09	2.47	3.25	3.13	3.82	7.94	9.87	10.15	12.90	14.82
FCF/Share	3.69	(4.81)	(5.25)	4.38	(29.48)	(20.35)	(1.22)	22.32	(8.40)	(18.97)

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

Disclaimer

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