

Weekly Stock Recommendation



Monday March 14th, 2022

Market Pulse for the week ended 11th March, 2022.

Contact:

The Nigerian Bourse closed Negative last week as the ASI advanced by 0.36% week-on-week to close at 47,437.48 points. Year-to-date returns closed at 11.05% at the end of the week. Market activity increased as aggregate volume went up by 103.63% while value appreciated by 0.31%. Investors traded a total of 2.798 billion units of shares valued at N23.859 billion in 22,709 deals. The Financial Services Industry (measured by volume) led the activity chart with 2.398 billion shares valued at N14.030 billion traded in 11,900 deals; thus contributing 85.69% and 58.80% to the total equity turnover volume and value respectively. The Conglomerates Industry followed with 73.381 million shares worth N305.944 million in 996 deals. The third place was The Consumer Goods Industry, with a turnover of 60.832 million shares worth N3.087 billion in 2,707 deals. Sectors performance was significantly bearish as Consumer Goods (-0.52%), Industrial (-0.13%) and Oil/Gas (-2.22%) indices declined. While Banking (1.29%) and Insurance (2.65%) indices 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 11th March, 2022

Symbol	Last Close	52 Week Low (N)	52 Week High (N)	P/E Ratio	Exit Price	Recommendation	Comment
WAPCO	23.50	20.05	28.80	7.41	31.66	BUY	Wapco Plc FY 2021 results showed that revenue grew by 27.11% from N230.57bn in FY 2020 to N293.09bn in FY 2021. Similarly, gross profit went up by 30.98% to N142.58bn in FY 2021 from N108.86bn in FY 2020. Profit from operations rose by 42.55% from N45.67bn in FY 2020 to N65.11bn in FY 2021. Profit before tax grew by 65.69% to N37.57bn in FY 2021 from N62.25bn in FY 2020, on the back of a 45.66% decline in finance cost. Profit after tax rose by 65.37% from N30.84bn in FY 2020 to N51bn in FY 2021. Consequently, Earnings per share increased by 66%, from N1.91 in FY 2020 to N3.17 in FY 2021. Wapco has a BVPS of N23.50, P/BV of 1.00x and P/E ratio of 7.41x. We are positive about the 2022 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.
MTNN	206.00	157.00	209.90	14.04	278.06	BUY	MTNN's FY 2021 results showed an increase in revenue by 22.87% from N1.35trn in FY 2020 to N1.65trn in FY 2021. Operating profit advanced from N426.71bn in FY 2020 to N584.75bn in FY 2021, reflecting an increase of 37.04%. Profit before tax went up by 46.11% from N298.87bn in FY 2020 to N436.69bn in the current period. Profit after tax grew by 45.53% from N205.21bn in FY 2020 to N298.65bn in FY 2021, despite a 45.53% surge in taxes. EPS grew by 45.54% to N14.67 in FY 2021 from N10.08 in FY 2020. MTNN has a BVPS of N13.02, P/BV of 15.82x and P/E ratio of 14.04x. MTN is a Information and Communication Technology (ICT) firm poised for interesting developments that will reposition it to deepen its growth in Nigeria's economy. The firm holds the largest market share in the telecommunications sector and has constantly expanded its services to increase mobile and internet penetration across Nigeria. MTN pledged \$1.4 billion in network infrastructure investment over the next 3 years in Nigeria and 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.
AFRIPRUD	6.50	4.90	8.15	9.15	6.81	SELL	Afriprud Plc's result for FY 2021 showed that Gross Earnings advanced from N3.51bn in FY 2020 to N3.52bn in FY 2021 by 0.37%. Interest income dropped by 12.45% from N2.45bn in FY 2020 to N2.14bn in FY 2021. Operating profit rose by 1.12% to N2.09bn in the current period from N2.07bn in FY 2020. Profit before tax went up by 1.31% from N1.98bn in FY 2020 to N2.01bn in the current period. Profit after tax declined by 2.17% to N1.41bn in the current period from N1.45bn in FY 2020. Consequently, Earnings per share went down by 1.39% from N0.72 in FY 2020 to N0.71 in the current period. Afriprud has a BVPS of N4.39, P/BV of 1.48x and P/E ratio of 9.15x. 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.

WEEKLY STOCK RECOMMENDATION

Symbol	Last Close	52 Week Low (N)	52 Week High (N)	P/E Ratio	Exit P.	Recommendation	Comment
GTCO	26.00	23.90	33.00	4.23	31.00	BUY	<p>GTCO Plc FY 2021 showed that interest income declined by 11.25% from N300.74bn in FY 2020 to N266.89bn in the current period. Net interest income went down 13.03% from N253.67bn in FY 2020 to N220.61bn in FY 2021. Profit before tax declined by 6.97% from N238.1bn in FY 2020 to N221.5bn in the current period. Profit after tax went down by 13.21% from N201.44bn in FY 2020 to N174.84bn in the current period. Consequently, GTCO recorded a 13.64% fall in earnings per share from N7.11 in FY 2020 to N6.14 in FY 2021. GTCO has a BVPS of N30.01, P/BV of 0.87x and P/E ratio of 4.23x.</p> <p>GTCO's 2021 performance was affected by the restructuring of the company into a holdco structure due to declining interest income quarter after quarter and low yields on investment securities. However, we maintain a positive outlook in 2022 as we look forward to the earnings on GTCO's more recent expansion activities into other financial services in a bid to increase revenue stream and profitability. With the recent addition of Pension Fund and Wealth Management businesses to the Group, we are optimistic about the firm's ability to rapidly scale operations and strengthen their foothold in these key industry segments.</p>
FLOURMILL	31.50	27.00	35.35	5.91	35.52	HOLD	<p>Flour Mill Plc's result for Q3 2021 showed that revenue increased from N555.34bn in Q3 2020 to N824.98bn in Q3 2021 by 48.55%. Gross earnings also increased by 10.73% from N72.45bn in Q3 2020 to N80.22bn in Q3 2021. Finance cost rose by 8.02% from N14.93bn in Q3 2020 to N16.12bn in Q3 2021. Profit before tax increased by 6.97% from N23.61bn in Q3 2020 to N25.25bn in the current period. Profit after tax expanded by 9.4% to N17.05bn in the current period from N15.58bn in Q3 2020. Consequently, Earnings per share went up by 3.9% from N3.85 in Q3 2020 to N4.00 in the current period. Flour Mill Plc has a BVPS of N45.11, P/BV of 0.70x and P/E ratio of 5.91x.</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 as the company continues to deepen their market share amidst competing brands.</p>
UBA	8.55	6.75	8.85	2.52	10.57	BUY	<p>UBA Plc FY 2021 result showed that Interest income advanced by 10.84% from N427.86bn in FY 2020 to N474.26bn in the current period. Net interest income increased by 22.06% to N316.71bn in FY 2021 from N259.47bn in FY 2020. The increase in net interest income was driven by the rise in interest income and a 6.44% drop in the interest expense. In a similar tune, operating income increased by 14.39% from N376.03bn in FY 2020 to N430.13bn in the current period. Profit before tax increased by 20.29% to N153.07bn in the current period from N127.26bn in FY 2020. Likewise, profit after tax advanced by 8.72% from N109.16bn in FY 2020 to N118.68bn in FY 2021 despite a 90% increase in tax expense. Consequently, earnings per share went up by 9.35% from N3.10 in FY 2020 to N3.39 in FY 2021. UBA has a BVPS of N23.53, P/BV of 0.36x and P/E ratio of 2.52x.</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 2022, we expect sustainability in the growth recorded in the banking sector through stable policies and technology integration which will aid banks to maximize growth potentials.</p>
PZ	7.35	4.15	7.50	5.65	8.79	BUY	<p>PZ Cussons Plc Q2 2021 showed that revenue advanced by 25.97% from N37.38bn in Q2 2020 to N47.09bn in the current period. Gross profit went up 12.14% from N10.16bn in Q2 2020 to N11.39bn in Q2 2021. Operating loss declined by 66.48% from N-851 million in Q2 2020 to N-285.34 million in the current period. Profit before tax went up by 191.72% from N1.03bn in Q2 2020 to N3bn in the current period. Profit after tax advanced by 213.44% to N2.57bn in the current period from N820.93 million in Q2 2020. Consequently, PZ recorded a 209% rise in earnings per share from N0.21 in Q2 2020 to N0.65 in Q2 2021. PZ has a BVPS of N9.35, P/BV of 0.79x and P/E ratio of 5.65x.</p> <p>PZ Cussons Plc is an FMCG company with essential product offerings such as detergents, toiletries, soap and home appliances. Its half year results showed that growth has been broad based reflecting in all the business units and many of PZ Cussons' leading brands with solid performance in hygiene, home and personal care. The business has also continually sourced for locally available raw materials.</p>

MAYBAKER	4.45	3.49	5.45	7.81	5.63	BUY	<p>May & Baker FY 2021 results showed an increase in revenue by 26.74% from N9.39bn in FY 2020 to N11.9bn in FY 2021. Operating profit advanced from N1.41bn in FY 2020 to N1.7bn in FY 2021, reflecting an increase of 20.74%. Finance cost increased by 79.18% to N283.26 million in FY 2021 from N158.09 million while Interest income increased by 156.68% from N23.04 million in FY 2020 to N59.14 million in FY 2021. PBT went up by 15.37% from N1.25bn in FY 2020 to N1.44bn in the current period, despite a 12.83% increase in Administrative Expenses. PAT grew by 1.53% from N964.56 million in FY 2020 to N979.35 million in FY 2021, despite a 62.42% surge in taxes. EPS grew by 1.79% to N0.57 in FY 2021 from N0.56 in FY 2020. May & Baker has a BVPS of N4.18, P/BV ratio of 1.07x and P/E ratio of 7.81x.</p> <p>May & 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 & 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>
NASCON	13.50	12.90	16.00	12.05	17.42	BUY	<p>Nascon Plc FY 2021 showed that revenue advanced by 18.81% from N28.01bn in FY 2020 to N33.28bn in the current period. Gross profit went up 3.43% from N11.56bn in FY 2020 to N11.96bn in FY 2021. Operating profit advanced by 7.17% from N4.03bn in FY 2020 to N4.32bn in the current period. Profit before tax advanced by 8.48% from N3.91bn in FY 2020 to N4.24bn in the current period. Profit after tax went up by 10.43% from N2.69bn in FY 2020 to N2.97bn in the current period. Consequently, Nascon recorded a 9.8% rise in earnings per share from N1.02 in FY 2020 to N1.12 in FY 2021. Nascon has a BVPS of N5.52, P/BV of 2.44x and P/E ratio of 12.05x.</p> <p>Nascon Allied Industries is a member of the Dangote Group which produces salt, tomato paste, seasoning and vegetable oil, all of which are essential items that keep its demand and revenue base strong. The firm has worked actively to improve its profit from a 3-year by actively cutting costs, reducing cost of production by 24% in 2020 and relocation of 60% of the Apapa production Plant to Oregun and Port Harcourt due to port congestion, leading to higher distribution costs. We expect the cost minimization efforts of the company to continuously boost profits and shareholders' funds in FY 2021.</p>
TOTAL	264.90	135.90	264.90	5.38	298.24	HOLD	<p>Totalenergies Plc's result for FY 2021 showed that revenue increased from N204.72bn in FY 2020 to N341.17bn in FY 2021 by 66.65%. Gross earnings also increased by 78.84% from N30.75bn in FY 2020 to N54.99bn in FY 2021. Finance cost dropped by 38.73% from N2.89bn in FY 2020 to N1.77bn in FY 2021. Profit before tax rose by 759% from N2.91bn in FY 2020 to N24.99bn in the current period. Profit after tax increased by 710.58% to N16.73bn in FY 2021 from N2.06bn in FY 2020. Consequently, EPS increased by 710% from N6.08 in FY 2020 to N49.26 in the current period. Totalenergies Plc has a BVPS of N122.17, P/BV of 2.17x and P/E ratio of 5.38x.</p> <p>Totalenergies Plc was the main driver for NGX Oil & Gas - the best performing index in 2021. The company generates maximum revenue from the Network segment which includes sales to service stations. We expect the removal of PMS subsidy and subsequent increase in fuel prices to increase revenue generation in 2022. The firm has remained consistent with dividend payments over the years regardless of performance, and has, in recent times, paid out 100% of EPS to meet up dividend payment. With the impressive FY earnings, we also expect higher dividends for shareholders.</p>

EUROBONDS

SYMBOL	PRICE	COUPON	YIELD	MATURITY
FIDELITYBANK	103.37	10.50%	5.49%	OCT 2022
ZENITH BANK PLC II	101.50	7.38%	2.65%	MAY 2022
UBA PLC	101.50	7.75%	3.31%	JUNE 2022
FBNH	105.00	8.625%	7.07%	FEB 2025
SEPLAT	100.50	7.75%	7.60%	NOV 2026
ACCESS	99.50	6.125%	6.25%	MAR 2026

MACRO ECONOMIC INDICATORS

PARAMETER	CURRENT	PREVIOUS
GDP (%)	3.98%	4.03%
NSE ASI (YTD)	11.05%	10.66%
INFLATION (%)	15.60	15.63
UNEMPLOYMENT (%)	33.33	33.33
MPR (%)	11.50	11.50
FX RESERVES (US \$ BN)	39.77	39.87
BRENT CRUDE (US \$)	112.67	118.11

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	11.10%	11.24%
10-YEAR FGN BOND	12.60%	12.79%

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CORPORATE ACTION

Company	Dividend/Share	Bonus	Closure of Register	AGM Date	Payment Date
GT Holding Company Plc	N2.70	Nil	23 rd March, 2022	Nil	8 th April, 2022
United Bank for Africa Plc	N0.80	Nil	21 st March, 2022	7 th April, 2022	7 th April, 2022
Dangote Sugar Refinery Plc	N1.00	Nil	2 nd June, 2022	15 th June, 2022	16 th June, 2022
Nascon Allied Industries Plc	N0.40	Nil	6 th May, 2022	3 rd June, 2022	6 th June, 2022
Africa Prudential Plc	N0.50	Nil	14 th March, 2022	23 rd March, 2022	23 rd March, 2022
Nestle Nigeria Plc	N25.50	Nil	30 th May, 2022	29 th June, 2022	30 th June, 2022
Lafarge Africa Plc	N1.00	Nil	4 th April, 2022	Nil	21 st April, 2022
Dangote Cement Plc	N20.00	Nil	31 st May, 2022	14 th June 2022	15 th June, 2022
Transcorp Hotels Plc	N0.07	Nil	24 th March, 2022	4 th April, 2022	5 th April, 2022
Zenith Bank Plc	N2.80	Nil	28 th March, 2022	6 th April, 2022	6 th April, 2022
Seplat Energy Plc	\$0.025	Nil	6 th May, 2022	18 th May, 2022	25 th May, 2022
United Capital Plc	N1.50	Nil	9 th March, 2022	23 rd March, 2022	23 rd March, 2022
Nigerian Breweries Plc	N1.20	Nil	10 th March, 2022	22 nd April, 2022	22 nd April, 2022
MTN Nigeria Plc	N8.57	Nil	7 th April, 2022	28 th April, 2022	28 th April, 2022
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

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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