

Strong Growth in Revenue Supports PAT

Summary: BUACEMENT delivered a strong top-line performance with a revenue growth of 40.50% YoY to NGN262.59bn as a result of increased price and sales volume during the period. Similarly, EBITDA grew by 31.46% YoY to NGN114.95bn due to the higher growth in revenue which outweighed the increase in energy products cost and distribution cost. The increase in distribution cost was as a result of the spike in AGO prices.

Consequently, after tax profit improved by 12.30% YoY to NGN74.01bn (vs. NGN65.91bn in 9M:2021) despite the rise in net finance cost to NGN9.73bn (vs. NGN1.05bn in 9M:2021). The jump in net finance cost was as result of significant foreign exchange losses due to the devaluation of the naira. **Our outlook for the firm by 2022FY remains positive, premised on significant improvement in top-line which is expected to trickle down to earnings growth. However, high operating expenses and FX losses remains significant headwinds this outlook.**

Positives: Sales volumes improved from 4.16MT in 9M:2021 to 4.65MT in 9M:2022.

Negative: Operating margin dropped to 37.79% from 40.50% the previous period. Similarly, interest coverage declined to 10.21x (vs. 72.15x in 9M:2021) given the increase in Interest expense on short term loans.

Valuation		Stock Highlights	
Trailing EPS	2.90	Yr Hi	NGN74.25
BVPS	11.34	Yr Lo	NGN47.85
P/E	24.83X	YTD return	0.07%
P/BV	6.35x	Beta	0.51
Target PE	18.34x	Adjusted Beta	0.68
Dec-2022 Exp.		Shares outstanding	33.86bn
EBITDA per Share	4.35	Market cap [NGN]	2.44trn
Dec 2022 Target price	NGN79.78	Financial year end	December
Current Price	NGN72.00	Most Recent Period	9M:2022

Sensitivity Analysis of Dec-2022 Target Price to key model inputs						Min	77.69
						Max	100.58
		4.26	4.30	4.35	4.86	5.37	
Target EV/EBITD A	18.24	77.69	78.48	79.34	88.58	97.88	
	18.29	77.90	78.70	79.56	88.82	98.15	
	18.34	78.12	78.91	79.78	89.06	98.42	
	18.54	78.98	79.78	80.66	90.04	99.50	
	18.74	79.83	80.65	81.53	91.02	100.58	

Recommendation: BUY TP: 79.78 CP: 72.00 UPP: 10.81%

Financial Highlight (NGN'bn)

Profit and Loss Account	9M:2022	9M:2021	Y/Y Growth
Revenue	262,598	186,905	40.50%
Cost of Sales	(142,830)	(99,655)	43.32%
Gross Profit	119,768	87,250	37.27%
OPEX	(20,796)	(11,735)	77.20%
Other Income	272	177	53.50%
EBITDA	114,953	87,444	31.46%
PBT	89,325	74,466	19.95%
PAT	74,014	65,906	12.30%

Balance Sheet	9M:2022	2021A	YtD Growth
Property, Plants and Equip.	647.31	578.89	9.81%
Total Debt	97.48	197.09	(0.56%)
Total Assets	781.63	728.51	18.19%
Total Equity	197.29	398.12	15.41%
Non-Current Liabilities	397.54	185.04	10.08%
Total Liabilities	647.31	330.39	21.54%

Key Metrics

Profitability Ratio	9M:2022	2021A	3-yr Hist. Avg
Return on Asset	12.56%	5.96%	11.99%
Return on Equity	25.56%	10.90%	26.56%
Net Margin	29.48%	34.92%	35.62%

Liquidity Ratio	9M:2022	9M:2021	3-yr Hist. Avg
Current Ratio	0.64x	0.99x	1.17x
Quick Ratio	0.39x	0.72x	1.03x

Efficiency Ratio	9M:2022	9M:2021	3-yr Hist. Avg
Asset Turnover	0.38x	0.06x	0.34x

Solvency Ratio	9M:2022	9M:2021	3-yr Hist. Avg
Debt-to-Asset Ratio	0.12x	0.99x	0.31x
Debt-to-EBITDA Ratio	0.85x	0.96x	1.89x

*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

WAPCO Sustains Positive Performance

Summary: WAPCO sustained its growth momentum as its revenue improved significantly by 23.11% YoY to NGN269.85bn in 9M:2022, with the second quarter (+35.57%) being the major contributor to growth. The growth was broad based across all business segment with the cement segment (+96.89%) accounting for a major part of the growth.

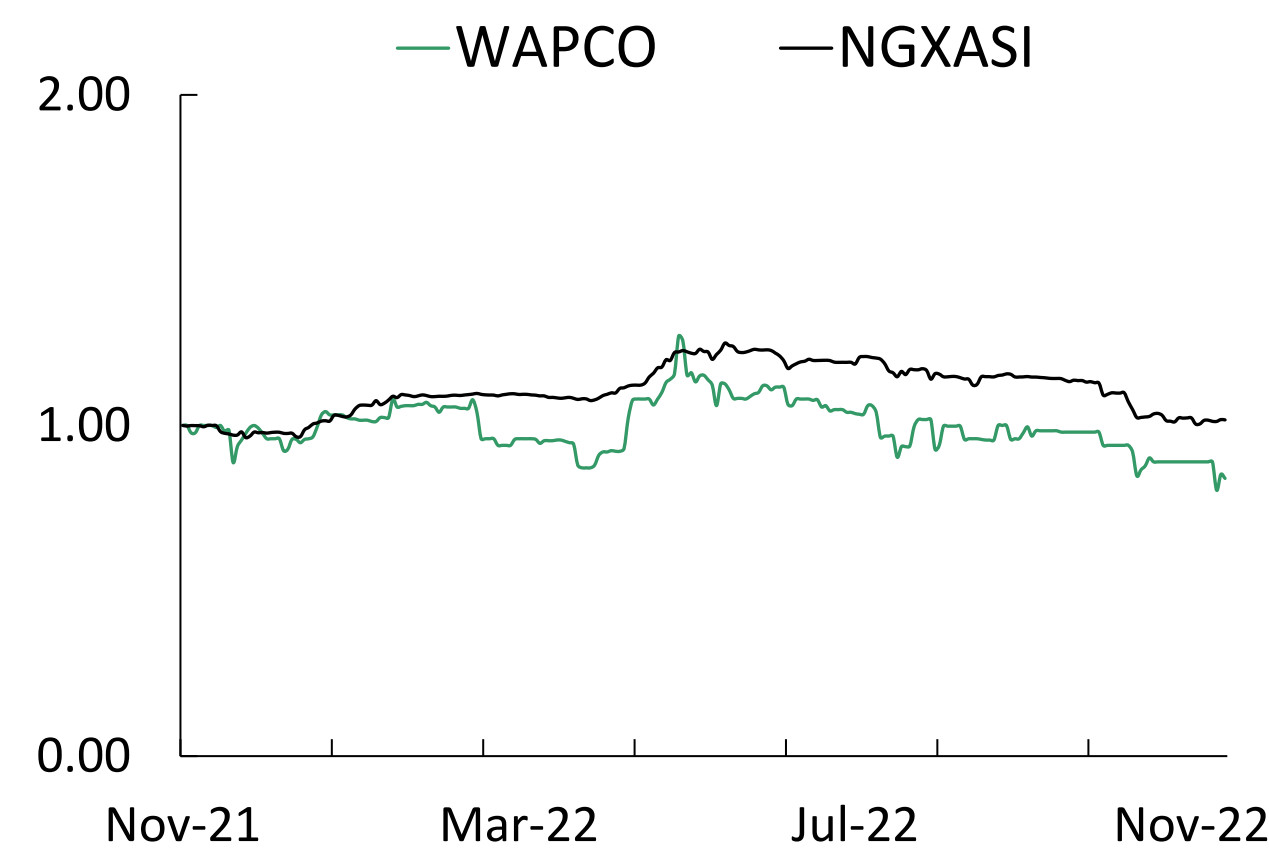
In line with the trend in the industrial goods sector, production cost rose by 15.32% YoY to NGN135.08bn as variable cost (which represents 65.09% of total cost of sales) spiked given the soaring inflation which impacted prices of raw materials. However, cost-to-sales ratio moderated to 50.06% (53.44% in 9M:2021) as a result of the strong growth in revenue.

Similarly, operating expenses spiked (+42.93% YoY to NGN78.54bn) particularly as a result of increase the cost of advertisement and distribution expenses. Nonetheless, the firm's PAT improved (+11.15% YoY) influenced by the strong growth in top-line and the moderation in finance cost from NGN5.63bn in 9M:2021 to NGN3.04bn in 9M:2022.

Positives: The interest coverage ratio rose to 18.59x in 9M:2022 from 8.55x in 9M:2021 which indicates the company is in a good position to cover its debts obligations.

Negative: Operating and Net margins declined to 20.96% and 16.64% from 21.96 and 18.43% in 9M:2022, respectively.

Valuation		Stock Highlights	
Trailing EPS	3.45	Yr Hi	31.75
BVPS	24.82	Yr Lo	20.10
P/E	6.09x	YTD return	-12.32%
P/BV	0.85x	Beta	1.12
Target EV/EBITDA	6.46x	Adjusted Beta	1.08
Dec-2022 Exp.		Shares outstanding	16.11bn
EBITDA per Share	5.61	Market cap (NGN)	385.78trn
Dec 2021 Target price	NGN38.89	Financial year end	December
Current Price	NGN21.00	Most Recent Period	9M:2022



Sensitivity Analysis of Dec-2022 Target Price to key model inputs						Min	37.43
						Max	44.21
		6.33	6.40	6.46	6.97	7.48	
Target EV/EBITD A	5.26	37.43	37.84	38.24	40.41	42.58	
	5.31	37.75	38.16	38.56	40.76	42.96	
	5.36	38.07	38.48	38.89	41.11	43.33	
	5.42	38.44	38.85	39.27	41.52	43.77	
	5.48	38.81	39.23	39.65	41.93	44.21	

Recommendation: BUY TP: 38.89 CP: 21.00 UPP: 85.19%

Financial Highlight (NGN'bn)

Profit and Loss Account	9M:2022	9M:2021	Y/Y Growth
Revenue	269.85	219.20	23.11%
Cost of Sales	-135.08	-117.13	15.32%
Gross Profit	134.77	102.07	32.04%
OPEX	-78.54	-54.95	42.93%
Other Income	0.28	0.50	-43.24%
EBITDA	74.63	68.77	8.52%
PBT	53.95	43.90	22.88%
PAT	44.90	40.39	11.15%
Balance Sheet	9M:2022	2021A	YtD Growth
Property, Plants and Equip.	334.02	338.72	-1.39%
Total Debt	32.51	23.28	39.65%
Total Assets	565.64	526.83	7.37%
Total Equity	407.35	378.56	7.61%
Non-Current Liabilities	15.84	17.22	-8.01%
Total Liabilities	142.44	148.27	-3.93%

Key Metrics

Profitability Ratio	9M:2022	2021A	3-yr Hist. Avg
Return on Asset	9.77%	5.38%	6.29%
Return on Equity	13.88%	7.48%	8.85%
Net Margin	16.15%	19.53%	12.69%
Liquidity Ratio	9M:2022	2021A	3-yr Hist. Avg
Current Ratio	1.12x	1.04x	0.91x
Quick Ratio	0.75x	0.70x	0.59x
Efficiency Ratio	9M:2022	2021A	3-yr Hist. Avg
Asset Turnover	0.61x	0.28x	0.48x
Solvency Ratio	9M:2022	2021A	3-yr Hist. Avg
Debt-to-Asset Ratio	0.06x	0.04x	0.09x
Debt-to-EBITDA Ratio	0.44x	0.63x	0.13x

*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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Company Name: BUA Cement Plc

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
21-Nov -2022	72.00	76.13	-	BUY	BUY
25-Aug -2022	74.25	70.83	76.13	BUY	BUY

Company Name: Lafarge Africa Plc (WAPCO)

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
21- Nov -2022	21.00	38.89	-	BUY	BUY
25-Aug -2022	28.05	38.65	38.65	BUY	BUY

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Company	Disclosure
BUA Cement Plc	
Lafarge Africa Plc (WAPCO)	

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CONTACT INFORMATION

Brokerage and Retail Services

topeoludimu@meristemng.com (+234 905 569 0627)
isaaconaolapo@meristemng.com (+234 803 234 8275)
contact@meristemng.com

Investment Banking/Corporate Finance

rasakisalawu@meristemng.com (+234 806 022 9889)
seunlijofi@meristemng.com (+234 808 536 5766)

Wealth Management

funmilolaadekola-daramola@meristemng.com (+234 803 355 0008)
crmwealth@meristemng.com (+234 01 738 9948)

Registrars

oluseyiowoturo@meristemregistrars.com (+234 802 321 0561)
martinaosague@meristemregistrars.com (+234 802 303 1783)
www.meristemregistrars.com (+23401-280 9250)

Group Business Development

saheedbashir@mersitemng.com (+234 802 454 6575)
ifeomaogalue@meristemng.com (+234 802 394 2967)
info@meristemng.com

Trust Services

damilolahassan@meristemng.com (+234 803 613 9123)
trustees@meristemng.com

Investment Research

research@meristemng.com

Analyst Coverage:

samuelbanmeke@meristemng.com (+234 818 518 2859)

Client Services

adefemitaiwo@meristemng.com (+234 803 694 3034)
nkechinyeluokoye@meristemng.com (+234 803 526 1801)
car@meristemng.com (+23401-280 9250)

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