

Banks & Thrifts

Price:	\$25.42
Fair Value Estimate:	\$30.00
52-Week Range:	\$15.40 - \$27.28
Market Cap (MM):	\$194
Shr.O/S-Diluted (mm):	7.6
Average Daily Volume:	34,050
Dividend (Quarter):	\$0.15
Yield:	2.4%
Tang Book Value:	\$16.93
Price/Tangible Book:	1.50x

FYE: Dec	2024A	2025E	2026E
EPS - non-GAAP	\$1.80A	\$2.25E	\$2.70E
Adjusted: Prior EPS - non-GAAP	\$1.75	\$2.00	NC
Adjusted: P/E non-GAAP Ratio:	14.1x	11.3x	9.4x

Quarterly EPS - non-GAAP Adjusted:

Q1	\$0.34A	\$0.46E	--
Q2	\$0.40A	\$0.55E	--
Q3	\$0.50A	\$0.58E	--
Q4	\$0.57A	\$0.65E	--
EPS - non-GAAP	\$1.80A	\$2.25E	\$2.70E
Adjusted			

First Community Corporation is a \$1.7B+ in Assets holding company for First Community Bank, a local community bank based in the Midlands of South Carolina. First Community is a full-service commercial bank offering deposit/loan products and services, residential mortgage lending, and financial planning/investment advisory services for businesses and consumers. First Community serves customers in the Midlands, Aiken, Upstate, and Piedmont Regions of South Carolina, as well as Augusta, GA.



February 4, 2025

First Community Corporation (FCCO) - BUY

FCCO: Upgrade to BUY, Increase EPS, Strong NIM Expansion Drives Improved Revenue Outlook & Double-Digit EPS Growth

PORTFOLIO MANAGER BRIEF

- Upgrading Our Rating to BUY.** We are upgrading the shares of FCCO to BUY from Neutral, given an improved revenue outlook, which drives significant EPS growth and an improved profitability profile. NIM is poised to expand significantly in 2025, driven by upward repricing of loans, lower funding costs, improved balance-sheet efficiency (AEA remix), and our outlook for mid- to high-single-digit loan growth. Strong NII growth, coupled with healthy fee income, supports positive operating leverage in 2025. Furthermore, FCCO maintains a superior deposit base and credit quality is best-in-class, supporting low credit costs. We forecast EPS growth of 25% in 2025, TBV growth of 10%, and ROAA approaching 1% by late 2025.
 - Significant NIM Expansion Expected To Drive Double-Digit Revenue Growth.** PPNR, or pre tax pre provision net revenues, is forecast to expand ~30% in 2025 as a 13% increase in revenues more than offsets a 6% increase in expenses. Revenues are expected to benefit from a 14% increase in Net Interest Inc. and an 8% increase in Fee Income. The increase in Net Interest Income stems from substantial Net Interest Margin expansion and modest balance-sheet growth (AEA remixing). We forecast an uptick in Provisioning in 2025, reflecting solid loan growth and normalization in credit following 2024's strong performance (~1bp of NCOs). Our forecast calls for NCOs to remain low in 2025, with reserve coverage holding stable.
 - Valuation:** FCCO trades at ~9.3x 2026 EPS or ~150% P-to-TBV Ratio. Our FVE of \$30.00 reflects ~11x 2026 EPS, mostly in line with Peer. Franchise value remains high, given FCCO's attractive geographic footprint and superior deposit base.
 - EPS Estimates.** We are increasing our 2025 EPS by \$0.25 to \$2.25 and establishing our 2026 EPS at \$2.70. Our revised 2025 EPS reflects higher Net Interest Income, driven by a wider NIM, lower credit costs and modestly higher fee income with little change in expense outlook.
- Our 2025 EPS forecast calls for mid- to high-single-digit loan growth, low-single-digit customer deposit growth, NIM expansion throughout the year aided by loan growth, upward repricing of loans, a reduction in funding costs, improved balance-sheet efficiency, high-single-digit growth in fee income, and continued strong credit performance.

ANALYST NOTES

- Loan Growth Forecast at Mid- to High-Single-Digit Pace in 2025.** FCCO's operating markets remain healthy, with management noting a pick-up in commercial loan requests since the election. Pipelines picked up in December, and the momentum

is carrying over into 2025. We forecast mid- to high-single-digit growth in 2025. We expect less growth in 1-4 family in 2025 vs. 2024, given our expectation that more mortgage production will be sold in the secondary markets. The initiation of a down rate environment in 3Q24 could spur a return of some larger deals that were temporarily shelved in 2024 as they did not pencil out at higher rates.

- Improved Balance Sheet Efficiency. A key focus is improving balance-sheet efficiency to drive greater profitability. Loan growth is a key priority as management works to deploy excess liquidity into higher-yielding loans. EOP Cash/Securities ~31% of Assets at 4Q24. We are modeling modest growth in the overall size of the balance sheet in the coming quarters as loan growth is funded by a combination of excess liquidity, cash flows coming of the bond portfolio and customer deposit growth. We estimate cash flows coming of the bond portfolio at ~\$50M in 2025. Moreover, FCCO had about \$45M of excess (on-balance-sheet liquidity) at 4Q24, which can be used to fund loan growth.
- Significant NIM Expansion Expected in 2025. NIM is expected to continue to expand in the coming quarters, driven by benefits from both sides of the balance sheet, as well as a solid loan growth outlook. Loans are expected to continue to reprice higher even in a down rate environment, while deposit costs should continue to moderate in a down rate environment. NIM exited December at 3.04% (5bp above 4Q NIM of 2.99%) and has good momentum heading into 2025.
- NIM is also expected to benefit from a continued optimization of the balance sheet via an improved mix of AEA as loan growth is funded by cash flows coming off the bond portfolio and excess balance-sheet liquidity.
- On the funding side, management expects to be assertive in lowering deposit rates in a declining rate environment and has opportunity with ~\$1.2B in interest-bearing deposits and a short CD book. Management has had good success in lowering deposit rates since the Fed started cutting rates with a funding beta of 20-25%. FCCO remained slightly liability-sensitive at 4Q24.
- Wealth & Mortgage Drive Solid Fee Income Growth. Increased outlook for Fee Inc. in 2025 to ~\$15.3M, which represents an ~8% increase over 2024 levels. We expect continued solid momentum in wealth management, with revenues expected to grow ~8%. Our 2025 mortgage outlook calls for about \$100M of mortgage sales (~\$80M in 2024) at a GOS NIM of ~2.90% (2.96% in 2024), resulting in ~\$2.9M in mortgage GOS revenue vs. ~\$2.5M in 2024.
- Positive Operating Leverage Forecast In 2025. 2025 expense outlook is unchanged at \$50M, which represents 6% growth over 2024 stemming from investment in the franchise (new bankers), continued wage/inflation pressure and variable rate compensation associated with higher mortgage and wealth management revenues. No new talent additions are expected in the mortgage & wealth units following expansion in recent years. We forecast positive operating leverage in 2025, with the Efficiency ratio improving to ~67% from 71% in 2024.
- Credit Narrative Remains Positive. NPAs are less than \$1M or less than 10bps of Loans & OREO, while Criticized and Classified ratios are negligible at less than 2% of Tier 1 Capital plus Reserves. FCCO is well-positioned as we operate in an uncertain credit environment with strong underwriting processes and reserves. Further, FCCO has solid PPNR to cover any new credit losses that could occur. We forecast an uptick in NCOs as credit normalization occurs, with reserve coverage holding steady absent any changes in the macroeconomic environment.

Weekly Stock Price Trends

Janney Research Rating: "BUY"

Fair Value: \$30.00

Implied Gain/Loss versus Current Price: 18.0%

2025 Outlook

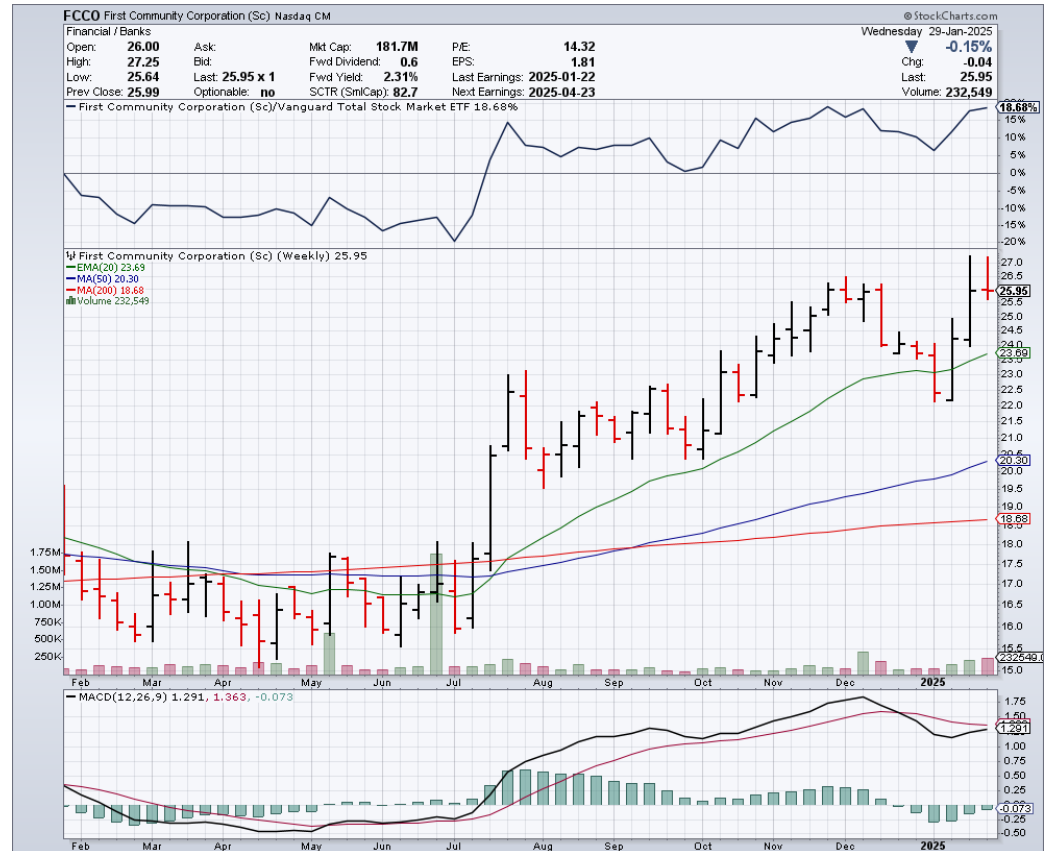
2025 EPS	\$2.25	13.1x	\$29.37
Cash Dividends	\$0.63	1.0x	<u>\$0.63</u>
			\$30.00

Tangible Book 12/25: \$18.59 1.61x \$30.00

Source: Janney Research (FIG Group) & Forward Estimates

Deposit Premium Analysis

	Current	Dec-25	Dec-26
Market-Cap	194.3	200.2	206.2
TCE in \$\$	128.2	142.1	158.0
Total Deposits	1,644.1	1,713.9	1,783.5
CORE Deposits	1,349.4	1,406.7	1,463.8
Premium - Total	4.0%	3.4%	2.7%
Premium - CORE	4.9%	4.1%	3.3%



Background and Risks

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 is a full-service commercial bank offering deposit and loan products and services, residential mortgage lending and financial planning/investment advisory services for businesses and consumers. First Community serves customers in the Midlands, Aiken, Upstate and Piedmont Regions of South Carolina as well as Augusta, Georgia. For more information, visit www.firstcommunitysc.com.

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.

FCCO Peer Comparison

Ticker	Company Name	State	Rating	Market Cap. (\$M)	Total Assets (\$000) MRQ	DDA % MRQ	Cost of Deposits MRQ	TCE Ratio MRQ	NPAs % of Loans+ORE MRQ	Core Deposit Premium Today	Price-to- T.Book 2/3/25	P/E 2025 EPS Consensus	P/E 2026 EPS Consensus	ROA Forecast in 2026 Consensus	Loans-to- Deposits Ratio
<u>Peer Analysis:</u>															
FCCO	First Cmnty Corp	SC	Buy	\$195	\$1,958,021	28	1.92	6.7	0.1%	4.4%	153	11.7x	9.9x	0.95	73%
FVCB	FVCBankcorp Inc	VA	Neutral	\$220	\$2,198,950	20	2.93	10.4	0.1%	(0.6%)	96	11.4x	na	NA	100%
CBAN	Colony Bkcp Inc	GA	Neutral	\$295	\$3,109,782	18	1.97	7.4	0.7%	3.5%	130	10.6x	9.4x	0.98	72%
MCBS	MetroCity Bkshs	GA	Not Rated	\$769	\$3,594,045	20	2.77	11.5	0.5%	16.4%	189	11.8x	11.0x	1.91	115%
CARE	Carter Bkshs	VA	Buy	\$402	\$4,659,189	15	2.57	8.2	1.3%	0.4%	106	8.7x	9.2x	0.85	87%
CBAN	Colony Bkcp Inc	GA	Neutral	\$295	\$3,109,782	18	1.97	7.4	0.3%	2.7%	130	10.6x	9.4x	0.98	72%
FVCB	FVCBankcorp Inc	VA	Neutral	\$220	\$2,198,950	20	2.93	10.4	0.2%	(0.4%)	96	11.4x	na	NA	100%
FBK	FB Finl Corp	TN	Buy	\$2,464	\$13,157,482	19	2.71	10.2	0.7%	10.2%	187	14.6x	13.0x	1.32	86%
FCBC	First Comm Bkshs	VA	Not Rated	\$780	\$3,261,216	33	0.76	11.9	1.0%	15.3%	215	16.5x	15.7x	1.51	90%
FRST	Primis Financial C	VA	Buy	\$271	\$3,698,821	14	2.82	7.4	0.1%	0.1%	103	7.8x	6.3x	1.04	92%
HTBI	HomeTrust Bcsbs	NC	Buy	\$628	\$4,595,430	18	2.36	11.2	na	3.2%	126	11.9x	11.5x	1.15	97%
SFST	Southern First	SC	Neutral	\$292	\$4,087,593	20	2.98	8.1	0.2%	(1.1%)	91	12.4x	na	NA	106%
SSBK	Sthn States Bcsbs	AL	Not Rated	\$318	\$2,849,264	24	2.98	8.5	na	3.3%	137	8.1x	7.6x	1.33	92%
SMBK	SmartFinancial Inc	TN	Neutral	\$597	\$5,275,904	21	2.44	7.5	na	4.5%	154	14.5x	12.1x	0.86	83%
PEBK	Peoples Bncp of NC	NC	Not Rated	\$148	\$1,661,650	28	1.76	8.2	0.3%	1.4%	114	17.6x	15.6x	0.98	72%
NKSH	Natl Bankshares	VA	Buy	\$181	\$1,811,636	18	2.05	8.0	0.2%	2.8%	130	26.9x	na	NA	100%
SFDL	Security Federal	SC	Not Rated	\$90	\$1,611,773	NA	NA	6.1	1.0%	(0.7%)	92	10.9x	10.4x	1.51	90%
MCBI	Mtn Commerce Bncp	TN	Not Rated	\$137	\$1,745,669	16	3.39	7.6	0.1%	0.6%	104	15.3x	12.3x	1.04	92%
EFSI	Eagle Finl Svcs	VA	Not Rated	\$126	\$1,866,215	26	2.18	6.4	0.2%	0.9%	108	12.5x	na	NA	106%
Source: Janney Research (FIG Group), S&P Global MI					<u>Median</u>	<u>20</u>	<u>2.57</u>	<u>8.1</u>	<u>0.3%</u>	<u>2.0%</u>	<u>120</u>	<u>11.8x</u>	<u>11.0x</u>	<u>1.04</u>	<u>91.7%</u>

First Community Corporation (FCCO)
Updated 2/3/2025
Earnings Model

				2024 Quarterly				2025 Quarterly			
	2024A	2025E	2026E	1Q24A	2Q24A	3Q24A	4Q24A	1Q25E	2Q25E	3Q25E	4Q25E
<u>Income Data: (\$ in Millions)</u>											
Net Interest Income	\$52.0	\$59.5	\$65.5	\$12.1	\$12.7	\$13.4	\$13.9	\$14.0	\$14.5	\$15.2	\$15.8
Loan Loss Provision	\$0.8	\$1.8	\$2.1	\$0.1	\$0.5	(\$0.0)	\$0.2	\$0.3	\$0.4	\$0.6	\$0.6
Non-Interest Income	\$14.1	\$15.3	\$16.4	\$3.2	\$3.5	\$3.6	\$3.8	\$3.6	\$3.8	\$4.0	\$3.9
Gain/Loss on Loan Sales	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Gain/Loss on Securities	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
One-Time Items	(\$0.1)	\$0.0	\$0.0	\$0.0	\$0.1	\$0.0	(\$0.2)	\$0.0	\$0.0	\$0.0	\$0.0
Non-Interest Expense	\$47.47	\$50.40	\$52.8	\$11.8	\$11.8	\$12.0	\$11.8	\$12.6	\$12.4	\$12.8	\$12.6
Pre-Tax Income	\$17.8	\$22.6	\$27.1	\$3.3	\$4.0	\$5.0	\$5.4	\$4.7	\$5.6	\$5.8	\$6.6
Taxes	\$3.8	\$5.2	\$6.2	\$0.7	\$0.8	\$1.1	\$1.2	\$1.1	\$1.3	\$1.3	\$1.5
Extraordinary Items	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Income	\$14.0	\$17.4	\$20.9	\$2.6	\$3.3	\$3.9	\$4.2	\$3.6	\$4.3	\$4.5	\$5.0
Preferred Dividend	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Income Avail. To Comm	\$14.0	\$17.4	\$20.9	\$2.6	\$3.3	\$3.9	\$4.2	\$3.6	\$4.3	\$4.5	\$5.0
Avg. Shares O/S	\$7.7	\$7.7	\$7.7	\$7.7	\$7.7	\$7.7	\$7.7	\$7.7	\$7.7	\$7.7	\$7.7
Earnings Per Share (EPS)	\$1.81	\$2.25	\$2.70	\$0.34	\$0.42	\$0.50	\$0.55	\$0.46	\$0.55	\$0.58	\$0.65
<u>Per Share Data:</u>											
Reported Book Value	\$18.90	\$20.54	\$22.60	\$17.50	\$17.84	\$18.757	\$18.902	\$19.21	\$19.61	\$20.04	\$20.54
Tangible Book Value	\$16.93	\$18.59	\$20.67	\$15.51	\$15.85	\$16.78	\$16.93	\$17.24	\$17.65	\$18.08	\$18.59
Dividends	\$0.59	\$0.63	\$0.66	\$0.14	\$0.15	\$0.15	\$0.15	\$0.16	\$0.16	\$0.16	\$0.16
Pre-Tax, Pre-Provision EPS	\$2.43	\$3.15	\$3.77	\$0.45	\$0.57	\$0.646	\$0.758	\$0.63	\$0.76	\$0.83	\$0.92
CORE GAAP EPS	\$1.80	\$2.25	\$2.70	\$0.34	\$0.40	\$0.50	\$0.57	\$0.46	\$0.55	\$0.58	\$0.65
<u>KEY Ratios:</u>											
Net Interest Margin	2.91%	3.20%	3.41%	2.78%	2.92%	2.95%	2.99%	3.08%	3.15%	3.24%	3.33%
Return on Avg Assets	0.74%	0.88%	1.02%	0.56%	0.71%	0.80%	0.86%	0.74%	0.87%	0.90%	1.00%
Return on Avg Assets core	0.73%	0.88%	1.02%	0.55%	0.66%	0.80%	0.90%	0.74%	0.87%	0.90%	1.00%
Return on Avg Equity	10.18%	11.58%	12.71%	7.81%	9.82%	11.04%	11.71%	9.98%	11.55%	11.75%	12.89%
Ret. On Avg. Tang. Comm. Eq.	11.44%	12.86%	13.97%	8.82%	11.08%	12.39%	13.09%	11.14%	12.85%	13.04%	14.26%
ROATCE core	11.40%	12.86%	13.97%	8.82%	10.32%	12.39%	13.65%	11.14%	12.85%	13.04%	14.26%
Pre-Tax Pre-Provision ROA	0.99%	1.23%	1.42%	0.74%	0.94%	1.04%	1.20%	1.00%	1.20%	1.30%	1.43%
Efficiency Ratio	71.48%	67.17%	64.22%	76.89%	72.50%	70.38%	66.61%	71.79%	67.61%	66.30%	63.50%
Overhead Ratio	2.50%	2.55%	2.58%	2.54%	2.54%	2.50%	2.42%	2.58%	2.53%	2.57%	2.51%
TCE/TA	6.66%	7.13%	7.60%	6.32%	6.47%	6.65%	6.66%	6.78%	6.91%	7.01%	7.13%
<u>Period-End Balances: (\$ in Millions)</u>											
Earning Assets	\$1,836	\$1,882	\$1,963	\$1,775	\$1,764	\$1,828	\$1,836	\$1,836	\$1,845	\$1,863	\$1,882
Total Assets	\$1,958	\$2,007	\$2,094	\$1,887	\$1,885	\$1,944	\$1,958	\$1,958	\$1,968	\$1,987	\$2,007
Gross Loans	\$1,221	\$1,315	\$1,420	\$1,157	\$1,189	\$1,197	\$1,221	\$1,239	\$1,264	\$1,289	\$1,315
Total Deposits	\$1,676	\$1,714	\$1,783	\$1,578	\$1,605	\$1,644	\$1,676	\$1,680	\$1,688	\$1,697	\$1,714
Intangibles	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15
Total Common Equity	\$144	\$157	\$173	\$133	\$136	\$143	\$144	\$147	\$150	\$153	\$157

Source: Janney Research (FIG Group), S&P Global MI

IMPORTANT DISCLOSURES

Valuation and Risks

FCCO

Our valuation methodology takes into consideration the company's Price-to-Earnings and Price-to-Tangible Book Value ratios in comparison to a peer group. Our valuation is sensitive to changes in the macro environment, including but not limited to, interest rates, asset quality, and company-specific operations.

Risks include asset quality deterioration; changes in interest rates; sensitivity to economic conditions; acquisition and integration; regulatory reform; competitive pressures; loan concentration (CRE); estimates of fair value of certain assets/liabilities; the ability to attract/retain key personnel; adverse effects on IT systems; availability of sufficient sources of liquidity, funding, and capital; and CRE market conditions across the company's operating footprint.

Research Analyst Certification

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.

Janney Montgomery Scott LLC ("Janney") Equity Research Disclosure Legend

Janney Montgomery Scott LLC currently acts as a market maker in the securities of First Community Corporation.

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

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

Definition of Ratings

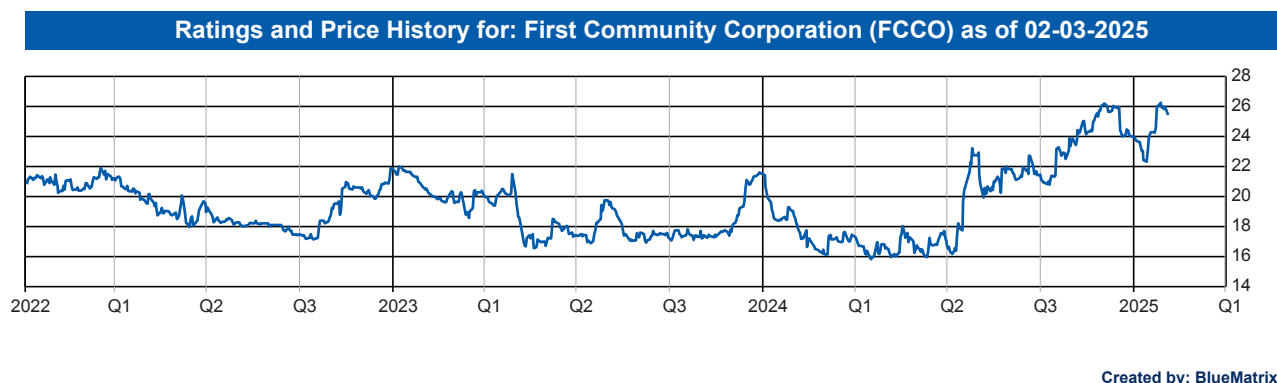
BUY: Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

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.

EXTENDED REVIEW: Janney's rating and/or fair value estimate have been temporarily suspended due to applicable regulations and/or Janney management discretion. Previously published research reports, including ratings, fair values, and estimates, should no longer be relied upon when making investment decisions.

Price Charts



Janney Montgomery Scott Ratings Distribution as of 12-31-2024

IB Serv./Past 12 Mos.*

Rating	Count	Percent	Count	Percent
BUY [B]	155	55.96	24	15.48
NEUTRAL [N]	122	44.04	15	12.30
SELL [S]	0	0.00	0	0.00
EXTENDED REVIEW [EXTRE]	0	0.00	0	0.00

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

Other Disclosures

Janney Montgomery Scott LLC, is a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the New York Stock Exchange, the Financial Industry Regulatory Authority and the Securities Investor Protection Corp.

This report is for your information only and is not an offer to sell or a solicitation of an offer to buy the securities or instruments named or described in this report. Interested parties are advised to contact the entity with which they deal or the entity that provided this report to them, should they desire further information. The information in this report has been obtained or derived from sources believed by Janney Montgomery Scott LLC, to be reliable. Janney Montgomery Scott LLC, however, does not represent that this information is accurate or complete. Any opinions or estimates contained in this report represent the judgment of Janney Montgomery Scott LLC at this time and are subject to change without notice.

Investment opinions are based on each stock's 6-12 month return potential. Our ratings are not based on formal price targets, however, our analysts will discuss fair value and/or target price ranges in research reports. Decisions to buy or sell a stock should be based on the investor's investment objectives and risk tolerance and should not rely solely on the rating. Investors should read carefully the entire research report, which provides a more complete discussion of the analyst's views. Supporting information related to the recommendation, if any, made in the research report is available upon request.