

Stock Recommendation

Tuesday, 4th May 2021

- ✓ United Bank of Africa (UBA) Plc. One of Nigeria tier-1 lenders in its Q1'2021 Earnings Result, the Gross Earnings and the Profit Before Tax (PBT) grew by 7.56% and 24% to ₦155.45 billion and ₦40.58 billion respectively, when compared with ₦144.52 billion and ₦32.73 billion in corresponding Q1' 2020.
- ✓ Furthermore, the interest expenses incurred declined by 21.70% to ₦34.21 billion in Q1' 2021 from ₦43.69 billion in Q1' 2020 as a result of the low-interest yield on Customers' Deposit. On the other hand, the OPEX rose by 9.88% to ₦64.45 billion in Q1'2021 as against ₦58.66 billion in Q1'2020 which is still below the March headline inflation rate of 18.17%.
- ✓ Despite the increase in Operating Cost, the Profit After Tax (PAT) grew by 26.76% to ₦38.16 billion in Q1'2021 from ₦30.10 billion in Q1' 2020. While the Earnings-Per-Share (EPS) settled at ₦1.04 in Q1'2021 from ₦0.83 in Q1'2020.
- ✓ From the satisfactory performance posted by the bank for Q1' 2021. We place a target of ₦9.80 on UBA which represents an upside potential of 36.11% to closing price of ₦7.20 as at Monday's 4th May 2021. Hence, we recommend a BUY on the stock.

United Bank for Africa Plc (UBA)

Sector	Banking
Share Outstanding (Million)	246,235.83
Current Price	₦7.20
Target Price	₦9.80
52-Weeks High	₦9.80
52-Weeks Low	₦5.80
Upside Potential	36.11%

- ✓ Dangote Cement Plc (DANGCEM), a leading player in the Nigerian Cement Industry grew its Revenue and Profit After Tax (PAT) for the Q1'2021 by 33.50% and 48.06% to ₦332.65 billion and ₦89.71 billion respectively.
- ✓ Also, the company other Income (from Sundry Income, Government Grant and Insurance Claim) grew by 248.66% to ₦3.9 billion as against ₦1.12 billion in the corresponding period of 2020.
- ✓ In term of the expenses, the company decline in Selling and Distributions Expenses by 0.73% to ₦41.06 billion. While the Net Finance Income rose to ₦21.64 billion, following the servicing of corporate bonds of ₦300 billion issued in Q1'2021
- ✓ As a result of the growth in PAT, the investors return (Earnings Per Share) grew by 46.94% to ₦5.29 in Q1'2021, compared to ₦3.60.
- ✓ Also, the company is about to renew its share buyback programme established pursuant to the resolution of the Company.
- ✓ From the satisfactory performance posted by the Company in Q1' 2021 and the renewing of the share buyback, we place a target of ₦252 on DANGCEM which represents an upside potential of 16.13% to closing price of ₦217 as at Friday's 4th May 2021. Hence, we recommend a BUY on the stock.

Dangote Cement Plc (DANGCEM)

Sector	Industrial
Share Outstanding (Million)	17,040.51
Current Price	₦217.00
Target Price	₦252.00
52-Weeks High	₦253.4
52-Weeks Low	₦122.00
Upside Potential	16.13%

- ✓ Vitafoam Nig. Plc (VITAFOAM), a major player in the Nigeria foam industry and the only listed foam company in Nigeria.
- ✓ The company with four (4) subsidiaries (Vitapur Nigeria Limited, Vitablom Nigeria Limited, Vitavisco Nigeria Limited and Vitafoam Sierra Leone Limited) engage in the manufacture, marketing and distribution of flexible/rigid foam and fibre products and textile linens in Nigeria and across other West African countries.
- ✓ In its recent Q2'2021 earnings report, the company grew both in Revenue and Profit-After-Tax by 55.79% and 47.00% to ₦18.63 billion and ₦2.49 billion respectively compared to the corresponding period of 2020.
- ✓ As a result of the growth in earnings, Investors earnings (Earnings Per Share) grew by 66.68% to ₦2.17 as against ₦1.30 in Q2'2020. This implies investors may likely earn more than ₦0.70 dividend (declared in FY'2020).
- ✓ From the progressing performance of the Company in Q2'2021 we place a target of ₦12.00 on VITAFOAM which represents an upside potential of 33.33% to closing price of ₦9 as at Monday's 4th May 2021. Hence, we recommend a BUY on the stock.

Vitafoam Nig. Plc (VITAFOAM)	
Sector	Consumer Goods
Share Outstanding (Million)	1,250.84
Current Price	₦217.00
Target Price	₦12.00
52-Weeks High	₦10.05
52-Weeks Low	₦4.79
Upside Potential	33.33%

- ✓ Flour Mills Nigeria Plc is a market leader in the food and agro-allied products Industry in Nigeria.
- ✓ The group has continued to build on works on backward integration in the core value chain; sugar sweeteners, edible oils, feeds & proteins and cassava starches.
- ✓ The group also has a business presence in the Logistics & Support industry, which has helped strengthen its product distribution network across the country.
- ✓ In its recent 9M 2020 financial reports, the group grew its Revenue and PAT by 31.14% and 91.25% respectively compared to the corresponding period of 2019. This also led to a 109.24% improvement in its EPS to 385k as against 184k in the corresponding period of 2019.
- ✓ The book value of the group's share price is ₦40.40, which is 30% higher than its current market price.
- ✓ Hence, we place a target of ₦38.00 on FLOURMILL which represents an upside potential of 22.58% to closing price of ₦31 as at Monday's 4th May 2021. Hence, we recommend a BUY on the stock

Flourmills Nig. Plc (FLOURMILL)	
Sector	Consumer Goods
Share Outstanding (Million)	17,040.51
Current Price	₦31.00
Target Price	₦38.00
52-Weeks High	₦35.00
52-Weeks Low	₦17.00
Upside Potential	22.58%