



GCB BANK LTD



COMPANY ANALYSIS

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CORPORATE PROFILE

GCB Bank Ltd. started in 1953 as the Bank of the Gold Coast to provide banking services to the emerging nation for socio-economic development. The Bank was to provide services to Ghanaian traders, business owners and farmers who could not elicit support from the expatriate banks.

In 1957, when Ghana attained independence, Bank of Ghana was established as the Central Bank while the Bank of the Gold Coast was renamed Ghana Commercial Bank to focus solely on commercial banking services. Since then, GCB branches have been opened across the length and breadth of the nation. GCB Bank now operates through a network of approximately 180 branches and 300 ATMs.

The GCB Bank had been wholly government owned until 1996. Under the economic recovery program, part of the government ownership was divested. Today government ownership stands at 21.36% while institutional and individual holdings add up to 78.64%.

GCB Bank Limited engages in consumer and corporate banking, and treasury activities in Ghana. The company offers current accounts and savings accounts, time and other deposits, foreign currency and exchange accounts, personal loans, overdrafts, short- and medium-term loans.

It also provides SME solutions, such as business debit cards, bulk cash collection and payroll services, import and export finance, advance payments, letters of credit, bills for collection, fee collection, money transfer and remittance, business development and advisory services, insurance, bonds and guarantees, and mobile and Internet banking services, as well as investment banking services.

GCB Bank's online banking services includes Internet Banking (Commernet Plus), Royal Banking, Smart Pay (Fee Payments), Kudi Nkosuo, GCB Inland Express Money Transfer, International Money Remittance Payments, GCB Kidistar Account and MasterCard.

PRICE PERFORMANCE REVIEW



Price	Year High	Year Low	52-Week High	52-Week High	200DMA	100DMA
5.39	5.40	4.05	5.40	3.60	4.64	5.12

50DMA	6-M change	3-M change	Max Price	Lowest Price	Market Cap	Issued Shares.
5.40	19.78%	3.65%	7.50	0.05	1.43 B	265 M

Average Daily Traded Price (GHS) (Y-o-Y)

2016	2017	2018	2019	2020	2021 (YTD)
3.53	4.72	5.68	4.63	4.18	4.85

Price Volatility (Beta)

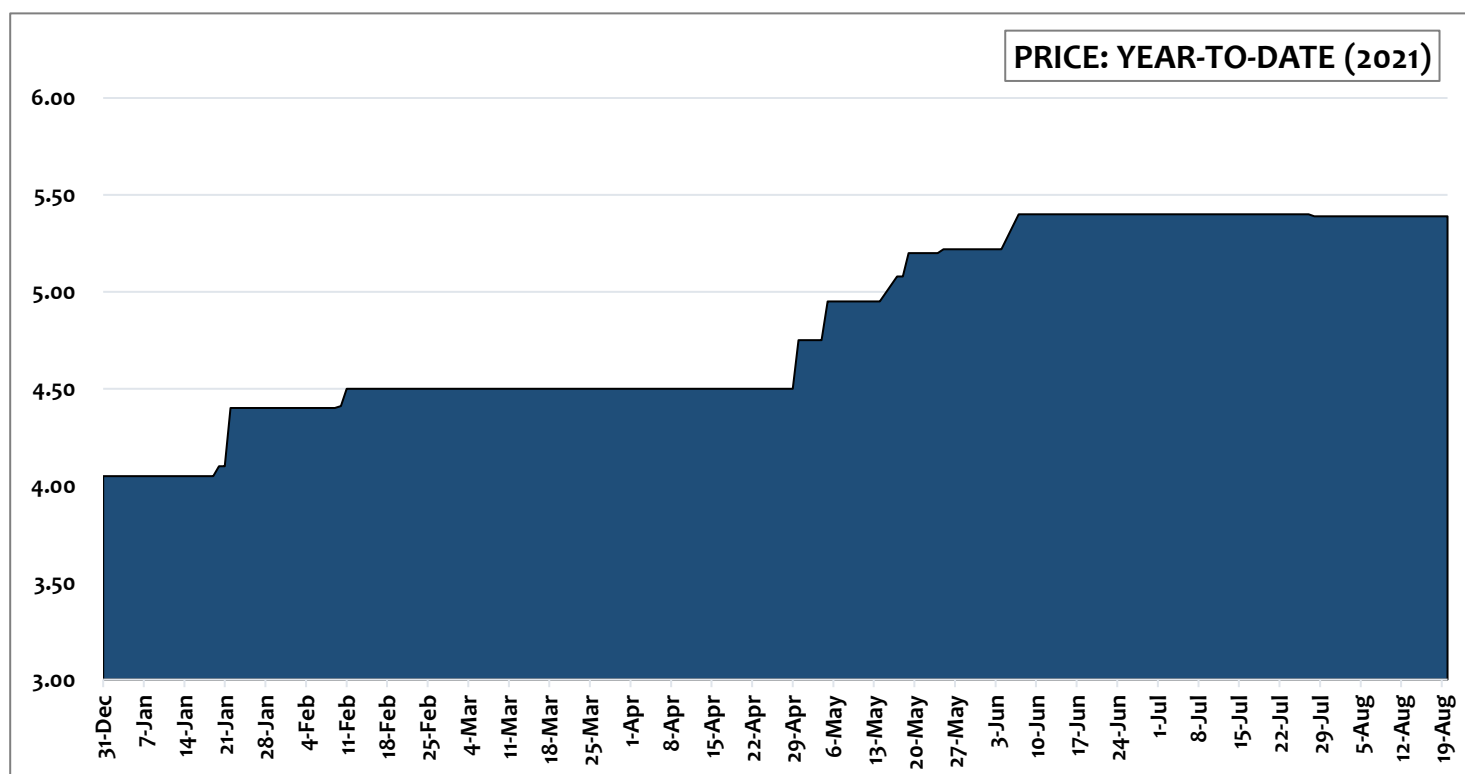
0.84

past 6-yrs performance

Bullish Price GHS7.50

Bearish Price GHS2.95

GCB Bank opened the year (2021) at GHS4.05 and is currently trading at GHS5.39; this represents its year-to-date return of 33.09%. The moving averages implies that the share price is on an upward drive. The price volatility of 0.84 (Beta) show that GCB share price is less volatile when compared to the composite index. GCB's beta is quite higher than the financial industry average beta of 0.66.





INDUSTRY (BANKING) PRICE MOVEMENT

YEAR TO DATE PRICE MOVEMENT

Indicator	Price (GH¢)	Year High	Year Low	52-week High	52-week Low	200 Days	100 Days	50 Days
ACCESS	3.49	4.39	3.49	4.39	3.49	4.16	3.97	3.65
ADB	5.06	5.06	5.06	5.06	5.06	5.06	5.06	5.06
CAL	0.70	0.84	0.60	0.84	0.60	0.72	0.73	0.71
EGH	7.33	7.33	7.00	7.50	4.96	6.69	7.03	7.01
ETI	0.08	0.08	0.05	0.08	0.05	0.07	0.07	0.07
GCB	5.39	5.40	4.05	5.40	3.60	4.56	5.03	5.37
RBGH	0.45	0.45	0.41	0.45	0.40	0.43	0.45	0.45
SCB	18.50	18.60	16.31	18.60	13.53	17.33	18.38	18.57
SOGEGH	0.95	0.95	0.64	0.95	0.62	0.76	0.85	0.91
TBL	0.34	0.34	0.30	0.34	0.34	0.34	0.34	0.34

VOLUMES AND VALUES TRADED

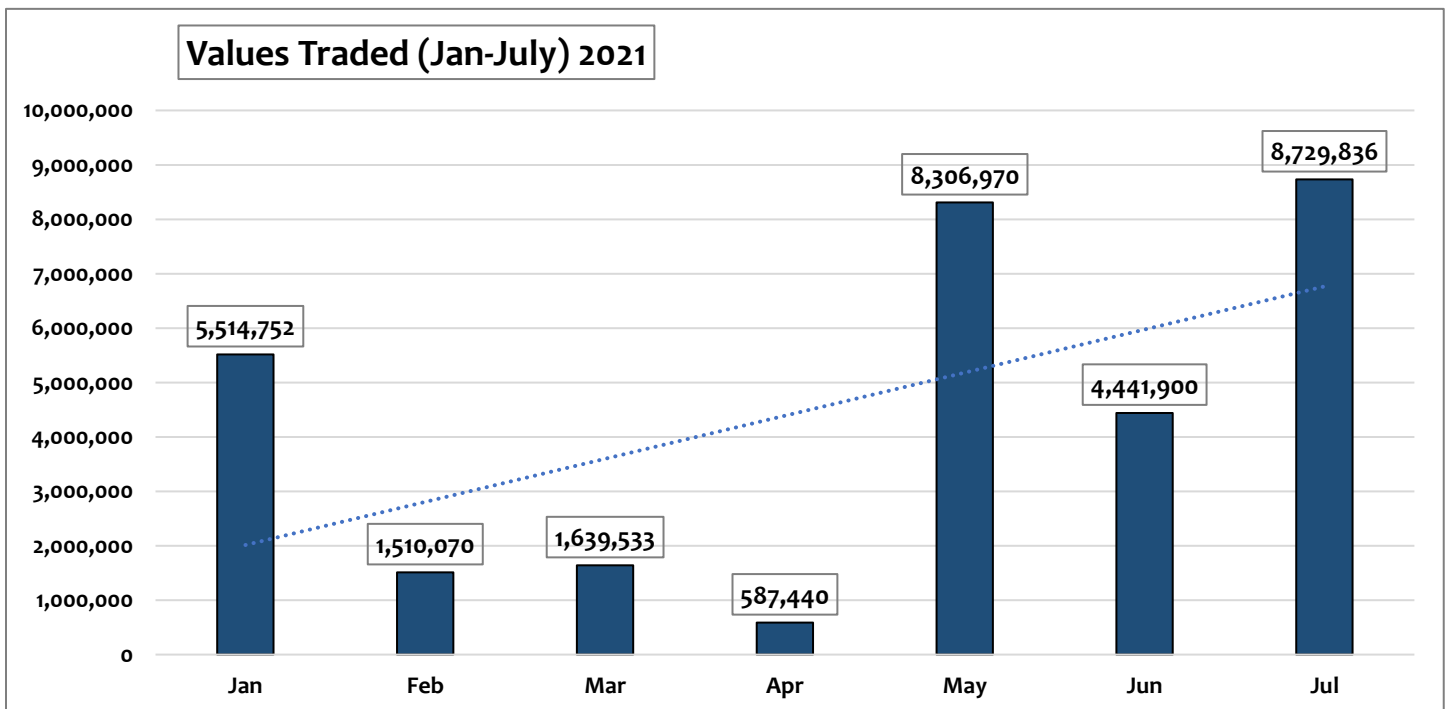
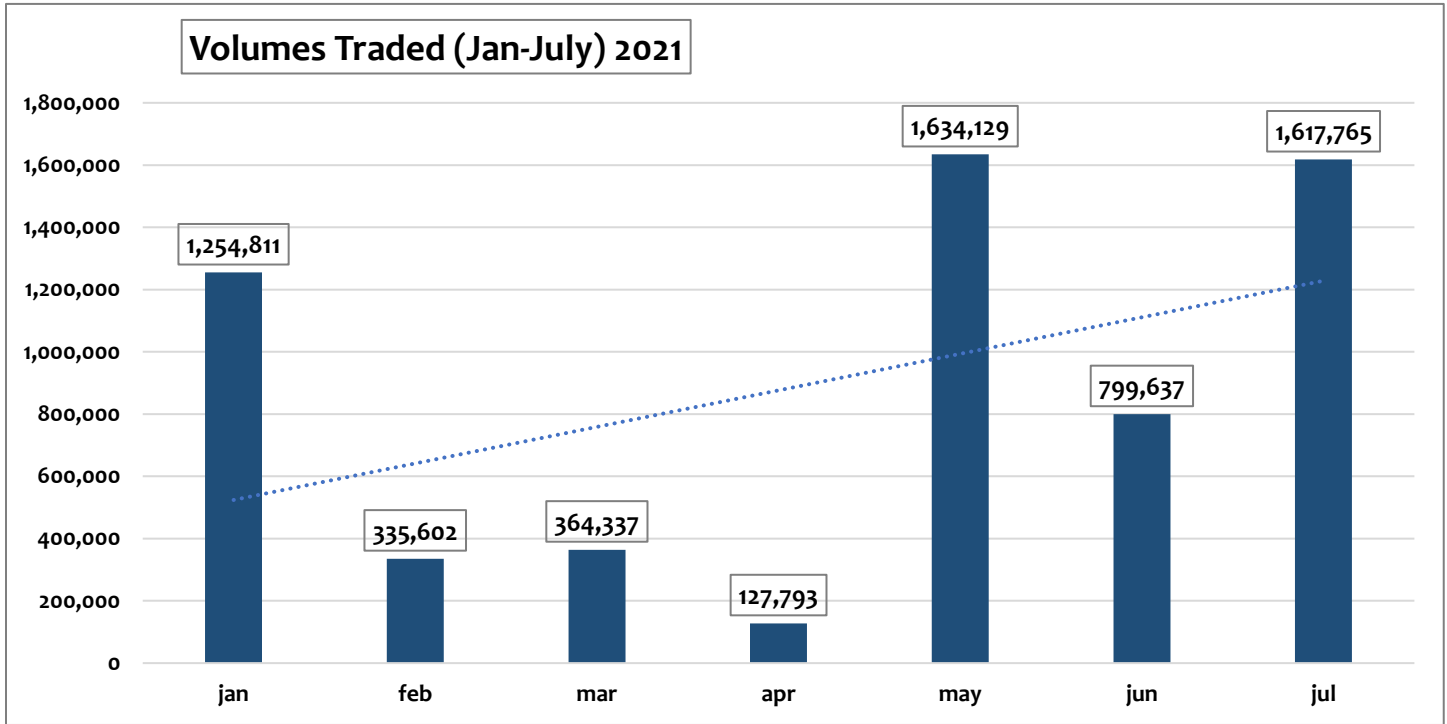
Volumes traded between (2016-2020)

43.11 Mil.

Volumes traded between (2016-2020)

GHS 189.92 Mil.

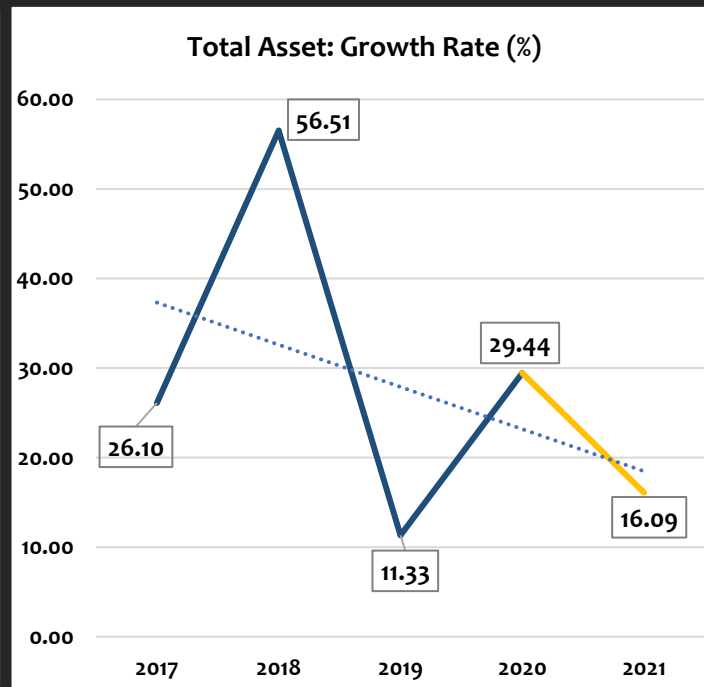
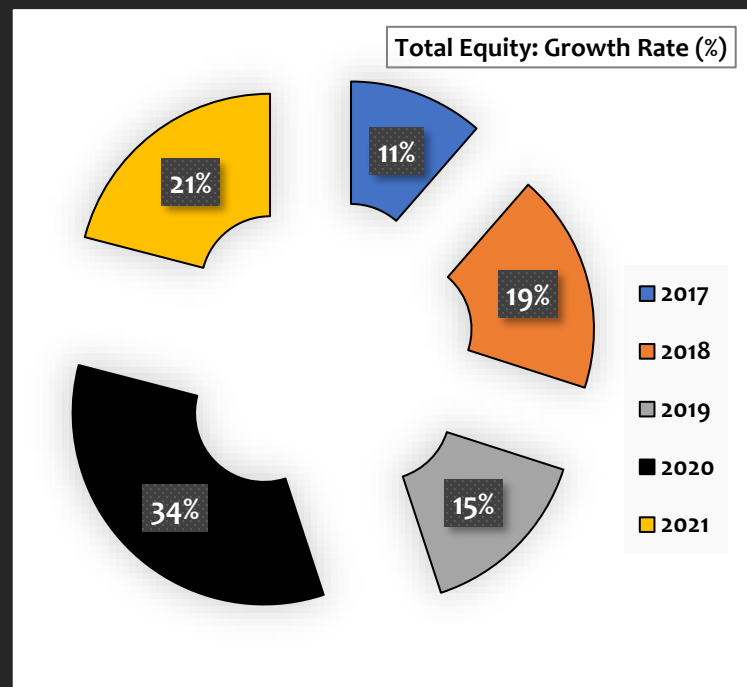
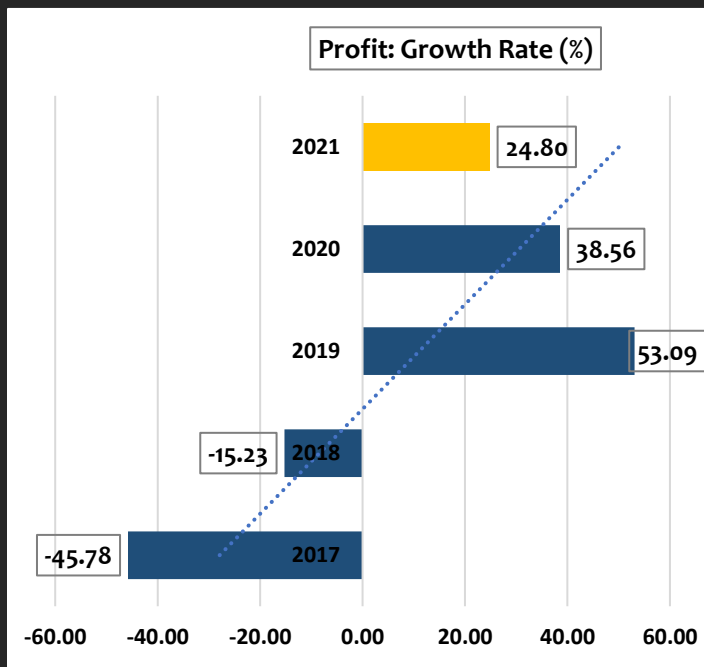
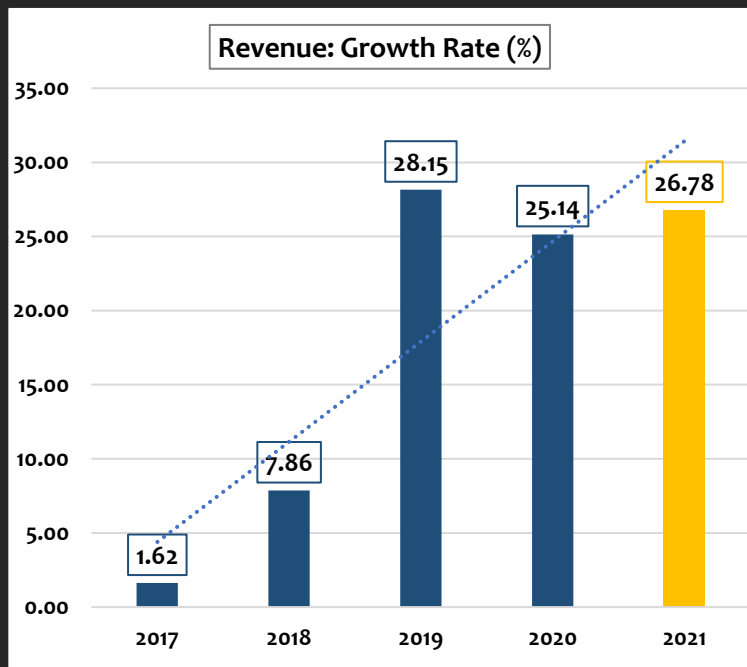
- Volumes traded (Jan-July) 2021 is 6.13 mil.
- Values traded (Jan-July) 2021 is GHS 30.73 mil.





FINANCIAL PERFORMANCE REVIEW

Operating Income	Profit after Tax	Total Asset	Total Equity
GHS 1,149,249. ↑ Y-O-Y: 26.78%	GHS 227,807. ↑ Y-O-Y: 24.80%	GHS 16,434,351. ↑ Y-O-Y: 16.09%	GHS 2,210,180. ↑ Y-O-Y: 20.47%



Key ratio

	Q2 2017. GHC'000	Q2 2018. GHC'000	Q2 2019. GHC'000	Q2 2020. GHC'000	Q2 2021. GHC'000
Liquidity Ratio (%)	-	119.0	92.0	69	64.0
Net profit margin (%)	19.37	15.22	18.19	20.14	19.82
Return on asset (%)	1.62	0.88	1.20	1.29	1.39
Return on equity (%)	9.99	7.17	9.57	9.95	10.31
Capital Adequacy ratio (%)	26.0	16.8	18.1	19.1	20.9
Non-performing loans (%)	14.0	7.0	8.0	7.8	20.7

Income statement	Q2 2017. GHC'000	Q2 2018. GHC'000	Q2 2019. GHC'000	Q2 2020. GHC'000	Q2 2021. GHC'000	5-year av. Growth (%)
Net interest income	425,423	420,375	544,326	670,535	915,695	17.70
Operating income	524,101	565,271	724,384	906,461	1,149,249	17.91
Profit before income tax	140,077	122,939	185,264	251,425	340,843	12.37
Profit after tax	101,509	86,052	131,736	182,539	227,807	11.09

Earnings per share

Basic	0.77	0.65	0.99	1.38	1.72	11.07
Diluted	0.77	0.65	0.99	1.38	1.72	11.07

Statement of Financial Position

	Q2 2017. GHC'000	Q2 2018. GHC'000	Q2 2019. GHC'000	Q2 2020. GHC'000	Q2 2021. GHC'000	5-year av. Growth (%)
Total asset	6,276,901	9,824,238	10,937,237	14,157,146	16,434,351	27.89
Loans and advances to customers	1,369,127	2,454,655	3,134,467	3,536,863	3,559,559	22.59
Deposits from customers	4,605,699	6,626,809	8,407,664	10,800,014	12,514,107	28.96
Total equity	1,016,413	1,200,649	1,376,417	1,834,609	2,210,180	19.53
Total liability	5,260,488	8,623,589	9,560,820	12,322,537	14,224,171	29.72

Book value per share (BVPS)

CURRENT (BVPS)
8.34
5-YR GROWTH (BVPS)
117.45%

Historical (BVPS)

Q2 2017	Q2 2018	Q2 2019	Q2 2020	Q2 2021
3.84	4.53	5.19	6.93	8.34

Percentage Changes in BVPS (BVPS)

Q2 2017	Q2 2018	Q2 2019	Q2 2020	Q2 2021
11.12	18.13	14.64	33.29	20.47

Book value per share (BVPS) is the ratio of equity available to common shareholders divided by the number of outstanding shares. This signifies the minimum value of a company's equity and measures the book value of a firm on a per-share basis. BVPS is used mainly by stock investors to evaluate a company's stock price.

The current book value of the company is GHS8.34. The BVPS is 54.73% or GHS2.95 lower than the current GHS5.39 share price. The average BVPS over the last five (5) years is GHS5.76 which is marginally above the current GHS5.39 price. Average growth rate of the BVPS is 19.53%. The BVPS suggest that the stock is undervalued.

Price to Book Value (P/B Ratio)

CURRENT (P/B RATIO)
0.65
5-YR AVG. (P/B RATIO)
0.92

Historical and current (P/B Ratio)

Q2 2017	Q2 2018	Q2 2019	Q2 2020	Q2 2021
1.36	1.14	0.95	0.49	0.65

Percentage changes in P/B RATIO

Q2 2017	Q2 2018	Q2 2019	Q2 2020	Q2 2021
52.43	-16.16	-16.50	-48.26	31.83

Price-to-book ratio (P/B ratio) compares a firm's share price to its book value. It is calculated by dividing the company's stock price per share by its book value per share (BVPS). The market value of equity is typically higher than the book value of a company. P/B ratio is used by investors to identify potential investments.

The P/B ratio of GCB is 0.65x or 0.65:1, this implies the stock is undervalued when compared to its book value per share. The current P/B ratio is the company's second-lowest record in 5-years. The P/B ratio over the last five years has an average decline rate of 12.27%.

Earnings Per Share (EPS)

CURRENT EPS
GHS 1.72
5-YR AVERAGE EPS
GHS 1.10

Historical (EPS)

Q2 2017	Q2 2018	Q2 2019	Q2 2020	Q2 2021
0.77	0.65	0.99	1.38	1.72

Percentage change in EPS

Q2 2017	Q2 2018	Q2 2019	Q2 2020	Q2 2021
1.37	1.19	0.99	1.54	1.84

Earnings per share (EPS) has improved sign is calculated as a company's profit divided by the outstanding shares of its common stock. The resulting number serves as an indicator of a company's profitability.

The earnings per share grew by 123.38% over the last 5-years. The current EPS (GHS1.71) reported in Q2 2021 is the company's highest return. Earnings per share's 5-year average growth rate is 11.07%.

Price To Earnings Per Share (P/E Ratio)

CURRENT P/E Ratio
3.14X
5-YR AVG. P/E Ratio
5.05X

Historical P/E Ratio

Q2 2017	Q2 2018	Q2 2019	Q2 2020	Q2 2021
6.75	7.92	4.98	2.46	3.14

Percentage Changes in P/E RATIO

Q2 2017	Q2 2018	Q2 2019	Q2 2020	Q2 2021
210.17	17.32	-37.15	-50.52	27.43

The price-to-earnings ratio (P/E ratio) is a ratio for valuing a company. This is calculated by measuring its current share price relative to its per-share earnings (EPS).

The P/E ratio of GCB bank recorded in Q2021 has been the company's second lowest ratio during the last 5-years under review. The current 3.14:1 ratio implies that company's share price is 3.14 times its earning per share. In other opinions or valuations, it suggests that the share value of the company is GHS3.14.



Return on Asset (ROA)

CURRENT ROA
1.39%
5-YR AVERAGE ROA
1.27%

Historical ROA

Q2 2017	Q2 2018	Q2 2019	Q2 2020	Q2 2021
1.62%	0.88%	1.20%	1.29%	1.39%

Return on Equity (ROE)

CURRENT ROE
10.21%
5-YR AVERAGE ROE
9.40%

Historical ROE

Q2 2017	Q2 2018	Q2 2019	Q2 2020	Q2 2021
9.99%	7.17%	9.57%	9.95%	10.21%

Dividend Payment

CURRENT DIV.
GHS 0.25
5-YR AVERAGE DIV.
GHS 0.25

Historical DIV.

2016	2017	2018	2019	2020
0.38	0.10	0.30	0.20	0.25

Dividend Yield

CURRENT DIV.
7.35%
5-YR AVERAGE DIV.
5.17%

Historical Div. Yield

2016	2017	2018	2019	2020
7.31%	1.94%	6.09%	5.88%	4.63%

REQUIRED RATE OF RETURNS

The required rate of return on the stock helps to determine the minimum amount of return an investor requires to make it worthwhile to own a stock, also referred to as the “cost of equity”

In arriving at our opinions, we used the following models: Dividend discount model (Gordon Growth Model), average price performance over the past 5years, Risk premium, Required Rate of Return using the **capital asset pricing model formula**: Cost of equity = Risk free rate of return + Premium expected for risk. Cost of equity = Risk free rate of return + Beta × (market rate of return – risk free rate of return).

Valuation Models.

RRR using (Gordon Growth model)

121%

GGM suggest that the stock should be GHS5.94 by year end at current price. The growth in dividend is expected to increased investor’s value by GHS0.55 after dividend payment.

Dividend Discount Model (DDM)

-8.41%

GHS5.88

The DDM suggest that the stock is undervalued -8.41% and that the intrinsic value of the stock should be GHS5.88.

Capital asset pricing model (CAPM)

4.84%

The expected return of the stock based on the CAPM formula is 4.84%:

Projected Average Price returns

3.43%

Volatility (Beta)

0.84

Market Risk Premium

-9.07%

Estimated Dividend growth rate

29%

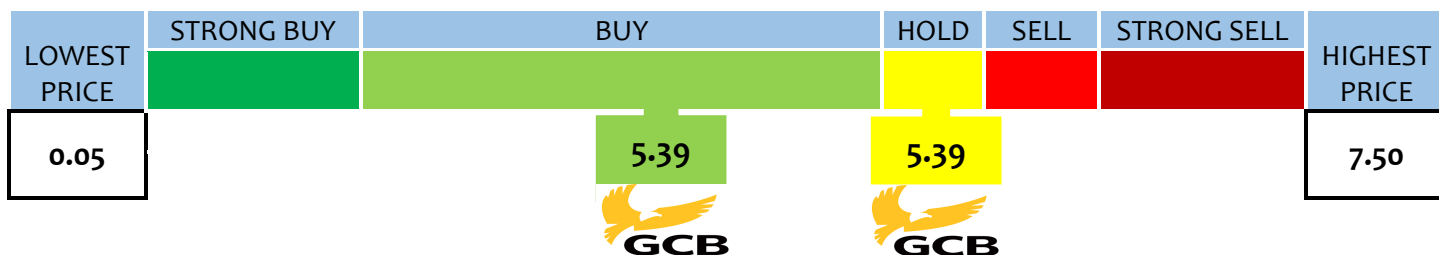
Expected dividend payment in 3-years should be around GHS0.32



estimated price by year end

GHS 5.83

ANALYST OPINION



GCB Bank's Financial snapshot over the last ten (10) years.

- The Bank's revenue has grown significantly by 551.09% over the last 10-years, 119.28% over the last 5-years, and 58.65% over the last 3-years.
- Deposit from customers improved by 500.47% in 10-years, 171.71% in 5-years, and 48.84% in 3-years.
- Net profit has surged 353.74% over the past 10-years, 124.42% over the past 5-years, and 72.93% in 3-years.
- Shareholders' equity growth; (**10-years:** 860.08%), (**5-years:** 117.45%), and (**3-years:** 60.57%).
- Total asset base growth; (**10-years:** 515.73%), (**5-years:** 161.82%), and (**3-years:** 50.26%).
- Earnings per share growth; (**10-years:** 352.63%), (**5-years:** 123.38%), and (**3-years:** 73.74%).

A company's growth is key concern to small, medium, and long-term investors. The above shows GCB Bank's strength, growth concern and dedication toward a solid and improved company performance going forward.

GCB Bank over the past ten (10) years have shown resilient growth in terms of revenue generated, significant rise in customer deposits, high interest income, profit growth, asset growth, shareholder's equity base, consistency in dividend payment, strong liquidity position among others.

The dividend discount model which is -8.41%, the book value per share of GHS8.34, the required rate of return using Gordon's Growth model (121%), and the beta of the stock (0.84) among other parameters implies that GCB share price is undervalued, and we expect it to be trading higher than the current GHS5.39 going forward.

Based on our estimation we forecasted the share price to be trading above GHS5.83 by year end. We therefore suggest a **"HOLD"** for investors who have already taken their position in the company, and a **"BUY"** for medium-term and long-term investors.

Multiples for value Estimation

Before arriving at an opinion, we estimated the intrinsic value of these companies as well as several trading multiples: including historical, recent, and estimated earnings per share; historical and estimated average price to earnings ratios; historical and estimated dividend per share; historical and recent dividend payout ratios; book value per share, average price to book ratio, historical and projected price movement, dividend discount model, Beta of the stock, etc.

The above approach is purely quantitative and may not reflect the likely events on the market. Therefore, qualitative consideration was also used to support our opinion.

Below are factors which may affect our projections.

Huge volumes transfer of shares over a period, insider dealings, changes in revenue and profitability of the company published at a given point. Significant changes in dividend payout ratio and P/E ratios, expected required rate of returns. Traders' discretion and opinions on the price, publicly published news of the company at any given time.

OTHER COMPANIES UNDER REVIEW BY UMB STOCKBROKERS LTD



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CORPORATE PROFILE

UMB Stockbrokers Limited (UMBS) a Licensed Dealing Member of the Ghana Stock Exchange (GSE), was established in 1975 and has been a pioneer dealer on the GSE. We are licensed by the Securities and Exchange Commission (SEC) as a Broker-Dealer.

Our current line of business includes the provision of brokerage services, equity research, Corporate Finance and Advisory Services, Sponsoring of Stock Exchange listings, Portfolio Management and Share Valuation.

Over the years, we have been a key player in the capital market in Ghana having sponsored the listings of a significant number of companies on the stock market. Notable, amongst these are the Initial Public Offers of SIC, GOIL and the mergers of SG-SSB and Anglo-Gold Ashanti.

We have also assisted most of the listed companies in undertaking corporate actions such as Rights Issues and Bonus Issue, etc.

OUR BUSINESS

UMB Stockbrokers Ltd offers tailor-made corporate finance and advisory solutions to private and institutional clients, and to government ministries, departments, and agencies. Being one of Ghana's premier investment banks with over four decades of experience, we have executed several successful transactions in Ghana and have made significant contributions toward the development of the Ghanaian capital market.

We have a rich clientele base and strong relationships with the stakeholders in Ghana's capital market.

SERVICES

Corporate Finance and Advisory

The corporate finance and advisory team combine its wealth of financial, commercial, and technical expertise to provide a full range of advisory services to assist clients evaluate an opportunity or execute a transaction. We develop and offer tailor-made corporate finance and advisory solutions to both individual and institutional clients across several sectors including financial (banking and insurance), real estate, manufacturing, pharmaceutical, agribusiness, education, and transportation just to mention a few.

Capital Markets

Debt Capital Markets

Our Debt Capital Markets (DCM) solutions include debt origination, structuring, syndication, and issuance. The DCM team efficiently delivers innovative solutions to assist clients to raise debt from the Ghanaian market. Our comprehensive range of solutions enables our clients to leverage debt to spur their growth, execute acquisitions, restructure existing debt, and ultimately enhance shareholder value.

Equity Capital Markets

Our Equity Capital Market (ECM) solutions to institutions seeking to raise equity or quasi-equity include financial advisory and issuing house services for initial public offers (IPO), private placements by listed and unlisted companies, and additional equity raising. Through collaborations with our affiliate company UMB Stockbrokers, we have successfully executed several IPOs and private placements in the Ghanaian capital market

Our capital market services we offer include:

- Debt and/or Equity advisory
- Debt conversion and buybacks
- Listed and Unlisted Bond Issues, IPOs, Rights Issues, and Private Placements, Commercial Papers
- Restructuring of both public and private institutions
- Negotiations
- Special situations

Mergers and Acquisitions

We offer tailor-made advice and guidance for mergers and acquisition (M&A) to enable the realization of synergies and unlocking of value. We have been involved in significant M&A transactions in Ghana involving both local and international parties, all of which have contributed to the growth of the Ghanaian capital market.

OUR EXPERIENCE

- Dannex Ayrton Starwin merger
- GOIL Bonus Issue
- PZ Cussons Bonus Issue
- CFAO Tender Offer and De-listing
- Accra Brewery Tender Offer and De-listing
- Fidelity Bank Rights Issue and Private Placement
- CFAO Conversion of Preference Shares to Ordinary Shares
- HFC Bank Rights Issue
- Anglogold Ashanti Rights Issue
- SIC Insurance Company IPO
- GOIL IPO
- British American Tobacco Tender Offer and De-listing
- Ghana Telecom Bond Issue
- Anglogold and Ashanti Goldfields Merger and Listing
- Accra Brewery Rights Issue
- Société Générale Acquisition of SSB Bank
- Ghana Breweries Corporate Restructuring and Rights Issue
- CFAO Rights Issue
- HFC Bank Floatation and Listing of USD Denominated Housing Bonds
- British American Tobacco Merger with Meridian Tobacco
- Mechanical Lloyd IPO
- SSB Bank Privatization
- Ashanti Goldfields Privatization

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