

Eterna Plc – stock recommendation

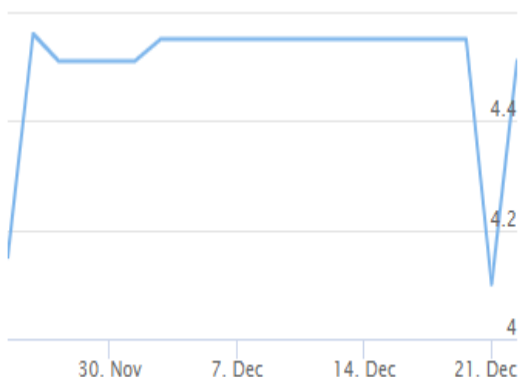
NSE: ETERNA

Industry: Oil & Gas

Company Analysis

Market Statistics

Current Price @ 22/12/2020	4.51
Target Price	7.3
Recommendation	Buy
Year High	5.29
Year Low	1.8
Year to date	25%
Up-side	62%



Stock movement

It is no news the effects the Pandemic has had on lives, businesses, investments, etc. While the oil sector was hit hard with falling oil prices accreditable to the drastic fall in demand of crude oil, the upstream sector particularly took more blows than the downstream sector. Falling crude oil prices does not directly affect the downstream sector as much as it does the Upstream.

However, the decline in economic activities also affected the demand for petrochemical products, hence most downstream firms saw a decline in revenue. Eterna's revenue dipped as result of decline in trading activities (bulk importation and sale of fuels to off-takers (PMS, AGO, DPK), Base Oils, Bitumen, LPFO.)

Financial Highlights (NGN million) ETERNA PLC

	2020F	2019	y/y Growth
Turnover	80,000	229,000	-65.07%
PBT	130	111	17.12%
Shareholders' fund	12,600	12,408	1.55%
Total Assets	30,000	28,533	5.14%

Despite the decline in revenue, Eterna posted a higher PAT of N194mn in Q3 2020 compared to N150mn Q3 2019.

In 2021 the company should benefit from stronger demand spurred by rising economic activity as the economy opens up. Statistics show that a 1 percent rise in economic activity generates an increase of 0.8 to 1.1 percent in the demand for petrochemical products.

Valuation

Most Petroleum stocks are negative this year, with the exception of a few, Eterna Oil Plc included, up by 25%. Investors were somewhat bearish on the sector this year, but are gradually becoming bullish as oil prices rebound and as economy reopens. In view of the company's fundamentals, recent changes in management and position as a growth stock, we rate the stock a **BUY** with a Target Price (TP) of **N7.2**

Threat

A second wave of the pandemic could stall economic activities and reduce the demand for petrochemical products.

About the Company

Eterna Plc engages in the manufacture and marketing of lubricating oils, and petrochemicals, importation, and sale of fuels. It operates through the following segments: Retail and Industrial, Lubricants and Chemicals, and Trading. The Retail and Industrial segment refers to the sale and distribution of petroleum products such as white products and lubricants in retail outlets and small units and to industrial customers. The Lubricants and Chemicals segment is involved in the manufacture and distribution of lubricants and chemicals to marine and energy customers. The Trading segment represents the bulk importation and sale of fuels base oils, bitumen, and low pour fuel oil. The company was founded on January 13, 1989 and is headquartered in Lagos, Nigeria



Contact Information

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