



Weekly Stock Recommendation

Monday November 8th, 2021

Market Pulse for the week ended 5th November 2021.

Contact:

The Nigerian Bourse closed negative last week as the ASI depreciated by 0.06% week-on-week to close at 42,014.50 points. Year-to-date returns closed at 4.33% at the end of the week. Market activity decreased as aggregate volume went down by 52.42% while value depreciated by 64.19%. Investors traded a total of 1.428 billion units of shares valued at N12.37 billion in 23,987 deals. The Financial Services Industry (measured by volume) led the activity chart with 1.010 billion shares valued at N7.992 billion traded in 12,208 deals; thus contributing 70.75% and 64.60% to the total equity turnover volume and value respectively. The Conglomerates Industry followed with 94.729 million shares worth N207.829 million in 878 deals. The third place was Consumer Goods Industry, with a turnover of 62.779 million shares worth N1.326 billion in 3,814 deals. Sectors performance was significantly bearish as Banking (-1.73%) Consumer Goods (-0.74%) and Industrial (0.88%) while Oil and Gas (-1.63%) Insurance (0.99%), 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.

STOCK RECOMMENDATION FOR THE WEEK ENDING 5th November, 2021

Symbol	Last Close	52 Week Low (N)	52 Week High (N)	P/E Ratio	Exit Price	Recommendation	Comment
ZENITH	24.60	19.30	28.50	3.65	29.40	BUY	<p>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.</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>
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>
HONYFLOUR	3.64	0.90	3.64	3.59	3.22	SELL	<p>Honyflour Q2 2021 results showed that revenue grew by 19.32% from N56.91bn in Q2 2020 to N67.90bn in Q1 2021. Profit from operations declined by 9.76% from N3.64bn in Q2 2020 to N3.29bn in Q2 2021. Profit before tax grew by 73% to N519million in Q2 2021 from N300 million in Q2 2020. Profit after tax grew by 73.04% from N204 million in Q2 2020 to N353 million in Q2 2021, along with a 30.60% decrease in Sales and Administrative Expenses. Consequently, EPS rose by 73.15% from N2.57 in Q2 2020 to N4.45 in Q2 2021. Honeywell Flour has a BVPS of N7.34, P/BV of 0.28x and a P/E ratio of 3.59x.</p> <p>Honeywell Flour Mill has three large factory locations in Nigeria involved in the manufacturing of a range of food products including flour, semolina, wheat meal, noodles and pasta. These are common food items which makes them generate a consistent flow of revenue from their sales.</p>

WEEKLY STOCK RECOMMENDATION

Symbol	Last Close	52 Week Low (N)	52 Week High (N)	P/E Ratio	Exit Price	Recommendation	Comment
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>
FIDELITY	2.70	1.75	3.10	1.80	3.50	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>
UBA	8.45	6.25	9.95	1.45	10.57	BUY	<p>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.</p> <p>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.</p>
MAYBAKER	4.5	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

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FLOURMILLS	28.60	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 that 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>
WAPCO	25.50	13.00	31.50	5.37	31.66	BUY	<p>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.</p> <p>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.</p>

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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	41.75
BRENT CRUDE (US\$)	82.72	82.21

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 BONDRATES

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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