

STOCK RECOMMENDATION - JUNE 1, 2020

MARKET REVIEW

For the week ended May 29, 2020.

- The Nigerian bourse registered a marginal gain of 0.25% last week. The All Share Index thus, settled at 25,267.82pts, moderating the YtD loss to -5.86%.
- All sectoral indices closed in positive territory save for the Oil & Gas Sector Index which shed 0.34%.
- **NEIMETH** topped the gainers' chart, improving by 31.40% to close at NGN1.13. In contrast, **REGALINS** was the worst performing stock. The counter shed 13.04% to close at NGN0.20.
- The marginal gain recorded last week was spurred by bargain hunting on stocks across the Industrial, Insurance and Consumer Goods Sectors.

MARKET *P* REVIEW

For the week commencing June 1, 2020

- The market firmed up in the month of May returning 9.76%MtD. The gains were spurred by positive sentiment following oil price recoveries, gradual re-openings of major economies and the relatively buoyant system liquidity.
- This week, we expect the robust level of liquidity and attractive prices on some bellwether tickers to drive the market to a positive close.
- More so, we anticipate that the uptick in oil prices and the overall easing of the COVID-19 induced lockdowns will trigger positive sentiment this week.
- **Ultimately, we expect bullish sentiment to be sustained in the Nigerian bourse this week.**

THE WEEK THAT WAS (A REVIEW)

			Cur. Week	Prev. Week
NSEASI			25,267.82	25,204.75
Market Cap [NGN'tr]			13.17	13.14
Market Cap [USD 'bn]			36.48	34.46
Volume Traded [bn]			1.26	0.93
Value Traded [NGN'bn]			13.50	9.77
NSEASI & Sectoral Indices [Return Profile]				
	WtD	MtD	QtD	YtD
NSEASI	-0.25%	9.76%	18.58%	-5.86%
NSE-30	-0.20%	11.05%	21.44%	-6.92%
NSE-B10	0.44%	11.98%	28.81%	-14.78%
NSE-FB10	2.34%	14.51%	29.91%	-28.32%
NSE-OG5	-0.34%	9.17%	6.09%	-13.04%
NSE-INS10	3.74%	8.15%	10.16%	4.76%
NSE-IND	3.08%	18.97%	15.43%	12.00%
Value (NGN)			Volume	
GUARANTY	3,022,526,154	FBNH	243,448,220	
ZENITHBANK	2,241,585,746	ZENITHBANK	128,172,461	
FBNH	1,354,155,472	GUARANTY	123,127,122	
MTNN	1,324,965,387	UBA	88,102,548	
DANGCEM	1,109,216,727	ACCESS	72,506,458	
Highest Gainers	%	Highest Losers	%	
NEIMETH	31.40%	REGALINS	-13.04%	
SKYAVN	24.83%	ARDOVA	-10.00%	
MAYBAKER	20.64%	LEARNAFRCA	-9.60%	
MANSARD	18.71%	ETI	-8.93%	
CADBURY	17.69%	TRANSCORP	-7.79%	

	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	2.6x	0.4x	11.60	5.40	-29.00%	2.81x	2.64	7.42	7.10	4%	HOLD
ETI	0.09	11.17%	13.32%	1.04%	12.77	3.80	28.57	1.34x	0.18x	8.00	3.90	-21.54%	1.50x	3.50	5.25	5.10	3%	HOLD
FCMB	0.10	9.82%	8.97%	0.98%	9.19	0.93	10.38	1.9x	0.2x	2.09	1.45	-3.8%	1.85x	0.90	1.67	1.78	-6%	HOLD
FIDELITYBK	0.10	12.99%	11.69%	1.26%	9.27	0.98	8.37	1.9x	0.2x	2.37	1.53	-8.29%	2.27x	0.89	2.02	1.88	7%	HOLD
FBNH	0.09	12.91%	12.28%	1.19%	10.32	2.33	18.95	2.3x	0.3x	7.70	3.70	-13.01%	2.00x	2.87	5.74	5.35	7%	HOLD
GUARANTY	0.11	45.13%	29.89%	4.87%	6.14	6.71	22.46	3.6x	1.1x	34.00	16.75	-19.19%	3.76x	6.77	25.46	24.00	6%	HOLD
STANBIC	0.10	32.34%	23.84%	3.15%	7.57	7.47	31.33	4.8x	1.1x	42.50	23.85	-12.68%	5.91x	6.71	39.66	35.80	11%	BUY
STERLNBANK	0.12	6.38%	8.18%	0.77%	10.69	0.33	4.00	4.2x	0.3x	2.04	0.99	-30.65%	4.58x	0.36	1.65	1.38	19%	BUY
UBA	0.09	15.74%	14.78%	1.43%	10.37	2.65	17.91	2.5x	0.4x	8.90	4.40	-6.99%	2.80x	2.65	7.42	6.65	12%	BUY
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	4.7x	0.4x	0.79	0.44	-17.57%	5.81x	0.13	0.76	0.61	24%	BUY
ZENITHBANK	0.09	31.17%	22.59%	2.93%	7.70	6.66	29.49	2.5x	0.6x	22.75	10.70	-9.14%	2.86x	6.57	18.79	16.90	11%	BUY
Insurance																		
AIICO	0.37	12.96%	25.95%	4.78%	5.43	0.99	3.80	1.1x	0.3x	1.05	0.67	45.83%	-	-	-	1.05	-	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	102.00%	-	-	-	1.01	-	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	5.3x	0.6x	2.14	1.51	2.53%	6.68x	0.39	2.61	2.03	28%	BUY
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%	3.11x	0.61	1.90	2.00	-5%	HOLD
WAPIC	0.42	0.54%	0.37%	0.23%	1.62	0.01	1.73	50.3x	0.2x	0.38	0.21	-5.88%	-	-	-	0.32	-	UR
CUSTODIAN	0.47	9.22%	12.75%	4.30%	2.96	1.01	7.92	6.2x	0.8x	6.30	4.95	5.00%	-	-	-	6.30	-	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	16.9x	0.5x	30.20	20.00	-33.44%	23.00x	1.06	24.38	20.00	22%	BUY
NB	0.83	4.21%	8.23%	3.51%	2.34	1.70	20.64	25.5x	2.1x	59.00	22.00	-26.61%	25.00x	1.60	40.00	43.30	-8%	HOLD
INTBREW	0.37	-22.21%	-17.89%	-8.12%	2.20	-1.10	6.13	-4.3x	0.8x	9.50	4.75	-50.00%	-	-	4.27	4.75	-10%	SELL
Packaged Foods & Meats																		
CADBURY	1.20	3.12%	8.47%	3.75%	2.26	0.64	7.56	13.5x	1.1x	10.85	4.95	-18.01%	-	-	-	8.65	-	UR
DANGSUGAR	0.73	12.74%	18.98%	9.29%	2.04	1.81	9.54	7.1x	1.4x	15.05	8.90	-5.15%	8.30x	1.58	13.11	12.90	2%	HOLD
HONYFLOUR	0.59	-1.29%	-1.79%	-0.76%	2.37	-0.13	7.03	-8.3x	0.1x	1.18	0.83	6.06%	2.50x	0.38	0.95	1.05	-10%	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	-3.1x	0.4x	11.05	6.50	4.65%	-	-	8.08	9.00	-10%	SELL
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	15.11%	9.50x	7.76	73.72	64.00	15%	BUY
PRESCO	0.27	17.85%	11.79%	4.83%	2.44	3.50	29.67	11.9x	1.4x	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	-13.3x	0.5x	5.85	3.75	-2.65%	10.00x	0.46	4.58	5.50	-17%	SELL
VITAFOAM	1.24	15.44%	46.31%	19.08%	2.43	2.63	5.68	2.1x	1.0x	5.55	3.95	26.14%	2.30x	2.32	5.34	5.55	-4%	HOLD
Healthcare																		
Pharmaceuticals																		
MAYBAKER	0.85	8.87%	12.20%	7.55%	1.62	0.41	3.39	8.2x	1.0x	3.39	1.79	75.65%	8.00x	0.44	3.52	3.39	4%	HOLD
FIDSON	1.10	2.90%	4.23%	3.21%	1.32	0.20	4.69	17.1x	0.7x	3.40	2.21	9.68%	8.00x	0.50	4.00	3.40	18%	BUY
GLAXOSMITH	1.11	4.42%	10.02%	4.91%	2.04	0.77	7.65	10.6x	1.1x	8.10	3.45	32.79%	8.00x	0.88	7.04	8.10	-13%	SELL
NEIMETH	0.89	3.12%	7.16%	2.77%	2.58	0.05	0.67	23.6x	1.7x	1.13	0.40	82.26%	3.60x	0.21	0.76	1.13	-33%	SELL

Materials																	
Construction Materials																	
BUACEMENT	0.15	20.11%	3.06%	2.92%	1.05	0.79	25.93	53.0x	1.6x	42.00	29.40	20.00%	-	-	-	42.00	- UR
DANGCEM	0.50	22.30%	21.18%	11.17%	1.90	11.79	55.66	11.8x	2.5x	179.90	116.80	-2.11%	-	-	171.80	139.00	24% BUY
WAPCO	0.44	54.89%	34.00%	24.40%	1.39	7.45	21.91	1.6x	0.5x	17.60	8.95	-24.51%	-	-	14.87	11.55	29% 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	12.52%	14.60%	8.86%	1.65	1.55	10.60	4.5x	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	17.3x	1.1x	20.60	11.20	-20.44%	8.00x	2.13	17.04	14.40	18% BUY
MOBIL	2.06	4.05%	19.77%	8.33%	2.37	22.46	113.61	9.5x	1.9x	213.90	133.20	44.62%	6.50x	24.88	161.72	213.90	-24% SELL
MRS	1.70	-3.80%	-14.58%	-6.46%	2.26	-8.64	59.23	-1.6x	0.2x	15.30	13.80	-9.80%	-	-	-	13.80	- UR
SEPLAT	0.19	19.44%	6.58%	3.64%	1.81	68.60	1,042.97	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	11.53x	12.07x	128.50	90.00	10.48%	13.58x	11.61	157.62	116.00	36% 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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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

Price Targets: Price targets reflect in part the analyst's estimates for the company's earnings. The achievement of any price target may be impeded by general market and macroeconomic trends, and by other risks related to the company or market and may not occur if the company's earnings fall short of estimates.

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