

FIDSON Delivers Impressive Outing

FIDSON ended the first half of its 2022 financial year on a strong footing, recording a 57.62% YoY expansion in its topline to NGN20.38bn (vs. NGN12.93bn in H1:2021). Product innovation, increased prices and extended distribution channels across its business lines contributed to the growth witnessed; Ethical (+69.07%), Over the Counter (24.87%) and Consumer Healthcare (+1944.62%).

In line with the increase in revenue, production costs ticked up by 51.10% YoY due to higher raw materials cost (+51..57% YoY) which makes up c.86% of total production costs. As a result, cost to sales ratio improved to 51.60% (vs.53.83% in H1:2021). Operating expenses also increased by 34.48% YoY to NGN5.49bn on the back of higher sales expenses (+48.76% YoY) and personnel cost (+37.48% YoY). During the period, the firm obtained a NGN3.00bn loan from Bank of Industry and increased its short-term borrowings, leading its interest-bearing liabilities up by 51.60% YoY. Thus, finance cost increased to NGN797.32mn from NGN609.75mn in H1:2021. Overall, Profit after tax expanded significantly by 127.16% YoY to NGN2.70bn.

Positives: Operating and net margins increased to 23.50% and 13.27% (vs. 17.94% and 9.20% in H1:2021) due to higher earnings

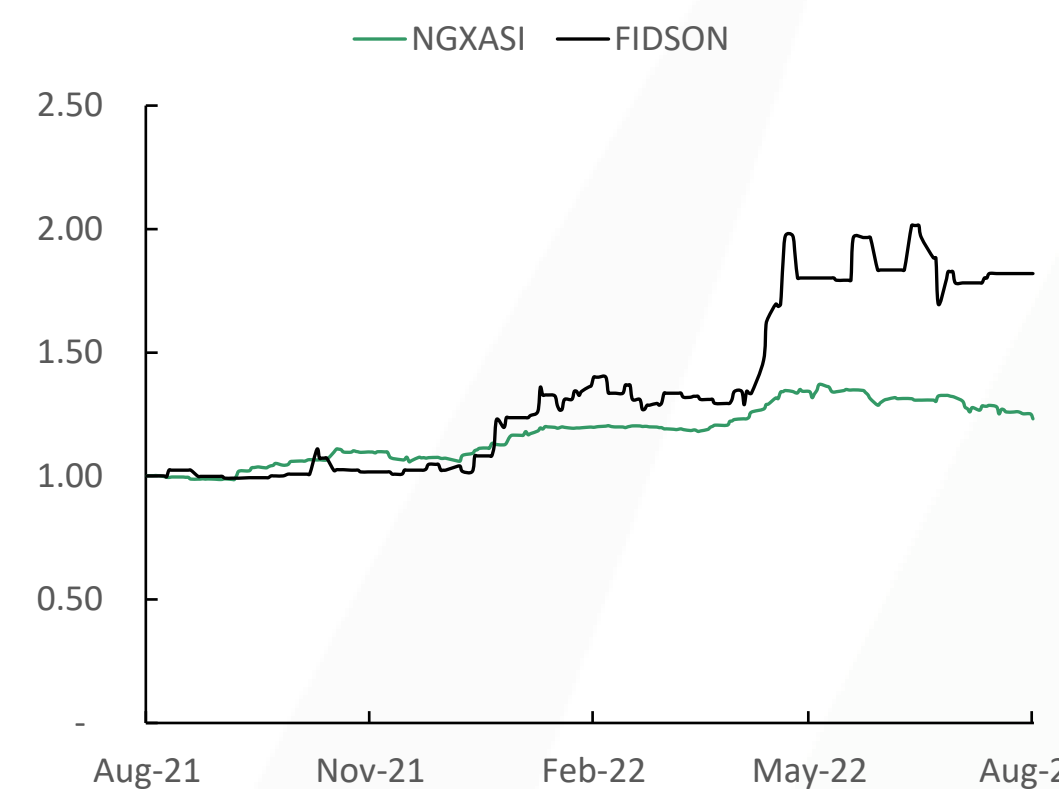
Negative: Debt to Equity, Debt to asset and interest coverage worsened 0.77x, 0.29x and 6.01x, respectively (vs. 0.61x, 0.25x and 3.80x in H1:2021)

Valuation

Trailing EPS	NGN2.51
BVPS	NGN7.89
P/E	4.03x
P/BV	1.28x
Target P/E	5.20x
Dec-2022 Exp. EPS	NGN3.02
Dec 2022 Target price	NGN15.70
Current Price	NGN10.10

Stock Highlights

Yr Hi	12.30
Yr Lo	6.22
YTD return	+62.38%
Beta	1.19
Adjusted Beta	1.13
Shares outstanding	2.09bn
Market cap [NGN]	NGN21.07bn
Financial year end	December



Sensitivity Analysis of Dec-2022 Target Price to key model inputs

		EPS					Min	13.14
							Max	18.55
		2.79	2.91	3.02	3.13	3.25		
Target PE	4.7x	13.14	13.65	14.19	14.73	15.29		
	5.0x	13.83	14.38	14.95	15.52	16.11		
	5.2x	14.53	15.11	15.70	16.30	16.92		
	5.5x	15.23	15.83	16.46	17.08	17.73		
	5.7x	15.93	16.56	17.21	17.87	18.55		

Recommendation: BUY TP: 15.70 CP: 10.10 UPP: 55.49%

Financial Highlight (NGN'bn)

Profit and Loss Account	H1:2022	H1:2021	Y/Y Growth
Revenue	20.38	12.93	+57.62
Cost of sales	10.52	6.96	+51.10%
OPEX	5.49	4.08	+34.48%
Operating Profit	4.79	2.32	+106.42%
Finance Cost	0.80	0.61	+30.76%
PBT	4.01	1.75	+128.85%
PAT	2.70	1.19	+127.16%

Balance Sheet

	H1:2022	2021A	% Growth
Property, plant and equipment	17.77	14.89	+19.34%
Total Asset	44.08	33.11	+33.15%
Total Equity	16.45	13.75	+19.65%
Total Debt	12.75	8.41	+51.60%
Total Liabilities	27.63	19.35	+42.75%

Key Metrics

Profitability Ratio	H1:2022T	H1:2021T	3-yr Hist. Avg
ROA	13.56%	5.72%	6.46%
ROE	34.65%	15.60%	15.81%
Net Margin	13.27%	9.20%	7.18%

Efficiency Ratio

	H1:2022	2021A	3-yr Hist. Avg
Asset Turnover	0.99x	0.76x	0.83x
Cash Conversion Cycle	294 days	233 days	217 days

Liquidity Ratio

	H1:2022	2021A	3-yr Hist. Avg
Current Ratio	1.53x	1.59x	1.37x
Quick Ratio	0.66x	0.58x	0.61x
Cash Ratio	0.22x	0.18x	0.19x

Solvency Ratio

	H1:2022	2021A	3-yr Hist. Avg
Interest Coverage	6.01x	3.80x	2.81x
Debt to Equity	0.77x	0.61x	0.80x
Debt to Asset	0.29x	0.25x	0.33x

*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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Target Price Estimate

While we believe that the fair value is underpinned by the future benefits stream and growth outlooks, which are primary drivers of value, the market might not align to the fair value estimate within the estimated investment horizon. Thus, we do not derive our target price from the fair value but from a trading perspective using the year projected earnings or book value and the respective target multiples. Notwithstanding, we are of the opinion that the variance between the two should not be too significant.

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BUY: Target Price of the stock is above the current market price by at least 10 percent

HOLD: Target Price of the stock ranges between -10 percent and 10 percent from the current market price.

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Movements in Price Target

Company Name: Fidson Healthcare Plc

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
25-Aug-22	10.10	15.70	15.70	BUY	BUY

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Company	Disclosure
Fidson Healthcare Plc	

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