



Conoil Plc H1 2019 27 August 2019



MPR: 13.50%
July '19 Inflation Rate: 11.08%
Q1 '19 GDP: 2.01%

TICKER:	CONOIL PLC	Upside Potential:	76.31%
Sector:	Oil & Gas	Performance Rating:	BB
Price as at 27 August 2019:	NGN16.80	Recommendation:	MODERATE BUY
Target Price:	NGN29.62	Suggested Entry Price:	NGN15.50

Financial Summary (N'Bn)	H1 2019	H1 2018	Y-o-Y%Δ
Turnover	72.22	54.48	32.56%
Gross Profit	6.69	6.39	4.72%
Operating Expense	4.06	4.63	-12.25%
EBIT (Operating π)	2.69	1.89	42.48%
PAT	1.03	0.55	87.54%
Total Assets	61.62	58.68	5.01%
Total Liabilities	43.67	40.24	8.54%
Shareholders' Funds	17.95	18.44	-2.70%

Source: Company Financials, Cowry Research

Financial Ratios	H1 2019	H1 2018	Industry Average
Gross Profit Margin	9.27%	11.73%	7.06%
Operating Profit Margin	3.72%	3.46%	2.56%
Return on Equity	5.68%	2.95%	4.80%
Return on Total Assets	4.47%	2.76%	3.24%
Interest Coverage Ratio	2.30	1.75	4.73
CCC	78.21	48.75	67.21
Quick Ratio	1.10	1.20	0.83
Debt to Capital	35.14%	27.14%	36.28%
Equity Multiplier	3.43	3.18	3.58
Debt to Cash	3.04x	2.73x	3.00x
Debt to EBITDA	0.61x	0.27x	2.50x

Source: Company Financials, Cowry Research

Investment Ratios	FY 2017	Industry Average
EPS TTM	3.28	4.66
F' EPS	2.98	4.81
NAV	25.86	47.96
EV/EBITDA	1.64x	8.33x
PER TTM	5.06x	11.10x
Weighted PER	0.41x	9.02x
P/B	0.64x	0.97x
Dividend yield at suggested entry price	12.90%	

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

CCC – Cash Conversion Cycle

Conoil Plc Illuminating a Buy Opportunity...

Conoil Plc printed stronger operating performance in H1 2019 despite the macroeconomic headwinds. The company's positive performance which came partly from increase in the sale of white products was also boosted by better margins from the sale of lubricants. In the midst of subsidy regime, Conoil amongst other players stood above industry average under different valuation metrics, hence our 'BB' rating. Also, we rate its shares a MODERATE BUY at the suggested entry price.

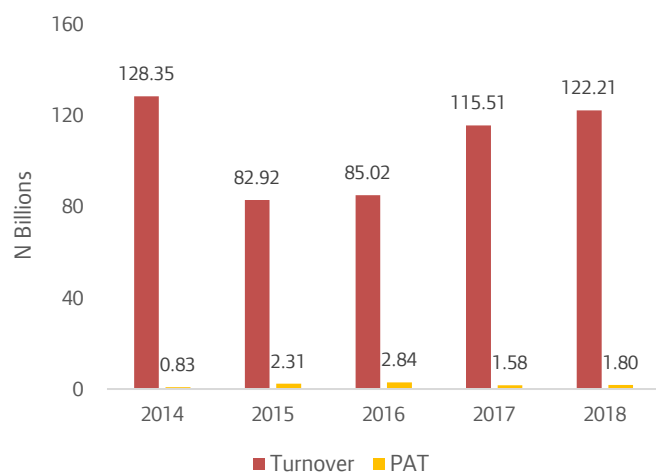
...Efficiency in Lubricants Business Segment Boost Profitability

Conoil Plc significantly grew its revenue y-o-y by 32.56% in H1 2019 as sales of white products improved despite the sustained subsidy regime which had stifled cash and suppressed competitiveness in the sector. Also the lubricants products, although contributing 5% to turnover, constituted 17.56% of the total PAT and grew y-o-y by 31.69%.

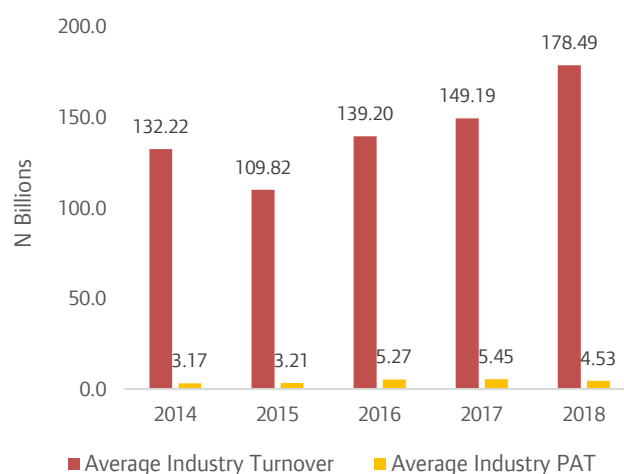
We note the late filling of Conoil's FY 2018 financial results on the Local Bourse which was due to the mandatory IFRS 9 it effected in its financial statement. The delay which had consistently impacted negatively on the company's market price, we feel, however, presents good entry opportunity for investors.

Conoil, a company currently trading below its equity value and has consistently increased PAT, even by 87.54% in H1 2019, qualifies as both value and growth stocks; thus, presenting income and capital gains opportunities.

Conoil Plc Turnover vs PAT

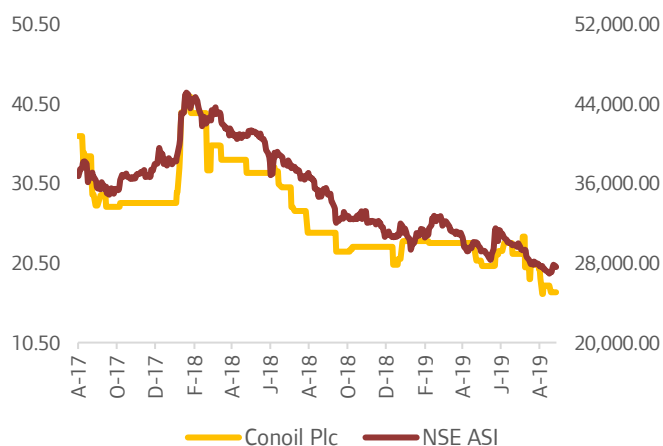


FY Industry Averages



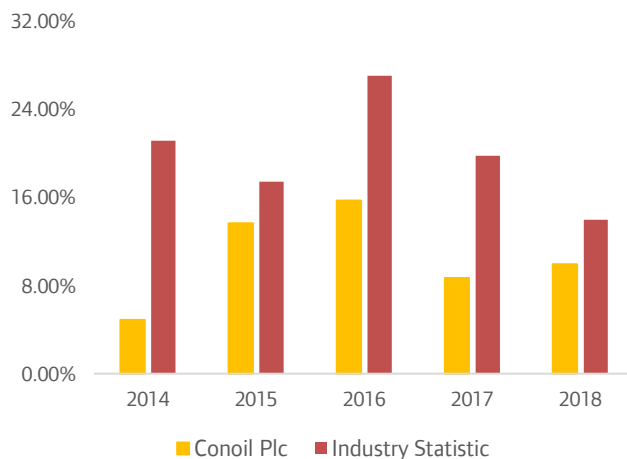
Source: Company Financials, Cowry Research

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