Farmers & Merchants Bancorp, Inc. (FMAO)

Updated November 26th, 2025, by Yiannis Zourmpanos

Key Metrics

Current Price:	$24	**5 Year Annual Expected Total Return:**	12.9%	**Market Cap:**	$342.4 M
Fair Value Price:	$26	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	12/29/25[1]
% Fair Value:	92%	**5 Year Valuation Multiple Estimate:**	1.8%	**Dividend Payment Date:**	01/20/26[2]
Dividend Yield:	3.8%	**5 Year Price Target**	$38	**Years Of Dividend Growth:**	31
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 October 27th, 2025, the company announced results for the third quarter of 2025. F&M reported Q3 GAAP EPS of $0.64, beating estimates by $0.05. Additionally, the company reported revenues of $26.9 million for the quarter.

Farmers & Merchants Bancorp closed out the third quarter of 2025 on a high note, extending its remarkable streak to 90 straight profitable quarters. Net income climbed nearly 36% year over year to $8.9 million, fueled by another strong lift in core banking fundamentals. Net interest margin continued its upward march, rising 69 basis points to 3.40%, while loan and deposit balances saw healthy gains, up 4.9% and 2.5%, respectively. The bank's efficiency ratio improved to 63.11%, reflecting better operating leverage as recent investments and growth initiatives begin paying off. Asset quality also stayed pristine, with nonperforming loans at just $5.2 million and zero net charge-offs, reinforcing the company's disciplined credit approach.

Management highlighted the ongoing benefits of strategic expansion across Ohio, Indiana, and Michigan, including the opening of a second full-service Michigan branch and leadership additions designed to support local-market decision-making. Capital levels remained strong, supported by an 8.74% Tier 1 leverage ratio and growing shareholder equity. The board also approved its 31st consecutive annual dividend increase—an impressive signal of confidence and financial durability. Looking ahead, leadership plans to launch a new three-year strategic plan aimed at sustaining momentum, strengthening community banking relationships, and pursuing profitable growth across its regional footprint.

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	***$2.38***	***$3.50***
DPS	$0.44	$0.46	$0.50	$0.56	$0.61	$0.66	$0.71	$0.80	$0.85	$0.85	***$0.91***	***$1.28***
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 $2.38 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 $3.50 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.

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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	***10.1***	***11.0***
Avg. Yld.	3.3%	3.1%	1.7%	1.3%	2.1%	2.9%	2.9%	2.5%	3.8%	3.4%	***3.8%***	***3.3%***

F&M is trading at a forward P/E of 10.1, 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 $38.

Safety, Quality, Competitive Advantage, & Recession Resiliency

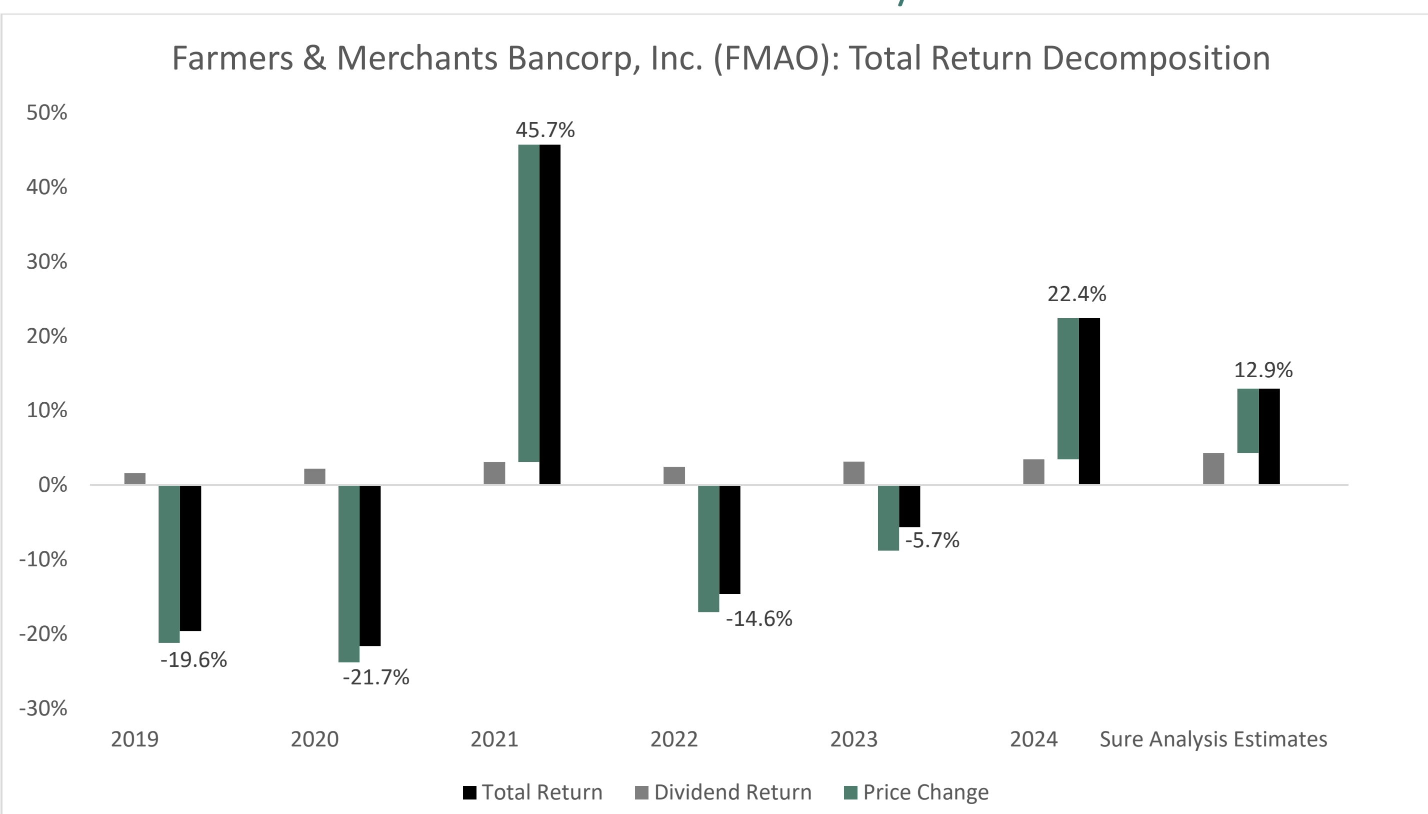
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	39%	37%	36%	35%	37%	37%	35%	33%	51%	45%	***38%***	***36%***

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 maintain our buy rating on FMAO, premised upon the 12.9% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 8.0%, the 3.8% dividend yield, and a valuation tailwind.

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.