



11 Plc H1 2019 04 September 2019



MPR: 13.50%
 July '19 Inflation Rate: 11.08%
 Q2 '19 GDP: 1.94%

TICKER: 11 PLC
 Sector: Oil & Gas (Downstream)
 Price as at 04 September 2019: NGN158
 Target Price: NGN185.76

Upside Potential: 17.57%
 Performance Rating: BB
 Recommendation: MODERATE BUY
 Suggested Entry Price: NGN130.00

Financial Summary (N'Bn)	H1 2019	H1 2018	Y-o-Y%Δ
Turnover	92.81	85.91	8.02%
Gross Profit	7.54	9.35	-19.34%
Operating Expense	5.21	5.99	-13.01%
EBIT (Operating π)	6.39	7.77	-17.80%
PAT	4.17	5.45	-23.40%
Total Assets	74.38	72.93	1.98%
Total Liabilities	39.41	43.01	-8.38%
Shareholders' Funds	34.97	29.92	16.87%

Source: Company Financials, Cowry Research

Financial Ratios	H1 2019	H1 2018	Industry Average
Gross Profit Margin	8.12%	10.88%	7.06%
Operating Profit Margin	6.88%	9.04%	2.56%
Return on Equity	12.86%	20.86%	4.80%
Return on Total Assets	8.67%	11.86%	3.24%
Interest Coverage Ratio	25.55	2,368.74	4.73
CCC	75.45	42.69	67.21
Quick Ratio	0.73	0.82	0.83
Debt to Capital	0.00%	0.00%	36.28%
Equity Multiplier	2.13	2.44	3.58
Debt to Cash	0.00x	0.00x	3.00x
Debt to EBITDA	0.00x	0.00x	2.50x

Source: Company Financials, Cowry Research

Investment Ratios	H1 2019	Industry Average
EPS TTM	22.33	4.66
F' EPS	23.15	4.81
NAV	96.98	47.96
EV/EBITDA	6.54x	8.01x
PER TTM	7.07x	10.72x
Weighted PER	3.02x	8.32x
P/B	1.63x	0.90x
Target Price (TP)	185.76	
Dividend Yield (%)	5.22	

Source: NSE, Company Financials, Cowry Research

Key: EPS – Earnings Per Share; NAV – Net Asset Value; PER – Price to Earnings; P/B – Price to Book; F' – Full Year Forecast; TTM – Trailing Twelve Months

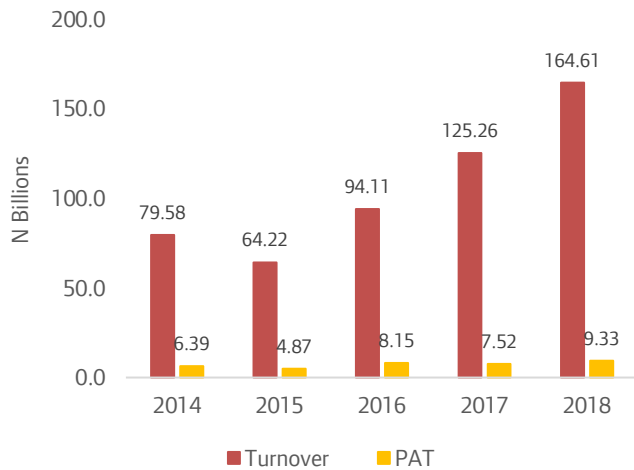
11 Plc A Cautious Buy Given its Mixed Bag Performance...

11 Plc ("Double One", formerly Mobil Nigeria Plc) recorded increased turnover in H1 2019 despite the challenging business climate in the downstream sector. The NIPCO subsidiary had also increased its shareholders wealth as it has remained profitable in several years – hence, its apparent suitability as a portfolio stabilizer. However, amid higher cost of sales in H1 2019, the company's profitability level dipped, recording a 23.40% decline in profit after tax. Hence, the return on equity fell to 12.86% in H1 2019 from 20.86% in H1 2018. Given the mixed bag of current higher input cost on the one hand, and its historical good valuation metrics on the other hand, which triggered our 'BB' rating, we rate its shares a MODERATE BUY.

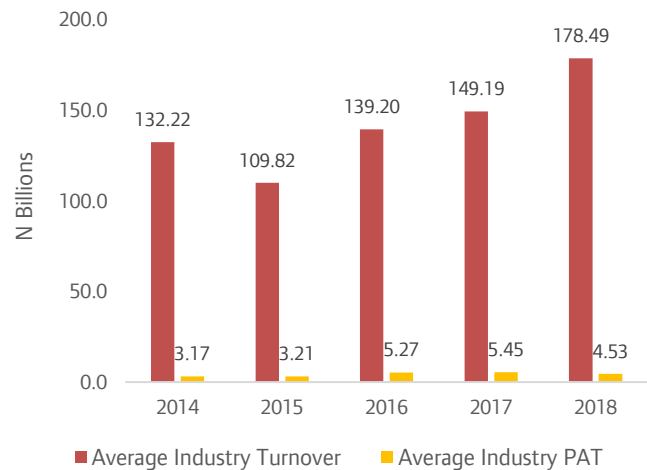
... 11 Plc PAT Hit by Higher Input Costs Despite Rising Sales

11 Plc's turnover grew y-o-y by 8.02% in H1 2019 as sales volume of petroleum products (marketing) increased. The company sacrificed part of its sales margin in order to drive volume by cutting its pump price. Thus, cost of sales increased by 11.37% in H1 2019, resulting in a gross margin reduction to 8.12%. Coupled with decreasing margin in its property's business, the downstream company printed EPS of N11.57 in H1 2019 compared to N15.11 in H1 2018. We note its re-entry into the sale and marketing of Aviation Turbine Kerosene (ATK) in Q4 2018 which should further boost revenue. However, given Double One's rising input cost amidst a current bearish market trend, we suggest an entry price of N130.00 in order to benefit from a potential capital gain of 42.89% ableit with a dividend yield of 6.35%.

11 Plc Turnover vs PAT

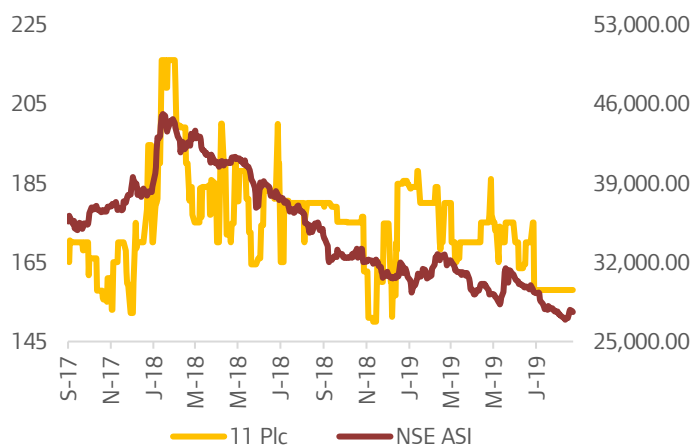


FY Industry Averages



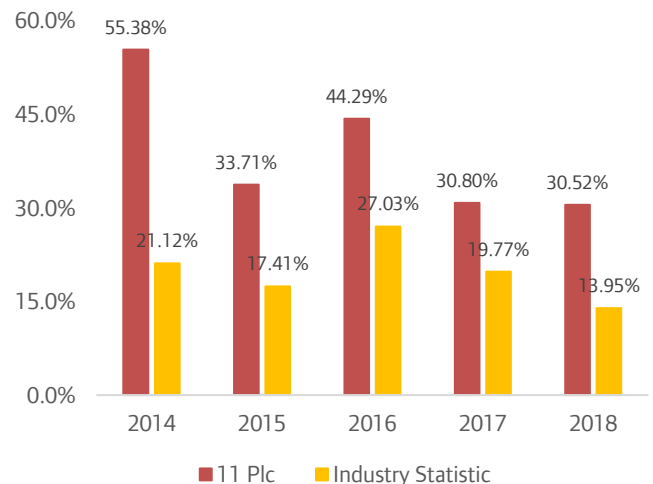
Source: Company Financials, Cowry Research

11 Plc vs NSE ASI



Source: NSE ASI, Cowry Research

Industry Historical Returns on Equity





IMPORTANT DISCLOSURES:

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Performance Rating (PR)	Meaning
A	Security's Performance (Operating and Investment) rated ' Excellent '; scores \geq 75% in its industry
BB	Security's Performance rated ' Investment Grade '; scores between 65% and 75% in its industry
Bb	Security's Performance rated ' Acceptable '; scores between 50% and 65% in its industry
D-E	Security's Performance rated ' Not Acceptable '; scores below industry average

Analyst Recommendation (AR)	Meaning
BUY	PR is a 'BB' or 'A' and/or Security's Upside Potential is X: $X \geq 500$ bps above 364-day T-Bill rate
MODERATE BUY	PR is a 'Bb' or 'BB' and Security's Upside Potential is X: $364\text{-day T-Bill Rate} < X < 500$ bps above 364-day T-Bill Rate
NEUTRAL	PR is a 'Bb' and Security's Upside Potential is X: X is positive and $< 364\text{-day T-Bill Rate}$
MODERATE SELL/ REDUCE	PR is a 'Bb' and Security is Overvalued
SELL	PR is a 'D' or 'E' and Security is Overvalued