



The VFD Group: Between Current Debt and Future Aspirations.



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VFD has been known for its vigorous borrowings to finance operations; the borrowings weighed on the financial conglomerate's performance in FY 2023. Its huge finance costs wiped out profit to record a loss of N1.021bn in FY 2023 against a profit of N8.58bn in FY 2022. Analysts have considered the group's debt accumulation and potential risk, citing rising debt-to-equity and debt-to-asset ratios. The sustenance of the debt strategy created a gloomy performance in FY 2023 as the high-interest rate environment increased borrowing costs. Specifically, the group relied more on debt instruments "commercial papers" to raise funds in FY 2023, growing the total borrowings by **+43.84%** to N81.60bn in FY 2023. Debt sustainability concerns could linger for a while. However, the group could reduce the risk by sweating available assets.

Although VFD's gross earnings grew by **+32.59%** to N45.11bn in FY 2023, a revenue review of subsidiaries shows minimal contributions by some businesses. The FY 2023 numbers show that financial services, asset management, and real estate were the key contributors to gross earnings, while other subsidiaries, such as technology, hospitality, health, and Fintech, made minimal contributions.

The group's numbers improved in Q1 2024, with other investment income closing the gap with a **+724.86%** spike to N8.63bn, covering the **-14.85%** drop in interest and investment income and modest growth in loans & advances.

The improved other incomes from fee and commission income, rental income and FX exchange gain cushioned the +77.82% rise in operating expenses, generating a bountiful profit. The profit before and after tax rose by +1,281.82% and +1,090.91% to N3.04bn and N2.62bn, respectively. The improvement in gross earnings might have concealed higher operating and investment expenses, but it did not erase the existence of the lingering rising finance costs, which rose by +87.61% to N7.86bn in Q1 2024. However, the growth numbers improved financial supermarket's operating ratios in Q1 2024 Q1 as against FY 2023 (see table 1).

Table 1:

VFD'S PERFORMANCE IN FY 2023 AND Q1 2024				
Income statement	FY 2022	FY 2023	Q1 2023	Q1 2024
Gross earnings	34.03	45.11	6.61	15.35
Investment and similar income	20.47	34.28	4.95	12.66
Profit/loss before income tax	8.58	-1.021	0.22	3.04
Loss/profit after tax	6.84	-0.75	0.22	2.62
Financial Position				
Fund under management	26.98	62.02	29.73	69.58
Investment in financial assets	30.19	52.04	31.79	63.35
Loans and advances	21.73	19.53	19.39	25.61
Deposits	15.54	26.99	19.44	41.05
Borrowings	56.73	81.60	60.71	86.18
Retained earnings	11.00	4.96	8.81	12.89
Shareholders fund	32.60	32.53	32.68	40.53
Total assets	151.52	219.28	156.47	261.91
Ratios				
Net profit margin	20.10%	-1.66%	3.33%	17.07%
ROE	20.98%	-2.31%	0.67%	6.46%
ROA	4.51%	-0.34%	0.14%	1.00%
Leverage ratio	1.74	2.51	1.86	2.13
P/E	5.94	-51.37	174.91	19.62
P/B	1.72	1.58	1.52	1.27

VFD Share Price Movement: Of Flatline and Drops.

VFD's share price was relatively static while trading on the NASD, with its price staying flat for extended periods. The NGX listing did not change the stationary price pattern. After the initial leap to N269.30k on October 10, 2023, the share price resumed its flatness for ten days and fell mildly to N242.40k on October 23, 2023. The steady decline persisted for an additional twelve days and finally settled at N202.90k on November 10, 2023. Since November 2023, the share price has remained unchanged at N202.90k. Analysts believe low activity in the stock suggests slim liquidity, or investors questioning the group's intrinsic value

Chart 1:



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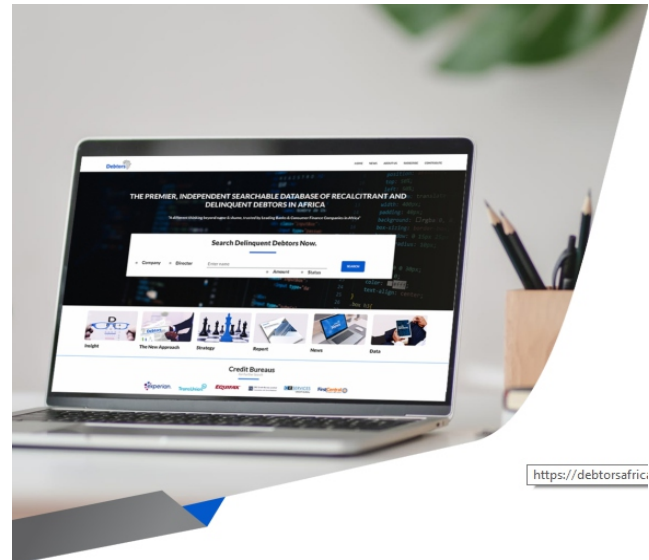
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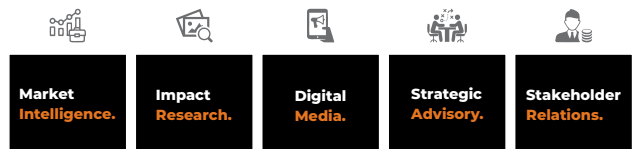
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