

Price	₦1.90
FVE (last communicated)	₦2.07
52-week range	₦1.41-2.65
Market Cap. (₦bn)	37,625
1-month Avg. Vol	14,542,072
Curr. PB	0.20x

FCMB:NL - Share Price Trend



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FCMB Group Plc. (FCMB.NL)

Initial View

Decent FY 2019 performance

- FCMB Group Plc reported EPS growth of 8.5% YoY to ~~₦0.89~~/share, coming above our estimate of ~~₦0.60~~/share. The deviation stemmed from lower loan-loss provision booked and higher than expected loan growth. To buttress, as at 9M 2019, loan growth was at 0.8%. Going into the last quarter, the bank expanded its loan book by 12.5% taking total loan growth for the year to 13.3% YoY. This resulted into sizable growth in interest income QoQ and YoY.
- Overall, key drivers of the result were the strong growth in interest income and lower provisioning, both of which masked a decline in Non-interest revenue and increase in interest expense. As mentioned earlier, interest income rose by ~~₦9.6~~ billion YoY neutering pressure from higher interest expense (+~~₦4.9~~ billion YoY). On balance, Net Interest Income expanded 6.5% YoY to ~~₦77.3~~ billion with related margin contracting 44 bps YoY due to a faster growth in interest earning assets. Elsewhere, the bank reported lower loan-loss provision of ~~₦9.3~~ billion (-34% YoY) with Cost of risk moderating by 93 bps YoY to 1.3%. Lastly, Non-interest revenue moderated 7.3% YoY to ~~₦36.3~~ billion largely due to lower FX gains.
- Streamlining to the quarterly breakdown, PBT and PAT expanded by 80.6% QoQ and 112.4% QoQ to ~~₦7.2~~ billion and ~~₦6.9~~ billion respectively on the back of an increase in NII and lower loan-provision. Despite increased funding cost, NII was higher by 19.8% QoQ largely on the back of higher interest income on loans. Growth in funding cost was largely on the back of higher interest expense on deposits from banks. That said, NIM contracted marginally by 10 bps QoQ following a faster growth in interest earning assets. Elsewhere, loan-loss provision moderated 37.9% QoQ to ~~₦1.5~~ billion.
- We think the performance over FY 19 was decent. Despite our expectation for pressured earnings over 2019, particularly due to absence of FX gains, the bank was able to stay above the pressure. We will be on the watch for possible updates to the audited result following CBN's approval.
- Our last communicated FVE of ~~₦2.07~~ translates to a NEUTRAL recommendation on our rating scale. FCMB trades at a current P/B of 0.20x, a discount to 1-year average of 0.32x.

Summary of Results

₹'million	FY 2019	FY 2018	YoY (pps)	Q4 19	Q3 19	QoQ
Gross Earnings	186,684	177,249	5.32%	50,860	46,038	10.48%
Net Interest Income	77,286	72,573	6.49%	21,055	17,577	19.78%
Non-Interest Revenue	36,326	39,206	-7.35%	8,708	12,266	-29.00%
Operating Expenses	(84,292)	(79,224)	6.40%	(21,098)	(23,503)	-10.23%
Impairment	(9,314)	(14,113)	-34.00%	(1,462)	(2,353)	-37.86%
PBT	20,006	18,442	8.48%	7,202	3,987	80.63%
PAT	17,720	14,972	18.36%	6,929	3,262	112.43%
EPS	0.89	0.76	18.36%	0.35	0.16	112.43%
₹'million	FY 2019	FY 2018	YoY	Q4 19	Q3 19	QoQ
Loans	717,533	633,035	13.35%	717,533	638,065	12.5%
Total Assets	1,778,767	1,431,298	24.28%	1,778,767	1,516,155	17.3%
Deposits	953,772	821,747	16.07%	953,772	863,440	10.5%
Total Liabilities	1,576,358	1,247,860	26.32%	1,576,358	1,328,191	18.7%
Key Ratios	FY 2019	FY 2018	change (pps)	Q4 19	Q3 19	change (pps)
Assets Yields	10.34%	11.05%	-0.71%	10.92%	10.03%	0.90%
WACF	4.84%	5.71%	-0.86%	5.18%	4.53%	0.65%
Net Interest Margin	5.65%	6.09%	-0.44%	6.80%	6.91%	-0.11%
Cost-Income Ratio	74.19%	70.88%	3.32%	70.89%	78.75%	-7.87%
Cost of Risk	1.30%	2.23%	-0.93%	0.82%	1.48%	-0.66%
ROAE	9.08%	8.26%	0.82%	14.45%	6.97%	7.47%

ARM ratings and recommendations

ARM now employs a two-tier rating system which is based on systemic importance of the security under review and the deviation of our target price for the stock from current market price. We characterize systemic importance as a function of a stock's ranking among the group of top 20 stocks by NSE market capitalization over a trailing 6-month period (minimum) to the review date. We adopt a 5-point rating system for this category of stocks and a 3-point rating system for stocks outside this group. The choice of top 20 stocks arises from the consideration that this group of stocks constitutes >75% of overall market capitalization and stocks outside this group are generally less liquid and individually account for <<1% of market capitalization. For stocks in both categories, the basis for ratings subject to target price deviation is outlined below:

TOP 20		NON-TOP 20	
Rating	Deviation	Rating	Deviation
STRONG BUY	>20%	BUY	>20%
OVERWEIGHT	10% — 20 %	NEUTRAL	5% — 20 %
NEUTRAL	0% — 10 %	SELL	<5%
UNDERWEIGHT	-5% — 0%		
SELL	<-5%		

RECOMMENDATION KEY	
Rating	Recommendation
BUY	Accumulate security to a substantial extent constrained only by portfolio diversification considerations
OVERWEIGHT	Accumulate security to an extent moderated by cognizance of its benchmark weight
NEUTRAL	Maintain status quo for security with respect to current holding—i.e. keep if already holding and don't buy otherwise—subject to reas portfolio constraints
UNDERWEIGHT	Minimize exposure to security taking cognizance of its index weighting
SELL	Sell-off security completely from portfolio

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