

TOTAL Reinforces its Market Leadership

TOTAL Records an all-time high in Revenue

TOTAL reported an impressive topline performance in 2021FY, as revenue increased by 66.65%YoY to NGN341.17bn (vs NGN204.72bn in 2020FY), making it the highest turnover recorded in over a decade. This was owing to an improvement in petroleum products sales (liquid fuel) which grew by 62.39%YoY to NGN255.04bn. Similarly, lubricants sales inclusive of other products marketed by the company recorded topline growth of 80.69%YoY to NGN86.13bn (vs NGN47.67bn in 2020FY). Overall, we attribute revenue growth to higher volume sold during the year, supported by an uptick in prices resulting from the rising crude oil prices. In addition to these factors, TOTAL continues to lead the pact in market share, benefitting from its wide retail footprint and parent company advantage. The company has also strengthened its corporate ties, a strategic attempt to steer revenue dependency away from retail sales. Based on 2021FY result, the segment posted an increase in sales by 157.03%YoY, now accounting for c.37% to aggregate sales, thus, pushing retail contribution down to 53% from 70%. **For 2022FY, the fuel scarcity experienced in the first quarter tunes down our revenue expectation for the year. However, we believe the rise in product prices of lubricant and other deregulated fuel such as Diesel, Jet fuel, and Kerosene would moderate the impact of lower sales volume projected for the year. Hence, we project revenue to decline marginally by 5%YoY to NGN324.25bn for 2022FY.**

Improvement in Net Profit Boosts Margins

TOTAL's increasing investment in capital projects such as automating its lube blending plant has improved economies of scale, thus giving rise to production and operating efficiency. This was reflected in both cost-to-sales and OPEX-to-sales ratio reducing to 83.89% and 9.81% respectively from 84.98% and 13.69% recorded last year. Consequently, this propped up TOTAL's EBIT margin to 7.55%, higher than its 5-year (2015 to 2020) average of 3.79%. **Previously known to having the highest debt cost amongst peers (over NGN7bn), we commend TOTAL's commitment to keeping finance cost lower than NGN2bn despite rising debt profile. The company's loan refinancing done in 2020 resulted to a lower effective interest rate of 8.60% from 19.44% obtained in 2019FY.** While rate increased to 10.90% in 2021FY, this remains within comfortable band. Company's net profit thus advanced to an all-time high of NGN16.86bn, up 717.21%YoY in 2021FY. Net margins also moved upward to 4.94%, the highest recorded since 2016. **For 2022FY, our expectation for sales would weigh in on profit expectation. Therefore, we project earnings to decline by 2.93%YoY to NGN16.37bn, though still presenting a higher net margin of 5.05%.**

Increased Retained Earnings despite Massive dividend declared

Given the better earnings performance, TOTAL's retained earnings grew more than 50% in 2021FY to NGN41.45bn. Similarly, dividend declared increased to NGN18.20k/share from NGN6.08k/share issued in 2020FY. While this constitutes a payout ratio of 36.65%, the lowest compared to a historical average of 67.01%, this reflects the substantial impact of earnings growth recorded in the year. **Interestingly, our expectation for earnings suggests retained earnings would stay elevated as we expect TOTAL to keep payout rate not more than 40%. Therefore, this implies more funds would be available for future capital expansion.**

Recommendation

Based on the projected earnings for 2022FY, EPS is estimated at NGN48.21 and target P/E of 5.60x. This implies a target price of NGN270.00 thus presenting an upside of 13.21% as at 6th April 2022. Hence, we recommend a **BUY**.

Company	TOTAL
Valuation	
EPS	NGN49.66
BVPS	NGN122.58
P/E	4.80x
P/BV	1.95x
Target PE	5.60x
Dec-2022 Exp. EPS	48.21
Dec 2022 Target price	270.00
Current Price	238.50
Up/Downside Potential	13.21%
Ratings	BUY
Key metrics	
ROE	48.34%
ROA	9.57%
Net margin	5.05%
Asset Turnover	1.64x
Leverage	0.38x
Yr Hi	264.90
Yr Lo	221.90
YTD return	7.48%
Beta	0.23
Adjusted Beta	0.49
Dividend proposed	NGN18.20
Shares outstanding	0.34bn
Market cap [NGN]	89.94bn
Financial year end	December
Most Recent Period (MRP)	2021FY

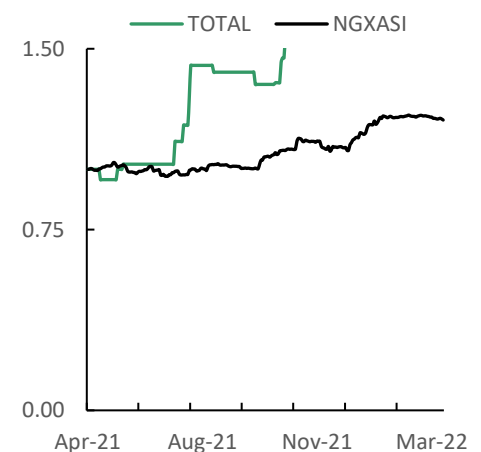


Chart 1: Sensitivity Analysis

Sensitivity Analysis of Dec-2022 Target Price to key model inputs						Min	264.63	
						Max	275.39	
		EPS						
		48.11	48.16	48.21	48.26	48.31		
Target PE	5.50x	264.63	264.90	265.18	265.45	265.73		
	5.55x	267.03	267.31	267.59	267.87	268.14		
	5.60x	269.44	269.72	270.00	270.28	270.56		
	5.65x	271.84	272.13	272.41	272.69	272.97		
	5.70x	274.25	274.54	274.82	275.11	275.39		

Financial Highlights and Forecasts (NGN billion)

Profit & Loss Account	2020A	2021A	2022F	2023F	2024F	2025F	2026F
Revenue	204.72	341.32	324.25	330.74	337.35	344.10	350.98
Cost of sales	173.97	286.32	269.13	277.82	283.37	289.04	294.82
Gross profit	30.75	55.00	55.12	52.92	53.98	55.06	56.16
Operating expense	28.25	33.70	33.87	36.83	38.20	39.60	41.12
Net FX gain/ (loss)	1.04	4.48	1.93	2.03	2.13	2.24	2.35
Operating profit	3.54	25.77	23.18	18.11	17.91	17.69	17.39
Finance cost	2.89	1.77	1.27	1.42	1.09	0.77	0.45
PBT	2.91	24.84	22.48	17.28	17.41	17.53	17.55
PBT	2.06	16.86	16.37	12.51	12.83	13.49	13.06
Balance Sheet	2020A	2021A	2022F	2023F	2024F	2025F	2026F
Property, Plant and Equipment	36.21	38.73	35.78	32.64	27.71	22.72	17.72
Total Debt	33.13	15.68	25.07	20.57	16.09	11.64	7.19
Total Assets	143.61	208.73	153.63	153.61	157.26	161.76	165.81
Total Equity	28.15	41.62	52.70	59.15	65.92	73.35	80.35
Total Current Liabilities	109.82	159.44	95.18	88.90	85.72	82.72	79.64
Non-Current Liabilities	5.64	7.67	5.76	5.56	5.62	5.69	5.82
Total Liabilities	115.46	167.11	100.93	94.46	91.34	88.42	85.46
Financial Ratios							
Gross Margin	15.02%	16.11%	17.00%	16.00%	16.00%	16.00%	16.00%
Operating Margin	1.73%	7.55%	7.15%	5.48%	5.31%	5.14%	4.95%
Net Margin	1.01%	4.94%	5.05%	3.78%	3.80%	3.92%	3.72%
Return on Asset	1.68%	9.57%	9.03%	8.14%	8.25%	8.46%	7.97%
Return on Equity	7.97%	48.34%	34.71%	22.37%	20.51%	19.37%	16.99%
Return on Invested Capital	3.37%	29.43%	21.05%	15.69%	15.64%	15.87%	14.92%
Asset Turnover	1.43x	1.64x	2.11x	2.15x	2.15x	2.13x	2.12x
Financial Leverage	1.18x	0.38x	0.48x	0.35x	0.24x	0.16x	0.09x
Current Ratio	0.88x	1.00x	1.13x	1.26x	1.42x	1.60x	1.78x
Quick Ratio	0.66x	0.80x	0.80x	0.93x	1.08x	1.23x	1.39x

(Q1- First-Quarter); (H1- First-Half); (H2- Second Half) (FY- Full Year) (F- Forecast)

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Asset allocation: The recommended weighting for equities, cash and fixed income instrument is based on a number of metrics and does not relate to a particular size change in one variable.

Movements in Price Target

Company Name: TotalEnergies Marketing Nigeria Plc

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
6-April-22	238.50	-	270.00	-	BUY

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Company	Disclosure
TotalEnergies Marketing Nigeria Plc	

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