FIRST COMMUNITY CORPORATION (FCCO-NASDAQ)

Banking

William J. Wallace IV | (301) 657-1548 | william.wallace@raymondjames.com

JULY 21, 2021 | 5:03 PM EDT
COMPANY COMMENT

Maintain Outperform, Raising Target; Core Trends Remain Strong, Valuation Attractive

RECOMMENDATION

We are maintaining our **Outperform** rating, and raising our target price to $23 from $21 on First Community (FCCO) following 2Q21 results that were in line with expectations. Notably, loan growth re-accelerated, in line with our observations thus far across our coverage, giving us confidence that economic activity is rebounding. Elsewhere, underlying trends were generally strong as the company delivered PTPP earnings expectations in line with consensus with spread revenue strength offsetting higher expenses than modeled. We anticipate core results will remain stable, and with credit metrics that remain very strong, we remain confident in the bank's ability to deliver consistent results moving forward, leaving our investment thesis intact at this time.

- **2Q21 results match consensus:** FCCO reported 2Q21 GAAP and operating EPS of $0.47, above our $0.42 estimate but in line with consensus.
- **Loan growth accelerates, management remains conservative:** As mentioned above, core loan growth (ex PPP) accelerated to 3.0% on a lined quarter basis from 0.7% in 1Q, to the highest single quarter of core growth since 4Q18. As a result, our confidence in our 10% annualized growth rate in 2H21 is heightened; however, management remains conservative in its outlook and cautioned us not to put the cart in front of the horse for 2022. As a result, we have reined in our 2022 core loan growth expectations to 10% from 12%, hopefully providing upside to our expectations.
- **Credit risk looks to be benign:** NPAs declined 8% to 0.59% of loans, a very manageable level. With no mention of loan deferrals we assume management has either cured or is in process of curing all pandemic related deferrals, making the risk of an outsized credit loss quarter very low in our opinion, especially given the conservative credit culture at the bank.
- **Estimates:** We are maintaining our 2021E EPS of $1.75 and lowering our 2022E EPS from $2.05 to $1.85. We are also introducing 2023E EPS of $2.00

VALUATION

FCCO trades at 1.25x its 2Q21 TBV of $16.22, 11.0x our 2022E EPS and 10.2x our 2023E EPS. Our new $23 target assumes shares trade at 1.32x our 2Q22E TBV, 12.5x our 2022E EPS, and 11.5x our 2023E EPS versus micro-cap peers at 1.26x, 11.0x, and 10.0x, respectively. We believe these premium multiples are justifiable given in line profitability metrics on what we believe is a more conservative balance sheet.

Outperform 2
Target Price $23.00 ↑ old: $21.00

Suitability	MA/ACC

MARKET DATA

Current Price (Jul-21-21)	$20.32
Market Cap (mln)	$152
Current Net Debt (mln)	$51
Enterprise Value (mln)	$203
Shares Outstanding (mln)	7.5
30-Day Avg. Daily Value (mln)	$1.2
Dividend	$0.48
Dividend Yield	2.4%
52-Week Range	$12.23 - $22.00
BVPS	$18.29
Tangible BVPS	$16.22

KEY FINANCIAL METRICS

	1Q	2Q	3Q	4Q
Non-GAAP EPS ($, Dec FY)				
2020A	0.24	0.30	0.31	0.46
2021E	0.42	0.42	0.45	0.46
new	**0.42 A**	**0.47 A**	**0.44**	**0.42**
2022E	UR	UR	UR	UR
new	**0.45**	**0.47**	**0.48**	**0.45**
2023E	UR	UR	UR	UR

	2020A	2021E	2022E	2023E
Non-GAAP EPS ($, Dec FY)				
old	1.31	1.75	2.05	NA
new	**1.31**	**1.75**	**1.85**	**2.00**
P/E (Non-GAAP)				
	15.6x	11.6x	11.0x	10.2x
GAAP EPS ($, Dec FY)				
old	1.35	1.76	2.04	NA
new	**1.35**	**1.76**	**1.85**	**2.00**
Revenue (mln) ($, Dec FY)				
old	53	57	59	NA
new	**53**	**57**	**58**	**61**

Source: Thomson One, Raymond James & Associates. Quarterly figures may not add to full year due to rounding.
Non-GAAP EPS is operating earnings and excludes one-time items.

Lower 2022 on Lower Revenue and Higher Provision Expense Expectations

($ in thousands)	2021E			2022E			2023E
	Old	Current	Change	Old	Current	Change	Current
Operating EPS	**$1.75**	**$1.75**	**$0.00**	**$2.05**	**$1.85**	**($0.20)**	**$2.00**
GAAP EPS	**$1.76**	**$1.76**	**$0.00**	**$2.04**	**$1.85**	**($0.20)**	**$2.00**
Core PTPP* Earnings	18,479	17,681	-4%	19,886	18,788	-6%	20,699
Avg. Earning Assets	1,344,329	1,397,437	4%	1,369,452	1,408,901	3%	1,477,270
NIM	3.20%	3.14%	-6 bps	3.32%	3.17%	-14 bps	3.17%
Net Interest Income	42,566	43,398	2%	45,002	44,260	-2%	46,428
Provision	1,777	845	-52%	725	850	17%	1,000
Operating Fee Income	13,950	13,220	-5%	14,220	13,939	-2%	14,888
Operating Expense	38,096	39,040	2%	39,381	39,457	0%	40,663
Operating Efficiency	67%	69%	155 bps	66%	68%	130 bps	66%
Tax Rate	21.5%	21.0%	-47 bps	21.5%	21.5%	0 bps	22.0%
Diluted shares	7,469	7,540	1%	7,344	7,602	4%	7,667
Dividends per share	$0.48	$0.48	$0.00	$0.48	$0.48	$0.00	$0.48
Loan Growth	8.2%	7.2%	-96 bps	8.9%	6.5%	-246 bps	9.3%
Reserves/Loans	1.16%	1.18%	2 bps	1.04%	1.10%	5 bps	1.05%
NPAs/Loans	0.73%	0.59%	-14 bps	0.76%	0.59%	-17 bps	0.56%
NCOs/Avg. Loans	0.18%	0.06%	-11 bps	0.10%	0.10%	0 bps	0.05%

*PTPP = pre-tax, pre-provision

Source: Company reports and Raymond James research

First Community Regional Peer Group Comparison

		Balance Sheet Ratios				Income Statement Ratios							Credit				Capital		
Company Name	Ticker	Assets ($M)	Core Deposits	Nonint Deposits	Loans/ Deposits	NIM	Loan Yields	Yield on Earning Assets	Cost of Deposits	Cost of Funds	Fee Income/ Revenue	Efficiency Ratio	NCOs/ Avg. Loans	NPAs/ Loans	Reserves/ Loans	Reserves/ NPAs	TCE ratio	Leverage Ratio	Tier 1 risk-based
Southern First Bancshares, Inc.	SFST	$2,580	92%	30%	97%	3.56%	4.12%	3.84%	0.21%	0.28%	22%	51%	0.06%	0.36%	1.94%	543%	9.3%	10.1%	12.4%
CNB Corp.	CNBW	$1,626	80%	32%	43%	2.52%	5.32%	2.68%	0.16%	NA	18%	53%	-0.04%	0.24%	1.23%	505%	8.2%	8.8%	18.4%
First Community Corporation	FCCO	$1,492	88%	33%	68%	3.19%	4.26%	3.38%	0.17%	0.20%	23%	68%	0.00%	0.82%	1.18%	145%	7.9%	8.7%	13.2%
Security Federal Corporation	SFDL	$1,179	81%	NA	53%	2.96%	5.14%	3.46%	0.20%	NA	26%	71%	0.02%	0.75%	2.31%	306%	9.2%	9.8%	18.4%
CoastalSouth Bancshares, Inc.	COSO	$1,181	87%	28%	74%	3.50%	4.80%	4.01%	0.41%	0.49%	15%	64%	-0.01%	0.50%	0.81%	163%	8.5%	8.9%	11.6%
GrandSouth Bancorporation	GRRB	$1,163	77%	25%	89%	4.36%	5.75%	5.23%	0.32%	0.48%	6%	57%	-0.03%	0.42%	1.47%	352%	7.5%	9.9%	12.0%
South Atlantic Bancshares, Inc.	SABK	$1,146	90%	34%	70%	3.53%	4.60%	4.19%	NA	NA	20%	68%	-0.01%	0.09%	1.03%	1164%	8.5%	8.2%	11.4%
First Reliance Bancshares, Inc.	FSRL	$832	81%	30%	74%	3.39%	4.62%	3.69%	0.15%	0.29%	37%	85%	-0.03%	0.54%	1.13%	209%	10.7%	11.1%	14.9%
Coastal Carolina Bancshares, Inc.	CCNB	$655	76%	NA	74%	NA	4.82%	3.73%	NA	NA	21%	67%	0.00%	0.33%	1.03%	316%	7.8%	8.5%	12.1%
Community First Bancorporation	CFOK	$631	70%	NA	84%	3.27%	4.64%	3.88%	NA	NA	41%	83%	0.00%	0.99%	1.09%	109%	7.4%	9.7%	NA
Bank of South Carolina Corporation	BKSC	$582	NA	NA	NA	NA	5.41%	3.91%	NA	NA	NA	NA	0.01%	NA	NA	NA	9.5%	10.2%	NA
First Community Corporation	**FCCO**	**$1,492**	**88%**	**33%**	**68%**	**3.19%**	**4.26%**	**3.38%**	**0.17%**	**0.20%**	**23%**	**68%**	**0.00%**	**0.82%**	**1.18%**	**145%**	**7.9%**	**8.7%**	**13.2%**
Peer Group Medians:		**$1,163**	**81%**	**30%**	**74%**	**3.39%**	**4.80%**	**3.84%**	**0.20%**	**0.29%**	**21%**	**68%**	**0.00%**	**0.46%**	**1.16%**	**311%**	**8.5%**	**9.7%**	**12.4%**

Peer group consists of banks based in SC with assets between roughly $500 million and $5 billion and excludes Mutual Holding Companies. Data as of most recent quarter and may not reflect current quarter results. Core deposits exclude all time de
Note: Peer comparisons can be skewed during earnings reporting season due to the timing of reports. Credit metrics include covered NPA and Loan balances for banks that have acquired institutions with FDIC loss share arrangements which can skew credit metrics negatively. SNL calculates certain metrics differently than individual companies in some cases which can cause variance from our models.
Source: S&P Global and Raymond James research

Select Valuation and Profitability Metrics

				Valuation Metrics						Profitability Metrics								
	Count	Mkt Cap (M)	Assets (M)	P/TBV	2021E P/E	2022E P/E	2023E P/E	Deposit Premium	Dividend Yield	ROA (MRQ)	ROE (MRQ)	ROTCE (MRQ)	ROTCE (2021E)	ROTCE (2022E)	ROTCE (2023E)	2021E EPS Growth	2022E EPS Growth	2023E EPS Growth
Industry Medians	**574**	**$212**	**$1,930**	**1.44x**	**15.3x**	**11.7x**	**10.9x**	**4%**	**2.6%**	**1.21%**	**11.9%**	**14.0%**	**9.9%**	**11.5%**	**11.6%**	**2%**	**29%**	**8%**
Large Cap (>$10B)	16	$33,401	$196,002	1.74x	16.6x	12.4x	10.5x	8%	2.9%	1.24%	12.0%	17.7%	10.3%	13.6%	14.8%	24%	40%	13%
Mid-Cap ($2B - $10B)	69	$3,543	$23,676	1.69x	15.9x	12.6x	11.8x	7%	2.8%	1.41%	11.7%	16.5%	11.0%	12.7%	12.6%	7%	22%	8%
Small-Cap ($500M - $2B)	95	$913	$7,028	1.48x	15.5x	12.2x	11.4x	5%	2.7%	1.35%	12.0%	15.2%	10.2%	11.9%	11.4%	4%	25%	8%
Micro-Cap (<$500M)	394	$128	$1,238	1.26x	14.8x	11.0x	10.0x	2%	2.5%	1.13%	11.8%	12.8%	8.7%	10.5%	10.6%	-4%	31%	7%
Asset Size Medians																		
Over $50B	24	$18,693	$151,977	1.60x	16.1x	11.8x	10.5x	6%	3.0%	1.30%	13.1%	17.7%	10.2%	13.5%	13.9%	24%	38%	11%
$10B to $50B	80	$2,734	$18,809	1.63x	15.5x	12.6x	11.8x	6%	2.8%	1.38%	11.0%	15.9%	10.8%	12.2%	12.2%	7%	21%	7%
$5B to $10B	62	$888	$6,917	1.45x	15.6x	11.8x	11.4x	5%	2.8%	1.38%	12.0%	15.3%	10.1%	11.9%	11.7%	8%	30%	9%
$1B to $5B	257	$202	$1,832	1.32x	14.9x	11.2x	10.3x	3%	2.5%	1.19%	12.1%	14.0%	8.9%	10.6%	10.7%	-5%	30%	7%
$500M to $1B	151	$65	$696	1.20x	10.6x	8.8x	8.0x	2%	2.4%	1.08%	11.3%	11.6%	10.5%	11.1%	11.3%	7%	7%	9%
Regional Medians																		
Mid-Atlantic	132	$200	$1,875	1.17x	14.4x	10.8x	9.6x	3%	2.9%	1.10%	11.1%	12.7%	9.8%	11.7%	11.4%	9%	28%	10%
Midwest	138	$198	$1,865	1.21x	14.6x	11.3x	10.2x	3%	2.5%	1.30%	12.4%	14.8%	10.1%	11.7%	11.8%	-2%	29%	10%
New England	31	$318	$2,464	1.32x	15.1x	11.8x	11.1x	4%	2.5%	1.20%	11.3%	13.9%	9.0%	11.4%	12.0%	4%	40%	6%
Southwest	30	$1,148	$6,974	1.49x	15.5x	12.9x	12.2x	6%	2.3%	1.41%	13.0%	16.7%	10.7%	10.6%	10.8%	4%	19%	7%
West	104	$229	$1,988	1.28x	17.2x	12.7x	11.8x	3%	2.7%	1.20%	11.9%	13.7%	9.5%	11.1%	11.6%	3%	32%	9%
Southeast	139	$169	$1,662	1.30x	15.7x	12.4x	11.3x	4%	2.3%	1.19%	11.9%	14.0%	9.9%	11.4%	11.7%	5%	27%	6%
First Community Corporation	**FCCO**	**$153**	**$1,492**	**1.31x**	**17.4x**	**11.1x**	**10.7x**	**3%**	**2.4%**	**0.91%**	**9.9%**	**11.2%**	**7.2%**	**10.6%**	**10.3%**	**0%**	**57%**	**4%**

Priced as of July 20, 2021.

Note: Excludes banks with less than $500 million in assets, Mutual Holding Companies, and trust banks. Forward P/E and ROTE metrics are based on FactSet consensus estimates. Core deposits

Source: S&P Global, FactSet, and Raymond James research

First Community Corporation

Income Statement	2019	1Q20	2Q20	3Q20	4Q20	2020	1Q21	2Q21	3Q21E	4Q21E	2021E	1Q22E	2Q22E	3Q22E	4Q22E	2022E	2023E
($ in thousands)	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Dec	31-Dec
Net Interest Income	36,848	9,417	9,743	10,176	10,687	40,023	10,567	11,092	10,833	10,906	43,398	10,887	11,037	11,213	11,124	44,260	46,428
Provision for loan losses	139	1,075	1,250	1,062	276	3,663	177	168	150	350	845	50	200	200	400	850	1,000
Net Interest Income after Provision	**36,709**	**8,342**	**8,493**	**9,114**	**10,411**	**36,360**	**10,390**	**10,924**	**10,683**	**10,556**	**42,553**	**10,837**	**10,837**	**11,013**	**10,724**	**43,410**	**45,428**
Deposit service charges	1,649	399	210	242	270	1,121	246	212	246	288	992	342	383	412	469	1,605	1,978
Mortgage origination fees	4,555	982	1,572	1,403	1,600	5,557	990	1,143	1,029	977	4,139	880	1,011	1,062	1,009	3,962	4,210
Investment advisory fees and commissions	2,021	634	671	672	743	2,720	877	957	967	976	3,777	986	996	1,006	1,016	4,004	4,166
Gain on sale of securities	136	0	0	99	0	99	0	0	0	0	0	0	0	0	0	0	0
Gain (loss) on sale of other assets	(3)	6	0	141	0	147	77	0	0	0	77	0	0	0	0	0	0
Loss on early extinguishment of debt	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	3,379	907	934	1,293	991	4,125	1,106	1,106	1,051	1,072	4,334	1,082	1,115	1,059	1,112	4,369	4,533
Noninterest Income	**11,737**	**2,928**	**3,387**	**3,850**	**3,604**	**13,769**	**3,296**	**3,418**	**3,292**	**3,313**	**13,320**	**3,290**	**3,505**	**3,539**	**3,606**	**13,939**	**14,888**
Non-Operating items	(147)	0	0	410	0	410	100	0	0	0	100	0	0	0	0	0	0
Operating Noninterest Income	**11,884**	**2,928**	**3,387**	**3,440**	**3,604**	**13,359**	**3,196**	**3,418**	**3,292**	**3,313**	**13,220**	**3,290**	**3,505**	**3,539**	**3,606**	**13,939**	**14,888**
Total Revenue	**48,585**	**12,345**	**13,130**	**14,026**	**14,291**	**53,792**	**13,863**	**14,510**	**14,125**	**14,220**	**56,718**	**14,177**	**14,542**	**14,752**	**14,729**	**58,200**	**61,316**
Total Operating Revenue	**48,732**	**12,345**	**13,130**	**13,616**	**14,291**	**53,382**	**13,763**	**14,510**	**14,125**	**14,220**	**56,618**	**14,177**	**14,542**	**14,752**	**14,729**	**58,200**	**61,316**
Salaries and employee benefits	21,261	5,653	5,840	6,087	6,446	24,026	5,964	5,948	6,007	6,038	23,957	5,947	6,006	6,036	6,036	24,026	24,571
Occupancy	2,696	643	679	736	651	2,709	730	734	741	749	2,954	764	771	779	787	3,101	3,259
Equipment	1,493	318	298	318	303	1,237	275	338	321	324	1,258	331	334	337	339	1,341	1,386
Marketing and public relations	1,115	354	247	342	100	1,043	396	313	376	387	1,471	309	325	328	361	1,324	1,481
FDIC assessment	57	42	88	137	137	404	169	146	181	183	680	184	185	186	187	742	758
Other real estate expense	81	35	40	79	47	201	29	55	10	10	104	15	10	10	10	45	45
Amortization of intangibles	523	105	95	95	68	363	57	52	51	51	211	50	50	49	49	199	191
Other	7,390	1,888	1,844	1,920	1,899	7,551	1,920	2,292	2,086	2,107	8,404	2,170	2,159	2,181	2,170	8,679	8,972
Noninterest Expense	**34,616**	**9,038**	**9,131**	**9,714**	**9,651**	**37,534**	**9,540**	**9,878**	**9,774**	**9,848**	**39,040**	**9,770**	**9,840**	**9,907**	**9,939**	**39,457**	**40,663**
Non-Operating items	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating Noninterest Expense	**34,616**	**9,038**	**9,131**	**9,714**	**9,651**	**37,534**	**9,540**	**9,878**	**9,774**	**9,848**	**39,040**	**9,770**	**9,840**	**9,907**	**9,939**	**39,457**	**40,663**
Income Before Tax	**13,830**	**2,232**	**2,749**	**3,250**	**4,364**	**12,595**	**4,146**	**4,464**	**4,201**	**4,021**	**16,832**	**4,357**	**4,502**	**4,645**	**4,390**	**17,893**	**19,654**
Income tax expense	2,858	438	532	598	928	2,496	891	921	882	844	3,539	937	968	999	944	3,847	4,324
GAAP Net Income	**10,972**	**1,794**	**2,217**	**2,652**	**3,436**	**10,099**	**3,255**	**3,543**	**3,319**	**3,177**	**13,294**	**3,420**	**3,534**	**3,646**	**3,446**	**14,046**	**15,330**
Operating Net Income	**11,093**	**1,794**	**2,217**	**2,317**	**3,436**	**9,764**	**3,176**	**3,543**	**3,319**	**3,177**	**13,215**	**3,420**	**3,534**	**3,646**	**3,446**	**14,046**	**15,330**
Diluted shares	7,590	7,468	7,465	7,482	7,503	7,480	7,525	7,537	7,542	7,557	7,540	7,582	7,597	7,607	7,622	7,602	7,667
GAAP EPS - diluted	$1.45	$0.24	$0.30	$0.35	$0.46	$1.35	$0.43	$0.47	$0.44	$0.42	$1.76	$0.45	$0.47	$0.48	$0.45	$1.85	$2.00
Operating EPS - diluted	**$1.46**	**$0.24**	**$0.30**	**$0.31**	**$0.46**	**$1.31**	**$0.42**	**$0.47**	**$0.44**	**$0.42**	**$1.75**	**$0.45**	**$0.47**	**$0.48**	**$0.45**	**$1.85**	**$2.00**
Financial Highlights																	
TBV/share	$13.99	$14.55	$15.35	$15.67	$16.08	$16.08	$15.55	$16.22	$16.53	$16.81	$16.81	$17.09	$17.41	$17.75	$18.05	$18.05	$19.44
TCE/Assets	9.0%	9.3%	8.8%	8.6%	8.7%	8.7%	7.9%	8.2%	8.2%	8.2%	8.2%	8.4%	8.6%	8.7%	8.8%	8.8%	8.8%
Loans/Deposits	75%	76%	73%	72%	71%	71%	68%	68%	69%	69%	69%	69%	70%	70%	72%	72%	77%
Loan Growth	2.6%	1.7%	9.1%	3.3%	0.0%	14.5%	3.0%	1.1%	1.8%	1.3%	7.2%	0.8%	0.8%	1.8%	2.9%	6.5%	9.3%
Deposit Growth	6.8%	-0.2%	13.4%	4.9%	1.4%	20.4%	6.9%	1.5%	1.0%	1.0%	10.6%	0.0%	0.5%	1.0%	0.5%	2.0%	2.5%
NPAs/Loans	0.51%	0.43%	0.40%	0.35%	0.68%	0.68%	0.64%	0.59%	0.58%	0.59%	0.59%	0.59%	0.60%	0.59%	0.59%	0.59%	0.56%
NPAs/Loans (ex PPP)	0.51%	0.43%	0.42%	0.37%	0.72%	0.72%	0.69%	0.62%	0.61%	0.61%	0.61%	0.61%	0.60%	0.59%	0.59%	0.59%	0.56%
NCOs/Avg. Loans	-0.03%	0.00%	0.00%	-0.05%	0.00%	-0.01%	0.00%	0.04%	0.06%	0.15%	0.06%	0.05%	0.10%	0.10%	0.15%	0.10%	0.05%
NCOs/Avg. Loans (ex PPP)	-0.03%	0.00%	0.00%	-0.06%	0.00%	-0.01%	0.00%	0.04%	0.06%	0.16%	0.07%	0.05%	0.10%	0.10%	0.15%	0.10%	0.05%
Reserves/Loans	0.90%	1.03%	1.09%	1.20%	1.23%	1.23%	1.22%	1.21%	1.19%	1.18%	1.18%	1.16%	1.15%	1.13%	1.10%	1.10%	1.05%
Reserves/Loans (ex PPP)	0.90%	1.03%	1.16%	1.27%	1.30%	1.30%	1.31%	1.28%	1.25%	1.22%	1.22%	1.19%	1.16%	1.13%	1.10%	1.10%	1.05%
NIM	3.65%	3.55%	3.38%	3.28%	3.31%	3.37%	3.23%	3.20%	3.06%	3.06%	3.14%	3.15%	3.18%	3.20%	3.16%	3.17%	3.17%
NIM (ex. PPP)	3.65%	3.55%	3.40%	3.29%	3.28%	3.38%	3.16%	3.11%	3.09%	3.09%	3.11%	3.10%	3.12%	3.13%	3.15%	3.13%	0.00%
G&A/Avg. Assets	3.10%	3.07%	2.88%	2.89%	2.77%	2.90%	2.66%	2.62%	2.56%	2.54%	2.59%	2.50%	2.52%	2.53%	2.52%	2.52%	2.47%
Efficiency Ratio	71%	73%	70%	71%	68%	70%	69%	68%	69%	69%	69%	69%	68%	67%	67%	68%	66%
Effective tax rate	20.7%	19.6%	19.4%	18.4%	21.3%	19.8%	21.5%	20.6%	21.0%	21.0%	21.0%	21.5%	21.5%	21.5%	21.5%	21.5%	22.0%
ROA (operating)	0.99%	0.61%	0.70%	0.69%	0.99%	0.75%	0.89%	0.94%	0.87%	0.82%	0.88%	0.88%	0.91%	0.93%	0.87%	0.90%	0.93%
ROE (operating)	9.5%	5.8%	7.0%	7.0%	10.3%	7.6%	9.4%	10.5%	9.5%	9.0%	9.6%	9.5%	9.7%	9.8%	9.1%	9.5%	9.7%
ROTCE (operating)	11.1%	6.8%	8.1%	8.1%	11.7%	8.7%	10.6%	11.9%	10.8%	10.1%	10.9%	10.7%	10.8%	10.9%	10.1%	10.6%	10.7%
Dividends per share	$0.44	$0.12	$0.12	$0.12	$0.12	$0.48	$0.12	$0.12	$0.12	$0.12	$0.48	$0.12	$0.12	$0.12	$0.12	$0.48	$0.48

Source: Company reports and Raymond James research

First Community Corporation

Balance Sheet *($ in thousands)*	**4Q19** **31-Dec**	**1Q20** **31-Mar**	**2Q20** **30-Jun**	**3Q20** **30-Sep**	**4Q20** **31-Dec**	**1Q21** **31-Mar**	**2Q21** **30-Jun**	**3Q21E** **30-Sep**	**4Q21E** **31-Dec**	**1Q22E** **31-Mar**	**2Q22E** **30-Jun**	**3Q22E** **30-Sep**	**4Q22E** **31-Dec**	**4Q23E** **31-Dec**
Stated Equity	**120,194**	**124,614**	**130,801**	**133,244**	**136,337**	**132,687**	**137,927**	**140,341**	**142,610**	**145,120**	**147,742**	**150,475**	**153,006**	**164,654**
Intangibles	16,120	16,015	15,920	15,825	15,757	15,700	15,648	15,597	15,546	15,495	15,445	15,396	15,347	15,156
Tangible Common Equity	**104,074**	**108,599**	**114,881**	**117,419**	**120,580**	**116,987**	**122,279**	**124,744**	**127,065**	**129,625**	**132,297**	**135,079**	**137,659**	**149,499**
Book Value	$16.16	$16.70	$17.47	$17.78	$18.18	$17.63	$18.29	$18.60	$18.86	$19.13	$19.44	$19.77	$20.07	$21.41
Tangible BV	**$13.99**	**$14.55**	**$15.35**	**$15.67**	**$16.08**	**$15.55**	**$16.22**	**$16.53**	**$16.81**	**$17.09**	**$17.41**	**$17.75**	**$18.05**	**$19.44**
Shares Outstanding	7,440	7,462	7,486	7,493	7,500	7,525	7,540	7,545	7,560	7,585	7,600	7,610	7,625	7,690
Equity/Assets	10.3%	10.5%	9.9%	9.6%	9.8%	8.9%	9.1%	9.1%	9.1%	9.3%	9.5%	9.6%	9.7%	9.6%
TCE ratio	**9.0%**	**9.3%**	**8.8%**	**8.6%**	**8.7%**	**7.9%**	**8.2%**	**8.2%**	**8.2%**	**8.4%**	**8.6%**	**8.7%**	**8.8%**	**8.8%**
Capital Ratios														
Common Equity Tier 1	13.44%	13.35%	13.02%	12.97%	12.83%	13.13%	13.52%							
Tier 1 Capital Ratio	13.44%	13.35%	13.02%	12.97%	12.83%	13.13%	13.52%							
Total Capital Ratio	14.23%	14.25%	14.03%	14.08%	13.94%	14.26%	14.66%							
Leverage Ratio	9.95%	9.91%	9.31%	8.95%	8.84%	8.73%	8.48%							
Total Assets	**1,170,279**	**1,185,307**	**1,324,800**	**1,381,804**	**1,395,382**	**1,492,494**	**1,514,973**	**1,545,272**	**1,560,725**	**1,560,725**	**1,560,725**	**1,568,529**	**1,584,214**	**1,706,398**
Other short-term investments	32,741	25,637	77,666	106,231	46,062	88,389	52,316							
Investment securities	288,792	290,943	297,972	295,525	361,919	407,547	470,669							
Loans held for sale	11,155	11,937	33,496	37,587	45,020	23,481	11,416							
Loans	**737,028**	**749,529**	**817,372**	**844,460**	**844,157**	**869,066**	**878,318**	**893,795**	**905,040**	**912,468**	**919,876**	**936,759**	**963,763**	**1,053,334**
Allowance for loan losses	(6,627)	(7,694)	(8,936)	(10,113)	(10,389)	(10,563)	(10,638)	(10,655)	(10,668)	(10,604)	(10,575)	(10,543)	(10,587)	(11,078)
Other assets	107,190	114,955	107,230	108,114	108,613	114,574	112,892							
Total Liabilities	**1,050,085**	**1,060,693**	**1,193,999**	**1,248,560**	**1,259,045**	**1,359,807**	**1,377,046**							
Total deposits	988,201	986,645	1,118,872	1,173,551	1,189,413	1,271,440	1,289,883	1,302,782	1,315,810	1,315,810	1,322,389	1,335,613	1,342,291	1,376,117
Securities sold under repo	33,296	46,041	45,651	47,142	40,914	60,319	60,487							
FHLB advances	211	0	0	0	0	0	0							
Junior sub debt	14,964	14,964	14,964	14,964	14,964	14,964	14,964							
Other liabilities	13,413	13,043	14,512	12,903	13,754	13,084	11,712							

COMPANY DESCRIPTION

First Community Corporation, headquartered in Lexington, South Carolina, is a more than $1.4 billion asset bank holding company that operates approximately 20 branches, primarily in the midlands region of the state, with a small presence in eastern Georgia.

IMPORTANT INVESTOR DISCLOSURES

Unless otherwise specified, the term “Raymond James” shall denote, where appropriate, Raymond James & Associates, Inc. (RJA), Raymond James Ltd. (RJL), and their affiliates, subsidiaries and related entities.

Analyst Information

Analyst Compensation: Research analysts and associates at Raymond James are compensated on a salary and bonus system. Several factors enter into the compensation determination for an analyst, including: i) research quality and overall productivity, including success in rating stocks on an absolute basis and relative to the local exchange composite index and/or sector index; ii) recognition from institutional investors; iii) support effectiveness to the institutional and retail sales forces and traders; iv) commissions generated in stocks under coverage that are attributable to the analyst's efforts; v) net revenues of the overall Equity Capital Markets Group; and vi) comparable compensation levels for research analysts at competing peer firms.

Registration of Non-U.S. Analysts: The analysts listed on the front of this report who are not employees of, or associated with, RJA are not registered/qualified as research analysts under FINRA rules and are not subject to FINRA Rule 2241 restrictions on communications with covered companies, trading securities held by a research analyst account, and obligations related to identifying and managing conflicts of interest.

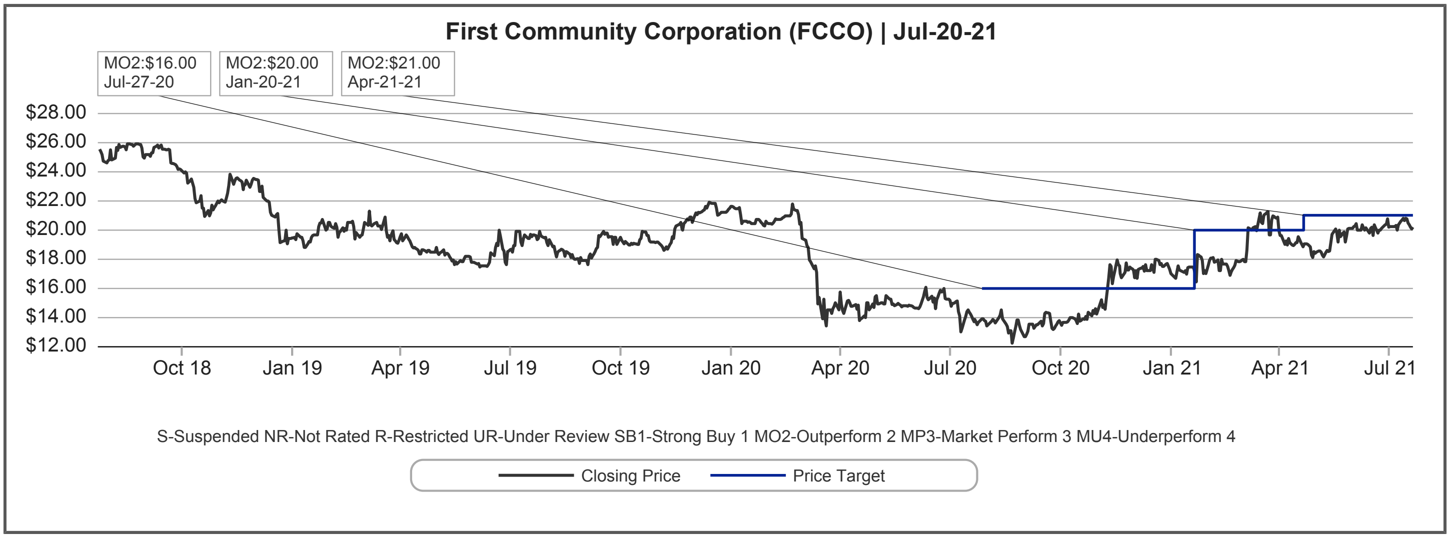
This global disclosure considers all entities of Raymond James and its affiliates. The jurisdiction where the analyst(s) is registered will determine what is permitted. For example, if the persons responsible for the content of this report are not licensed as research analysts in accordance with applicable rules promulgated by the regulatory organization(s) where this report is distributed, any client wishing to effect trades in any security should contact their Raymond James representative.

The analyst William J. Wallace IV, primarily responsible for the preparation of this research report, attests to the following: (1) that the views and opinions rendered in this research report reflect his or her personal views about the subject companies or issuers and (2) that no part of the research analyst’s compensation was, is, or will be directly or indirectly related to the specific recommendations or views in this research report. In addition, said analyst(s) has not received compensation from any subject company in the last 12 months.

Company Specific Disclosures

Methodology: The Raymond James methodology for assigning ratings and target prices includes a number of qualitative and quantitative factors, including an assessment of industry size, structure, business trends, and overall attractiveness; management effectiveness; competition; visibility; financial condition; and expected total return, among other factors. Collectively, these factors are subject to change depending on overall economic conditions or industry- or company-specific occurrences.

Target Prices: The information below indicates Raymond James’ target price and rating changes for any subject companies over the past three years.



Valuation Methodology

First Community Corporation
For First Community Corporation, our valuation methodology utilizes a 12-month estimate of intrinsic value and also takes into consideration the company's price/tangible book value and P/E ratio in comparison to its return on tangible equity and its peer group.

General Risk Factors

Following are some general risk factors that pertain to the businesses of the subject companies and the projected target prices and recommendations included on Raymond James research: (1) Industry fundamentals with respect to customer demand or product/service pricing could change and adversely impact expected revenues and earnings; (2) issues relating to major competitors or market shares or new product expectations could change investor attitude toward the sector or this stock; (3) Unforeseen developments with respect to the management, financial condition or accounting policies or practices could alter the prospective valuation.

Company Specific Risk Factors

First Community Corporation
Interest Rate Risk: As a commercial bank, First Community's revenue stream is sensitive to changes in interest rates, and earnings estimates could vary based on changes in the slope of the yield curve.
Credit Risk: First Community originates residential, commercial, and consumer loans, which may enter default, especially during times of economic stress. Depending on the health of the economy and the creditworthiness of its borrowers, loans could default more rapidly than anticipated, which could translate into higher losses at the bank.
Macroeconomic Risk: If unemployment levels rise or if the housing market weakens further, credit losses could accelerate more rapidly than anticipated, causing downside to our earnings expectations. Conversely, if unemployment levels decline and the housing market strengthens meaningfully, or if losses in weak markets are less than expected, there could be upside to our estimates.
Competition: Substantial competition exists in all of First Community's primary markets, from domestic banks and thrifts, foreign banks, and specialty finance companies. The level and aggressiveness of competition could lead to adverse pressures on both asset yields and funding costs, which could negatively impact First Community's margins and pressure its profitability.
Regulatory Reform: With the myriad regulatory and legislative changes facing the industry, these amendments will pressure fee income across the industry. First Community's asset size excludes it from the debit interchange provision in the Durbin amendment under the Dobb-Frank Act; however, competitive industry pressures will likely force the company to charge similar fees in order to compete, which will ultimately impact profitability.
Acquisition Risk: First Community announced its acquisition of Cornerstone Bancorp (April 2017). Acquiring a financial services company involves a number of risks, including those related to asset quality issues, loss of customers, entering new and unfamiliar markets, and integration of the acquired bank. In particular, integration poses a number of challenges, as the company must expend substantial resources to integrate acquired entities. Such failure to integrate acquired entities may adversely affect the company's results of operations and financial condition.
Our suitability rating takes into account the highly competitive banking industry and the potentially adverse impact of continued loan growth pressures on the company's net interest income.

Relationship Disclosures

Certain affiliates of Raymond James expect to receive or intend to seek compensation for investment banking services from all companies under research coverage within the next three months. The person(s) responsible for the production of this report declare(s) that, as far as they are aware, there are no relationships or circumstances (including conflicts of interest) that may in any way impair the objectivity of this recommendation directly or indirectly. This statement applies equally to any persons closely associated with him or her. However, it is possible that persons making communications in relation to a security may have a holding in that security and this will be disclosed. As stated, Raymond James has controls in place to manage such risks.

In the event that this is a compendium report (i.e., covers six or more subject companies), Raymond James may choose to provide specific disclosures for the subject companies by reference. To access these disclosures, clients should refer to: raymondjames.bluematrix.com/sellside/Disclosures.action or call toll free at 1.800.237.5643 in the United States or 1.800.667.2899 in Canada. In other jurisdictions, please contact your local Raymond James' representative.

Company Name	Disclosure
First Community Corporation	Raymond James & Associates, Inc. makes a market in the shares of First Community Corporation.
First Community Corporation	Raymond James & Associates received non-investment banking securities-related compensation from First Community Corporation within the past 12 months.

Investor Disclosures

In the United States (or U.S.), RJA is registered with the Financial Industry Regulatory Authority (FINRA) as a member firm. RJA is responsible for the preparation and distribution of reports created in the United States. RJA is located at The Raymond James Financial Center, 880 Carillon Parkway, St. Petersburg, Florida 33716 (Raymond James Financial (RJF) Corporate Headquarters), 727.567.1000. Raymond James Financial Services, Inc. (RJFS) is registered with FINRA as a Member Firm. RJFS is located at the RJF Corporate Headquarters.

RJA non-U.S. affiliates, which are not FINRA member firms (with the exception of Raymond James (USA) Ltd.), include the following entities, which are responsible for the creation or distribution of reports in their respective areas:

In Canada, RJL is registered with the Investment Industry Regulatory Organization of Canada (IIROC) as a member firm. RJL is responsible for the preparation and distribution of reports created in Canada. RJL is located at Suite 2100, 925 West Georgia Street, Vancouver, BC V6C 3L2 (RJL Head Office), 604.659.8200. Raymond James (USA) Ltd. (RJLU) is registered with FINRA as a member firm, which is responsible for the distribution of reports created in Canada and the United States to both American clients living in Canada and Canadian clients living in the United States. RJLU is located at the RJL Head Office.

In the United Kingdom, Raymond James Financial International Ltd. (RJFI) and Raymond James Investment Services, Ltd. (RJIS) are authorised and regulated by the Financial Conduct Authority (FCA). RJFI and RJIS are located at Ropemaker Place, 25 Ropemaker Street, London, England, EC2Y 9LY, +44 203 798 5600.

This report is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of or located in a locality, state, province, country, or other jurisdiction where such distribution, publication, availability, or use would be strictly prohibited or contrary to law or regulation. The securities discussed in this report may not be eligible for sale in some jurisdictions. This research is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It is not investment advice and does not constitute a personal recommendation, nor does it take into account the particular investment objectives, financial situations, or needs of individual clients. Information in this report should not be construed as advice designed to meet the individual objectives of any particular investor. Investors should consider this report as only a single factor in making their investment decision. Some investments discussed in this report may have a high level of volatility. High volatility investments may experience sudden and large falls in their value causing losses when that investment is realized. Those losses may equal your original investment. Consultation with your Raymond James representative is recommended. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. Nothing in this report constitutes investment, legal, accounting or tax advice or is a representation that any investment or strategy is suitable or appropriate to your individual circumstances or otherwise constitutes a personal recommendation to you.

The information provided is as of the date above and is subject to change and may or may not be updated. This report should not be deemed a recommendation to buy or sell any security. Certain information has been obtained from third-party sources Raymond James considers reliable, but Raymond James does not guarantee that such information is accurate or complete. Persons within Raymond James may have information that is not available to the contributors of the information contained in this report. Raymond James, including affiliates and employees, may execute transactions in the securities listed in this report that may not be consistent with the ratings appearing in this report.

With respect to materials prepared by Raymond James, all expressions of opinion reflect the judgment of the Research Departments of Raymond James, or its affiliates, as of the date above and are subject to change. Raymond James may perform investment banking or other services for, or solicit investment banking business from, any company mentioned in this report.

Raymond James reports are disseminated and available to Raymond James clients simultaneously via electronic publication to Raymond James' internal proprietary websites (RJA: RJ Client Access & raymondjames.com; RJL: RJL ECM Client Access, RJL Retail Client Access & raymondjames.ca). Not all reports are directly distributed to clients or third-party aggregators. Certain reports may only be disseminated on Raymond James' internal proprietary websites; however, such reports will not contain estimates or changes to earnings forecasts, target price, valuation, or investment or suitability rating. Individual Raymond James associates may also opt to circulate published reports to one or more clients electronically. This electronic communication distribution is discretionary and is done only after the report has been publically disseminated via RJ's internal proprietary websites. The level and types of communications provided by Raymond James associates to clients may vary depending on various factors including, but not limited to, the client's individual preference as to the frequency and manner of receiving communications. For reports, models, or other data available on a particular security, please contact your Raymond James representative or financial advisor or visit for RJA: RJ Client Access & raymondjames.com; RJL: RJL ECM Client Access, RJL Retail Client Access & raymondjames.ca.

Raymond James' policy is to update reports as it deems appropriate, based on developments with the subject company, the sector or the market that may have a material impact on the research views or opinions stated in a report. Raymond James' policy is only to publish reports that are impartial, independent, clear, and fair and not misleading. Any information relating to the tax status of the securities discussed in this report is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

Links to third-party websites are being provided for information purposes only. Raymond James is not affiliated with and does not endorse, authorize, or sponsor any of the listed websites or their respective sponsors. Raymond James is not responsible for the content of any third-party website or the collection or use of information regarding any website's users and/or members. Raymond James has not reviewed any such third-party websites and takes no responsibility for the content contained therein. Such address or hyperlink (including addresses or hyperlinks to Raymond James' own website material) is provided solely for your convenience and information, and the content of any such website does not in any way form part of this report. Accessing such website or following such link through this report or Raymond James' website shall be at your own risk. Additional information is available on request.

Notice to RJA PCG Financial Advisors - Non-U.S. securities discussed in this report are generally not eligible for sale in the U.S. unless they are listed on a U.S. securities exchange. This report may not be used to solicit the purchase or sale of a security in any state where such a solicitation would be illegal. By accessing this report, you agree to not solicit the purchase or sale of any security mentioned in the report that is not listed on a U.S. securities exchange, or is not otherwise registered under applicable state Blue Sky laws. Furthermore, you acknowledge that you will be solely responsible for any and all costs associated with the rescission of trades in unregistered securities. Please contact the International Research Liaison with any questions at 727.567.5559.

Ratings and Definitions

RJA (U.S.) Definitions: Strong Buy (SB1) The security is expected to appreciate, produce a total return of at least 15%, and outperform the S&P 500 over the next six to 12 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, a total return of at least 15% is expected to be realized over the next 12 months. **Outperform (MO2)** The security is expected to appreciate or outperform the S&P 500 over the next 12-18 months. For higher yielding and more conservative equities, such as REITs and certain MLPs, an Outperform rating is used for securities where Raymond James is comfortable with the relative safety of the dividend and expects a total return modestly exceeding the dividend yield over the next 12-18 months. **Market Perform (MP3)** The security is expected to perform generally in line with the S&P 500 over the next 12 months and could potentially be used as a source of funds for more highly rated securities. **Underperform (MU4)** The security is expected to underperform the S&P 500 or its sector over the next six to 12 months and should be sold. **Suspended (S)** The security's rating and price target have been suspended temporarily. This action may be due to market events that made coverage impracticable or to comply with applicable regulations or firm policies in certain circumstances. When a security's research coverage has been suspended, the previous rating and price target are no longer in effect for this security, and they should not be relied upon.

RJL (Canada) Definitions: Strong Buy (SB1) The security is expected to appreciate and produce a total return of at least 15% and outperform the S&P/TSX Composite Index over the next six to 12 months. **Outperform (MO2)** The security is expected to appreciate and outperform the S&P/TSX Composite Index over the next 12-18 months. **Market Perform (MP3)** The security is expected to perform generally in line with the S&P/TSX composite Index over the next 12 months and could potentially be used as a source of funds for more highly rated securities. **Underperform**

(MU4) The security is expected to underperform the S&P/TSX Composite Index or its sector over the next six to 12 months and should be sold. **Suspended (S)** The security's rating and price target have been suspended temporarily. This action may be due to market events that made coverage impracticable or to comply with applicable regulations or firm policies in certain circumstances or may otherwise have a perceived conflict of interest. When a security's research coverage has been suspended, the previous rating and price target are no longer in effect for this security, and they should not be relied upon.

	Coverage Universe Rating Distribution*		Investment Banking Relationships	
	RJA	RJL	RJA	RJL
Strong Buy and Outperform (Buy)	62%	78%	26%	40%
Market Perform (Hold)	35%	22%	16%	9%
Underperform (Sell)	3%	0%	6%	0%

** Columns may not add to 100% due to rounding.*

RJA Suitability Ratings (SR)

Moderate Risk/Provide Income (M/INC) Larger capitalization, lower volatility (beta) equities of companies with sound financials, consistent earnings, and dividend yields meaningfully above that of the S&P 500. Many securities in this category are structured with a focus on providing a consistent dividend or return of capital. **Moderate Risk/Wealth Accumulation (M/ACC)** Larger capitalization equities of companies with sound financials, consistent earnings growth, the potential for long-term price appreciation, and often a dividend yield. **Moderately Aggressive Risk/Provide Income (MA/INC)** Generally equities of companies that are structured with a focus on providing a dividend meaningfully above that of the S&P 500. These companies typically feature sound financials, positive earnings, and the potential for long-term price appreciation. **Moderately Aggressive Risk/Wealth Accumulation (MA/ACC)** Generally equities of companies in fast growing and competitive industries with less predictable earnings (or losses), potentially more leveraged balance sheets, rapidly changing market dynamics, and potential risk of principal. **Aggressive Risk/Provide Income (A/INC)** Generally equities of companies that are structured with a focus on providing a meaningful dividend but may face less predictable earnings (or losses), more leveraged balance sheets, rapidly changing market dynamics, financial and competitive issues, higher price volatility (beta), and meaningful risk of loss of principal. Securities of companies in this category may have a more volatile income stream from dividends or distributions of capital. **Aggressive Risk/Wealth Accumulation (A/ACC)** Generally equities of companies with a short or unprofitable operating history, limited or less predictable revenues, high risk associated with success, high volatility (beta), potential significant financial or legal issues, and the meaningful risk of loss of principal.

RJL Suitability Ratings

RJL has developed a proprietary algorithm for risk rating individual securities. The algorithm utilizes data from multiple vendors, and all data is refreshed at least monthly. Accordingly, suitability ratings are updated monthly. The suitability rating shown on this report is current as of the report's published date. In the event that a suitability rating changes after the published date, the new rating will not be reflected until the analyst publishes a subsequent report.

International Disclosures

For clients of RJA: Any foreign securities discussed in this report are generally not eligible for sale in the United States unless they are listed on a U.S. exchange. This report is being provided to you for informational purposes only and does not represent a solicitation for the purchase or sale of a security in any state where such a solicitation would be illegal. Investing in securities of issuers organized outside of the United States, including ADRs, may entail certain risks.

The securities of non-U.S. issuers may not be registered with, nor be subject to, the reporting requirements of the U.S. Securities and Exchange Commission. There may be limited information available on such securities. Investors who have received this report may be prohibited in certain states or other jurisdictions from purchasing the securities mentioned in this report. Please ask your RJA financial advisor for additional details and to determine if a particular security is eligible for purchase in your state.

For clients of RJFS: This report was prepared and published by Raymond James and is being provided to you by RJFS solely for informative purposes. Any person receiving this report from RJFS should direct all questions and requests for additional information to their RJFS financial advisor.

For clients of RJL: In the case where there is Canadian analyst contribution, the report meets all applicable IIROC disclosure requirements. RJL is a member of the Canadian Investor Protection Fund.

For clients of RJFI: This report is prepared for and distributed by RJFI, and any investment to which this report relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in the FCA rules or persons described in Articles 19(5) (Investment professionals) or 49(2) (High net worth companies, unincorporated associations, etc.) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) or any other person to whom this promotion may lawfully be directed. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is, therefore, not intended for private individuals or those who would be classified as retail clients.

For clients of RJIS: This report is prepared for and distributed by RJIS, and is for the use of professional investment advisers and managers and is not intended for use by retail clients.

For purposes of the FCA requirements, this report is classified as independent with respect to conflict of interest management. RJFI and RJIS are authorised and regulated by the FCA.

For clients of Raymond James Euro Equities (RJEE): RJEE is authorised and regulated by the Autorite de Controle Prudentiel et de Resolution and the Autorite des Marches Financiers. As of 30 November, 2020, RJEE is an unaffiliated entity of Raymond James. RJEE is located at SAS, 45 Avenue George V, 75008, Paris, France, +33 1 45 61 64 90. This report is prepared for and distributed by RJEE pursuant to an agreement with Raymond James, and any investment to which this report relates is intended for the sole use of the persons to whom it is addressed, being persons who are Eligible Counterparties or Professional Clients as described in "Code Monetaire et Financier" and Reglement General de l'Autorite des Marches Financiers. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons and may not be relied upon by such persons and is, therefore, not intended for private individuals or those who would be classified as retail clients.

For recipients in Brazil: This is a strictly privileged and confidential communication between Raymond James & Associates and its selected clients. This communication contains information addressed only to specific individuals in Brazil and is not intended for distribution to, or use by, any person other than the named addressee. This communication (i) is provided for informational purposes only, (ii) should not be construed in any manner as any solicitation or offer to buy or sell any investment opportunities or any related financial instruments, and (iii) should not be construed in any manner as a public offer of any investment opportunities or any related financial instruments. If you are not the named addressee, you should not disseminate, distribute, or copy this communication. Please notify the sender immediately if you have mistakenly received this communication.

The investments analyzed in this report may not be offered or sold to the public in Brazil. Accordingly, the investments in this report have not been and will not be registered with the Brazilian Securities and Exchange Commission (Comissão de Valores Mobiliários, the “CVM”), nor have they been submitted to the foregoing agency for approval. Documents relating to the investments in this report, as well as the information contained therein, may not be: (i) supplied to the public in Brazil, as the offering of investment products is not a public offering of securities in Brazil; nor (ii) used in connection with any offer for subscription or sale of securities to the public in Brazil.

For clients in Australia: Despite anything in this report to the contrary, this report is prepared for and distributed in Australia by RJFI with the assistance of RJA, and RJA at times will act on behalf of RJFI. This report is only available in Australia to persons who are “wholesale clients” (within the meaning of the Corporations Act 2001 (Cth)) and is supplied solely for the use of such wholesale clients and shall not be distributed or passed on to any other person. You represent and warrant that if you are in Australia, you are a “wholesale client”. This research is of a general nature only and has been prepared without taking into account the objectives, financial situation, or needs of the individual recipient. RJFI and RJA do not hold an Australian financial services license. RJFI is exempt from the requirement to hold an Australian financial services license under the Corporations Act 2001 (Cth) in respect of financial services provided to Australian wholesale clients under the exemption in ASIC Class Order 03/1099 (as continued by ASIC Corporations (Repeal and Transitional) Instrument 2016/396). RJFI is regulated by the UK FCA under UK laws, which differ from Australian laws. RJA is acting on behalf of RJFI with respect to distribution and communications related to this report.

For clients in New Zealand: In New Zealand, this report is prepared for and may only be distributed by RJFI to persons who are wholesale clients pursuant to Section 5C of the New Zealand Financial Advisers Act 2008.

Proprietary Rights Notice

By accepting a copy of this report, you acknowledge and agree as follows:

This report is provided to clients of Raymond James only for your personal, noncommercial use. Except as expressly authorized by Raymond James, you may not copy, reproduce, transmit, sell, display, distribute, publish, broadcast, circulate, modify, disseminate, or commercially exploit the information contained in this report, in printed, electronic, or any other form, in any manner, without the prior express written consent of Raymond James. You also agree not to use the information provided in this report for any unlawful purpose.

This report and its contents are the property of Raymond James and are protected by applicable copyright, trade secret or other intellectual property laws (of the United States and other countries). United States law, 17 U.S.C. Sec. 501 et. seq., provides for civil and criminal penalties for copyright infringement. No copyright claimed in incorporated U.S. government works.