



Banks & Thrifts

Price:	\$19.00
Fair Value Estimate:	\$21.00
52-Week Range:	\$17.08 - \$23.96
Market Cap (MM):	\$141
Shr.O/S-Diluted (mm):	7.4
Average Daily Volume:	8,416
Dividend:	\$0.44
Yield:	2.3%
Tang Book Value:	\$13.84
Tang Comn Equity Ratio:	9.2%
Price/Tangible Book:	1.41x

FYE: Dec	2018A	2019E	2020E
EPS - non-	\$1.48A	\$1.39E	\$1.38E
GAAP			
Adjusted:			
Prior EPS -		NC	NC
non-GAAP			
Adjusted:			
P/E non-GAAP	12.8x	13.7x	13.8x
Ratio:			

Quarterly EPS - non-GAAP Adjusted:

Q1	\$0.35A	\$0.33A	\$0.30E
Q2	\$0.38A	\$0.36A	\$0.35E
Q3	\$0.37A	\$0.39A	\$0.38E
Q4	\$0.38A	\$0.33E	\$0.34E



October 16, 2019

First Community Corporation (FCCO) - NEUTRAL 3Q19 First Look; Higher Fees and Lower Tax Rate Contribute to FPS Beat

PORTFOLIO MANAGER BRIEF

- 3Q19 EPS; Reported \$0.39, Core \$0.39, Janney \$0.36, Consensus \$0.35.
- The \$0.03 beat stemmed from higher fee income and a lower tax rate as core net interest income, core expenses and LLP were in line with expectations.
- 3Q19 results were highlighted by solid loan and core deposit growth, increasing fee income, stable core expense levels, and continued excellent credit quality.
- FCCO completed its previously announced 300k share repurchase program in 3Q19 and announced the approval of a second plan for up to 200k shares. TCE is healthy at 9.2% with TBV expanding ~3% LQ to \$13.84.

ANALYST NOTES

FCCO reported 3Q19 core EPS of \$0.39, three cents better than our estimate. The beat stemmed from higher fee income and a lower tax rate as core net interest income, core expenses, and provisioning were as expected. Results included two non-recurring items: \$130k interest recovery and \$140k of on time consulting expenses. The net impact to 3Q19 EPS from these nonrecurring items was nil.

Loans expanded \$8.4M or $\sim 5\%$ LQA with LQ declines noted in both loan production and payoffs. Net loan growth represented 27% of gross production vs. 21% in 2Q19. Geographically growth was concentrated in the Midlands region and by segment it was concentrated in CRE. Deposits increased $\sim 5\%$ LQA with Pure Deposits expanding a greater 6%. Loan/Deposit ratio was stable at 77.5%.

Core NIM (ex A/Y and loan recovery) decreased 7bp LQ to 3.52% due to a 7 bps reduction in core AEA yields to 4.11% as COF was unchanged at 0.61%. Core Loan yields fell 4 bps to 4.73%, while securities fell 18bp to 2.48%.

Core revenues (ex \$130k interest recovery) rose ~1.6% LQ to \$12.3M driven by increases in both NII and Fee Inc. Core NII increased \$100k or 1.2% as loan growth and one additional day in the quarter more than offset core NIM pressure. Fees rose 3% LQ with growth noted in all segments. Mortgage revenues were at record levels. Core Expenses (ex \$140k consulting costs) were flat at \$8.65M, in line with our forecast. Core E/R fell to 69.7%.

Credit quality remains excellent with low levels of NPAs, Classifieds, and NCOs. NPAs are 0.76% of Loans & OREO, Classified ratio is ~5% and net recoveries were noted. Reserve coverage of loans was stable at 89 bps.

FCCO Weekly Stock Price Trends



Source: Research by Janney (FIG Group), www.stockcharts.com

Linked Quarter Trends

FCCO (Lexington, SC--\$141 Mil. Mkt. Cap, \$1.1 Bil. Assets, \$19.00, 2.3% Yld)

	2Q-2019	Δ	3Q-2019	Consensus	Variance Per Share
EPS	\$0.37	\$0.02	\$0.39	\$0.35	
Operating/Core EPS*	\$0.36	\$0.03	\$0.39	\$0.35	\$0.04
FIG Estimate	-	-	\$0.36		
Core Net Interest Income (FTE)	9.1	2.6%	9.4	9.1	\$0.03
Loan Loss Provision	0.0	177.8%	0.03	0.1	\$0.01
Core Non-Interest Income (ex. sec.)	3.0	3.0%	3.1	3.0	\$0.02
Core Non-Interest Expense	8.6	0.1%	8.7	8.7	\$0.00
Net Charge-Offs	0.00	NA	(0.17)		
NCOs % of Avg Loans (bps)	0.00	NA	(0.00)	3	3
Tangible Book Per Share	\$13.46	2.8%	\$13.84	\$13.67	\$0.17
Core Net Interest Margin	3.59%	(7)bps	3.52%	3.61%	(0.08%)
Average Loans (\$Mil.)	726.7	1.9%	740.2	737.9	2.3
TCE Ratio (TCE/TA)	9.19%	1bps	9.20%		
NPAs % of Loans + OREO	0.83%	(7)bps	0.76%		

 $^{^*\!\}text{Core}\,\textsc{EPS}$ exclude gains on sale of securities and other one-time items.

Source: Research by Janney (FIG Group), Company Disclosure

Background and Risks

Headquartered in Lexington, South Carolina, First Community (FCCO) is a \$1.1 billion bank holding company (BHC) and the parent of First Community Bank, NA.

Founded in 1995 by a group of former executives from Republic National Bank (acquired by South Financial Group, Inc.), FCCO provides traditional retail, commercial and mortgage banking services through a network of 21 branches in the Midlands area of South Carolina.

We see primary risks to include (1) integration of acquisitions; (2) negative impact from persistently low or rapidly changing interest rates and/or a flattening yield curve; and (3) potential for rising credit costs in light of further growth in unemployment.

IMPORTANT DISCLOSURES

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I, Brian Martin, the Primarily Responsible Analyst for this research report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers. No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views I expressed in this research report.

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Data sources for the report are Bloomberg Financial L.P., SNL Financial LC, Stockcharts.com, Thomson Financial and regulatory filings.

The research analyst is compensated based on, in part, Janney Montgomery Scott's and/or its affiliate, FIG's profitability, which includes its investment banking revenues.

Janney Montgomery Scott LLC and/or its affiliate, FIG intends to seek or expects to receive compensation for investment banking services from First Community Corporation in the next three months.

Janney Montgomery Scott LLC and/or its affiliate, FIG, currently acts as a market-maker in the securities of First Community Corporation

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BUY: Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

NEUTRAL: Janney believes that the subject company is fairly valued and will perform in line with comparable companies within its sector. Investors may add to current positions on short-term weakness and sell on strength as the valuations or fundamentals become more or less attractive.

SELL: Janney expects that the subject company will likely decline in value and will underperform comparable companies within its sector.

Price Charts



Created by: BlueMatrix

Janney Montgomery Scott Ratings Distribution as of 09/30/2019

IB Serv./Past 12 Mos.*	
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Rating	Count	Percent	Count	Percent
BUY [B]	171	52.78	37	21.64
NEUTRAL [N]	151	46.60	20	13.25
SELL [S]	2	0.62	0	0.00

^{*}Percentages of each rating category where Janney has performed Investment Banking services over the past 12 months.

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