



Q1:2024 EARNINGS RESULT

GUARANTY TRUST HOLDINGS PLC



6TH MAY 2024

BANKING | EQUITY RESEARCH

Price NGN38.10

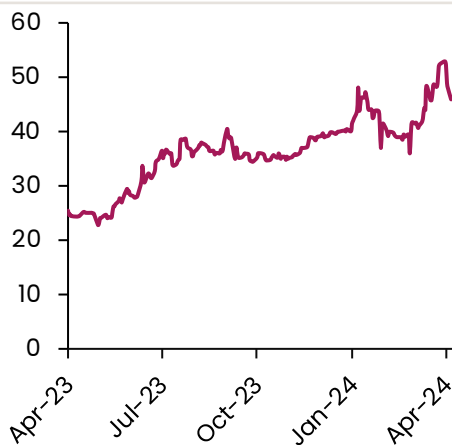
52-week range NGN23.55-NGN53.95

TP NGN42.29

Rating OVERWEIGHT

Market Cap NGN811.73bn

GTCO-Share Price Trend



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GUARANTY TRUST HOLDINGS PLC |

Performance Bolstered by Fair

Value Gain

Gross Earnings for Q1:2024 advanced 330.37% YoY to NGN680.38bn, primarily bolstered by impressive non-interest income. Elsewhere, Operating Expenses increased by 77.15% YoY to NGN99.45bn following a spike in personnel expenses, communications, technological related & admin expenses and AMCON charges. Profit Before Tax (PBT) and Profit After Tax (PAT) grew by 587.48% YoY and 685.90% YoY to NGN509.35bn and NGN457.13bn respectively. Overall, Net Profit Margin increased by 30.40% to 67.19% in the period.

Income from Investment Securities & Customer Loans Drives Performance

Interest Income soared 170.61% YoY to NGN281.65bn following an increase in income from investment securities (+307.55% YoY to NGN112.90bn), interest on loans to customers (+91.90% YoY to NGN122.04bn) and cash and cash equivalent (+265.87% YoY to NGN46.71bn). This was supported by an expansion in loans to customers (+62.69% YoY), investment securities (+125.25% YoY) amid elevated interest rate environment. Asset quality saw improvement as NPL ratio moderated to 3.13% (Q1:2023: 5.35%), further giving credence to the bank's loan growth decision.

Higher Customer Deposit & Deposit Rate Spikes Interest Expense

Interest expense surged 147.85% YoY to NGN54.35bn as interest expense on customer deposits rose sharply by 241.04% YoY to NGN48.07bn, due to a 87.31% increase in customer deposits to NGN9.20trn in Q1:2024. We opine that higher deposit rates may have supported the surge in interest on customer deposits. Cheap deposits (CASA) declined by 118bps to 88.30% in Q1:2024. Consequently, annualized cost of funds increased by 53bps to 2.22%. Overall, net interest income grew by 176.69% YoY to NGN227.30bn and Net Interest Margin (NIM) improved by 2.23% to 8.82%.

Non- Interest Revenue – Boosted by Fair Value Gain

Non-interest income grew significantly in Q1:2024 to NGN398.73bn from NGN54.01bn in Q1:2023. The impressive outing mirrors the recognition of fair value gain on financial instrument of NGN331.56bn (Vs loss of NGN99bn in Q1:2023). Fee and commission income also improved by 72.65% YoY to NGN55.99bn, an offshoot of increased commission received on foreign exchange deals (+229.91% YoY to NGN7.67bn), Credit related fees and commissions (+114.67% YoY to NGN8.31bn) and account maintenance charges (+72.27% YoY to NGN9.41bn).

Personnel Expenses Takes the Lead

Operating expenses increased by 77.15% YoY to NGN99.45bn. This is attributable to a 114.39% YoY surge in personnel expenses to NGN22.28bn. Similarly, communications, technological related and admin expenses rose by 115.54% YoY to NGN14.32bn while AMCON expenses increased by 33.71% YoY to NGN18.34bn following a 92.90% expansion in total assets to NGN13.00trn. Additionally, outsourcing expenses (+101.03% YoY to NGN7.03bn) and occupancy costs (+111.95% YoY to NGN5.26bn) impacted operating expenses in the period. However, due to a faster rise in operating income, cost-to-Income ratio improved to 15.98% from 42.00% in the same period last year.

Improvement in Profitability Ratios Amid Skyrocketing Expenses

Profit Before Tax and Profit After Tax grew by 587.48% YoY and 685.90% YoY to NGN509.35bn and NGN457.13bn respectively, despite burgeoning expenses. The annualized efficiency

ratios also echoed this narrative as Return on Asset and Return on Equity increased by a respective 10.61% and 67.30% YoY to 14.06% and 91.14%.

Outlook: Positive Outing in 2024FY

With Management's 2024FY loan growth guidance set at 30%, we expect higher interest income to drive profitability as well as support from non-interest income. We maintain our target price for GTCO at **NGN42.29** for 2024FY. At its current price of NGN38.10 as of 3rd May 2024, this translates to an upside prospect of 11%. Thus, we put a "**OVERWEIGHT**" rating on the stock.

Summary of Results

N'million	Q1:2024	Q1:2023	YoY
Gross Earnings	680,378	158,093	330.4%
Net Interest Income	227,300	82,151	176.7%
Non-Interest Revenue	398,726	54,013	638.2%
Operating Expenses	(99,452)	(56,139)	77.2%
Impairment	(13,611)	(3,442)	295.4%
PBT	509,349	74,090	587.5%
PAT	457,135	58,167	685.9%
EPS	16.24	2.04	696.1%
N'million	Q1:2024	Q1:2023	YoY
Loans	3,023,606	1,858,505	62.7%
Total Assets	13,002,225	6,740,338	92.9%
Deposits	9,508,562	5,067,590	87.6%
Total Liabilities	10,996,002	5,764,713	90.7%
Net Assets	2,006,223	975,624	105.6%
BVPS	68.17	33.15	105.6%
Annualized Ratios	Q1:2024	Q1:2023	YoY
Cost of Funds	2.22%	1.69%	0.5%
Net Interest Margin	8.82%	6.59%	2.2%
ROE	91.14%	23.85%	67.3%
ROA	14.06%	3.45%	10.6%

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%	N/A	
SELL	<-5%		

Ratings	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 reasonable portfolio constraints
UNDERWEIGHT	Minimize exposure to security taking cognizance of its index weighting
SELL	Sell-off security completely from portfolio

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