

Okomu Oil 2021H1: Robust Earnings Growth, Full-Year Dividend Outlook



Ambrose Omordion August 10, 2021 80 4 minutes read



Post Views: 236

Rating: Hold

Current Market Price: N110.00

Latest Dividend: N7.00

Year High: N116.50

Year Low: N85.00

Fair Value: N103.52

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Introduction/Key Financials

- We have carefully observed the half-year financial indices of Okomu Oil Palm Plc for the half-year ended 30th June 2021, compared the same with figures released in the corresponding period of 2020 for the purpose of establishing growth.
- Nevertheless, we have carefully chosen our valuation approach, while using the last full year's financials for projections and other valuation processes.
- Note that the current half-year performance soared over the figures released at the end of the corresponding period of last year.
- We are of the opinion that the growth observed is largely due to the government's encouragement and support for the nation's agricultural sector. The current economic situation where purchasing power is down despite the high inflation has left consumers with no choice but to concentrate more on food at the expense of necessities of life.
- See below for a detailed comparison of the just-released numbers, against those of the comparable period of 2020.

OKOMU OIL	
Bourse	Nigerian Stock Exchange
Code Name	OKOMUOIL
Sector	AGRICULTURE
Market Classification	MAIN BOARD
Nature of Business	Development of Oil and Rubber Plantations. Palm oil Milling, Palm Kernel Processing and Sale of Wet Cup Lumps
Date of Incorporation	Dec-03-1979
Date Listed	Sep-09-1997
End of Accounting Year	31ST DECEMBER
Website	-
Registrar	Cardinastone (Registrars) Limited
Auditor	Crowe Dafinone
Share Price@Relsd (N)	110.00
Earnings per Share	10.00
Intrinsic Value(N)	103.52
Share Outstanding	953,910,000
Market Capitalisation	104,930,100,000

Sources: Company report, NGX, Investdata Research

Company figures

- As noted above, the Turnover reported for the period stood at 75.67% above the comparable year. In other words, the Turnover figure for the quarter was N23.62 billion, from N13.52 billion.
- The direct cost of sales generated through the period is valued at N1.94 billion, higher than the N1.08 billion estimated at the end of the 2020 half-year.
- Due to the higher revenue reported, Operating Profit is 115.62% above the comparable quarter of 2020.
- Operating Expenses value reported at the end of the period is the same as N9.15 billion, 38.05% above the N6.63 billion used through the comparable period of last year.
- Finance Cost used through the period is valued at N80.80 million, a drop by 73.99% from the N310.64 million reported in its 2020 half-year numbers
- Profit before Tax is currently valued at N12.44 billion as against N5.50 billion achieved at the end of the 2020 half-year
- Having made allowance for Tax Expense, the board of Okomu Oil reported a profit for the period of N9.53 billion, as against N4.00 billion posted in its 2020 half-year.

OKOMU OIL			
Statement of Comprehensive Income			
	2021	2020	%CHG
Turnover	23,626,703,000	13,526,670,000	74.67
Cost of Sales	1,941,748,000	1,082,981,000	79.30
Operating Profit	12,526,454,000	5,809,594,000	115.62
OPEX	9,158,301,000	6,634,095,000	38.05
DEPRECIATION	15,558,498,000	13,051,403,000	19.21
FINANCE COST	80,802,000	310,649,000	-73.99
NET FINANCE INCOME	77,138,000	305,121,000	-74.72
PBT	12,449,316,000	5,504,473,000	126.17
TAX	2,913,526,000.00	1,497,551,000.00	94.55
PAT	9,535,790,000	4,006,922,000	137.98
TOTAL COMP INCOME	9,553,790,000	4,006,922,000	138.43
Statement of Financial Position			
Current Assets	19,357,030,000	15,884,682,000	21.86
Non Current Assets	40,840,168,000	33,605,982,000	21.53
Total Assets	60,197,198,000	49,490,664,000	21.63
Current Liabilities	8,391,798,000	4,936,101,000	70.01
Non Current Liabilities	12,319,692,000	11,623,669,000	5.99
Total Liabilities	20,711,490,000	16,559,770,000	25.07
Net Assets	37,834,196,000	31,279,382,000	20.96
Retained Earnings	35,490,145,000	28,935,331,000	22.65
Shares Outstanding	953,910,000	953,910,000	

Sources: Company report, NGX, Investdata Research

- Current Assets at the end of the period is valued at N19.35 billion, the same as 21.86% above the N15.88 billion assets valuation at the end of the 2020 half-year.
- Non-Current Assets, on the other hand, stood at 21.53% above the corresponding period's N40.48 billion against N33.60 billion
- Current Liabilities equally build by 70.01% over the corresponding period at N8.39 billion, versus N4.93 billion in 2020.
- Non-Current Liabilities for the period is valued at N12.31 billion, this is 5.99% above the 11.62 billion posted in the first half of 2020.
- Net Assets at the end of the period was estimated at N37.83 billion, 20.96% above the N31.29 billion stated in its 2020 half-year.
- Retained Earnings also improved above the 2020's to N35.49 billion, versus N28.93 billion.



Financial Strength/Solvency Ratios

- Okomu Oil's Debt Ratio was stable at 34.41% through the two periods compared and only adjusted up by a marginal 2.83%.
- Total Debt to Equity Ratio was also fairly stable through the periods. We have estimated that Okomu's total debt is the same as 54.74% of the equity value at the end of the period.
- We also estimated the Equity Ratio at 62.85% slightly down from the 63.20% in the 2020 half-year. This implies that the company's equity is currently 62.85% of the Asset. In other words, more equity was used in the running and servicing of the company's assets through the period.
- Patronage in the share price of Okomu Oil seems low at the current beta value of 0.65x, which could be linked to its low share outstanding.

Financial Strength/Solvency Ratio			
TICKERS	2021	2020	%CHG
Debt Ratio	34.41%	33.46%	2.83
Total Debt to Equity Ratio (MRQ)	54.74%	52.94%	3.40
Equity Ratio	62.85%	63.20%	-0.56
TICKERS	2021	Industrial Average	%CHG
Beta Value	0.65	0.75	-13.33

Sources: Company report, NGX, Investdata Research

Profitability Ratios

- The estimated EBITDA margin for the period stood at 53.02%, this is the same as 23.44% above the 42.95% in 2020.
- In the same trend, Pre-tax Margin grew by 29.84% to the current estimate of 52.69% against 40.69%, this is a confirmation of growth in profitability within the compared periods
- Cost of Sales stood at 8.22% of the company's Turnover, which is only a 2.65% drop in profitability when compared to the 8.01% estimated at the end of the 2020 half-year earnings. It is noteworthy that this ratio is highly impressive, and confirmed that Okomu Oil's business is highly profitable.
- Return on Equity is currently estimated at 25.20%, far higher than the 12.81% in 2020.
- See below for detailed profitability ratios:

PROFITABILITY RATIOS			
TICKERS	2021	2020	%CHG
EBITDA MARGIN	53.02%	42.95%	23.44
PRE-TAX MARGIN	52.69%	40.69%	29.48
EFFECTIVE TAX RATE	30.55%	37.37%	-18.25
CS TO TO	8.22%	8.01%	2.65
ROE	25.20%	12.81%	96.75
ROA	15.84%	8.10%	95.66

Sources: Company report, NGX, Investdata Research

Efficiency Ratios