

## STOCK RECOMMENDATION – JUNE 22, 2020

### MARKET REVIEW

*For the week ended June 19, 2020.*

- The All Share Index declined last week, shedding 1.41% to close at 24,826.75 points. Three of the five major sectoral indices closed in the negative territory, while the **NSEFBT10** and **NSEIND** ticked up by 1.81% and 2.24% respectively.
- HONYFLOUR** topped the gainers' chart last week, advancing by 17.39% to close at NGN1.08. **NEIMETH**, however, halted its three-week gaining streak, shedding 40.08% to close at NGN1.54.
- The market breadth moderated to 0.38x as the number of losers (48) significantly outpaced the gainers (18).
- Profit taking on counters that have witnessed significant positive sentiment in previous weeks, drove the market into the negative territory.

### MARKET *P*REVIEW

*For the week commencing June 22, 2020*

- Following the sell-offs which dominated the market last week, most stocks declined to relatively attractive prices. This presents an opportunity for bargain hunting activities especially on heavyweights (like **DANGCEM** and **GUARANTY**), with considerably cheap valuations.
- In addition, with the prevailing system liquidity, we expect improved investors' participation in equities, given the absence of primary market auctions in the fixed income space this week.
- We, however, do not rule out the possibility of sell-offs as the risks associated with the macroeconomic environment still persists.
- On a balance of factors, we anticipate a marginal uptick in the **NSEASI** this week.

### THE WEEK THAT WAS (A REVIEW)

			Cur. Week	Prev. Week
NSEASI			24,826.75	25,182.67
Market Cap [NGN'tr]			12.95	13.14
Market Cap [USD 'bn]			33.50	36.39
Volume Traded [bn]			1.05	1.10
Value Traded [NGN'bn]			10.13	9.88
NSEASI & Sectoral Indices [Return Profile]				
	WtD	MtD	QtD	YtD
NSEASI	-1.41%	-1.75%	16.82%	-7.51%
NSE-30	-1.46%	-1.62%	19.83%	-8.43%
NSE-B10	-3.06%	-4.37%	24.13%	-18.50%
NSE-FB10	1.81%	1.87%	32.44%	-26.98%
NSE-OG5	-4.86%	-8.61%	-2.97%	-20.53%
NSE-INS10	-3.11%	-0.20%	10.59%	4.55%
NSE-IND	2.24%	-1.24%	16.92%	13.40%
Value (NGN)			Volume	
GUARANTY	2,627,633,191	GUARANTY	111,079,892	
ZENITHBANK	1,211,022,165	FBNH	107,284,138	
MTNN	955,403,452	FCMB	97,956,829	
FBNH	553,399,721	ZENITHBANK	74,552,775	
NESTLE	457,188,847	MBENEFIT	52,020,121	
Highest Gainers	%	Highest Losers	%	
HONYFLOUR	17.39%	NEIMETH	-40.08%	
NESTLE	10.00%	NPFMCRFBK	-25.13%	
CUTIX	10.00%	PRESTIGE	-18.57%	
REDSTAREX	9.09%	AIICO	-15.25%	
CORNERST	7.84%	UAC-PROP	-12.50%	

	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
<b>Financial Services</b>																		
<b>Banks</b>																		
ACCESS	0.10	13.46%	15.18%	1.32%	11.46	2.71	17.88	2.5x	0.4x	11.60	5.40	-32.50%	2.81x	2.64	7.42	6.75	10%	HOLD
ETI	0.09	11.17%	13.32%	1.04%	12.77	3.80	28.57	1.31x	0.17x	8.00	3.90	-23.08%	1.50x	3.50	5.25	5.00	5%	HOLD
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%	1.85x	0.90	1.67	1.72	-3%	HOLD
FIDELITYBK	0.10	12.99%	11.69%	1.26%	9.27	0.98	8.37	1.8x	0.2x	2.37	1.53	-13.66%	2.27x	0.89	2.02	1.77	14%	BUY
FBNH	0.09	12.91%	12.28%	1.19%	10.32	2.33	18.95	2.3x	0.3x	7.70	3.70	-13.82%	2.00x	2.87	5.74	5.30	8%	HOLD
GUARANTY	0.11	45.13%	29.89%	4.87%	6.14	6.71	22.46	3.4x	1.0x	34.00	16.75	-22.05%	3.76x	6.77	25.46	23.15	10%	HOLD
STANBIC	0.10	32.34%	23.84%	3.15%	7.57	7.47	31.33	4.4x	1.1x	42.50	23.85	-19.51%	5.91x	6.71	39.66	33.00	20%	BUY
STERLNBANK	0.12	6.38%	8.18%	0.77%	10.69	0.33	4.00	3.7x	0.3x	2.04	0.99	-39.70%	4.58x	0.36	1.65	1.20	37%	BUY
UBA	0.09	15.74%	14.78%	1.43%	10.37	2.65	17.91	2.4x	0.4x	8.90	4.40	-10.49%	2.80x	2.65	7.42	6.40	16%	UR
UBN	0.09	11.93%	8.10%	1.03%	7.88	0.71	8.74	9.0x	0.7x	7.60	5.70	6.67%	-	-	-	6.40	-	UR
WEMABANK	0.12	5.25%	8.97%	0.63%	14.15	0.13	1.46	4.2x	0.4x	0.79	0.44	-25.68%	5.81x	0.13	0.76	0.55	37%	BUY
ZENITHBANK	0.09	31.17%	22.59%	2.93%	7.70	6.66	29.49	2.4x	0.5x	22.75	10.70	-13.17%	2.86x	6.57	18.79	16.15	16%	BUY
<b>Insurance</b>																		
AIICO	0.37	12.96%	25.95%	4.78%	5.43	0.99	3.80	1.0x	0.3x	1.01	0.67	38.89%	3.60x	0.54	1.94	1.00	94%	BUY
LASACO	0.55	7.54%	8.37%	4.13%	2.03	0.10	1.21	2.4x	0.2x	0.29	0.20	-4.00%	3.80x	0.10	0.38	0.24	58%	BUY
LAWUNION	0.37	15.72%	10.75%	5.76%	1.87	0.18	1.67	5.9x	0.6x	1.22	0.50	112.00%	-	-	-	1.06	-	UR
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	0.42	9.13%	12.18%	3.79%	3.21	0.39	3.16	4.7x	0.6x	2.14	1.51	-8.08%	6.68x	0.39	2.61	1.82	43%	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	51.9x	0.2x	0.38	0.21	-2.94%	-	-	-	0.33	-	UR
CUSTODIAN	0.47	9.22%	12.75%	4.30%	2.96	1.01	7.92	5.7x	0.7x	6.05	4.95	-3.33%	6.58x	1.14	7.50	5.80	29%	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
<b>Consumer Staples &amp; Discretionary</b>																		
<b>Breweries</b>																		
GUINNESS	0.78	2.06%	2.98%	1.61%	1.85	1.18	39.76	14.4x	0.4x	30.20	17.00	-43.43%	23.00x	1.06	24.38	17.00	43%	BUY
NB	0.83	4.21%	8.23%	3.51%	2.34	1.70	20.64	22.4x	1.8x	59.00	22.00	-35.59%	25.00x	1.60	40.00	38.00	5%	HOLD
INTBREW	0.37	-22.21%	-17.89%	-8.12%	2.20	-1.10	6.13	-4.1x	0.7x	9.50	4.55	-52.11%	-	-	4.27	4.55	-6%	HOLD
<b>Packaged Foods &amp; Meats</b>																		
CADBURY	1.20	3.12%	8.47%	3.75%	2.26	0.64	7.56	12.5x	1.1x	10.85	4.95	-24.17%	-	-	-	8.00	-	UR
DANGSUGAR	0.73	12.74%	18.98%	9.29%	2.04	1.81	9.54	7.9x	1.5x	15.05	8.90	5.15%	7.00x	1.92	13.44	14.30	-6%	HOLD
HONYFLOUR	0.59	-1.29%	-1.79%	-0.76%	2.37	-0.13	7.03	-8.6x	0.2x	1.18	0.83	9.09%	2.50x	0.38	0.95	1.08	-12%	SELL
FLOURMILL	2.81	1.93%	5.29%	5.40%	0.98	1.99	37.61	10.3x	0.5x	24.00	19.15	3.55%	8.50x	2.62	22.27	20.40	9%	HOLD
NASCON	0.15	25.86%	15.18%	3.97%	3.82	0.67	4.42	17.3x	2.6x	15.70	8.50	-10.42%	10.00x	1.36	13.60	11.60	17%	BUY
NESTLE	1.54	15.54%	77.70%	23.86%	3.26	55.55	71.50	19.7x	15.3x	1,469.90	764.90	-25.54%	20.00x	60.00	1,200.00	1,094.50	10%	HOLD
UACN	0.77	-10.67%	-13.96%	-8.17%	1.71	-2.91	20.86	-2.4x	0.3x	11.05	6.50	-18.60%	-	-	8.08	7.00	15%	BUY
<b>Agricultural Products</b>																		
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	12.9x	1.5x	57.05	36.45	-4.74%	-	-	-	45.25	-	UR
<b>Household &amp; Personal Products</b>																		
PZ	0.93	-2.25%	-3.76%	-2.10%	1.80	-0.41	11.02	-11.8x	0.4x	5.85	3.75	-13.27%	10.00x	0.46	4.58	4.90	-7%	HOLD
VITAFOAM	1.24	15.44%	46.31%	19.08%	2.43	2.63	5.68	2.1x	1.0x	5.60	3.95	27.27%	2.30x	2.32	5.34	5.60	-5%	HOLD
<b>Healthcare</b>																		
<b>Pharmaceuticals</b>																		
MAYBAKER	0.85	8.87%	12.20%	7.55%	1.62	0.41	3.39	7.2x	0.9x	3.00	1.79	55.44%	8.0x	0.44	3.52	3.00	-17%	BUY
FIDSON	1.10	2.90%	4.23%	3.21%	1.32	0.20	4.69	15.5x	0.7x	3.07	2.21	-0.97%	8.0x	0.50	4.00	3.07	30%	BUY
GLAXOSMITH	1.14	4.48%	10.02%	5.10%	1.96	0.78	7.75	9.1x	0.9x	7.10	3.45	16.39%	9.0x	0.79	7.11	7.10	0%	HOLD
NEIMETH	0.89	3.12%	7.16%	2.77%	2.58	0.05	0.67	32.2x	2.3x	1.54	0.40	148.39%	3.60x	0.21	0.76	1.54	-51%	SELL

Materials																	
Construction Materials																	
BUACEMENT	0.15	20.11%	3.06%	2.92%	1.05	0.79	25.93	55.5x	1.7x	44.00	29.40	25.71%	-	-	30.88	44.00	-30% SELL
DANGCEM	0.50	22.30%	21.18%	11.17%	1.90	11.79	55.66	11.0x	2.3x	179.90	116.80	-8.45%	-	-	171.80	130.00	32% BUY
WAPCO	0.44	54.89%	34.00%	24.40%	1.39	7.45	21.91	1.5x	0.5x	17.60	8.95	-26.80%	-	-	14.87	11.20	33% 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%	9.50x	2.52	23.94	20.65	16% BUY
BERGER	0.71	12.52%	14.60%	8.86%	1.65	1.55	10.60	4.8x	0.7x	7.45	6.10	10.37%	-	-	-	7.45	- 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	-5.3x	0.3x	3.60	1.99	-31.11%	-	-	-	2.48	- UR
ARDOVA	3.29	0.58%	6.53%	1.93%	3.39	0.83	12.71	16.6x	1.1x	20.60	11.20	-24.03%	8.00x	2.13	17.04	13.75	24% BUY
MOBIL	2.06	4.05%	19.77%	8.33%	2.37	22.46	113.61	8.6x	1.7x	192.60	133.20	30.22%	-	-	-	192.60	- UR
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	6.3x	0.4x	605.00	428.80	-34.81%	-	-	500.06	428.80	17% BUY
TOTAL	2.18	0.91%	9.20%	1.98%	4.64	7.63	82.94	12.8x	1.2x	117.00	96.30	-12.08%	-	-	-	97.50	- UR
Telecommunications																	
MTNN	0.75	16.83%	104.66%	12.55%	8.34	10.06	9.61	11.5x	12.1x	128.50	90.00	10.57%	13.58x	11.61	157.62	116.10	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.

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**Asset allocation:** The recommended weighting for equities, cash and fixed income instrument is based on a number of metrics and does not relate to a particular size change in one variable.

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