

Divestment Activities Boost Earnings Performance

Summary: In Q3:2022 standalone, May and Baker Nigeria Plc (**MAYBAKER**) delivered its highest quarterly topline performance in the year, recording revenue of NGN3.57bn. This also represents its highest Q3 performance on record. On a cumulative basis, the firm's 9M:2022 revenue expanded by 28.31% YoY to NGN10.35bn bolstered by an increase (+28.38% YoY) in revenue from the Pharmaceutical (which makes up c. 99% of revenue) segment.

Production cost increased significantly by 72.87% YoY to NGN7.52bn, surpassing revenue growth rate, and driving up cost to sales to 72.70% (vs. 53.96% in 9M:2021). **MAYBAKER** incurred higher operating expenses (+14.35% YoY) owing to an increase in distribution cost (+16.77% YoY) and administrative cost (+10.26% YoY). During the period, the firm disposed its Ikeja factory, recording profit from the sale to the tune of NGN1.18bn, resulting in higher operating profit by 28.45% YoY.

Overall, both profit before tax and profit after tax advanced by 62.08% YoY to NGN1.75bn and NGN1.43bn (vs. NGN1.30bn and NGN882.43mn in 9M:2021), respectively.

Positives: Higher Returns on Equity (17.48% in 9M:2022 vs. 12.14% in 9M:2021), owing to improvement in net margin (13.82% vs 7.41%), and financial leverage (2.25x vs 2.42x) while asset turnover declined to (0.56x vs 0.68x) .

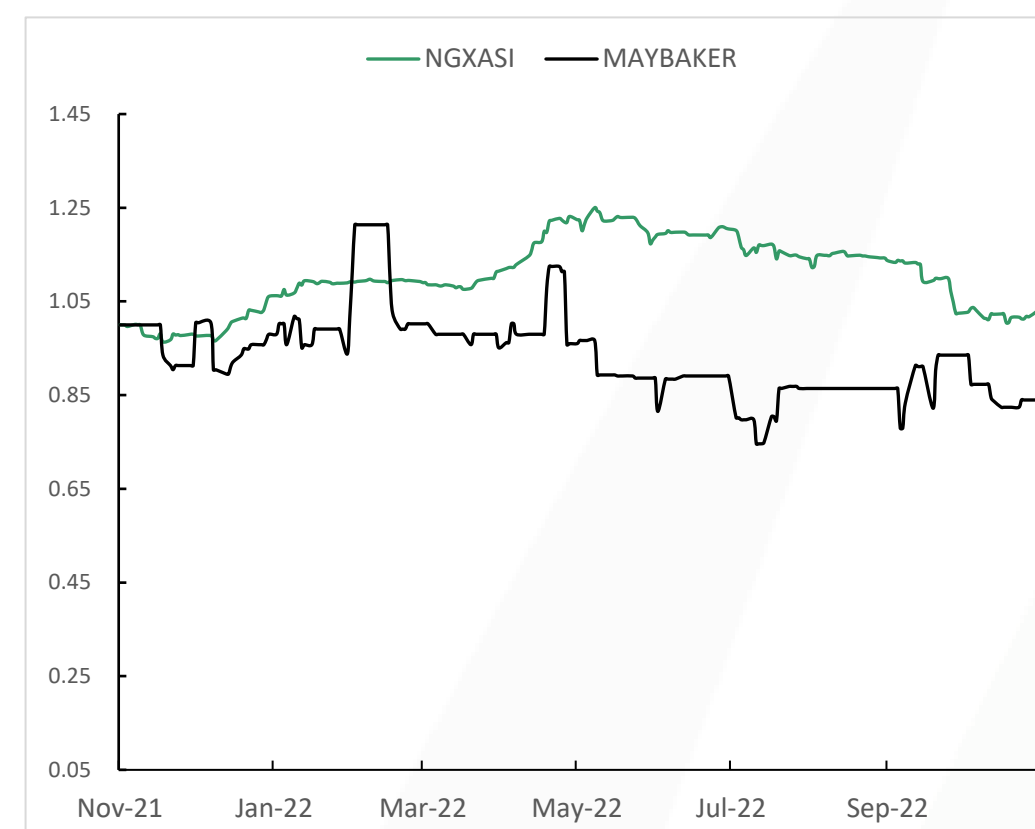
Negative: Liquidity ratios, current and quick, ratios reduced to 2.00x and 1.32x, (from 2.07x and 1.48x, in 9M:2021).

Valuation

Trailing EPS	NGN0.93
BVPS	NGN4.74
P/E	4.07x
P/BV	0.80x
Target PE	7.50x
Dec-2022 Exp. EPS	NGN0.67
Dec 2022 Target price	NGN5.03
Current Price	NGN3.77

Stock Highlights

Yr Hi	5.45
Yr Lo	3.35
YTD return	-6.22%
Beta	0.78
Adjusted Beta	0.86
Shares outstanding	1.73bn
Market cap [NGN]	6.50bn
Financial year end	December
Dividend proposed	NGN0.30



Sensitivity Analysis of Dec-2021 Target Price to key model inputs

						Min	4.34			
						Max	5.78			
						EPS				
						0.62	0.64	0.67	0.70	0.72
Target PE	7.0x	4.34	4.51	4.69	4.87	5.05				
	7.3x	4.50	4.67	4.86	5.04	5.23				
	7.5x	4.65	4.83	5.03	5.22	5.41				
	7.8x	4.81	5.00	5.19	5.39	5.59				
	8.0x	4.96	5.16	5.36	5.56	5.78				

Recommendation: BUY TP: 5.03 CP: 3.77 URR:33.42%

Financial Highlight (NGN'bn)

Profit and Loss Account	9M:2022	9M:2021	Y/Y Growth
Revenue	10.35	8.06	28.31%
Cost of sales	-7.52	-4.35	72.87%
OPEX	-2.38	-2.08	14.35%
Operating Profit	1.91	1.49	28.45%
Finance Cost	-0.23	-0.19	23.56%
PBT	1.75	1.30	34.66%
PAT	1.43	0.88	62.08%
Balance Sheet	9M:2022	2021A	Y/Y Growth
Property, plant and equipment	4.30	3.86	11.47%
Total Asset	18.44	17.62	4.66%
Total Equity	8.18	7.27	12.55%
Total Debt	7.43	6.54	13.70%
Total Liabilities	10.26	10.35	-0.88%

Key Metrics

Profitability Ratio	9M:2022	2021A	3-yr Hist. Avg
ROA	33.23%	22.86%	7.60%
ROE	17.48%	12.14%	14.82%
Net Margin	13.82%	7.41%	9.32%
Efficiency Ratio	Q1:2022	2021A	3-yr Hist. Avg
Asset Turnover	0.56	0.68	0.82
Cash Conversion Cycle	126.59	136.46	120.21
Liquidity Ratio	Q1:2022	2021A	3-yr Hist. Avg
Current Ratio	2.00	2.07	2.09
Quick Ratio	1.32	1.48	1.45
Cash Ratio	0.57	0.47	0.58
Solvency Ratio	Q1:2022	2021A	3-yr Hist. Avg
Interest Coverage	8.22	7.91	5.54
Debt to Equity	0.91	0.90	0.53
Debt to Asset	0.40	0.37	0.24

*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

FIDSON Sustains Stellar Record

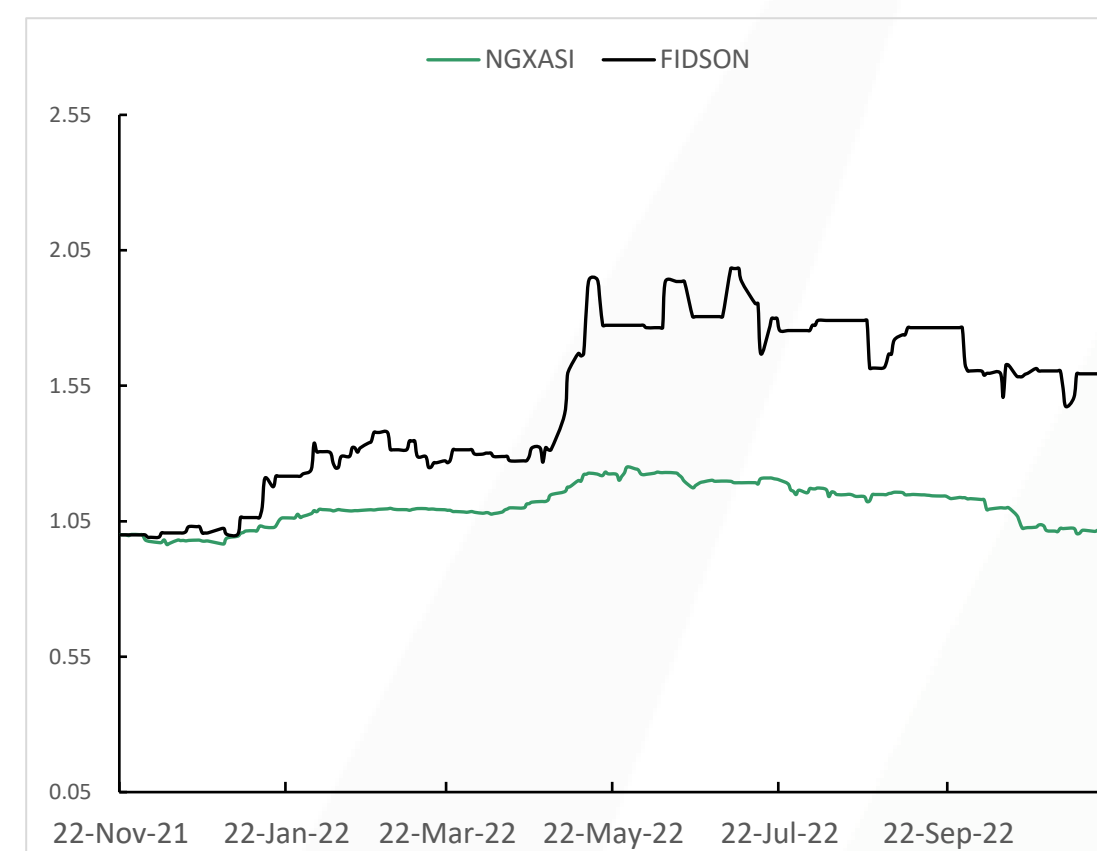
Summary: FIDSON's topline expanded by 44.15% in 9M:2022 buoyed by revenue growth across all its business segments: Pharmaceutical (+44.77% YoY), Ethical (+24.50% YoY) and consumer Healthcare Product (+2718.98% YoY). Cumulatively, revenue came in at NGN31.43bn (vs NGN21.80bn in 9M:2021). This also represents a 1.84% growth on 2021FY revenue (NGN30.86bn). Given that FIDSON typically records higher topline performance in the second half of the year, we view the Q3:2022 performance as a prelude to a stellar revenue growth in Q4:2022

The company's Production cost surged by 56.44% reflecting the high inflationary environment and FX volatility. Thus, cost to sales trended upwards to 53.89% (from 49.66% in 9M:2021). Similarly, operating expenses increased by 25.22% YoY to NGN8.83bn on the back of higher administrative expenses (+17.68% YoY) and distribution expenses (+38.31% YoY). However, operating margin improved to 20.20% from 19.67% in 9M:2021. Profit before tax and net profit expanded by 49.06% YoY and 47.97% YoY to NGN5.10bn and NGN3.44bn respectively in 9M:2022.

Positives: Net margin, ROE and ROA improved to 10.95%, 32.34% and 12.80% (from 10.66%, 24.94% and 9.15% in 9M:2021)

Negative: Debt to Equity and ratios increased to 0.78x and 0.30x from 0.61x and 0.25x in 9M:2021 signaling the impact of higher debt in its capital structure.

Valuation		Stock Highlights	
Trailing EPS	NGN2.32	Yr Hi	11.18
BVPS	NGN7.74	Yr Lo	5.86
P/E	3.52x	YTD return	44.25%
P/BV	1.05x	Beta	0.82
Target P/E	5.20x	Adjusted Beta	0.73
Dec-2022 Exp. EPS	NGN3.02	Dividend proposed	NGN0.50
Dec 2022 Target price	NGN15.70	Shares outstanding	2.09bn
Current Price	NGN8.15	Market cap [NGN]	NGN17.00bn
		Financial year end	December



Sensitivity Analysis of Dec-2022 Target Price to key model inputs						Min	13.14
EPS						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: 8.15 URR: 92.64%

Financial Highlight (NGN'bn)

Profit and Loss Account	9M:2021	9M:2022	Y/Y Growth
Revenue	21.80	31.43	44.15%
Cost of sales	-10.83	-16.94	56.44%
OPEX	7.05	8.83	25.22%
Operating Profit	4.29	6.35	48.03%
Finance Cost	-0.93	-1.29	38.67%
PBT	3.42	5.10	49.06%
PAT	2.32	3.44	47.97%

Balance Sheet	9M:2021	9M:2022	Y/Y Growth
Property, plant and equipment	13.95	14.11	1.15%
Total Asset	33.11	42.42	28.12%
Total Equity	13.75	16.15	17.42%
Total Debt	12.54	8.41	-32.90%
Total Liabilities	19.35	26.27	35.73%

Key Metrics

Profitability Ratio	2022T	2021A	3-yr Hist. Avg
ROA	12.80%	9.15%	6.46%
ROE	32.34%	24.94%	15.81%
Net Margin	10.95%	10.66%	7.18%

Efficiency Ratio	2022T	2021A	3-yr Hist. Avg
Asset Turnover	1.07x	1.06x	0.83x
Cash Conversion Cycle	204 days	197 days	205 days

Liquidity Ratio	2022T	2021A	3-yr Hist. Avg
Current Ratio	1.60x	1.59x	1.38x
Quick Ratio	0.71x	0.58x	0.61x
Cash Ratio	0.20x	0.18x	0.19x

Solvency Ratio	2022T	2021A	3-yr Hist. Avg
Interest Coverage	4.94	4.62	2.81
Debt to Equity	0.78	0.61	0.76
Debt to Asset	0.30	0.25	0.32

*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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We estimate stock's fair value by computing a weighted average of projected prices derived from discounted cash flow and relative valuation methodologies. The choice of relative valuation methodology (ies) usually depends on the firm's peculiar business model and what in the opinion of our analyst is considered as a key driver of the stock's value from a firm specific as well as an industry perspective. However, we attach the most weight to discounted cash flow valuation methodology.

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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.

SELL: Target Price of the stock is more than 10 percent below the current market price.

Movements in Price Target

Company Name: May and Baker Nigeria Plc

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
12-Apr -2022	3.77	4.82 -	5.03	HOLD	BUY

Company Name: Fidson Healthcare Plc

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
13-Mar -2022	8.15	10.35 -	15.70	HOLD	BUY

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Company	Disclosure
May and Baker Nigeria Plc	
FIDSON Healthcare Plc	

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