

STOCK RECOMMENDATION - APRIL 6, 2020

MARKET REVIEW

For the week ended April 03, 2020

- The Nigerian equities market sustained its bearish course last week, as the market closed positive on only one out of the five trading days. Thus, the **NSEASI** shed 3.49% W-o-W to settle at 21,094.62pts
- Despite the low in oil price environment and the prevailing volatilities in the oil and gas sector, the **NSEOILG5** was one of two sectoral indices which closed positive for the week (+2.33%), the other being the **NSEINS** (+0.27%).
- GLAXOSMITH** led the gainers, advancing by **28.64%**, while **NB** led the losers' chart, after shedding 13.73% of its share price.
- The bearish market sentiment in the market remains a function of the vagaries of the global economy and spread of COVID-19 in the domestic environment.

MARKET *P*REVIEW

For the week commencing April 06, 2020

- There are no positive triggers which may be expected to induce positive investor sentiments this week, as headwinds caused by the COVID-19 pandemic persist.
- Although oil prices are looking up following events which suggest that key oil producers are willing to negotiate production cuts, we expect local investors to wait out the outcome of the meeting which is scheduled for Thursday before making investment decisions.
- Nevertheless, with stocks at historically low levels, we expect bargain hunting on stocks with good fundamentals to provide support for the market.
- In the absence of positive triggers and persistence of current circumstances, we expect the market to close on a bearish note this week.

THE WEEK THAT WAS (A REVIEW)

			Cur. Week	Prev. Week
NSEASI			21,094.62	21,861.78
Market Cap [NGN'tr]			11.01	11.39
Market Cap [USD 'bn]			29.73	30.047
Volume Traded [bn]			1.53	1.45
Value Traded [NGN'bn]			11.27	14.92
NSEASI & Sectoral Indices [Return Profile]				
	WtD	MtD	QtD	YtD
NSEASI	-3.49%	-0.97%	-0.97%	-21.40%
NSE-30	-4.18%	-1.12%	-1.12%	-24.25%
NSE-B10	-5.26%	-21.56%	-21.56%	-34.29%
NSE-FB10	-3.93%	-31.41%	-31.41%	-47.01%
NSE-OG5	2.33%	-7.52%	-19.44%	-19.44%
NSE-INS10	3.25%	1.54%	-6.14%	-6.14%
NSE-IND	-1.22%	-1.15%	-1.15%	-4.39%
Value		Volume		
ZENITHBANK	2,802,702,740	STERLNBANK	303,455,568	
GUARANTY	2,339,289,917	ZENITHBANK	206,428,140	
NESTLE	1,075,045,110	MEYER	200,989,556	
DANGCEM	1,067,176,618	GUARANTY	132,664,085	
ACCESS	360,668,853	FBNH	78,166,006	
Highest Gainers		Highest Losers		
	%		%	
GLAXOSMITH	24.68%	NB	-13.73%	
LIVESTOCK	18.64%	ETI	-12.36%	
CADBURY	12.90%	CUSTODIAN	-9.92%	
BERGER	9.84%	GUINNESS	-9.89%	
MOBIL	9.83%	SKYAVN	-9.68%	

	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	-36.00%	2.8x	3.36	9.41	6.05	+56%	BUY
ETI	0.1	12.90%	15.90%	1.30%	12.4	3.4	21.35	1.3x	0.2x	13.5	4.05	-31.54%	-	-	-	3.90	-	UR
FCMB	0.12	8.00%	7.70%	1.00%	8.1	0.73	9.49	2.1x	0.2x	2.09	1.45	-17.30%	-	-	-	1.47	-	UR
FIDELITYBK	0.1	13.20%	13.30%	1.30%	9	0.98	8.08	1.8x	0.2x	2.37	1.53	-12.20%	2.27x	0.89	2.02	1.69	+20%	BUY
FBNH	0.1	10.10%	9.60%	1.00%	9.6	1.73	17.9	2.3x	0.2x	8.2	3.7	-34.15%	3.4x	2.31	7.85	3.95	+99%	BUY
GUARANTY	0.12	45.20%	28.60%	5.20%	5.5	6.69	23.35	2.8x	0.8x	37.5	16.75	-37.88%	4.6x	6.99	32.43	17.6	+84%	BUY
STANBIC	0.12	32.10%	24.80%	4.00%	6.2	7.33	29.51	3.3x	0.8x	48.5	23.85	-40.73%	5.5x	7.58	41.59	24.00	+73%	BUY
STERLNBANK	0.13	7.10%	9.80%	0.90%	11	0.37	4.15	3.0x	0.3x	2.4	0.99	-40.70%	4.71x	0.39	1.84	1.11	+66%	BUY
UBA	0.1	15.90%	14.90%	1.60%	9.4	2.6	17.49	2.1x	0.3x	8.9	4.4	-25.17%	2.8x	3.37	9.44	4.95	+91%	BUY
UBN	0.09	14.60%	9.70%	1.30%	7.4	0.84	8.67	7.9x	0.8x	7.2	5.7	10.00%	10.2x	0.69	7.04	6.60	+7%	HOLD
WEMABANK	2.14	7.40%	27.90%	15.70%	1.8	0.12	0.44	4.2x	1.2x	0.8	0.44	-29.73%	5.2x	0.14	0.73	0.47	+55%	BUY
ZENITHBANK	0.1	31.50%	22.20%	3.30%	6.7	6.65	30	1.9x	0.4x	22.75	10.7	-32.26%	3.1x	7.5	23.06	11.9	+94%	BUY
Insurance																		
AIICO	0.33	12.90%	32.30%	4.20%	7.6	0.87	2.69	0.9x	0.3x	0.83	0.67	4.17%	1.1x	0.85	0.94	0.73	+29%	BUY
CORNERST	0.43	41.70%	50.70%	18.00%	2.8	0.35	0.69	1.7x	0.8x	0.69	0.21	28.89%	3.5x	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	0.31	0.2	-12.00%	3.8x	0.1	0.39	0.21	+86%	BUY
LAWUNION	0.51	-12.90%	-10.70%	-6.50%	1.6	-0.17	1.55	-5.7x	0.6x	1.05	0.5	90.00%	4.0x	0.18	0.73	0.95	-23%	SELL
LINKASSURE	0.24	3.70%	1.20%	0.90%	1.3	0.03	2.31	15.1x	0.2x	0.55	0.38	-22.64%	5.0x	0.12	0.6	0.41	+46%	BUY
MANSARD	0.45	7.30%	9.60%	3.20%	3	0.24	2.53	7.2x	0.7x	2.2	1.51	-11.62%	9.3x	0.31	2.88	1.75	+65%	BUY
NEM	0.69	13.70%	17.20%	9.50%	1.8	0.4	2.35	4.7x	0.8x	2.42	1.44	-21.90%	5.4x	0.57	3.05	2.07	+47%	BUY
WAPIC	0.51	0.10%	0.10%	0.10%	1.8	0	1.28	179.7x	0.2x	0.42	0.21	-23.53%	2.5x	0.23	0.58	0.26	+123%	BUY
CUSTODIAN	0.41	16.00%	16.70%	6.60%	2.5	1.26	7.55	4.7x	0.8x	6.3	4.95	-1.67%	4.9x	1.45	7.11	5.25	+35%	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	64.00	25.2	-16.14%	17.0x	1.87	31.79	22.70	+40%	BUY
NB	0.84	5.00%	9.60%	4.20%	2.3	2.01	20.98	12.7x	1.2x	69.5	25.5	-56.78%	25.0x	1.88	47.00	22.00	+114%	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	-41.23%	18.5x	0.61	11.33	7.00	+62%	BUY
DANGSUGAR	0.89	13.20%	19.90%	11.80%	1.7	1.66	8.37	5.4x	1.1x	15.05	9	-33.82%	8.3x	1.58	13.11	8.90	+47%	BUY
HONYFLOUR	0.59	-1.30%	-1.30%	-0.70%	1.7	-0.12	9.6	-7.9x	0.1x	1.21	0.83	-1.01%	2.5x	0.38	0.95	0.90	+6%	HOLD
FLOURMILL	1.05	1.90%	5.30%	2.00%	2.6	1.99	37.61	10.5x	0.6x	24	18.95	5.58%	8.5x	2.62	22.27	20.50	+9%	HOLD
NASCON	0.92	9.50%	23.50%	8.70%	2.7	1	4.25	8.5x	2.0x	19	8.5	-34.36%	10.0x	1.36	13.63	8.50	+60%	BUY
NESTLE	1.47	16.10%	100.30%	23.60%	4.2	57.63	57.47	13.3x	13.3x	1,498.00	765	-47.96%	-	-	-	765.00	-	UR
UACN	0.76	-25.00%	-36.50%	-18.90%	1.9	-7.41	20.29	-1.0x	0.4x	11.05	7.1	-13.95%	-	-	-	7.00	-	UR
Agricultural Products																		
OKOMUOIL	0.42	28.10%	18.00%	11.90%	1.5	5.63	31.2	9.8x	1.8x	79.00	55.05	-0.99%	9.5x	7.76	73.70	55.05	+34%	BUY
PRESCO	0.31	12.90%	10.30%	4.00%	2.6	2.65	25.82	13.7x	1.4x	68.00	36.45	-23.26%	11.0x	4.5	49.37	36.45	+35%	BUY
Household & Personal Products																		
PZ	0.93	-2.20%	-3.80%	-2.10%	1.8	-0.41	11.02	-10.6x	0.4x	10.5	3.75	-22.12%	10.0x	0.45	4.50	4.40	+2%	HOLD
Healthcare																		
Pharmaceuticals																		
MAYBAKER	0.83	4.10%	5.80%	3.40%	1.7	0.19	3.21	10.4x	0.6x	2.4	1.79	1.04%	10.5x	0.23	2.42	2.14	+13%	BUY
FIDSON	0.71	-4.00%	-6.50%	-2.80%	2.3	-0.27	4.2	-9.0x	0.6x	4.95	2.21	-20.97%	7.0x	0.44	3.08	2.54	+21%	BUY
GLAXOSMITH	1.23	3.40%	8.00%	4.20%	1.9	0.58	7.24	6.6x	0.5x	10.8	3.45	-36.89%	-	-	-	4.80	-	UR
NEIMETH	0.2	13.60%	7.20%	2.80%	2.6	0.04	0.61	11.0x	0.8x	0.62	0.4	-22.58%	3.6x	0.21	0.77	0.48	+60%	BUY

Materials																		
Construction Materials																		
BUACEMENT	0.27	39.80%	976.00%	10.80%	90.7	4.88	0.5	7.2x	70.6x	41	34.4	0.86%	6.5x	4.95	32.19	35.30	-9%	HOLD
DANGCEM	0.51	22.50%	22.30%	11.50%	1.9	11.77	52.69	11.0x	2.5x	188.5	129	-8.66%	0.0x	0	171.66	125.00	+37%	BUY
WAPCO	0.48	9.70%	6.50%	4.70%	1.4	1.42	21.72	6.5x	0.4x	16.35	9.1	-39.22%	0.0x	0	18.28	8.95	+104%	BUY
Specialty Chemicals																		
CAP	1.33	20.00%	74.80%	26.60%	2.8	2.14	2.87	10.8x	8.1x	37.4	18	-3.33%	-	-	23.87	23.20	+3%	HOLD
BERGER	0.73	10.30%	12.50%	7.50%	1.7	1.22	9.8	5.0x	0.6x	8.25	6.1	-9.63%	-	-	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	23	13.15	-28.92%	5.6x	4.53	25.37	13.15	+93%	BUY
ETERNA	5.01	0.00%	-0.20%	0.00%	4.1	-0.02	9.74	-148.4x	0.2x	4.8	1.99	-33.61%	5.5x	0.7	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	20.6	13.8	-23.76%	8.0x	2.13	17.08	13.80	+24%	BUY
MOBIL	2.31	4.30%	21.00%	10.00%	2.1	21.64	103	6.8x	1.4x	167	133.2	-0.95%	6.5x	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	20.85	13.8	-9.80%	498.0x	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	544.5	-17.22%	5.5x	127.68	698.41	544.50	+28%	BUY
TOTAL	2.09	0.00%	0.40%	0.10%	5.6	0.27	76.01	361.9x	1.3x	196	96.3	-13.17%	21.1x	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	128.3	93.1	-4.76%	14.0x	11.37	159.18	92.00	+73%	BUY

*TP = Target Price, Last Wk. Pr= Last Week Price CP=Current Price, UPP= Upside Potential RT = Rating, Exp. EPS = 2019Dec 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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Fair Value Estimate

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.

Definitions

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Contact Information

Brokerage and Retail Services

topeoludimu@meristemng.com	(+234 905 569 0627)
abisoyeoludipe@meristemng.com	(+234 708 000 7861)
contact@meristemng.com	

Investment Banking/Corporate Finance

seunlijofi@meristemng.com	(+234 808 536 5766)
---------------------------	---------------------

Wealth Management

damilolahassan@meristemng.com	(+234 803 613 9123)
www.meristemwealth.com	
Tel: +234 01 738 9948	

Registrars

martinaosague@meristemregistrars.com	(+234 802 303 1783)
www.meristemregistrars.com	
Tel: +23401-280 9250	

Group Business Development

saheedbashir@mersitemng.com	(+234 802 454 6575)
ifeomaogalue@meristemng.com	(+234 802 394 2967)

Client Services

omosolapeakinpelu@meristemng.com	(+234 803 694 3034)
blessingogwuche@meristemng.com	(+234 806 738 5485)

Investment Research

ahmedjinad@meristemng.com	(+234 809 187 8917)
research@meristemng.com	

Corporate websites: www.meristemng.comwww.meristemwealth.comwww.meristemregistrars.com

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