

Weekly Stock Recommendation



Monday November 28th, 2022

Market Pulse for the week ended 25th November, 2022.

Contact:

MBC Securities Limited

11th Floor, St. Nicholas House, 26, Catholic Mission Street, Lagos Island, Lagos Nigeria
+234 1 2708003/4
www.mbcgroup.com.ng

The Nigerian Bourse closed Positive last week as the ASI appreciated by 6.88% to close at 47,554.34 points. Year to date returns closed at 11.33% at the end of the week. Market activity increased as aggregate volume went up by 2.48% and value increased by 76.97%. Investors traded a total of 711.618 million units of shares valued at N15.338 billion in 16,662 deals. Investors traded a total of 694.376 million units of shares valued at N8.667 billion in 15,697 deals. The Financial Services Industry (measured by volume) led the activity chart with 461.230 million shares valued at N3.697 billion traded in 7,653 deals; thus contributing 64.81% and 24.10% to the total equity turnover volume and value respectively. The Conglomerates Industry followed with 99.881 million shares worth N139.213 million in 582 deals. The third place was the ICT Industry, with a turnover of 37.953 million shares worth N7.577 billion in 1,050 deals. All other indices finished higher with the exception of NGX Oil & Gas which depreciated by 1.29%. 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.

STOCK RECOMMENDATION FOR THE WEEK ENDING 2nd December, 2022

Symbol	Last Close	52 Week Low (N)	52 Week High (N)	P/E Ratio	Exit Price	Recommendation	Comment
MTNN	210.00	167.00	270.00	11.11	278.06	BUY	<p>MTNN Plc Q3 2022 results showed an increase in revenue by 20.71% from ₦1.21 trn in Q3 2021 to ₦1.46 trn in Q3 2022. Operating profit advanced from ₦418.35bn in Q3 2021 to ₦537.68bn in Q3 2022, reflecting an increase of 28.52%. Profit before tax grew by 24.68% from ₦321.35bn in Q3 2021 to ₦400.67bn in the current period, despite a 40.10% increase in finance costs. Profit after tax rose by 22.12% from ₦220.31bn in Q3 2021 to ₦269.04bn in Q3 2022. EPS increased by 22.92% to ₦13.30 in Q3 2022 from ₦10.82 in Q3 2021. MTNN has a BVPS of ₦13.24, P/BV of 15.03x and P/E ratio of 11.11x.</p> <p>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.</p>
UCAP	12.50	9.00	14.15	4.96	14.99	BUY	<p>United Capital's result for Q3'2022 showed that gross earnings increased by 28.40% from N11.33 bn in Q3'2021 to N14.55 bn in Q3'2022. Net operating income rose by 21.80% from N11.07 bn in Q3'2021 to N13.50 bn in Q3'2022. Profit before tax rose by 24.17% from N7.09 bn in Q3'2021 to N8.81 bn in the current period. Profit after tax increased by 29.34% to N7.71 bn in the current period from N5.97 bn in Q3'2021. Consequently, Earnings per share went up by 28.57% from N1.33 in Q3'2021 to N1.71 in the current period. UCAP has a BVPS of N3.61, P/BV of 1.73x and P/E ratio of 4.96x.</p> <p>UCAP has over the years increased focus on the mass retail segment of the economy, which has been the center of their product development initiatives as well as marketing activities. Products such as mutual funds allows the company to pool the investments of several investors and invest the pool in high yield, risk free instruments. In 2022, we see them growing their earnings through the optimisation of their channels and digitization of their platforms thereby maintaining impressive growth in their Profit after tax thereby impacting their EPS positively.</p>
FIDSON	8.85	5.45	11.49	4.35	11.92	BUY	<p>Fidson Q3 2022 results showed an increase in revenue by 44.48% from N21.75bn in Q3 2021 to N31.43bn in Q3 2022. Operating profit advanced from N4.29 bn in Q3 2021 to N6.35bn in Q3 2022, reflecting an increase of 48.03%. Profit before tax went up by 49.06% from N3.42bn Q3 2021 to N5.10bn in the current period. Profit after tax grew by 47.97% from N2.32bn in Q3 2021 to N3.44bn in Q3 2022. EPS grew by 35.14% to N1.50 in Q3 2022 from N1.11 in Q3 2021. Fidson has a BVPS of N7.89, P/BV of 1.23x and P/E ratio of 4.35x.</p> <p>Fidson Healthcare Plc is a leading pharmaceutical company in Nigeria with services in toll manufacturing, ethical products and over the counter drugs. The company in June 2021 expanded its portfolio of ethical products which boosted revenue generation by 88% as well as increasing income from its toll manufacturing from 2020 levels. The performance of the company led to positive sentiments in the equities market as it became one of the best performing stocks in 2021 and Q1 2022, returning 38% and 29% respectively.</p>

WEEKLY STOCK RECOMMENDATION

Symbol	Last Close	52 Week Low (N)	52 Week High (N)	P/E Ratio	Exit Price	Recommendation	Comment
ZENITHBANK	21.90	18.90	27.50	2.69	28.14	BUY	<p>Zenithbank Plc's Q3 2022 results showed that gross earnings advanced by 19.65% to ₦620.57 bn in Q3 2022 from ₦518.67 bn in Q3 2021. Net interest income grew by 20.52% from ₦234.75 bn in Q3 2021 to ₦282.91bn in Q3 2022, supported by a 26.52% rise in interest income. Profit before tax advanced by 12.65% from ₦179.81 bn recorded in Q3 2021 to ₦202.55 bn in the current period. This is attributable to the 0.86% increase in trading income and 27.79% increase in net fees and commission income. Profit after tax went up by 8.55% from ₦160.59 bn in Q3 2021 to ₦174.33bn in Q3 2022 after a 46.85% increase in income tax expenses. Earnings per share advanced by 8.61% from ₦5.11 in Q3 2021 to ₦5.55 in the current period. Consequently, Zenith has a BVPS of ₦40.52, P/BV of 0.48x and P/E ratio of 2.69x.</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 FY 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>
STANBIC	30.65	27.50	41.00	5.03	35.06	BUY	<p>Stanbic IBTC Holdings Plc Q3 2022 showed that Net interest income advanced by 47.53% from N54.99bn in Q3 2021 to N79.66bn in the current period, supported by a 46.65% rise in interest income and despite the 44.13% rise in interest expense. Trading income rose by 175.93% from N9.02bn in Q3 2021 to N24.89bn in Q3 2022. Profit before tax gained 52.16% from N45.311bn in Q3 2021 to N68.95bn in the current period. Profit after tax went up by 38.14% from N39.95bn in Q3 2021 to N55.19bn in the current period, despite a 156.59% increase in income tax expense. Consequently, Stanbic IBTC Plc recorded a 39.93% rise in earnings per share from N2.93 in Q3 2021 to N4.10 in Q3 2022. Stanbic IBTC Plc has a BVPS of N29.17, P/BV of 0.99x and P/E ratio of 5.03x.</p> <p>Stanbic IBTC Holdings, commonly referred to as Stanbic IBTC, is a financial service holding company in Nigeria with subsidiaries in Banking, Stock Brokerage, Investment Advisory, Asset Management, Investor Services, Pension Management, Trustees and life Insurance businesses. Stanbic IBTC Stockbrokers Limited, is one of the 5 firms selected by African Securities Exchanges Association (ASEA) to begin cross-border trading in Africa. Its asset management arm has also designed an infrastructure fund that seeks to provide competitive returns above the FGN 10-year bond yield.</p>
FIDELITY	4.10	2.23	4.10	2.13	4.46	HOLD	<p>Fidelity Bank Plc Q3 2022 results showed that interest income advanced by 53.08% from N137.41bn in Q3 2021 to N210.35bn in the current period. Net interest income increased by 72.19% to N111.85bn in Q3 2022 from N64.96bn in Q3 2021. Profit before tax increased by 34.72% from N28.05bn recorded in Q3 2021 to N37.79bn in the current period. The increase in profit before tax was due to a 15.07% increase in fee and commission income. Profit after tax increased by 31.85% from N26.51bn in Q3 2021 to N34.96bn in Q3 2022, despite a 84.15% increase in income tax expense. Earnings per share increased by 31.52% from N0.92 in Q3 2021 to N1.21 in the current period. Fidelity Bank has a BVPS of N10.76, P/BV of 0.32x and P/E ratio of 2.13x.</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 full year results released leading to higher dividend payment to shareholders. 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>
BUAFOODS	63.40	40.25	66.00	13.37	68.34	BUY	<p>BUA Foods Plc Q3 2022 result showed that revenue advanced by 39.25% from N86.51bn in Q3 2021 to N120.47bn in the current period. Operating profit increased by 54.82% to N33.70bn in Q3 2022 from N21.77bn in Q3 2021. Profit before tax advanced by 60.84% from N19.82bn recorded in Q3 2021 to N31.88bn in the current period. Likewise, profit after tax grew by 65.18% from N18.19bn in Q3 2021 to N30.05bn in Q3 2022. Consequently, earnings per share went up by 65.35% from N1.01 in Q3 2021 to N1.67 in Q3 2022. Bua Foods Plc has a BVPS of N13.33, P/BV of 4.37x and P/E ratio of 13.37x.</p> <p>BUA Foods 's sugar division currently operates the second-largest sugar refinery in West Africa, with a total refining capacity of 1.5 million Metric Tons (MT) per annum. BUA Foods owns a state-of-the-art flour mill equipped with high efficiency specifications for energy saving and waste reduction. This flour mill commenced production in 2019 with a capacity of 500,000 MT per annum. The plant currently has 576,000 tons of flour milling capacity. The Rice Division has a rice milling facility with a capacity of 200,000 MT per annum. The company expects that the rice mill will be operational in 2022 and expects it to be the biggest single-line rice mill in Nigeria.</p>

GTCO	20.00	16.80	28.50	2.97	24.76	BUY	<p>Gtco Plc Q3 2022 results showed that interest income advanced by 19.20% from N195.03bn in Q3 2021 to N232.49 bn in the current period. Net interest income went up by 16.41% from N162.94 bn in Q3 2021 to N189.69 bn in Q3 2022. Profit before tax grew by 11.73% from N151.91bn in Q3 2021 to N169.72bn in the current period due to 18.27% rise in fees and commission income and 42.32% rise Net gains on financial instruments. Profit after tax went up by 0.73% from N129.40bn in Q3 2021 to N130.35bn in the current period. Consequently, Gtco recorded a 0.22% rise in earnings per share from N4.54 in Q3 2021 to N4.55 in Q3 2022. Gtco Plc has a BVPS of N29.66, P/BV of 0.61x and P/E ratio of 2.97x.</p> <p>GTCO Plc has recently been restructured into a holdco structure, now listed as GTCO Plc on the NGX Bourse. This allows the company diversify its operations outside its core banking operations in order to generate more value for shareholders. GTCO Plc 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 Gtco sustaining their positive results in 2022.</p>
WAPCO	22.05	21.00	33.70	5.98	33.66	BUY	<p>Lafarge Africa (WAPCO) Plc Q3 2022 results showed that earnings advanced by 23.11% from N219.20bn in Q3 2021 to N269.85 bn in the current period. Gross profit increased by 3199% to N134.77bn in Q3 2022 from N102.11bn in Q3 2021. In a similar tune, profit before tax advanced by 22.88% from N43.90bn recorded in Q3 2021 to N53.95 bn in the current period. Likewise, profit after tax grew by 11.15% from N40.40bn in Q3 2021 to N44.90bn in Q3 2022. Consequently, Earnings per share went up by 11.16% from N2.51 in Q3 2021 to N2.79 in Q3 2022. Lafarge Africa has a BVPS of N25.29, P/BV of 0.88x and P/E ratio of 5.98x.</p> <p>WAPCO is the 12th most valuable stock on the exchange. We are positive about the 2022 outlook for Lafarge Africa, as the company continues to restructure its balance sheet to improve performance. We also expect higher level of activities in the construction sector ahead of the 2023 elections, driving demand for cements and thereby, increased sales for the company.</p>
ACCESSCORP	8.60	7.50	10.60	1.56	13.93	BUY	<p>Access Holdings Plc Q3 2022 results showed that interest income advanced by 21.46% from N470.9 bn in Q3 2021 to N571.98 bn in the current period. Net interest income went up by 4.78% from N267.73 bn in Q3 2021 to N280.53 bn in Q3 2022. Profit before tax grew by 8.97% from N135.06 bn in Q3 2021 to N147.18 bn in the current period due to the 36.05% increase in net impairment charges, 17.27% rise in fees and commission expense and 11.62% rise in net foreign exchange gain. Profit after tax went up by 12.54% from N121.88bn in Q3 2021 to N137.17bn in the current period, on the back of a 22.92% fall in income tax expense. Consequently, Access recorded a 12.14% rise in earnings per share from N3.46 in Q3 2021 to N3.88 in Q3 2022. Access Holdings Plc has a BVPS of N29.11, P/BV of 0.28x and P/E ratio of 1.56x.</p> <p>Access Holdings Plc has recently been restructured into a holdco structure, now listed as ACCESSCORP on the NGX Bourse. This allows the company diversify its operations outside its core banking operations in order to generate more value for shareholders. Access Holdings Plc 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 in 2022.</p>

MACRO ECONOMIC INDICATORS

PARAMETER	CURRENT	PREVIOUS
GDP (%)	3.54%	3.11%
NSE ASI (YTD)	11.33%	4.16%
INFLATION (%)	21.09	20.77
UNEMPLOYMENT (%)	33.33	33.33
MPR (%)	16.50	15.50
FX RESERVES (US \$ BN)	37.17	37.19
BRENT CRUDE (US \$/BARREL)	86.97	86.97

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CORPORATE ACTION

Company	Dividend/Share	Bonus	Closure of Register	AGM Date	Payment Date
Access Holdings Plc	N0.20	NIL	29 th September, 2022	N/A	12 th October, 2022
United Bank for Africa Plc	N0.20	NIL	23 rd September, 2022	N/A	29 th September, 2022
Guaranty Trust Holding Plc	N0.30	NIL	21 st September, 2022	N/A	30 th September, 2022
Fidelity Bank Plc	N0.10	NIL	13 th September, 2022	N/A	20 th September, 2022
Stanbic IBTC Holdings Plc	N1.50	NIL	7 th September, 2022	N/A	21 st September, 2022
Zenith Bank Plc	N0.30	NIL	7 th September, 2022	N/A	13 th September, 2022
Learn Africa PLC	N0.20	NIL	12 th September, 2022	29 th September, 2022	30 th September, 2022
Guinness Nigeria Plc	N7.14	NIL	26 th September, 2022	25 th October, 2022	26 th October, 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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