

CONOIL Sustains Positive Performance

Summary: Conoil Plc (CONOIL)'s 9M:2023 financial scorecard showed a +52.71% YoY uptick in revenue to NGN137.89bn (compared to NGN90.29bn in 9M:2022). The growth in topline can be traced to the +63.06% growth in the white product segment which remains the major contributor to topline at c.95%, offsetting the 49.13% decline recorded in the lubricant segment during the period. We highlight the rise in average pump price (NGN550/litre) of Premium Motor Spirits (PMS) and Automotive Gasoline Oil (AGO) as a significant driver to the growth in topline. In tandem with its contribution to topline, the white product segment recorded the highest growth (+61.59%) for production costs. Thus, overall total cost grew 51.09% to NGN120.65bn. In our opinion, the impact of the higher foreign exchange rate and oil prices on landing costs were key drivers to the rise in cost of sales. Also, due to the higher growth in revenue relative to cost of sales, the cost-to-sales ratio improved to 87.50% (vs 88.43% in 9M:2022). Similarly, operating expenses declined by 9.93% YoY to NGN5.07bn, particularly due to the fall in freight costs (-17.91% YoY), depreciation (-30.33% YoY) and staff costs (-4.65% YoY). However, finance costs jumped significantly by 105.94% YtD to NGN1.21bn, owing to the rise in interest rate (17.00% vs 14.90% in 9M:2022) on bank overdraft incurred, due to the delay in receiving settlement of pending subsidy claims from the Federal Government. Furthermore, CONOIL reported a surge in its profit before tax by 181.51% to NGN11.05bn, owing to the growth in topline and reduced operating expenses. Also, lower effective tax rate was recorded for the period (21.37% vs 25.22% in 9M:2022). Thus, the firm's recorded an impressive 195.96% YoY growth in its net earnings to NGN8.69bn (from 2.94bn in 9M:2022).

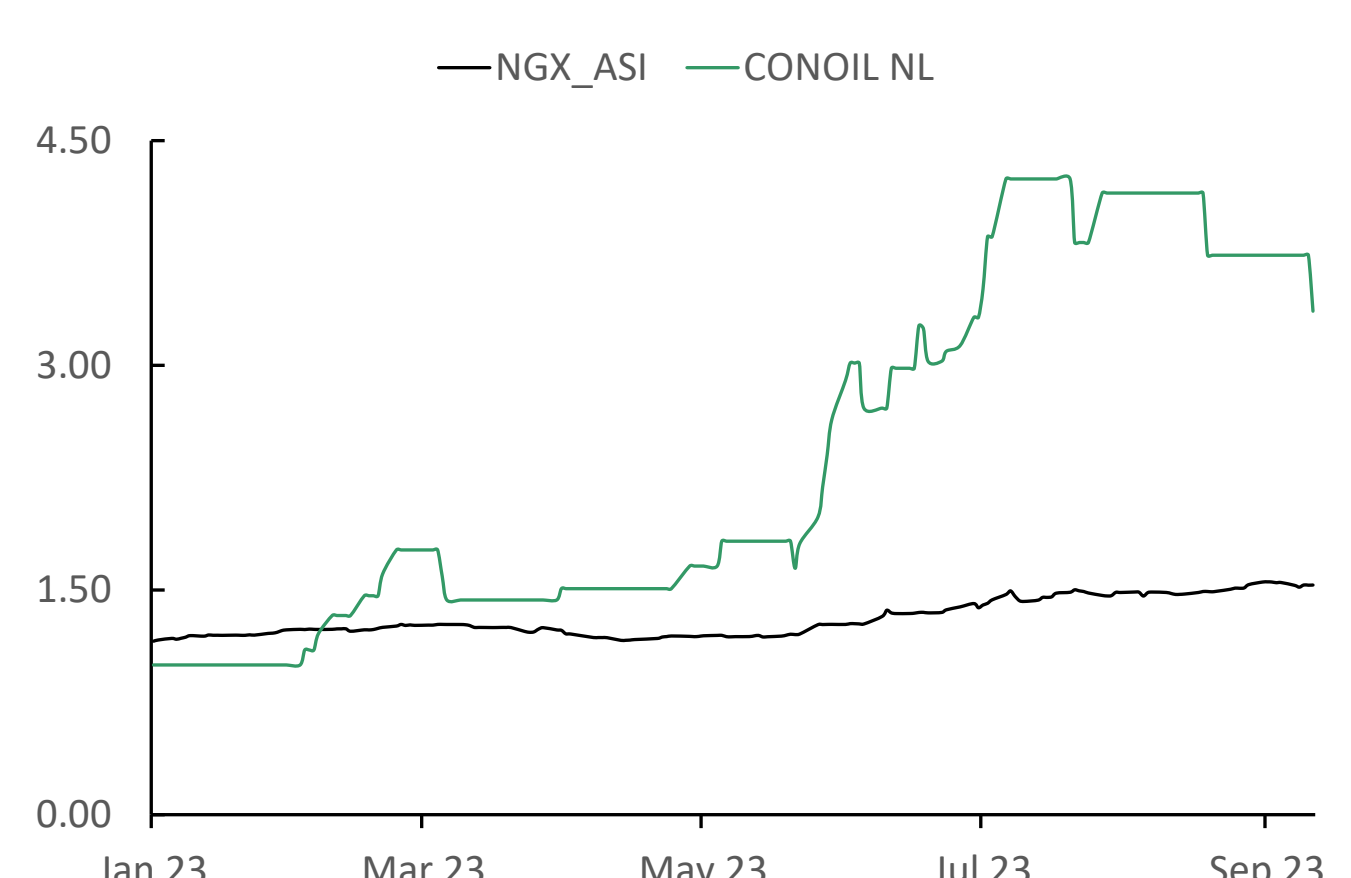
Positives: Gross and EBITDA margins improved to 12.50% and 6.30% (vs 11.57% and 3.25% in 9M:2022) owing to the growth in topline. Similarly, net margin and interest coverage ratio improved to 6.30% and 10.17x (vs 3.25% and 4.81x in 9M:2022), due to the lower operating expense.

Negatives: Current, quick and cash ratios declined to 1.57x, 1.08x and 0.17x (from 1.69x, 1.46x and 0.21x in 2022Y) due to the 8.01% YtD increase in trade payables and lower receivables (2.37%) offsetting the impact of the increase in inventory (413.58% YtD).

Our outlook for 2023FY remains optimistic, driven by anticipated growth in revenue. However, we acknowledge the potential challenges stemming from decreasing demand for white products such as PMS and the persistent impact of foreign exchange losses. Given these factors, we forecast a 19.47% YoY and 89.79% YoY increase in revenue and PAT to NGN157.01bn and NGN9.41bn, respectively.

Valuation	
Trailing EPS	17.25
BVPS	48.56
P/E	5.01x
P/BV	1.78x
Target PE	5.96x
Dec-2023 Exp. EPS	13.56
Dec 2023 Target price	NGN80.79
Current Price	NGN86.50

Stock Highlights	
Yr Hi	112.50
Yr Lo	26.50
YTD return	+226.42%
Beta	1.10
Adjusted Beta	1.28
Shares outstanding	693.95mn
Market cap (NGN)	60.03bn
Financial year end	December
Most Recent Period	9M:2023



Recommendation: HOLD TP: 80.79 CP: 86.50 UPP: -6.60%

Financial Highlight (NGN'bn)

Profit and Loss Account	9M:2023	9M:2022	Y/Y Growth
Revenue	137.89	90.29	52.71%
Cost of Sales	-120.65	-79.85	51.09%
Gross Profit	17.24	10.44	65.05%
OPEX	5.07	5.63	-9.93%
Other Income	0.09	0.15	-40.00%
EBIT	12.26	4.96	147.32%
PBT	11.05	3.93	181.51%
PAT	8.69	2.94	195.96%

Balance Sheet	9M:2023	2022A	YtD Growth
Property, Plants and Equip.	0.85	1.06	-20.37%
Total Debt	16.26	8.26	96.83%
Total Assets	89.51	57.50	55.67%
Total Equity	33.70	24.73	36.31%
Non-Current Liabilities	0.76	0.78	-3.44%
Total Liabilities	55.81	32.77	70.28%

Key Metrics

Profitability Ratio	9M:2023	2022A	3-yr Hist. Avg
Return on Asset	9.71%	7.52%	5.39%
Return on Equity	25.79%	19.82%	13.78%
Net Margin	6.30%	3.77%	2.48%

Liquidity Ratio	9M:2023	2022A	3-yr Hist. Avg
Current Ratio	1.57x	1.69x	1.56x
Quick Ratio	1.08x	1.46x	1.34x

Efficiency Ratio	9M:2023	2022A	3-yr Hist. Avg
Asset Turnover	0.33x	0.41x	0.35x

Solvency Ratio	9M:2023	2022A	3-yr Hist. Avg
Debt-to-Asset Ratio	0.37x	0.28x	0.61x
Debt-to-Equity Ratio	0.96x	0.59x	0.30x

*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

Sensitivity Analysis of Dec-2023 Target Price to Key Model Inputs						Min	71.28
						Max	90.80
		13.06	13.31	13.56	13.81	14.06	
Target PE	5.46	71.28	72.65	74.01	75.38	76.74	
	5.71	74.55	75.97	77.40	78.83	80.26	
	5.96	77.81	79.30	80.79	82.28	83.77	
	6.21	81.08	82.63	84.18	85.73	87.29	
	6.46	84.34	85.96	87.57	89.19	90.80	

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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: CONOIL Plc

Date	Price (N)	Previous Target Price(N)	New Target Price (N)	Previous Recommendation	New Recommendation
29-Nov -2023	86.50	80.79	-	BUY	HOLD
25-July -2023	102.30	25.93	80.79	BUY	BUY

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CONOIL Plc	

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