

First Community Corp.

Outperform
FCCO (NASDAQ)
Price \$19.26
Price Target \$23.00

David Bishop, CFA
(443) 610-7379
dbishop@hovdegroup.com

Financial Summary

As of December 31, 2023

Assets (\$M)	\$1,828
Tangible Book Value	\$15.23
Tang. Common Eq. / Tang. Assets	6.4%
ROA	0.73%
ROE	10.5%
Net Interest Margin	2.89%

Market Data

Market Cap (\$M)	\$146
Price / Tang. Book	1.26x
52-Week Range	\$16.30 - \$22.00
3-Mo. Avg. Daily Volume	14,601
Dividends	\$0.56
Dividend Yield	2.91%
Shares Outstanding (M)	7.6

Price Performance

First Community Corporation vs. NASDAQ Bank Index



Company Description

First Community Corporation is the holding company for First Community Bank, a community bank based headquartered in Lexington, SC and operates in the Midlands, Aiken, and Greenville, South Carolina markets as well as Augusta, Georgia.

Still on a Strong Growth Path; Reiterating Outperform Rating Following Solid End to 2023

EPS ESTIMATES

	Mar	Jun	Sep	Dec	Year	Growth	Est. Change	P/E
2023A	\$0.45	\$0.41	\$0.35	\$0.43	\$1.65	(14.5%)	--	11.7x
2024E	\$0.34	\$0.39	\$0.42	\$0.46	\$1.61	(2.0%)	\$-0.06	11.9x
2025E	\$0.41	\$0.47	\$0.48	\$0.52	\$1.88	16.7%	\$-0.03	10.2x

Conclusion

Following 4Q23 earnings (see [link](#)) we are adjusting our 2024/25 EPS estimates to \$1.61 (-\$0.06) and \$1.88 (-\$0.03), respectively, **and reiterate our Outperform rating and \$23 Price target equating to ~1.35x 2024E TBV (a slight premium to current valuation). Excluding the impact of AOCl, our price target equates to only 1.2x TBV (see last bullet below).** Our EPS adjustments mostly reflect a more conservative Operating Expense outlook as we do forecast some inflationary creep into 2024 as well as a slight downward adjustment in the NIM. However, with new loan production now in the high 7%/low-8% range and potential for rate cuts, the liability sensitive balance sheet should be poised to benefit from a dovish Fed. Thus, our current NIM outlook could prove to be conservative, all else equal, providing additional EPS lift.

- **NIM Crimped But Positioned for Expansion.** The 4Q23 NIM of 2.89% was 4bp below our expectations as Average Deposit costs rose to 1.69% (up 37bps LQ) while Average Loan yields are improved but were up only 18bps sequentially. Deposit mix shift continued with DDAs declining to 28.6% but looking forward management foresees stabilization in the NIM and increasing in the back half of the year. Several tranches of brokered and callable CDs should mature or become callable during 1H24 potentially easing cost pressure and the company will likely lean on Securities cash flow (455M in 2024) and Cash run-off to fund loan growth or reduce wholesale funding - also easing pressure (Loan-to-Deposit ratio still a relatively low 75% leaving capacity for internal funding). Management notes new loan pricing is in the high-7% range and low 8% range. We have adjusted our 2024 NIM forecast down by 4bps to 2.96% but do model a rising NIM beginning in 1H24 as we expect funding costs to plateau in that time frame and adjust our 2025 NIM to 3.10% (3.14%) which may be conservative.
- **Loan Train Keeps a Rolling!** Total loans rose ~16% LQA which matches the full-year 2023 growth rate with Commercial loan production of \$42M and Construction draws another \$23M as CRE payoffs also declined. FCCO again provided deeper disclosures regarding the CRE portfolio focusing on the Non-Owner Occupied segment. The largest segment is within the Retail segment (\$89M or 7.8% of loans) with an average loan size of only \$1.0M and WAVG LTV of 57% for the top 10 loans. The Office segment totals \$66M with an average loan size of \$675K and comprises 5.8% of EOP loans. Management notes some decline in the loan pipeline entering into 2024, and we do forecast loan growth to moderate but still project healthy overall loan growth of 9% during 2024/2025 as management notes that the local markets it serves in SC and NC remain strong and CRE sponsors noting resilience in the local markets. Stress testing of the CRE portfolio shows little in the way of stress on borrowers and Asset quality remains a solid non-event at FCCO.

Important Disclosures regarding Price Target Risks, Valuation Methodology, Regulation Analyst Certification, Investment Banking, Ratings Definitions, and any potential conflicts of interest begin on page 7 of this report. Past performance is no guarantee of future results.

- **Operating Expenses Well Below Trend and Fee Income Showing Life.** Core operating expenses of \$10.7M were down 5.3% sequentially and \$0.07 below our expectations. The company leaned on lower Marketing expense on a planned decrease in public relations advertising and Salaries and benefits fell \$201K due to lower incentive accruals. Guidance for 1Q24 Expenses suggests a normalization towards the 3Q23 range of \$11.3M as a run rate. Based on current case volumes the bank believes the fraud surge is behind it. While Fee income was a penny below expectations the company sees continued growth in Investment Advisory Fees which were up ~14% YOY in 4Q23 with management noting a recent hire in the Greensboro market and a new market leader in Rock Hill, SC are aiding growth as is the lagging impact of rising equities markets.
- **TBV Remains Understated Due to AOCI Impact.** FCCO's TCE ratio improved modestly to 6.4% from 6.1% during the quarter, and we note that TBV remains understated with the inclusion of AOCI adjustments. Specifically, TBV rose to \$18.93/sh. On an adjusted basis excluding the AOCI from \$18.60/sh - implying the shares trade at a very slight premium to TBV (~1.02x adjusted).

Exhibit 1: FCCO 4Q23 Variance Table

Actuals vs. Hovde and Consensus

(\$M) FCCO	Estimates		Actual 4Q23	Actuals vs:			
	Hovde	Cons.		Hovde		Consensus	
				\$ Diff.	P/S	\$ Diff.	P/S
Net Interest Income	12.4	12.1	12.3	(0.1) ▼	(\$0.01)	0.2 ▲	\$0.02
NIM	2.93%	2.93%	2.89%	-4 bps ▼		-4 bps ▼	
Fee Income	3.0	2.9	2.9	(0.1) ▼	(\$0.01)	(0.0) ▼	(\$0.00)
Revenue	15.4	15.1	15.3	(0.1) ▼	(\$0.01)	0.2 ▲	\$0.02
Expenses	11.4	11.0	10.7	0.7 ▼	\$0.07	0.4 ▼	\$0.04
Core PPNR	4.0	-	4.6	0.6 ▲	\$0.06	-	-
PPNR	4.0	4.0	4.6	0.6 ▲	\$0.06	0.6 ▲	\$0.06
Provision	0.4	0.4	0.4	0.0 ▼	\$0.00	(0.0) ▲	(\$0.00)
Tax Rate	23%	23%	20%	▼		▼	
EPS	\$0.37	-	\$0.43	▲	\$0.06		
Core EPS	\$0.37	\$0.37	\$0.43	▲	\$0.06	▲	\$0.06
TBVPS	\$14.61	\$14.52	\$15.23	▲	\$0.62	▲	\$0.71
Diluted Shares	7.6	7.6	7.7				
<u>Profitability</u>							
ROA	0.62%	0.64%	0.73%	11 bps ▲		9 bps ▲	
ROTCE	10.1%	-	11.9%	183 bps ▲			
Efficiency Ratio	74%	73%	70%	-384 bps ▼		-330 bps ▼	
<u>Balance Sheet</u>							
Avg Earning Assets	1,679	1,651	1,695	15 ▲		44 ▲	
EOP Loans	1,117	1,116	1,134	17 ▲		18 ▲	
Loans/Deposits	73%	75%	75%				
TCE Ratio	6.21%	-	6.39%	18 bps ▲			
<u>Credit</u>							
Net Charge-Off Ratio	0.02%	0.04%	0.00%	-2 bps ▼		-4 bps ▼	
LLP/Loans	0.15%	0.13%	0.16%				

Source: Company Filings, S&P Global Market Intelligence, and FactSet

Exhibit 2: FCCO Estimate Change Summary

Current Estimates vs. Prior

(\$M) FCCO	2024E					2025E				
	Estimates		Change			Estimates		Change		
	Prior	Current	\$ Diff.	▲/▼	P/S	Prior	Current	\$ Diff.	▲/▼	P/S
Net Interest Income	51.5	51.8	0.3	▲	\$0.03	56.3	57.0	0.7	▲	\$0.07
NIM	3.00%	2.96%	-4 bps	▼		3.14%	3.10%	-3 bps	▼	
Fee Income	12.5	12.6	0.1	▲	\$0.01	13.5	13.8	0.3	▲	\$0.03
Revenue	64.0	64.4	0.4	▲	\$0.04	69.8	70.7	0.9	▲	\$0.10
Expenses	46.0	46.7	(0.7)	▲	(\$0.07)	48.8	50.0	(1.2)	▲	(\$0.12)
Core PPNR	18.0	17.7	(0.3)	▼	(\$0.03)	21.0	20.8	(0.2)	▼	(\$0.03)
PPNR	18.0	17.7	(0.3)	▼	(\$0.03)	21.0	20.8	(0.2)	▼	(\$0.03)
Provision	1.5	1.7	(0.3)	▲	(\$0.03)	2.1	2.2	(0.1)	▲	(\$0.01)
Tax Rate	23%	23%		▼		23%	23%		▼	
EPS	\$1.67	\$1.61		▼	(\$0.06)	\$1.91	\$1.88		▼	(\$0.03)
Core EPS	\$1.67	\$1.61		▼	(\$0.06)	\$1.91	\$1.88		▼	(\$0.03)
TBVPS	\$16.25	\$16.80		▲	\$0.55	\$18.12	\$18.60		▲	\$0.48
Diluted Shares	7.6	7.6				7.6	7.6			
<u>Profitability</u>										
ROA	0.69%	0.66%	-3 bps	▼		0.76%	0.73%	-3 bps	▼	
ROTCE	10.8%	10.1%	-75 bps	▼		11.1%	10.7%	-49 bps	▼	
Efficiency Ratio	72%	73%	62 bps	▲		70%	71%	75 bps	▲	
<u>Balance Sheet</u>										
Avg Earning Assets	1,715	1,749	34	▲		1,795	1,835	41	▲	
EOP Loans	1,203	1,236	33	▲		1,305	1,342	38	▲	
Loans/Deposits	73%	76%				74%	77%			
TCE Ratio	6.63%	6.72%	8 bps	▲		7.00%	7.03%	3 bps	▲	
<u>Credit</u>										
Net Charge-Off Ratio	0.04%	0.04%	0 bps	▲		0.06%	0.06%	0 bps	▲	
LLP/Loans	0.13%	0.15%				0.17%	0.17%			
LLR/Loans	1.10%	1.10%				1.12%	1.12%			

Source: Company Filings

Exhibit 3: FCCO Comparable Group

					Valuation						Profitability (LTM; %)				Balance Sheet (MRQ; %)				Credit (MRQ; %)			CAGRs				Price Perf. (%)		
					Price/Earnings ¹			Price/ TBV	Dvd Yield	Dep. Prem.	ROA	ROTCE	NIM	Eff. Ratio	LTD Ratio	Core Dep. ²	TCE COFs	Ratio	NCOs (LTM)	NPAs/ Assets	LLR/ Loans	EPS		TBVPS		1M	3M	YTD
					LTM	'24E	'25E															'16-'21	'21-'23E	'16-'21	'21-'23E			
Ticker	Company Name	1/26 Price	Mkt Cap (\$M)	Assets (\$M)	LTM	'24E	'25E	TBV	Yield	Prem.	ROA	ROTCE	NIM	Ratio	LTD Ratio	Core Dep. ²	TCE COFs	Ratio	NCOs (LTM)	NPAs/ Assets	LLR/ Loans	'16-'21	'21-'23E	'16-'21	'21-'23E	1M	3M	YTD
AMNB	Amer Natl Bkshs	\$47.57	\$506	\$3,091	17.4x	-	-	1.98x	2.5%	9.6%	0.85	11.2	2.90	62.4	87.8	90.6	1.73	8.52	0.00	0.19	1.10	16%	-17%	6%	-1%	(5.8)	27.2	(2.4)
CARE	Carter Bkshs	\$14.97	\$344	\$4,513	14.1x	20.8x	15.6x	0.98x	0.0%	-0.2%	0.53	6.8	2.87	73.4	94.2	84.4	NA	7.78	0.07	6.91	2.77	14%	3%	2%	-3%	(1.0)	34.9	0.0
CBAN	Colony Bkcp Inc	\$13.15	\$231	\$3,053	10.5x	9.6x	8.4x	1.14x	3.4%	1.1%	0.72	NA	2.83	72.3	74.0	84.7	2.07	6.73	0.09	0.35	0.96	15%	-12%	3%	-3%	(1.2)	36.3	(1.1)
CSTR	CapStar Finl Hldgs	\$18.95	\$392	\$3,265	11.8x	15.8x	15.2x	1.31x	2.3%	3.3%	1.06	11.4	3.10	61.1	82.0	80.8	2.94	9.34	0.04	0.20	1.04	22%	-20%	6%	0%	(0.5)	18.8	1.1
FBK	FB Finl Corp	\$38.47	\$1,802	\$12,604	13.3x	13.7x	13.2x	1.50x	1.6%	5.7%	0.95	11.0	3.44	64.5	89.2	91.7	2.74	9.74	0.01	NA	1.59	14%	-14%	16%	0%	(5.2)	29.1	(3.5)
FBMS	First Bancshares	\$26.20	\$823	\$7,999	8.5x	10.0x	9.3x	1.35x	3.8%	3.3%	0.95	14.7	3.65	53.6	80.0	89.0	1.79	7.94	0.04	0.24	1.04	14%	1%	9%	-11%	(11.3)	9.4	(10.7)
FBNC	First Bancorp	\$35.23	\$1,448	\$12,115	11.8x	13.5x	12.2x	1.68x	2.5%	5.8%	0.87	13.8	3.07	56.6	81.2	90.6	NA	7.45	0.08	0.27	1.35	19%	-5%	12%	-11%	(7.7)	23.0	(4.8)
FCBC	First Comm Bkshs	\$36.82	\$681	\$3,269	12.1x	15.7x	15.9x	1.98x	3.2%	12.4%	1.48	15.0	4.44	53.2	94.5	99.3	0.58	11.07	0.19	0.60	1.41	15%	-1%	5%	3%	(4.1)	14.9	(0.8)
FRST	Primis Financial C	\$13.18	\$325	\$3,876	-	9.6x	8.2x	-	3.0%	-	0.19	NA	3.03	71.6	98.3	91.8	2.87	NA	0.47	0.15	1.04	9%	-19%	6%	-2%	4.6	67.9	4.1
HTBI	HomeTrust Bcshs	\$29.09	\$502	\$4,673	9.2x	10.1x	10.4x	1.11x	1.5%	1.2%	1.17	12.2	4.25	57.9	99.4	86.3	2.16	9.87	0.18	0.41	1.27	8%	81%	3%	8%	4.9	38.1	8.1
SFST	Southern First	\$38.49	\$311	\$4,056	-	18.4x	11.3x	1.00x	-	0.0%	0.34	4.4	2.03	78.6	106.6	87.8	NA	7.70	0.00	0.10	1.13	25%	-49%	16%	4%	6.9	44.4	3.7
SSBK	Sthrn States Bcshs	\$27.58	\$244	\$2,446	7.9x	8.4x	8.8x	1.24x	1.3%	2.3%	1.44	17.9	3.82	46.1	93.4	87.6	3.06	8.12	0.03	0.09	1.29	6%	25%	5%	11%	(9.1)	19.7	(5.8)
SMBK	SmartFinancial Inc	\$24.31	\$413	\$4,829	11.2x	13.0x	10.9x	1.17x	1.3%	1.4%	0.60	9.2	2.98	68.6	80.7	93.7	2.44	7.47	0.02	0.29	1.02	23%	-4%	6%	3%	(5.1)	17.8	(0.7)
Peer Median			\$413	\$4,056	11.8x	13.2x	11.1x	1.27x	2.4%	2.8%	0.87	11.4	3.07	62.4	89.2	89.0	2.30	8.03	0.04	0.26	1.13	15%	-5%	6%	0%	(4.1)	27.2	(0.8)
FCCO	First Cmnty Corp	\$19.26	\$146	\$1,828	-	12.1x	10.0x	1.26x	2.9%	2.0%	0.68	11.1	3.01	71.0	75.1	87.9	1.99	6.39	0.00	0.04	1.08	16%	-12%	8%	-7%	(10.0)	10.7	(10.5)

¹Based on consensus EPS estimates

²Core deposits as % of total non-equity funding

Source: S&P Global Market Intelligence and FactSet

First Community Corporation (FCCO)

David Bishop: 443-610-7379

Summary Model																									
(\$M)	1Q21A	2Q21A	3Q21A	4Q21A	1Q22A	2Q22A	3Q22A	4Q22A	1Q23A	2Q23A	3Q23A	4Q23A	1Q24E	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E	2021A	2022A	2023A	2024E	2025E
Income Statement																									
Net Interest Income	10.7	11.2	12.6	11.3	10.9	11.2	12.9	13.5	12.5	12.2	12.2	12.3	12.2	12.7	13.2	13.7	13.6	14.0	14.5	14.8	45.8	48.5	49.2	51.8	57.0
Noninterest Income	3.1	3.4	3.5	3.5	3.4	3.0	2.7	2.5	2.6	2.8	3.1	2.9	2.8	3.2	3.3	3.3	3.1	3.5	3.6	3.6	13.5	11.6	11.4	12.6	13.8
Total Revenue	13.8	14.6	16.1	14.8	14.2	14.2	15.6	16.0	15.0	15.0	15.2	15.3	15.1	15.9	16.5	17.0	16.7	17.5	18.1	18.4	59.3	60.1	60.6	64.4	70.7
Noninterest Expense	9.5	9.7	10.1	9.9	10.0	10.2	10.4	10.7	10.4	10.8	11.3	10.7	11.3	11.6	11.8	12.0	12.1	12.4	12.7	12.8	39.2	41.3	43.1	46.7	50.0
Pre-tax, Pre-provision Income	4.3	4.9	6.0	4.9	4.3	4.0	5.2	5.3	4.6	4.3	4.0	4.6	3.8	4.3	4.7	5.0	4.6	5.1	5.4	5.6	20.1	18.8	17.4	17.7	20.8
Loan Loss Provision	0.2	0.2	0.0	(0.1)	(0.1)	(0.1)	0.0	0.0	0.1	0.2	0.5	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.7	0.5	0.3	(0.2)	0.9	1.7	2.2
Taxable Equivalent Adjustment	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0	-	-	-	-	-	-	-	-	0.5	0.5	0.3	-	-
Pre-tax Earnings	4.3	4.6	6.2	5.1	4.4	4.1	5.2	5.3	4.5	4.3	2.3	4.2	3.4	3.9	4.2	4.6	4.1	4.6	4.8	5.1	20.1	18.9	15.5	15.9	18.6
Taxes	1.0	1.0	1.4	1.2	0.9	0.9	1.2	1.2	1.1	1.0	0.5	0.9	0.8	0.9	1.0	1.0	1.0	1.1	1.1	1.2	4.7	4.3	3.5	3.7	4.3
Tax Rate (%)	21%	21%	22%	21%	18%	21%	21%	22%	22%	22%	21%	20%	23%	23%	23%	23%	23%	23%	23%	23%	21%	21%	21%	23%	23%
Preferred Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income Avail. to Common	3.3	3.5	4.7	3.9	3.5	3.1	4.0	4.0	3.5	3.3	1.8	3.3	2.6	3.0	3.2	3.5	3.1	3.6	3.7	4.0	15.5	14.6	12.0	12.3	14.3
Reported EPS	\$ 0.43	\$ 0.47	\$ 0.63	\$ 0.52	\$ 0.46	\$ 0.41	\$ 0.52	\$ 0.53	\$ 0.45	\$ 0.43	\$ 0.23	\$ 0.43	\$ 0.34	\$ 0.39	\$ 0.42	\$ 0.46	\$ 0.41	\$ 0.47	\$ 0.48	\$ 0.52	\$ 2.05	\$ 1.92	\$ 1.55	\$ 1.61	\$ 1.88
Core EPS	\$ 0.41	\$ 0.49	\$ 0.61	\$ 0.51	\$ 0.46	\$ 0.42	\$ 0.52	\$ 0.53	\$ 0.45	\$ 0.41	\$ 0.35	\$ 0.43	\$ 0.34	\$ 0.39	\$ 0.42	\$ 0.46	\$ 0.41	\$ 0.47	\$ 0.48	\$ 0.52	\$ 2.02	\$ 1.92	\$ 1.65	\$ 1.61	\$ 1.88
Average Diluted Shares	7.5	7.5	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.7	7.7	7.7	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.5	7.6	7.7	7.6	7.6
Period-end Shares	7.5	7.5	7.5	7.5	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.5	7.6	7.6	7.6	7.6
Book Value Per Share	\$ 17.63	\$ 18.29	\$ 18.44	\$ 18.68	\$ 16.59	\$ 15.54	\$ 15.07	\$ 15.62	\$ 16.29	\$ 16.35	\$ 16.26	\$ 17.23	\$ 17.43	\$ 17.68	\$ 17.96	\$ 18.27	\$ 18.53	\$ 18.85	\$ 19.18	\$ 19.56	\$ 18.68	\$ 15.62	\$ 17.23	\$ 18.27	\$ 19.56
Tangible Book Value Per Share	\$ 15.55	\$ 16.22	\$ 16.37	\$ 16.62	\$ 14.53	\$ 13.50	\$ 13.03	\$ 13.59	\$ 14.26	\$ 14.33	\$ 14.25	\$ 15.23	\$ 15.56	\$ 15.94	\$ 16.35	\$ 16.80	\$ 17.19	\$ 17.64	\$ 18.10	\$ 18.60	\$ 16.62	\$ 13.59	\$ 15.23	\$ 16.80	\$ 18.60
Dividend Per Share	\$ 0.12	\$ 0.12	\$ 0.12	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.13	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.15	\$ 0.49	\$ 0.53	\$ 0.56	\$ 0.57	\$ 0.60
Performance Ratios																									
ROA	0.87%	0.98%	1.19%	0.96%	0.86%	0.77%	0.95%	0.96%	0.82%	0.73%	0.61%	0.73%	0.56%	0.64%	0.68%	0.74%	0.65%	0.73%	0.75%	0.79%	1.00%	0.89%	0.73%	0.66%	0.73%
ROCE	9.7%	10.5%	13.4%	11.1%	10.3%	10.8%	13.2%	13.9%	11.7%	10.7%	5.6%	10.5%	7.9%	8.9%	9.4%	10.1%	9.0%	10.0%	10.1%	10.7%	11.2%	12.0%	9.8%	9.1%	10.0%
ROTC	11.0%	11.9%	15.1%	12.5%	11.6%	12.5%	15.1%	16.0%	13.4%	12.3%	6.3%	11.9%	8.9%	9.9%	10.4%	11.0%	9.8%	10.8%	10.8%	11.2%	12.7%	13.7%	11.1%	10.1%	10.7%
Pretax Preprovision ROAA	1.19%	1.31%	1.56%	1.24%	1.06%	0.98%	1.24%	1.27%	1.08%	0.99%	0.91%	1.02%	0.82%	0.92%	1.00%	1.05%	0.95%	1.05%	1.10%	1.12%	1.33%	1.14%	1.00%	0.95%	1.06%
Net Interest Margin	3.23%	3.20%	3.47%	3.01%	2.91%	2.93%	3.29%	3.42%	3.19%	3.02%	2.96%	2.89%	2.89%	2.94%	2.98%	3.04%	3.06%	3.09%	3.12%	3.14%	3.23%	3.14%	3.01%	2.96%	3.10%
Efficiency Ratio	69%	66%	63%	67%	70%	72%	67%	67%	69%	72%	74%	70%	75%	73%	72%	70%	73%	71%	70%	69%	66%	69%	71%	73%	71%
Fee Income/Operating Revenue	23%	23%	22%	24%	24%	21%	17%	16%	17%	19%	20%	19%	19%	20%	20%	20%	19%	20%	20%	20%	23%	19%	19%	20%	19%
Dividend Payout Ratio	28%	26%	19%	25%	28%	32%	25%	26%	31%	32%	61%	33%	41%	36%	33%	33%	37%	32%	31%	29%	24%	28%	36%	35%	32%
Average Balance Sheet																									
Loans	886	896	894	880	876	897	938	969	987	1,017	1,066	1,121	1,144	1,168	1,197	1,224	1,246	1,271	1,301	1,329	889	920	1,048	1,183	1,287
Securities	373	431	489	532	572	560	581	569	565	563	533	504	507	510	511	512	513	516	517	518	456	571	541	510	516
Earning Assets	1,339	1,404	1,441	1,491	1,515	1,530	1,557	1,563	1,582	1,622	1,628	1,695	1,718	1,736	1,760	1,782	1,797	1,821	1,849	1,874	1,419	1,541	1,632	1,749	1,835
Assets	1,435	1,508	1,543	1,594	1,622	1,644	1,668	1,677	1,696	1,737	1,745	1,810	1,836	1,855	1,881	1,904	1,924	1,950	1,979	2,007	1,520	1,653	1,747	1,869	1,965
Deposits	1,208	1,285	1,313	1,363	1,375	1,428	1,450	1,417	1,382	1,409	1,433	1,499	1,526	1,555	1,583	1,611	1,633	1,657	1,688	1,723	1,292	1,417	1,431	1,569	1,675
Borrowings	78	75	78	77	98	87	87	131	180	189	171	169	170	171	174	177	180	182	185	188	77	101	177	173	184
Common Equity	136	135	140	140	137	116	119	115	120	124	125	125	132	134	136	138	140	142	145	147	138	122	124	135	144
Balance Sheet Ratios																									
TCE Ratio	7.92%	8.16%	8.00%	8.00%	6.71%	6.12%	6.03%	6.21%	6.29%	6.31%	6.09%	6.39%	6.47%	6.54%	6.61%	6.72%	6.79%	6.86%	6.93%	7.03%	8.00%	6.21%	6.39%	6.72%	7.03%
Avg Loans/Avg Earning Assets	66%	64%	62%	59%	58%	59%	60%	62%	62%	63%	65%	66%	67%	67%	68%	69%	69%	70%	70%	71%	63%	60%	64%	68%	70%
Avg Loans/Avg Deposits	73%	70%	68%	65%	64%	63%	65%	68%	71%	72%	74%	75%	75%	76%	76%	76%	76%	77%	77%	77%	69%	65%	73%	75%	77%
Avg Earning Assets/Avg Assets	93%	93%	93%	94%	93%	93%	93%	93%	93%	93%	93%	94%	94%	94%	94%	94%	93%	93%	93%	93%	93%	93%	93%	94%	93%
Credit Quality Ratios																									
Reserve/Loans	1.21%	1.21%	1.25%	1.29%	1.26%	1.22%	1.19%	1.16%	1.15%	1.12%	1.08%	1.08%	1.09%	1.09%	1.10%	1.10%	1.11%	1.11%	1.12%	1.12%	1.29%	1.16%	1.08%	1.10%	1.12%
Reserve/NPLs	175%	110%	601%	660%	645%	251%	226%	227%	271%	6925%	8151%	3821%	-	-	-	-	-	-	-	-	660%	227%	3821%	-	-
NPAs/Loans+OREO	0.82%	1.23%	0.34%	0.33%	0.33%	0.60%	0.63%	0.60%	0.52%	0.11%	0.07%	0.08%	-	-	-	-	-	-	-	-	0.33%	0.60%	0.08%	-	-
Net Charge-Off Ratio	0.00%	0.04%	-0.15%	-0.10%	0.00%	-0.10%	-0.03%	0.00%	-0.01%	0.00%	0.00%	0.00%	0.03%	0.03%	0.04%	0.04%	0.05%	0.06%	0.06%	0.06%	-0.05%	-0.03%	0.00%	0.04%	0.06%
Provision/Average Loans	0.08%	0.08%	0.02%	-0.03%	-0.06%	-0.03%	0.01%	0.01%	0.03%	0.06%	0.09%	0.16%	0.14%	0.14%	0.16%	0.15%	0.16%	0.16%	0.20%	0.15%	0.04%	-0.02%	0.09%	0.15%	0.17%
Provision/NCOs	2213%	181%	-14%	28%	1563%	31%	-23%	625%	-467%	1540%	#DIV/0!	-44700%	0%	0%	0%	0%	0%	0%	0%	0%	-74%	49%	-15433%	420%	293%

Sources: Company Filings, Hovde Group.

Model updated as of: 1/27/24

IMPORTANT DISCLOSURES:

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I, David Bishop, 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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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) the announcing of a large, dilutive capital raise, (c) the emergence of unanticipated credit deterioration, (d) NIM compression stemming from heightened deposit pricing competition amid rising ST rates and/or a flattening/inverted yield curve, (e) an economic downturn specific to the company's South Carolina footprint (likely slowing loan growth and pressuring credit quality), and (f) worsening economic conditions and credit losses beyond what we are currently expecting.

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 is based on ~12x our 2025 EPS estimate.

Definition of Investment Ratings:

Outperform (OP): Anticipated to outperform relative to the sector indices over the next 12 months.

Market Perform (MP): Anticipated to perform in line relative to the sector indices over the next 12 months.

Underperform (UP): Anticipated to underperform relative to the sector indices over the next 12 months.

Ratings Distribution:

Rating Category	Count	Percent	IB Serv./Past 12Mos.	
			Count	Percent
Outperform	61	54.46%	10	16.39%
Market Perform	51	45.54%	10	19.61%
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.

First Community Corporation Rating History as of 01/26/2024

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ADDITIONAL INFORMATION AVAILABLE UPON REQUEST: Contact the Hovde Research Department at 1-855-559-6831, or write to 1629 Colonial Parkway Inverness, IL 60067.

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://hovdegroup.bluematrix.com/sellside/Disclosures.action>.

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