

Weekly Stock Recommendation



Monday November 22nd, 2021

Market Pulse for the week ended 19th November, 2021.

Contact:

The Nigerian Bourse closed negative last week as the ASI declined by 0.12% week-on-week to close at 43,199.27 points. Year-to-date returns closed at 7.27% at the end of the week. Market activity decreased as aggregate volume went down by 5.37% while value depreciated by 33.16%. Investors traded a total of 1.392 billion units of shares valued at N27.886 billion in 19,990 deals. The Financial Services Industry (measured by volume) led the activity chart with 1.082 billion shares valued at N11.579 billion traded in 11,612 deals; thus contributing 77.72% and 41.52% to the total equity turnover volume and value respectively. The Consumer Goods Industry followed with 105.796 million shares worth N11.831 billion in 2,657 deals. The third place was The Conglomerates Industry, with a turnover of 56.136 million shares worth N73.687 million in 575 deals. Sectors performance was significantly bearish as Banking (-1.60%), Consumer Goods (-1.41%), Insurance (-0.47%), Industrial (-0.10%) and Oil & Gas (-3.63%) indices 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 19th November, 2021

Symbol	Last Close	52 Week Low (N)	52 Week High (N)	P/E Ratio	Exit Price	Recommendation	Comment
FIDELITY	2.57	2.08	2.88	2.79	3.17	BUY	Fidelity Bank Q3 2021 results showed that interest income advanced by 3.73% from N132.47 bn in Q3 2020 to N137.41 bn in the current period. Net interest income decreased by 13.39% to N64.96bn in Q3 2021 from N75bn in Q3 2020; this is attributable to the 26.07% increase in interest expense. Profit before tax increased by 31.40% from N21.35bn recorded in Q3 2020 to N28.05bn in the current period. The increase in profit before tax was due to a 50.19% increase in fee and commission income and an 88.08% rise in Other Operating Income. Profit after tax increased by 29.93% from N20.41bn in Q3 2020 to N26.51bn in Q3 2021, despite a 63% surge in income tax expense. Earnings per share increased by 31.43% from N0.70 in Q3 2020 to N0.92 in the current period. Fidelity Bank has a BVPS of N9.76, P/BV of 0.27x and P/E ratio of 2.79x. Fidelity Bank is clearly becoming a leader among Tier 2 Banks. The bank has continued to sustain its impressive run of financial performance following the strong half year results released. Fidelity Bank has over the years implemented a retail digital banking strategy and that has continued to deliver, with the bank on course to achieving double digits growth.
UBA	8.20	6.75	9.25	2.79	10.57	BUY	UBA Plc Q3 2021 result showed that Interest income advanced by 8.38% from N317 bn in Q3 2020 to N343bn in the current period. Net interest income increased by 23.25% to N229 bn in Q3 2021 from N186 bn in Q3 2020. The increase in net interest income was driven by the rise in interest income and a 12.75% drop in the interest expense. In a similar tune, operating income increased by 16.28% from N282 bn in Q3 2020 to N328 bn in the current period. Likewise, profit after tax advanced by 36.35% from N77 bn in Q3 2020 to N104 bn in Q3 2021 despite a 41.67% increase in tax expense. Consequently, earnings per share went up by 36.11% from N2.16 in Q3 2020 to N2.94 in Q3 2021. UBA has a BVPS of N23.34, P/BV of 0.36x and P/E ratio of 2.79x. The bank remained well capitalized and determined to successfully drive financial inclusion on the continent through its innovative products and vast network. Going forward in 2021, 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.
OKOMUOIL	142.00	85.00	142.00	11.67	148.84	HOLD	Okomu Oil Plc's result for Q3 2021 showed that revenue increased from N18.62bn in Q3 2020 to N31.05bn in Q3 2021 by 66.73%. Gross earnings also increased by 69.43% from N16.46bn in Q3 2020 to N27.89bn in Q3 2021. Finance cost dropped by 75.32% from N450.31 million in Q3 2020 to N111.14 million in Q3 2021. Profit before tax rose by 117.35% from N6.82bn in Q3 2020 to N14.82bn in the current period. Profit after tax increased by 132.14% to N11.6bn in Q3 2021 from N4.99bn in Q3 2020. Consequently, EPS increased by 132% from N5.24 in Q3 2020 to N12.16 in the current period. Okomu Plc has a BVPS of N41.83, P/BV of 3.39x and P/E ratio of 11.67. Okomu Oil Plc is an established company in the agriculture industry – a sector that has been one of the major drivers of the Nigerian economy. Okomu Oil has been consistent with positive quarterly earnings as well as dividend payments to its shareholders. The company has announced the extension of their oil processing facilities after acquiring two new processing mills with the capacity to produce 60 tonnes/hour of crude oil palm a day. This is expected to reflect in their sales in the form of improved revenue for the company, a welcome development as its competitor also enhances expansion plans.

WEEKLY STOCK RECOMMENDATION

Symbol	Last Close	52 Week Low (N)	52 Week High (N)	P/E Ratio	Exit Price	Recommendation	Comment
ZENITH	24.50	19.30	28.50	2.45	29.40	BUY	Zenith Plc Q3'2021 results showed that gross earnings advanced by 1.91% to N518.67bn from N508.97bn in Q3'2020. Interest income declined by 3.13% from N318.82bn in Q3'2020 to N308.84bn. Profit before tax advanced by 1.43% from N177.28bn recorded in Q3'2020 to N179.81bn in the current period. Profit after tax went up by 0.80% from N159.31bn in Q2'2020 to N160.59bn in Q3'2021 after a 6.95% increase in income tax expenses. Earnings per share advanced by 0.79% from N5.07 in Q3'2020 to N5.11 in the current period. Zenith Bank has a BVPS of N37.81, P/BV of 0.66x and P/E ratio of 2.45x. Zenith Bank is on course to improve on its results in the new financial year. The bank was recognized as the Most Valuable Banking Brand in Nigeria and has successfully bolstered this narrative even further with the release of its FY 2020 report. 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.
WAPCO	25.50	13.00	31.50	5.37	31.66	BUY	Wapco Plc Q3 2021 results showed that revenue grew by 21.86% from N179bn in Q3'2020 to N219bn in Q3'2021. Similarly, gross profit went up by 13.53% to N63bn in Q3'2021 from N56bn in Q3'2020. Profit from operations rose by 17.09% from N41 bn in Q3'2020 to N48bn in Q3'2021. Profit before tax grew by 28.02% to N43 bn in Q3'2021 from N34bn in Q3'2020, on the back of a 25.30% decline in finance cost. Profit after tax rose by 43.26% from N28bn in Q3'2020 to N40.39bn in Q3'2021. Consequently, Earnings per share increased by 43.43%, from N1.75 in Q3'2020 to N2.51 in Q3'2021. Wapco has a BVPS of N23.83, P/BV of 1.01x and P/E ratio of 5.37x. We are positive about the FY 2021 outlook for WAPCO, as the company continues to restructure its balance sheet to improve performance. We also expect Cost of Sales growth to come lower compare to revenue growth, hence, gross margin is expected to be strengthened. The expectation for lower cost of sales rest on the back of the aggressive cost optimization strategy that the company has embarked on since the beginning of the previous year.
ACCESS	9.35	7.05	10.50	1.35	11.30	BUY	Access Plc Q3 2021 showed that interest income advanced by 25.48% from N375.28bn in Q3 2020 to N470.91bn in the current period. Net interest income went up 36.41% from N196.27bn in Q3 2020 to N267.73bn in Q3 2021. The increase in the net interest income was driven by the rise in interest income. Profit before tax advanced by 15.82% from N116.62bn in Q3 2020 to N135.07bn in the current period. Profit after tax went up by 19.15% from N102.30bn in Q3 2020 to N121.89bn in the current period, on the back of a 7.96% fall in income tax expense. Consequently, Access recorded a 19.31% rise in earnings per share from N2.90 in Q3 2020 to N3.46 in Q3 2021. Access has a BVPS of N22.49, P/BV of 0.42x and P/E ratio of 1.35x. Access bank delivered strong bottom-line figures despite a challenging and fast-changing macro and banking landscape occasioned by the COVID-19 pandemic. 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. Based on their performance over the years we see Access bank sustaining their positive results through the year.
MAYBAKER	4.49	3.11	5.18	4.40	5.63	BUY	Maybaker Q3 2021 results showed an increase in revenue by 25.26% from N6.44bn in Q3 2020 to N8.06 bn in Q3 2021. Operating profit advanced from N1.14 billion in Q3 2020 to N1.49 billion in Q3 2021, reflecting an increase of 30.80%. Finance cost increased by 43.29% to N187 million in Q3 2021 from N131 million while Interest income increased by 106.58% from N10 million in Q3 2020 to N20.66 million in Q3 2021. PBT went up by 29.44% from N1 billion in Q3 2020 to N1.30 billion in the current period, despite a 24% increase in Administrative Expenses. PAT grew by 29.44% from N681.73 million in Q3 2020 to N882.43 million in Q3 2021, despite a 29% surge in taxes. EPS grew by 31% to N0.51 in Q3 2021 from N0.39 in Q3 2020. Maybaker has a BVPS of N4.12, P/BV ratio of 1.09x and P/E ratio of 4.40x. May & Baker Plc has recorded a boost in revenues from its pharmaceutical unit in 2021 compared to 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.

NB	51.00	47.00	63.25	25.52	60.94	BUY	<p>NB Plc Q3 2021 results showed that revenue grew by 32.15% from N234.03bn in Q3 2020 to N309.28bn in Q3 2021. Similarly, gross profit increased by 22.89% to N110.53bn in Q3 2021 from N89.94bn in Q3 2020. Profit from operations advanced by 9.99% from N22.49bn in Q3 2020 to N24.73bn in Q3 2021. Profit before tax grew by 16.03% to N12.73bn in Q3 2021 from N10.97bn in Q3 2020. Profit after tax grew by 18.40% from N6.93bn in Q3 2020 to N8.21bn in Q3 2021, with a 32.51% increase in Sales and Administrative Expenses. Consequently, EPS rose by 17.24% from N0.87 in Q3 2020 to N1.02 in Q3 2021. NB Plc has a BVPS of N20.94, P/BV of 2.48x 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 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.</p>
GUINNESS	37.50	16.05	39.90	5.07	36.60	HOLD	<p>Guinness Q1 2021 results showed an increase in revenue by 58.10% from N30.02bn in Q1 2020 to N47.47bn in Q1 2021. Operating profit advanced from N586 million in Q1 2020 to N6.51bn in Q1 2021, reflecting an increase of 1009%. Profit before tax went up by 1973% from -N317.48 million in Q1 2020 to N5.95bn in the current period, following a 9.56% increase in finance income. Profit after tax grew by 580% from -N841.65 million in Q1 2020 to N4.04bn in Q1 2021, despite a 263% surge in taxes. EPS grew by 586% to N1.85 in Q1 2021 from -N0.38 in Q1 2020. Guinness has a BVPS of N36.18, P/BV of 1.04x and P/E ratio of 5.07x.</p> <p>Guinness Nigeria is a brewery giant and a total beverage company which caters to alcohol and non-alcohol drinkers thereby maximizing its consumer reach with its strong, diversified portfolio of brands. As seen in their FY 2020 results, rising inflation negatively affected the cost of production in the sector, trapping the firm and its counterparts in loss positions. Guinness was able to take advantage of the full opening of trade channels, boosting sales volume. We expect them to maintain the growth momentum and get back to pre-pandemic levels soon.</p>
AFRIPRUD	6.35	4.01	7.35	5.47	5.36	SELL	<p>Afriprud Plc's result for Q3'2021 showed that Gross Earnings declined from N2.63bn in Q3 2020 to N2.44bn in Q3 2021 by 7.03%. Interest income dropped by 9.16% from N1.77 bn in Q3'2020 to N1.60bn in Q3'2021. Profit before tax went down by 14.25% from N1.56 bn in Q3'2020 to N1.34 bn in the current period. Profit after tax declined by 18.27% to N1.15 bn in the current period from N1.40 bn in Q3'2020. Consequently, Earnings per share went down by 18.31% from N0.71 in Q3'2020 to N0.58 in the current period. Afriprud has a BVPS of N4.25, P/BV of 1.49x and P/E ratio of 5.47x.</p> <p>Africa Prudential Registrars Plc is a share registration service provider, which specializes in customer-focused service delivery for corporate organizations. The Company renders share registration services to both public and private companies. Its products include E-Dividend, E-Offer, e-Registrar Solutions (eRS), E-Replacement and On-going Offers. The E-Dividend allows direct crediting of investors bank account with their dividend, which replaces the conventional dividend payment process burdened with warrant printing, posting and returned unclaimed. The E-Offer allows direct crediting of investors central securities clearing system (CSCS) account with allotted units after public offer, right and scrip issue, which replaces the conventional method of generating share certificates for the investors. The eRS portal allows access to information, anytime and anywhere.</p>

EUROBONDS

SYMBOL	PRICE	COUPON	YIELD	MATURITY
FIDELITYBANK	105.25	10.50%	4.81%	OCT 2022
ZENITH BANK PLC II	102.99	7.38%	1.57%	MAY 2022
UBA PLC	102.81	7.75%	2.49%	JUNE 2022

MACRO ECONOMIC INDICATORS

PARAMETER	CURRENT	PREVIOUS
GDP (%)	4.03%	5.01%
NSE ASI (YTD)	7.27%	7.41%
INFLATION (%)	15.99	16.63
UNEMPLOYMENT (%)	33.33	33.33
MPR (%)	11.50	11.50
FX RESERVES (US \$ BN)	41.41	41.56
BRENT CRUDE (US \$)	78.36	81.63

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
NB PLC	N0.40	Nil	22 nd – 26 th November, 2021	N/A	3 rd December, 2021
LAFARGE PLC	N1.00	Nil	11 th – 17 th November, 2021	N/A	19 th November, 2021
GUINNESS PLC	N0.46	Nil	4 th October, 2021	26 th October, 2021	27 th October, 2021
UBA PLC	N0.20	Nil	24 th September, 2021	9 th April, 2021	30 th Sept, 2021
GTCOPLC	N0.30	Nil	28 th September, 2021	1 st April, 2021	12 th Oct, 2021
STANBIC IBTC 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
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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