Farmers & Merchants Bancorp, Inc. (FMAO)

Updated March 11th, 2026, by Yiannis Zourmpanos

Key Metrics

Current Price:	$25	**5 Year Annual Expected Total Return:**	15.3%	**Market Cap:**	$347.33 M
Fair Value Price:	$31	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	03/27/26[1]
% Fair Value:	81%	**5 Year Valuation Multiple Estimate:**	4.3%	**Dividend Payment Date:**	04/20/26[2]
Dividend Yield:	3.7%	**5 Year Price Target**	$45	**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 February 12th, 2025, the company announced results for the fourth quarter of 2025. F&M reported Q4 GAAP EPS of $0.71, which beat estimates by $0.05. Additionally, the company reported revenues of $32.4 million for the quarter.

Farmers & Merchants Bancorp ended 2025 on a strong note, reporting record fourth-quarter net income of $9.8 million, a 16.8% increase from the prior year and marking the company's 91st consecutive quarter of profitability. The results were driven by improved funding costs and stronger core banking metrics. Net interest margin expanded to 3.46%, rising 62 basis points year over year, while the cost of interest-bearing liabilities declined to 2.69% from 3.01%. Operational efficiency also improved, with the efficiency ratio falling to 58.38% compared with 59.82% a year earlier. Credit quality remained solid, with net charge-offs to average loans of just 0.01%, and the Tier 1 leverage ratio stood at 8.81%. The company also increased its dividend during the year, marking the 31st consecutive annual increase in its regular payout.

For the full year, net income rose 28.4% to $33.3 million, supported by steady loan growth and stronger net interest income. Net interest income after provision for credit losses increased 19.3% to $102.2 million. Total loans grew 5.9% to $2.71 billion, while total assets increased 2.1% to $3.43 billion and deposits rose 1.6% to $2.73 billion. Asset quality improved as loans more than 30 days past due averaged 0.26% of total loans, while stockholders' equity climbed 10.6% to a record $370.9 million.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$1.26	$1.38	$1.61	$1.66	$1.80	$2.01	$2.46	$1.67	$1.90	$2.43	***$2.80***	***$4.11***
DPS	$0.46	$0.50	$0.56	$0.61	$0.66	$0.71	$0.80	$0.85	$0.88	$0.90	***$0.92***	***$1.29***
Shares[3]	9.1	9.2	9.2	11.0	11.1	11.6	13.1	13.6	13.7	13.6	***14.2***	***18.0***

We have revised upwards our EPS forecast to match analysts' estimate of $2.80 for 2026. 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 $4.11 by 2031. F&M's DPS had a 10-year and five-year CAGR of 7.7% and 5.3%, respectively.

[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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	11.8	11.9	21.6	25.8	17.3	12.9	12.1	13.0	13.3	10.3	***8.9***	***11.0***
Avg. Yld.	3.3%	3.1%	1.7%	1.3%	2.1%	2.9%	2.9%	2.5%	3.8%	3.6%	***3.7%***	***2.9%***

F&M is trading at a forward P/E of 8.9, compared to its 10-year and five-year average P/E of 15.0 and 12.3, 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 $45.

Safety, Quality, Competitive Advantage, & Recession Resiliency

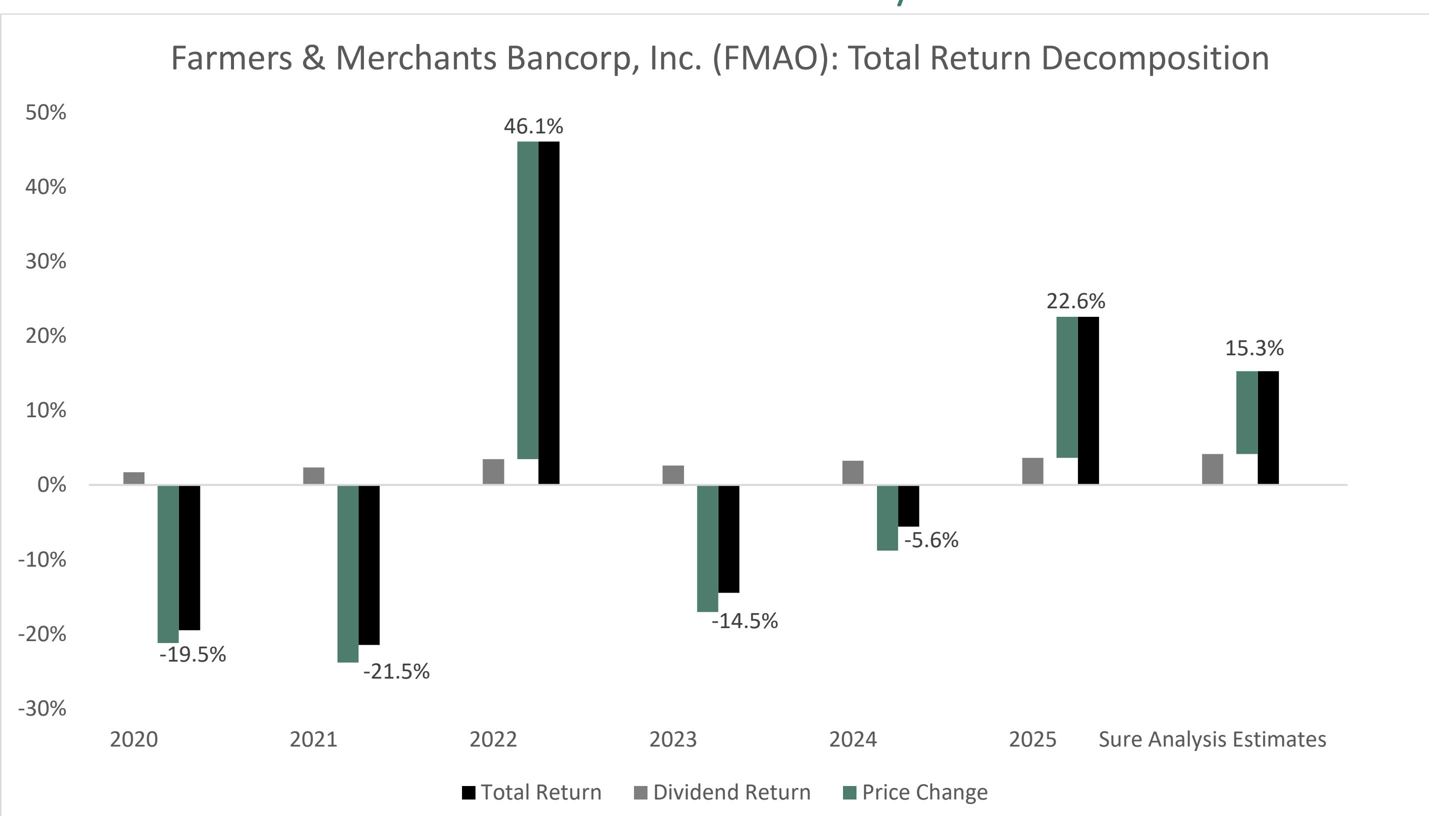
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	39%	37%	36%	35%	37%	37%	35%	33%	51%	37%	***33%***	***31%***

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 30% range, which is below 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 2026, especially given that interest rates are expected to support profit growth. As a result, we maintain our buy rating on FMAO, premised upon the 15.3% 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.