

- PZ recorded a marginal growth in revenue in Q2 November 2016, despite the difficult macroeconomic environment
- The reduction in its cost of sales, through the streamlining of its product portfolio, led to a healthy growth in its Gross Profit
- Operating expenses were kept under control during the period
- Operating profit grew significantly as a result of improved efficiency
- PZ incurred a significant foreign exchange (FX) loss of N4.94bn, which eroded its EBIT
- The importation of raw materials and its related party transaction obligations to PZ Cussons Holdings (UK), led to the huge FX loss
- The company continues to rely on related party transactions to fund operating activities
- There was a sizable increase in PZ's payables to related parties during the period
- The bottom line should improve once stability returns to the foreign exchange market
- **We maintain our BUY rating on the shares of PZ Cussons Nigeria Plc at the current price of N14.25.**

N 'Million	Nov-16	Nov-15	Change
Revenue	33,302	30,620	8.76%
Cost of Sales	(21,834)	(22,298)	(2.08%)
Gross Profit	11,468	8,322	37.80%
Distribution Expenses & Admin Expenses (OPEX)	(7,121)	(7,000)	1.74%
Operating Profit (EBIT)	4,346	1,322	228.70%
Other Income	108	135	(19.63%)
Foreign Exchange Loss	(4,938)	(1)	359,044%
Interest Expenses	(201)	(380)	(47.11%)
Interest Income	259	77	237.61%
Net Finance (Cost)/Gain	(58)	303	(119.29%)
Profit/Loss Before Tax ( PBT)	(425)	1,153	(136.89%)
Taxation Charge	136	(373)	(136.51%)
Profit/Loss After Tax (PAT)	(289)	779	(137.07%)
Cash Generated from Core Operations	644	5,698	(88.69%)

Key Performance Ratios			
	Nov-16	Nov-15	Change
Gross Profit Margin	34.44%	27.18%	7.26%
EBIT Margin	13.05%	4.32%	8.73%
PBT Margin	(1.28%)	3.76%	(5.04%)
PAT Margin	(0.87%)	2.55%	(3.41%)
Interest Cover	21.63	3.48	1,814.93%
Income Gearing	4.62%	28.73%	(24.11%)
Cash from Core Operation to Revenue	1.94%	18.61%	(16.68%)
Net Debt to Equity	(36.57%)	(29.65%)*	(6.93%)
Total Debt to Total Assets	53.17%	41.69%*	11.49%
Trailing EPS (N)	0.03	0.86*	-0.97
Trailing P/E Ratio	506.67	25.19*	1,911.70%
Current Ratio	1.39	1.77*	-0.38
Acid Test Ratio	0.84	1.06*	-0.21

N 'Million	Financial Position			Relative to Total Assets	
	Nov-16	May-16	Change	Nov-16	May-16
Property Plant & Equipment (PPE)	26,855	26,505	1.32%	30.55%	35.61%
Inventory	23,936	19,278	24.16%	27.23%	25.90%
Trade and Other Receivables	22,056	15,587	41.50%	25.09%	20.94%
Cash and Other Cash Equivalents	15,055	12,868	17.00%	17.13%	17.29%
Other Current Assets	-	192	(100.00%)	0.00%	0.26%
Total Current Assets	61,046	47,925	27.38%	69.45%	64.39%
Total Assets	87,901	74,430	18.10%	100%	100%
				Relative to TL**	
	Nov-16	May-16	Change	Nov-16	May-16
Total Non-Current Liabilities	2,746	3,932	(30.15%)	5.88%	12.67%
Trade Payables	41,538	25,716	61.52%	88.87%	82.88%
Other Current Liabilities	2,455	1,379	77.94%	5.25%	4.45%
Total Current Liabilities	43,993	27,096	62.36%	94.12%	87.33%
Total Liabilities	46,739	31,027	50.64%	100.00%	100.00%
Total Equity	41,162	43,403	(5.16%)		
Net Working Assets	17,054	20,830	(181.87%)		

Source: FSDH Research & Company Quarterly Results - \*As at 31 May 2016 \*\* TL: Total Liabilities

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