

Extending the Positives from 2021FY

Summary: Just as the case in 2021FY, FBN Holdings Plc (**FBNH**) reported impressive topline performance in Q1:2022 as gross earnings advanced by 32.20% YoY to NGN180.56bn. This improvement was hinged on growth in both interest and non-interest income. The group's interest income increased by 39.68% YoY to NGN109.45bn on the back of increase in all funded income revenue sources. Nonfunded income advanced by 22.14% YoY despite moderation in both fees-based income (-0.93% YoY) and net gains on investment securities (-18.33% YoY), as both mark-to-market gains on financial instruments and other operating income grew by a combined c. 369% YoY. Despite increase in operating expenses by 25.71% YoY and income tax by 24.08% YoY, Profit After Tax (PAT) more than doubled to NGN32.44bn.

Positives: Growth in topline; earnings growth; decrease in cost-to-income ratio

Negative: Decrease in fees-based income

Outlook: We expect that improved yield environment and growth in e-banking revenue will support earnings. Thus, gross earnings and PAT are projected at NGN724.51bn and NGN110.99bn respectively, for 2022FY.

Valuation	
Trailing EPS	4.68
BVPS	25.29
P/E	2.20x
P/BV	0.40x
Target PE	3.85x
Dec-2022 Exp. EPS	3.09
Dec 2022 Target price	NGN11.90
Current Price	NGN10.30
UPP	+15.57%

Stock Highlights	
Yr Hi	12.40
Yr Lo	10.30
YTD return	-9.65%
Beta	1.10
Adjusted Beta	1.07
Dividend proposed	NGN0.35
Shares outstanding	35.90bn
Market cap [NGN]	369.72bn
Financial year end	December

Sensitivity Analysis of Dec-2022 Target Price to key model inputs						Min	11.22			
						Max	12.61			
						EPS				
						2.99	3.04	3.09	3.14	3.19
Target P/E	3.75x	11.22	11.41	11.59	11.78	11.97				
	3.80x	11.37	11.56	11.75	11.94	12.13				
	3.85x	11.52	11.71	11.90	12.10	12.29				
	3.90x	11.67	11.86	12.06	12.25	12.45				
	3.95x	11.82	12.02	12.21	12.41	12.61				

Recommendation: BUY TP: 11.90 CP: 10.30 UPP: +15.57%

Financial Highlight (NGN'bn)

Profit and Loss Account	Q1:2022	Q1:2021	Y/Y Growth
Gross Earnings	180.56	136.58	+32.20%
Interest Income	109.45	78.36	+39.68%
Non-Interest Income	71.11	58.22	+22.14%
Operating Expenses	92.18	73.33	+25.71%
Operating Income	137.52	105.41	+30.46%
PBT	36.52	18.91	+93.13%
PAT	32.44	15.62	+107.68%

Balance Sheet	Q1:2022	2021A	% Change
Loans and Advances	4,034.84	3,897.04	+3.54%
Other Assets	5,170.99	5,035.34	+2.69%
Total Assets	9,205.83	8,932.37	+3.06%
Deposits from Customers	6,139.22	5,849.49	+4.95%
Other Liabilities	2,158.94	2,203.03	-2.00%
Total Liabilities	8,298.15	8,052.51	+3.05%
Shareholders' Fund	907.68	879.86	+3.16%

Key Metrics

Profitability Ratio	2022T	2021A	3-yr Hist. Avg
Net Margin	26.49%	19.95%	14.65%
ROA	1.98%	1.82%	1.34%
ROE	19.97%	18.38%	13.36%
Earnings Per Share (NGN)	4.68	4.21	2.29

Efficiency Ratio	Q1:2022	2021A	3-yr Hist. Avg
Asset Turnover	0.09x	0.09x	0.09x
Cost-to-Income Ratio	61.11%	63.65%	70.98%

Solvency Ratio	Q1:2022	2021A	3-yr Hist. Avg
Financial Leverage	10.05x	10.15x	9.86x

*TP=Target Price, CP= Current Price, UPP=Upside Potential, EPS= Earnings Per Share, BVPS= Book Value Per Share, P/E=Price to Earnings, P/BV= Price to Book Value, T= Trailing, A= Actuals

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BUY: Target Price of the stock is above the current market price by at least 10 percent

HOLD: Target Price of the stock ranges between -10 percent and 10 percent from the current market price.

SELL: Target Price of the stock is more than 10 percent below the current market price.

Movements in Price Target

Company Name: FBN Holdings Plc

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
10-June-2022	10.30	-	11.90	-	BUY

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FBN Holdings Plc.	

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