

Increased Sugar Sales Spur Topline Growth

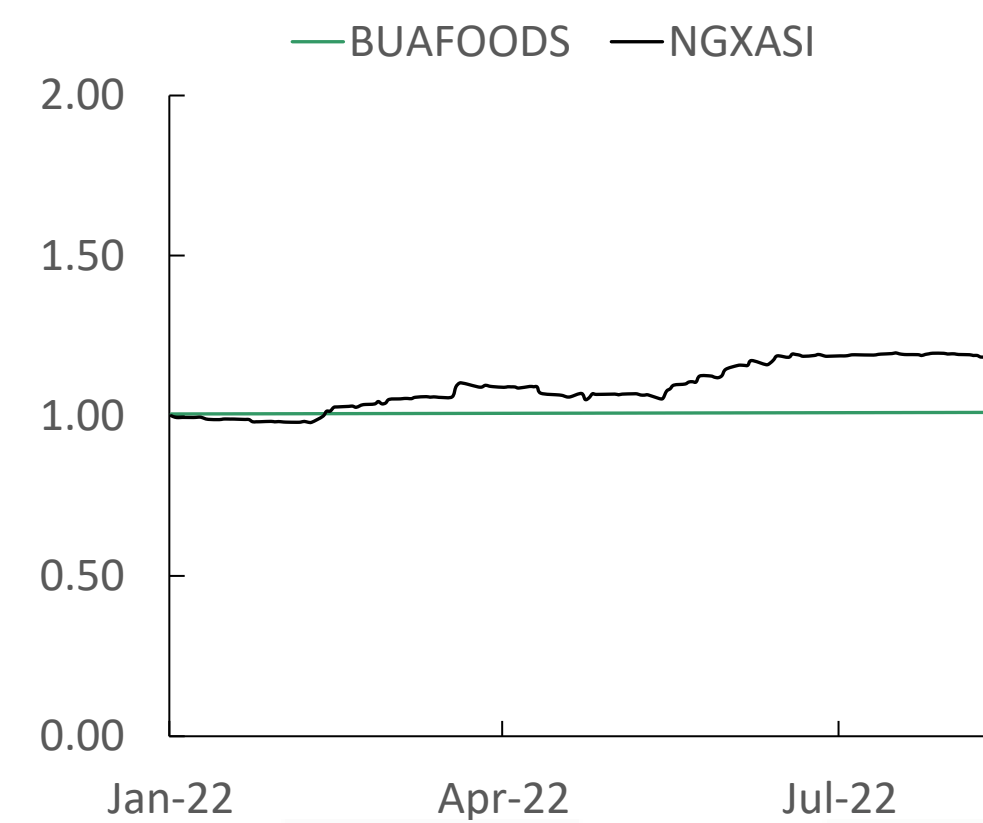
Summary: BUAFOODS's revenue grew by 11.29% YoY to NGN168.85bn in H1:2022. This strong topline growth was propelled by the increased sales generated from its sugar segment (+13.76% YoY), which contributes 64.38% to total revenue. Cost of sales increased by 16.12% YoY to NGN116.79 in H1:2022. Consequently, the cost to sales ratio deteriorated to 69.17% in H1:2022 (vs. 66.29% in H1:2021).

Operating profit inched up by 8.13% YoY to NGN45.90bn in H1:2022, owing to a decline in operating expenses (-29.14% YoY). Interest income, which was non-existent in the prior period, increased to NGN760.00mn in H1:2022. Similarly, finance cost increased by 4.52% YoY to NGN4.09bn in H1:2022 (vs. NGN3.91bn in H1:2021). Overall, Profit Before Tax (PBT) and Profit After to Tax (PAT) ticked up by 10.78% YoY to NGN42.70bn and 13.74% YoY to NGN39.31bn, respectively in H1:2022.

Positive: Net margin improved to 23.28% in H1:2022 (vs. 22.78% in H1:2021).

Negatives: Gross margin worsened to 30.83% in H1:2022 (vs. 33.71% in H1:2021). Operating margin declined to 27.71% in H1: 2022 (vs. 27.98% in H1:2021)

Valuation		Stock Highlights	
Trailing EPS	4.14	Yr Hi	66.00
BVPS	13.33	Yr Lo	40.00
P/E	13.17	YTD return	36.25%
P/BV	4.09	Beta	0.19
Target PE	14.18x	Adjusted Beta	0.46
Dec-2022 Exp. EPS	4.74	Shares outstanding	18.00bn
Dec 2022 Target price	NGN67.23	Market cap [NGN]	1.08trn
Current Price	NGN59.95	Financial year end	December



Sensitivity Analysis of Dec-2022 Target Price to key model inputs						Min	65.35
						Max	69.13
						EPS	
						4.64	4.69
						4.74	4.79
						4.84	
Target PE	14.08x	65.35	66.05	66.75	67.46	68.16	
	14.13x	65.58	66.29	66.99	67.70	68.40	
	14.18x	65.81	66.52	67.23	67.94	68.65	
	14.23x	66.04	66.75	67.47	68.18	68.89	
	14.28x	66.27	66.99	67.70	68.42	69.13	

Recommendation: BUY **TP: 67.23** **CP: 59.95** **UPP: +12.14%**

Financial Highlight (NGN'000)

Profit and Loss Account	H1:2022	H1:2021	Y/Y Growth
Revenue	168,854,513	151,731,133	+11.29%
Cost of sales	116,788,996	100,579,994	+16.12%
OPEX	6,168,524	8,704,687	-29.14%
Operating Profit	45,896,993	42,446,251	+8.13%
Finance Cost	4,090,527	3,913,545	+4.52%
PBT	42,701,704	38,547,012	+10.78%
PAT	39,308,670	34,561,432	+13.74%

Balance Sheet	H1:2022	2021A	Y/Y Growth
Property, Plant and Equipment	322,073,037	321,675,653	+0.12%
Total Asset	645,358,368	593,469,515	+8.74%
Total Equity	240,027,340	200,718,673	+19.58%
Total Debt	249,947,113	253,226,445	-1.30%
Total Liabilities	405,331,027	392,750,842	+3.20%

Key Metrics

Profitability Ratio	2022T	2021A	3-yr Hist. Avg
ROA	12.03%	14.42%	9.74%
ROE	33.81%	42.07%	27.68%
Net Margin	21.27%	20.93%	16.70%

Efficiency Ratio	H1:2022	2021A	3-yr Hist. Avg
Asset Turnover	0.27	0.69	0.54
Cash Conversion Cycle	44	24	0

Liquidity Ratio	H1:2022	2021A	3-yr Hist. Avg
Current Ratio	0.92	0.79	0.96
Quick Ratio	0.85	0.72	0.87
Cash Ratio	0.12	0.09	0.09

Solvency Ratio	H1:2022	2021A	3-yr Hist. Avg
Interest Coverage	10.85	15.83	11.07
Debt to Equity	1.04	1.26	1.14
Debt to Asset	0.39	0.43	0.40

*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: Presco Plc

Date	Price (N)	Previous Price(N)	Target	New Target Price (N)	Previous Recommendation	New Recommendation
22-August--2022	59.95	67.23		67.23	BUY	BUY

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