

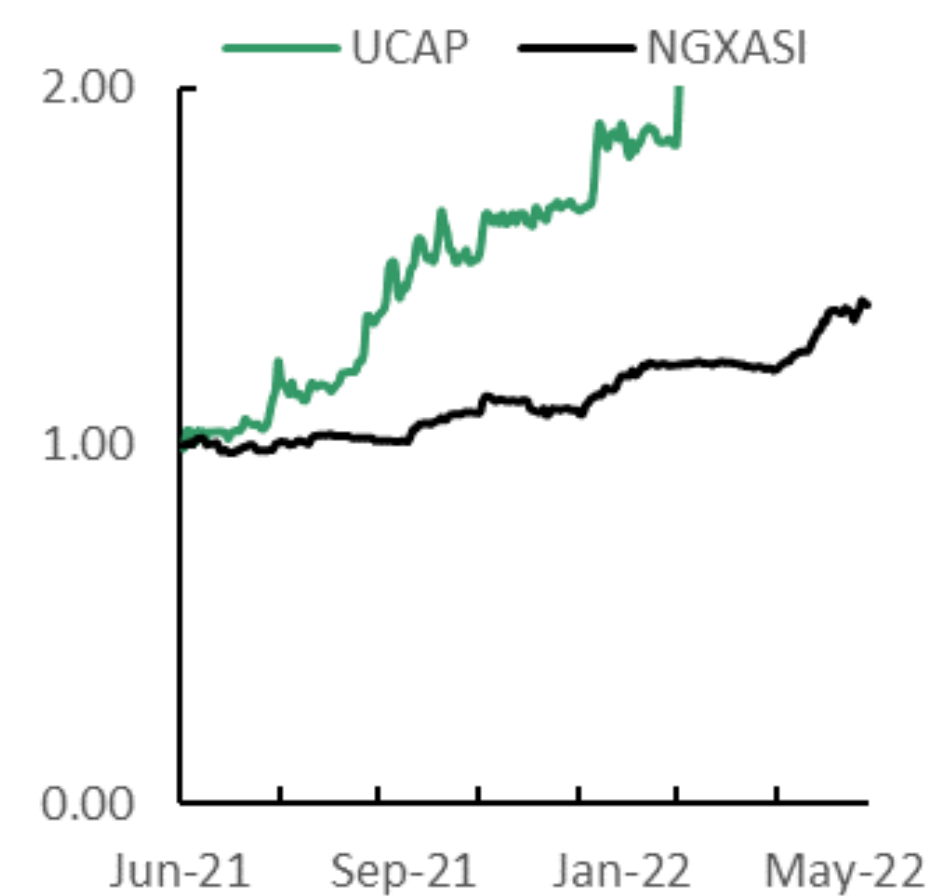
### Double-Digit Topline Growth Bolsters Earnings

**Summary:** United Capital Plc kicked off the year with a laudable performance, as the firm's gross earnings grew by 35.02%YoY (to NGN4.21bn). The growth in gross earnings was caused majorly by the increase in net operating income (+14.40% YoY to NGN3.55bn). The expansion in net operating income was driven by the increase in its major revenue sources: fees and commission income, and investment income, which grew by 32.20% YoY and 3.09% YoY respectively. Furthermore, other income surged by 2647.76% YoY due to exchange gains recorded during the period. The firm's operating expenses grew by 43.58% YoY (to NGN1.64bn), majorly impacted by general admin expenses (+118.71% YoY), professional fees (+340.40% YoY) and personnel expenses (+29.79% YoY). Consequently, cost to income ratio increased to 39.03% (vs 36.71% in Q1:2021). Thus, Profit Before Tax (PBT) and Profit After Tax (PAT) increased by 36.13% YoY and 39.19% YoY to NGN2.69bn and NGN2.31bn, respectively. Net margin also inched higher to 54.81% (vs. 53.16% in Q1:2021)

**Positives:** Earnings grew by 39.19% YoY.

**Negative:** Cost to income ratio increased to 46.35% (from 36.93% in Q1:2021).

Valuation		Stock Highlights	
Trailing EPS	1.98	Yr Hi	14.15
BVPS	3.97	Yr Lo	9.95
P/E	6.62	YTD return	29.29%
P/BV	3.30	Beta	0.98
Target PE	6.50x	Adjusted Beta	1.00
Dec-2022 Exp. EPS	2.33	Shares outstanding	6.00bn
Dec 2022 Target price	<b>NGN15.15</b>	Market cap [NGN]	<b>78.90bn</b>
Current Price	NGN13.10	Financial year end	December



Sensitivity Analysis of March-2022 Target Price to key model inputs						Min	14.27			
						Max	16.04			
						EPS				
						2.23	2.28	2.33	2.38	2.43
Target PE	6.40x	14.27	14.59	14.91	15.23	15.55				
	6.45x	14.38	14.71	15.03	15.35	15.67				
	6.50x	14.50	14.82	<b>15.15</b>	15.47	15.80				
	6.55x	14.61	14.93	15.26	15.59	15.92				
	6.60x	14.72	15.05	15.38	15.71	16.04				

**Recommendation: BUY TP: 15.15 CP: 13.10 UPP: 15.65%**

#### Financial Highlight (NGN'000)

Profit and Loss Account	Q1:2022	Q1:2021	Y/Y Growth
Gross Earnings	4,212,263	3,119,767	+35.02%
Net Operating Income	3,547,401	3,100,935	+14.40%
OPEX	1,644,206	1,145,181	+43.58%
Operating Profit	2,568,058	1,974,586	+30.06%
PBT	2,687,944	1,974,586	+36.13%
PAT	2,308,740	1,658,636	+39.20%

Balance Sheet	Q1:2022	2021A	% Change
Cash and Cash equivalents	113,295,733	53,661,848	+111.13%
Total Asset	463,931,074	453,597,954	2.28%
Total Equity	23,849,201	30,546,793	-21.93%
Total Liabilities	440,081,873	423,051,161	4.03%

#### Key Metrics`

Profitability Ratio	2022T	2021A	3-yr Hist. Avg
EPS	1.98	1.88	1.34
ROA	3.25%	3.33%	3.61%
ROE	52.31%	40.96%	34.85%
Asset Turnover	0.05	0.05	0.06
Net Margin	54.81%	53.16%	60.29%

Efficiency Ratio	Q1:2022	2021A	3-yr Hist. Avg
Cost to Income Ratio	39.03%	36.58%	40.71%

Solvency Ratio	Q1:2022	2021A	3-yr Hist. Avg
Financial Leverage	19.45x	14.85x	10.55x
Debt to Equity	3.91x	2.61x	2.73x
Debt to Asset	0.20x	0.81x	0.28x

\*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

### Digital Technology Business Spurs Growth

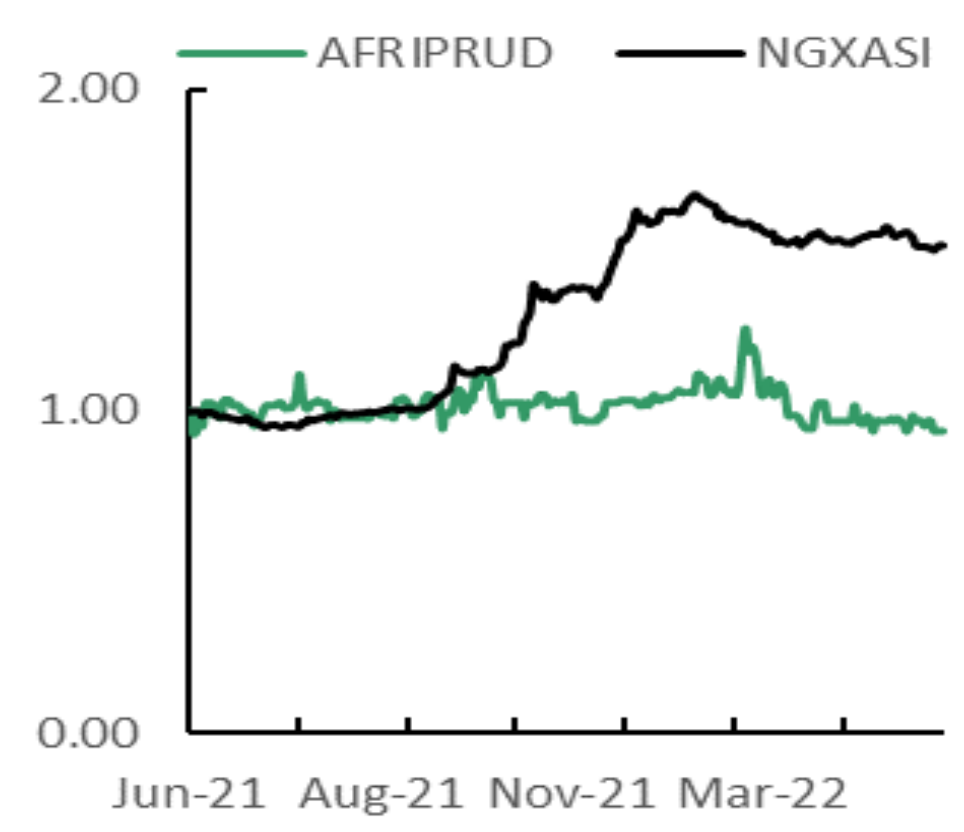
**Summary:** AFRIPRUD's gross revenue increased by 9.95% YoY to NGN907.78mn in Q1:2022, despite the decline in interest income (-1.89% YoY) to NGN459.45mn (from NGN468.29 in Q1:2021). The contraction in interest income is attributable to the low yield environment during the period. The surge in contract revenue from the company's digital technology business (+209.13% YoY) however salvaged the impact of the decline in interest income and increased the contribution of contract revenue to 49.39% (from 43.28% in Q1:2021). Operating expenses increased marginally by 1.84% YoY to NGN353.84mn. Cost to income ratio was however lower at 39.14% (from 42.15% in Q1:2021). Operating profit increased by 15.69% YoY; consequently, operating margin ticked up to 61.95% (vs. 58.87% in Q1:2021). After-tax profit, therefore, increased by 5.71% YoY to NGN403.15bn and net margin declined by 385bps to 44.41%.

**Positives:** Operating margin increased by 522bps to 61.95%.

**Negative:** Net margin declined by 385bps to 44.41%.

Valuation	
Trailing EPS	0.72
BVPS	4.08
P/E	8.26
P/BV	1.46
Target PE	9.28x
Dec-2022 Exp. EPS	0.80
Dec 2022 Target price	<b>NGN7.39</b>
Current Price	NGN5.95

Stock Highlights	
Yr Hi	7.80
Yr Lo	5.80
YTD return	-5.56%
Beta	0.74
Adjusted Beta	0.84
Shares outstanding	2.00bn
Market cap [NGN]	<b>11.90bn</b>
Financial year end	December



Sensitivity Analysis of Dec-2022 Target Price to key model inputs							
	EPS	Target PE				Min	Max
		0.60	0.70	0.80	0.90	1.00	
9.08x	5.42	6.33	7.23	8.14	9.05	5.42	9.45
9.18x	5.48	6.39	7.31	8.23	9.15	5.42	9.45
9.28x	5.54	6.46	<b>7.39</b>	8.32	9.25	5.42	9.45
9.38x	5.60	6.53	7.47	8.41	9.35	5.42	9.45
9.48x	5.66	6.60	7.55	8.50	9.45	5.42	9.45

**Recommendation: BUY TP: 7.39 CP: 5.95 UPP: 24.20%**

#### Financial Highlight (NGN'000)

Profit and Loss Account	Q1:2022	Q1:2021	Y/Y Growth
Gross Earnings	907,777	825,632	9.95%
Interest Income	459,449	468,290	-1.89%
OPEX	353,836	347,460	1.84%
Operating Profit	562,339	486,083	15.69%
Finance Cost	310	310	0.00%
PBT	552,256	478,202	15.49%
PAT	403,147	381,354	5.71%

Balance Sheet	Q1:2022	2021A	% Change
Cash and Cash equivalents	959,085	866,192	10.72%
Customers' Deposits	7,881,378	6,199,925	27.12%
Total Asset	17,104,355	15,764,176	8.50%
Total Equity	8,164,549	8,770,790	-6.91%
Total Liabilities	8,939,806	6,993,386	27.83%

#### Key Metrics`

Profitability Ratio	2022T	2021A	3-yr Hist. Avg
EPS	0.72	0.71	0.76
ROA	8.74%	8.45%	8.27%
ROE	16.96%	16.51%	17.93%
Asset Turnover	0.22	0.21	0.20
Net Margin	44.41%	40.18%	41.49%

Efficiency Ratio	Q1:2022	2021A	3-yr Hist. Avg
Cost to Income Ratio	39.14%	44.51%	41.85%

Solvency Ratio	Q1:2022	2021A	3-yr Hist. Avg
Financial Leverage	2.09x	1.80x	2.06x

\*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:** United Capital Plc

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
7-June -2022	13.10	-	15.15	BUY	BUY

**Company Name:** Africa Prudential Plc

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
7-June -2022	5.95	-	7.39	-	BUY

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Company	Disclosure
United Capital Plc	
Africa Prudential Plc	

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