

### Profitability Hampered by Rising Cost

**Summary:** LIVESTOCK's topline grew by 8.32% YoY to NGN3.64bn in Q1:2022 from NGN3.36bn in Q1:2021. The double-digit growth recorded from the Southwestern market (+26.91% YoY) was largely responsible for the positive topline growth as revenue from the Eastern and Northern markets came in lower by **16.12% YoY** and **14.43% YoY**, respectively.

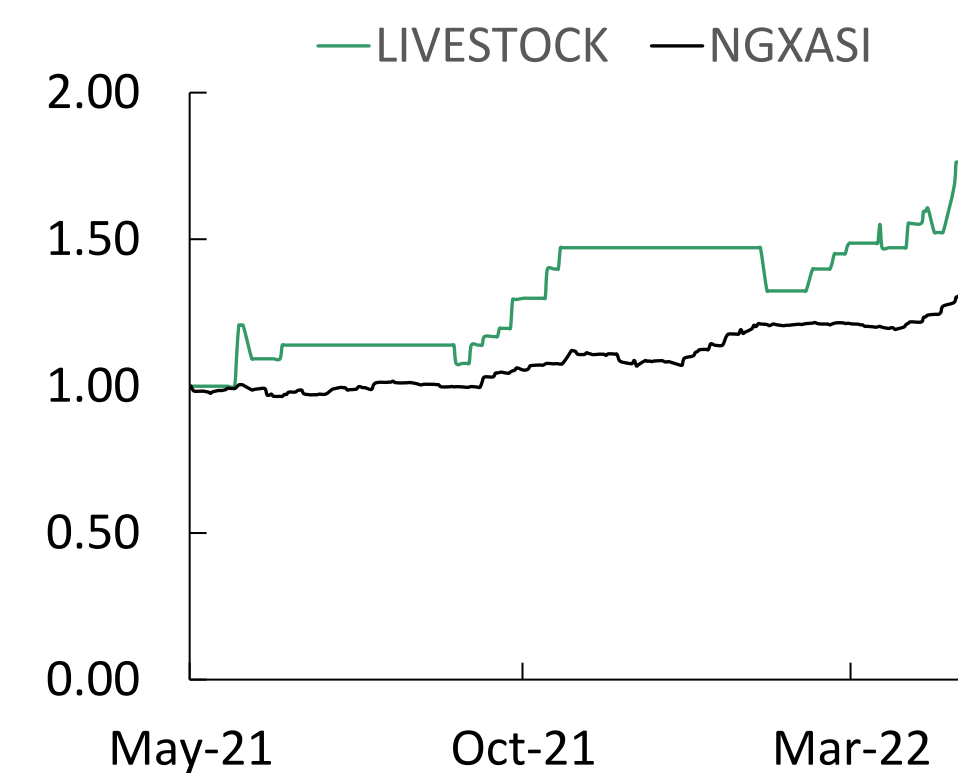
The company's production cost rose by 9.72%, driving cost to sales higher to 88.96% in Q1:2022 from 87.83% in Q1:2021. Although OPEX declined by 8.09% YoY, the significant increase in finance cost (+310.23%) drove both the profit before tax and profit after tax lower by 85.98% YoY and 89.98% YoY (to NGN26.65mn and NGN18.12mn in Q1:2022 from NGN190.03mn and NGN176.54mn in Q1:2021).

**Positives:** Cash ratio rose to 0.06x in Q1:2022 from 0.04x at the end of last year, owing to its most recent loan inflow.

**Negative:** The current and quick ratio declined to 1.17x and 0.13x in Q1:2022 from 1.21x and 0.17x in 2021FY, respectively, signifying reduced cover for its short-term liabilities.

Valuation	
Trailing EPS	9.04
BVPS	0.75
P/E	0.18
P/BV	1.15
Target PE	11.64x
Dec-2022 Exp. EPS	0.13
Dec 2022 Target price	<b>NGN1.56</b>
Current Price	NGN1.62

Stock Highlights	
Yr Hi	2.15
Yr Lo	1.42
YTD return	-25.12%
Beta	2.77
Adjusted Beta	2.17
Shares outstanding	3.00bn
Market cap [NGN]	<b>4.83bn</b>
Financial year end	December



Sensitivity Analysis of Dec-2022 Target Price to key model inputs						Min	0.39			
						Max	2.74			
						EPS				
						0.03	0.08	0.13	0.18	0.23
Target PE	11.54x	0.39	0.97	1.54	2.12	2.70				
	11.59x	0.39	0.97	1.55	2.13	2.71				
	11.64x	0.39	0.97	<b>1.56</b>	2.14	2.72				
	11.69x	0.39	0.98	1.56	2.15	2.73				
	11.74x	0.40	0.98	1.57	2.16	2.74				

**Recommendation: HOLD TP: 1.56 CP: 1.62 UPP: -3.70%**

#### Financial Highlight (NGN'000)

Profit and Loss Account	Q1:2022	Q1:2021	Y/Y Growth
Revenue	3,635,008	3,355,688	+8.32%
Cost of sales	3,233,734	2,947,166	+9.72%
OPEX	154,356	167,937	-8.09%
Operating Profit	255,725	240,585	+6.29%
Finance Cost	229,225	55,877	+310.23%
PBT	26,649	190,026	-85.98%
PAT	18,121	176,539	-89.74%

Balance Sheet	Q1:2022	2021A	Y/Y Growth
Property, Plant and Equipment	772,317	776,428	-0.53%
Total Asset	12,682,795	10,827,735	+17.13%
Total Equity	2,520,597	2,502,475	+0.72%
Total Debt	9,150,770	7,452,074	+22.79%
Total Liabilities	10,162,198	8,325,260	+22.06%

#### Key Metrics

Profitability Ratio	2022T	2021A	3-yr Hist. Avg
ROA	2.31%	4.97%	5.74%
ROE	10.80%	18.78%	17.81%
Net Margin	0.50%	2.94%	2.83

Efficiency Ratio	Q1:2022T	2021A	3-yr Hist. Avg
Asset Turnover	1.27	1.69	2.11
Cash Conversion Cycle	349	359	352

Liquidity Ratio	Q1:2022	2021A	3-yr Hist. Avg
Current Ratio	1.17	1.21	1.26
Quick Ratio	0.13	0.17	0.14
Cash Ratio	0.06	0.04	0.03

Solvency Ratio	Q1:2022	2021A	3-yr Hist. Avg
Interest Coverage	1.12	2.84	2.96
Debt to Equity	3.63	2.98	1.52
Debt to Asset	0.72	0.69	0.41

\*TP=Target Price, CP= Current Price, UPP=Upside Potential, EPS= Earnings Per Share, BVPS= Book Value Per Share, P/E=Price to Earnings, P/BV= Price to Book Value, T= Trailing, A= Actuals

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## Movements in Price Target

### Company Name: Livestock Feeds Plc

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
18-May -2022	1.62	1.56	1.56	HOLD	HOLD

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Livestock Feeds Plc	

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