

Weekly Stock Recommendation



Monday October 18th, 2021

Market Pulse for the week ended 15th October, 2021.

Contact:

The Nigerian Bourse closed positive last week as the ASI advanced by 1.39% week-on-week to close at 41,438.51 points. Year-to-date returns closed at 2.90% at the end of the week. Market activity increased as aggregate volume went up by 30.24% while value appreciated by 44.12%. Investors traded a total of 2.838 billion units of shares valued at N31.653 billion in 23,355 deals. The Financial Services Industry (measured by volume) led the activity chart with 2.428 billion shares valued at N26.442 billion traded in 13,884 deals; thus contributing 85.56% and 83.54% to the total equity turnover volume and value respectively. The Consumer Goods followed with 170.407 million shares worth N1.653 billion in 3,350 deals. The third place was Conglomerates Industry, with a turnover of 68.996 million shares worth N133.382 million in 625 deals. Sectors performance was significantly bullish as Banking (2.64%), Consumer Goods (0.47%), Insurance (1.60%), Industrial (0.98%) and Oil & Gas (0.64%) indices advanced. 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.

MBC Securities Limited

11th Floor, St. Nicholas House, 26, Catholic Mission Street, Lagos Island, Lagos Nigeria
+234 1 2708003/4
www.mbcgroup.com.ng

STOCK RECOMMENDATION FOR THE WEEK ENDING 15th October, 2021

Symbol	Last Close	52 Week Low (N)	52 Week High (N)	P/E Ratio	Exit Price	Recommendation	Comment
ZENITH	24.70	19.30	28.50	3.65	29.40	BUY	<p>Zenith Plc is projected to have a Q3 2021 interest income of N382.58bn, up by 20% from N318.82bn in Q3 2020. PAT is estimated to increase by 5.41% from N159.32bn in Q3 2020 to N169.93bn in Q3 2021, bringing the EPS up by 6.76% to N5.41 in Q3 2021. Zenith Plc Q2'2021 results showed that gross earnings advanced by 1.61% to N159.94bn from N157.4bn in Q2'2020. Interest income declined by 6.00% from N216.95bn in Q2'2020 to N203.93bn. Profit before tax advanced by 2.57% from N114.12bn recorded in Q2'2020 to N117bn in the current period. Profit after tax went up by 2.21% from N103.83bn in Q2'2020 to N106.12bn in Q2'2021 after a 6.23% increase in income tax expenses. Earnings per share advanced by 2.42% from N3.30 in Q2'2020 to N3.38 in the current period. Zenith Bank has a BVPS of N36.42, P/BV of 0.68x and P/E ratio of 3.65x.</p> <p>Zenith Bank is on course to improve on its results in the new financial year. The firm has shown significant growth over the years and had the highest Profit After Tax in H1 2021 in the banking sector. Zenith Bank is one of the most capitalized firms on the stock exchange and its investors enjoy higher dividend yields than most. The bank has also pioneered technological innovations in the financial services industry to engage better with its customer base.</p>
FLOURMILL	29.30	21.00	35.00	8.35	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 Q2 2020 to N11.88bn in Q2 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 profit also increased by 0.60% from N25.55bn in Q1 2020 to N25.70bn 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, EPS 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 0.67x and P/E ratio of 8.35x.</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. Their Food, Agro Allied and Sugar revenue segments grew by 61%, 44% and 24%, respectively, as the company continues to deepen their market share amidst competing brands.</p>
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. 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% considering the rise in revenues of pharmaceutical companies due to COVID-19. May & Baker Plc's operations have also been aided by its joint venture with the FGN in inaugurating the Biovaccines Nigeria Ltd and the N10 billion fund provided for vaccine production in Nigeria.</p>

WEEKLY STOCK RECOMMENDATION

Symbol	Last Close	52 Week Low (N)	52 Week High (N)	P/E Ratio	Exit Price	Recommendation	Comment
DANGCEM	280.00	150.00	280.00	12.45	295.50	HOLD	Dangote Cement Plc is projected to have a Q3 2021 revenue of N1.06 trn, up by 39.16% from N761.44bn in Q3 2020. PAT is estimated to increase from N208.69bn in Q3 2020 to N290.40bn in Q3 2021, bringing the EPS up to N17.04 in Q3 2021 from N12.25 in Q3 2020. Dangcem Q2 2021 results showed that revenue grew by 44.81% from N476.85bn in Q2 2020 to N690.54bn in Q2 2021. Similarly, gross profit increased by 51% to N414bn in Q2 2021 from N274bn in Q2 2020. Profit from operations advanced by 74% from N173bn in Q2 2020 to N302bn in Q2 2021. Profit before tax grew by 72% to N281.25bn in Q2 2021 from N162.85bn in Q2 2020. Profit after tax grew by 51.91% from N126bn in Q2 2020 to N191.63bn in Q2 2021, despite a 17.88% increase in Administrative Expenses. Consequently, EPS rose by 50.47% from N7.45 in Q2 2020 to N11.21 in Q2 2021. Dangcem has a BVPS of N47.24, P/BV of 5.93x and a P/E ratio of 12.45x. As Africa's leading cement producer across 10 countries, Dangote Cement company continues to thrive based on the fact that roads and buildings in the country are mostly built with concrete, creating the need for the firm to constantly improve its production capacity like it did by 33% in April 2021. Dangote cement as a production capacity of 48.6 million tonnes per annum across the continent and plans to ramp up Nigerian production by 4.5 million tonnes/annum later this year.
NB	49.50	47.00	63.25	25.52	60.00	BUY	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. 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. 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 position 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.
UBA	7.95	6.25	9.80	2.35	9.50	BUY	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. 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.

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%	4.14%	JUNE 2022

MACRO ECONOMIC INDICATORS

PARAMETER	CURRENT	PREVIOUS
GDP (%)	5.01%	0.51%
NSE ASI (YTD)	1.39%	1.48%
INFLATION (%)	16.63	17.01
UNEMPLOYMENT (%)	33.33	33.33
MPR (%)	11.50	11.50
FX RESERVES (US \$ BN)	39.42	38.18
BRENT CRUDE (US \$)	84.86	82.39

FIXED INCOME MARKET RATES

TENOR	CURRENT	PREVIOUS
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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
GUINNESS PLC	N0.46	Nil	4 th October, 2021	26 th October, 2021	27 th October, 2021
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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