



### Proposed Divestment of Majority Shareholding Interest in UBN Plc to Titan Trust Bank Limited

Valued Investor,

On Wednesday, December 23, 2021, the Board of Directors of Union Bank of Nigeria Plc ("Union Bank") announced that it has received a notification from Union Global Partners Ltd. ("UGPL", the holder of majority shareholding in Union Bank) of the execution of a Share Sale and Purchase Agreement *between UGPL and certain other existing shareholders of Union Bank* (as Sellers) and Titan Trust Bank Limited (as Purchaser) for the sale of *an aggregate 89.39%* of the issued share capital of Union Bank held by the Sellers, to the Purchaser ("the Transaction"). Completion of the Transaction is still subject to obtaining applicable regulatory approvals and the fulfilment of certain conditions precedent.

#### Shareholding Structure of UBN Plc

The latest financial statements, 9M 2021, from UBN Plc showed that the company's total shares in issue was 29,264,484,854. Of which the majority shareholder (UGPL) held 19,017,923,071 (64.99%), Atlas Mara 6,225,421,974 (21.27%), Directors' shareholdings were 11,666,595 (0.04%) while free float was 4,009,473,214 (13.70%).

#### Estimated Shares to be acquired from Other Non-controlling Interests, if any, is 3.13% or 915.98 million Shares.

Speaking to the shareholding structure vis-à-vis the total percentage of shares (89.39%) to be acquired by Titan Trust Bank Limited, Cowry Research notes that relatively few shares would be acquired from other non-controlling interests or from free float on NGX. Further breaking it down, the Purchaser needs 89.39% of Union Bank's total shares of which 86.26% would come from the two majority shareholders (as we mind the phrase "certain other existing shareholders of Union Bank" in the proposal letter to the Exchange) thus, leaving the purchaser with an outstanding of 3.13% (89.39% minus 86.26%). We expect the 3.13% or 915.98 million shares to be sourced from the free float of 13.70% or 4.01 billion shares on NGX – the number of shares we feel is too small to sustain any upward movement in the share price of UBN, consequent upon this transaction. Hence, we note that the eventual pricing of UBN shares would largely depend on its fundamentals (factoring in the skill and competence of the new controlling interest) immediately after the transaction (proposed divestment) is consummated.

#### Where will the share price go from here?

Currently, we note that UBN's share price is trading at a very strong resistance level of N5.90k as at Friday, December 31, 2021, following its increase from N4.60k – where it traded before the announcement of the proposed divestment on NGX. For us, the 28.26% rise in the share price of UBN was basically speculative amid optimism from the investing public. Inferring from our analysis above and given the low dividend yield of 4.24% (arising from an expected N0.25k dividend payout and N5.90k share price), the positive impact of the divestment on the share price of UBN appears unsustainable. Hence, we feel that the shares of UBN should, at best, be bought at N4.00k (for a dividend payout of 6.25%).

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## Market News: Union Bank of Nigeria Plc

Given UBN's Net Asset Value (NAV) of N8.85k as at FY 2020, we recommend a target price of N5.20k for FY 2021 – to earn 32.5% capital gain plus 6.25% dividend income from our entry price of N4.00k.

Our entry price, for UBN, appears to be less optimistic because other Deposit Money Banks, especially Tier-1 banks such as ZENITHBANK, GTCO, ACCESS and UBA, offer better value than UBN – as most of these afore-mentioned banks offer interesting dividend yields at their current prices, and are also trading below their NAV.

### Will the Divestment Turns UBN's Current Performance Around?

Speaking to expectation from the new controlling interest, we are keeping our fingers crossed to see how well its expertise would positively impact on UBN's performance going forward given that Titan Trust Bank Limited, of its two years operations in Nigeria, has not delivered impressive returns on average assets and equity; albeit, it has not done badly either. Hence, we expect it to take a while before we start seeing improved contribution from the Purchaser.

#### Union Bank of Nigeria Plc's Financial Ratios as at FY 2020

Financial Ratios	FY 2020	FY 2019	Industry Average	Investment Ratios	Union Bank of Nigeria	Industry Average
Cost of interest-bearing liabilities	3.75%	4.93%	2.47%	EPS (N)	0.86	2.69
Cost to Income ratio	86.26%	83.74%	70.86%	F' EPS (N)	0.86	2.69
Cost of Risk ratio	0.59%	0.33%	1.69%	NAV (N)	8.85	17.66
Loan to Deposit	60.76%	61.29%	53.48%	PER (X)	6.61	3.85
Net Interest Margin	8.15%	8.29%	9.26%	Weighted PER	0.32	4.00
Yield on Interest Earning Assets	14.30%	16.33%	13.80%	P/B ratio	0.64	0.55
Debt to Capital	59.07%	50.46%	152.60%	Target Price (N)	5.20	
Return on Equity	10.05%	9.75%	12.54%			
Return on Total Assets	1.10%	1.15%	1.35%			

#### Titan Trust Bank Limited Financial Ratios as at FY 2020

Financial Ratios	FY 2020	FY 2019	Industry Average	Investment Ratios	Titan Trust Bank Limited	Industry Average
Cost of interest-bearing liabilities	2.38%	1.74%	2.47%	EPS (N)	0.05	2.69
Cost to Income ratio	58.84%	61.23%	70.86%	F' EPS (N)	0.05	2.69
Cost of Risk ratio	0.70%	0.52%	1.69%	NAV (N)	0.56	17.66
Loan to Deposit	74.23%	74.87%	53.48%	PER (X)	NA	NA
Net Interest Margin	4.81%	5.36%	9.26%	Weighted PER	NA	NA
Yield on Interest Earning Assets	8.01%	7.69%	13.80%	P/B ratio	NA	NA
Debt to Capital	27.44%	16.22%	152.60%	Target Price (N)	NA	
Return on Equity	15.66%	8.81%	12.54%			
Return on Total Assets	2.79%	2.13%	1.35%			

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