

First Community Corporation

OUTPERFORM
FCCO (NASDAQ)
Price \$19.50
Price target \$22.00

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Market Data

Market Cap (\$M)	\$144.3
Price / Tang. Book	1.45x
52-Week Range	\$17.08 - \$25.13
3-Mo. Avg. Daily Volume	30,627
Dividends	\$0.44
Dividend Yield	2.26%
Shares Outstanding (M)	7.4
Institutional Ownership	50.7%
Insider Ownership	5.5%

Financial Summary

As of June 30, 2019

Assets (\$M)	\$1,116.0
Tangible Book Value	\$13.46
Tang. Common Eq. / Tang. Assets	9.2%
ROA	1.05%
ROE	11.4%
Net Interest Margin	3.67%

Price Performance

First Community Corporation vs. NASDAQ Bank Index


Company Description

First Community Corporation stock trades on the NASDAQ Capital Market under the symbol "FCCO" and is the holding company for First Community Bank, a local community bank based in the Midlands of South Carolina. First Community Bank operates banking offices located in the Midlands, Aiken, Augusta, Georgia, and Greenville. In addition, two other lines of business, First Community Bank Mortgage and First Community Financial Consultants, a financial planning/investment advisory division.

Announces New Share Repurchase Plan; Maintain OUTPERFORM

EPS ESTIMATES

	Mar	Jun	Sep	Dec	Year	Growth	Est. Change	P/E
2019E	\$0.33A	\$0.36A	\$0.36	\$0.36	\$1.41	(6.0%)	--	13.8x
2020E	\$0.36	\$0.37	\$0.40	\$0.40	\$1.53	8.5%	--	12.7x
2021E	\$0.39	\$0.40	\$0.42	\$0.42	\$1.63	6.5%	--	12.0x

FCCO announces new share repurchase plan. Late last week, FCCO announced that the Board has authorized a new share repurchase program of up to 200K shares, which represents about 3% of shares outstanding. The announcement follows the completion of the prior repurchase plan, which was announced earlier this year. Under that plan, FCCO repurchased all of the 300K authorized shares between May and August 2019.

Our Take: We see the announcement as a modest positive for the stock, though it doesn't necessarily come as a surprise. We had surmised in our 2Q earnings review report that given the relatively quick pace of repurchase activity following the authorization earlier this year, coupled with what we saw as an excess capital position (9.2% at the most recent qtr-end), and a share price that hadn't really moved all that materially from the levels at which the company was buying over the summer, that a new repurchase authorization could be in the offing. As for the stock, we are maintaining the OUTPERFORM rating. On the one hand, we think we've been clear in communicating that amidst a shifting to fundamental earnings drivers that aren't as highly valued by the market (mortgage in place of NIM, for example), we don't see much of a near-term fundamental catalyst for the shares. That being said, for a top-tier deposit franchise with high scarcity value in consolidating, attractive markets, the stock strikes us as compelling valued, trading at just under 1.5x TBV, while, at the same time, we see fairly limited downside risk (particularly given our view that the company is likely to remain active and opportunistic on the share repurchase front). Bottom line, we like the stock here, with the caveat that valuation in and of itself in our experience tends to be an unreliable near-term catalyst.

[Latest FCCO Company Report](#)

Important Disclosures regarding Price Target Risks, Valuation Methodology, Regulation Analyst Certification, Investment Banking, Ratings Definitions, and any potential conflicts of interest begin on page 2 of this report. Past performance is no guarantee of future results.

IMPORTANT DISCLOSURES:**Regulation Analyst Certification**

I, Joseph Fenech, hereby certify the views expressed in this research report accurately reflect my personal views about the subject security(ies) or issuer(s). I further certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by me in this report.

Research Disclosures:

Hovde Group, LLC currently makes a market and/or will sell to or buy from customers on a principal basis, the securities of First Community Corporation

Hovde Group, LLC provided and received compensation for providing non-investment banking securities related services for the following subject company within the past 12 months: First Community Corporation.

Analysts' Compensation: The equity research analysts responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, institutional equities and investment banking.

Hovde Group, LLC expects to receive or intends to seek compensation for investment banking services from the following subject company in the next three months: First Community Corporation .

Price Target Risks & Related Risk Factors:

Investment risks associated with the achievement of the price target include, but are not limited to, a company's failure to achieve Hovde Group, LLC's earnings and revenue estimates; unforeseen macroeconomic and/or industry events that adversely affect demand for a company's products or services; product obsolescence; changes in investor sentiment regarding the specific company or industry; intense and rapidly changing competitive pressures; the continuing development of industry standards; the company's ability to recruit and retain competent personnel; and adverse market conditions.

Company Specific Risks:

Risks to the price target, rating, and EPS estimates include: (a) the announcing of a large acquisition that is dilutive to TBV/sh and/or implies considerable integration risk, (b) potential integration issues and/or delays in closing the company's pending acquisition, (c) the announcing of a large, dilutive capital raise, (d) the emergence of unanticipated credit deterioration, (e) NIM compression stemming from heightened deposit pricing competition amid rising ST rates and/or a flattening/inverted yield curve, (f) an economic downturn specific to the company's South Carolina footprint (likely slowing loan growth and pressuring credit quality), and (g) lower bank equity valuations.

Valuation Methodology:

Methodology for ratings and target prices includes both qualitative and quantitative factors including an assessment of industry size, structure, trends and overall sector attractiveness; management; competition; financial condition; and expected total return, among other factors. These factors are subject to change depending on overall economic conditions or industry or company-specific occurrences. Hovde Group, LLC analysts base valuations on a combination of forward looking earnings multiples and price-to-tangible book multiples. Hovde Group, LLC, believes this accurately reflects the strong absolute value of earnings, the strong earnings growth rate, the inherent profitability, and adjusted balance sheet factors. Additional company-specific valuation methodology is available through Hovde Group, LLC.

Company Specific Valuation:

Our price target of \$22.00 assumes the shares of First Community Corp. (FCCO) will trade at 14.4x our 2020 EPS est.

Definition of Investment Ratings:

OUTPERFORM: We expect the subject stock to outperform the industry benchmark (NASDAQ Bank) over the next 12 months.

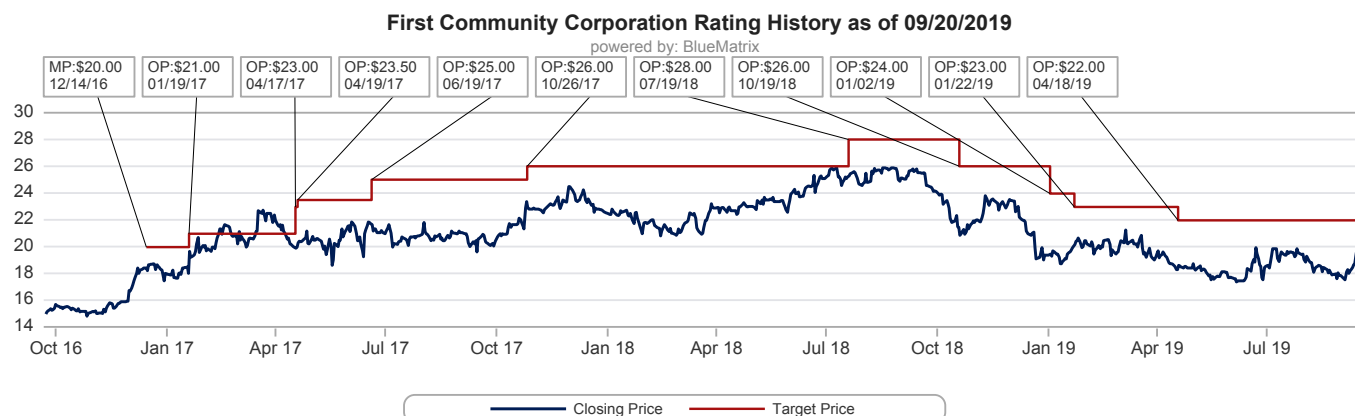
MARKET PERFORM: We expect the subject stock will perform inline with the industry benchmark (NASDAQ Bank) over the next 12 months.

UNDERPERFORM: We expect the subject stock will underperform the industry benchmark (NASDAQ Bank) over the next 12 months.

Ratings Distribution:

Rating Category	Count	Percent	IB Serv./Past 12Mos.	
			Count	Percent
OUTPERFORM	41	51.25%	13	31.71%
MARKET PERFORM	39	48.75%	3	7.69%
UNDERPERFORM	0	0.00%	0	0%

For purposes only of FINRA ratings distribution rules, our Outperform rating falls into a buy rating category; our Market Perform rating falls into a hold rating category; and our Underperform rating falls into a sell rating category.



ADDITIONAL INFORMATION AVAILABLE UPON REQUEST: Contact the Hovde Research Department at 1-855-559-6831, or write to 120 W. Madison Street, Suite 1200, Chicago, IL 60602.

For current company specific disclosures please see the most recently published company report, or contact the Hovde Group Research Department at the address or telephone number listed above. You may also access such disclosures, including price charts or other relevant disclosures, by visiting the following website: <https://hovdegrouppbluematrix.com/sellside/ Disclosures.action>.

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