

# Weekly Stock Recommendation



Monday December 20<sup>th</sup>, 2021

## Market Pulse for the week ended 17<sup>th</sup> December, 2021.

Contact:

The Nigerian Bourse closed positive last week as the ASI advanced by 1.12% week-on-week to close at 42,353.31 points. Year-to-date returns closed at 5.17% at the end of the week. Market activity decreased as aggregate volume went down by 49.92% while value depreciated by 43.01%. Investors traded a total of 1.317 billion units of shares valued at N15.33 billion in 18,292 deals. The Financial Services Industry (measured by volume) led the activity chart with 899.768 million shares valued at N7.325 billion traded in 9,326 deals; thus contributing 68.32% and 47.78% to the total equity turnover volume and value respectively. The Consumer Goods Industry followed with 209.502 million shares worth N2.796 billion in 2,866 deals. The third place was The Conglomerates Industry, with a turnover of 93.813 million shares worth N663.135 million in 485 deals. Sectors performance was significantly bullish as Consumer Goods (0.58%), Industrial (0.38%) and Insurance (0.04%) indices advanced. While Banking (-1.82%) and Oil & Gas (-0.57%) 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 17<sup>th</sup> December, 2021

Symbol	Last Close	52 Week Low (N)	52 Week High (N)	P/E Ratio	Exit Price	Recommendation	Comment
ACCESS	9.05	7.05	10.50	1.96	11.30	BUY	<p>Access Plc is projected to have a FY 2021 interest income of N593.78bn, up by 21.37% from N489.21bn in FY 2020. PAT is estimated to increase from N106.01bn in FY 2020 to N128.67bn in FY 2021, bringing the EPS up to N3.62. 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 0.40x and P/E ratio of 1.96x.</p> <p>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.</p>
MTNN	187.00	155.00	209.90	12.96	223.35	BUY	<p>MTNN Plc is projected to have a FY 2021 revenue of N1.55trn, up by 15.41% from N1.35trn in FY 2020. PAT is estimated to increase from N205.21bn in FY 2020 to N236.84bn in FY 2021, bringing the EPS up to N11.64. MTNN's Q3'2021 results showed an increase in revenue by 23.62% from N975.76bn in Q3'2020 to N1.21trn in Q3'2021. Operating profit advanced from N306.95bn in Q3'2020 to N418.35bn in Q3'2021, reflecting an increase of 36.29%. Profit before tax went up by 51.92% from N211.53bn in Q3'2020 to N321.35bn in the current period. Profit after tax grew by 52.81% from N144.78bn in Q3'2020 to N220.31bn in Q3'2021, despite a 50% surge in taxes. EPS grew by 52.61% to N10.82 in Q3'2021 from N7.09 in Q3'2020. MTNN has a BVPS of N9.14, P/BV of 20.46x and P/E ratio of 12.96x.</p> <p>MTNN is a Information and Communication Technology (ICT) firm that holds the largest market share in the telecommunications sector and has constantly expanded its services to increase mobile and internet penetration across Nigeria. MTNN received CBN's approval to launch a Payment Service Bank (PSB), launching the firm into the financial services sector. We are optimistic that this will increase their customer base over the years thereby improving their earnings for the benefit of the company and its shareholders.</p>
OKOMUOIL	142.00	85.00	142.00	11.67	148.84	HOLD	<p>Okomu Oil Plc is projected to have a FY 2021 revenue of N40.67bn, up by 73.71% from N23.41bn in FY 2020. PAT is estimated to increase from N7.39bn in FY 2020 to N12.83bn in FY 2021, bringing the EPS up to N13.45. 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. 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. 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.</p>

# WEEKLY STOCK RECOMMENDATION

Symbol	Last Price (N)	52 Week Low (N)	52 Week High (N)	P/E	EPS	Recommendation	Comment
<b>MAYBAKER</b>	4.10	3.11	5.18	6.03	5.63	<b>BUY</b>	<p>Maybaker Plc is projected to have a FY 2021 revenue of N12.79bn, up by 36.23% from N9.39bn in FY 2020. PAT is estimated to increase from N964.56 million in FY 2020 to N1.31bn in FY 2021, bringing the EPS up to N0.76.</p> <p>Maybaker Q3 2021 results showed an increase in revenue by 25.26% from N6.44bn in Q3 2020 to N8.06bn 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 1.00x and P/E ratio of 6.03x.</p> <p>May &amp; 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 &amp; 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>
<b>UBA</b>	8.05	6.75	9.25	2.05	10.57	<b>BUY</b>	<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>
<b>GUINNESS</b>	39.00	16.05	39.90	5.27	39.09	<b>HOLD</b>	<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>
<b>FIDELITY</b>	2.54	2.08	2.80	2.07	3.17	<b>BUY</b>	<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>

<b>WAPCO</b>	24.65	13.00	31.50	7.36	31.66	<b>BUY</b>	<p>Wapco Plc is projected to have a FY 2021 revenue of N272.36bn, up by 18.12% from N230.57bn in FY 2020. PAT is estimated to increase from N37.19bn in FY 2020 to N43.93bn in FY 2021, bringing the EPS up to N2.73.</p> <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 strengthen. 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>
<b>TRANSCORP</b>	0.98	0.74	1.40	4.08	1.50	<b>BUY</b>	<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>
<b>FLOURMILLS</b>	28.30	24.65	35.00	5.96	35.52	<b>BUY</b>	<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>

## EUROBONDS

SYMBOL	PRICE	COUPON	YIELD	MATURITY
FIDELITYBANK	104.75	10.50%	5.30%	OCT 2022
ZENITH BANK PLC II	102.63	7.38%	1.73%	MAY 2022
UBA PLC	102.13	7.75%	4.75%	JUNE 2022
FBNH	106.75	8.625%	6.61%	FEB 2025
SEPLAT	100.50	7.75%	7.61%	NOV 2026
ACCESS	100.10	6.125%	6.10%	MAR 2026

## MACRO ECONOMIC INDICATORS

PARAMETER	CURRENT	PREVIOUS
GDP (%)	4.03%	5.01%
NSE ASI (YTD)	5.17%	4.00%
INFLATION (%)	15.40	15.99
UNEMPLOYMENT (%)	33.33	33.33
MPR (%)	11.50	11.50
FX RESERVES (US \$ BN)	40.71	40.93
BRENT CRUDE (US \$)	75.02	74.46

## FIXED INCOME MARKET RATES

TENOR	CURRENT	PREVIOUS
<b>TREASURY BILLS RATES</b>		
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%
<b>FGN BOND RATES</b>		
5-YEAR FGN BOND	12.62%	12.72%
10-YEAR FGN BOND	13.02%	13.36%

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# CORPORATE ACTION

- Chimera Investment LLC invests \$50 million in Airtel Africa's mobile money business – Airtel Mobile Commerce BV. The AMC BV is the holding company for Airtel Africa's mobile money operations.
- MTN Nigeria successfully bids for two 100MHZ spectrum licenses in the 3.5GHz Spectrum band auctioned by the Nigerian Communications Commission (NCC) to enable rollout of 5G services to MTN Nigeria's customers.
- 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.
- 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.

## 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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