Farmers & Merchants Bancorp, Inc. (FMAO)

Updated August 1st, 2026, by Yiannis Zourmpanos

Key Metrics

Current Price:	$33	**5 Year Annual Expected Total Return:**	11.5%	**Market Cap:**	$453.7 M
Fair Value Price:	$35	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	10/09/26[1]
% Fair Value:	94%	**5 Year Valuation Multiple Estimate:**	1.1%	**Dividend Payment Date:**	10/10/26[2]
Dividend Yield:	2.8%	**5 Year Price Target**	$51	**Years Of Dividend Growth:**	31
Dividend Risk Score:	A	**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 27th, 2026, the company announced results for the second quarter of 2025. F&M reported Q2 GAAP EPS of $0.86, which beat estimates by $0.19 and revenues of $34.35 million, which were up 15.9% year-over-year.

Farmers & Merchants Bancorp reported record second-quarter profitability, marking its 93rd consecutive profitable quarter, as net income increased 53.0% year over year to a record $11.8 million. Improved funding costs, continued expansion in net interest margin, disciplined expense management, and strong noninterest income supported performance, driving return on average assets to 1.34% from 0.92% a year earlier. The efficiency ratio improved to 56.08% from 64.93%, while the cost of interest-bearing liabilities declined 27 basis points to 2.56%. The bank also maintained solid capitalization, with its Tier 1 leverage ratio increasing to 8.99%, and stockholders' equity rising 9.7% year over year to $384.7 million, reflecting continued balance sheet strength.

Balance sheet growth remained healthy, with total deposits increasing 5.9% year over year to $2.87 billion and net loans rising 3.0% to $2.70 billion, driven primarily by growth in consumer real estate, commercial and industrial, and agricultural lending. Asset quality remained strong, with net charge-offs at zero and nonperforming loans improving to 0.27% of total loans from 0.42% in the previous quarter, while the allowance for credit losses remained stable at 1.08% of total loans. Management highlighted favorable economic conditions across its core Ohio, Indiana, and Michigan markets and expressed confidence that ongoing investments in technology, talent, and local market expansion, coupled with its relationship-based banking model, position the company for sustained profitable growth under its new three-year strategic plan.

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	***$3.18***	***$4.67***
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 $3.18 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

[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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expansion. With a projected annual EPS growth of 8.0%, we believe that FMAO's EPS can reach $4.67 by 2031. F&M's DPS had a 10-year and five-year CAGR of 7.7% and 5.3%, respectively. We expect 7% DPS growth through 2031.

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	***10.4***	***11.0***
Avg. Yld.	3.3%	3.1%	1.7%	1.3%	2.1%	2.9%	2.9%	2.5%	3.8%	3.6%	***2.8%***	***2.5%***

F&M is trading at a forward P/E of 10.4, 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 $51.

Safety, Quality, Competitive Advantage, & Recession Resiliency

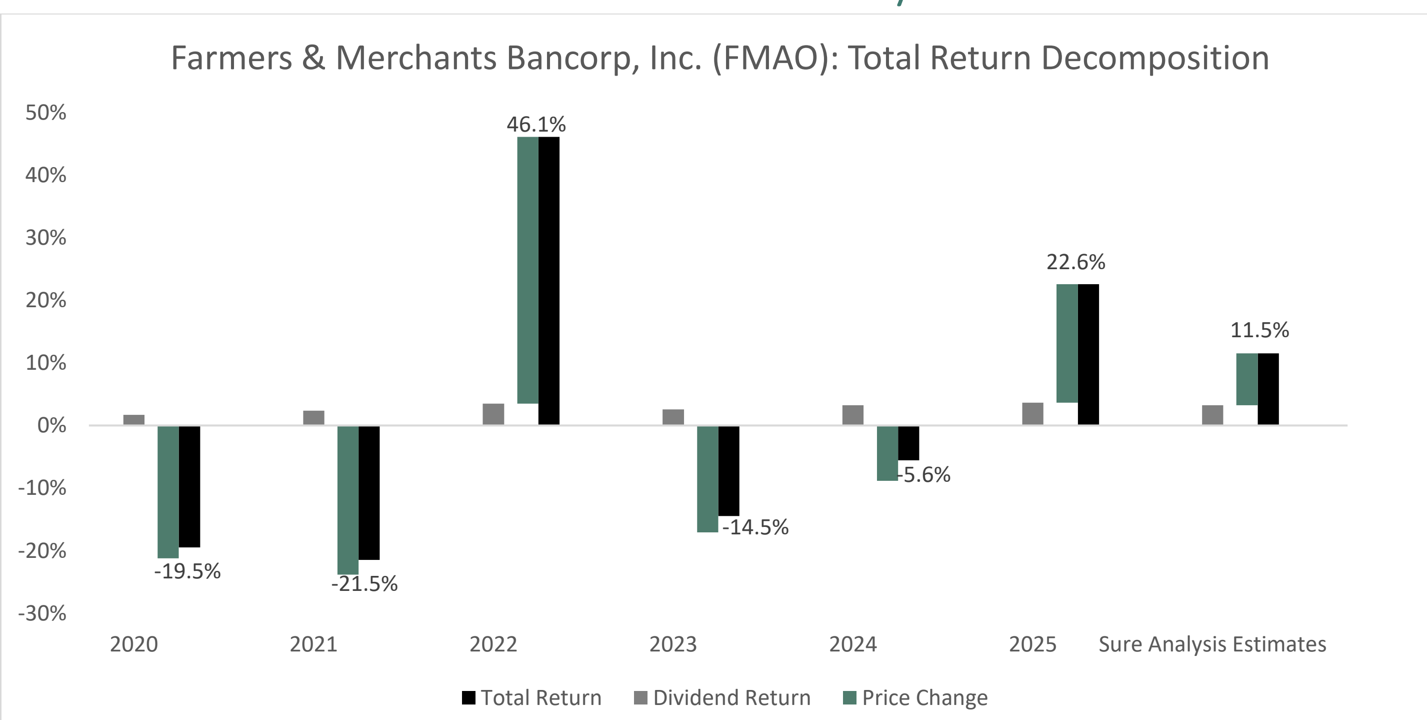
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	39%	37%	36%	35%	37%	37%	35%	33%	51%	37%	***29%***	***28%***

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% or lower 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 11.5% annualized total returns for the medium-term, derived from the forecasted earnings-per-share growth of 8.0%, the 2.8% dividend yield, and a valuation tailwind.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	44	46	49	64	75	85	100	95	99	189
SG&A Exp.	20	21	23	30	32	38	42	50	48	-
D&A Exp.	2	2	2	4	4	5	4	6	6.4	7
Net Profit	12	13	15	18	20	23	33	23	26	33
Net Margin	26.8%	27.9%	30.3%	28.9%	26.8%	27.7%	32.4%	24.2%	26.3%	17.5%
Free Cash Flow	10	16	8	20	24	33	38	11	31	35
Income Tax	5	5	3	4	5	6	8	6	6.6	9

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	1,056	1,107	1,116	1,607	1,910	2,638	3,015	3,283	3,365	3,434
Cash & Equivalents	29	37	42	54	103	146	88	144	177	97
Goodwill & Int.	6	6	6	50	51	84	90	92	92	98
Total Liabilities	930	973	973	1,377	1,660	2,341	2,717	2,967	3,030	3,064
Long-Term Debt	10	5	-	25	18	99	172	300	281	267
Total Equity	126	134	143	230	249	297	298	317	335	371
LTD/E Ratio	0.08	0.04	-	0.11	0.07	0.33	0.58	0.95	0.84	0.82

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	1.1%	1.2%	1.3%	1.4%	1.1%	1.0%	1.2%	0.7%	0.8%	1.0%
Return on Equity	9.5%	9.8%	10.8%	9.9%	8.4%	8.6%	10.9%	7.4%	8.0%	9.3%
ROIC	8.8%	9.3%	10.6%	9.2%	7.7%	7.1%	7.5%	4.2%	4.2%	5.0%
Shares Out.	9.1	9.2	9.2	11.0	11.1	11.6	13.1	13.5	13.4	14.6
Revenue/Share	4.77	4.98	5.37	5.72	6.72	7.27	7.60	7.02	7.37	13.95
FCF/Share	1.10	1.72	0.88	1.84	2.17	2.81	2.88	0.83	2.28	2.55

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