

First Community Corporation

OUTPERFORM
FCCO (NASDAQ)
Price \$20.20
Price target \$23.00
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Market Data

Market Cap (\$M)	\$135.3
Price / Tang. Book	1.79x
52-Week Range	\$13.56 - \$23.55
3-Mo. Avg. Daily Volume	11,860
Dividends	\$0.36
Dividend Yield	1.78%
Shares Outstanding (M)	6.7
Institutional Ownership	44.2%
Insider Ownership	8.0%

Financial Summary

As of December 31, 2016

Assets (\$M)	\$914.8
Tangible Book Value	\$11.28
Tang. Common Eq. / Tang. Assets	8.3%
ROA	0.73%
ROE	8.5%
Net Interest Margin	3.35%

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.

FCCO Announced Accretive Acquisition in Upstate Region of South Carolina; Increasing 2018 EPS Est. and PT; Maintain OUTPERFORM Rating

EPS ESTIMATES

	Mar	Jun	Sep	Dec	Year	Growth	Est. Change	P/E
2016A	\$0.21	\$0.26	\$0.24	\$0.24	\$0.95	5.6%	--	21.3x
2017E	\$0.24	\$0.26	\$0.28	\$0.28	\$1.06	11.6%	--	19.1x
2018E	\$0.28	\$0.31	\$0.32	\$0.33	\$1.24	17.0%	\$0.07	16.3x

FCCO announces acquisition in Upstate SC: FCCO announced last Wednesday that it plans to acquire Cornerstone Bancorp, and its wholly-owned bank sub, Cornerstone National Bank. We were precluded from writing until now owing to our firm's involvement in the transaction. The 70% stock/30% cash deal has an implied total consideration of \$25.8 mil., and is expected to close in early-4Q17.

Profile of the seller: Cornerstone (OTC Pink: CTOT) is based in Easley, SC, with total assets of \$146 mil. (including \$72.5 mil. of loans), \$126 mil. of deposits, and total shareholders' equity of \$19.5 mil. The company operates three branches – all located in the attractive Upstate region of South Carolina. Cornerstone was founded in 1999 by its current CEO, Rodger Anthony.

A sizable deal for FCCO: The acquisition is not insignificant in size for FCCO, with the implied deal value representing ~19% of FCCO's market cap, and assets, loans and deposits of the seller representing 16.0%, 13.0%, and 16.5%, respectively, of standalone FCCO. That said, we view the size of the deal as digestible –and in turn the implied integration risk as very manageable for FCCO.

Cornerstone relative to FCCO (%)	
DV as % of Mkt Cap ¹	19.0%
As % of Total Assets	16.0%
As % of Gross Loans	13.0%
As % of Total Deposits	16.5%

Source: Company Filings as of 12/31/2016

¹ Market data as of 4/12/2017

The deal provides needed scale for FCCO's balance sheet: Mgmt estimates that the combined company – on a pro-forma basis as of YE16 – will have ~\$1.059 bil. in total assets, \$892.5 mil. in total deposits, and \$622.3 mil. in total loans, as compared to standalone FCCO's respective totals of \$914.8 mil., \$766.6 mil., and \$546.7 mil.

Important Disclosures regarding Price Target Risks, Valuation Methodology, Regulation Analyst Certification, Investment Banking, Ratings Definitions, and any potential conflicts of interest begin on page 5 of this report. Past performance is no guarantee of future results.

The acquisition enhances FCCO's geographic franchise into the Upstate region of SC... We view the deal as enhancing FCCO's franchise, and in a way that is consistent with FCCO's stated strategy about looking for expansion opportunities in the economically-attractive, Upstate region of SC. While FCCO only operated a single LPO (opened in March 2016) in the Upstate region – the company now gains Cornerstone's presence in the region. Specifically, Cornerstone operates three branches – all in the Greenville-Anderson-Mauldin MSA, in which Cornerstone ranks #18 in deposit market share. By county, Cornerstone had one branch each in the SC counties of Pickens, Greenville, and Anderson – with Pickens County accounting for ~2/3 of the company's deposits (where Cornerstone ranks #8 in deposit market share), and the remaining 1/3 residing in Greenville and Anderson counties.

...and strikes us as consistent with FCCO's stated expansion strategy: We should note that the expansion into the Upstate region of SC strikes us as very consistent with the CEO's stated expansion strategy, and comes on the heels of some initial moves into the region. Specifically, in March 2016, FCCO opened a Greenville LPO (which we suspect will soon convert to a full-service branch) and the hiring of a team from legacy-Palmetto Bancshares (acquired by UCBi). Additionally, with last week's announced deal, mgmt noted that it has initiated a site selection process for a full service banking office in downtown Greenville (as neither the LPO or Cornerstone's branches are located downtown).

Terms of the deal, as well as implied valuation and financial impact: Per the release, Cornerstone shareholders will have the right to receive \$11.00 in cash or 0.54 shares of FCCO common stock, or a combination thereof (subject to a 70%/30% mix of stock/cash), for each share of Cornerstone stock. Based on the implied deal value of \$25.8 mil., we estimate that FCCO is paying 139% TBV/sh, 34.6x LTM earnings, and a 6.6% core deposit premium for Cornerstone. Based on our conversation with mgmt, we get the sense that FCCO expects the deal to be accretive to 2018 EPS (most likely at a mid-single-digit annl. %) and with low single-digit % dilution to TBV/sh (with an associated earn back of <4 years). We estimate cost saves of ~40% on the transaction, mainly stemming from personnel and back office-related areas.

Transaction Summary		Pricing Multiples	
Deal Value (\$M)	\$25.8	Price / Tangible Book	139%
Consideration	70% Stock/30% Cash	Price / LTM Earnings	34.6x
Expected Close	4Q17	Core Deposit Premium	6.6%

Source: Company Filings and Hovde Group Research

Observations on the target's balance sheet and profitability:

- The balance sheet has a loan/deposit ratio of 57.5%, which is considerably lower than FCCO's already below-peer ratio of 71.3%. This implies that FCCO is gaining an incremental deposit cushion that it can use to fund incremental loan growth.
- The deposit mix looks fairly attractive, with core deposits of 87.9% of total deposits, and non-CD deposits at 71% of total. The overall deposit mix (which doesn't strike us as all that different from that of FCCO) includes 24.6% savings, 18.0% noninterest-bearing demand, 17.6% interest-bearing demand, 10.8% money market, 16.8% retail CDs, and 12.2% jumbo CDs.
- The loan mix (which also doesn't strike us as all that different from that of FCCO) includes 61.2% CRE, 15.8% C&D, 9.6% 1-4 family mortgages, 8.0% C&I, and 5.4% consumer.
- Cornerstone's NIM was 3.33% in 2016, which roughly approximates FCCO's 4Q16 NIM of 3.37%. Cornerstone had an yield on AEAs of 3.63% and a cost-of-funds of 0.32% in 2016, as compared to 3.72% and 0.32%, respectively, for FCCO in 4Q16.
- Cornerstone's profitability measures for 2016 included a 0.51% ROAA, a 3.88% ROAE, and a 78.0% efficiency ratio, as compared to FCCO's core 4Q16 ratios of 0.81%, 8.88%, and 69.8%, respectively. Balance sheet growth appeared to be lacking at Cornerstone, as total loans exhibited a modest declining trend in recent years.
- Cornerstone had a relatively high ratio of NPAs/loans+OREO of 3.49% at YE16 (although it had been declining in recent years), which appears to be entirely OREO.

Increasing our 2018 EPS est.: After inputting the announced acquisition into our model, we are increasing our 2018 EPS est. by 7 cents (to \$1.24).

Maintain OUTPERFORM: There is no change to our OUTPERFORM rating following the announced acquisition, although we are increasing our PT by \$2.00 (to \$23.00) to reflect our increased 2018 EPS est. and a higher assumed multiple for FCCO. In short, we view FCCO's announced acquisition as "checking all of the boxes" that investors look for with value-enhancing deals. Specifically, we cite the following positives: (a) accretive to EPS, (b) a reasonable earn-back to TBV/sh dilution, (c) enhancing the geographic franchise, (d) not implying meaningful integration risk, (e) gaining a substantial deposit cushion and a somewhat underutilized balance sheet (that FCCO can make better use of), (f) the transaction adds scale (and takes FCCO to over \$1 bil. in assets on a pro-forma basis), and (g) the deal is consistent with mgmt's previously stated expansion strategy (i.e., the deal isn't coming out of left field).

Like most banks, FCCO has seen a substantial move in the stock since Election Day, yet with a pullback over the past month or so. However, we continue to like the shares for a number of reasons. First, the shares trade at 179% of TBV/sh and 16.3x our 2018 EPS est. - each representing a modest discount to the peer median. Second, we expect FCCO to deliver double-digit EPS growth over the next few years, and deliver enhanced profitability. Third, we view the combination of a low loan/deposit ratio and a low cost-of-funds as positioning the company well to benefit from both a stronger economy and a rising rate environment. Fourth, we expect FCCO to have additional accretive acquisition opportunities over the next few years. Fifth, we view the multiple as having additional room to expand, especially with increased scarcity value for a solid, sizable Carolinas-based banking franchise on the heels of the active consolidation in the region over the past few years.

[Latest FCCO Company Report](#)

First Community Corporation (FCCO)

	\$0.21		\$0.26		\$0.24		\$0.24		\$0.95		\$0.24		\$0.26		\$0.28		\$0.28		\$1.06		\$1.24		
	1Q16A		2Q16A		3Q16A		4Q16A		2016A		1Q17E		2Q17E		3Q17E		4Q17E		2017E		2018E		
	% Δ	Actual	% Δ	Actual	% Δ	Actual	% Δ	Actual	% Δ	Actual	% Δ	Est.	% Δ	Est.	% Δ	Est.	% Δ	Est.	% Δ	Est.	% Δ		
NET INTEREST INCOME ASSUMPTIONS																							
Avg Loans	1.0%	492.2	3.5%	509.5	2.1%	520.1	3.2%	536.9		514.7	8.8%	1.8%	546.6	3.0%	563.0	2.3%	575.7	3.0%	663.9	587.3	14.1%	703.9	19.9%
Avg Securities and CDs	1.1%	283.9	-0.5%	282.5	1.4%	286.3	-1.6%	281.6		283.6	2.8%	-1.5%	277.4	0.0%	277.4	0.0%	277.4	0.0%	321.8	288.5	1.7%	321.8	11.5%
Avg Other Earning Assets	-28.2%	16.0	5.0%	16.8	38.7%	23.3	-41.5%	13.6		17.4	-4.6%	0.0%	13.6	0.0%	13.6	0.0%	13.6	0.0%	25.1	16.5	-5.3%	25.1	52.2%
Average Earning Assets	0.2%	792.1	2.1%	808.7	2.6%	829.8	0.3%	832.2		815.7	6.3%	0.7%	837.6	2.0%	854.0	1.5%	866.7	16.6%	1,010.8	892.3	9.4%	1,050.8	17.8%
Average Assets	0.8%	865.5	1.7%	880.4	2.3%	900.9	0.6%	905.9		888.2	6.3%	0.7%	911.8	2.0%	929.7	1.5%	943.4	16.6%	1,100.3	971.3	9.4%	1,143.8	17.8%
Net Interest Margin		3.33%		3.43%		3.29%		3.35%		3.36%			3.40%		3.42%		3.44%		3.45%	3.43%			3.47%
CREDIT ASSUMPTIONS																							
Provision / Avg Loans		0.11%		0.17%		0.14%		0.18%		0.15%	1		0.12%		0.14%		0.15%		0.16%	0.14%	1	0.15%	1
Net Charge-Off Ratio		0.04%		0.02%		0.01%		0.05%		0.03%	0		0.03%		0.04%		0.05%		0.06%	0.05%	0	0.08%	1
Reserves / Loans		0.95%		0.95%		0.96%		0.95%		0.95%			0.96%		0.96%		0.96%		0.96%	0.96%			0.95%
INCOME STATEMENT																							
Net Interest Income	1.5%	6,595	5.2%	6,935	-1.0%	6,867	2.1%	7,013		27,410	5.1%	1.0%	7,081	2.6%	7,262	3.2%	7,494	17.0%	8,766	30,603	11.7%	36,416	19.0%
Loan Loss Provision (Recovery)	-5.4%	140	55.0%	217	-17.5%	179	33.0%	238		774	-32%	-31.1%	164	20.2%	197	9.6%	216	23.0%	266	842	9%	1,056	25%
Deposit service charges	-10.1%	347	-2.0%	340	10.9%	377	-9.5%	341		1,405	-4.4%	-2.0%	334	5.0%	351	2.5%	360	1.0%	363	1,408	0.2%	1,477	4.9%
Mortgage banking income	-11.7%	665	37.3%	913	2.6%	937	-7.5%	867		3,382	-1.5%	-7.0%	806	2.5%	826	3.5%	855	0.0%	855	3,344	-1.1%	3,369	0.8%
Investment advisory fees	-1.0%	291	2.1%	297	-4.7%	283	-6.7%	264		1,135	-11.8%	5.0%	277	2.0%	283	1.5%	287	2.0%	293	1,140	0.4%	1,231	8.0%
Other non-interest income	5.5%	724	1.4%	734	-1.1%	726	-0.1%	725		2,909	11.3%	2.0%	740	1.5%	751	1.5%	762	1.5%	976	3,228	11.0%	4,054	25.6%
Total Noninterest Income	-4.3%	2,027	12.7%	2,284	1.7%	2,323	-5.4%	2,197		8,831	0.3%	-1.8%	2,157	2.5%	2,211	2.4%	2,264	9.9%	2,488	9,119	3.3%	10,131	11.1%
Operating Revenue	0.0%	8,622	6.9%	9,219	-0.3%	9,190	0.2%	9,210		36,241	3.9%	0.3%	9,238	2.5%	9,473	3.0%	9,758	15.3%	11,254	39,723	9.6%	46,547	17.2%
Salaries and employee benefits	3.9%	3,751	2.2%	3,833	1.4%	3,888	-1.0%	3,851		15,323	6.2%	3.3%	3,976	-1.0%	3,936	1.5%	3,995	1.8%	4,065	15,973	4.2%	16,731	4.7%
Occupancy	-3.3%	559	-8.6%	511	3.9%	531	6.6%	566		2,167	4.4%	1.0%	572	2.0%	583	1.5%	592	1.0%	598	2,344	8.2%	2,476	5.6%
Equipment	3.1%	429	1.9%	437	1.1%	442	-5.0%	420		1,728	4.8%	1.5%	426	1.5%	433	1.5%	439	1.5%	446	1,744	0.9%	1,851	6.1%
Marketing & public relations	-43.0%	94	107.4%	195	23.1%	240	40.0%	336		865	2.0%	-15.0%	286	3.0%	294	2.0%	300	0.0%	300	1,180	36.4%	1,186	0.5%
FDIC assessment	0.0%	138	0.0%	138	-56.5%	60	26.7%	76		412	-21.8%	0.0%	76	0.0%	76	0.0%	76	0.0%	76	304	-26.2%	304	0.0%
Amortization of intangibles	-5.7%	83	-3.6%	80	0.0%	80	-6.3%	75		318	-17.8%	-2.0%	74	-2.0%	72	-2.0%	71	-2.0%	97	313	-1.6%	369	17.7%
Other expense	19.3%	1,237	-9.6%	1,118	9.7%	1,227	-3.8%	1,180		4,762	12.3%	2.0%	1,204	0.0%	1,204	2.0%	1,228	1.5%	2,189	5,824	22.3%	8,158	40.1%
Noninterest expense, ex credit	4.3%	6,291	0.3%	6,312	2.5%	6,468	0.6%	6,504		25,575	5.9%	1.7%	6,613	-0.2%	6,598	1.6%	6,701	16.0%	7,771	27,683	8.2%	31,075	12.3%
OREO expense	-43.3%	51	-58.8%	21	447.6%	115	-87.8%	14		201	-61.6%	0.0%	14	-5.0%	13	-5.0%	13	-5.0%	12	52	-74.2%	44	-14.8%
Noninterest Expense	3.6%	6,342	-0.1%	6,333	3.9%	6,583	-1.0%	6,518		25,776	4.4%	1.7%	6,627	-0.2%	6,611	1.5%	6,713	15.9%	7,783	27,735	7.6%	31,119	12.2%
Pretax Operating Income	-8.9%	2,140	24.7%	2,669	-9.0%	2,428	1.1%	2,454		9,691	6.9%	-0.3%	2,447	8.9%	2,664	6.2%	2,829	13.3%	3,205	11,146	15.0%	14,372	28.9%
Pre-tax, Pre-Provision Operating Income	-8.7%	2,280	26.6%	2,886	-9.7%	2,607	3.3%	2,692		10,465	2.6%	-3.0%	2,611	9.6%	2,861	6.4%	3,045	14.0%	3,470	11,988	14.6%	15,428	28.7%
Pre-tax, Pre Credit Costs Operating Income	-9.9%	2,331	24.7%	2,907	-6.4%	2,722	-0.6%	2,706		10,666	-0.6%	-3.0%	2,625	9.5%	2,875	6.4%	3,057	13.9%	3,482	12,040	12.9%	15,472	28.5%
Net securities gains		59		64		478		0		601		0		0		0		0	0			0	
Net nonrecurring items		3		(84)		(414)		3		(492)		0		0		0		(2,064)	(2,064)			0	
Pretax Income	-5.2%	2,202	20.3%	2,649	-5.9%	2,492	-1.4%	2,457		9,800	6.2%	-0.4%	2,447	8.9%	2,664	6.2%	2,829	-59.7%	1,141	9,082	-7.3%	14,372	58.3%
Taxes		734		904		815		665		3,118	0.5%		826		899		955		385	3,065	-1.7%	4,851	58.3%
Effective Tax Rate		33.3%		34.1%		32.7%		27.1%		31.8%			33.8%		33.8%		33.8%		33.8%	33.8%			33.8%
Net Income	-8%	1,468	18.9%	1,745	-3.9%	1,677	6.9%	1,792		6,682	9.1%	-9.5%	1,621	8.9%	1,765	6.2%	1,874	-59.7%	756	6,017	-10.0%	9,521	58.3%
Preferred stock dividends		0		0		0		0		0			0		0		0		0	0		0	
Net Income available to common	-8.3%	1,468	18.9%	1,745	-3.9%	1,677	6.9%	1,792		6,682	9.1%	-9.5%	1,621	8.9%	1,765	6.2%	1,874	-59.7%	756	6,017	-10.0%	9,521	58.3%
Avg Shares Outstanding	0.2%	6,751		6,733		6,762		6,805		6,763	0.9%		6,805		6,805		6,805		7,682	7,025	3.9%	7,682	9.4%
Period End Shares	0.0%	6,693		6,699		6,703		6,708		6,708	0.3%		6,708		6,708		7,585		7,585	7,585	13.1%	7,585	0.0%
Share Repurchases								0		0		\$0.00	0	\$0.00	0	\$0.00	0	\$0.00	0			0	
Shares Issued								0		0			0		0		0		877	877		0	
Dividend		\$0.08		\$0.08		\$0.08		\$0.08		\$0.32		\$0.09	\$0.09	\$0.09	\$0.09	\$0.09	\$0.09	\$0.09	\$0.36	\$0.36		\$0.36	
Dividend Payout Ratio		36.8%		30.9%		32.3%		30.4%		32.3%			37.8%		34.7%		32.7%		91.5%	40.9%			29.0%
EPS - Diluted	-8.5%	\$0.22	19.2%	\$0.26	-4.3%	\$0.25	6.2%	\$0.26		\$0.99	7.6%	-9.5%	\$0.24	8.9%	\$0.26	6.2%	\$0.28	-64.3%	\$0.10	\$0.88	-11.1%	\$1.24	40.9%
Core EPS	-12.1%	\$0.21	23.6%	\$0.26	-7.5%	\$0.24	0.0%	\$0.24		\$0.95	5.6%	-1.4%	\$0.24	8.9%	\$0.26	6.2%	\$0.28	0.4%	\$0.28	\$1.06	11.6%	\$1.24	17.0%
PERFORMANCE RATIOS																							
Core ROAA		0.66%		0.80%		0.73%		0.73%		0.73%			0.71%		0.76%		0.79%		0.77%	0.76%			0.83%
Pre-tax, Pre-provision ROAA		1.05%		1.31%		1.16%		1.19%		1.18%			1.15%		1.23%		1.29%		1.26%	1.23%			1.35%
Core ROAE		7.10%		8.55%		7.74%		7.87%		7.82%			7.87%		8.46%		8.85%		9.00%	8.56%			8.93%
Core ROTCE		7.72%		9.26%		8.36%		8.51%		8.47%			8.51%		9.12%		9.53%		10.08%	9.33%			10.29%
Efficiency Ratio		73.6%		68.7%		71.6%		70.8%		71.1%			71.7%		69.8%		68.8%		69.2%	69.8%			66.9%
CAPITAL																							
BV Per Share	3.2%	\$12.19	3.1%	\$12.57	-0.1%	\$12.56	-2.9%	\$12.20		\$12.20	3.3%	1.2%	\$12.35	1.4%	\$12.53	1.5%	\$12.72	7.2%	\$13.64	\$13.64	11.8%	\$14.53	6.6%
TBV Per Share	3.7%	\$11.24	3.4%	\$11.62	0.0%	\$11.63	-3.0%	\$11.28		\$11.28	4.1%	1.4%	\$11.44	1.6%	\$11.63	1.7%	\$11.83	-0.6%	\$11.75	\$11.75	4.2%	\$12.69	8.0%
TCE / TA	2.8%	8.71%	1.3%	8.82%	-2.8%	8.58%	-2.9%	8.33%		8.33%	-1.7%	0.8%	8.39%	-0.4%									

IMPORTANT DISCLOSURES:**Regulation Analyst Certification**

I, Kevin Fitzsimmons, 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.

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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 is acting as a financial advisor to First Community Corporation in connection with its definitive merger agreement with Cornerstone Bancorp, and this report should not be construed as a proxy solicitation.

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 .

Hovde Group, LLC provided investment banking services for the following subject company within the past 12 months: First Community Corporation .

Hovde Group, LLC currently makes a market and/or will sell to or buy from customers on a principal basis, the securities of United Community Banks, Inc. (UCBI). Hovde Group currently provides research coverage on UCBI. For the latest report and disclosures on this company, click the following link: [UCBI](#).

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 \$23.00 assumes the shares of First Community Corp. (FCCO) will trade at 18.5x our 2018 EPS est. one year out.

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	22	30.99%	7	31.82%
MARKET PERFORM	46	64.79%	10	21.74%
UNDERPERFORM	3	4.23%	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.

First Community Corporation Rating History as of 04/16/2017

powered by: BlueMatrix



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/Dislosures.action>.

Other Disclosures:

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