



TOTAL NIGERIA PLC

Earnings on track for a record year

- 9M turnover up 60% y/y
- Finance costs down 49% y/y
- Target price revised to ₦304.29

Improvement in turnover to boost full year performance.

In its recently released 9M'21 earnings report, Total Energies PLC reported a 60% improvement y/y in revenue, just in line with our estimate. As expected, the continuous absence of lockdowns and movement restrictions supported the solid performance. Revenue grew to a record ₦242.0 billion, the highest it has been in the last 4 years. On a quarterly basis, turnover recorded moderate growth, at 7% q/q, as a 14% jump in sales from its lubricant operations propped up earnings. We believe the continuous price increase in the lubricants space supported this improvement. Meanwhile, for its Q3 performance, revenue doubled y/y to print at ₦90.9 billion (Q3'20: ₦45.0 billion), as improvement was witnessed across all business segments. Sales from its petroleum operations was 208% higher y/y, driven by recoveries in sales volumes and price increases in deregulated products, while lubricants turnover recorded an 88% growth y/y.

Gross margin recorded growth y/y, from 14% in 9M'20 to 17% (9M'21) but trended lower in Q3'21 when compared to Q3'20. It declined marginally from the 19% it recorded in Q3'20 to 17% in Q3'21. Nevertheless, it remained unchanged q/q. Noteworthy to mention that Q3'20 created a strong base for comparison, due to lower landing costs witnessed in that period. Total also recorded better operational efficiency in Q3'21 despite a 14% y/y increase in OPEX for 9M'21. Operating expense margin for the quarter printed at 9% (Q3'20:15%) as OPEX was down 19%y/y. Meanwhile, finance costs trended 49% lower y/y, and was down 6% q/q, even as we saw its debt position remain sticky. The company took on fresh loans in the third quarter while simultaneously paying down older borrowings. Thus, we attribute the decline to better negotiation of interest rates, as rates have not materially changed from the last reporting period. As such, Q3'21 net profit came in at ₦5.3 billion, a 4% increase q/q and 413% higher y/y. Furthermore, as it employed better cash flow management strategy, its cash position remained positive for the period, with cash from operations up 159% y/y.

Conclusively, Total's 9M'21 performance was impressive by all measures. To end the year, as we approach the festive season, we expect a hike in transportation and general movements as people prepare for the holidays. Thus, we anticipate increased demand, pushing turnover from its fuel operations 60% higher y/y to come in at ₦250.9 billion for FY'21. Meanwhile, given the industry-wide trend of higher pricing in the lubricants space, we have revised our expectations for the lubricants segment, and expect turnover to come in at ₦87.5 billion which is 83% higher y/y. Also, we maintain our expectations for gross margin at 17% for the full year, driving our 2021 gross profit expectation to ₦57.5 billion (up 102% y/y). We also expect operating profit margin to print at 9%, bringing FY'21 operating profit to ₦31.0 billion. With finance costs remaining sticky, our forecast for net profit prints at ₦18.1 billion (FY'20: ₦2.2 billion), yielding a 12-month target price of ₦304.29; thus, we reiterate our BUY rating on the stock.

Equity Research
02 November 2021

BUY

Target price **₦304.29**

Company Statistics

Price (₦)	240.80
Market Cap (₦' Mn)	81,756
Total Assets (₦' Mn)	186,903
Debt to Assets	18%
Shares Outstanding (Mn):	340
NSE	TOTAL
Bloomberg	TOTAL.NL
Reuters	TOTAL.LG

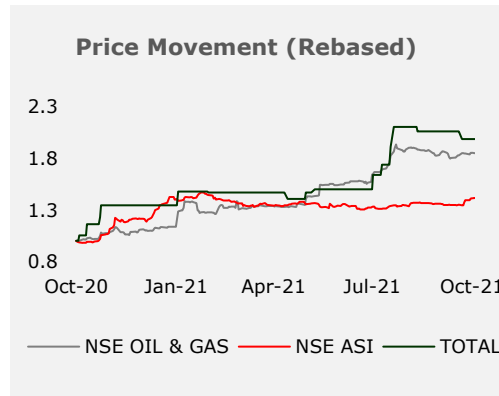
Ownership Structure

Total Marketing Services	61.72%
Others	38.28%

Share Price Performance

30 days	21.00%
YTD	85.00%
365 days	85.00%

Price Movement (Rebased)



Source: NSE, Vetiva Research

Business Description

TOTAL is one of the largest marketers and distributors of petroleum products in Nigeria. TOTAL offers various fuel products, including petrol, diesel, and kerosene. TOTAL operates 575 service stations, 3 lubricants blending plants; and 5 aviation storage facilities.



	9M'21	9M'20	Y/Y Change	Vetiva Estimate	Deviation
Income statement (N'mil)					
Revenue	242,224	151,707	60%	239,285	1%
Cost of sales	(201,639)	(130,678)	54%	(198,720)	1%
Gross profit	40,585	21,030	93%	40,565	0%
Operating expenses	(23,476)	(20,599)	14%	(22,694)	3%
Other income	3,654	1,152	217%	2,807	30%
Operating profit	20,651	1,281	NM	18,964	9%
Net finance costs	(928)	369	NM	(1,179)	-21%
Profit before taxation	19,723	913	NM	17,935	10%
Taxation	(6,337)	(248)	NM	(6,689)	-5%
Profit for the year	13,386	500	NM	11,247	19%
Gross margin	17%	14%		17%	
Operating margin	9%	1%		8%	
Net margin	6%	0%		5%	



Income Statement	2019A	2020A	2021E	2022F	2023F	2019A	2020A	2021E	2022F	2023F
	N'mil	N'mil	N'mil	N'mil	N'mil	\$'mil	\$'mil	\$'mil	\$'mil	\$'mil
Turnover	292,177	204,159	338,385	400,471	418,658	953	539	893	1,057	1,105
Cost of Sales	(257,126)	(173,974)	(280,860)	(332,391)	(351,672)	(839)	(459)	(741)	(877)	(928)
Gross Profit	35,051	30,185	57,526	68,080	66,985	114	80	152	180	177
Operating Expenses	(28,567)	(28,002)	(31,101)	(36,473)	(38,217)	(93)	(74)	(82)	(96)	(101)
Other Income	3,338	1,539	4,616	4,662	4,709	11	4	12	12	12
EBIT	9,822	3,722	31,041	36,269	33,477	32	10	82	96	88
Net Finance (Expenses)/Income	(6,751)	(629)	(755)	(1,234)	(1,739)	(22)	(2)	(2)	(3)	(5)
Profit Before Tax	3,071	3,092	30,285	35,035	31,738	10	8	80	92	84
Taxation	(792)	(849)	(12,175)	(11,667)	(10,569)	(3)	(2)	(32)	(31)	(28)
Profit After Tax	2,279	2,244	18,111	23,368	21,169	7	6	48	62	56
Balance Sheet	2019A	2020A	2021E	2022F	2023F	2019A	2020A	2021E	2022F	2023F
Property, Plant & Equipment	35,477	36,208	33,261	28,996	27,456	116	96	88	77	72
Prepayments	3,086	2,674	2,174	1,674	1,174	10	7	6	4	3
Inventories	33,642	21,620	26,932	30,962	31,795	110	57	71	82	84
Trade and Other Receivables	45,435	42,334	55,625	60,345	66,526	148	112	147	159	176
Prepayments & Debtors	379	782	3,708	4,389	4,588	1	2	10	12	12
Total Assets	133,788	148,605	163,774	165,027	173,242	437	392	432	435	457
Trade and Other Payables	57,178	73,224	80,795	72,853	72,261	187	193	213	192	191
Current Tax Liabilities	227	0	2,435	3,102	2,734	1	0	6	8	7
Short Term Borrowings	39,877	38,616	35,616	33,616	32,616	130	102	94	89	86
Deferred Taxation	4,622	4,584	4,584	4,584	4,584	15	12	12	12	12
Employee Benefits	556	609	627	645	663	2	2	2	2	2
Share Capital	170	170	170	170	170	1	0	0	0	0
Retained Earnings	28,150	28,161	36,311	46,827	56,988	92	74	96	124	150
Shareholders' Funds	28,150	28,161	36,311	46,827	56,988	92	74	96	124	150
Total Equity & Liabilities	133,788	148,605	163,774	165,027	173,242	437	392	432	435	457
Cash Flows Statement	2019A	2020A	2021E	2022F	2023F	2019A	2020A	2021E	2022F	2023F
Operating Activities	15,112	43,520	14,646	14,521	21,738	49	115	39	38	57
Investing Activities	(3,962)	(8,281)	(3,645)	(2,550)	(5,712)	(13)	(22)	(10)	(7)	(15)
Financing Activities	(13,926)	8,895	(13,716)	(16,087)	(13,747)	(45)	23	(36)	(42)	(36)
Cash and Cash Equivalents	8,233	35,805	33,090	28,974	31,254	27	94	87	76	82



GROWTH RATES	2019A	2020A	2021E	2022F	2023F
Turnover growth	-5%	-30%	66%	17%	5%
Growth in EBITDA	3%	-42%	319%	15%	-6%
Growth in EBIT	0%	-62%	734%	17%	-8%
Growth in PBT	-75%	1%	879%	16%	-9%
Growth in PAT	-71%	-2%	707%	29%	-9%

PROFITABILITY	2019A	2020A	2021E	2022F	2023F
Return on Equity	8%	8%	56%	56%	41%
Return on Assets	2%	2%	12%	14%	13%

MARGINS	2019A	2020A	2021E	2022F	2023F
Gross Margin	12%	15%	17%	17%	16%
EBITDA Margin	5%	4%	11%	10%	9%
EBIT Margin	3%	2%	9%	9%	8%
Pretax Margin	1%	2%	9%	9%	8%
Net Margin	1%	1%	5%	6%	5%

PER SHARE DATA	2019A	2020A	2021E	2022F	2023F
Earnings per Share	6.71	6.61	53.34	68.83	62.35
Dividend per Share	2.00	2.00	29.34	37.85	32.42



Disclosures Section

Analyst Certification

The research analyst(s) denoted by an "*" on the cover of this report certifies (or, where multiple research analysts are primarily responsible for this report, the research analysts denoted by an "*" on the cover or within the document individually certifies, with respect to each security or issuer that the research analyst(s) cover in this research) that: (1) all of the views expressed in this report accurately articulate the research analyst(s) independent views/opinions, based on public information regarding the companies, securities, industries or markets discussed in this report. (2) The research analyst(s) compensation or remuneration is in no way connected (either directly or indirectly) to the specific recommendations, estimates or opinions expressed in this report.

Ratings Definitions

Vetiva uses the following rating system:

Buy rating refers to stocks that we consider highly undervalued, but with strong fundamentals, and where potential return in excess of or equal to 15.00% is expected to be realized between the current price and analysts' target price.

Hold rating refers to stocks that we consider correctly valued with little upside or downside, and where potential return between +5.00 and +14.99% is expected to be realized between current price and analysts' target price.

Sell rating refers to stocks that we consider overvalued, but with good or weakening fundamentals, and where potential return below +5.00% is expected to be realized between current price and analysts' target price.

Rating Suspended: applies to a stock when investment rating has been suspended because there is no sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target price.

Extra-normal situations: The standard rating methodology as defined above does not however apply in extra-normal situations. We define an extra-normal situation as one where mostly non-quantitative material considerations and factors which cannot be reasonably and reliably estimated are considered in providing a recommendation on a stock. In such cases, the analyst may use professional judgement at their own discretion to assign ratings which may contradict the expected rating based on the standard rating methodology.

Analysts' Compensation: The research analyst(s) responsible for the preparation of this report receive compensation based upon various factors, including the quality and accuracy of research, client feedback, competitive factors, and overall firm revenues, which include revenues from, among other business units, Investment Banking and Wealth Management.

Valuation and Risks: Please see the most recent company-specific research report for an analysis of valuation methodology and risks on any security recommended herein. You can contact the analyst named on the front of this note for further details.

Frequency of Next Update: An update of our view on the company would be provided when next there are substantial developments/financial news on the company.

Conflict of Interest: It is the policy of Vetiva Capital Management Limited and its subsidiaries and affiliates (individually and collectively referred to as "Vetiva") that research analysts may not be involved in activities that suggest that they are representing the interests of Vetiva in a way likely to appear to be inconsistent with providing independent investment research. In addition, research analysts' reporting lines are structured so as to avoid any conflict of interests. For example, research analysts are not subject to the supervision or control of anyone in Vetiva's Investment Banking or Sales and Trading departments. However, such sales and trading departments may trade, as principal, on the basis of the research analyst's published research. Therefore, the proprietary interests of those Sales and Trading departments may conflict with your interests.

Company Disclosure:

Vetiva may have financial or beneficial interest in securities or related investments discussed in this report, which could, unintentionally, affect the objectivity of this report. Material interests which Vetiva has with companies or in securities discussed in this report are disclosed hereunder:

Company	Disclosure
Total Nigeria Plc	



- a. The analyst holds personal positions (directly or indirectly) in a class of the common equity securities of the company
- b. The analyst responsible for this report as indicated on the front page is a board member, officer or director of the Company
- c. Vetiva is a market maker in the publicly traded equities of the Company
- d. Vetiva has been lead arranger or co-lead arranger over the past 12 months of any publicly disclosed offer of securities of the Company
- e. Vetiva beneficially own 1% or more of the equity securities of the Company
- f. Vetiva holds a major interest in the debt of the Company
- g. Vetiva has received compensation for investment banking activities from the Company within the last 12 months
- h. Vetiva intends to seek, or anticipates to receive compensation for investment banking services from the Company in the next 3 months
- i. The content of this research report has been communicated with the Company, following which this research report has been materially amended before its distribution
- j. The Company is a client of Vetiva
- k. The Company owns more than 5% of the issued share capital of Vetiva
- l. Vetiva has other financial or other material interest in the Company

Important Regional Disclosures

The analyst(s) involved in the preparation of this report may not have visited the material operations of the subject Company (ies) within the past 12 months. Commission is the commission rate or the amount agreed with a customer when setting up an account or at any time after that. To the extent this is a report authored in whole or in part by a Non-U.S. analyst and is made available in the U.S., the following are important disclosures regarding any Non-U.S. analyst contributors: The Non-U.S. research analysts (denoted by an * in the report) are not registered/qualified as research analysts with FINRA; and therefore, may not be subject to the NASD Rule 2711 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. Each analyst (denoted by an *) is a Non-U.S. Analyst and is currently employed by Vetiva.

Legal Entities

Vetiva Capital Management Limited is registered with the Nigerian Securities & Exchange Commission (SEC) to conduct Issuing House, Financial Advisory, Fund/Portfolio Management business. The subsidiary, Vetiva Securities Limited is licensed by the SEC and the Nigerian Stock Exchange to operate as a Broker/Dealer in the Nigerian Capital Market. Vetiva Trustees Limited, which is also a subsidiary of Vetiva Capital Management Limited, is licensed by the SEC to carry on Trusteeship business in Nigeria.

General

This research report is based on public information which the research analyst(s) consider credible and reliable. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of Vetiva, including the Investment Banking team and the Wealth Management team, as Vetiva has established information barriers between its Research team and certain business groups. Whilst reasonable care has been taken in preparing this report, no responsibility or liability is accepted either by Vetiva, its officers or any of its employees for any error of fact or opinion expressed herein. No reliance should be placed on the accuracy, fairness or completeness of the information contained in this report as it has not been verified by the research analyst(s) involved or the companies whose securities have been referred to except as otherwise disclosed. Neither Vetiva nor any of its officers or employees including the research analyst(s) warrant or represent the accuracy or completeness of information set out in this report. Any ratings, forecasts, estimates and opinions set forth in this report constitute the analyst(s) position as at the date and time of this report and may not necessarily be so after the report date and time, as they are subject to change without notice. It is also instructive to note that a company's past performance is not necessarily indicative of its future performance as estimates are based on assumptions that may or may not be realized.

The value, price or income from investments mentioned in this report may fall, as well as rise, due to economic conditions, industry cycles, market indices, operational or financial conditions of companies or other factors. Thus, Vetiva and its officers and employees shall not accept liability for any loss arising from the use of this report or its contents in making investment decisions or recommendations. This report provides general information only. It is not intended to provide personal investment advice and does not take into account the specific investment objectives, financial situation and the particular needs of any specific person. Investments and securities discussed in this report may not be suitable for all investors and certain investors may not be eligible to purchase or participate in some or all of them. Users of this research report should independently determine the suitability and evaluate the investment risks associated with investments and securities discussed in this report. All investors are solely responsible for their investment decisions. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this report. Vetiva, through business units other than Vetiva Research, may have issued and may in the future issue trading ideas or



recommendations that are inconsistent with, and reach different conclusions from, the information presented in this report.

Such ideas or recommendations reflect the different time frames, assumptions, views and analytical methods of the persons who prepared them, and Vetiva is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this report. Vetiva may make investment decisions or take proprietary positions that are inconsistent with the recommendations or views in this report. To the extent that this report discusses any legal proceeding or issue, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Information relating to the tax status of companies whose securities are discussed in this report is not intended to provide tax advice or to be used by anyone to provide tax advice.

By accepting and making use of this research report, you agree to be bound by the foregoing limitations. No portion of this document may be reprinted, sold or redistributed without the written consent of Vetiva Capital Management Limited. Vetiva research report is disseminated and available primarily electronically, and, in some cases, in printed form.

Additional information on recommended securities/instruments is available on request.

© 2021 Vetiva Capital Management Limited. All rights reserved.