

STOCK RECOMMENDATION - MAY 27, 2020

MARKET REVIEW
For the week ended May 22, 2020.

- Bullish sentiment permeated the equities market last week, with gains on each of the five trading days. The All-Share Index advanced by 5.59% WoW to 25,204.75pts., while YtD loss moderated to -6.10%.
- **UNILEVER**, emerged as top performer with a gain of 33.86% to close at NGN17.00. **ARBICO** on the other hand, was the worst performer with a loss of 9.91% to close at NGN2.09.
- All sectorial indices closed up for the week with the industrial goods (+15.24%) and banking sector indices (+7.24%) recording the most gains.
- **Stock price appreciation was witnessed across many tickers, with gains on 55 stocks, settling market breath at 5.70x**

MARKET *P*REVIEW
For the week commencing May 25, 2020

- The equities market in the past four weeks, has significantly recorded gains despite the inhibitive effect of the COVID-19 pandemic and the resulting crash in oil prices.
- The market has enjoyed positive investor sentiments flowing from the gradual return to normalcy as most countries relax COVID-19 induced lockdown measures.
- For this week, we expect a combination of the buoyant system liquidity levels and attractive prices on most tickers, to lead the market to a positive close.
- **Having considered the aforementioned, we expect to see sustained bullish momentum in the Nigerian bourse this week.**

THE WEEK THAT WAS (A REVIEW)

	Cur. Week		Prev. Week	
NSEASI	25,204.75		23,871.33	
Market Cap [NGN'tr]	13.14		12.44	
Market Cap [USD 'bn]	36.39		34.46	
Volume Traded [bn]	1.72		0.93	
Value Traded [NGN'bn]	18.85		9.77	
NSEASI & Sectoral Indices [Return Profile]				
	WtD	MtD	QtD	YtD
NSEASI	5.59%	9.49%	18.33%	-6.10%
NSE-30	6.45%	10.83%	21.24%	-7.11%
NSE-B10	7.24%	11.49%	28.37%	-15.15%
NSE-FB10	0.89%	11.89%	27.57%	-29.96%
NSE-OG5	4.89%	9.54%	6.43%	-12.74%
NSE-INS10	2.02%	4.25%	6.42%	0.99%
NSE-IND	-15.45%	15.42%	12.35%	8.66%
Value (NGN)		Volume		
ZENITHBANK	4,407,020,663	ZENITHBANK	272,123,989	
GUARANTY	3,106,312,375	ACCESS	246,545,267	
DANGCEM	2,071,614,701	FBNH	154,434,833	
ACCESS	1,605,313,437	GUARANTY	132,119,840	
GUINNESS	955,583,388	UBA	127,891,103	
Highest Gainers		Highest Losers		
	%		%	
UNILEVER	33.86%	ARBICO	-9.91%	
REDSTAREX	26.67%	AFROMEDIA	-9.68%	
BUACEMENT	23.42%	ROYALEX	-9.09%	
MOBIL	20.92%	LASACO	-7.41%	
UACN	20.14%	CORNERST	-6.78%	

	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	0.10	13.46%	15.18%	1.32%	11.46	2.71	17.88	2.5x	0.4x	11.60	5.40	-33.00%	2.81x	2.64	7.42	6.70	11%	BUY
ETI	0.09	11.17%	13.32%	1.04%	12.77	3.80	28.57	1.47x	0.20x	8.00	3.90	-13.85%	1.50x	3.50	5.25	5.60	-6%	HOLD
FCMB	0.10	9.82%	8.97%	0.98%	9.19	0.93	10.38	1.9x	0.2x	2.09	1.45	-2.2%	1.85x	0.90	1.67	1.81	-8%	HOLD
FIDELITYBK	0.10	12.99%	11.69%	1.26%	9.27	0.98	8.37	1.9x	0.2x	2.37	1.53	-7.80%	2.27x	0.89	2.02	1.89	7%	HOLD
FBNH	0.09	12.91%	12.28%	1.19%	10.32	2.33	18.95	2.2x	0.3x	7.70	3.70	-15.45%	2.00x	2.87	5.74	5.20	10%	BUY
GUARANTY	0.11	45.13%	29.89%	4.87%	6.14	6.71	22.46	3.5x	1.1x	34.00	16.75	-20.03%	3.76x	6.77	25.46	23.75	7%	HOLD
STANBIC	0.10	32.34%	23.84%	3.15%	7.57	7.47	31.33	4.4x	1.0x	42.50	23.85	-20.61%	-	-	-	32.55	-	UR
STERLNBANK	0.12	6.38%	8.18%	0.77%	10.69	0.33	4.00	4.1x	0.3x	2.04	0.99	-32.66%	4.58x	0.36	1.65	1.34	23%	BUY
UBA	0.09	15.74%	14.78%	1.43%	10.37	2.65	17.91	2.6x	0.4x	8.90	4.40	-4.90%	-	-	-	6.80	-	UR
UBN	0.09	11.93%	8.10%	1.03%	7.88	0.71	8.74	9.5x	0.8x	7.60	5.70	11.67%	-	-	-	6.70	-	UR
WEMABANK	0.12	5.25%	8.97%	0.63%	14.15	0.13	1.46	4.5x	0.4x	0.79	0.44	-20.27%	5.81x	0.13	0.76	0.59	28%	BUY
ZENITHBANK	0.09	31.17%	22.59%	2.93%	7.70	6.66	29.49	2.5x	0.6x	22.75	10.70	-8.87%	2.86x	6.57	18.79	16.95	11%	BUY
Insurance																		
AIICO	0.37	12.96%	25.95%	4.78%	5.43	0.99	3.80	1.1x	0.3x	1.04	0.67	44.44%	-	-	-	0.87	-	UR
LASACO	0.55	7.54%	8.37%	4.13%	2.03	0.10	1.21	2.5x	0.2x	0.29	0.20	0.00%	3.80x	0.10	0.38	0.25	52%	BUY
LAWUNION	0.37	15.72%	10.75%	5.76%	1.87	0.18	1.67	5.6x	0.6x	1.22	0.50	100.00%	-	-	-	1.00	-	UR
LINKASSURE	0.22	10.12%	2.97%	2.19%	1.36	0.08	2.84	4.9x	0.1x	0.62	0.38	-22.64%	-	-	-	0.41	-	UR
MANSARD	0.42	9.13%	12.18%	3.79%	3.21	0.39	3.16	4.4x	0.5x	2.14	1.51	-13.64%	-	-	-	1.71	-	UR
NEM	0.73	12.39%	16.96%	9.06%	1.87	0.49	2.87	4.1x	0.7x	2.42	1.44	-17.36%	-	-	-	2.00	-	UR
WAPIC	0.42	0.54%	0.37%	0.23%	1.62	0.01	1.73	51.9x	0.2x	0.38	0.21	-2.94%	-	-	-	0.32	-	UR
CUSTODIAN	0.47	9.22%	12.75%	4.30%	2.96	1.01	7.92	5.8x	0.7x	6.05	4.95	-2.50%	-	-	-	5.70	-	UR

	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	0.78	2.06%	2.98%	1.61%	1.85	1.18	39.76	15.0x	0.4x	30.20	17.75	-40.93%	23.00x	1.06	24.38	17.75	37%	BUY
NB	0.83	4.21%	8.23%	3.51%	2.34	1.70	20.64	23.3x	1.9x	59.00	22.00	-33.05%	25.00x	1.60	40.00	39.50	1%	HOLD
INTBREW	0.37	-22.21%	-17.89%	-8.12%	2.20	-1.10	6.13	-4.4x	0.8x	9.50	4.80	-49.47%	-	-	4.27	4.80	-11%	SELL
Packaged Foods & Meats																		
CADBURY	1.20	3.12%	8.47%	3.75%	2.26	0.64	7.56	12.3x	1.0x	10.85	4.95	-25.59%	-	-	-	7.85	-	UR
DANGSUGAR	0.89	13.22%	19.87%	11.77%	1.69	1.66	8.37	7.7x	1.5x	15.05	8.90	-5.88%	8.30x	1.58	13.11	12.80	2%	HOLD
HONYFLOUR	0.59	-1.29%	-1.79%	-0.76%	2.37	-0.13	7.03	-7.9x	0.1x	1.18	0.83	1.01%	2.50x	0.38	0.95	1.00	-5%	HOLD
FLOURMILL	2.81	1.93%	5.29%	5.40%	0.98	1.99	37.61	10.6x	0.6x	24.00	19.15	6.60%	8.50x	2.62	22.27	21.00	6%	HOLD
NASCON	0.15	25.86%	15.18%	3.97%	3.82	0.67	4.42	16.5x	2.5x	15.70	8.50	-14.29%	10.00x	1.36	13.60	11.10	23%	BUY
NESTLE	1.54	15.54%	77.70%	23.86%	3.26	55.55	71.50	17.9x	13.9x	1,469.90	764.90	-32.31%	20.00x	60.00	1,200.00	995.00	21%	BUY
UACN	0.77	-10.67%	-13.96%	-8.17%	1.71	-2.91	20.86	-2.9x	0.4x	11.05	6.50	-2.91%	-	-	8.08	8.35	-3%	HOLD
Agricultural Products																		
OKOMUOIL	0.45	28.06%	19.45%	12.53%	1.55	6.36	32.72	10.1x	2.0x	68.00	55.05	15.83%	9.50x	7.76	73.72	64.40	14%	BUY
PRESCO	0.31	12.93%	10.27%	3.97%	2.59	2.65	25.82	15.6x	1.6x	57.05	36.45	-12.63%	11.00x	4.50	49.50	41.50	19%	BUY
Household & Personal Products																		
PZ	0.93	-2.25%	-3.76%	-2.10%	1.80	-0.41	11.02	-12.4x	0.5x	5.85	3.75	-8.85%	10.00x	0.46	4.58	5.15	-11%	SELL
VITAFOAM	1.24	15.44%	46.31%	19.08%	2.43	2.63	5.68	2.3x	1.1x	6.00	3.95	36.36%	2.30x	2.32	5.34	6.00	-11%	SELL
Healthcare																		
Pharmaceuticals																		
MAYBAKER	0.85	8.87%	12.20%	7.55%	1.62	0.41	3.39	7.4x	0.9x	3.06	1.79	58.55%	10.50x	0.23	2.42	3.06	-21%	SELL
FIDSON	0.69	2.88%	4.21%	1.99%	2.12	0.19	4.61	16.5x	0.7x	3.20	2.21	3.23%	7.00x	0.44	3.08	3.20	-4%	HOLD
GLAXOSMITH	1.11	4.42%	10.02%	4.91%	2.04	0.77	7.65	9.3x	0.9x	7.15	3.45	17.21%	5.20x	0.97	5.04	7.15	-29%	SELL
NEIMETH	0.89	3.12%	7.16%	2.77%	2.58	0.05	0.67	18.0x	1.3x	0.86	0.40	38.71%	3.60x	0.21	0.76	0.86	-12%	SELL

Materials																		
Construction Materials																		
BUACEMENT	0.15	20.11%	3.06%	2.92%	1.05	0.79	25.93	49.2x	1.5x	41.00	29.40	11.43%	-	-	-	39.00	-	UR
DANGCEM	0.50	22.30%	21.18%	11.17%	1.90	11.79	55.66	12.7x	2.7x	179.90	116.80	5.63%	-	-	171.80	150.00	15%	BUY
WAPCO	0.44	54.89%	34.00%	24.40%	1.39	7.45	21.91	1.5x	0.5x	17.60	8.95	-26.47%	-	-	14.87	11.25	32%	BUY
Specialty Chemicals																		
CAP	1.13	19.70%	57.07%	22.35%	2.55	2.43	4.25	8.5x	4.9x	27.50	18.00	-13.96%	-	-	-	20.65	-	UR
BERGER	0.71	10.51%	12.55%	7.51%	1.67	1.30	10.36	5.4x	0.7x	7.00	6.10	3.70%	-	-	-	7.00	-	UR
Energy																		
CONOIL	2.02	1.42%	10.51%	2.87%	3.66	2.86	27.23	7.3x	0.8x	21.00	13.15	13.51%	5.60x	4.30	24.08	21.00	15%	BUY
ETERNA	5.85	-0.33%	-5.10%	-1.93%	2.65	-0.47	9.24	-5.7x	0.3x	3.60	1.99	-25.83%	5.50x	0.70	3.85	2.67	44%	BUY
ARDOVA	3.29	0.58%	6.53%	1.93%	3.39	0.83	12.71	19.3x	1.3x	20.60	11.20	-11.60%	8.00x	2.13	17.04	16.00	6%	HOLD
MOBIL	2.10	4.62%	22.34%	9.71%	2.30	24.56	109.97	8.7x	1.9x	213.90	133.20	44.62%	6.50x	24.88	161.72	213.90	-24%	SELL
MRS	1.43	-3.23%	-10.02%	-4.61%	2.17	-6.44	64.28	-2.1x	0.2x	15.30	13.80	-9.80%	-	-	-	13.80	-	UR
SEPLAT	0.19	19.44%	6.58%	3.64%	1.81	68.60	1042.97	6.9x	0.5x	605.00	476.40	-27.58%	-	-	500.06	476.40	5%	HOLD
TOTAL	2.18	0.91%	9.20%	1.98%	4.64	7.63	82.94	13.5x	1.2x	117.00	96.30	-7.30%	21.10x	6.17	130.19	102.80	27%	BUY
Telecommunications																		
MTNN	0.75	16.83%	104.66%	12.55%	8.34	10.06	9.61	11.4x	12.0x	128.50	90.00	9.52%	13.58x	11.61	157.62	115.00	37%	BUY
AIRTELAFRI	0.37	11.92%	12.44%	4.38%	2.84	42.01	337.81	7.1x	0.9x	298.90	298.90	0.00%	6.22x	59.42	369.35	298.90	24%	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.

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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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