



## Event

Guaranty Trust Holding Company (“The Group”) sustained its positive momentum into Q3 2023, driven by the high interest rate environment.

## Performance Highlights

Gross earnings grew by 42% year-on-year to N177.73bn, driven by both interest and non-interest income growth. Interest income grew by 74% year-on-year to N148.61bn, while non-interest income grew by 29% year-on-year to N51.32bn.

Due to a rising interest rate environment, asset yields improved and supported interest income growth.

Interest expense increased by 73% year-on-year to N28.53bn - reflecting the impact of higher interest rates on the funding base. Nonetheless, net interest income (net of impairment) grew by 65% year-on-year to N113.58bn.

Fee and commission income rose markedly by 156% year-on-year, driven by a significant rise in E-business income (+386%: N9.69bn) and transfer related charges (+134%: N4.02bn).

Spurred by the solid net interest income growth, the Group recorded a 53% growth in operating income to N162.93bn.

Consistent with the heightened inflationary environment, operating expenses increased by 43% year-on-year to N57.12bn. The key expense drivers were energy costs, regulatory costs, and human capital-related expenses. Nevertheless, cost-to-income ratio improved by 300 basis points to 35% in Q3 2023 (Q3 2022: 38%).

The strong performance from income supported bottom-line growth. Profit before tax grew by 59% year-on-year to N105.81bn, while profit after tax recorded a growth of 65% year-on-year to N86.94bn.

# BUY

**Fair Value Estimate:**

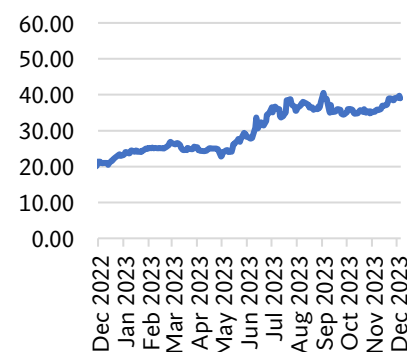
**N47.51**

Total Return: +24%

### Stock Data

Current price (N)	41.50
Shares Outstanding (mn)	29,431
Market Cap (N'mn)	1,221,394
52-week high (N)	41.80
52-week low (N)	22.05
Trailing EPS (N)	5.67
Forward EPS (N)	13.05
Forward PE (X)	3.18
Justified PE Multiple (X)	3.64

### Price Movement



Stock Data	FY 2021	FY 2022	FY 2023F
P/E	7.10x	7.33x	3.18x
P/BV	1.38x	1.31x	0.97x
PBT Margin	50%	40%	53%
PAT Margin	39%	31%	42%
RoE	20%	18%	35%
Dividend Yield	7%	7%	10%

## Analysts

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**Q3 2023 Financial Performance**

<b>Income Statement (N'mn)</b>	<b>Q3 2023</b>	<b>Q3 2022</b>	<b>(%)</b>
<b>Gross earnings</b>	<b>177,730</b>	<b>125,017</b>	<b>42%</b>
<b>Interest income</b>	<b>148,611</b>	<b>85,292</b>	<b>74%</b>
Interest expense	(28,531)	(16,452)	73%
<b>Net interest income</b>	<b>120,080</b>	<b>68,840</b>	<b>74%</b>
Loan impairment charges	(6,503)	(180)	3519%
<b>Net interest income after impairment</b>	<b>113,577</b>	<b>68,660</b>	<b>65%</b>
<b>Non-interest income</b>	<b>51,323</b>	<b>39,725</b>	<b>29%</b>
Fee and commission income	32,904	12,865	156%
Fee and commission expense	(1,972)	(1,921)	3%
Net fee and commission income	30,932	10,943	183%
Net gains on financial instruments held at FVTPL	13,168	13,025	1%
Other income	(16,953)	(5,525)	207%
<b>Operating income</b>	<b>162,928</b>	<b>106,464</b>	<b>53%</b>
Personnel expenses	(16,783)	(11,999)	40%
Depreciation and amortization	(10,344)	(9,741)	6%
Net impairment charge on financial assets	22,204	1	4088999%
Other operating expenses	(29,996)	(18,249)	64%
<b>Operating expense</b>	<b>(57,122)</b>	<b>(39,988)</b>	<b>43%</b>
<b>Profit before tax</b>	<b>105,806</b>	<b>66,475</b>	<b>59%</b>
Income tax	(18,871)	(13,684)	38%
<b>Profit after tax</b>	<b>86,935</b>	<b>52,792</b>	<b>65%</b>

**Source:** Company Accounts, WSTC Research

**Outlook**

Following an improved performance, we now expect profit after tax in FY 2023 to settle at N386.99bn, which translates to a 129% year-on-year growth and an earnings per share of N13.05.

Our fair value estimate for the stock is now N47.51, which effectively implies a justified price-to-earnings multiple of 3.64x. At the current market price, we believe that the stock still offers potential despite the current bullish run. Therefore, we maintain our **BUY** recommendation.

## 9M 2023 Financial performance

Income Statement (N'mn)	9M 2023	9M 2022	(%)
<b>Gross earnings</b>	<b>850,333</b>	<b>364,306</b>	<b>133%</b>
<b>Interest income</b>	<b>374,557</b>	<b>232,492</b>	<b>61%</b>
Interest expense	(77,018)	(42,804)	80%
<b>Net interest income</b>	<b>297,539</b>	<b>189,688</b>	<b>57%</b>
Loan impairment charges	(89,465)	(3,699)	2318%
<b>Net interest income after impairment</b>	<b>208,074</b>	<b>185,989</b>	<b>12%</b>
<b>Non-interest income</b>	<b>475,776</b>	<b>131,814</b>	<b>261%</b>
Fee and commission income	91,319	78,704	16%
Fee and commission expense	(8,839)	(8,635)	2%
Net fee and commission income	82,480	70,069	18%
Net gains on financial instruments held at FVTPL	29,187	36,624	-20%
Other income	355,271	16,486	2055%
<b>Operating income</b>	<b>675,011</b>	<b>309,168</b>	<b>118%</b>
Personnel expenses	(37,576)	(30,539)	23%
Depreciation and amortization	(29,704)	(27,087)	10%
Net impairment charge on financial assets	(59,110)	0	-100%
Other operating expenses	(115,418)	(81,819)	41%
<b>Operating expense</b>	<b>(241,808)</b>	<b>(139,444)</b>	<b>73%</b>
<b>Profit before tax</b>	<b>433,203</b>	<b>169,724</b>	<b>155%</b>
Income tax	(65,786)	(39,376)	67%
<b>Profit after tax</b>	<b>367,417</b>	<b>130,348</b>	<b>182%</b>
<b>Balance Sheet (N'mn)</b>	<b>9M 2023</b>	<b>9M 2022</b>	<b>Growth (%)</b>
<b>Assets</b>			
Cash & balances with CBN	2,310,257	1,179,329	96%
Loans and advances to banks	81	121	-33%
Loans and advances to customers	2,219,261	1,842,850	20%
Investment securities	2,102,225	1,091,854	93%
Others	1,983,680	1,694,651	17%
<b>Total Assets</b>	<b>8,615,504</b>	<b>5,808,804</b>	<b>48%</b>
<b>Liabilities</b>			
Deposits from customers	6,246,165	4,257,438	47%
Deposits from banks	109,880	135,329	-19%
Borrowings	90,951	146,804	-38%
Others	895,586	396,424	126%
<b>Total Liabilities</b>	<b>7,342,581</b>	<b>4,935,995</b>	<b>49%</b>
<b>Net Assets</b>	<b>1,272,923</b>	<b>872,809</b>	<b>46%</b>

Source: Company Accounts, WSTC Research

**Financial Projections**

<b>Income Statement (N' mn)</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023F</b>	<b>FY 2024F</b>	<b>FY 2025F</b>	<b>FY 2026F</b>	<b>FY 2027F</b>
Gross earnings	447,050	503,290	918,454	789,756	951,996	1,204,805	1,459,626
Interest income	266,894	325,400	465,282	516,381	610,099	777,691	940,723
Interest expense	(46,281)	(66,097)	(96,371)	(113,583)	(136,370)	(153,843)	(168,862)
Net interest income	220,613	259,303	368,912	402,798	473,729	623,848	771,861
Non-interest income	180,156	177,891	453,171	273,375	341,897	427,114	518,903
Operating expense	(162,267)	(197,898)	(300,044)	(312,717)	(376,646)	(480,045)	(575,163)
Impairment charge	(8,531)	(11,987)	(17,809)	(23,301)	(21,436)	(15,768)	(18,207)
Profit before tax	221,498	214,154	490,072	324,443	398,979	531,484	668,769
Net profit after tax	172,107	166,737	384,073	252,630	310,562	413,775	521,414
EPS (N)	5.85	5.67	13.05	8.58	10.55	14.06	17.72
DPS (N)	3.00	3.10	4.00	4.00	4.00	4.40	4.60
<b>Balance Sheet (N'mn)</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023F</b>	<b>FY 2024F</b>	<b>FY 2025F</b>	<b>FY 2026F</b>	<b>FY 2027F</b>
Gross loans	1,890,586	1,977,791	2,687,686	3,015,095	3,668,250	4,172,193	4,769,327
Net loans	1,802,702	1,885,853	2,562,749	2,874,939	3,497,732	3,978,250	4,547,626
Non-performing loans	113,919	102,365	159,271	170,165	207,028	235,469	269,170
Total assets	5,436,035	6,446,456	8,687,035	9,614,907	11,246,421	12,335,333	13,574,660
Customer deposits	4,012,306	4,485,114	6,207,069	6,870,053	8,035,803	8,813,854	9,699,379
Shareholder funds	864,357	912,004	1,235,641	1,369,666	1,605,328	1,762,615	1,941,627
BV/Share (N)	30.01	31.64	42.63	47.19	55.20	60.54	66.62
<b>Ratio Analysis</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023F</b>	<b>FY 2024F</b>	<b>FY 2025F</b>	<b>FY 2026F</b>	<b>FY 2027F</b>
Net interest margin	5.8%	5.8%	6.0%	5.7%	6.0%	6.9%	7.6%
PAT margin	39.1%	33.6%	42.1%	32.4%	33.1%	34.8%	36.2%
RoE	20.6%	18.6%	35.4%	19.4%	20.9%	24.6%	28.2%
RoA	3.6%	3.0%	5.7%	3.0%	3.2%	3.7%	4.2%
Cost / Income	42.3%	48.0%	38.0%	49.1%	48.6%	47.5%	46.2%
Loans / Deposit	45.8%	42.9%	42.2%	42.7%	44.4%	46.1%	47.9%
NPL Ratio	6.03%	5.18%	5.93%	5.64%	5.64%	5.64%	5.64%

**Source:** Company Accounts, WSTC Research

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WSTC uses a 3-tier recommendation system for stocks under coverage: Buy, Hold, and Sell.

- Buy Rating: estimated fair value is  $\geq 20\%$  above current market price.
- Hold Rating: estimated change in price is between  $-10\%$  and  $19\%$  of current market price.
- Sell Rating: estimated change in price is  $\leq -10\%$  of current market price.

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