

STOCK RECOMMENDATION – MAY 4, 2020

MARKET REVIEW
For the week ended April 30, 2020.

- Positive sentiment reigned in the Nigerian equities market as the local bourse closed up on all the four trading days last week. Consequently, the NSEASI gained 1.87% to settle at 23,021.01pts, moderating the year to date loss to -14.24%.
- All sectorial indices closed positive except the **NSEFBT10** and **NSEIND** which lost 1.42% and 0.47% respectively, while the banking index, **NSEBNK10**, led the pack having advanced by 3.83%.
- ARDOVA** emerged the best performer, advancing by 20.94% to close at NGN11.55. **NB**, however, was the worst performer, shedding 13.04% to close at NGN30.00. The market breadth for the week settled at 1.26x, compared to 0.79x recorded previous week.
- The performance of the market during the week was spurred by bargain hunting activities especially on the banking stocks.

MARKET *P*REVIEW
For the week commencing May 4, 2020

- The outlook for the macroeconomic environment still remains grim with oil prices remaining at low levels, dampening investors' confidence in the economy.
- This week, we expect profit taking on counters that gained last week, especially in the banking sector, bringing the market to a negative close.
- We also do not expect further earnings releases to significantly overturn the current market trend, as results released so far have been largely tepid with no dividends declaration to water investors' appetites.
- In the absence of any significant catalyst, we expect the Nigerian bourse to close in the negative territory this week.

THE WEEK THAT WAS (A REVIEW)

	Cur. Week	Prev. Week
NSEASI	23,021.01	22,599.38
Market Cap [NGN'tr]	12.00	11.78
Market Cap [USD 'bn]	33.24	32.09
Volume Traded [bn]	1.01	1.19
Value Traded [NGN'bn]	9.89	13.93

NSEASI & Sectoral Indices [Return Profile]				
	WtD	MtD	QtD	YtD
NSEASI	1.9%	8.08%	8.08%	-14.2%
NSE-30	2.0%	9.40%	9.40%	-16.2%
NSE-B10	3.8%	15.14%	15.14%	-23.9%
NSE-FB10	-1.4%	14.02%	14.02%	-37.4%
NSE-OG5	1.7%	-2.84%	-2.84%	-20.3%
NSE-INS10	1.3%	2.08%	2.08%	-3.1%
NSE-IND	-0.5%	-2.66%	-2.66%	-5.9%

Value (NGN)		Volume	
GUARANTY	1,850,573,251	FBNH	166,113,558
DANGCEM	1,197,171,221	UBA	129,515,014
ZENITHBANK	1,173,382,435	ACCESS	118,959,311
MTNN	1,033,968,210	GUARANTY	89,285,913
NESTLE	813,051,298	ZENITHBANK	80,225,028

Highest Gainers		Highest Losers	
	%		%
ARDOVA	20.94%	NB	-13.04%
LASACO	12.50%	TRANSCORP	-10.81%
UACN	11.29%	ETERNA	-9.62%
VITAFOAM	9.98%	PRESTIGE	-9.09%
CHAMS	9.52%	WEMABANK	-4.84%

	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	2.4x	0.4x	11.60	5.40	-34.00%	2.81x	2.64	7.42	6.60	12%	BUY
ETI	0.09	11.17%	13.32%	1.04%	12.77	3.80	28.57	1.2x	0.2x	8.00	3.90	-31.54%	-	-	-	4.45	-	UR
FCMB	0.10	9.82%	8.97%	0.98%	9.19	0.93	10.38	1.8x	0.2x	2.09	1.45	-7.0%	-	-	-	1.72	-	UR
FIDELITYBK	0.10	12.99%	11.69%	1.26%	9.27	0.98	8.37	1.8x	0.2x	2.37	1.53	-12.68%	-	-	-	1.79	-	UR
FBNH	0.09	12.91%	12.28%	1.19%	10.32	2.33	18.95	2.0x	0.2x	7.70	3.70	-25.20%	-	-	-	4.60	-	UR
GUARANTY	0.11	45.13%	29.89%	4.87%	6.14	6.71	22.46	3.1x	0.9x	34.00	16.75	-29.29%	3.76x	6.77	25.46	21.00	21%	BUY
STANBIC	0.10	32.34%	23.84%	3.15%	7.57	7.47	31.33	3.8x	0.9x	42.50	23.85	-30.49%	-	-	-	28.50	-	UR
STERLNBANK	0.13	7.06%	8.87%	0.90%	9.89	0.37	4.15	3.5x	0.3x	2.04	0.99	-35.68%	4.71x	0.39	1.84	1.28	44%	BUY
UBA	0.09	15.74%	14.78%	1.43%	10.37	2.65	17.91	2.3x	0.3x	8.90	4.40	-15.38%	-	-	-	6.05	-	UR
UBN	0.09	11.93%	8.10%	1.03%	7.88	0.71	8.74	9.5x	0.8x	7.60	5.70	12.50%	-	-	-	6.75	-	UR
WEMABANK	0.13	5.48%	9.43%	0.73%	12.98	0.13	1.43	4.4x	0.4x	0.79	0.44	-20.27%	4.81x	0.16	0.77	0.59	30%	BUY
ZENITHBANK	0.09	31.17%	22.59%	2.93%	7.70	6.66	29.49	2.1x	0.5x	22.75	10.70	-23.12%	-	-	-	14.30	-	UR
Insurance																		
AIICO	0.31	11.73%	21.76%	3.68%	5.91	0.85	3.89	1.0x	0.2x	1.01	0.67	19.44%	1.10x	0.85	0.94	0.86	9%	HOLD
LASACO	0.55	7.54%	8.37%	4.13%	2.03	0.10	1.21	2.7x	0.2x	0.29	0.20	8.00%	3.80x	0.10	0.38	0.27	41%	BUY
LAWUNION	0.41	16.30%	11.22%	6.61%	1.70	0.19	1.67	5.4x	0.6x	1.22	0.50	100.00%	4.00x	0.18	0.72	1.00	-28%	SELL
LINKASSURE	0.22	10.12%	2.97%	2.19%	1.36	0.08	2.84	6.3x	0.2x	0.62	0.38	-	-	-	-	0.53	-	UR
MANSARD	0.45	6.43%	10.72%	2.87%	3.74	0.26	2.42	6.1x	0.7x	2.14	1.51	-20.20%	9.30x	0.31	2.88	1.58	82%	BUY
NEM	0.75	12.25%	16.74%	9.19%	1.82	0.45	2.67	5.3x	0.9x	2.42	1.44	-2.89%	3.11x	0.61	1.90	2.35	-19%	SELL
WAPIC	0.53	24.44%	21.61%	12.89%	1.68	0.29	1.34	0.9x	0.2x	0.38	0.21	-23.53%	2.50x	0.23	0.58	0.26	121%	BUY
CUSTODIAN	0.47	9.22%	12.75%	4.30%	2.96	1.01	7.92	5.7x	0.7x	6.05	4.95	-4.17%	-	-	-	5.75	-	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	15.5x	0.5x	30.20	18.40	-38.77%	-	-	-	18.40	-	UR
NB	0.83	4.21%	8.23%	3.51%	2.34	1.70	20.64	17.7x	1.5x	59.00	22.00	-49.15%	25.00x	1.60	40.00	30.00	33%	BUY
Packaged Foods & Meats																		
CADBURY	1.20	3.12%	8.47%	3.75%	2.26	0.64	7.56	11.7x	1.0x	10.85	4.95	-28.91%	18.50x	0.61	11.29	7.50	50%	BUY
DANGSUGAR	0.89	13.22%	19.87%	11.77%	1.69	1.66	8.37	7.5x	1.5x	15.05	8.90	-8.46%	8.30x	1.58	13.11	12.45	5%	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	15.0x	2.3x	15.70	8.50	-22.39%	10.00x	1.36	13.60	10.05	35%	BUY
NESTLE	1.47	16.08%	100.28%	23.62%	4.24	57.63	57.47	16.0x	16.0x	1,469.90	764.90	-37.40%	20.00x	60.00	1,200	920.20	30%	BUY
UACN	0.74	-11.69%	-15.29%	-8.60%	1.78	-3.21	21.01	-2.1x	0.3x	11.05	6.50	-19.77%	-	-	8.74	6.90	26%	BUY
Agricultural Products																		
OKOMUOIL	0.45	28.06%	19.45%	12.53%	1.55	6.36	32.72	8.6x	1.7x	68.00	55.05	-0.99%	9.50x	7.76	73.72	55.05	34%	BUY
PRESCO	0.31	12.93%	10.27%	3.97%	2.59	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	-2.25%	-3.76%	-2.10%	1.80	-0.41	11.02	-10.1x	0.38x	5.85	3.75	-25.66%	-	-	4.58	4.20	9%	HOLD
VITAFOAM	1.24	15.44%	46.31%	19.08%	2.43	2.63	5.68	1.89x	0.87x	5.50	3.95	-37.65%	1.89x	2.32	5.34	4.96	7.6%	HOLD
Healthcare																		
Pharmaceuticals																		
MAYBAKER	0.86	7.78%	11.01%	6.73%	1.64	0.36	3.30	7.4x	0.8x	2.70	1.79	39.90%	10.50x	0.23	2.42	2.70	-11%	SELL
FIDSON	0.69	2.20%	3.25%	1.53%	2.13	0.15	4.57	16.5x	0.5x	2.80	2.21	-20.97%	7.00x	0.44	3.08	2.45	26%	BUY
GLAXOSMITH	2.35	2.91%	6.85%	6.85%	1.00	0.51	7.39	10.6x	0.7x	6.00	3.45	-12.30%	5.20x	0.97	5.02	5.35	-6%	HOLD
NEIMETH	0.89	3.12%	7.16%	2.77%	2.58	0.05	0.67	12.5x	0.9x	0.62	0.40	-3.23%	3.60x	0.21	0.76	0.60	26%	BUY

Materials																		
Construction Materials																		
BUACEMENT	0.15	20.11%	3.06%	2.92%	1.05	0.79	25.93	41.2x	1.3x	41.00	29.40	-6.86%	6.50x	4.95	32.18	32.60	-1%	HOLD
DANGCEM	0.51	22.49%	22.33%	11.52%	1.94	11.77	52.69	11.0x	2.5x	179.90	116.80	-8.45%	-	-	171.80	130.00	32%	BUY
WAPCO	0.43	54.04%	33.37%	23.15%	1.44	6.90	20.68	1.7x	0.6x	17.60	8.95	-22.88%	-	-	-	11.80	-	UR
Specialty Chemicals																		
CAP	1.13	19.70%	57.07%	22.35%	2.55	2.43	4.25	8.6x	4.9x	27.50	18.00	-12.92%	-	-	-	20.90	-	UR
BERGER	0.71	10.51%	12.55%	7.51%	1.67	1.30	10.36	5.2x	0.6x	6.75	6.10	-0.74%	-	-	-	6.70	-	UR
Energy																		
CONOIL	2.02	1.42%	10.51%	2.87%	3.66	2.86	27.23	6.1x	0.6x	20.85	13.15	-5.95%	5.60x	4.30	24.08	17.40	38%	BUY
ETERNA	6.29	0.04%	0.68%	0.23%	2.89	0.07	9.69	32.9x	0.2x	4.80	1.99	-40.00%	5.50x	0.70	3.85	2.16	78%	BUY
ARDOVA	3.75	2.22%	24.22%	8.33%	2.91	2.99	12.33	3.9x	0.9x	20.60	13.80	-36.19%	8.00x	2.13	17.04	11.55	48%	BUY
MOBIL	2.10	4.62%	22.34%	9.71%	2.30	24.56	109.97	6.6x	1.5x	160.90	133.20	8.79%	6.50x	24.88	161.72	160.90	1%	HOLD
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	7.2x	0.5x	605.00	490.10	-24.84%	-	-	-	494.40	-	UR
TOTAL	2.12	1.84%	22.04%	3.91%	5.63	16.75	76.01	5.7x	1.3x	117.00	96.30	-13.17%	21.10x	6.17	130.19	96.30	35%	BUY
Telecommunications																		
MTNN	0.75	16.83%	104.66%	12.55%	8.34	10.06	9.61	11.1x	11.6x	128.50	90.00	6.67%	-	-	-	112.00	-	UR

*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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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.

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