

Weekly Stock Recommendation



Monday January 10th, 2022

Market Pulse for the week ended 07th January, 2022.

Contact:

The Nigerian Bourse closed positive last week as the ASI advanced by 2.66% week-on-week to close at 43,854.42 points. Year-to-date returns closed at 2.66% at the end of the week. Market activity increased as aggregate volume went up by 103.71% while value appreciated by 346.77%. Investors traded a total of 2.027 billion units of shares valued at 59.01 billion in 15,750 deals. The Consumer Goods Industry (measured by volume) led the activity chart with 1.255 billion shares valued at N 51.973 billion traded in 2,581 deals; thus contributing 61.90% and 88.07% to the total equity turnover volume and value respectively. The Financial Services Industry followed with 537.959 million shares worth N4.627 billion in 8,015 deals. The third place was The ICT Industry, with a turnover of 76.906 million shares worth N704.346 million in 933 deals. Sectors performance was significantly bullish as Banking (0.78%), Industrial (0.34%) and Oil/Gas (2.68%) indices advanced. While Consumer Goods (-0.87%) and Insurance (-0.93%) 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.

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STOCK RECOMMENDATION FOR THE WEEK ENDING 07th January, 2022

Symbol	Last Close	52 Week Low (N)	52 Week High (N)	P/E Ratio	Exit Price	Recommendation	Comment
ACCESS	9.40	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. 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 0.42x and P/E ratio of 2.04x.</p> <p>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>
MAYBAKER	4.20	3.11	5.18	6.18	5.63	BUY	<p>May & Baker 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. May & Baker Q3 2021 results showed an increase in revenue by 25.26% from N6.44bn in Q3 2020 to N8.06 bn 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. 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. May & Baker has a BVPS of N4.12, P/BV ratio of 1.02x and P/E ratio of 6.18x.</p> <p>May & Baker Plc has recorded a boost in revenues from its pharmaceutical unit in 2021. 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>
UBA	8.00	6.75	9.25	2.04	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. 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 2.04x.</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, 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>

WEEKLY STOCK RECOMMENDATION

Symbol	Last Close	52 Week Low (N)	52 Week High (N)	P/E Ratio	Exit Price	Recommendation	Comment
FIDELITY	2.51	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>
FLOURMILL	29.00	24.85	35.00	5.82	35.52	BUY	<p>Flourmill Plc is projected to have a Q3 2022 revenue of N828.61bn, up by 49.21% from N555.34bn in Q3 2021. PAT is estimated to increase from N15.58bn in Q3 2021 to N23.25bn in Q3 2022, bringing the EPS up to N5.67.</p> <p>Flour Mill Plc's result for Q2 2022 showed that revenue increased from N355bn in Q2 2021 to N522bn in Q2 2022 by 47.23%. Gross earnings also increased by 8.20% from N50bn in Q2 2021 to N54bn in Q2 2022. Finance cost dropped by 6.27% from N9.95bn in Q2 2021 to N9.32bn in Q2 2022. Profit before tax increased by 6.00% from N14.6bn in Q2 2021 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 2021. Consequently, Earnings per share went up by 4.29% from N2.33 in Q2 2021 to N2.43 in the current period. Flour Mill Plc has a BVPS of N43.50, P/BV of 0.65x and P/E ratio of 5.82x.</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.</p>
WAPCO	25.80	19.50	31.50	7.15	31.66	BUY	<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. 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 1.01x and P/E ratio of 7.15x.</p> <p>We are positive about the FY 2021 outlook for WAPCO, as we expect lower cost of sales on the back of the aggressive cost optimization strategy that the company has embarked on since the beginning of the previous year.</p>
OKOMUOIL	142.00	85.00	142.00	11.67	148.84	HOLD	<p>Okomu 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.</p> <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>

GUINNESS	39.90	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, following a 9.56% increase in finance income. Profit after tax grew by 580% from –N841.65 million in Q1 2020 to N4.04bn in Q1 2021, despite a 263% surge in taxes. 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>
ZENITH	25.40	19.50	27.50	3.58	29.40	BUY	<p>Zenith Bank Plc is projected to have a FY 2021 interest income 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 Bank 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 0.65x 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>
DANGCEM	250.00	198.10	280.00	11.88	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 4.84x and a P/E ratio of 11.88x.</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 had 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%	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%	4.03%
NSE ASI (YTD)	2.66%	6.07%
INFLATION (%)	15.40	15.40
UNEMPLOYMENT (%)	33.33	33.33
MPR (%)	11.50	11.50
FX RESERVES (US \$ BN)	40.52	40.53
BRENT CRUDE (US \$)	81.74	78.81

FIXED INCOME MARKET RATES

TENOR	CURRENT	PREVIOUS
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
VITAFOAM PLC	N1.50	Nil	14 th February, 2022	3 rd March, 2022	4 th March, 2022
NEIMETH PLC	N0.07	Nil	15 th March, 2022	22 nd March, 2022	25 th March, 2022

- SEC approves mandatory takeover of 1.197 Billion shares of Champion Breweries Plc at N2.60 per share by The Raysun Nigeria Limited. The takeover represents 15.3% equity stake in Champion Breweries.
- BUA Group lists BUA Foods Plc on the Nigerian Exchange Limited bourse at N40 per share. The food businesses consolidated under BUA Foods are BUA Sugar Refinery Ltd, BUA Rice Ltd, BUA Oil Mills Ltd, IRS Flour and IRS Pasta.
- Wema Bank set to conduct share reconstruction exercise – two new shares for every three shares held. The Bank is to raise capital of up to N40 billion by way of rights issue to existing shareholders.
- FMDQ Group set to acquire 21.6% stake in CSCS Plc. The Group will buyout the 16.6% and 5% stakes owned by Leadway Insurance and Artemis Ltd.
- Titan Trust Bank Limited, Nigeria’s newest commercial bank, acquires 89.39% majority stake in Union Bank of Nigeria. The completion of the transaction is subject to obtaining applicable regulatory approvals and the fulfillment of certain conditions precedent.

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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