



Weekly Stock Recommendation

Monday November 1st, 2021

Market Pulse for the week ended 29th October, 2021.

Contact:

MBC Securities Limited

The Nigerian Bourse closed positive last week as the ASI appreciated by 0.66% week-on-week to close at 42,038.60 points. Year-to-date returns closed at 4.39% at the end of the week. Market activity increased as aggregate volume went up by 91.70% while value appreciated by 87.91%. Investors traded a total of 3.001 billion units of shares valued at N34.547 billion in 25,932 deals. 1.600 billion shares valued at N15.608 billion traded in 14,065 deals; thus contributing 53.33% and 45.18% to the total equity turnover volume and value respectively. The Oil and Gas Industry followed with 845.699 million shares worth N11.725 billion in 1,706 deals. The third place was Conglomerate Industry, with a turnover of 220.120 million shares worth N335.235 million in 1,238 deals. Sectors performance was significantly bullish as Banking (-2.43%) Consumer Goods (1.52%) and Industrial (0.49%) while Oil and Gas (4.04%) Insurance (5.28%), indices +234 1 2708003/4 advanced.

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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.

STOCK RECOMMENDATION FOR THE WEEK ENDING 29th October, 2021

Symbol	Last Close	52 Week Low (N)	52 Week High (N)	P/E Ratio	Exit Price	Recommendation	Comment
UBA	8.60	6.25	9.95	1.45	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 1.45x. 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.
WAPCO	27.00	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 N56 bn in Q3'2020. Profit from operations rose by 17.09% from N41 bn in Q3'2020 to N48 bn in Q3'2021. Profit before tax grew by 28.02% to N43 bn in Q3'2021 from N34 bn in Q3'2020, on the back of a 25.30% decline in finance cost. Profit after tax rose by 43.26% from N28 bn in Q3'2020 to N40.39 bn 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 compared 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.

WEEKLY STOCK RECOMMENDATION

Symbol	Last Close	52 Week Low (N)	52 Week High (N)	P/E Ratio	Exit Price	Recommendation	Comment
FLOURMILLS	29.40	21.00	36.00	8.35	35.52	BUY	<p>Flour Mill Plc's result for Q2 2021 showed that revenue increased from N355bn in Q2 2020 to N522bn in Q2 2021 by 47.23%. Gross earnings also increased by 8.20% from N50bn in Q2 2020 to N54bn in Q2 2021. Finance cost dropped by 6.27% from N9.95bn in Q2 2020 to N9.32bn in Q2 2021. Profit before tax increased by 6.00% from N14.6 bn in Q2 2020 to N15.40 bn in the current period. Profit after tax expanded by 6.00% to N10.52bn in the current period from N9.90bn in Q2 2020. Consequently, Earnings per share went up by 4.29% from N2.33 in Q2 2020 to N2.43 in the current period. Flour Mill Plc has a BVPS of N43.50, 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. Accordingly, 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>
DANGCEM	280.00	150.00	280.00	12.45	295.50	HOLD	<p>Dangcem Q3 2021 results showed that revenue grew by 34.24% from N761.44 bn in Q3 2020 to N1.02 tn in Q3 2021. Similarly, gross profit increased by 39.40% to N618.8bn in Q3 2021 from N443.9bn in Q3 2020. Profit from operations advanced by 53.01% from N287.9bn in Q3 2020 to N440.5bn in Q3 2021. Profit before tax grew by 49.18% to N405.7bn in Q3 2021 from N271.91bn in Q3 2020. Profit after tax grew by 33.44% from N208.6bn in Q3 2020 to N278.47 bn in Q3 2021, despite a 18.70% increase in Administrative Expenses. Consequently, EPS rose by 32.49% from N12.25 in Q3 2020 to N16.23 in Q3 2021. Dangcem has a BVPS of N53.12, P/BV of 3.23x and a P/E ratio of 12.45x.</p> <p>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.</p>
ZENITH	25.25	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.</p> <p>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, despite a 17.95% increase in operating expenses. 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 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.</p>
MAYBAKER	4.36	2.900	5.18	7.41	5.20	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.</p> <p>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%. Finance cost increased by 184.51% to N117 million in Q2 2021 from N41 million while Interest income increased by 148% from N6.9 million in Q2 2020 to N17 million in Q2 2021. PBT went up by 26.52% from N645 million in Q2 2020 to N816 million in the current period, despite a 103.98% increase in Administrative Expenses. 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>

WEEKLY STOCK RECOMMENDATION

Symbol	Last Close	52 Week Low (N)	52 Week High (N)	P/E Ratio	Exit Price	Recommendation	Comment
PRESKO	89.00	53.00	89.00	3.92	87.81	HOLD	<p>Presco Plc is projected to have a Q3 2021 revenue of N29.03bn from N18.92bn in Q3 2020, reflecting an increase of 53.48%. PAT is estimated to increase from N5.03bn in Q3 2020 to N7.72bn in Q3 2021, bringing the EPS up to N7.72 in Q3 2021 from N5.03 in Q3 2020.</p> <p>Presco Plc's result for Q2'2021 showed that revenue increased from N13.45bn in Q2 2020 to N21.46bn in Q2 2021 by 59.49%. Gross earnings also increased by 82.81% from N9.04bn in Q2'2020 to N16.53bn in Q2 2021. Finance cost dropped by 47% from N831 million in Q2'2020 to N440 million in Q2'2021. Profit before tax rose by 124% from N5.77bn in Q2'2020 to N12.94bn in the current period. Profit after tax increased by 130% to N10.12bn in Q2 2021 from N4.39bn in Q2'2020. Consequently, Earnings per share increased by 130.75% from N4.39 in Q2'2020 to N10.13 in the current period. Presco Plc has a BVPS of N41.18, P/BV of 1.93x and P/E ratio of 3.92x.</p> <p>Presco Plc has been able to double its net profit despite higher operating expenses from additional transport costs of workers, higher medical costs etc. Presco Plc's increase in revenue can be attributed to increase in its activities following the supply chain disruptions that affected agricultural businesses across Nigeria. Also, the prices of products may be higher in order to cover increased cost of production due to the rising inflation in Nigeria since last year's pandemic.</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, with a 32.0% decrease in Sales and Administrative Expenses. 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 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>
FIDELITY	2.78	1.75	3.10	1.80	3.05	BUY	<p>Fidelity Bank Q2 2021 results showed that interest income declined by 2.89% from N87.62 bn in Q2 2020 to N85.09 bn in the current period. Net interest income increased by 4.09% to N50.30 bn in Q2 2021 from N48.32bn in Q2 2020; this is attributable to the 11.47% decline in interest expense. Profit before tax increased by 72.43% from N11.96 bn recorded in Q2 2020 to N20.63 bn in the current period. The increase in profit before tax was due to a 33.47% increase in fee and commission income. Profit after tax increased by 70.80% from N11.30 bn in Q2 2020 to N19.31 bn in Q2 2021, despite a 100% surge in income tax expense. Earnings per share increased by 71.79% from N0.39 in Q2 2020 to N0.67 in the current period. Fidelity Bank has a BVPS of N9.43, P/BV of 0.26x and P/E ratio of 1.80x.</p> <p>Fidelity Bank is clearly becoming a leader among Tier 2 Banks. The bank has continued to sustain its impressive run of financial performance with 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.</p>
MTNN	175.6	117.80	188.00	12.88	199.20	BUY	<p>MTNN's Q2'2021 results showed an increase in revenue by 31.4% from N308.90bn in Q2 2020 to N405.94 bn in Q2'2021. Operating profit advanced from N110.58 bn in Q1'2020 to N133.11 bn in Q1'2021, reflecting an increase of 30.28%. The growth in operating profit was buoyed by a 1.7% decrease in Finance Cost even though there was 23.1% increase in costs of accessories, advertisement, sponsorship and sales promotion, and other operating expenses. PBT went up by 79.9% from N62.33bn in Q2'2020 to N112.13bn in the current period, despite a 22.9% increase in expenses. PAT grew by 59.1% from N42.80bn in Q2'2020 to N68.08bn in Q2 2021, despite a 124.15% surge in taxes. EPS grew by 59.90% to N3.47 in Q2'2021 from N2.17 in Q2'2020. BVPS of N9.83, P/BV of 16.7x and a P/E ratio of 6.97x.</p> <p>Information and Communication Technology Sector is said to be poised for interesting developments that will reposition it to deepen the growth of Nigeria's economy, and increase business opportunities across the country. The performance of the ICT sector is expected to continue on an upward trajectory, even in Nigeria. In light of this, MTNN is projected to be one of the major drivers of growth in the ICT sector in 2021.</p>

EUROBONDS

SYMBOL	PRICE	COUPON	YIELD	MATURITY
ACCESS BANK PLC III	101.82	10.50%	3.04%	OCT 2021
ZENITH BANK PLC II	103.96	7.38%	3.09%	MAY 2022
UBA PLC	103.41	7.75%	3.61%	JUNE 2022

MACRO ECONOMIC INDICATORS

PARAMETER	CURRENT	PREVIOUS
GDP (%)	0.51%	0.51%
NSE ASI (YTD)	-2.77%	-2.77%
INFLATION (%)	16.63	16.63
UNEMPLOYMENT (%)	28.60	28.60
MPR (%)	11.50	11.50
FX RESERVES (US \$ BN)	41.75	40.96
BRENT CRUDE (US\$)	82.21	84.91

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% - 5.00%	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
MTNN Plc	N5.90	Nil	5 th May, 2021	25 th May, 2021	26 th May, 2021
Wapco Plc	N1.00	Nil	4 th -7 th May, 2021	25 th May, 2021	25 th May, 2021
DangCem Plc	N16.00	Nil	27 th April, 2021	26 th May, 2021	27 th May, 2021
SAHCO Plc	N0.165	Nil	7 th June, 2021	22 nd June, 2021	22 nd June, 2021
Presco Plc	N2.00	Nil	7 th July, 2021	21 st July, 2021	26 th July, 2021
McNichols	N0.03	Nil	1 st July, 2021	29 th July, 2021	5 th Aug, 2021
Bua Cement Plc	N2.067	Nil	12 th -16 th July, 2021	22 nd July, 2021	23 rd July, 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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