

Weekly Stock Recommendation



Monday March 13th, 2023

Market Pulse for the week ended 10th March, 2023.

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The Nigerian Bourse closed positive last week as the ASI appreciated by 0.48% to close at 55,794.51 points. Year to date returns closed at 8.87% at the end of the week. Market activity decreased as aggregate volume came down by 46.44% and value increased by 9.68%. Investors traded a total of 1.023 billion units of shares valued at 20.221 billion in 18,650 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 (measured by volume) led the activity chart with 414.427 million shares valued at N5.646 billion traded in 8,136 deals; thus contributing 40.50% and 27.92% to the total equity turnover volume and value respectively. The Conglomerates Industry followed with 307.868 million shares worth N479.512 million in 1,122 deals. The third place was the Industrial Goods Industry, with a turnover of 104.234 million shares worth N10.354 billion in 1,334 deals. Sector indices finished lower with the exception of NGX Industrial and NGX Insurance which appreciated by 1.71% and 0.70% respectively. 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 10th March, 2023

Symbol	Last Close	52 Week Low (N)	52 Week High (N)	P/E Ratio	Exit Price	Recommendation	Comment
FIDSON	9.84	6.82	11.49	5.44	11.92	BUY	<p>Fidson FY 2022 results showed an increase in revenue by 31.67% from N30.86bn in FY 2021 to N40.63bn in FY 2022. Operating profit advanced from N5.86 bn in FY 2021 to N7.38bn in FY 2022, reflecting an increase of 25.93%. Profit before tax went up by 20.45% from N4.71bn FY 2021 to N5.68bn in the current period. Profit after tax grew by 18.65% from N6.09bn in FY 2021 to N7.22bn in FY 2022. EPS grew by 1.69% to N1.81 in FY 2022 from N1.78 in FY 2021. Fidson has a BVPS of N7.34, P/BV of 1.34x and P/E ratio of 5.44x.</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>
MAYBAKER	4.50	3.35	5.25	4.5	5.63	BUY	<p>May & Baker FY 2022 results showed an increase in revenue by 20.39% from N11.90bn in FY 2021 to N14.32bn in FY 2022. Operating profit advanced from N1.70bn in FY 2021 to N2.26bn in FY 2022, reflecting an increase of 32.86%. Finance cost increased by 23.92% to N330 million in FY 2022 from N266 million and interest income increased by 332.03% from N59million in FY 2021 to N256 million in FY 2022. PBT went up by 48.03% from N1.46bn in FY 2021 to N2.16bn in the current period. PAT grew by 64.90% from N1.04 billion in FY 2021 to N1.73 billion in FY 2022, despite a 4.94% surge in taxes. EPS grew by 63.93% to N1.00 in FY 2022 from N0.61 in FY 2021. May & Baker has a BVPS of N4.74, P/BV ratio of 0.95x and P/E ratio of 4.5x.</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>

NB	40.85	28.8	62.8	25.85	69.54	BUY	<p>Nigerian Breweries Plc FY 2022 results showed an increase in revenue by 25.92% from ₦437.28bn in FY 2021 to ₦550.63bn in FY 2022. Operating profit advanced from ₦39.38bn in FY 2021 to ₦51.75bn in FY 2022, reflecting an increase of 31.49%. Profit before tax dropped by 19.69% from ₦21.59bn in FY 2021 to ₦17.34bn in the current period, as net loss on foreign exchange transactions grew by 274.11%. Finance cost dropped by 23.89%. Profit after tax rose by 24.83% from ₦10.56bn in FY 2021 to ₦13.18bn in FY 2022. EPS increased by 0.64% to ₦1.58 in FY 2022 from ₦1.57 in FY 2021. NB has a BVPS of ₦17.51, P/BV of 2.33x and P/E ratio of 25.85x.</p> <p>Nigerian Breweries Plc is a major player in the Brewery sector with its plants located across the country. The company came out of its loss position from Q1 2021 and has continued to grow its revenues and profits in 2022. The company is well positioned to maintain its leadership in its sector even though there are other companies producing non differentiated products in competition. NB is one of the best performing stocks so far in 2022.</p>
BUAFOODS	95	49.5	95	42.6	150.5	SELL	<p>Buafoods Plc is projected to have a FY 2022 revenue of N345.92mn, up by 3.80% from N333.27mn in FY 2021. Profit after tax is estimated to grow from N69.76mn in FY 2021 to N72.41mn in FY 2022 with an EPS of N5.02.</p> <p>BUA Foods Plc Q3 2022 result showed that revenue advanced by 20.22% from N241.07mn in Q3 2021 to N289.81mn in the current period. Operating profit increased by 15.09% to N79.34bn in Q3 2022 from N68.93bn in Q3 2021. Profit before tax advanced by 16.81% from N63.58bn recorded in Q3 2021 to N74.27bn in the current period. Likewise, profit after tax grew by 17.17% from N58.68bn in Q3 2021 to N68.76bn in Q3 2022. Consequently, earnings per share went up by 17.18% from N4.35 in Q3 2021 to N5.09 in Q3 2022. Bua Foods Plc has a BVPS of N8.97, P/BV of 10.59x and P/E ratio of 42.6x.</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>

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>
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>
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>
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 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.</p>

ZENITHBANK	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	BUY	<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>

MACRO ECONOMIC INDICATORS

PARAMETER	CURRENT	PREVIOUS
GDP (%)	3.52	2.25
NSE ASI (YTD) (%)	8.87	8.35
INFLATION (%)	21.82	21.34
UNEMPLOYMENT (%)	33.33	33.33
MPR (%)	17.50	16.50
FX RESERVES (US \$ BN)	36.44	36.65
BRENT CRUDE (US \$/BARREL)	82.34	85.46

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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