



Earnings Update: TOTAL NIGERIA PLC Q2-2021

Improved Sales Drove Overall Performance

22 July 2021

WHAT WE LIKE ABOUT THE RESULT

1. Revenue for the period came in at ₦84.6 billion, 132.1% ahead of the 2020 figure at ₦36.5 billion. This was driven by a 36.2% and 62.4% increase in Petroleum Products and Lubricants Sales respectively, for the quarter.
2. Gross Margin for the quarter came in at 16.6%, 3.8ppts ahead of the margin reported last year. In our view, this was driven by the growth in Lubricants Operations, which typically bear significantly higher margins than the fuel business.
3. The effect of improved Gross Margin filtered through the Income Statement to drive Operating Profit 4.9x y/y to ₦8.0 billion, despite a 19.3% y/y increase in Operating Costs.
4. Net Finance Costs for the quarter sharply dropped 148.4% amidst the low yield environment.
5. Net Operating Cash Flow in the period under review remained strong increasing by 107.0% to ₦24.9 billion. Cash position was boosted mainly by non-cash adjustments and Trade and Other Payables to the tune of ₦34.3 billion added.

WHAT WE DID NOT LIKE ABOUT THE RESULT

1. Cost of Sales (COS) surged by 121.9% y/y to ₦70.6 billion in Q2-2021 from ₦31.8 billion within the same period in 2020. This was mainly driven by an increase in Net changes in inventory of Lubricants, Greases and Refined Products.

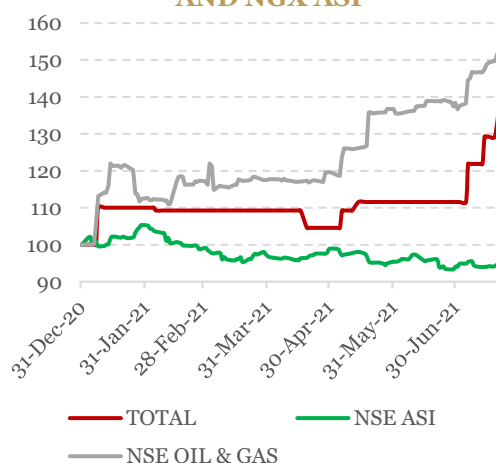
Kindly click [here](#) for the full financial statement.

TICKER	TOTAL
Price (₦) on 22 July 2021	184.80
Shares Outstanding	339,521,837
P/E	33.96
Entry Price 1 (₦)	155.00
Entry Price 2 (₦)	170.00
Exit Price 1 (₦)	200.00
Exit Price 2 (₦)	223.00
Expected Return 1 (%)	29.03
Expected Return 2 (%)	31.18
Rating	BUY

REMARKS

Rebounding Earnings, positive sentiment for the sector due to improving Crude Oil price, strong Shareholding structure and consistent Dividend Payout.

REBASED PRICE MOVEMENT FOR TOTAL, NGX OIL & GAS AND NGX ASI



Source: Investing, PSL Research

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INCOME STATEMENT	Q2-2021	Q2-2020	Change (%)
Revenue	84,637,293	36,463,627	132.11%
Cost of Sales	(70,621,376)	(31,817,960)	121.95%
Gross Profit	14,015,917	4,645,667	201.70%
Operating Expenses	-7,543,800	-6,322,004	19.33%
Other Income	1,603,920	289,261	454.49%
Operating Profit	8,034,825	(1,642,940)	589.05%
Net Finance Cost	(607,326)	1,256,037	148.35%
Profit Before Taxation	7,427,499	(423,736)	1852.86%
Taxation	(2,332,368)	49,771	4786.20%
Profit for the Year	5,095,131	(373,965)	1462.46%
Gross Margin	16.56%	12.74%	
Operating Margin	9.49%	-4.51%	
Net Margin	6.02%	-1.03%	
BALANCE SHEET	Q2-2021	Q2-2020	Change (%)
Property, Plant and Equipment	34,148,444	36,207,654	-5.69%
Prepayments	1,125,669	1,130,452	-0.42%
Inventories	29,484,507	21,619,936	36.38%
Trade and Other Receivables	55,571,956	41,335,763	34.44%
Total Assets	186,903,291	143,612,885	30.14%
Shareholders Funds	32,821,176	28,150,979	16.59%
Total Equity and Liabilities	186,903,291	143,612,885	30.14%
CASH FLOW STATEMENT	Q2-2021	Q2-2020	Change (%)
Operating Activities	24,994,952	12,072,053	107.05%
Investing Activities	(268,627)	(3,108,814)	91.36%
Financing Activities	2,295,786	(9,281,205)	124.74%
Cash and Cash Equivalents	55,276,973	(19,601,551)	382.00%

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