

Weekly Stock Recommendation



Monday March 6th, 2023

Market Pulse for the week ended 3rd March, 2023.

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The Nigerian Bourse closed positive last week as the ASI appreciated by 1.06% to close at 55,529.21 points. Year to date returns closed at 8.35% at the end of the week. Market activity increased as aggregate volume went up by 138.80% and value decreased by 37.19%. Investors traded a total of 1.190 billion units of shares valued at 18.436 billion in 20,311 deals. The ICT Industry (measured by volume) led the activity chart with 601.396 million shares valued at N2.676 billion traded in 1,607 deals; thus contributing 31.49% and 14.52% to the total equity turnover volume and value respectively. The Financial Services Industry followed with 585.510 million shares worth N6.949 billion in 8,584 deals. The third place was the Services Industry, with a turnover of 349.215 million shares worth N2.402 billion in 512 deals. Sector indices finished higher with the exception of NGX Banking which depreciated by -1.34%. 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 3rd March, 2023

| Symbol | Last Close | 52 Week Low (N) | 52 Week High (N) | P/E Ratio | Exit Price | Recommendation | Comment |
|------------|------------|-----------------|------------------|-----------|------------|----------------|--|
| MTNN | 245 | 185 | 270 | 13.71 | 298.06 | BUY | <p>MTNN Plc FY 2022 results showed an increase in revenue by 21.64% from ₦1.65 trn in FY 2021 to ₦2.01 trn in FY 2022. Operating profit advanced from ₦584.74bn in FY 2021 to ₦733.29bn in FY 2022, reflecting an increase of 25.40%. Profit before tax grew by 22.28% from ₦436.68bn in FY 2021 to ₦533.97bn in the current period, despite a 33.19% increase in finance costs. Profit after tax rose by 20.16% from ₦298.65bn in FY 2021 to ₦358.87bn in FY 2022. EPS increased by 21.27% to ₦17.79 in FY 2022 from ₦14.67 in FY 2021. MTNN has a BVPS of ₦9.14, P/BV of 26.81x and P/E ratio of 13.71x.</p> <p>MTN is an 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> |
| ACCESSCORP | 9.35 | 7.50 | 10.50 | 1.81 | 13.93 | BUY | <p>Access Holdings Plc is projected to have a FY 2022 revenue of N740.81bn, up by 23.12% from N601.71bn in FY 2021. Profit after tax is estimated to grow from N160.22bn in FY 2021 to N197.26 bn in FY 2022 with an EPS of N5.63.</p> <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 0.32x and P/E ratio of 1.81x.</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 to 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> |

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|-----------|-------|-------|-------|------|-------|------|--|
| ZENITH | 26.60 | 18.90 | 27.10 | 3.59 | 28.14 | BUY | <p>Zenithbank Plc is projected to have a FY 2022 revenue of N832.32bn, up by 19.51% from N696.45bn in FY 2021. Profit after tax is estimated to grow from N160.59bn in FY 2021 to N191.92bn in FY 2022 with an EPS of N6.11.</p> <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 ₦37.81, P/BV of 0.70x and P/E ratio of 3.59x.</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> |
| TRANSCORP | 1.28 | 0.96 | 1.52 | 4.41 | 1.37 | HOLD | <p>Transnational Corporation Plc is projected to have a FY 2022 revenue of N133.08bn, up by 19.66% from N111.21bn in FY 2021. Profit after tax is estimated to grow from N23.83bn in FY 2021 to N28.51bn in FY 2022 with an EPS of N0.70.</p> <p>Transnational Corporation Plc Q3 2022 results showed that revenue grew by 12.45% from ₦85.59bn in Q3 2021 to ₦96.24bn in Q3 2022. Gross profit went up by 18.63% to ₦46.70bn in Q3 2022 from ₦39.36bn in Q3 2021. Operating profit advanced by 14.53% from ₦27.52bn in Q3 2021 to ₦31.52bn in Q3 2022. Profit before tax rose by 47.71% to ₦20.87bn in Q3 2022 from ₦14.12bn in Q3 2021, on the back of a 29.29% increase in Other Income and 14.91% decline in net finance cost. In the same vein, profit after tax grew by 41.38% from ₦13.47bn in Q3 2021 to ₦19.04 bn in Q3 2022. Consequently, earnings per share rose to ₦0.22 in the current period from ₦0.18 in Q3 2021. Transcorp Plc has a BVPS of ₦3.12, P/BV of 0.41x and P/E ratio of 4.41x.</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 37% y-o-y and the hospitality business grew 114% showing continued success. We expect the firm's scalability and sustainability strategy to help the firm achieve excellence in the subsequent results in 2022 as well.</p> |

WEEKLY STOCK RECOMMENDATION

| Symbol | Last Close | 52 Week Low (N) | 52 Week High (N) | P/E Ratio | Exit Price | Recommendation | Comment |
|----------|------------|-----------------|------------------|-----------|------------|----------------|--|
| GTCO | 25.50 | 16.80 | 27.00 | 4.2 | 31.00 | BUY | <p>GTCO Plc is projected to have a FY 2022 revenue of N312.64bn, up by 17.14% from N266.89bn in FY 2021. Profit after tax is estimated to grow from N174.83bn in FY 2021 to N204.81bn in FY 2022 with an EPS of N6.96.</p> <p>GTCO Plc Q3 2022 results showed that interest income advanced by 19.20% from N195.03bn in Q3 2021 to N232.49bn in the current period. Net interest income went up by 16.41% from N162.94bn in Q3 2021 to N189.69bn 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 an 18.27% rise in fees and commission income and a 42.32% rise in 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 0.86x and P/E ratio of 4.2x.</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 2023.</p> |
| FIDSON | 9.53 | 6.82 | 11.49 | 4.77 | 11.92 | BUY | <p>Fidson Plc is projected to have a FY 2022 revenue of N40.69bn, up by 31.86% from N30.86bn in FY 2021. Profit after tax is estimated to grow from N3.72bn in FY 2021 to N4.91bn in FY 2022 with an EPS of N2.34.</p> <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 N5.92, P/BV of 1.61x and P/E ratio of 4.77x.</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> |
| DANGCEM | 272.00 | 220.00 | 300.00 | 14.80 | 304.63 | HOLD | <p>Dangcem Plc is projected to have a FY 2022 revenue of N1.64trn, up by 18.80% from N1.38trn in FY 2021. Profit after tax is estimated to grow from N364.43bn in FY 2021 to N432.94bn in FY 2022 with an EPS of N50.82.</p> <p>Dangcem Q3 2022 results showed that revenue grew by 15.17% from N1.02 trn in Q3 2021 to N1.77trn in Q3 2022. Similarly, gross profit increased by 12.06% to N693.4bn in Q3 2022 from N618.8bn in Q3 2021. Profit from operations declined by 1.65% from N440.5bn in Q3 2021 to N433.3bn in Q3 2022. Profit before tax declined by 17.30% to N335.5bn in Q3 2022 from N405.7bn in Q3 2021. Profit after tax declined by 23.61% from N278.47 in Q3 2021 to N212.74 bn in Q3 2022, despite a 6.30% increase in Administrative Expenses. Consequently, EPS reduced by 23.54% from N16.23 in Q3 2021 to N12.41 in Q3 2022. Dangcem has a BVPS of N98.38, P/BV of 2.76x and a P/E ratio of 14.80x.</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> |
| FIDELITY | 5.05 | 2.83 | 6.03 | 3.14 | 3.90 | SELL | <p>Fidelity Plc is projected to have a FY 2022 revenue of N340.09bn, up by 35.62% from N250.77bn in FY 2021. Profit after tax is estimated to grow from N25.58bn in FY 2021 to N38.62bn in FY 2022 with an EPS of N1.52.</p> <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 N9.76, P/BV of 0.52x and P/E ratio of 3.14x.</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> |

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|----------------|-------|-------|-------|------|-------|-------------|---|
| WAPCO | 26.00 | 20.10 | 33.70 | 6.99 | 33.66 | BUY | <p>Lafarge Africa (WAPCO) Plc is projected to have a FY 2022 revenue of N366.68bn, up by 25.11% from N293.09bn in FY 2021. Profit after tax is estimated to grow from N51.03bn in FY 2021 to N63.81bn in FY 2022 with an EPS of N3.97.</p> <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 1.03x and P/E ratio of 6.99x.</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> |
| STANBIC | 34.50 | 27.50 | 36.50 | 6.31 | 41.06 | HOLD | <p>Stanbic IBTC Holdings Plc is projected to have a FY 2022 revenue of N270.63bn, up by 30.97% from N206.64bn in FY 2021. Profit after tax is estimated to grow from N56.96bn in FY 2021 to N74.60bn in FY 2022 with an EPS of N5.76.</p> <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 N27.81, P/BV of 1.24x and P/E ratio of 6.31x.</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> |

MACRO ECONOMIC INDICATORS

| PARAMETER | CURRENT | PREVIOUS |
|----------------------------|---------|----------|
| GDP (%) | 3.52 | 2.25 |
| NSE ASI (YTD) (%) | 8.35 | 7.22 |
| INFLATION (%) | 21.82 | 21.34 |
| UNEMPLOYMENT (%) | 33.33 | 33.33 |
| MPR (%) | 17.50 | 16.50 |
| FX RESERVES (US \$ BN) | 36.65 | 36.72 |
| BRENT CRUDE (US \$/BARREL) | 85.46 | 82.09 |

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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

| 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 |