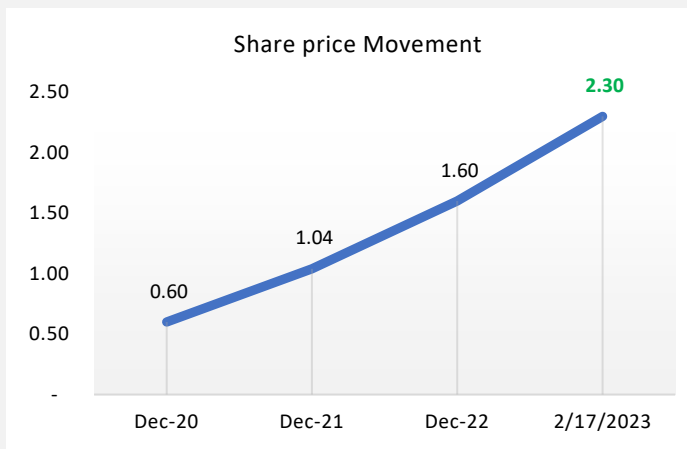


Livingtrust Mortgage Plc 3-Years Financial Performance

Friday, 23 February 2023

Company's Brief Profile

Livingtrust Mortgage bank (LTMB) Plc, is a Nigerian based mortgage bank that provides mortgage financing, Real Estate Construction Finance, and general financial services. The company's products include Mortgage & Loans, Estate Development Loans, and other Banking services. The company was incorporated to carry out banking activities and formal commencement of operations in 1993. In 2014, it was listed on the Alternative Securities Market of the Nigeria Stock Exchange (NSE). Cititrust Holdings Plc, took over the management of the company in **2020**, which led to; Strategic Re-organization and transformation of the Bank, driven by cutting edge technology, Migration to the Growth Board on the NSE, and also change of name from Omoluabi Mortgage Bank to LivingTrust Mortgage Bank Plc.

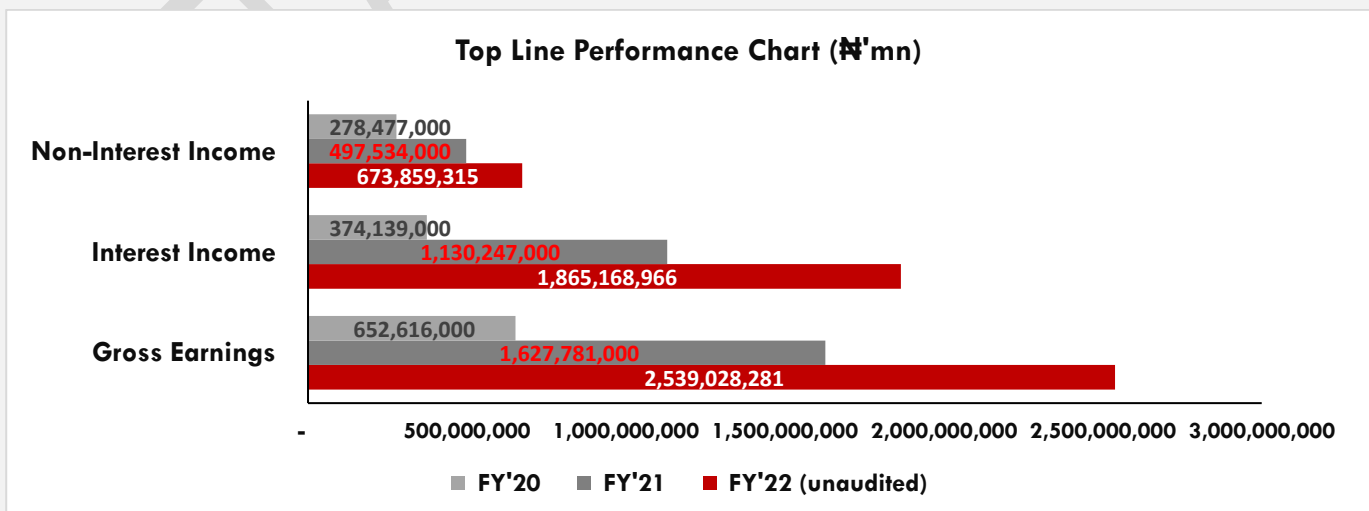


Over 500% Growth in PAT in 3 years (2020-2022)

Despite the economic meltdown in 2020 due to COVID-19 lockdown, followed by gradual recovery in 2021, buoyed by the reopening of global economies, which was interrupted in 2022 due to the Russia invasion of Ukraine early 2022, that resulted into rise in energy prices and increase in commodity prices, the company deployed strategies to prevent profitability erosion, by constantly monitoring the changing dynamics of its operating environment and adapting when necessary. The company grew its Gross

Earnings by 289.1% in three (3) years, from ₦652.62 million in 2020 to ₦2.54 billion in 2022. The increase in the company's Gross earnings over the years under review was jointly driven by 398.50%, 142.40%, and 141.80% increase in Interest Income, Fees and Commission Income, and other Operating Income respectively, which overshadowed 823% growth in the company's Interest Expense and 127% increase in Total Operating Expenses.

Furthermore, the Company witnessed a 578% and 587% surge in its Pre-Tax Profit (PBT) and Post-Tax profit (PAT) in the period under review due to strong earnings.



Livingtrust Mortgage Plc 3-Years Financial Performance

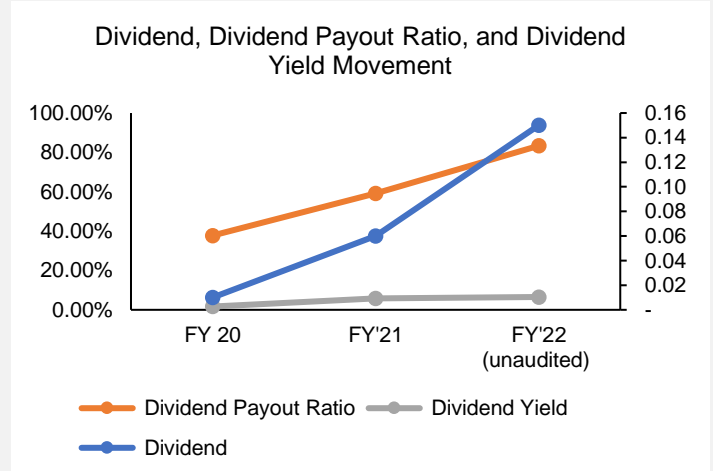
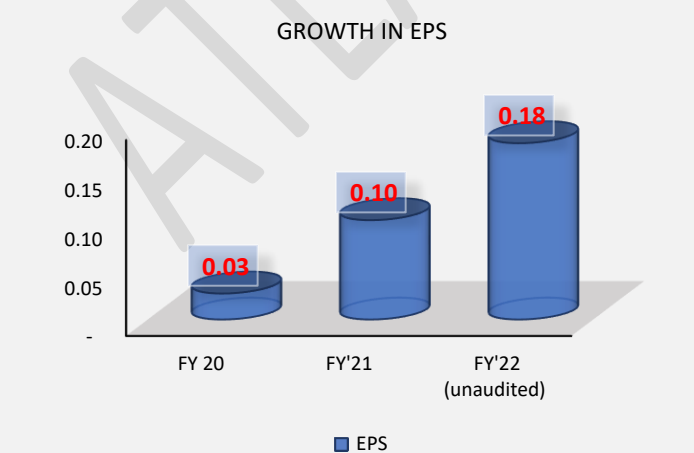
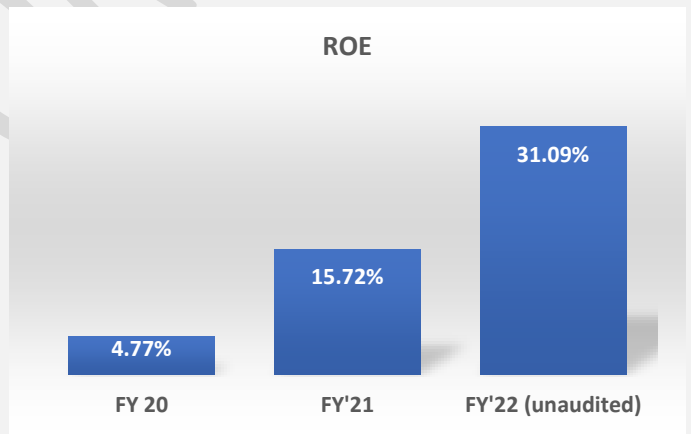
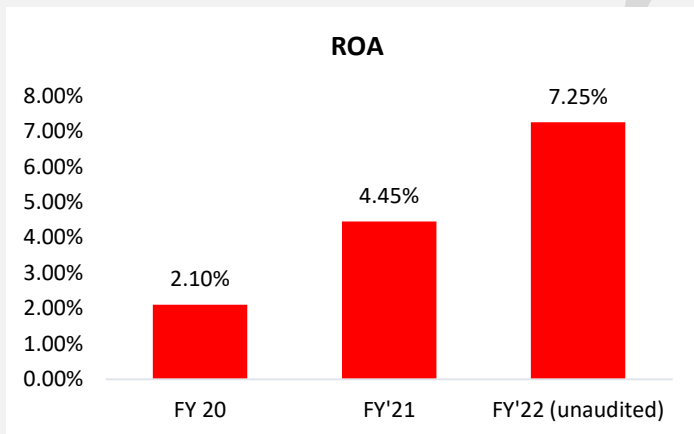
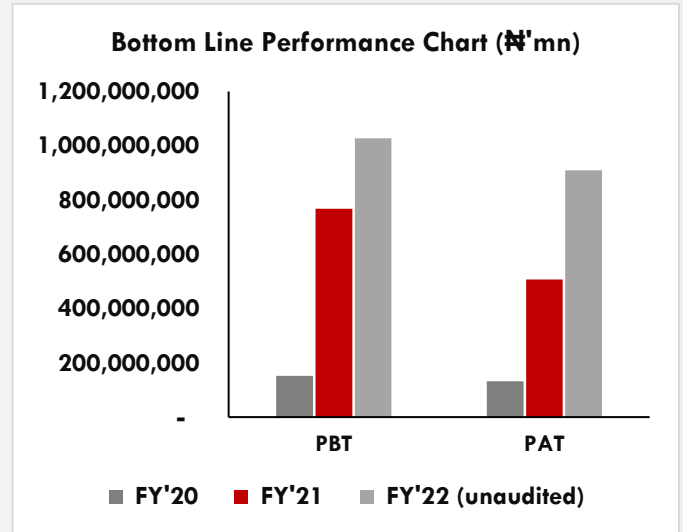
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Remarkable Asset and Equity Returns, Loans and Deposit

The Company grew its asset by 99% in the period under review, from ₦6.30 billion in 2020 to ₦12.54 billion in 2022, while the Total Shareholders' equity was up by 5% to ₦2.92 billion in 2022, from ₦2.78 billion in 2020.

The Return on assets ratio that shows how much profit the company can generate from its assets, stood at 7.25% in 2022, from 4.45% in 2021, and 2.10% in 2020, while return on equity was 31.09% in 2022, higher than 15.72% recorded in 2021, and 4.77% in 2020.

Likewise, the company's Loans and Advances to Customers surged by 155% in the period under review, from ₦4.08 billion in 2020, to ₦10.41 billion in 2022. Despite the impact of inflation and rising costs, which encourages high spending and less deposit, the company's Deposits from Customers was up by 108% to ₦5.45 billion in 2022, enhanced by competitive interest rate and transactional ease and access to banking services.



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Decline in Non-Performing Loan (NPL) Ratio in 2022

Chances of a bank recovering the defaulted loan repayments are minimal, which makes non-performing loans considered as bad debts. It affects the bank's cash flows and also its stock price if listed. However, for LTMB, considering the significant growth recorded in its loans and advances to customers, the bank ensured that effective risk management system is put in place, which resulted in a drop in its NPL Ratio in 2022 to **1.31%**, from 4.72% in 2021.

Successive EPS Growth, and Projected Dividend for FY'2022

In addition, due to growth in PAT in the period under review, the company's EPS advanced by 579.02% to ₦0.18 in 2022, when compared to ₦0.03 recorded in 2020. The Bank paid a final dividend of ₦0.06 per share in 2021, summing up to a total dividend payout of ₦300 million, which was 5% higher than ₦0.01 (₦50 million) paid as dividend in 2020. Following the unaudited report released by the company on the NGX, which shows a significant growth in both the top and bottom-line items of the company in 2022 financial year, and coupled with the company's operational resilience towards delivering good returns to the shareholder, we predict a final dividend of ₦0.15 per share for the 2022 financial year, which gives a dividend yield of 5.26%, at the share price of ₦2.85 recorded on Wednesday, 22nd February 2023.

New Rating Expected in 2023

The bank was assigned a short-term rating of "A2", which shows fair credit quality with adequate capacity for timely payment of financial commitments, and a long-term rating of "BBB+" (Stable) by DataPro in December 2022 for their financial performance, corporate governance and risk management in 2021. Therefore, following the significant growths recorded in all the key financial indicators from the company's unaudited financial report in the year 2022, we expect an improved rating in December 2023 when the old rating becomes invalid.

Our Recommendation

Based on the company's brilliant performance in 2022 with expectation of a favorable dividend, and the increase in MPR by CBN, which will further push up the bank's interest income in the next quarter, we adjust our target price to ₦3.65, which is 28.07% upside potential to the closing of ₦2.85 as of Wednesday, 22nd February 2022. Hence, we recommend a BUY on the stock.

Livingtrust Mortgage Plc 3-Years Financial Performance

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Performance Ratios	FY 20	FY'21	FY'22 (unaudited)
Gross Earnings (₦)	652,616,000	1,627,781,000	2,539,028,281
PBT (₦)	151,423,000	768,210,000	1,026,888,765
PAT (₦)	132,358,000	506,962,000	909,151,123
Total Asset (₦)	6,297,751,000	11,386,490,000	12,536,459,347
Total Equity (₦)	2,777,108,000	3,224,157,000	2,924,152,880
ROE	4.77%	15.72%	31.09%
ROA	2.10%	4.45%	7.25%
EPS (Kobo)	0.03	0.10	0.18
P/E Ratio	22.64	10.26	12.78
Loans-to-Deposits ratio	155.7%	148.3%	191.1%
Dividend	0.01	0.06	0.15
Dividend Yield	1.67%	5.77%	5.26%
Share price	0.60	1.04	2.30

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