FIRST COMMUNITY CORPORATION (FCCO-NASDAQ)

Banking

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APRIL 17, 2019 | 1:58 PM EDT
COMPANY COMMENT

Maintain Market Perform; Lowering Earnings Outlook on Near-Term Pressures

RECOMMENDATION

Recommendation: We are maintaining our **Market Perform** rating on FCCO shares following 1Q19 results that fell short of both our (Street-high) and consensus expectations. Notably, the company reported no net loan growth in the quarter, following six consecutive quarters of 1.8% or more organic loan growth. Management cited broad-based softer loan demand (resulting in a less bullish outlook for growth than coming into the year) and higher than normal payoff activity as drivers. Elsewhere, core trends were generally mixed; while margin was in line with our expectations, the loan growth miss drove spread revenue below our estimate, and fee income fell slightly short as well. On the expense front, the aforementioned loan growth miss resulted in lower than expected provision expense; however, operating expenses missed as the company continues to invest in physical infrastructure/staffing. Moving forward, while we expect the company to ultimately reap the benefits of recent and ongoing investments, we believe nearer-term earnings growth will prove to be difficult given pressure on both the revenue (slower loan growth results in lower spread revenue) and expense (additional near-term investments/hires expected) sides of the equation. Ultimately, while we have lowered our earnings outlook, our investment thesis remains relatively unchanged; we continue to view the risk/reward dynamic as balanced at current premium valuations levels as we believe franchise value is appropriately reflected at this time, juxtaposed with our lower earnings forecast.

- **1Q19 results miss expectations**: FCCO reported 1Q19 GAAP EPS of $0.32. Excluding $29,000 in losses on the sale of securities, we estimate operating EPS were $0.33, below both our Street-high $0.35 estimate and the $0.34 consensus.
- **Loan growth momentum subsides:** After growing loans 3.2% sequentially in 4Q18, the company reported no net loan growth in 1Q19, citing softer loan demand and greater than normal payoff activity. Moving forward, management believes relatively high payoff activity will persist, and is now incrementally less bullish on loan growth prospects; as a result, we now forecast ~5% loan growth through 2020 (down from a range of 7-8%).
- **Expect margin stability:** Net interest margin contracted 6 bp linked quarter to 3.73%, in line with our estimate and above the 3.71% consensus. That said, reported NIM in 4Q18 was impacted by a credit mark and nonaccrual interest recovery of $228,000 (or 9 bp), leaving 4Q core NIM at 3.70% and 1Q margin up 3 bp sequentially. Moving forward, we continue to expect NIM to stabilize around 3.71% through 2020.
- **Estimates:** We are decreasing our 2019E/2020E EPS from $1.50/$1.60 to $1.40/$1.45.

Valuation: FCCO trades at 1.4x 1Q19 TBV of $13.04, 13.1x our 2019E EPS, and 12.7x our 2020E EPS, versus micro-cap peers at 1.4x, 11.5x, and 10.7x, respectively. We believe current premium valuations appropriately reflect franchise value, though we do not see much upside given our reduced earnings outlook.

Market Perform 3
Target Price NM

Suitability	High Risk/ Growth

MARKET DATA

Current Price (Apr-17-19)	$18.60
Market Cap (mln)	142
Current Net Debt (mln)	$29
Enterprise Value (mln)	171
Shares Outstanding (mln)	7.7
30-Day Avg. Daily Value (mln)	$0.2
Dividend	$0.44
Dividend Yield	2.4%
52-Week Range	$17.93 - $26.25
BVPS	15.19
Tangible BVPS	13.04

KEY FINANCIAL METRICS

	1Q	2Q	3Q	4Q
Non-GAAP EPS ($, Dec FY)				
2018A	0.36	0.37	0.37	0.38
	0.36	**0.37**	**0.37**	**0.38**
2019E	0.35	0.37	0.37	0.40
new	**0.33 A**	**0.35**	**0.36**	**0.37**
2020E	UR	UR	UR	UR
new	**UR**	**UR**	**UR**	**UR**

	2018A	2019E	2020E
Non-GAAP EPS ($, Dec FY)			
old	1.48	1.50	1.60
new	**1.48**	**1.40**	**1.45**
P/E (Non-GAAP)			
	12.5x	13.3x	12.8x
GAAP EPS ($, Dec FY)			
old	1.45	1.50	1.60
new	**1.45**	**1.40**	**1.45**
Revenue (mln) ($, Dec FY)			
old	47	49	52
new	**47**	**48**	**51**

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. UR: Under Review.

Please read domestic and foreign disclosure/risk information beginning on page 8 and Analyst Certification on page 9.

Guidance Tracker – First Community Corporation (FCCO)

RAYMOND JAMES®

Source	Category	Target Period	Trending	Guidance
2019Q1 Earnings	Loan	2019Y		Management cited softer loan demand and a weaker pipeline entering 2Q19.
2018Q4 Earnings	NIM	Long-term		One of First Community's primary strategic initiatives is to re-mix the asset side of its balance sheet, moving toward a goal of an 80% loan-to-earning asset mix; thereby enhancing net interest income and earnings per share.
2019Q1 Earnings	Noninterest Income	2019Y/2020Y		Management expects to grow mortgage banking revenue over the coming quarters.
2019Q1 Earnings	Tax Rate	2019Y		The company anticipates the tax rate will be approximately 20.5% in 2019.

Source: Raymond James research; company reports

Lowering 2019E/2020E EPS, Primarily on Lower Spread Revenue and Higher Expenses

($ in thousands)	2019E			2020E		
	Old	**Current**	**Change**	**Old**	**Current**	**Change**
Operating EPS	**$1.50**	**$1.40**	**($0.10)**	**$1.60**	**$1.45**	**($0.15)**
GAAP EPS	**$1.50**	**$1.40**	**($0.10)**	**$1.60**	**$1.45**	**($0.15)**
Core PTPP* Earnings	15,700	14,401	-8%	17,533	15,760	-10%
Avg. Earning Assets	1,033,663	1,013,496	-2%	1,100,940	1,059,824	-4%
NIM	3.73%	3.73%	0 bps	3.71%	3.71%	0 bps
Net Interest Income	38,047	37,294	-2%	40,411	38,888	-4%
Provision	1,000	755	-25%	1,600	1,400	-13%
Operating Fee Income	11,032	10,890	-1%	11,707	12,059	3%
Operating Expense	33,423	33,842	1%	34,630	35,232	2%
Operating Efficiency	68%	70%	213 bps	66%	69%	271 bps
Tax Rate	20.5%	20.3%	-22 bps	21.0%	21.0%	0 bps
Diluted shares	7,765	7,742	0%	7,822	7,800	0%
Dividends per share	$0.44	$0.44	$0.00	$0.48	$0.48	$0.00
Loan Growth	8.8%	5.1%	-369 bps	7.2%	4.6%	-261 bps
Reserves/Loans	0.89%	0.89%	0 bps	0.93%	0.93%	1 bps
NPAs/Loans	0.57%	0.60%	3 bps	0.60%	0.64%	5 bps
NCOs/Avg. Loans	0.04%	0.04%	0 bps	0.10%	0.10%	0 bps

*PTPP = pre-tax, pre-provision

Source: Company documents and Raymond James research.

Comparison of Actual Results to Raymond James and Consensus Estimates

As illustrated in the following table, First Community reported 1Q19 operating EPS of $0.33, below both our Street-high $0.35 estimate and the $0.34 consensus. Relative to our model, lower revenues (spread and fee income) and higher operating expenses more than offset lower provision expense. The company reported no net loan growth in the quarter (+0.0%), below both our and the consensus 1.5% estimates. The company's reported NIM of 3.73% was in line with our estimate and above the 3.71% consensus.

Actual vs. Raymond James and Consensus

	Actual	Raymond James	dif (+/-)	Consensus	dif (+/-)	Consensus High	Consensus Low	Consensus # of Estimates
PER SHARE DATA								
Operating EPS	$0.33	$0.35	-$0.02	$0.34	-$0.01	$0.35	$0.33	3
Book value per share	15.19	14.96	0.23	14.99	0.20	15.05	14.96	3
Tangible book value	13.04	12.80	0.24	12.82	0.22	12.86	12.79	3
Dividends per share	0.11	0.11	0.00	0.11	0.00	0.11	0.11	3
Avg. fully diluted shares (mil.)	7.7	7.7	0.0	7.7	0.0	7.7	7.7	3
INCOME STATEMENT								
Net interest income	9.0	9.1	-0.1	9.2	-0.2	9.3	9.1	3
Loan loss provision	0.1	0.2	-0.1	0.2	-0.1	0.2	0.1	3
Fee income	2.5	2.6	-0.1	2.6	0.0	2.6	2.5	3
Revenue	11.6	11.8	-0.2	11.8	-0.2	11.8	11.8	2
Non-interest expense	8.3	8.1	0.2	8.3	0.0	8.5	8.1	3
Pre-tax income	3.1	3.4	-0.3	3.3	-0.2	3.4	3.2	3
Taxes	0.6	0.7	-0.1	0.7	-0.1	0.8	0.6	3
Net income	2.5	2.7	-0.2	2.6	-0.1	2.7	2.5	3
BALANCE SHEET								
Loans	718	729	-11	729	-11	729	729	3
Loan growth	0.0%	1.5%	-151 bp	1.5%	-150 bp	1.5%	1.5%	3
Average Deposits	920	953	-34	942	-22	953	930	2
FINANCIAL RATIOS								
Net interest margin (NIM)	3.73%	3.73%	0 bp	3.71%	2 bp	3.73%	3.70%	3
Efficiency ratio	72.0%	69.1%	290 bp	70.2%	185 bp	71.1%	69.0%	3
Net charge-offs / Avg. loans	0.01%	0.01%	0 bp	0.03%	-2 bp	0.05%	0.01%	2
ROA	0.92%	1.00%	-8 bp	0.94%	-2 bp	1.00%	0.91%	3
ROE	8.9%	9.6%	-79 bp	9.1%	-29 bp	9.6%	8.9%	3

Source: S&P Global; FactSet; Raymond James research; company reports
Note: Dollar amounts in millions, except per share data

First Community Regional Peer Group Comparison

		Balance Sheet Ratios				Income Statement Ratios							Credit				Capital		
Company	**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**
South State Corporation	SSB	$14,676	85%	26%	95%	4.01%	4.84%	4.52%	0.53%	NA	22%	57%	0.06%	0.39%	0.51%	129%	9.6%	10.7%	13.1%
Carolina Financial Corporation	CARO	$3,791	64%	20%	93%	4.23%	5.72%	5.18%	0.84%	NA	19%	52%	-0.02%	0.55%	0.57%	104%	11.8%	13.0%	16.3%
Southern First Bancshares, Inc.	SFST	$1,901	78%	21%	102%	3.61%	4.86%	4.82%	1.15%	NA	13%	56%	0.24%	0.75%	0.93%	125%	9.2%	10.1%	11.5%
Security Federal Corporation	SFDL	$913	69%	NA	57%	3.49%	5.45%	4.10%	0.63%	NA	18%	72%	0.19%	1.99%	2.09%	105%	8.7%	9.8%	16.2%
GrandSouth Bancorporation	GRRB	$776	53%	16%	98%	5.46%	7.26%	6.72%	NA	NA	3%	68%	0.30%	0.77%	1.39%	179%	7.1%	9.6%	11.1%
South Atlantic Bancshares, Inc.	SABK	$630	83%	17%	100%	4.37%	5.25%	5.02%	NA	NA	12%	71%	0.06%	0.19%	0.83%	429%	11.6%	9.4%	11.3%
First Reliance Bancshares, Inc.	FSRL	$585	65%	22%	90%	4.30%	5.50%	5.02%	0.79%	NA	27%	86%	-0.03%	1.52%	0.63%	41%	8.7%	9.5%	11.4%
Bank of South Carolina Corporation	BKSC	$432	NA	NA	NA	NA	6.01%	4.67%	NA	NA	NA	NA	-0.02%	NA	NA	NA	10.5%	10.6%	15.1%
First Community Corporation	**FCCO**	**$1,092**	**81%**	**26%**	**78%**	**3.82%**	**4.95%**	**4.23%**	**0.39%**	**0.49%**	**22%**	**66%**	**0.02%**	**0.89%**	**0.87%**	**98%**	**8.9%**	**10.0%**	**13.2%**
Peer Group Medians:		**$913**	**73%**	**21%**	**94%**	**4.12%**	**5.45%**	**4.82%**	**0.71%**	**0.49%**	**19%**	**67%**	**0.06%**	**0.76%**	**0.85%**	**115%**	**9.2%**	**10.0%**	**13.1%**

Peer group consists of banks based in SC with assets between roughly $500 million and $10 billion and excludes Mutual Holding Companies. Data as of most recent quarter. Core deposits exclude all time deposits.

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	2019E P/E	2020E P/E	Deposit Premium	Dividend Yield	ROA (MRQ)	ROE (MRQ)	ROTCE (MRQ)	ROTCE (2019E)	ROTCE (2020E)	2019E EPS Growth	2020E EPS Growth
Industry Medians	**532**	**$248**	**$1,771**	**1.63x**	**11.8x**	**11.0x**	**6%**	**2.4%**	**1.19%**	**10.5%**	**12.6%**	**13.5%**	**13.1%**	**8%**	**8%**
Large Cap (>$10B)	18	$25,523	$188,031	1.75x	10.3x	9.5x	8%	3.2%	1.19%	10.1%	15.6%	16.1%	16.3%	9%	7%
Mid-Cap ($2B - $10B)	66	$3,520	$21,573	1.90x	11.6x	10.9x	9%	2.4%	1.42%	10.5%	15.5%	15.4%	14.9%	8%	6%
Small-Cap ($500M - $2B)	111	$813	$5,646	1.79x	12.6x	11.9x	9%	2.5%	1.36%	11.1%	14.8%	14.1%	13.8%	7%	7%
Micro-Cap (<$500M)	337	$141	$1,086	1.36x	11.5x	10.7x	4%	2.3%	1.07%	10.3%	11.2%	11.1%	11.2%	10%	9%
Asset Size Medians															
Over $50B	20	$22,188	$153,294	1.71x	10.6x	9.8x	8%	3.2%	1.17%	10.1%	15.2%	15.7%	16.0%	9%	7%
$10B to $50B	73	$3,195	$19,250	1.83x	11.6x	10.9x	9%	2.5%	1.38%	10.1%	15.3%	15.2%	14.6%	8%	6%
$5B to $10B	57	$1,160	$6,834	1.90x	13.0x	12.0x	10%	2.3%	1.28%	11.1%	15.1%	14.6%	14.0%	7%	8%
$1B to $5B	229	$249	$1,793	1.47x	11.8x	10.9x	5%	2.4%	1.20%	10.8%	12.3%	12.1%	12.1%	9%	8%
$500M to $1B	153	$87	$717	1.30x	12.0x	10.5x	4%	2.3%	0.96%	9.9%	10.7%	10.5%	11.1%	11%	12%

Priced as of April 16, 2019.

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

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

First Community Corporation

Income Statement	1Q17	2Q17	3Q17	4Q17	2017	1Q18	2Q18	3Q18	4Q18	2018	1Q19	2Q19E	3Q19E	4Q19E	2019E	2020E
($ in thousands)	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	7,061	7,048	7,227	8,058	29,394	8,534	8,939	8,883	9,392	35,748	9,020	9,262	9,434	9,577	37,294	38,888
Provision for loan losses	116	78	166	170	530	202	29	21	94	346	105	150	200	300	755	1,400
Net Interest Income after Provision	**6,945**	**6,970**	**7,061**	**7,888**	**28,864**	**8,332**	**8,910**	**8,862**	**9,298**	**35,402**	**8,915**	**9,112**	**9,234**	**9,277**	**36,539**	**37,488**
Deposit service charges	320	348	379	439	1,486	463	423	434	449	1,769	411	448	459	486	1,804	1,985
Mortgage origination fees	670	1,261	1,032	828	3,791	951	1,016	1,159	769	3,895	844	928	1,021	991	3,784	4,328
Investment advisory fees and commissions	258	314	336	383	1,291	383	401	423	476	1,683	438	451	465	488	1,842	2,138
Gain on sale of securities	54	172	124	49	399	(102)	94	0	(332)	(340)	(29)	0	0	0	(29)	0
Gain (loss) on sale of other assets	20	68	40	107	235	15	22	(29)	16	24	0	0	0	0	0	0
Loss on early extinguishment of debt	(58)	(223)	(165)	0	(446)	0	0	0	0	0	0	0	0	0	0	0
Other	714	705	676	787	2,882	921	955	855	882	3,613	845	887	843	885	3,460	3,608
Noninterest Income	**1,978**	**2,645**	**2,422**	**2,593**	**9,638**	**2,631**	**2,911**	**2,842**	**2,260**	**10,644**	**2,509**	**2,715**	**2,788**	**2,849**	**10,861**	**12,059**
Non-Operating items	16	17	(1)	156	188	(102)	94	0	(332)	(340)	(29)	0	0	0	(29)	0
Operating Noninterest Income	**1,962**	**2,628**	**2,423**	**2,437**	**9,450**	**2,733**	**2,817**	**2,842**	**2,592**	**10,984**	**2,538**	**2,715**	**2,788**	**2,849**	**10,890**	**12,059**
Total Revenue	**9,039**	**9,693**	**9,649**	**10,651**	**39,032**	**11,165**	**11,850**	**11,725**	**11,652**	**46,392**	**11,529**	**11,977**	**12,222**	**12,427**	**48,155**	**50,947**
Total Operating Revenue	**9,023**	**9,676**	**9,650**	**10,495**	**38,844**	**11,267**	**11,756**	**11,725**	**11,984**	**46,732**	**11,558**	**11,977**	**12,222**	**12,427**	**48,184**	**50,947**
Salaries and employee benefits	4,086	4,313	4,122	4,482	17,003	4,577	4,881	5,079	4,978	19,515	5,170	5,273	5,353	5,406	21,202	22,336
Occupancy	527	539	532	568	2,166	614	583	611	572	2,380	655	662	665	668	2,650	2,740
Equipment	446	506	396	422	1,770	381	398	388	346	1,513	386	382	394	374	1,536	1,543
Marketing and public relations	221	298	96	286	901	89	194	177	459	919	175	179	161	153	667	609
FDIC assessment	78	78	78	78	312	81	83	94	117	375	74	84	96	87	341	375
Other real estate expense	27	29	19	(33)	42	18	31	37	12	98	29	10	10	10	59	45
Amortization of intangibles	75	74	74	120	343	142	143	142	136	563	132	131	129	128	520	500
Other	1,260	1,533	1,577	2,451	6,821	1,692	1,912	1,606	1,550	6,760	1,702	1,719	1,719	1,728	6,868	7,085
Noninterest Expense	**6,720**	**7,370**	**6,894**	**8,374**	**29,358**	**7,594**	**8,225**	**8,134**	**8,170**	**32,123**	**8,323**	**8,439**	**8,526**	**8,554**	**33,842**	**35,232**
Non-Operating items	0	98	228	783	1,109	0	164	0	0	164	0	0	0	0	0	0
Operating Noninterest Expense	**6,720**	**7,272**	**6,666**	**7,591**	**28,249**	**7,594**	**8,061**	**8,134**	**8,170**	**31,959**	**8,323**	**8,439**	**8,526**	**8,554**	**33,842**	**35,232**
Income Before Tax	**2,203**	**2,245**	**2,589**	**2,107**	**9,144**	**3,369**	**3,596**	**3,570**	**3,388**	**13,923**	**3,101**	**3,388**	**3,497**	**3,573**	**13,558**	**14,315**
Income tax expense	447	581	696	1,605	3,329	660	595	737	702	2,694	606	695	717	732	2,750	3,006
GAAP Net Income	**1,756**	**1,664**	**1,893**	**502**	**5,815**	**2,709**	**3,001**	**2,833**	**2,686**	**11,229**	**2,495**	**2,693**	**2,780**	**2,840**	**10,809**	**11,308**
Operating Net Income	**1,618**	**1,724**	**2,060**	**2,023**	**7,426**	**2,791**	**2,896**	**2,833**	**2,949**	**11,469**	**2,518**	**2,693**	**2,780**	**2,840**	**10,832**	**11,308**
Diluted shares	6,813	6,803	6,808	7,521	6,986	7,713	7,726	7,724	7,732	7,731	7,725	7,730	7,755	7,760	7,742	7,800
GAAP EPS - diluted	$0.26	$0.24	$0.28	$0.07	$0.83	$0.35	$0.39	$0.37	$0.35	$1.45	$0.32	$0.35	$0.36	$0.37	$1.40	$1.45
Operating EPS - diluted	**$0.24**	**$0.25**	**$0.30**	**$0.27**	**$1.06**	**$0.36**	**$0.37**	**$0.37**	**$0.38**	**$1.48**	**$0.33**	**$0.35**	**$0.36**	**$0.37**	**$1.40**	**$1.45**
Financial Highlights																
TBV/share	$11.50	$11.79	$12.02	$11.66	$11.66	$11.64	$11.85	$11.98	$12.56	$12.56	$13.04	$13.29	$13.52	$13.78	$13.78	$14.72
TCE/Assets	8.5%	8.7%	8.9%	8.6%	8.6%	8.4%	8.4%	8.5%	8.9%	8.9%	9.2%	9.3%	9.4%	9.4%	9.4%	9.7%
Loans/Deposits	72%	72%	74%	73%	73%	73%	73%	76%	78%	78%	78%	77%	77%	77%	77%	76%
Loan Growth	1.6%	-0.3%	2.7%	13.8%	18.3%	3.4%	2.4%	1.8%	3.2%	11.1%	0.0%	1.5%	1.5%	2.0%	5.1%	4.6%
Deposit Growth	1.2%	-0.3%	-0.4%	15.4%	15.9%	3.6%	1.5%	-1.2%	0.4%	4.2%	-0.6%	3.0%	2.0%	1.0%	5.5%	6.1%
NPAs/Loans	0.83%	0.70%	0.64%	0.82%	0.82%	0.75%	0.70%	0.69%	0.56%	0.56%	0.57%	0.58%	0.60%	0.60%	0.60%	0.64%
NCOs/Avg. Loans	-0.03%	-0.03%	0.00%	0.02%	-0.01%	0.01%	-0.04%	-0.06%	0.02%	-0.02%	0.01%	0.03%	0.04%	0.08%	0.04%	0.10%
Reserves/Loans	0.97%	0.99%	0.99%	0.90%	0.90%	0.90%	0.89%	0.89%	0.87%	0.87%	0.88%	0.88%	0.89%	0.89%	0.89%	0.93%
NIM	3.52%	3.49%	3.52%	3.54%	3.52%	3.66%	3.71%	3.60%	3.79%	3.69%	3.73%	3.73%	3.72%	3.72%	3.73%	3.71%
G&A/Avg. Assets	2.95%	3.20%	2.93%	2.98%	3.01%	2.88%	3.00%	2.99%	2.99%	2.97%	3.06%	3.05%	3.05%	3.02%	3.04%	3.02%
Efficiency Ratio	74%	75%	69%	72%	73%	67%	69%	69%	68%	68%	72%	70%	70%	69%	70%	69%
Effective tax rate	20.3%	25.9%	26.9%	76.2%	36.4%	19.6%	16.5%	20.6%	20.7%	19.3%	19.5%	20.5%	20.5%	20.5%	20.3%	21.0%
ROA (operating)	0.71%	0.76%	0.90%	0.79%	0.79%	1.06%	1.08%	1.04%	1.08%	1.07%	0.92%	0.97%	0.99%	1.00%	0.97%	0.97%
ROE (operating)	7.8%	8.1%	9.6%	7.9%	8.4%	10.6%	10.9%	10.5%	10.8%	10.7%	8.9%	9.2%	9.3%	9.4%	9.2%	9.0%
ROTCE (operating)	8.5%	8.8%	10.3%	9.2%	9.2%	12.6%	13.0%	12.4%	12.8%	12.7%	10.4%	10.7%	10.8%	10.8%	10.7%	10.3%
Dividends per share	$0.09	$0.09	$0.09	$0.09	$0.36	$0.10	$0.10	$0.10	$0.10	$0.40	$0.11	$0.11	$0.11	$0.11	$0.44	$0.48

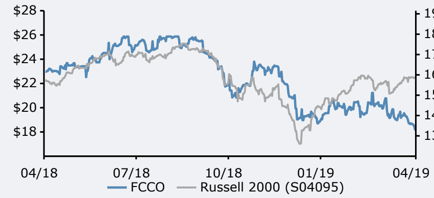
Source: Company reports and Raymond James research

First Community Corporation

Balance Sheet	**1Q17**	**2Q17**	**3Q17**	**4Q17**	**1Q18**	**2Q18**	**3Q18**	**4Q18**	**1Q19**	**2Q19E**	**3Q19E**	**4Q19E**	**4Q20E**
($ in thousands)	**31-Mar**	**30-Jun**	**30-Sep**	**31-Dec**	**31-Mar**	**30-Jun**	**30-Sep**	**31-Dec**	**31-Mar**	**30-Jun**	**30-Sep**	**31-Dec**	**31-Dec**
Stated Equity	**83,131**	**85,059**	**86,595**	**105,663**	**105,483**	**106,997**	**108,186**	**112,497**	**116,434**	**118,284**	**120,217**	**122,210**	**129,804**
Intangibles	6,105	6,031	5,956	17,157	17,016	16,846	16,779	16,643	16,480	16,349	16,220	16,092	15,592
Tangible Common Equity	**77,026**	**79,028**	**80,639**	**88,506**	**88,467**	**90,151**	**91,407**	**95,854**	**99,954**	**101,935**	**103,998**	**106,119**	**114,212**
Book Value	$12.41	$12.69	$12.91	$13.93	$13.88	$14.07	$14.18	$14.74	$15.19	$15.42	$15.62	$15.87	$16.73
Tangible BV	**$11.50**	**$11.79**	**$12.02**	**$11.66**	**$11.64**	**$11.85**	**$11.98**	**$12.56**	**$13.04**	**$13.29**	**$13.52**	**$13.78**	**$14.72**
Shares Outstanding	6,697	6,702	6,706	7,588	7,600	7,605	7,630	7,634	7,665	7,670	7,695	7,700	7,760
Equity/Assets	9.1%	9.3%	9.5%	10.1%	9.9%	9.8%	9.9%	10.3%	10.6%	10.6%	10.7%	10.7%	10.9%
TCE ratio	**8.5%**	**8.7%**	**8.9%**	**8.6%**	**8.4%**	**8.4%**	**8.5%**	**8.9%**	**9.2%**	**9.3%**	**9.4%**	**9.4%**	**9.7%**
Leverage Ratio	10.21%	10.41%	10.55%	10.35%	10.18%	10.20%	10.32%	10.47%	10.19%				
Tier 1 Capital Ratio	14.66%	15.02%	14.73%	14.25%	13.90%	13.75%	13.76%	13.83%	13.30%				
Total Capital Ratio	15.51%	15.89%	15.60%	15.05%	14.69%	14.52%	14.54%	14.60%	14.07%				
Total Assets	**914,913**	**915,462**	**914,228**	**1,050,731**	**1,070,539**	**1,092,149**	**1,091,142**	**1,091,595**	**1,097,396**	**1,113,857**	**1,124,996**	**1,141,870**	**1,188,235**
Other short-term investments	18,035	22,356	15,393	15,788	25,683	28,798	22,709	17,940	22,677				
Investment securities	262,538	259,117	248,672	284,395	272,637	273,730	269,963	256,022	248,909				
Loans held for sale	4,191	6,590	6,018	5,093	7,546	6,969	5,528	3,223	7,299				
Loans	**555,298**	**553,420**	**568,488**	**646,805**	**668,583**	**684,333**	**696,515**	**718,462**	**718,420**	**729,196**	**740,134**	**754,937**	**789,460**
Allowance for loan losses	(5,368)	(5,490)	(5,656)	(5,797)	(5,986)	(6,087)	(6,212)	(6,263)	(6,354)	(6,450)	(6,576)	(6,727)	(7,373)
Other assets	80,219	79,469	81,313	104,447	102,076	104,406	102,639	102,211	106,445				
Total Liabilities	**831,782**	**830,403**	**827,633**	**945,068**	**965,056**	**985,152**	**982,956**	**979,098**	**980,962**				
Total deposits	775,611	773,126	770,082	888,323	919,898	933,368	921,722	925,523	919,773	947,366	966,314	975,977	1,035,716
Securities sold under repo	19,388	17,319	17,469	19,270	21,959	28,203	33,226	28,022	32,007				
FHLB advances	15,548	17,997	17,255	14,250	245	241	4,236	231	2,226				
Junior sub debt	14,964	14,964	14,964	14,964	14,964	14,964	14,964	14,964	14,964				
Other liabilities	6,271	6,997	7,863	8,261	7,990	8,376	8,808	10,358	11,992				

COMPANY DESCRIPTION

First Community Corporation, headquartered in Lexington, South Carolina, is a more than $1 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.



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

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Company Name	Disclosure
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First Community Corporation	Raymond James & Associates received non-investment banking securities-related compensation from First Community Corporation within the past 12 months.

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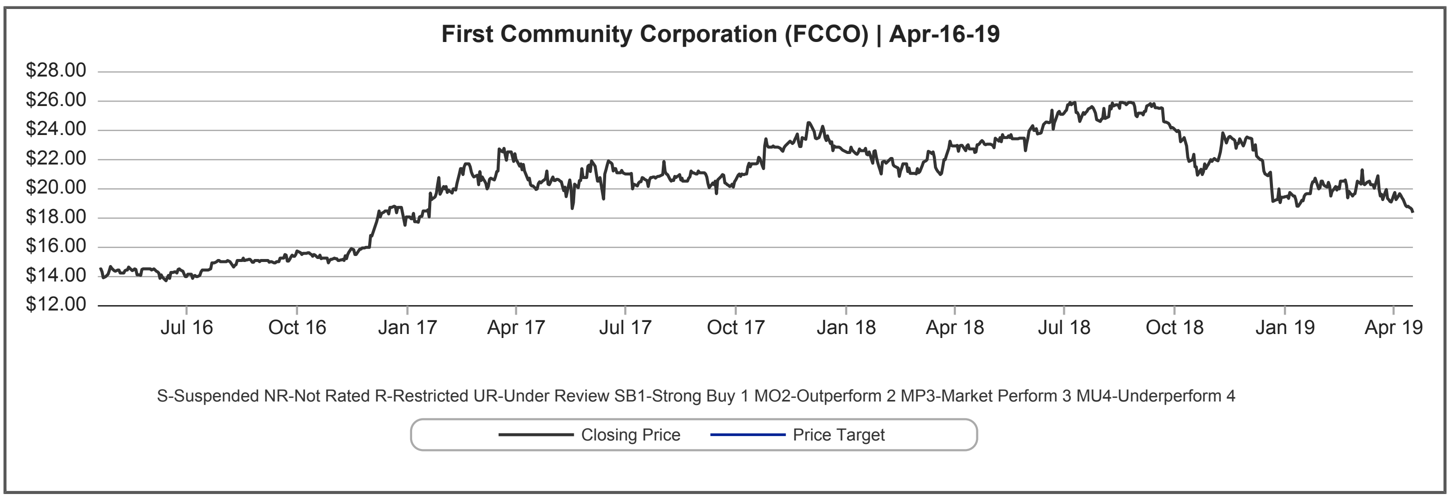
Target Prices: The information below indicates our target price and rating changes for the subject companies over the past three years.



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.

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Company-Specific Risks

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 recently 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.

Suitability Rating High Risk/Growth: We have assigned a High Risk/Growth (H/GRW) suitability rating to shares of First Community Corporation due to the highly competitive banking industry and the potentially adverse impact of continued loan growth pressures on the company's net interest income.

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