

STOCK RECOMMENDATION - APRIL 27, 2020

MARKET REVIEW

For the week ended April 24, 2020.

- The Nigerian equities market slid into negative territory last week, as the bears fought off the bulls to end the market's two-week rally. This saw the NSEASI shed 1.41% to settle at 22,599.38pts, bringing the year to date loss to -15.81%.
- Only the Insurance (+1.17%) and Industrial goods (+0.71%) sectors closed positive for the week, with the Banking (-5.24%) and Consumer goods (-2.68%) sectors suffering the most loss
- CADBURY** emerged the best performer, advancing by 18.25% to close at NGN7.45. **SKYAVN**, however, led the losers' chart, shedding 26.21% to close at NGN1.52. The market breadth for the week settled at 0.82x, as there were 28 gainers and 34 losers.
- The negative performance of the market during the week was as a result of profit-taking across **DANGCEM** (-4.4%), **NESTLE** (-5.9%) and Tier 1 banks stocks.

MARKET *P*REVIEW

For the week commencing April 27, 2020

- Recent results for the first quarter of 2020 released last week, revealed mixed performance across sectors. This failed to trigger positive sentiments across their tickers.
- In particular, the banking sector continues to suffer from unfavorable regulatory actions, amidst a weak economic environment
- We expect investors to continue to book profit on counters that have seen significant share price appreciation during the rally from previous weeks.
- Given the absence of any positive triggers in the market at the moment, the market is expected to remain in the red zone this week.**

THE WEEK THAT WAS (A REVIEW)

			Cur. Week	Prev. Week
NSEASI			22,599.38	22,921.59
Market Cap [NGN'tr]			11.78	11.95
Market Cap [USD 'bn]			32.09	32.55
Volume Traded [bn]			1.19	1.49
Value Traded [NGN'bn]			13.93	12.89
NSEASI & Sectoral Indices [Return Profile]				
	WtD	MtD	QtD	YtD
NSEASI	-1.41%	6.10%	6.10%	-15.81%
NSE-30	-1.53%	7.27%	7.27%	-17.82%
NSE-B10	-5.24%	10.89%	10.89%	-26.71%
NSE-FB10	-2.64%	15.66%	15.66%	-36.50%
NSE-OG5	-1.68%	-4.47%	-4.47%	-21.68%
NSE-INS10	1.17%	0.80%	0.80%	-4.35%
NSE-IND	0.71%	-2.20%	-2.20%	-5.41%
Value (NGN)				Volume
GUARANTY	3,227,730,027		FBNH	275,473,214
NESTLE	3,167,400,986		GUARANTY	166,961,164
ZENITHBANK	1,914,958,332		ZENITHBANK	139,515,264
FBNH	1,220,340,514		ACCESS	95,150,286
DANGCEM	929,171,611		UBA	76,449,230
Highest Gainers	%	Highest Losers		%
CADBURY	18.25%	SKYAVN		-26.21%
WEMABANK	10.71%	UACN		-17.33%
NEM	10.00%	GUINNESS		-15.63%
UPDCREIT	9.68%	CHAMPION		-15.63%
UPL	9.38%	OANDO		-12.21%

	Fundamentals					Trailing				Market Performance			Valuation					
	AT	NM	ROE	ROA	Lev	EPS	BVP	P/E	P/BV	Yr Hi	Yr Lo	YtD Return	Target PE	Exp. EPS	2020 TP	Last Wk. Pr	UPP	RT
Financial Services																		
Banks																		
ACCESS	0.09	14.60%	16.00%	1.40%	11.7	2.74	17.17	2.3x	0.4x	11.6	5.4	-38.00%	-	-	-	6.20	-	UR
ETI	0.1	12.90%	15.90%	1.30%	12.4	3.4	21.35	1.3x	0.2x	8	3.9	-29.23%	-	-	-	4.60	-	UR
FCMB	0.12	8.00%	7.70%	1.00%	8.1	0.73	9.49	2.1x	0.2x	2.09	1.45	-13.51%	1.91x	0.84	1.60	1.60	0%	HOLD
FIDELITYBK	0.1	13.20%	13.30%	1.30%	9	0.98	8.08	1.8x	0.2x	2.37	1.53	-11.22%	2.27x	0.89	2.02	1.82	11%	BUY
FBNH	0.1	10.10%	9.60%	1.00%	9.6	1.73	17.9	2.3x	0.2x	7.7	3.7	-29.27%	-	-	-	4.35	-	UR
GUARANTY	0.12	45.20%	28.60%	5.20%	5.5	6.69	23.35	2.8x	0.8x	34	16.75	-35.02%	-	-	-	19.30	-	UR
STANBIC	0.12	32.10%	24.80%	4.00%	6.2	7.33	29.51	3.3x	0.8x	42.5	23.85	-30.49%	5.50x	7.58	41.69	28.50	46%	BUY
STERLNBANK	0.13	7.10%	9.80%	0.90%	11	0.37	4.15	3.0x	0.3x	2.04	0.99	-35.68%	4.71x	0.39	1.84	1.28	44%	BUY
UBA	0.1	15.90%	14.90%	1.60%	9.4	2.6	17.49	2.1x	0.3x	8.9	4.4	-17.48%	-	-	-	5.90	60%	BUY
UBN	0.09	14.60%	9.70%	1.30%	7.4	0.84	8.67	7.9x	0.8x	7.6	5.7	13.33%	10.20x	0.69	7.04	6.80	4%	HOLD
WEMABANK	2.14	7.40%	27.90%	15.70%	1.8	0.12	0.44	4.2x	1.2x	0.79	0.44	-16.22%	-	-	-	0.62	-	UR
ZENITHBANK	0.1	31.50%	22.20%	3.30%	6.7	6.65	30	1.9x	0.4x	22.75	10.7	-24.46%	3.10x	7.50	23.25	14.05	65%	BUY
Insurance																		
AIICO	0.33	12.90%	32.30%	4.20%	7.6	0.87	2.69	0.9x	0.3x	1.01	0.67	15.28%	1.10x	0.85	0.94	0.83	13%	BUY
CORNERST	0.43	41.70%	50.70%	18.00%	2.8	0.35	0.69	1.7x	0.8x	0.69	0.45	20.00%	3.50x	0.21	0.74	0.54	37%	BUY
LASACO	0.85	12.20%	16.70%	10.30%	1.6	0.16	0.93	1.4x	0.2x	0.29	0.2	-4.00%	3.80x	0.10	0.38	0.24	58%	BUY
LAWUNION	0.51	-12.90%	-10.70%	-6.50%	1.6	-0.17	1.55	-5.7x	0.6x	1.22	0.5	100.00%	4.00x	0.18	0.72	1.00	-28%	SELL
LINKASSURE	0.24	3.70%	1.20%	0.90%	1.3	0.03	2.31	15.1x	0.2x	0.62	0.38	0.00%	-	-	-	-	-	UR
MANSARD	0.45	7.30%	9.60%	3.20%	3	0.24	2.53	7.2x	0.7x	2.14	1.51	-20.20%	9.30x	0.31	2.88	1.58	82%	BUY
NEM	0.69	13.70%	17.20%	9.50%	1.8	0.4	2.35	4.7x	0.8x	2.42	1.44	-9.09%	5.13x	0.61	1.90	2.20	-14%	SELL
WAPIC	0.51	0.10%	0.10%	0.10%	1.8	0	1.28	179.7x	0.2x	0.38	0.21	-20.59%	2.50x	0.23	0.58	0.27	115%	BUY
CUSTODIAN	0.41	16.00%	16.70%	6.60%	2.5	1.26	7.55	4.7x	0.8x	6.05	4.95	-4.17%	4.90x	1.45	7.11	5.75	24%	BUY

	Fundamentals					Trailing				Market Performance			Valuation					
	AT	NM	ROE	ROA	Lev	EPS	BVP	P/E	P/BV	Yr Hi	Yr Lo	Ytd Return	Target PE	Exp. EPS	2020 TP	Last Wk. Pr	UPP	RT
Consumer Staples & Discretionary																		
Breweries																		
GUINNESS	0.86	2.90%	5.30%	2.50%	2.1	1.92	36.09	13.1x	0.7x	30.20	18.90	-37.10%	17.00x	1.87	31.79	18.90	68%	BUY
NB	0.84	5.00%	9.60%	4.20%	2.3	2.01	20.98	12.7x	1.2x	59.00	22.00	-41.53%	25.00x	1.88	47.00	34.50	36%	BUY
Packaged Foods & Meats																		
CADBURY	1.31	3.40%	10.10%	4.50%	2.2	0.69	6.84	9.0x	0.9x	10.85	4.95	-29.38%	18.50x	0.61	11.29	7.45	52%	BUY
DANGSUGAR	0.89	13.20%	19.90%	11.80%	1.7	1.66	8.37	5.4x	1.1x	15.05	8.90	-11.76%	8.30x	1.58	13.11	12.00	9%	HOLD
HONYFLOUR	0.59	-1.30%	-1.30%	-0.70%	1.7	-0.12	9.6	-7.9x	0.1x	1.18	0.83	1.01%	2.50x	0.38	0.95	1.00	-5%	HOLD
FLOURMILL	1.05	1.90%	5.30%	2.00%	2.6	1.99	37.61	10.5x	0.6x	24.00	19.15	6.60%	8.50x	2.62	22.27	21.00	6%	HOLD
NASCON	0.92	9.50%	23.50%	8.70%	2.7	1	4.25	8.5x	2.0x	15.70	8.50	-22.39%	10.00x	1.36	13.60	10.05	35%	BUY
NESTLE	1.47	16.10%	100.30%	23.60%	4.2	57.63	57.47	13.3x	13.3x	1,469.90	764.90	-38.09%	20x	60	1,200	910.00	32%	BUY
UACN	0.76	-25.00%	-36.50%	-18.90%	1.9	-7.41	20.29	-1.0x	0.4x	11.05	6.20	-27.91%	-	-	-	6.20	-	UR
Agricultural Products																		
OKOMUOIL	0.42	28.10%	18.00%	11.90%	1.5	5.63	31.2	9.8x	1.8x	68.00	55.05	-0.99%	9.50x	7.76	73.72	55.05	34%	BUY
PRESCO	0.31	12.90%	10.30%	4.00%	2.6	2.65	25.82	13.7x	1.4x	57.05	36.45	-23.26%	11.00x	4.50	49.50	36.45	36%	BUY
Household & Personal Products																		
PZ	0.93	-2.20%	-3.80%	-2.10%	1.8	-0.41	11.02	-10.6x	0.4x	5.85	3.75	-24.78%	10.00x	0.45	4.50	4.25	6%	HOLD
Healthcare																		
Pharmaceuticals																		
MAYBAKER	0.83	4.10%	5.80%	3.40%	1.7	0.19	3.21	10.4x	0.6x	2.70	1.79	39.90%	10.50x	0.23	2.42	2.70	-10%	SELL
FIDSON	0.71	-4.00%	-6.50%	-2.80%	2.3	-0.27	4.2	-9.0x	0.6x	2.80	2.21	-20.97%	7.00x	0.44	3.08	2.45	26%	BUY
GLAXOSMITH	1.23	3.40%	8.00%	4.20%	1.9	0.58	7.24	6.6x	0.5x	6.00	3.45	-12.30%	5.20x	0.97	5.04	5.35	-6%	HOLD
NEIMETH	0.2	13.60%	7.20%	2.80%	2.6	0.04	0.61	11.0x	0.8x	0.62	0.40	-3.23%	3.60x	0.21	0.76	0.60	27%	BUY

Materials																		
Construction Materials																		
BUACEMENT	0.27	39.80%	976.00%	10.80%	90.7	4.88	0.5	7.2x	70.6x	41.00	29.40	-5.71%	6.50x	4.95	32.18	33.00	-2%	HOLD
DANGCEM	0.51	22.50%	22.30%	11.50%	1.9	11.77	52.69	11.0x	2.5x	179.90	116.80	-8.45%	-	-	171.8	130.00	32%	BUY
WAPCO	0.48	9.70%	6.50%	4.70%	1.4	1.42	21.72	6.5x	0.4x	17.60	8.95	-24.84%	-	-	-	11.50	-	UR
Specialty Chemicals																		
CAP	1.33	20.00%	74.80%	26.60%	2.8	2.14	2.87	10.8x	8.1x	27.50	18.00	-12.92%	-	-	23.87	20.90	14%	BUY
BERGER	0.73	10.30%	12.50%	7.50%	1.7	1.22	9.8	5.0x	0.6x	6.75	6.10	-0.74%	-	-	4.87	6.70	-27%	SELL
Energy																		
CONOIL	2.95	1.20%	10.20%	3.50%	2.9	2.75	26.82	4.8x	0.5x	20.85	13.15	-5.95%	5.60x	4.53	25.37	17.40	46%	BUY
ETERNA	5.01	0.00%	-0.20%	0.00%	4.1	-0.02	9.74	-148.4x	0.2x	3.60	1.99	-33.61%	5.50x	0.70	3.85	2.39	61%	BUY
ARDOVA	3.05	8.10%	75.70%	24.70%	3.1	10.18	13.44	1.4x	1.0x	20.60	9.55	-47.24%	8.00x	2.13	17.04	9.55	78%	BUY
MOBIL	2.31	4.30%	21.00%	10.00%	2.1	21.64	103	6.8x	1.4x	160.90	133.20	8.79%	6.50x	24.88	161.72	160.90	1%	HOLD
MRS	1.43	-3.20%	-10.00%	-4.60%	2.2	-6.43	64.27	-2.1x	0.2x	15.30	13.80	-9.80%	498.00x	0.03	14.94	13.80	8%	HOLD
SEPLAT	0.26	35.60%	13.60%	9.40%	1.4	124.99	921.34	4.4x	0.6x	605.00	490.10	-24.84%	5.50x	127.68	702.24	494.40	42%	BUY
TOTAL	2.09	0.00%	0.40%	0.10%	5.6	0.27	76.01	361.9x	1.3x	117.00	96.30	-13.17%	21.10x	6.17	130.19	96.30	35%	BUY
Telecommunications																		
MTNN	0.77	17.30%	139.70%	13.20%	10.5	9.93	7.11	10.1x	14.1x	128.50	90.00	-0.95%	14.00x	11.37	159.18	104.00	53%	BUY

*TP=Target Price, Last Wk. Pr= Last Week Price, CP= Current Price, UPP=Upside Potential, RT= Rating, Exp. EPS= 2020Dec Expected EPS, BVP= Book Value Per Share, P/E=P/E, AT=Asset Turnover, OM=Operating Margin, NM= Net Margin, Lev=Leverage, UR=Under Review. Data in the Fundamental columns are based on trailing performance.

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We estimate stock's fair value by computing a weighted average of projected prices derived from discounted cash flow and relative valuation methodologies. The choice of relative valuation methodology (ies) usually depends on the firm's peculiar business model and what in the opinion of our analyst is considered as a key driver of the stock's value from a firm specific as well as an industry perspective. However, we attach the most weight to discounted cash flow valuation methodology.

Target Price Estimate

While we believe that the fair value is underpinned by the future benefits stream and growth outlooks, which are primary drivers of value, the market might not align to the fair value estimate within the estimated investment horizon. Thus, we do not derive our target price from the fair value but from a trading perspective using the year projected earnings or book value and the respective target multiples. Notwithstanding, we are of the opinion that the variance between the two should not be too significant.

Ratings Specification

BUY: Target Price of the stock is above the current market price by at least **10 percent**

HOLD: Target Price of the stock ranges between **-10 percent and 10 percent** from the current market price.

SELL: Target Price of the stock is more than **10 percent** below the current market price.

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