

Weekly Stock Recommendation



Monday October 11th, 2021

Market Pulse for the week ended 08th October, 2021.

Contact:

The Nigerian Bourse closed positive last week as the ASI advanced by 1.61% week-on-week to close at 40,868.36 points. Year-to-date returns closed at 1.48% at the end of the week. Market activity decreased as aggregate volume went down by 0.37% while value appreciated by 35.72%. Investors traded a total of 2.179 billion units of shares valued at N21.963 billion in 22,438 deals. The Financial Services Industry (measured by volume) led the activity chart with 1.770 billion shares valued at N18.058 billion traded in 12,942 deals; thus contributing 81.20% and 82.22% to the total equity turnover volume and value respectively. The Conglomerates followed with 93.178 million shares worth N169.819 million in 736 deals. The third place was ICT Industry, with a turnover of 72.338 million shares worth N1.043 billion in 861 deals. Sectors performance was significantly bullish as Banking (4.53%), Industrial (0.11%) and Oil & Gas (0.24%) indices advanced while Consumer Goods (-0.51%) and Insurance (-1.51%) index declined. Consequently, we advise medium to long-term investors to strategically take advantage of the current low market prices of fundamentally sound stocks highlighted in our stock recommendation for this week.

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STOCK RECOMMENDATION FOR THE WEEK ENDING 08th October, 2021

Symbol	Last Close	52 Week Low (N)	52 Week High (N)	P/E Ratio	Exit Price	Recommendation	Comment
MAYBAKER	4.74	2.90	5.18	7.41	5.76	BUY	<p>Maybaker Plc is projected to have a Q3 2021 revenue of N9.12bn, up by 41.71% from N6.44bn in Q3 2020. PAT is estimated to increase from N681.73 million in Q3 2020 to N966.10 million in Q3 2021, bringing the EPS up to N0.56. Maybaker Q2 2021 results showed an increase in revenue by 35.67% from N4.07bn in Q2 2020 to N5.52 bn in Q2 2021. Operating profit advanced from N687 million in Q2 2020 to N936 million in Q2 2021, reflecting an increase of 36.21%. PBT went up by 26.52% from N645 million in Q2 2020 to N816 million in the current period. PAT grew by 26.52% from N438 million in Q2 2020 to N555 million in Q2 2021, despite a 26% surge in taxes. EPS grew by 26% to N0.32 in Q2 2021 from N0.25 in Q2 2020. Maybaker has a BVPS of N3.93, P/BV ratio of 1.21x and P/E ratio of 7.41x.</p> <p>May & Baker Plc has recorded a boost in revenues from its pharmaceutical unit by 37% in Q2 2021 compared to Q2 2020 considering the rise in revenues of pharmaceutical companies due to COVID-19. May & Baker Nigeria Plc's operations have also been aided by its joint venture with the Federal Government of Nigeria in inaugurating the Biovaccines Nigeria Ltd and the N10 billion fund provided by the Federal Government for vaccine production in Nigeria.</p>
NB	49.50	47.00	63.25	25.52	60.00	BUY	<p>Nigerian Breweries Plc is projected to have a Q3 2021 revenue of N309.84bn from N234.02bn in Q3 2020. Likewise, PAT is estimated to grow by 32.40% from N6.94bn in Q3 2020 to N9.19bn in Q3 2021. EPS is expected to rise to N1.17 in Q3 2021.</p> <p>NB Plc Q2 2021 results showed that revenue grew by 37.8% from N151.81bn in Q2 2020 to N209.2bn in Q2 2021. Similarly, gross profit increased by 31.7% to N77.91bn in Q2 2021 from N59.14bn in Q2 2020. Profit from operations advanced by 32.4% from N15.04bn in Q2 2020 to N19.91bn in Q2 2021. Profit before tax grew by 43.1% to N11.94bn in Q2 2021 from N8.34bn in Q2 2020. Profit after tax grew by 38.1% from N5.58bn in Q2 2020 to N7.71bn in Q2 2021. Consequently, EPS rose by 35.2% from N0.71 in Q2 2020 to N0.97 in Q2 2021. NB Plc has a BVPS of N20.14, P/BV of 2.46x and a P/E ratio of 25.52x.</p> <p>Nigerian Breweries Plc is a major player in the Brewery sector with its plants located across the country. The company has come out of its loss position from Q1 2021 and the trends continues into Q2 2021. The company is well positioned to maintain its leadership in its sector even though there are other companies producing non differentiated products in competition. We are of the opinion that the EPS for Q3 will be well above N1.00 at the end of Q3 2021.</p>
UBA	7.95	6.25	9.80	2.35	9.50	BUY	<p>UBA Plc is projected to have a Q3 2021 interest income of N329.54bn, up by 3.91% from N317.14bn in Q3 2020. PAT is estimated to increase from N77.13bn in Q3 2020 to N80.15bn in Q3 2021, bringing the EPS up to N2.34. UBA Plc Q2 2021 result showed that Interest income advanced by 8.29% from N205.59bn in Q2 2020 to N222.63bn in the current period. Net interest income increased by 24.09% to N148.07bn in Q2 2021 from N119.32bn in Q2 2020. In a similar tune, operating income increased by 10.27% from N188.90bn in Q2 2020 to N208.31bn in the current period. Likewise, profit after tax advanced by 36.35% from N44.43bn in Q2 2020 to N60.58bn in Q2 2021 despite a 22.89% increase in tax expense. Consequently, earnings per share went up by 36.29% from N1.24 in Q2 2020 to N1.69 in Q2 2021. UBA has a BVPS of N22.00, P/BV of 0.36x and P/E ratio of 2.35x.</p> <p>The bank remained well capitalized and determined to successfully drive financial inclusion to the continent through its innovative products and vast network. We expect sustainability in the growth recorded as the economy begins to wear off the effect of the pandemic and businesses begin to thrive through increased accessible credit as interest rates are expected to normalize in the year.</p>

WEEKLY STOCK RECOMMENDATION

Symbol	Last Close	52 Week Low (N)	52 Week High (N)	P/E Ratio	Exit Price	Recommendation	Comment
MTNN	174.90	119.00	183.00	12.55	196.00	HOLD	<p>MTN is projected to have a Q3 2021 revenue of N1.18 trn, a 20.53% increase from N975.76 bn in Q3 2020. Likewise, PAT is estimated to grow by 21% from N144.24bn in Q3 2020 to N173.85bn in Q3 2021 taking the EPS up to N8.54.</p> <p>MTNN's Q2'2021 results showed an increase in revenue by 24% from N638bn in Q2'2020 to N791.26bn in Q2'2021. Operating profit advanced from N204bn in Q2'2020 to N273.7bn in Q2'2021, reflecting an increase of 34%. Profit before tax went up by 54% from N139.57bn in Q2'2020 to N215bn in the current period, due to an 11.41% decrease in finance cost. Profit after tax grew by 49% from N95bn in Q2'2020 to N141.83 bn in Q2'2021, despite a 64% surge in taxes. EPS grew by 49% to N6.97 in Q2'2021 from N4.66 in Q2'2020. MTNN has a BVPS of N9.83, P/BV of 17.79x and P/E ratio of 12.55x.</p> <p>MTN is an Information and Communication Technology (ICT) firm poised for interesting developments that will reposition it to deepen its growth in Nigeria's economy. The firm holds the largest market share in the telecommunications sector and has constantly expanded its services to increase mobile and internet penetration across Nigeria. MTN pledged \$1.4 billion in network infrastructure investment over the next 3 years in Nigeria and launched its mobile money operations in Nigeria through the MoMo Agent. We are optimistic that this will increase their customer base over the years thereby improving their earnings for the benefit of the company and its shareholders.</p>
ACCESS	9.40	6.55	10.50	1.84	11.30	BUY	<p>Access Bank Plc is projected to have a Q3 2021 interest income of N447.79bn, up by 19.32% from N375.28bn in Q3 2020. PAT is estimated to increase from N102.30bn in Q3 2020 to N122.07bn in Q3 2021, bringing the EPS up to N3.43. Access Plc Q2 2021 showed that interest income advanced by 29.59% from N246.72bn in Q2 2020 to N319.73bn in the current period. Net interest income went up 58.52% from N126.21bn in Q2 2020 to N200bn in Q2 2021. The increase in the net interest income was driven by the rise in interest income, and by a 0.70% fall in interest expense. Profit before tax advanced by 31.21% from N74.31bn in Q2 2020 to N97.5bn in the current period. Profit after tax went up by 42.44% from N61.03bn in Q2 2020 to N86.94bn in the current period, on the back of a 20.43% fall in income tax expense. Consequently, Access recorded a 43.35% rise in earnings per share from N1.73 in Q2 2020 to N2.48 in Q2 2021. Access has a BVPS of N21.82, P/BV of 0.42x and P/E ratio of 1.84x.</p> <p>Access Bank has been driving its revenue growth through retail expansion, which has grown consistently across all income lines, driven by a strong focus on consumer lending, payments and remittances, digitization of customer journeys, and customer acquisition at scale.</p>
DANGSUGAR	17.40	12.40	23.45	8.37	21.83	BUY	<p>Dang sugar Plc is projected to have a Q3 2021 revenue of N216.11bn, up by 34.64% from N160.51bn in Q3 2020. PAT is estimated to increase from N26.63bn in Q3 2020 to N35.85bn in Q3 2021, bringing the EPS up to N2.95. Dang sugar Plc's result for Q2'2021 showed that revenue increased from N103.23bn in Q2 2020 to N131.95bn in Q2 2021 by 28%. Operating profit also increased by 35% from N17.39bn in Q2'2020 to N23.48bn in Q2 2021. Net finance expense increased by 224% from N1.47bn in Q2'2020 to N4.79bn in Q2'2021. Profit before tax rose by 10% from N17 bn in Q2'2020 to N18.75bn in the current period. Profit after tax increased by 9% to N12.6bn in Q2 2021 from N11.5bn in Q2 2020. Consequently, Earnings per share increased by 7% from N0.97 in Q2'2020 to N1.04 in the current period. Dang sugar Plc has a BVPS of N9.80, P/BV of 1.78x and P/E ratio of 8.37x.</p> <p>Dangote Sugar's backward integration plan is a key component of Nigeria's Sugar Master Plan which aims at saving \$600m-\$700m annually. The firm was made one of the 3 sole importers of Sugar by the CBN in July 2021. Dangote Sugar plans to increase capacity to 1.5 -2 million tonnes annually by 2024.</p>
FLOURMILL	29.30	20.50	35.00	6.39	36.70	BUY	<p>Flourmill Plc is projected to have a Q2 2021 revenue of N424.75bn, up by 7.30% from N355.11bn in Q2 2020. PAT is estimated to increase by 19.61% from N9.93bn in Q3 2020 to N11.88bn in Q3 2021, bringing the EPS up to N2.90. Flour Mill Plc's result for Q1 2021 showed that revenue increased from N154.57bn in Q1 2020 to N233.70bn in Q1 2021 by 51.18%. Gross earnings also increased by 0.60% from N25.55bn in Q1 2020 to N25.70bn in Q1 2021. Finance cost dropped by 6.44% from N4.86bn in Q1 2020 to N4.55bn in Q1 2021. Profit before tax decreased by 12.50% from N6.46 bn in Q1 2020 to N7.26bn in the current period. Profit after tax expanded by 9.57% to N5.45bn in the current period from N4.97bn in Q1 2020. Consequently, Earnings per share went up by 9.35% from N1.07 in Q1 2020 to N1.17 in the current period. Flour Mill Plc has a BVPS of N43.91, P/BV of 0.68x and P/E ratio of 6.39x.</p> <p>Flourmill Plc has shown that the company's strong product offerings in the value segments and their cost optimization strategies, helped offset the impact of the weakening consumer spending in the economy, disruptions to the supply chain and the existing currency risks in their export segment.</p>

EUROBONDS

SYMBOL	PRICE	COUPON	YIELD	MATURITY
ACCESS BANK PLC III	100.48	10.50%	5.35%	OCT 2021
ZENITH BANK PLC II	103.44	7.38%	2.16%	MAY 2022
UBA PLC	103.01	7.75%	3.97%	JUNE 2022

MACRO ECONOMIC INDICATORS

PARAMETER	CURRENT	PREVIOUS
GDP (%)	5.01%	0.51%
NSE ASI (YTD)	1.48%	-0.12%
INFLATION (%)	17.01	17.01
UNEMPLOYMENT (%)	33.33	33.33
MPR (%)	11.50	11.50
FX RESERVES (US \$ BN)	34.18	34.41
BRENT CRUDE (US \$)	82.39	79.28

FIXED INCOME MARKET RATES

TENOR	CURRENT	PREVIOUS
TREASURY BILLS RATES		
91-DAY	3.00% - 3.50%	3.00% - 3.50%
182-DAY	4.50% - 6.00%	4.50% - 5.00%
364-DAY	7.00% - 7.50%	6.50% - 7.00%
FGN BOND RATES		
5-YEAR FGN BOND	12.62%	12.72%
10-YEAR FGN BOND	13.02%	13.36%

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CORPORATE ACTION

Company	Dividend/Share	Bonus	Closure of Register	AGM Date	Payment Date
UNITED BANK FOR AFRICA PLC	N0.20	Nil	24 th September, 2021	9 th April, 2021	30 th Sept, 2021
GUARANTY TRUST HOLDCO PLC	N0.30	Nil	28 th September, 2021	1 st April, 2021	12 th Oct, 2021
STANBIC IBTC HOLDINGS PLC	N1.00	Nil	21 st -28 th September, 2021	27 th May, 2021	29 th Sept, 2021
ACCESS BANK PLC	N0.30	Nil	17 th September, 2021	30 th April, 2021	29 th Sept, 2021
ZENITH BANK PLC	N0.30	Nil	13 th September, 2021	16 th March, 2021	20 th Sept, 2021
LEARN AFRICA PLC	N2.067	Nil	11 th October, 2021	21 st Oct, 2021	22 nd Oct, 2021
UPL Plc	N0.05	Nil	1 st September, 2021	23 rd Sept, 2021	23 rd Sept, 2021
TRIPPLE G Plc	N0.07	Nil	24 th August, 2021	15 th Sept, 2021	9 th Sept, 2021

Investment Rating

BUY

The expected total return over the next twelve months is estimated to be 20% or more. Investors are thus advised to take position at the prevailing market rate

HOLD

Investors are advised to remain neutral as the expected total returns over the next twelve months is estimated to be below 20%

SELL

The stock trades at a premium to its intrinsic value and is thus expected to lose up to 5% or more of its market value. Investors are thus advised to exit the market at the prevailing market rate

GLOSSARY

WORDS	MEANING
NASD	National Association of Securities Dealers
Bearish	Decline in prices, negative sentiments, downward trend
Bullish	Surge in prices, positive sentiments, upward trend
Y-o-Y, Y/Y	Year-on-Year
M-o-M, M/M	Month-on-Month
Y-t-d	Year-to-date
W-o-W, W/W	Week-on-week
FVTPL	Fair value through profit or loss
FVTOCI	Fair value through other comprehensive income
EBITDA	Earnings before interest, tax, depreciation and amortization

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