

Weekly Stock Recommendation



Monday December 06th, 2021

Market Pulse for the week ended 3rd December, 2021.

Contact:

The Nigerian Bourse closed negative last week as the ASI declined by 2.55% week-on-week to close at 42,167.91 points. Year-to-date returns closed at 4.71% at the end of the week. Market activity decreased as aggregate volume went down by 62.79% while value depreciated by 43.91%. Investors traded a total of 1.278 billion units of shares valued at N17.34 billion in 21,052 deals. The Financial Services Industry (measured by volume) led the activity chart with 984.543 million shares valued at N10.247 billion traded in 11,029 deals; thus contributing 77.01% and 59.09% to the total equity turnover volume and value respectively. Consumer Goods Industry followed with 78.724 million shares worth N2.328 billion in 3,137 deals. The third place was The Conglomerates Industry, with a turnover of 48.730 million shares worth N69.840 million in 647 deals. Sectors performance was significantly bearish as Banking (-2.29%), Consumer Goods (-0.59%), Industrial (-0.08%) and Oil & Gas (-4.55%) indices declined. While Insurance (2.97%) index 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.

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STOCK RECOMMENDATION FOR THE WEEK ENDING 3rd December, 2021

Symbol	Last Close	52 Week Low (N)	52 Week High (N)	P/E Ratio	Exit Price	Recommendation	Comment
WAPCO	24.65	13.00	31.50	7.36	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 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 1.03x and P/E ratio of 7.36x.</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>
TRANSCORP	0.98	0.74	1.40	4.08	1.50	BUY	<p>Transcorp Plc Q3 2021 results showed that revenue grew by 57.39% from N54.38bn in Q3'2020 to N85.59bn in Q3'2021. Similarly, gross profit went up by 73.24% to N39.37bn in Q3'2021 from N22.72bn in Q3'2020. Profit from operations rose by 77.15% from N15.54bn in Q3'2020 to N27.53bn in Q3'2021. Profit before tax grew by 600% to N14.13bn in Q3'2021 from N2.02bn in Q3'2020. Profit after tax rose by 671% from N1.75bn in Q3'2020 to N13.47bn in Q3'2021. Consequently, Earnings per share increased by 152.94%, from -N0.34 in Q3'2020 to N0.18 in Q3'2021. Transcorp has a BVPS of N3.12, P/BV of 0.31x and P/E ratio of 4.08x.</p> <p>Transcorp Plc is a conglomerate with strategic investments in the power, hospitality and energy sectors – all these subsidiaries being leaders in their various areas. The power business grew by 49% y-o-y and the hospitality business grew 115% showing continued success. We expect the firm's scalability and sustainability strategy to help the firm achieve excellent in the full year result as well.</p>
FLOURMILLS	28.95	24.65	35.00	5.96	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 5.96x.</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>

WEEKLY STOCK RECOMMENDATION

Symbol	Last Close	52 Week Low (N)	52 Week High (N)	P/E Ratio	Exit Price	Recommendation	Comment
NB	46.50	46.50	63.00	34.19	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. 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 34.19x.</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 Q3 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.</p>
ZENITH	24.35	19.30	28.50	3.58	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 Q3'2020 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 3.58x.</p> <p>Zenith bank was recognized as the Most Valuable Banking Brand in Nigeria and 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>
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.</p>
DANGCEM	280.00	183.00	280.00	12.94	295.50	HOLD	<p>Dangcem Q3 2021 results showed that revenue grew by 34.24% from N761.44 bn in Q3 2020 to N1.02trn 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 12.94x.</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>

FIDELITY	2.55	2.08	2.88	2.07	3.17	BUY	<p>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 0.26x and P/E ratio of 2.07x.</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 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.</p>
UBA	8.10	6.75	9.25	2.07	10.57	BUY	<p>UBA Plc Q3 2021 result showed that Interest income advanced by 8.38% from N317bn in Q3 2020 to N343bn in the current period. Net interest income increased by 23.25% to N229bn in Q3 2021 from N186bn 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 N282bn in Q3 2020 to N328bn in the current period. Likewise, profit after tax advanced by 36.35% from N77 bn in Q3 2020 to N104bn 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 0.35x and P/E ratio of 2.07x.</p> <p>The bank remained well capitalized and determined to successfully drive financial inclusion o 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>
OKOMUOIL	142.00	85.00	142.00	11.67	148.84	HOLD	<p>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.</p> <p>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.</p>

EUROBONDS

SYMBOL	PRICE	COUPON	YIELD	MATURITY
FIDELITYBANK	104.75	10.50%	4.84%	OCT 2022
ZENITH BANK PLC II	102.81	7.38%	1.53%	MAY 2022
UBA PLC	102.27	7.75%	3.18%	JUNE 2022

MACRO ECONOMIC INDICATORS

PARAMETER	CURRENT	PREVIOUS
GDP (%)	4.03%	5.01%
NSE ASI (YTD)	4.71%	7.54%
INFLATION (%)	15.99	16.63
UNEMPLOYMENT (%)	33.33	33.33
MPR (%)	11.50	11.50
FX RESERVES (US \$ BN)	41.16	41.33
BRENT CRUDE (US \$)	69.88	72.72

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

- MTN Group is selling up to 575,000,000 shares in MTN Nigeria in the first phase of a series of offers that will reduce its shareholding in MTN Nigeria from 78.83% to 65% over time
- Flour Mills will acquire a majority shareholding of 71.69% in Honeywell Group's portfolio company - Honeywell Flour Mills Plc (HFMP) along with the 5.06% equity of First Bank of Nigeria Limited. Upon completion of the acquisition, Flour Mills of Nigeria is set to hold a 76.75% majority equity in Honeywell Flour Mills Plc.
- Airtel Africa completes minority shareholding buyback of Airtel Nigeria. The 8.22% acquired under the buyback is worth N61bn or \$147 million. Airtel Africa now holds 99.96% ownership over its largest subsidiary.

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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