

Thriving Against Inflationary Odds

Summary: Guaranty Trust Holding Company Plc (GTCO) reported a 133.41% YoY growth in gross earnings (NGN850.33bn), driven by higher contributions from its interest and non-interest income items. Interest income grew by 61.11% YoY, owing to the prevalent high-yield environment, which filtered into higher yield on loans and advances to customers (+17.68% YoY), and investment securities (+71.61% YoY). Also, non-interest income grew by +260.94% YoY to NGN475.78bn (vs NGN131.81bn in 9M:2022). The increase in non-interest income is attributable to the increase in fees and commission income (+16.03% YoY) as the bank continues to focus on digital banking and increase its investment in software for e-banking services. Worthy of mention is the growth in other income to NGN355.3bn in 9M:2023 from NGN16.49bn in 9M:2022. Specifically, this growth rides on the back of the impact of the exchange rate liberalization on the bank's net long position, which translated into NGN334.35bn (vs a negative NGN7.40bn in 9M:2022) in foreign exchange revaluation gains.

On the other hand, interest expense rose by 79.93% YoY to NGN77.01bn (vs NGN42.80bn in 9M:2022) due to the prevailing high interest rate environment, yielding a higher funding cost of 1.51% (vs 0.94% in 9M:2022). However, cost-to-income ratio fell significantly to 29.63% from 45.10% in 9M:2022 due to the substantial growth in operating income during the period. We also note that loan impairment charges increased substantially to NGN89.46bn (vs NGN3.70bn in 9M:2022) owing to the high credit risk in stage 1 and 2 loans. Due to the surging inflation, the GTCO's operating expense grew by +31.02% YoY to NGN241.81bn, pushed by increases in personnel expenses (+23.04% YoY), technological-related expenses (+25.42% YoY), and regulatory cost (+17.89% YoY). Overall, Profit After Tax (PAT) rose by 181.87% YoY to NGN367.42bn (vs NGN130.35bn in 9M:2022).

Positives: Gross earnings increased by 133.41% YoY to NGN850.33bn. Also, the cost-to-income ratio fell to 29.63% from 45.10% in 9M:2022.

Negative: Interest expense spiked by 79.93% YoY.

Outlook: We expect expansion in the bank's loan portfolio and improved yields from investment securities to push gross earnings to NGN974.74bn in 2023FY.

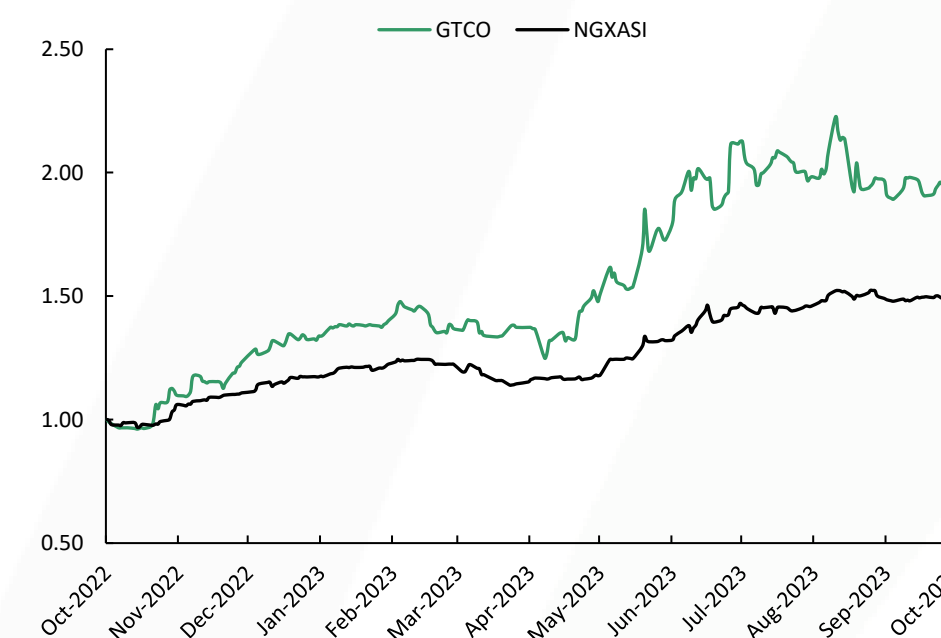
Recommendation: BUY TP: 45.73 CP: 35.55 UPP: +28.64%

Financial Highlight (NGN'bn)

Profit and Loss Account	9M:2023	9M:2022	YoY Growth
Gross Earnings	850.33	364.31	+133.41%
Interest income	374.56	232.49	+61.11%
Interest expense	77.02	42.80	+79.93%
Net Impairment charges	82.96	3.70	+2318.45%
Net interest income after impairment charges	208.07	185.99	+11.87%
Non-interest income	475.78	131.81	+260.94%
Operating income	675.01	270.14	+149.87%
OPEX	241.81	123.74	+95.41%
PBT	433.03	169.72	+155.24%
PAT	367.42	130.35	+181.87%

Balance Sheet	9M:2023	2022FY	YtD Change
Cash balance with Central Bank	2,310.26	1,621.10	+42.49%
Loans and advances to banks and customers	2,219.34	1,885.85	+19.59%
Investment securities	2,102.23	1,225.03	+71.60%
Property and equipment	224.68	197.86	+13.56%
Other Assets	1,758.99	1,516.82	+15.99%
Total Assets	8,615.50	6,446.46	+27.48%
Deposit from bank and customers	6,356.04	4,610.34	+37.86%
Financial liabilities	15.12	6.11	+243.87%
Other liabilities	1,272.92	898.77	+41.63%
Total Liabilities	7,342.58	5,515.31	+32.53%
Shareholders fund	1,247.58	912.00	+36.78%

Valuation		Stock Highlights	
Trailing EPS	14.38	Yr Hi	40.50
BVPS	43.25	Yr Lo	22.75
P/E	2.57x	YtD return	22.17%
P/BV	0.82x	Beta	0.46
Target PE	3.54x	Adjusted Beta	0.64
Dec-2023 Exp. EPS	12.91	Shares outstanding	29.43bn
Dec 2023 Target price	NGN45.73	Market cap [NGN]	1,035.98bn
Current Price	NGN35.55	Most recent period	9M:2023



Sensitivity Analysis of Dec-2023 Target Price to Key Model inputs									
					Min	37.73			
					Max	54.18			
					EPS				
					12.41	12.66	12.91	13.16	13.41
Target PE	3.04x	37.73	38.49	39.25	40.01	40.77			
	3.29x	40.83	41.65	42.47	43.30	44.12			
	3.54x	43.93	44.82	45.73	46.59	47.47			
	3.79x	47.03	47.98	48.93	49.88	50.82			
	4.04x	50.14	51.15	52.16	53.17	54.18			

Key Metrics	9M:2023	9M:2022	3-yr Hist. Avg
Cost to Funds	1.51%	0.94%	1.10%
Asset Yield	6.19%	5.18%	5.45%
Net Interest Margin	3.94%	4.22%	4.11%
Cost to Income Ratio	29.63%	45.10%	39.88%
Net Margin	35.84%	35.78%	37.41%
Return on Asset	4.39%	2.24%	3.05%
Return on Equity	28.86%	14.93%	19.72%
Earnings Per Share	14.38	4.55	7.82
Asset Turnover	0.06x	0.06x	0.06x
Financial Leverage	6.77x	6.66x	6.51x

*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

Positive Bottomline Driven by Revaluation Gain

Summary: Access Holding Plc (ACCESSCORP) reported a YoY growth of 75.71% in gross earnings, driven by its interest (+83.30% YoY) and non-interest (+62.79% YoY) earning items. Interest income growth of 83.30% YoY to NGN1.05bn (vs NGN571.98bn in 9M:2022) can be associated with the increase in loans and advances to customers (+34.28% YoY) and investment securities (+45.13% YoY) resulting from the prevailing high-interest environment, which filtered into a higher yield on earning assets. The growth in non-interest income of 62.73% YoY to 544.89bn (vs 334.84bn in 9M:2022) was primarily driven by increases in fees and commission income, which grew by 55.95% YoY to NGN208.18bn. Specifically, the growth in fees and commission income can be attributed to the group's effort to expand its credit-related (+100.45% YoY) and E-business activities (+42.41% YoY). We also note the impact of the exchange rate unification and devaluation of the currency on other income, which grew by 70.86% YoY to NGN314.06bn (vs NGN184.23bn in 9M:2022). However, the group's FX net short position had a downward impact on its foreign exchange gain, which fell from NGN96.90bn to NGN50.73bn during the period.

Owing to the high interest rate environment, cost of fund increased significantly by 259bps YoY to 5.21%, pushing interest expense up by 125.94% YoY to NGN658.51bn (vs NGN291.45bn in 9M: 2022) as the high-interest environment weighed on interest paid on customers' and financial institutions' deposits. Despite this, the net interest margin rose by 171bps to 5.08% (vs 3.37% in 9M: 2022) due to a higher increase in asset yield (215bps) to 8.35% (vs 6.20% in 9M:2022). Furthermore, the current inflationary pressures in the operating environment continued to adversely impact the bank's operating expenses, which grew YoY by 71.07% to NGN644.80bn (vs NGN376.92bn in 9M:2022). Specifically, we saw increases in IT and e-business expenses (+52.62% YoY), regulatory charges (+36.27% YoY), and wages and salaries (+43.75% YoY). However, the cost-to-income ratio improved to 67.20% (vs 71.95% in 9M:2022) owing to the impressive YoY growth in operating income by 55.27% to NGN813.39bn (vs NGN523.86bn in 9M:2022). Consequently, ACCESSCORP's PAT rose to NGN250.44bn in 9M:2023.

Positives: Growth in all earning items

Negative: Significant increase in interest expense (+125.94% YoY)

Outlook: Our gross earnings projection of NGN1.79trn for 2023FY is premised on the prevailing high-interest environment, growth in transaction volume, and FX revaluation gains

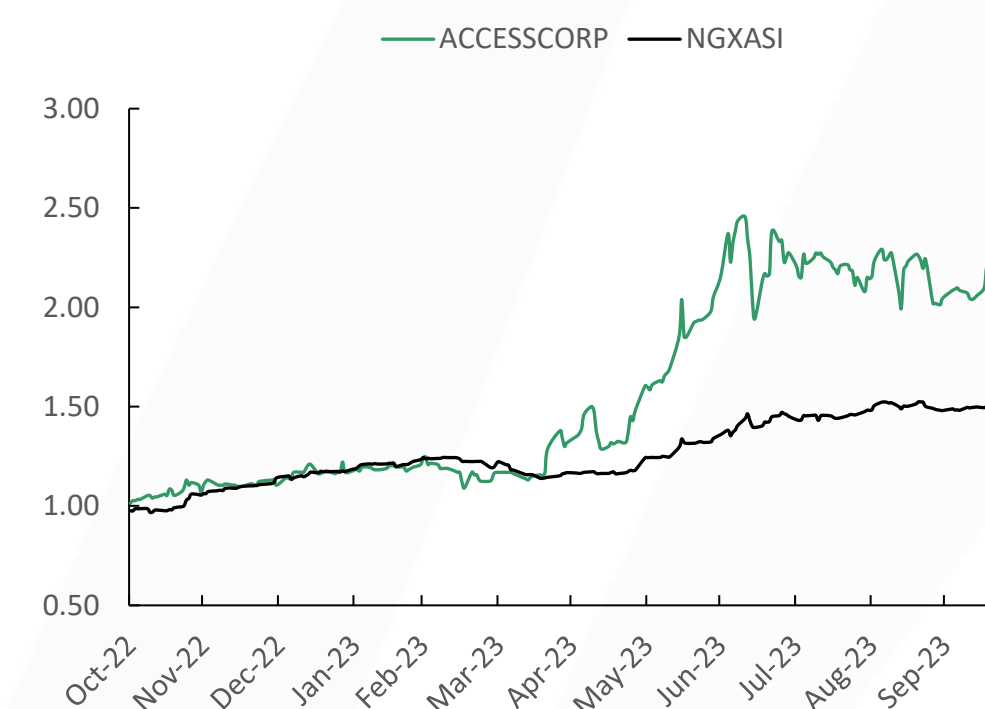
Recommendation: HOLD TP: 18.47 CP: 16.85 UPP: +9.61%

Financial Highlight (NGN'bn)

Profit and Loss Account	9M:2023	9M:2022	YoY Growth
Gross Earnings	1,593.36	906.58	+75.76%
Interest income	1,048.46	571.74	+83.38%
Interest expense	658.51	291.45	+125.94%
Net Impairment charges	61.83	52.95	+16.75%
Net interest income after impairment charges	328.96	277.33	+18.31%
Non-interest income	544.89	334.84	+62.73%
Operating income	813.39	523.86	+55.27%
OPEX	644.80	376.92	+71.07%
PBT	294.42	147.06	+100.21%
PAT	250.44	136.77	+83.12%

Balance Sheet	9M:2023	2022FY	YtD Change
Cash and bank balance	3,083.81	1,969.78	+54.27%
Loans and advances to banks and customers	7,461.11	5,556.52	+34.28%
Investment securities	4,007.16	2,452.41	+45.13%
Property and equipment	357.07	298.35	+19.68%
Other Assets	6,496.25	4,412.68	+47.22%
Total Assets	21,405.40	14,998.40	+42.72%
Deposit from bank and customers	16,171.58	11,265.55	+43.55%
Financial liabilities	2,432.81	1,730.02	+40.62%
Other liabilities	1,160.67	780.44	+48.72%
Total liabilities	19,765.06	13,767.01	+43.57%
Shareholders fund	1,640.34	1,231.39	+33.21%

Valuation		Stock Highlights	
Trailing EPS	7.43	Yr Hi	18.90
BVPS	46.14	Yr Lo	8.40
P/E	2.20x	YtD return	99.41%
P/BV	0.36x	Beta	0.88
Target PE	2.52x	Adjusted Beta	0.90
Dec-2023 Exp. EPS	7.32	Shares outstanding	35.55bn
Dec 2023 Target price	NGN18.47	Market cap [NGN]	559.84bn
Current Price	NGN16.85	Most recent period	9M:2023



Key Metrics	9M:2023	9M:2022	3-yr Hist. Avg
Cost of Funds	5.21%	2.62%	3.46%
Asset Yield	8.35%	6.20%	6.97%
Net Interest Margin	5.08%	3.37%	4.20%
Cost to Income ratio	67.20%	71.95%	69.94%
Net Margin	15.72%	15.10%	16.16%
Return on Asset	1.17%	1.02%	0.84%
Return on Equity	15.27%	13.26%	14.60%
Earnings Per Share [NGN]	7.32	3.78	4.05
Asset Turnover	0.08x	0.04x	0.06x
Financial Leverage	13.01x	12.97x	12.97x

*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

Sensitivity Analysis of Dec-2023 Target Price to Key Model inputs										
						Min	13.80			
						Max	23.64			
						EPS				
						6.82	7.07	7.32	7.57	7.82
Target PE	2.02x	13.80	14.30	14.81	15.31	15.82				
	2.27x	15.50	16.07	16.64	17.21	17.78				
	2.52x	17.21	17.84	18.47	19.10	19.73				
	2.77x	18.91	19.61	20.30	20.99	21.69				
	3.02x	20.62	21.38	22.13	22.89	23.64				

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We estimate stock's fair value by computing a weighted average of projected prices derived from discounted cash flow and relative valuation methodologies. The choice of relative valuation methodology (ies) usually depends on the firm's peculiar business model and what in the opinion of our analyst is considered as a key driver of the stock's value from a firm specific as well as an industry perspective. However, we attach the most weight to discounted cash flow valuation methodology.

Target Price Estimate

While we believe that the fair value is underpinned by the future benefits stream and growth outlooks, which are primary drivers of value, the market might not align to the fair value estimate within the estimated investment horizon. Thus, we do not derive our target price from the fair value but from a trading perspective using the year projected earnings or book value and the respective target multiples. Notwithstanding, we are of the opinion that the variance between the two should not be too significant.

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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: Guaranty Trust Holding PLC

Date	Price (N)	Previous Price(N)	Target	New Target Price (N)	Previous Recommendation	New Recommendation
07-July-2023	35.95	-		34.84	-	HOLD
20-Sep-2023	35.55	-		45.73	HOLD	BUY

Company Name: Access Holding PLC

Date	Price (N)	Previous Price(N)	Target	New Target Price (N)	Previous Recommendation	New Recommendation
27-Jan-2023	9.00	-		13.48	-	BUY
07-Juy-2023	18.35	13.48		17.01	BUY	HOLD
07-July-2023	16.85	17.01		18.47	HOLD	BUY

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Company	Disclosure
Guaranty Trust Holding PLC	
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