

Revenue Growth Hits Record-High

Pharmaceutical Division Saves the Quarter

MAYBAKER had an impressive Q1:2021 show-out as it recorded the highest Q1 revenue growth in eight (8) years. **Topline expanded by 47.76% to NGN2.70bn mainly anchored by the sustained growth in its pharmaceutical division.** Revenue from this division expanded by 49.57% as the increased demand for drugs and other pharmaceutical products continue to drive top-line. The firm's beverage division, however, contracted under the weight of the pandemic. Revenue from the division reduced significantly by 93.41% to NGN1.52mn from NGN23.15mn in Q1:2020. We are optimistic about the pharmaceutical business revenue in 2021FY on the back of the improved health consciousness of the populace. Despite the competitive nature of the pharmaceutical market, the essential nature of the products coupled with the competitive business strategies employed by the players should sustain the revenue growth momentum in the near to mid-term. **We have revised our 2021FY revenue forecast higher to NGN11.21bn (implying a 19.40% increase in revenue).**

Cost-to-Sales Ratio Drops to 57.53%

Production cost expanded by 11.81% to NGN1.56bn (vs. NGN1.39bn in Q1:2020). Cost-to-sales ratio, however, dropped significantly to 57.53% (from 76.02% in Q1: 2020) due to the outstanding topline performance. Gross profit, thereafter, improved by 161.76% to NGN1.15bn, implying a higher gross margin of 42.47% (from 23.98% in Q1:2020). Operating costs also increased by a weighty 82.60%, as distribution costs spiked by 57.05% to NGN446.54mn, following the increase in sales volume during the period. Operating profit stayed resilient despite the increase in costs (up by 82.60% to NGN657.78mn). Operating margin, therefore, pushed higher to 15.50% (vs. 3.93% in Q1:2020).

The company obtained a NGN3.50bn intervention loan to finance capital projects in 2020 which expanded its debt profile (up to NGN4.47bn from NGN1.71bn in Q1:2020) leading to an increase in finance cost. On this note, interest coverage ratio dipped to 8.85x from 9.41x in Q1:2020. Despite the overall increase in costs, PAT increased significantly by 478.00% YoY to NGN247.37mn from NGN42.80mn in Q1:2020- a significant first-time milestone for the company.

Net Margin upholds Shareholder's Returns

Shareholders' return also improved during the period evinced by the uptick in annualized ROE to 17.03% from 14.90% in 2020FY. This comes on the heel of a significant rise in Q1:2021 net margin to 9.15% which helped shore up the deficiencies in asset turnover and financial leverage. Both metrics declined to 0.18x and 2.13x (from 0.25x and 2.14x respectively).

Recommendation

We have revised upwards our 2021FY Expected EPS to NGN0.63 and Target P.E to 7.7x to arrive at our December 2021 of NGN4.85. This yields an implied 5.46% upside potential based on the closing price on May 14th, 2021. Hence, we rate the ticker a **HOLD**.

Company	MAYBAKER
Valuation	
Trailing EPS	0.68
BVPS	4.05
P/E	6.79x
P/BV	1.1x
Target PE	7.7x
Dec-2021 Exp. EPS	0.63
Dec 2020 Target price	4.85
Current Price	4.60
Up/Downside Potential	+5.46%
Ratings	HOLD
Key metrics	
Trailing ROE	17.03%
ROA	7.97%
Net margin	9.15%
Asset Turnover	0.18
Leverage	2.14x
Share/Share Price Statistics	
Yr Hi	NGN5.02
Yr Lo	NGN3.21
YTD return	19.66%
Beta	0.54
Adjusted Beta	0.69
Shares outstanding	1.73bn
Market cap [NGN]	NGN7.94bn
Financial year end	December
Most Recent Period (MRP)	Q1: 2021

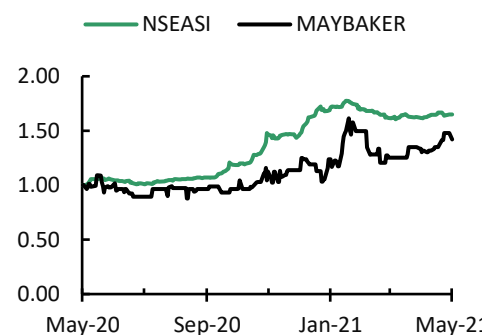


Chart 1: Sensitivity Analysis

Sensitivity Analysis of Dec-2021 Target Price to key model inputs						Min	4.20	
						Max	5.57	
		EPS						
		0.58	0.61	0.63	0.65	0.68		
Target PE	7.2x	4.20	4.36	4.54	4.71	4.89		
	7.5x	4.34	4.52	4.69	4.87	5.06		
	7.7x	4.49	4.67	4.85	5.04	5.23		
	8.0x	4.64	4.82	5.01	5.20	5.40		
	8.2x	4.78	4.97	5.17	5.36	5.57		

Financial Highlights (NGN billion) MAY AND BAKER NIGERIA PLC 2020FY

Profit & Loss Account	Q1: 2021	Q1: 2020	y/y Growth
Revenue	2.70	1.83	47.76%
Cost of sales	1.56	1.39	11.81%
Gross profit	1.15	0.44	161.76%
Other income	0.07	0.01	1011.21%
Operating expense	0.66	0.36	82.60%
Finance cost	0.05	0.01	519.33%
PBT	0.36	0.06	478.00%
PAT	0.25	0.04	478.00%
Balance Sheet	Q1: 2021	2020FY	
Property, plant and equipment	3.89	3.94	-5.44%
Inventories	1.98	2.44	53.33%
Trade and other receivables	1.43	1.37	-15.91%
Cash and cash equivalents	4.63	3.97	648.51%
Other Assets	3.05	2.64	65.24%
Total Assets	14.98	14.35	51.18%
Shareholders fund	6.99	6.74	8.59%
Trade and other Payables	1.45	1.34	-4.85%
Tax liabilities	0.59	0.48	239.31%
Other liabilities	7.99	7.15	117.67%

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Movements in Price Target

Company Name: May and Baker Nigeria Plc.

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
07-Apr-21	4.20	4.79	4.09	BUY	HOLD
14-May-21	4.60	4.09	4.85	HOLD	HOLD

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May and Baker Nigeria Plc.	

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