Mercantile Bank Corporation (MBWM)

Updated July 22nd, 2026, by Kody Kester

Key Metrics

Current Price:	$57	**5 Year CAGR Estimate:**	9.7%	**Market Cap:**	$991M
Fair Value Price :	$61	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	09/04/26
% Fair Value:	94%	**5 Year Valuation Multiple Estimate:**	1.3%	**Dividend Payment Date:**	09/16/26
Dividend Yield:	2.8%	**5 Year Price Target**	$82	**Years Of Dividend Growth:**	15
Dividend Risk Score:	B	**Sector:**	Financials	**Rating:**	Buy

Overview & Current Events

Formed in 1997, Mercantile Bank Corporation has established itself as one of Michigan's largest community banks. As of Jun. 30, 2026, MBWM had almost $6.9 billion in assets. The bank operates over 50 office locations throughout much of Michigan. The company also has banking offices in the Metro Detroit area, Traverse City area, Saginaw area, and Midland area.

Unsurprisingly, MBWM offers a variety of banking services to an array of customers. That includes personal checking, savings, and term certificate accounts for retail/individual customers. Other products include residential real estate loans, home equity loans, and consumer loans like new and used automobile loans and credit cards. MBWM also serves commercial and industrial customers with a variety of loans, such as vacant land loans, land development loans, and residential construction loans. The company also offers courier services to some commercial customers and safe deposit facilities at most of its office locations. On Jul. 22, 2025, MBWM announced that it would be merging with Eastern Michigan Financial Corporation in a cash and stock transaction valued at $95.8 million (0.7116 shares of common stock of MBWM will be issued for each share of EFIN owned, and $32.32 in cash per share will also be paid). This deal closed at the end of 2025. EFIN's 12 branches expanded MBWM's office footprint into Eastern and Southeast Michigan.

On Jul. 21, MBWM shared its financial results for the second quarter ended Jun. 30, 2026. The company's net interest income after provision for credit losses jumped 23.3% year-over-year to $59.06 million in the quarter. This was made possible by a 10.4% uptick in the total earning assets balance to $6.37 billion during the quarter. A swing in provision for credit losses from a $1.6 million expense in Q2 2025 to a negative $1.8 million provision (an income credit) in Q2 2026 was a factor as well, which was due to the elimination of a $2.7 million specific reserve allocation following the resolution of a nonperforming commercial construction loan for the quarter. Finally, an 11 basis point improvement in the net interest margin to 3.59% was a tailwind in the quarter. MBWM's noninterest income edged 0.3% higher over the year-ago period to $11.50 million during the quarter. The company's non-GAAP diluted EPS grew by 10.1% to $1.53 for the quarter. That topped the analyst consensus in the quarter by $0.20. On the same day, MBWM raised its quarterly dividend per share by 2.6% to $0.40 (it tends to raise the dividend twice a year in smaller increments).

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$1.96	$1.90	$2.53	$3.01	$2.71	$3.69	$3.85	$5.13	$4.93	$5.47	***$5.55***	***$7.43***
DPS	$0.66	$0.74	$0.92	$1.06	$1.12	$1.18	$1.26	$1.34	$1.44	$1.50	***$1.60***	***$2.09***
Shares[1]	16.4	16.6	16.5	16.4	16.3	15.8	16.0	16.1	16.1	17.2	***17.3***	***18.3***

MBWM has had a tougher time growing lately. We continue to think that the company can return to growth, though. As the EFIN acquisition is integrated into the fold, it should achieve slight cost savings in 2026 and more meaningful cost savings in 2027. MBWM's net interest margin also has a path to incremental expansion (continued net margin expansion is expected in the back half of 2026). This is why we believe that MBWM can grow diluted EPS by 6.0% annually through 2031, off an anticipated 2026 base of $5.55.

[1] Share count is in millions.

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Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Avg. P/E	19.2	18.6	11.4	12.2	10.0	9.5	8.7	7.9	9.0	8.8	***10.3***	***11.0***
Avg. Yld.	1.8%	2.1%	3.2%	2.9%	4.1%	3.4%	3.8%	3.3%	3.2%	3.1%	***2.8%***	***2.6%***

Over the last 10 years, MBWM's P/E ratio has varied from as little as the high single digits in recent years to as much as the upper teens. The average P/E ratio over that time has been 11.5. Moving forward, we maintain our fair value P/E ratio of 11. Relative to the current-year P/E ratio of 10.3, this implies a slight discount to fair value.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	34%	39%	36%	35%	41%	32%	33%	26%	29%	27%	***29%***	***28%***

MBWM's differentiating factor lies in its status as one of the bigger community banks in Michigan. The company faces competition from regional banks and national banks. But few know the communities they serve as well as MBWM. Simply put, the company is big enough to serve the needs of its customers. Yet, it still provides that hometown feeling that many customers prefer.

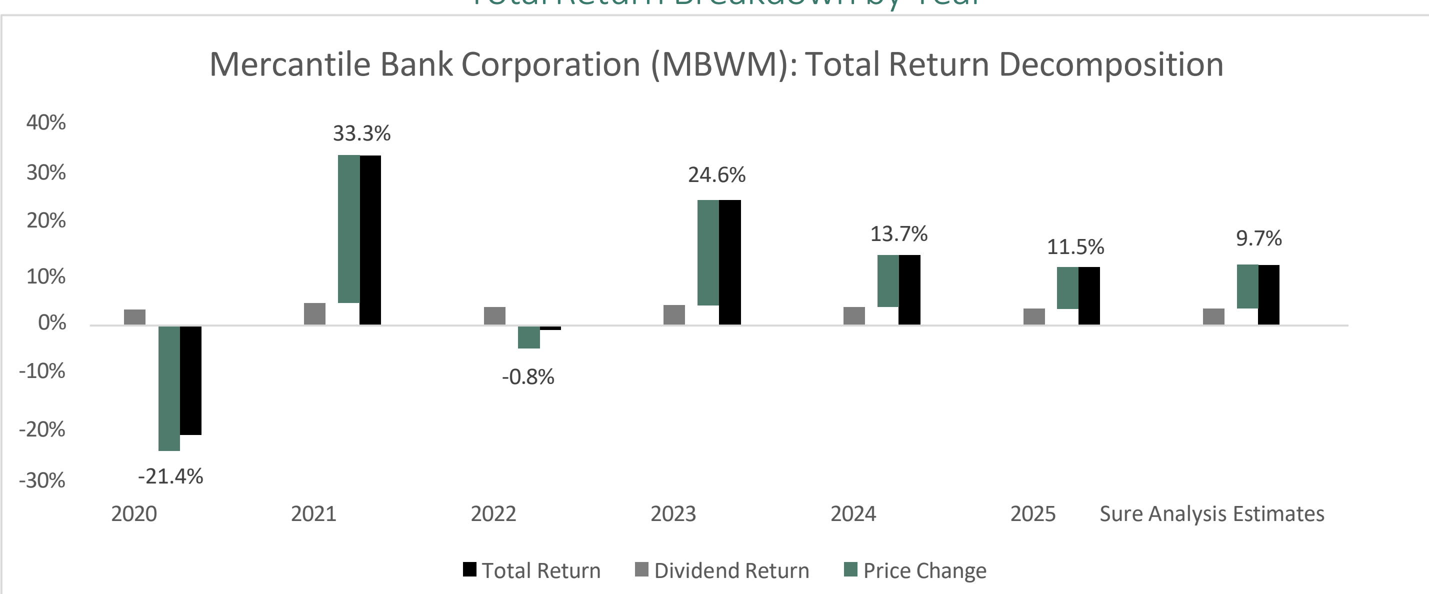
Inclusive of the EFIN acquisition, MBWM's loan-to-deposit ratio was 92.8% as of Jun. 30, 2026. The company's efficiency ratio was 57.3% in Q2 2026. This implies that the community bank knows how to manage its non-interest expenses.

As could be imagined for a community bank, MBWM's dividend isn't perfectly safe. It's worth noting that more than half of the company's total commercial loans are related to commercial real estate. MBWM's payout ratio is positioned to be just 29% in 2026, however. That dividend coverage ratio builds breathing room for the payout to be modestly grown through a downturn in profitability. This could even provide some flexibility against weakening in the commercial real estate market.

Final Thoughts & Recommendation

MBWM's 2.8% dividend yield, 6.0% annual diluted EPS growth prospects, and 1.3% annual valuation multiple expansion potential could deliver 9.7% annual total returns through 2031. That's why we're reiterating our Buy rating.

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	139	145	161	185	193	199	214	304	362	372
D&A Exp.	10	10	10	10	9	14	13	11	11	6
Net Profit	32	31	42	49	44	59	61	82	80	89
Net Margin	22.9%	21.6%	26.1%	26.7%	22.8%	29.7%	28.5%	27.1%	22.0%	23.9%
Free Cash Flow	22	29	55	27	28	57	112	56	86	11
Income Tax	15	15	10	11	11	15	15	20	19	15

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	3,095	3,294	3,373	3,640	4,445	5,265	4,880	5,360	6,060	6,847
Cash & Equivalents	50	55	65	53	63	59	62	70	57	55
Goodwill & Int.	59	57	55	53	52	51	50	49	49	93
Total Liabilities	2,751	2,926	2,994	3,224	4,004	4,809	4,438	4,838	5,475	6,122
Long-Term Debt	220	266	396	401	442	499	448	609	530	500
Shareholder's Equity	341	366	375	417	442	457	441	522	585	725
LTD/E Ratio	1.03	1.05	1.33	1.21	1.27	1.52	1.46	1.61	1.12	1.01

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	1.1%	1.0%	1.3%	1.4%	1.1%	1.2%	1.2%	1.6%	1.4%	1.4%
Return on Equity	9.5%	8.9%	11.3%	12.5%	10.3%	13.1%	13.6%	17.1%	14.4%	13.6%
Shares Out.	16.4	16.6	16.5	16.4	16.3	15.8	16.0	16.1	16.1	17.2
Revenue/Share	8.55	8.77	9.69	11.29	11.89	12.43	13.49	18.95	22.43	22.90
FCF/Share	1.32	1.78	3.34	1.63	1.73	3.56	7.08	3.52	5.31	0.69

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