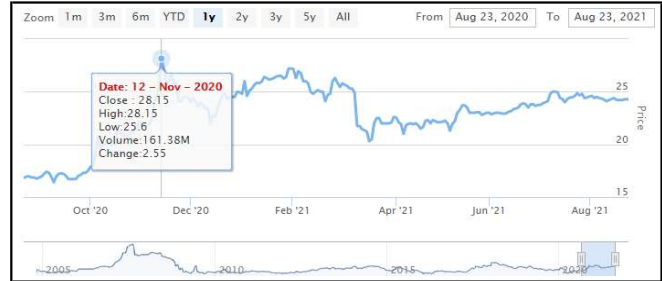


ZENITH BANK PLC N24.40, August 30, 2021, BANKING



Zenith Bank 2-year stock chart



Zenith Bank 1-year stock chart

Earnings Based Valuation

ZEN Q2 delivered a mild increase in topline with stronger earnings expansion of +34% from its previous quarter which motivates us to revise our assumptions for the rest of the year, boosting EPS from N5.35 to N7.11. This gives us a range that has the MPS trading closer to the high end of the valuation range.

	2019	2020	2021	Val Range
EPS	5.67	6.30	7.11	=N=
PE High	5	4	4	28.44
PE Low	3	2	2	14.22

Dividend Yield Based Valuation

ZEN typically has a payout ratio that is above 40%. We take that into account in our assumption, guided by Q3 results. This assumption using 2020 yields gives us a valuation range that is at a discount to the PER ranges at the high and low ends.

	2019	2020	2021	Val Range
DPS	2.80	2.70	2.80	=N=
Yield High	14.97%	25.23%	25.23%	23.85
Yield Low	10.43%	11.74%	11.74%	11.10

Book Value Based Valuation

ZEN traded at a discount to BVPS at the high and low end in 2020. We will assume this will continue in 2021 and obtain a valuation range that is at a discount to the PER range but at a premium to the DY derived numbers. Its current MPS is trading closer to the high end of the valuation range.

	2019	2020	2021	Val Range
BVPS	23.16	26.82	31.13	=N=
PBV High	1.16	0.86	0.86	26.77
PBV Low	0.81	0.40	0.40	12.45

Summary

The 2-year chart shows an upward movement from its low of N11 in April 2020 to a high of N28.15 in Nov 2020. The 1-year chart shows a reversal from that high, a steep drop in Apr 2021 into a narrow trading band in the last 4 months. The 3-month volume at 14m is higher than the 10-day volume at 6m suggesting some reduction in demand. There is a narrow gap between the 50-day and the 200-day moving averages with the former being above. The current MPS is trading below the high end of its 52-week high and low.

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