

## STOCK RECOMMENDATION - JULY 20, 2020

### MARKET REVIEW

*For the week ended July 17, 2020.*

- The bears maintained the upper hand after close of trades last week, as the equities market closed negative on three of the five trading days. The NSEASI shed 0.08% during the week, dragging the Year to date return to -9.52%.
- Besides the Industrial goods sectoral index (+0.52% WoW), all other sectoral indices closed the week in the negative territory.
- **CUTIX** topped the gainers' chart with a price appreciation of 10.30%, while **LINKASSURE** led the losers, shedding 14.89% from its share price.
- Despite the bearish nature of the broader market, large cap stocks such as **MTNN**, **AIRTELAFRICA** and **BUACEMENT** enjoyed positive investor sentiment during the week, which provided respite for the market.

### MARKET *P*REVIEW

*For the week commencing July 20, 2020*

- The MPC is scheduled to hold its fourth MPC meeting of 2020 this week, in which the Committee is expected to assess the effectiveness of its recent monetary policy decisions and set the tone for the rest of the year.
- Earnings season is primed to kick into full gear as more companies continue to announce dates for the release of H1 results. Already, UCAP has set the pace with an impressive performance in its recently released H1 result
- **Although we anticipate bargain hunting activities on counters in the banking and consumer goods space this week, we expect the general market mood to remain bearish in the absence of a strong enough catalyst required to spur a positive close. Hence, we expect the market to remain in the negative zone this week.**

### THE WEEK THAT WAS (A REVIEW)

	Cur. Week	Prev. Week
NSEASI	24,287.66	24,306.36
Market Cap [NGN'tr]	12.67	12.68
Market Cap [USD 'bn]	32.61	32.64
Volume Traded [bn]	1.02	0.90
Value Traded [NGN'bn]	7.44	13.45

  

NSEASI & Sectoral Indices [Return Profile]				
	WtD	MtD	QtD	YtD
NSEASI	-0.08%	-0.78%	-0.78%	-9.52%
NSE-30	-0.89%	-1.84%	-1.84%	-12.32%
NSE-B10	-3.92%	-3.50%	-3.50%	-23.75%
NSE-FB10	-1.93%	-8.13%	-8.13%	-31.55%
NSE-OG5	-1.93%	-2.72%	-2.72%	-27.20%
NSE-INS10	-1.88%	-4.93%	-4.93%	-1.98%
NSE-IND	0.52%	-0.35%	-0.35%	2.27%

  

Value (NGN)		Volume	
MTNN	1,598,272,723	STERLINBANK	294,006,144
GUARANTY	833,087,095	FCMB	61,996,846
ZENITHBANK	755,622,717	FBNH	60,985,949
NB	466,080,739	UBA	58,538,839
NESTLE	370,985,733	JAPAUOIL	51,240,386

  

Highest Gainers		Highest Losers	
	%		%
CUTIX	10.30%	LINKASSURE	-14.89%
NPFMCRFBK	10.00%	NB	-11.89%
SUNUASSUR	10.00%	WAPIC	-11.43%
IKEJAHOTEL	9.80%	CONOIL	-10.58%
PRESCO	9.28%	MOBIL	-9.97%

	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	2.3x	0.3x	11.60	5.40	-38.00%	2.81x	2.64	7.42	6.20	20%	BUY
ETI	0.09	11.17%	13.32%	1.04%	12.77	3.80	28.57	1.14x	0.15x	8.00	3.90	-33.08%	1.50x	3.50	5.25	4.35	21%	BUY
FCMB	0.10	9.82%	8.97%	0.98%	9.19	0.93	10.38	2.0x	0.2x	2.09	1.45	2.7%	1.85x	0.90	1.67	1.90	-12%	SELL
FIDELITYBK	0.10	12.99%	11.69%	1.26%	9.27	0.98	8.37	1.8x	0.2x	2.37	1.53	-14.15%	2.27x	0.89	2.02	1.76	15%	BUY
FBNH	0.09	12.91%	12.28%	1.19%	10.32	2.33	18.95	2.1x	0.3x	7.70	3.70	-18.70%	2.00x	2.87	5.74	5.00	15%	BUY
GUARANTY	0.11	45.13%	29.89%	4.87%	6.14	6.71	22.46	3.2x	1.0x	34.00	16.75	-27.61%	3.76x	6.77	25.46	21.50	18%	BUY
STANBIC	0.10	32.34%	23.84%	3.15%	7.57	7.47	31.33	3.9x	0.9x	42.50	23.85	-29.27%	5.91x	6.71	39.66	29.00	37%	BUY
STERLNBANK	0.12	6.38%	8.18%	0.77%	10.69	0.33	4.00	3.8x	0.3x	2.04	0.99	-37.19%	4.58x	0.36	1.65	1.25	32%	BUY
UBA	0.09	15.74%	14.78%	1.43%	10.37	2.65	17.91	2.3x	0.3x	8.90	4.40	-13.99%	2.80x	2.65	7.42	6.15	21%	BUY
UBN	0.09	11.93%	8.10%	1.03%	7.88	0.71	8.74	7.6x	0.6x	7.60	5.40	-10.00%	-	-	-	5.40	-	UR
WEMABANK	0.12	5.25%	8.97%	0.63%	14.15	0.13	1.46	3.9x	0.4x	0.79	0.44	-31.08%	5.81x	0.13	0.76	0.51	48%	BUY
ZENITHBANK	0.09	31.17%	22.59%	2.93%	7.70	6.66	29.49	2.4x	0.5x	22.75	10.70	-15.32%	2.86x	6.57	18.79	15.75	19%	BUY
<b>Insurance</b>																		
AIICO	0.37	12.96%	25.95%	4.78%	5.43	0.99	3.80	0.9x	0.2x	1.01	0.67	25.00%	3.60x	0.54	1.94	0.90	116%	BUY
LASACO	0.55	7.54%	8.37%	4.13%	2.03	0.10	1.21	2.6x	0.2x	0.29	0.20	4.00%	3.80x	0.10	0.38	0.26	46%	BUY
LAWUNION	0.37	15.72%	10.75%	5.76%	1.87	0.18	1.67	5.8x	0.6x	1.22	0.50	108.00%	-	-	-	1.04	-	UR
LINKASSURE	0.22	10.12%	2.97%	2.19%	1.36	0.08	2.84	4.7x	0.1x	0.62	0.38	-24.53%	-	-	-	0.40	-	UR
MANSARD	0.42	9.13%	12.18%	3.79%	3.21	0.39	3.16	4.1x	0.5x	2.14	1.51	-20.20%	6.68x	0.39	2.61	1.58	65%	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	48.8x	0.2x	0.38	0.21	-8.82%	-	-	-	0.31	-	UR
CUSTODIAN	0.47	9.22%	12.75%	4.30%	2.96	1.01	7.92	4.8x	0.6x	6.05	4.80	-20.00%	6.58x	1.14	7.50	4.80	56%	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	11.7x	0.3x	30.20	13.90	-53.74%	19.08x	1.06	20.22	13.90	46%	BUY
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
INTBREW	0.37	-22.21%	-17.89%	-8.12%	2.20	-1.10	6.13	-3.5x	0.6x	9.50	3.80	-60.00%	-	-	4.27	3.80	12%	BUY
<b>Packaged Foods &amp; Meats</b>																		
CADBURY	1.20	3.12%	8.47%	3.75%	2.26	0.64	7.56	11.3x	1.0x	10.85	4.95	-31.28%	-	-	-	7.25	-	UR
DANGSUGAR	0.73	12.74%	18.98%	9.29%	2.04	1.81	9.54	6.6x	1.3x	15.05	8.90	-11.76%	7.00x	1.92	13.44	12.00	12%	BUY
HONYFLOUR	0.59	-1.29%	-1.79%	-0.76%	2.37	-0.13	7.03	-7.6x	0.1x	1.18	0.83	-3.03%	2.50x	0.38	0.95	0.96	-1%	HOLD
FLOURMILL	2.81	1.93%	5.29%	5.40%	0.98	1.99	37.61	8.5x	0.5x	24.00	17.00	-13.71%	8.50x	2.62	22.27	17.00	31%	BUY
NASCON	0.15	25.86%	15.18%	3.97%	3.82	0.67	4.42	14.3x	2.2x	15.70	8.50	-25.87%	10.00x	1.36	13.60	9.60	42%	BUY
NESTLE	1.54	15.54%	77.70%	23.86%	3.26	55.55	71.50	21.2x	16.4x	1,469.90	764.90	-20.06%	20.00x	60.00	1,200.00	1,175.00	2%	HOLD
UACN	0.77	-10.67%	-13.96%	-8.17%	1.71	-2.91	20.86	-2.5x	0.4x	11.05	6.50	-15.12%	-	-	8.08	7.30	11%	BUY
<b>Agricultural Products</b>																		
OKOMUOIL	0.45	28.06%	19.45%	12.53%	1.55	6.36	32.72	11.1x	2.2x	70.50	55.05	26.80%	9.50x	7.76	73.72	70.50	5%	HOLD
PRESCO	0.27	17.85%	11.79%	4.83%	2.44	3.50	29.67	14.1x	1.7x	57.05	36.45	4.11%	-	-	-	49.45	-	UR
<b>Household &amp; Personal Products</b>																		
PZ	0.93	-2.25%	-3.76%	-2.10%	1.80	-0.41	11.02	-10.5x	0.4x	5.85	3.75	-23.01%	-	-	4.58	4.35	5%	HOLD
VITAFOAM	1.24	15.44%	46.31%	19.08%	2.43	2.63	5.68	2.0x	0.9x	5.50	3.95	21.14%	2.30x	2.32	5.34	5.33	0%	HOLD
<b>Healthcare</b>																		
<b>Pharmaceuticals</b>																		
MAYBAKER	0.85	8.87%	12.20%	7.55%	1.62	0.41	3.39	6.7x	0.8x	2.78	1.79	44.04%	8.00x	0.44	3.52	2.78	27%	BUY
FIDSON	1.10	2.90%	4.23%	3.21%	1.32	0.20	4.69	13.3x	0.6x	2.80	2.21	-14.52%	8.00x	0.50	4.00	2.65	51%	BUY
GLAXOSMITH	1.14	4.48%	10.02%	5.10%	1.96	0.78	7.75	6.1x	0.6x	6.00	3.45	-22.13%	9.00x	0.79	7.11	4.75	50%	BUY
NEIMETH	0.89	3.12%	7.16%	2.77%	2.58	0.05	0.67	31.3x	2.2x	1.50	0.40	141.94%	3.60x	0.21	0.76	1.50	-50%	SELL

Materials																				
<b>Construction Materials</b>																				
BUACEMENT	0.15	20.11%	3.06%	2.92%	1.05	0.79	25.93	52.3x	1.6x	41.45	29.40	18.43%	-	-	30.88	41.45	-26%	SELL		
DANGCEM	0.50	22.30%	21.18%	11.17%	1.90	11.79	55.66	10.7x	2.3x	179.90	116.80	-11.27%	-	-	171.80	126.00	36%	BUY		
WAPCO	0.44	54.89%	34.00%	24.40%	1.39	7.45	21.91	1.5x	0.5x	17.60	8.95	-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	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	3.9x	0.6x	6.75	6.10	-9.63%	5.10x	1.17	5.97	6.10	-2%	HOLD		
<b>Energy</b>																				
CONOIL	2.02	1.42%	10.51%	2.87%	3.66	2.86	27.23	5.9x	0.6x	20.85	13.15	-8.65%	5.60x	4.30	24.08	16.90	42%	BUY		
ETERNA	5.85	-0.33%	-5.10%	-1.93%	2.65	-0.47	9.24	-4.3x	0.2x	3.60	1.99	-43.61%	5.20x	0.65	3.39	2.03	67%	BUY		
ARDOVA	3.29	0.58%	6.53%	1.93%	3.39	0.83	12.71	15.1x	1.0x	20.60	11.20	-30.66%	6.88x	2.68	18.44	12.55	47%	BUY		
MOBIL	2.06	4.05%	19.77%	8.33%	2.37	22.46	113.61	7.7x	1.5x	173.40	133.20	17.24%	6.50x	27.19	176.74	173.40	2%	HOLD		
MRS	1.70	-3.80%	-14.58%	-6.46%	2.26	-8.64	59.23	-1.4x	0.2x	15.30	12.45	-18.63%	7.50x	1.97	14.78	12.45	19%	BUY		
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	117.00	96.30	-12.08%	11.06x	10.43	115.36	97.50	18%	BUY		
<b>Telecommunications</b>																				
MTNN	0.75	16.83%	104.66%	12.55%	8.34	10.06	9.61	11.7x	12.3x	128.50	90.00	12.38%	13.58x	11.61	157.62	118.00	34%	BUY		
AIRTELAFRI	0.37	11.92%	12.44%	4.38%	2.84	42.01	337.81	8.3x	1.0x	348.00	298.90	16.43%	6.22x	59.42	369.35	348.00	6%	HOLD		

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

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