

Weekly Stock Recommendation



Monday December 13th, 2021

Market Pulse for the week ended 10th December, 2021.

Contact:

The Nigerian Bourse closed negative last week as the ASI declined by 0.68% week-on-week to close at 41,882.97 points. Year-to-date returns closed at 4.00% at the end of the week. Market activity increased as aggregate volume went up by 105.79% while value appreciated by 55.13%. Investors traded a total of 2.63 billion units of shares valued at N26.90 billion in 20,848 deals. The Financial Services Industry (measured by volume) led the activity chart with 2.234 billion shares valued at N21.449 billion traded in 11,482 deals; thus contributing 84.95% and 79.73% to the total equity turnover volume and value respectively. The Services Industry followed with 157.089 million shares worth N695.798 million in 465 deals. The third place was The Consumer Goods Industry, with a turnover of 71.016 million shares worth N1.708 billion in 3,019 deals. Sectors performance was significantly bullish as Banking (5.55%), Consumer Goods (0.11%), Insurance(1.24%) and Oil & Gas (1.27%) indices advanced. While Industrial (-5.42%) index 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 10th December, 2021

Symbol	Last Close	52 Week Low (N)	52 Week High (N)	P/E Ratio	Exit Price	Recommendation	Comment
UBA	8.05	6.75	9.25	2.05	10.57	BUY	<p>UBA Plc is projected to have a FY 2021 interest income of N450.96bn, up by 5.40% from N427.86bn in FY 2020. PAT is estimated to increase from N113.77bn in FY 2020 to N119.19bn in FY 2021, bringing the EPS up to N3.51.</p> <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 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. Likewise, profit after tax advanced by 36.35% from N77bn 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 0.34x and P/E ratio of 2.05x.</p> <p>The bank remained well capitalized and determined to successfully drive financial inclusion to 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>
FIDELITY	2.54	2.08	2.80	2.07	3.17	BUY	<p>Fidelity Plc is projected to have a FY 2021 interest income of N223.24bn, up by 8.80% from N205.18bn in FY 2020. PAT is estimated to increase from N28.03bn in FY 2020 to N30.5bn in FY 2021, bringing the EPS up to N1.05.</p> <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. Profit before tax increased by 31.40% from N21.35bn recorded in Q3 2020 to N28.05bn in the current period. 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>
TRANSCORP	0.98	0.74	1.40	4.08	1.50	BUY	<p>Transcorp Plc is projected to have a FY 2021 revenue of N117.55bn, up by 56.17% from N75.27bn in FY 2020. PAT is estimated to increase from N3.79bn in FY 2020 to N17.96bn in FY 2021, bringing the EPS up to N0.44. 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>

WEEKLY STOCK RECOMMENDATION

Symbol	Last Price	52 Week Low (N)	52 Week High (N)	P/E Ratio	Exit Price	Recommendation	Comment
GUINNESS	39.00	16.05	39.90	5.27	39.09	HOLD	<p>Guinness Plc is projected to have a Q2 2021 revenue of N86.9bn, up by 20.11% from N72.35bn in Q2 2020. PAT is estimated to increase from –N317 million in Q2 2020 to N4.45bn in Q2 2021, bringing the EPS up to N2.03.</p> <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. Profit after tax grew by 580% from –N841.65 million in Q1 2020 to N4.04bn in Q1 2021. 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 1.08x and P/E ratio of 5.27x.</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>
FLOURMILLS	28.30	24.65	35.00	5.96	35.52	BUY	<p>Flourmills Plc is projected to have a Q3 2021 revenue of N828.61bn, up by 49.21% from N555.34bn in Q3 2020. PAT is estimated to increase from N15.58bn in Q3 2020 to N23.25bn in Q3 2021, bringing the EPS up to N5.67.</p> <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 N14.6bn in Q2 2020 to N15.40bn 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>
NB	47.00	46.50	63.00	34.19	60.94	BUY	<p>NB Plc is projected to have a FY 2021 revenue of N445.98bn, up by 32% from N337.05bn in FY 2020. PAT is estimated to increase from N7.37bn in FY 2020 to N9.75bn in FY 2021, bringing the EPS up to N1.22. 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 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	25.50	19.30	28.50	3.58	29.40	BUY	<p>Zenith Plc is projected to have a FY 2021 gross earnings of N702.55bn, up by 0.88% from N696.45bn in FY 2020. PAT is estimated to increase from N230.57bn in FY 2020 to N232.59bn in FY 2021, bringing the EPS up to N7.41.</p> <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 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>

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>
AFRIPRUD	6.00	4.01	7.35	5.47	5.36	SELL	<p>Afriprud Plc is projected to have a FY 2021 gross earnings of N3.43bn, down by 2.29% from N3.51bn in FY 2020. PAT is estimated to decrease from N1.45bn in FY 2020 to N1.41bn in FY 2021, bringing the EPS down to N0.71.</p> <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 N1.77bn in Q3'2020 to N1.60bn in Q3'2021. Profit before tax went down by 14.25% from N1.56bn in Q3'2020 to N1.34bn in the current period. Profit after tax declined by 18.27% to N1.15 bn in the current period from N1.40bn 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	252.00	183.00	280.00	12.94	295.50	HOLD	<p>Dangcem Plc is projected to have a FY 2021 revenue of N1.42trn, up by 37.52% from N1.03trn in FY 2020. PAT is estimated to increase from N276.07bn in FY 2020 to N379.64bn in FY 2021, bringing the EPS up to N22.28.</p> <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>

EUROBONDS

SYMBOL	PRICE	COUPON	YIELD	MATURITY
FIDELITYBANK	104.75	10.50%	4.84%	OCT 2022
ZENITH BANK PLC II	102.63	7.38%	1.63%	MAY 2022
UBA PLC	102.13	7.75%	3.27%	JUNE 2022

MACRO ECONOMIC INDICATORS

PARAMETER	CURRENT	PREVIOUS
GDP (%)	4.03%	5.01%
NSE ASI (YTD)	4.00%	4.71%
INFLATION (%)	15.99	16.63
UNEMPLOYMENT (%)	33.33	33.33
MPR (%)	11.50	11.50
FX RESERVES (US \$ BN)	40.93	41.16
BRENT CRUDE (US \$)	75.15	69.88

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

- Access Bank Plc announces proposal to restructure its bank and related group of companies into a new non-operating Holding Company – Access Holdings Plc
- Ellah Lakes Plc announces a joint venture SCPZ with Enugu State Government for the development of the Ada Rice Company and Plantation.
- 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 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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