

Fidelity Bank Plc. (FIDELITY.NL)

Price	₦1.74
FVE	₦2.9
52-week range	₦1.40-2.42
Market Cap. (₦bn)	50,416
1-month Avg. Vol	8,278,643.4
Curr. PB	0.22x

FIDELITY.NL - Share Price Trend



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Initial View

Expansion in net interest income and net write back drives FY 19 Earnings

- Fidelity Bank Plc released its FY 19 audited result earlier today, recording a PBT and PAT growth of 21% YoY and 24% YoY respectively. Supporting the growth in earnings were increases in interest income which outweighed a sharp increase in interest expense. Further supporting the bottom line was a net-write back of ₦587 million (relative to an impairment charge of ₦4.2 billion in 2018).
- Compared to the unaudited result released on January 31st 2020, both PBT and PAT were lower by 6.2% and 3.5% respectively - stemming from additional provisioning of ₦1.5 billion. Meanwhile, the bank proposed a dividend of ₦0.20/share, higher than our expectation of ₦0.18/share and 2018 dividend of ₦0.11/share. Based on last closing price, the declared dividend translates to a dividend yield of 11.8%.
- Despite interest expense increasing by 18% YoY due to higher interest expense on deposits (precisely term and savings deposits), net interest income increased by 13.2% YoY to ₦83.05 billion. This mirrors a rise in interest income, as the bank's customer loans increased by 33% YoY to ₦1.1 trillion. NIM expanded by 40 bps YoY to 6.2% following a faster growth in asset yield. Elsewhere, Non-interest revenue rose by 2.2% YoY to ₦28.7 billion due to higher fee income from credit related fees (+125% YoY) and ATM charges (+24% YoY).
- Contrary to the full year numbers, quarterly numbers showed a poor performance as PBT declined by 7.6% QoQ despite the net-write back of ₦449 million during the quarter. For context, while the bank recorded a higher net interest income (+16.2% QoQ) - a fallout of lower interest expense (-19.8% QoQ); moderation in NIR (-10.6% QoQ) together with a sharp increase in Opex (+22.4% QoQ) led to a decline in PBT.
- Asset quality improved over the year with NPL ratio down to 3.3% (2018: 5.7%). The decline mirrors a ₦12 billion write-off in NPL and faster growth in gross loans (+30% YoY). Capital adequacy ratio was also better, printing at 18.3% (2018: 16.7%). Our last communicated FVE of ₦2.90, translates to a **BUY** recommendation on our rating scale. FIDELITY trades at a current P/B of 0.22x, a discount to 1-year average of 0.25x.

Summary of Results

N' million	FY 2019	FY 2018	YoY (pps)	Q4 19	Q3 19	QoQ
Gross Earnings	215,514	188,873	14.11%	54,459	57,400	-5.12%
Net Interest Income	83,055	73,356	13.22%	24,809	21,347	16.22%
Non-Interest Revenue	28,703	28,076	2.23%	6,206	6,944	-10.63%
Operating Expenses	(81,992)	(72,128)	13.68%	(24,114)	(19,709)	22.35%
Impairment	587	(4,215)	-113.93%	449	(630)	-171.27%
PBT	30,353	25,089	20.98%	7,350	7,952	-7.57%
PAT	28,425	22,926	23.99%	6,964	7,776	-10.44%
EPS	0.98	0.79	23.99%	0.24	0.27	-10.44%
N' million	FY 2019	FY 2018	YoY (pps)	Q4 19	Q3 19	QoQ
Loans	1,126,974	849,880	32.60%		1,074,096	4.92%
Total Assets	2,114,037	1,719,883	22.92%		1,970,620	7.28%
Deposits	1,225,213	979,413	25.10%		1,116,416	9.75%
Total Liabilities	1,880,007	1,525,467	23.24%		1,748,894	7.50%
Net Assets	234,030	194,416	20.38%		221,726	5.55%
BVPS	8.08	6.71	20.38%		7.66	5.55%
	FY 2019	FY 2018	change (pps)	Q4 19	Q3 19	change (pps)
Assets Yields	13.6%	12.8%	0.80%	9.24%	10.49%	-1.25%
WACF	6.3%	6.2%	0.10%	5.19%	6.78%	-1.59%
Net Interest Margin	6.2%	5.8%	0.40%	5.59%	5.16%	0.43%
Cost-Income Ratio	73.37%	71.11%	2.26%	77.75%	69.67%	8.08%
Cost of Risk	-0.05%	0.50%	-0.55%	-0.16%	0.23%	-0.39%
ROE	12.15%	11.79%	0.35%	15.29%	16.68%	-1.39%
CAR	18.3%	16.70%	1.60%			

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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