

Diversified Revenue Streams Present Growth Prospects

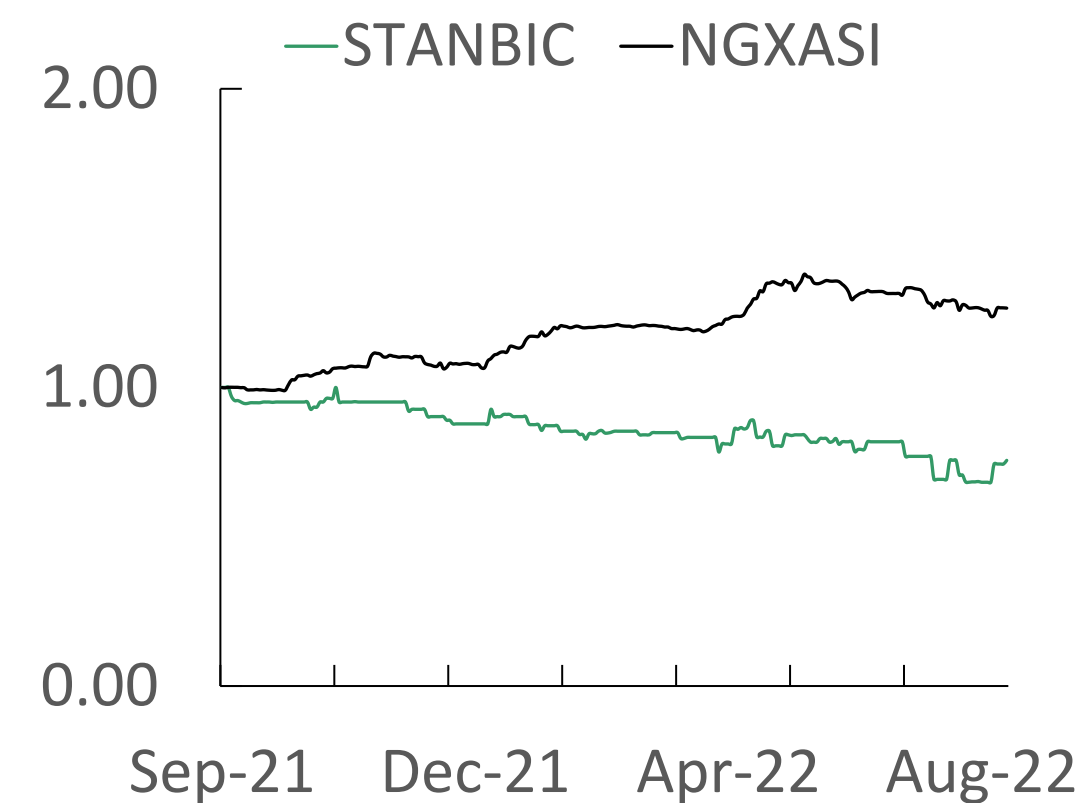
Summary: In the first half of the year, Stanbic IBTC Holdings Plc. (STANBIC) reported significant growth in both interest and non-interest income. As such, the group's gross earnings improved by 44.10% YoY to NGN134.87bn. The group's interest income advanced by 54.31% YoY, largely driven by loan stock expansion and higher yield on cumulative average risk assets, as well as interest earned on investment securities (+68.07% YoY). Similarly, an improvement in nonfunded income is linked to surge in trading revenue (+198.19% YoY) and net fee and commission (+10.44% YoY). The increased net fees and commission was due to improved assets under management fees (+4.07% YoY) and investment banking fees (+39.44% YoY). Operating expenses rose by 22.58% YoY owing to the current inflationary pressures and increased regulatory costs. Also, the group recorded credit impairment charge on financial assets of ₦5.47 bn (vs. a writeback of ₦1.28 bn in H1:2021). However, Profit After Tax (PAT) grew to NGN30.67bn in H1:2022 as a result of better cost efficiency (as reflected in its lower cost-to-income ratio).

Positives: Lower cost-to-income ratio (59.89% in H1:2022 vs. 70.27% in H1:2021), proposed interim dividend of NGN1.50 (4.84% dividend yield).

Negative: Higher Non-Performing Loan ratio (2.62% in H1:2022 vs 2.15% in H1:2021).

Outlook: We expect the improved yield environment, sustained growth in trading revenue and integration of the FinTech subsidiary in Q3:2022 to support earnings. Thus, we expect gross earnings and PAT for 2022FY to be NGN231.53bn and NGN67.69bn, respectively.

Valuation		Stock Highlights	
Trailing EPS	5.06	Yr Hi	38.00
BVPS	29.17	Yr Lo	28.00
P/E	6.29	YTD return	-13.89%
P/BV	1.06	Beta	0.44
Target PE	8.15x	Adjusted Beta	0.63
Dec-2022 Exp. EPS	5.21	Shares outstanding	12.96bn
Dec 2022 Target price	NGN42.45	Market cap [NGN]	401.67bn
Current Price	NGN31.00	Financial year end	December



Recommendation: BUY TP: 42.45 CP: 31.00 UPP: +36.94%

Financial Highlight (NGN'bn)

Profit and Loss Account	H1:2022	H1:2021	Y/Y Growth
Gross Earnings	134.87	93.59	+44.11%
Interest Income	68.25	44.23	+54.31%
Non-Interest Income	62.96	45.91	+37.14%
Operating Income	113.31	78.79	+43.81%
Operating Expenses	67.87	55.37	+22.58%
PBT	39.98	24.71	+61.80%
PAT	30.67	22.54	+36.07%

Balance Sheet	H1:2022	2021A	Ytd % Change
Loans and Advances	1,069.17	937.14	+14.09%
Other Assets	2,079.69	1,805.62	+15.18%
Total Assets	3,148.86	2,742.76	+14.81%
Deposits and current accounts	1,691.86	1,558.40	+8.56%
Other Liabilities	1,045.60	807.50	+29.49%
Total Liabilities	2,770.86	2,365.90	+17.12%
Shareholders' Fund	377.99	376.87	+0.30%

Key Metrics	H1:2022	2021A	3-yr Hist. Avg
Net Interest Margin	3.50%	2.90%	3.63%
Cost of Funds	2.00%	1.80%	2.70%
Capital Adequacy Ratio	19.70%	21.10%	23.47%
Non-Performing Loan Ratio	2.62%	2.10%	3.33%
Liquidity Ratio	112.62%	105.35%	120.40%
Return on Equity	12.59%	15.08%	22.41%
Asset Turnover	0.04x	0.098	0.11x
Cost-to-Income Ratio	59.89%	62.30%	53.23%
Financial Leverage	8.33x	6.90x	6.61x

Sensitivity Analysis of Dec-2022 Target Price to key model inputs						Min	41.13			
						Max	43.80			
						EPS				
						5.11	5.16	5.21	5.26	5.31
Target P/E	8.05x	41.13	41.53	41.93	42.34	42.74				
	8.10x	41.38	41.79	42.19	42.60	43.00				
	8.15x	41.64	42.05	42.45	42.86	43.27				
	8.20x	41.89	42.30	42.71	43.13	43.54				
	8.25x	42.15	42.56	42.98	43.39	43.80				

*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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Target Price Estimate

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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.

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Movements in Price Target

Company Name: Stanbic IBTC Holdings Plc

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
31-Aug-2022	31.00	42.45	42.45	BUY	BUY

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CONTACT INFORMATION

Brokerage and Retail Services

topeoludimu@meristemng.com (+234 905 569 0627)
isaaconaolapo@meristemng.com (+234 803 234 8275)
contact@meristemng.com

Investment Banking/Corporate Finance

rasakisalawu@meristemng.com (+234 806 022 9889)
seunlijofi@meristemng.com (+234 808 536 5766)

Wealth Management

funmilolaadekola-daramola@meristemng.com (+234 803 355 0008)
crmwealth@meristemng.com (+234 01 738 9948)

Registrars

oluseyiowoturo@meristemregistrars.com (+234 802 321 0561)
martinaosague@meristemregistrars.com (+234 802 303 1783)
www.meristemregistrars.com (+23401-280 9250)

Trust Services

damilolahassan@meristemng.com (+234 803 613 9123)
trustees@meristemng.com

Group Business Development

saheedbashir@mersitemng.com (+234 802 454 6575)
ifeomaogalue@meristemng.com (+234 802 394 2967)
info@meristemng.com

Investment Research

damilareojo@meristemng.com (+234 816 890 2771)
praiseihansekhien@meristemng.com (+234 817 007 1512)
research@meristemng.com

Analyst(s)

sodiqsafiriyu@meristemng.com (+234 816 711 9230)

Client Services

adefemitaiwo@meristemng.com (+234 803 694 3034)
car@meristemng.com (+23401-280 9250)

Corporate websites: www.meristemng.com www.meristemwealth.com www.meristemregistrars.com

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