Farmers & Merchants Bancorp (FMCB)

Updated October 21st, 2026 by Aristofanis Papadatos

Key Metrics

Current Price:	$1,445	**5 Year CAGR Estimate:**	9.9%	**Market Cap:**	$977 M
Fair Value Price:	$1,714	**5 Year Growth Estimate:**	5.0%	**Ex-Dividend Date[1]:**	12/3/2026
% Fair Value:	84%	**5 Year Valuation Multiple Estimate:**	3.5%	**Dividend Payment Date:**	12/31/2026
Dividend Yield:	1.6%	**5 Year Price Target**	$2,187	**Years Of Dividend Growth:**	61
Dividend Risk Score:	A	**Sector:** Financials		**Rating:**	Hold

Overview & Current Events

Founded in 1916, Farmers & Merchants Bancorp is a locally owned and operated community bank with 33 locations in California. Due to its small market cap ($977 million) and its low liquidity, it passes under the radar of most investors. Nevertheless, F&M Bank has paid uninterrupted dividends for 91 consecutive years and has raised its dividend for 61 consecutive years. As a result, it is a Dividend King.

The company is conservatively managed and, until a decade ago, had not made an acquisition since 1985. However, in the last decade, it has begun to pursue growth more aggressively. It acquired Delta National Bancorp in 2016 and increased its locations by 4. Moreover, in late 2018, it acquired Bank of Rio Vista, which has helped F&M Bank to further expand in the San Francisco East Bay Area.

In mid-October, F&M Bank reported (10/20/26) results for the third quarter of 2026. It grew its earnings-per-share 8% over last year's quarter, from $33.92 to $36.75. Loans grew 4% while deposits grew 2%. Net interest income grew 5% thanks to growth of loans and an expansion of net interest margin from 4.16% to 4.24%. Management remains optimistic for the foreseeable future, as the bank enjoys one of the widest net interest margins in its sector. We reiterate that F&M Bank is one of the most resilient banks during downturns, such as the pandemic, a potential recession or the financial turmoil caused by the collapse of Silicon Valley Bank, Credit Suisse and First Republic. We still expect earnings-per-share to grow 7.5% this year, from $133.96 to a new all-time high of $144.00.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$37.44	$35.03	$56.82	$71.18	$74.03	$84.03	$96.55	$116.61	$121.02	$133.96	***$144***	***$183.78***
DPS	$13.10	$13.55	$13.70	$14.20	$14.75	$15.30	$16.15	$17.10	$18.10	$19.35	***$22.40***	***$27.25***
Shares[2]	794.0	809.8	801.2	787.0	793.6	789.2	767.9	747.5	699.5	698.0	***690.0***	***650.0***

In 2018, F&M Bank enjoyed a tailwind from its reduced tax rate and posted impressive earnings growth. In 2019, the bank posted impressive growth again thanks to its takeover of Bank of Rio Vista. However, the bank cannot keep growing at this pace. Before 2018, F&M Bank grew its earnings-per-share at a 10-year average annual rate of 2.2%. Lower interest rates have helped F&M Bank expand its net interest margin lately. The Fed has begun to raise interest rates to tame inflation lately but F&M Bank has proved resilient to high interest rates. Share repurchases may constitute a material growth driver, given the cheap valuation of the stock. Overall, we expect 5.0% annual earnings-per-share growth until 2031.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	17.3	16.9	12.2	10.8	9.9	10.2	9.8	8.3	8.0	7.4	***10.0***	***11.9***
Avg. Yld.	2.3%	2.2%	2.0%	1.9%	2.0%	1.8%	1.7%	1.8%	1.9%	1.9%	***1.6%***	***1.2%***

[1] Estimated date.

[2] In thousands.

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F&M Bank is trading at a price-to-earnings ratio of 10.0, which is lower than the 10-year average price-to-earnings ratio of 11.9 of the stock. We assume this as a fair earnings multiple for this small-cap stock. If the stock reaches our fair value estimate over the next five years, it will enjoy a 3.5% annualized valuation tailwind.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	35.3%	33.2%	24.1%	19.9%	19.9%	18.2%	16.7%	14.7%	15.0%	14.4%	***15.6%***	***14.8%***

F&M Bank is a prudently managed bank, which has always targeted a conservative capital ratio. The bank currently has a total capital ratio of 16.4%, which results in the highest regulatory classification of "well capitalized." Moreover, its credit quality remains exceptionally strong, as there are extremely few non-performing loans and leases in its portfolio. The conservative management results in lower leverage and thus slower growth than leveraged banks during boom times but protects the company from recessions, such as the fierce recession that resulted from the pandemic.

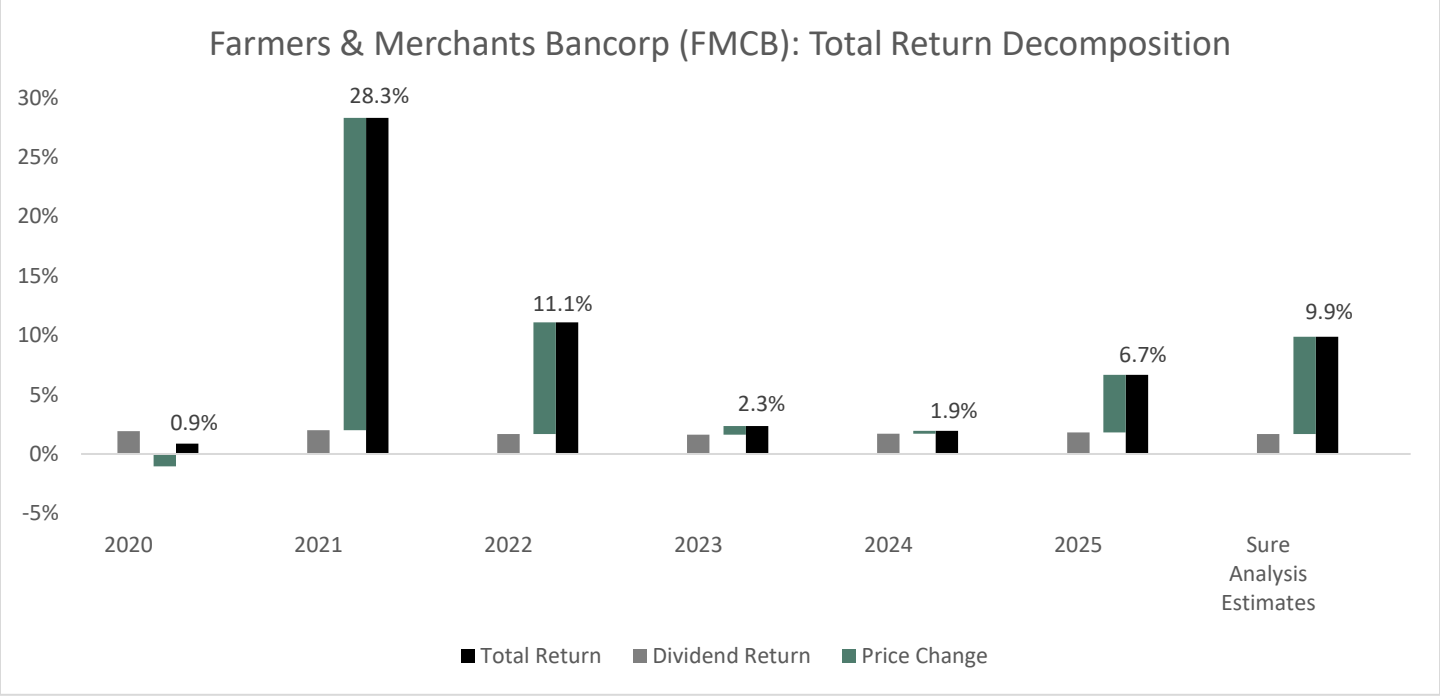
The merits of this strategy were on display during the Great Recession. While most banks saw their earnings collapse, F&M Bank incurred a modest -9% decrease in its earnings-per-share, from $28.69 in 2008 to $25.57 in 2009, and kept raising its dividend. That was certainly outstanding performance in the struggling financial sector.

The prudent management of the company is also confirmed by its exceptional dividend growth record. The banks that operate with high leverage cannot achieve such long dividend growth streaks because a recession always shows up after a few years and punishes those that are exposed. Moreover, F&M Bank has grown its dividend by 7.9% per year on average over the last five years. This is a decent growth rate, but we note the lackluster 1.6% dividend yield.

Final Thoughts & Recommendation

F&M Bank is a conservatively managed small-cap bank, which has proved resilient to the impact of high interest rates on net interest margin. We expect the stock to offer a 9.9% average annual return over the next five years thanks to 5.0% growth of earnings-per-share, a 1.6% dividend and a 3.5% valuation tailwind. The stock receives a hold rating. In addition, investors should always keep in mind the risks of stocks with such a small market cap and low trading liquidity.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	112	123	140	155	163	179	199	227	227	303
SG&A Exp.	44	48	52	57	58	66	67	76	77	---
D&A Exp.	2	2	3	3	3	3	2	2	3	---
Net Profit	30	28	46	56	59	66	75	88	88	94
Net Margin	26.4%	23.1%	32.6%	36.1%	36.0%	37.0%	37.8%	38.8%	38.9%	31.0%
Free Cash Flow	33	36	53	65	50	58	98	88	101	---
Income Tax	16	26	14	19	19	22	25	28	34	35

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	2922	3075	3434	3722	4550	5178	5327	5309	5370	5690
Cash & Equivalents	99	187	146	295	384	715	588	411	213	61
Accounts Receivable	100	99	126	129	130	18	22	29	30	---
Total Liabilities	2642	2776	3123	3353	4127	4715	4842	4759	4797	---
Accounts Payable	50	42	50	64	56	---	73	81	---	---
Long-Term Debt	10	10	10	10	10	10	10	10	10	10
Shareholder's Equity	280	300	311	369	424	463	485	550	573	646
D/E Ratio	0.04	0.03	0.03	0.03	0.02	0.02	0.02	0.02	0.02	0.02

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	1.1%	0.9%	1.4%	1.6%	1.4%	1.4%	1.4%	1.7%	1.7%	1.7%
Return on Equity	11.2%	9.8%	14.9%	16.5%	14.8%	15.0%	15.8%	17.1%	15.8%	15.4%
ROIC	10.8%	9.5%	14.4%	16.0%	14.4%	14.6%	15.5%	16.7%	15.6%	15.1%
Shares Out.	794.0	809.8	801.2	787.0	793.6	789.2	777.7	757.3	730.9	698.8
Revenue/Share	141.61	151.80	174.27	197.06	205.56	227.16	256.25	300.16	311.08	433.80
FCF/Share	41.95	44.07	66.39	82.98	63.54	73.32	125.47	116.69	138.64	---

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

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