

First Merchants Corporation Announces Third Quarter 2019 Results

Third Quarter 2019 Earnings

First Merchants Corporation (NASDAQ - FRME) has reported third quarter 2019 net income of \$36.8 million compared to \$41.1 million during the same period in 2018. Earnings per share for the period totaled \$.71 per share compared to third quarter 2018 results of \$.83 per share. Included in the third quarter results are \$11.2 million, or \$.17 per share, of one-time charges related to the closing of our acquisition of Monroe Bank & Trust on September 1, 2019.

Total assets equaled \$12.3 billion as of quarter-end and loans totaled \$8.3 billion. The Corporation's loan portfolio increased by \$1.2 billion, or 17.1 percent, during the past twelve months. Investments increased \$864 million, or 53.2 percent, during the same period and now total \$2.5 billion. The acquisition of Monroe Bank & Trust accounted for \$731 million of the increase in loans. Total deposits equaled \$9.8 billion as of quarter-end and increased by \$2.1 billion, or 27.9 percent, since September 30, 2018. Of the increase, Monroe Bank & Trust accounted for \$1.1 billion.

Michael C. Rechin, President and Chief Executive Officer, stated, "First Merchants posted strong financial results as our local economies continue to flourish and our clients look to our bank for growth solutions. The signature event for the quarter was the legal closing of the Monroe Bank & Trust transaction. The merger extends our franchise with a community bank that enjoys a dominant market share position. Our plan to operationally integrate Monroe Bank & Trust into First Merchants next month will accelerate our marketplace momentum into 2020 to include a reduction in our overall funding costs."

Third Quarter 2019 Highlights

- Acquisition of MBT Financial Corporation Completed on September 1, 2019
- \$36.8 Million of Net Income, or \$0.71 Per Share
- Acquisition Expense Totaled \$11.2 Million, or \$0.17 Per Share
- Total Assets of \$12.3 Billion; Grew by 25.9% over 3Q 2018
- Annualized Organic Loan Growth of 3.1%
- Annualized Organic Deposit Growth of 16.4%
- \$21.26 TBV Per Share; 15% Annualized Increase since 4Q 2018

Analyst Comments

DA Davidson – October 2019

Buy

First Merchants reported 3Q19 core EPS of \$0.88, which was \$0.08 higher than our estimate and \$0.10 above the Street. The beat was driven by higher than modeled revenues and lower than expected credit costs. Positives in the quarter include strong top and bottom line growth, contained core operating expenses, and solid profitability (core ROA and ROE of 1.7% and 12.0%).

Keefe, Bruyette & Woods – October 2019

Outperform

FRME posted operating earnings of \$0.88/sh which handily beat both Street and KBW expectations as expenses and provision came in better than expected.

Raymond James – October 2019

Outperform

We reiterate our Outperform rating on FRME shares following its release of 3Q financial results. It was a solid quarter for First Merchants as revenue exceeded consensus expectations and improved guidance for rate sensitivity drove us to raise forecasts. Additionally, credit metrics remained strong and loss provision guidance improved, all resulting in an increase in our EPS estimates. As a result of strong profitability metrics, a strong credit culture and our bullish expectation for its move into Michigan via its recent acquisition of MBT, we believe shares should close the discounted valuation multiple to peers on a P/E basis.

Stephens – October 2019

Overweight

The acquisition of MBT Financial and the related systems conversion occurred in 3Q19 with the financial and strategic benefits expected to positively impact profitability levels in 4Q19 and beyond. Organic balance sheet growth, cost savings from MBT and, low credit costs should support near-to-medium term earnings growth and offset the low interest rate environment. Capital levels and credit quality trends entered 4Q19 in a strong position. We feel shares of FRME are undervalued today based on our fundamental outlook. Our rating is OW with a \$42 PT.



First Merchants Bank
Ranked #2 in 2019

2019 Third Quarter Statistics

Asset Size	\$12.3 billion
Deposits	\$9.7 billion
Loans	\$8.3 billion
Private Wealth	\$3.6 billion
Customers	232,885
Banking Centers	130
ATMs	166

Capital Position

	FMC 2019 3Q	"Well- Capitalized" Requirements
Total Risk-Based Capital Ratio	14.37%	10%
Tier 1 Risk-Based Capital Ratio	12.83%	6%
Leverage Ratio	11.36%	5%
TCE/TCA	9.95%	N/A

At a Glance

As the largest financial holding company based in Central Indiana, First Merchants delivers superior service to clients in 27 Indiana counties as well as two counties in Michigan, Illinois, and Ohio for:

- Commercial Banking
- Personal Banking
- Private Wealth Advisors

