

STOCK RECOMMENDATION – JUNE 8, 2020

MARKET REVIEW

For the week ended June 5, 2020.

- After a two-week bullish run, the Equities Market ended last week in the red zone, as the **NSEASI** shed 1.00% WoW to close at 25,016.30pts. This brought the YtD return lower, at -6.80%.
- All sectorial indices, save the **NSEFB10** (+0.26% WoW), closed in the negative zone at the end of the week.
- For the second week in a row, **NEIMETH** emerged as the top performer on the exchange as the stock advanced by 56.64%. **AFROMEDIA**, however, closed the week as the biggest laggard, having shed 23.08% off its share price.
- Last week's performance reflected profit taking activities on stocks which gained in previous weeks. The initial positive momentum gathered at the start of the week was reversed on the last two trading days of the week.

MARKET *P*REVIEW

For the week commencing June 8, 2020

- Despite the selloffs that occurred towards the end of last week, trading statistics point towards relatively buoyant investors' activity level.
- In addition, OPEC+ recently extended the first phase of supply cuts agreed in April till the end of July. We expect this to stir some positive sentiment amongst investors due to its positive impact on oil prices.
- We expect investors to take advantage of last week's price reversal on the heavyweight counters.
- Although macroeconomic fundamentals are still weak, we expect bargain hunting activities by investors to spur the market to a positive close this week.

THE WEEK THAT WAS (A REVIEW)

			Cur. Week	Prev. Week
NSEASI			25,016.30	25,267.82
Market Cap [NGN'tr]			13.05	13.17
Market Cap [USD 'bn]			33.72	35.43
Volume Traded [bn]			1.47	1.26
Value Traded [NGN'bn]			23.55	13.50
NSEASI & Sectoral Indices [Return Profile]				
	WtD	MtD	QtD	YtD
NSEASI	-1.00%	-1.00%	17.44%	-6.80%
NSE-30	-0.92%	-0.92%	20.38%	-7.78%
NSE-B10	-1.81%	-1.81%	26.61%	-16.32%
NSE-FB10	0.26%	0.26%	30.90%	-28.13%
NSE-OG5	-1.35%	-1.35%	4.63%	-14.21%
NSE-INS10	-0.67%	-0.67%	9.66%	4.06%
NSE-IND	-3.14%	-3.14%	12.16%	8.48%
Value (NGN)			Volume	
DANGCEM	6,317,847,618	FBNH	175,900,098	
NB	5,050,505,762	GUARANTY	154,918,177	
GUARANTY	3,837,432,438	ZENITHBANK	125,758,083	
ZENITHBANK	2,143,002,792	NB	115,202,969	
MTNN	1,728,232,999	JAPAUOIL	83,863,184	
Highest Gainers	%	Highest Losers	%	
NEIMETH	56.64%	AFROMEDIA	-23.08%	
SKYAVN	50.83%	UACN	-13.89%	
JAPAUOIL	50.00%	FIDSON	-12.94%	
UAC-PROP	20.00%	PZ	-12.73%	
ABCTrans	17.14%	CADBURY	-11.56%	

	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	-33.50%	2.81x	2.64	7.42	6.65	12%	BUY
ETI	0.09	11.17%	13.32%	1.04%	12.77	3.80	28.57	1.46x	0.19x	8.00	3.90	-14.62%	1.50x	3.50	5.25	5.55	-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	1.9x	0.2x	2.37	1.53	-11.71%	2.27x	0.89	2.02	1.81	12%	BUY
FBNH	0.09	12.91%	12.28%	1.19%	10.32	2.33	18.95	2.3x	0.3x	7.70	3.70	-12.20%	2.00x	2.87	5.74	5.40	6%	HOLD
GUARANTY	0.11	45.13%	29.89%	4.87%	6.14	6.71	22.46	3.6x	1.1x	34.00	16.75	-19.53%	3.76x	6.77	25.46	23.90	7%	HOLD
STANBIC	0.10	32.34%	23.84%	3.15%	7.57	7.47	31.33	4.4x	1.1x	42.50	23.85	-19.02%	5.91x	6.71	39.66	33.20	20%	BUY
STERLNBANK	0.12	6.38%	8.18%	0.77%	10.69	0.33	4.00	3.9x	0.3x	2.04	0.99	-35.68%	4.58x	0.36	1.65	1.28	29%	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	8.7x	0.7x	7.60	5.70	2.50%	-	-	-	6.15	-	UR
WEMABANK	0.12	5.25%	8.97%	0.63%	14.15	0.13	1.46	4.4x	0.4x	0.79	0.44	-21.62%	5.81x	0.13	0.76	0.58	30%	BUY
ZENITHBANK	0.09	31.17%	22.59%	2.93%	7.70	6.66	29.49	2.5x	0.6x	22.75	10.70	-9.95%	2.86x	6.57	18.79	16.75	12%	BUY
Insurance																		
AIICO	0.37	12.96%	25.95%	4.78%	5.43	0.99	3.80	1.1x	0.3x	1.10	0.67	52.78%	3.60x	0.54	1.94	1.10	77%	BUY
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	0.37	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	5.3x	0.2x	0.62	0.38	-15.09%			-	0.45	-	UR
MANSARD	0.42	9.13%	12.18%	3.79%	3.21	0.39	3.16	4.8x	0.6x	2.14	1.51	-6.57%	6.68x	0.39	2.61	1.85	41%	BUY
NEM	0.73	12.39%	16.96%	9.06%	1.87	0.49	2.87	4.2x	0.7x	2.42	1.44	-15.29%	3.11x	0.61	1.90	2.05	-7%	HOLD
WAPIC	0.42	0.54%	0.37%	0.23%	1.62	0.01	1.73	47.2x	0.2x	0.38	0.21	-11.76%			-	0.30	-	UR
CUSTODIAN	0.47	9.22%	12.75%	4.30%	2.96	1.01	7.92	6.0x	0.8x	6.05	4.95	0.83%	6.58x	1.14	7.50	6.05	24%	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
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	18.30	-39.10%	23.00x	1.06	24.38	18.30	33%	BUY
NB	0.83	4.21%	8.23%	3.51%	2.34	1.70	20.64	24.7x	2.0x	59.00	22.00	-28.81%	25.00x	1.60	40.00	42.00	-5%	HOLD
INTBREW	0.37	-22.21%	-17.89%	-8.12%	2.20	-1.10	6.13	-4.3x	0.8x	9.50	4.70	-50.53%	-	-	4.27	4.70	-9%	HOLD
Packaged Foods & Meats																		
CADBURY	1.20	3.12%	8.47%	3.75%	2.26	0.64	7.56	11.9x	1.0x	10.85	4.95	-27.49%	-	-	-	7.65	-	UR
DANGSUGAR	0.73	12.74%	18.98%	9.29%	2.04	1.81	9.54	8.3x	1.6x	15.05	8.90	9.93%	7.00x	1.92	13.44	14.95	-10%	SELL
HONYFLOUR	0.59	-1.29%	-1.79%	-0.76%	2.37	-0.13	7.03	-8.1x	0.1x	1.18	0.83	3.03%	2.50x	0.38	0.95	1.02	-7%	HOLD
FLOURMILL	2.81	1.93%	5.29%	5.40%	0.98	1.99	37.61	10.5x	0.6x	24.00	19.15	5.84%	8.50x	2.62	22.27	20.85	7%	HOLD
NASCON	0.15	25.86%	15.18%	3.97%	3.82	0.67	4.42	17.1x	2.6x	15.70	8.50	-11.20%	10.00x	1.36	13.60	11.50	18%	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	-2.7x	0.4x	11.05	6.50	-9.88%	-	-	8.08	7.75	4%	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	15.11%	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
Household & Personal Products																		
PZ	0.93	-2.25%	-3.76%	-2.10%	1.80	-0.41	11.02	-11.6x	0.4x	5.85	3.75	-15.04%	10.00x	0.46	4.58	4.80	-5%	HOLD
VITAFOAM	1.24	15.44%	46.31%	19.08%	2.43	2.63	5.68	2.1x	1.0x	5.50	3.95	22.73%	2.30x	2.32	5.34	5.40	-1%	HOLD
Healthcare																		
Pharmaceuticals																		
MAYBAKER	0.85	8.87%	12.20%	7.55%	1.62	0.41	3.39	7.4x	0.9x	3.05	1.79	58.03%	8.0xx	0.44	3.52	3.05	-15%	SELL
FIDSON	1.10	2.90%	4.23%	3.21%	1.32	0.20	4.69	14.9x	0.6x	2.96	2.21	-4.52%	8.00x	0.50	4.00	2.96	39%	BUY
GLAXOSMITH	1.11	4.42%	10.02%	4.91%	2.04	0.77	7.65	9.8x	1.0x	7.55	3.45	23.77%	8.00x	0.88	7.04	7.55	-7%	HOLD
NEIMETH	0.89	3.12%	7.16%	2.77%	2.58	0.05	0.67	37.0x	2.6x	1.77	0.40	185.48%	3.60x	0.21	0.76	1.77	-57%	SELL

Materials																	
Construction Materials																	
BUACEMENT	0.15	20.11%	3.06%	2.92%	1.05	0.79	25.93	50.5x	1.5x	41.00	29.40	14.29%	-	-	30.88	40.00	-23% SELL
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	1.5x	0.5x	17.60	8.95	-24.84%	-	-	14.87	11.50	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%	-	-	-	2.67	- UR
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%	-	-	-	213.90	- 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	6.9x	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	12.6x	1.2x	117.00	96.10	-13.35%	-	-	-	96.10	- 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	10.48%	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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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)
blessingogwuche@meristemng.com	(+234 806 738 5485)

Investment Research

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

Corporate websites: www.meristemng.comwww.meristemwealth.comwww.meristemregistrars.com

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