

## STOCK RECOMMENDATION – JUNE 29, 2020

**MARKET REVIEW**
*For the week ended June 26, 2020.*

- The equities market inched up marginally last week, after closing down on 4 of the 5 trading days. The All Share index climbed by 0.01% WoW to close at 24,829.02pts
- All sectoral indices closed in the negative territory, with the exception of the **NSEFBT10**, which ended the week flat.
- **AIRTELAFRI** topped the gainers' chart, advancing by 9.97% to close at NGN328.70. **PZ** emerged as the worst performer, shedding 21.43%, to close at NGN3.85.
- Bargain hunting across heavyweight counters on the last trading day spurred the market to a positive close, after an otherwise bearish showing in the earlier days of the week.

**MARKET P REVIEW**
*For the week commencing June 29, 2020*

- The equities market seems to have lost its steam, evinced in the volume (-29.52%) and value (-15.50%) traded last week. This flows from the prevailing weak macroeconomic fundamentals.
- Last week, MSCI issued a warning on a possible reclassification of the Nigerian equities market from a frontier status to a standalone status, citing FX illiquidity as the major challenge. We expect this to spur negative investor sentiment in the market.
- **This week, we expect the overriding sentiment to be bearish in view of the above. Also, as Q2 earnings season inch closer, we envisage that investors will adopt a "wait and see" approach. However, we do not rule out pockets of bargain hunting activities as the prices of some heavyweight tickers present an attractive entry point for investors.**

## THE WEEK THAT WAS (A REVIEW)

	Cur. Week	Prev. Week
NSEASI	24,829.02	24,826.75
Market Cap [NGN'tr]	12.95	12.95
Market Cap [USD 'bn]	33.52	33.52
Volume Traded [bn]	0.74	1.05
Value Traded [NGN'bn]	8.56	10.13

  

NSEASI & Sectoral Indices [Return Profile]				
	WtD	MtD	QtD	YtD
NSEASI	0.01%	-1.74%	16.57%	-7.50%
NSE-30	-0.98%	-2.58%	18.35%	-9.33%
NSE-B10	-0.52%	-4.87%	22.66%	-18.92%
NSE-FB10	0.00%	1.86%	32.99%	-26.98%
NSE-OG5	-4.84%	-13.03%	-7.76%	-24.37%
NSE-INS10	-1.57%	-1.78%	8.43%	2.90%
NSE-IND	-2.03%	-0.81%	14.87%	11.10%

  

Value (NGN)		Volume	
GUARANTY	1,601,433,268	FBNH	78,205,076
NEWGOLD	1,525,100,590	GUARANTY	70,373,160
ZENITHBANK	1,021,735,145	ZENITHBANK	62,773,227
DANGCEM	946,540,987	JAPAUOIL	57,057,374
NESTLE	865,534,980	TRANSCORP	35,852,170

  

Highest Gainers		Highest Losers	
	%		%
AIRTELAFRI	9.97%	PZ	-21.43%
ABCTrans	9.80%	GLAXOSMITH	-17.61%
NESTLE	9.64%	CHAMS	-12.00%
WEMABANK	9.09%	GUINNESS	-11.76%
UAC-PROP	8.79%	NEIMETH	-11.04%

	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	2.4x	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	1.38x	0.18x	13.50	4.05	-19.23%	1.50x	3.50	5.25	5.25	-	HOLD
FCMB	0.10	9.82%	8.97%	0.98%	9.19	0.93	10.38	2.0x	0.2x	2.09	1.45	0.5%	1.85x	0.90	1.67	1.86	-10%	SELL
FIDELITYBK	0.10	12.99%	11.69%	1.26%	9.27	0.98	8.37	1.8x	0.2x	2.37	1.53	-13.17%	2.27x	0.89	2.02	1.78	14%	BUY
FBNH	0.09	12.91%	12.28%	1.19%	10.32	2.33	18.95	2.2x	0.3x	8.20	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	3.4x	1.0x	37.50	16.75	-23.57%	3.76x	6.77	25.46	22.70	12%	BUY
STANBIC	0.10	32.34%	23.84%	3.15%	7.57	7.47	31.33	4.1x	1.0x	48.50	23.85	-26.22%	5.91x	6.71	39.66	30.25	31%	BUY
STERLNBANK	0.12	6.38%	8.18%	0.77%	10.69	0.33	4.00	3.9x	0.3x	2.40	0.99	-35.18%	4.58x	0.36	1.65	1.29	28%	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%	BUY
UBN	0.09	11.93%	8.10%	1.03%	7.88	0.71	8.74	8.9x	0.7x	7.20	5.70	5.00%	-	-	-	6.30	-	UR
WEMABANK	0.12	5.25%	8.97%	0.63%	14.15	0.13	1.46	4.6x	0.4x	0.80	0.44	-18.92%	5.81x	0.13	0.76	0.60	26%	BUY
ZENITHBANK	0.09	31.17%	22.59%	2.93%	7.70	6.66	29.49	2.4x	0.5x	22.75	10.70	-12.90%	2.86x	6.57	18.79	16.20	16%	BUY
<b>Insurance</b>																		
AIICO	0.37	12.96%	25.95%	4.78%	5.43	0.99	3.80	1.0x	0.3x	0.99	0.67	37.50%	3.60x	0.54	1.94	0.99	96%	BUY
LASACO	0.55	7.54%	8.37%	4.13%	2.03	0.10	1.21	2.5x	0.2x	0.31	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	1.05	0.50	100.00%	-	-	-	1.00	-	UR
LINKASSURE	0.22	10.12%	2.97%	2.19%	1.36	0.08	2.84	5.7x	0.2x	0.55	0.38	-9.43%	-	-	-	0.48	-	UR
MANSARD	0.42	9.13%	12.18%	3.79%	3.21	0.39	3.16	4.7x	0.6x	2.20	1.51	-9.09%	6.68x	0.39	2.61	1.80	45%	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	0.42	0.21	-5.88%	-	-	-	0.32	-	UR
CUSTODIAN	0.47	9.22%	12.75%	4.30%	2.96	1.01	7.92	5.4x	0.7x	6.30	4.95	-9.17%	6.58x	1.14	7.50	5.45	38%	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	12.7x	0.4x	64.00	15.00	-50.08%	23.00x	1.06	24.38	15.00	63%	BUY
NB	0.83	4.21%	8.23%	3.51%	2.34	1.70	20.64	20.6x	1.7x	69.50	25.50	-40.68%	25.00x	1.60	40.00	35.00	14%	BUY
INTBREW	0.37	-22.21%	-17.89%	-8.12%	2.20	-1.10	6.13	-3.7x	0.7x	26.00	4.10	-56.84%	-	-	4.27	4.10	4%	HOLD
<b>Packaged Foods &amp; Meats</b>																		
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%	-	-	-	7.50	-	UR
DANGSUGAR	0.73	12.74%	18.98%	9.29%	2.04	1.81	9.54	6.6x	1.2x	15.05	9.00	-12.50%	7.00x	1.92	13.44	11.90	13%	BUY
HONYFLOUR	0.59	-1.29%	-1.79%	-0.76%	2.37	-0.13	7.03	-7.9x	0.1x	1.21	0.83	-	2.50x	0.38	0.95	0.99	-4%	HOLD
FLOURMILL	2.81	1.93%	5.29%	5.40%	0.98	1.99	37.61	9.9x	0.5x	24.00	18.95	-0.51%	8.50x	2.62	22.27	19.60	14%	BUY
NASCON	0.15	25.86%	15.18%	3.97%	3.82	0.67	4.42	17.3x	2.6x	19.00	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	21.6x	16.8x	1,498.00	765.00	-18.36%	20.00x	60.00	1,200.00	1,200.00	-	HOLD
UACN	0.77	-10.67%	-13.96%	-8.17%	1.71	-2.91	20.86	-2.6x	0.4x	11.05	7.10	-13.37%	-	-	8.08	7.45	8%	HOLD
<b>Agricultural Products</b>																		
OKOMUOIL	0.45	28.06%	19.45%	12.53%	1.55	6.36	32.72	10.1x	2.0x	79.00	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	68.00	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	-9.3x	0.3x	10.50	3.75	-31.86%	10.00x	0.46	4.58	3.85	19%	BUY
VITAFOAM	1.24	15.44%	46.31%	19.08%	2.43	2.63	5.68	2.0x	0.9x	5.30	3.95	20.45%	2.30x	2.32	5.34	5.30	1%	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%	10.50x	0.23	2.42	3.00	-20%	SELL
FIDSON	1.10	2.90%	4.23%	3.21%	1.32	0.20	4.69	15.0x	0.6x	4.95	2.21	-3.87%	9.50x	0.42	4.01	2.98	35%	BUY
GLAXOSMITH	1.14	4.48%	10.02%	5.10%	1.96	0.78	7.75	7.5x	0.8x	10.80	3.45	-4.10%	5.20x	0.97	5.04	5.85	-14%	SELL
NEIMETH	0.89	3.12%	7.16%	2.77%	2.58	0.05	0.67	28.6x	2.0x	1.37	0.40	120.97%	3.60x	0.21	0.76	1.37	-45%	SELL

Materials																			
<b>Construction Materials</b>																			
BUACEMENT	0.15	20.11%	3.06%	2.92%	1.05	0.79	25.93	54.3x	1.7x	43.00	34.40	22.86%	-	-	30.88	43.00	-28%	SELL	
DANGCEM	0.50	22.30%	21.18%	11.17%	1.90	11.79	55.66	10.9x	2.3x	188.50	128.00	-9.86%	-	-	171.80	128.00	34%	BUY	
WAPCO	0.44	54.89%	34.00%	24.40%	1.39	7.45	21.91	1.5x	0.5x	16.35	9.10	-28.10%	-	-	14.87	11.00	35%	BUY	
<b>Specialty Chemicals</b>																			
CAP	1.13	19.70%	57.07%	22.35%	2.55	2.43	4.25	8.5x	4.9x	37.40	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	8.25	6.10	10.37%	5.10x	1.17	5.97	7.45	-20%	SELL	
<b>Energy</b>																			
CONOIL	2.02	1.42%	10.51%	2.87%	3.66	2.86	27.23	7.3x	0.8x	23.00	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	4.80	1.99	-31.11%	-	-	-	2.48	-	UR	
ARDOVA	3.29	0.58%	6.53%	1.93%	3.39	0.83	12.71	15.7x	1.0x	20.60	13.05	-27.90%	8.00x	2.13	17.04	13.05	31%	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	20.85	13.80	-9.80%	-	-	-	13.80	-	UR	
SEPLAT	0.19	19.44%	6.58%	3.64%	1.81	68.60	1,042.97	5.6x	0.4x	605.00	386.00	-41.32%	-	-	500.06	386.00	30%	BUY	
TOTAL	2.18	0.91%	9.20%	1.98%	4.64	7.63	82.94	12.8x	1.2x	196.00	96.30	-12.08%	-	-	-	97.50	-	UR	
<b>Telecommunications</b>																			
MTNN	0.75	16.83%	104.66%	12.55%	8.34	10.06	9.61	11.7x	12.2x	128.30	90.00	11.90%	13.58x	11.61	157.62	117.50	34%	BUY	
AIRTELAFRI	0.37	11.92%	12.44%	4.38%	2.84	42.01	337.81	7.8x	1.0x	328.70	298.90	9.97%	6.22x	59.42	369.35	328.70	12%	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.

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**HOLD:** Target Price of the stock ranges between **-10 percent and 10 percent** from the current market price.

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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)  
 blessingogwuiche@meristemng.com (+234 806 738 5485)

### Investment Research

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

**Corporate websites:** [www.meristemng.com](http://www.meristemng.com)[www.meristemwealth.com](http://www.meristemwealth.com)[www.meristemregistrars.com](http://www.meristemregistrars.com)

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