

MERISTEM

Earnings Guidance

For the Period Ended- 31 March 2021

	Fundamentals				Earnings Growth	Remarks
	Revenue [NGN'bn]		Earnings [NGN'bn]			
	Q1 2020	Q1 2021	Q1 2020	Q1 2021		
Financial Services						
Banks						
ACCESS	209.79	234.97	40.93	46.99	14.8%	Improvement in yield and possible repricing of assets are expected to support earnings. We however expect price to be sticky.
ETI	194.86	224.52	24.69	28.31	14.7%	We expect improving operating efficiency across the group and improved business activities to drive growth. We expect a modest rally on the price of the ticker.
FCMB	49.20	52.65	4.72	4.87	3.2%	Digitization of SME lending and attraction of cheaper funds should elevate earnings. We expect a rally on the price of the ticker.
FIDELITYBK	51.16	52.36	5.86	6.36	8.5%	Repricing of customer loans is expected to bode well for topline while cost saving efforts would increase profitability. Price is expected to be sticky in the near term.
FBNH	159.68	162.08	25.70	26.74	4.0%	Increased penetration into low-cost retail segment for cheaper funds and improving investment yield should support earnings growth. We expect modest increase in price.
GUARANTY	112.87	115.16	50.07	51.42	2.7%	Higher transaction volumes to drive growth courtesy of cost efficiency and strong risk management framework. We envisage an increase in the price.
JAIZ	4.18	4.43	0.55	0.69	25.5%	Islamic banking model and increased loans to SMEs expected to drive bottomline. We expect price to stay muted.
STANBIC	61.42	65.37	20.60	22.91	11.2%	Non-interest income supported by diversified business model to continue supporting the bank's earnings. We expect a positive rally on the ticker.
STERLINGBANK	32.92	35.99	2.07	2.17	4.8%	Strengthening digital platforms and low-cost customer deposits expected to drive growth. We expect a marginal increase in price.
UBA	147.25	162.01	30.10	33.92	12.7%	Higher investment yield and non-recurrence of one-off costs are expected to support earnings growth. We anticipate positive rally on the ticker.
UBN	42.74	43.23	6.05	6.66	10.1%	Improvement in cost of funds through sustained growth in digital channels to boost earnings. Also, we do not expect loss from discontinued operations to recur. We expect price to be sticky in the near term.
WEMABANK	20.78	22.85	0.98	1.05	7.1%	We expect moderation in OPEX growth and improvement in deposit mix to support cost of funds. Price is expected to witness a modest increase.
ZENITHBANK	160.97	165.60	50.53	53.93	6.7%	We expect the bank's retail drive alongside sustained growth in interest earnings assets to support growth. We expect price to trend upward.
Insurance						
AICO	17.55	20.01	1.88	2.24	19.1%	In line with previous trend, the steady growth from the life business should boost earnings, supported by investment income. We expect the positive sentiment on the ticker to remain.
LAKAD	4.00	4.45	0.27	0.31	14.8%	Growth in the life and non-life segments of the business is expected to rise steadily and support overall premium income. However, we expect price to remain flat.
MANSARD	21.04	24.81	1.96	2.88	46.9%	Expansion in the Health Management Business continues to strengthen growth in topline. Also, the recent increase in the capital base, positions the firm to underwrite more business.
NEM	7.92	8.79	1.06	1.36	28.3%	The enhanced marketing strategy of the company and the opening of the economy after the COVID-19, is expected to drive growth of the firm. We envisage positive sentiment on the stock.
WPIC	4.12	4.27	0.36	0.38	5.6%	WPIC has experience unstable growth pattern in topline over the past 5 years. However, while effect of the pandemic still lingers, we expect profits from its associate companies to continue to support the firm's profitability.
CUSTODIAN	17.87	20.91	1.86	2.01	8.1%	We base our expectation on the continued growth of the core business income of the company, driven majorly by its growing oil & gas and annuity businesses. We also expect the price of the ticker to move up.
Other Financial Services						
UCAP	1.92	2.40	0.99	1.35	36.4%	We foresee growth in bottomline, premised on the the expected growth in Asset Under Management. We expect the impact to be muted on the stock price.
AFRIPRUD	0.74	0.81	0.34	0.38	11.8%	We project an improvement in bottomline on the back of growth in the digital consultancy business. We also envisage a marginal uptake in stock price
Consumer Staples & Discretionary						
Breweries						
GUINNESS 9M:2021*	10.21	95.78	-0.90	1.37	252.2%	Cost pressures would significantly weigh on earnings as the brewer rounds up its 2021FY. Thus, we expect investors sentiment on the stock to be broadly negative.
INTREWE	35.35	38.09	-5.64	-3.58	36.5%	Lower debt burden to support earnings, as we expect limited appetite for fresh debt over 2021FY. Although we project improvement in earnings, we expect the brewer to remain in a loss position, fueling negative sentiments on the stock.
NB	83.20	88.28	5.51	5.61	1.8%	Revenue expansion to be supported by return of on-trade sales and our expectation of better alcohol demand over 2021. We expect positive sentiment on the ticker.
Packaged Foods & Meats						
DANGSUGAR	47.64	51.84	6.37	7.13	11.8%	Increased demand on account of economy recovery and consumer spending on essentials should drive earnings growth. We expect an uptick in the price of the ticker.
HONYFLOUR 2021FY*	80.45	104.79	0.65	0.45	-30.8%	We expect pressures from costs to outweigh the revenue growth projected. We foresee negative sentiment on the counter upon the release of the result.
FLOURMILL 2021FY*	573.77	720.67	11.38	19.23	69.0%	Ongoing investment in routes to market and distribution channels should improve sales volume significantly. We expect positive sentiment to trail the result.
NASCON	6.88	6.95	0.63	0.66	4.8%	Q1 Revenue growth has thinned out since Q1-2018. We expect slight improvement anchored mainly on the salt division. We anticipate muted movement in the stock price
NESTLE	70.33	74.54	11.20	11.30	0.9%	Economic rebound, better export sales, brand appeal and the essential nature of the company's products to support sales. We expect positive sentiments on the ticker.
UACN	19.55	21.64	1.15	1.73	50.4%	We expect Management's restructuring activities to boost earnings, even as economic activities pick up. Positive sentiments on the counter in the mid term.
CADBURY	8.55	9.42	0.64	0.59	-7.8%	Cost pressure remains a clog to profitability. Volatility on stock price is expected, with overriding bearish sentiments.
Agricultural Sector						
OKOMUOL	6.99	7.79	2.03	2.34	15.2%	Capacity expansion together with higher CPO prices is expected to drive earnings growth. We expect sentiment on the stock to remain positive.
PRESCO	5.38	5.99	1.80	1.92	6.5%	Prices remain relatively high from global production shortfall. This should sustain growth. We expect the price of the ticker to remain relatively stable.
LIVESTOCK	2.47	2.56	0.40	0.42	2.9%	We expect modest earnings growth, coming off the back of higher product prices.
Healthcare						
FIDSON	3.75	4.50	0.15	0.26	73.3%	Higher topline is expected driven by increased sales volume. Cost efficiency and cheaper debt should also improve earnings. We expect to see mild uptick in price.
GLAXOSMITH	4.99	5.01	0.11	0.14	27.3%	We anticipate modest growth in revenue and earnings off the back of the firm's pricing strategy. We do not envisage significant reaction on the counter upon the release of the result.
MAYBAKER	1.83	1.92	0.04	0.05	25.0%	Bottom-line growth is expected to be hinged on product cost efficiency coupled with increased demand for the firm's pharmaceutical products. Bargain hunting on the counter is expected
NEIMETH H1:2021*	1.17	1.04	0.06	-0.17	-383.3%	Loss recorded in Q1 is expected to offset our Q2 Profit forecast. We expect investors' sentiment on the counter to be largely negative.
Household & Personal Products						
UNILEVER	13.33	17.71	1.11	0.83	-25.2%	Divestment from tea business and increasing reliance on competitive HPC segment would strain revenues and earnings. We foresee bearish sentiments on stock price in the near term.
PZ 2021FY*	66.99	77.13	-7.24	0.76	110.5%	While we see scope for topline growth, foreign exchange losses would limit the passthrough to earnings. In the near term, prices are expected to remain sticky.
Materials						
Construction Materials						
BUACEMENT	53.97	62.02	19.79	23.67	19.6%	Margins to be supported by the tax incentives the company enjoys. At its current price, we do not see an upside potential on the counter
DANGCEM	249.18	299.10	60.59	77.01	27.1%	The company is poised to enjoy extra sales volumes from exports in the quarter following the recently reopened land borders and the AfCFTA agreement. However, we see only little upside potential on the counter
WAPCO	63.70	65.83	8.07	8.56	6.1%	The company's efforts to capture larger market share through an efficient route-to-market strategy should support growth. Given its current price, we do not expect significant upward movement on the counter
Specialty Chemicals						
CAP	2.31	2.57	0.46	0.52	13.0%	The Merger with PORTPAINT should ultimately improve the company's profitability. However, the dilution of shares outstanding will impact earnings. Activities on the counter is expected to be muted
BERGER	1.08	1.11	0.07	0.08	14.3%	The gradual improvement in macroeconomic conditions bodes well for the company's growth. We expect some positive sentiments on the counter following its earnings release
Energy						
CONOIL	38.14	41.64	0.26	0.32	24.0%	Despite earnings growth, investors' interest in stock continues to diminish following constant failure to meet regulatory deadlines. We expect ticker to remain flat.
ETERNA	17.55	17.47	-0.36	-0.13	64.0%	Though ETERNA continues to enjoy lower cost margins due to reduced bulk trading activities, we still expect price movement to remain neutral.
ARDOVA	62.05	56.52	0.50	0.57	14.0%	ARDOVA continues to acquire assets to improve operations. At current price levels, we anticipate the stock may trigger buying activities from value investors.
MRS	17.87	18.24	-1.06	-1.03	2.6%	Although we expect an uptick in bottom line growth, we still see earnings in negative territory. This will continue to dampen interest on the stock.
SEPLAT	42.41	58.66	-34.63	9.64	127.9%	As oil demand improves, we expect the rally in crude oil prices to incite positive sentiment on the ticker.
TOTAL	70.24	71.80	-0.16	1.14	799.6%	The low base from previous period would drive up earnings growth. However, we still expect prices to hover at current levels.
Telecommunication						
MTNN	329.17	338.10	51.15	52.26	2.2%	We expect marginal growth in both top and bottomline, reflecting the effect of the SIM registration ban, which lingered through the quarter. We expect the effect on stock price to remain muted
AIRTELAFRI 2021FY*	1,404.73	1,602.18	167.48	142.03	-15.2%	We envisage a topline growth, building on prior quarter's performance, while we expect a decline in bottomline due to one-off cost pressures. Also, we expect stock price to remain within current range

Footnotes

*AIRTELAFRI figures were converted using the I&E FX rate of NGN410.50/USD as at 14th April 2020

GUINNESS financial year end is JUNE

HONYFLOUR financial year end is MARCH

FLOURMILL financial year end is MARCH

NEIMETH financial year end is SEPTEMBER

AIRTELAFRI financial year end is MARCH

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