

Topline Growth Decelerates

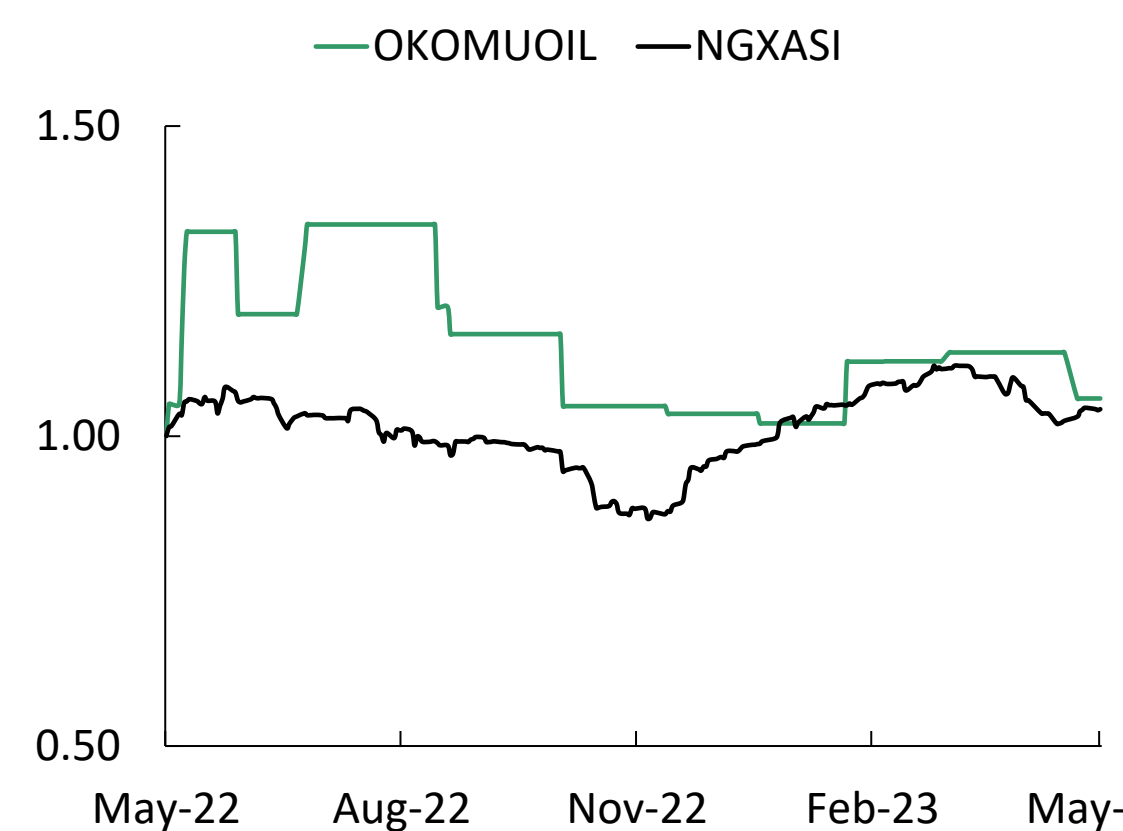
Summary: Okomu Oil Palm Plc reported a topline growth of 18.17% YoY in Q1:2023 to NGN24.21bn (vs. NGN20.49bn in Q1:2022). This was propelled by the sales of Crude Palm Oil (+14.63% YoY), contributing 94.11% to the total revenue. Conversely, revenue from rubber sales, which contributed 5.89% to the total revenue, declined by 11.54% YoY.

The firm's production cost spiked by 51.81% YoY to NGN4.39bn, reflecting the high inflationary environment. Similarly, operating expenses increased by 20.31% YoY to NGN4.68bn. Hence, the operating margin declined to 62.52% (vs. 66.88% in Q1:2022). Finance cost shot up by 88.23% YoY to NGN0.25bn in Q1:2023 (vs. NGN0.13bn in Q1:2022) despite a contraction in total debt by 10.89% YoY to NGN8.89bn. This was propelled by higher interest on existing long-term loans (+83.30% YoY) as well as higher exchange loss (+1989.11% YoY). However, the topline growth supported the Profit Before Tax (PBT) and Profit After Tax (PAT) which grew by 9.66% YoY and 7.15% YoY to NGN14.88bn and NGN10.18bn, respectively.

Positives: Gross profit increased by 12.64% YoY to NGN19.82bn (vs. NGN17.59bn in Q1:2022). Operating profit expanded by 10.46% YoY to NGN15.13bn (vs. NGN13.70bn in Q1:2022).

Negatives: Cost to Sales ratio worsened to 18.14% (vs. 14.12% in Q1:2022). Interest coverage ratio worsened to 59.60x in Q1:2023 (vs. 101.57x in Q1:2022). Net margin fell to 42.04% (vs. 46.36% in Q1:2022).

Valuation		Stock Highlights	
Trailing EPS	66.09	Yr Hi	183.50
BVPS	46.35	Yr Lo	165.00
P/E	2.59	YTD return	+3.94%
P/BV	3.70	Beta	0.78
Target PE	9.70x	Adjusted Beta	0.54
Dec-2022 Exp. EPS	20.10	Shares outstanding	0.95bn
Dec 2022 Target price	NGN194.96	Market cap [NGN]	163.60bn
Current Price	NGN171.50	Financial year end	December



Sensitivity Analysis of Dec-2023 Target Price to key model inputs						Min	180.31			
						Max	210.11			
						EPS				
						19.60	19.85	20.10	20.35	20.60
Target PE	9.20x	180.31	182.61	184.91	187.21	189.51				
	9.45x	185.21	187.57	189.93	192.29	194.66				
	9.70x	190.11	192.53	194.96	197.38	199.81				
	9.95x	195.01	197.49	199.98	202.47	204.96				
	10.20x	199.91	202.46	205.01	207.56	210.11				

Recommendation: BUY **TP: 194.96** **CP: 171.50** **URR: +13.68%**

Financial Highlight (NGN'000)

Profit and Loss Account	Q1:2023	Q12022	Y/Y Growth
Revenue	24,207,658	20,485,804	+18.17%
Cost of sales	4,391,814	2,892,979	+51.81%
Net Operating Expense	4,681,595	3,891,380	+20.31%
Operating Profit	15,134,249	13,701,445	+10.46%
Finance Cost	253,932	134,903	+88.23%
PBT	14,881,480	13,570,419	+9.66%
PAT	10,177,133	9,498,115	+7.15%

Balance Sheet	Q1:2023	2022A	Y/Y Growth
Property, Plant and Equipment	57,045,362	38,068,029	+49.85%
Total Asset	89,515,463	72,498,290	+23.47%
Total Equity	44,211,000	34,033,866	+29.90%
Total Debt	8,888,502	9,974,620	-10.89%
Total Liabilities	45,304,463	38,464,424	+17.78%

Key Metrics

Profitability Ratio	2023T	2022A	3-yr Hist. Avg
ROA	18.89%	22.39%	18.89%
ROE	38.25%	47.69%	38.25%
Net Margin	42.04%	27.36%	42.40%

Efficiency Ratio	Q1:2023	2022A	3-yr Hist. Avg
Asset Turnover	0.70	0.82	0.60
Cash Conversion Cycle	181	71	90

Liquidity Ratio	Q1:2023	2022A	3-yr Hist. Avg
Current Ratio	1.41	1.11	1.69
Quick Ratio	3.52	4.80	6.20
Cash Ratio	0.90	0.42	0.72

Solvency Ratio	Q1:2023	2022A	3-yr Hist. Avg
Interest Coverage	59.60	21.05	17.69
Debt to Equity	0.20	0.29	0.27
Debt to Asset	0.10	0.14	0.13

*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: Okomu Oil Palm Plc

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
05-May -2023	171..50	194.96	194.96	HOLD	BUY

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