

STOCK RECOMMENDATION - JULY 27, 2020

MARKET REVIEW

For the week ended July 24, 2020

- The sentiment in the equities market last week was largely bearish as it closed negative on four of the five trading days. Nevertheless, the significant gain on Thursday drove the market to a positive close, with the NSEASI inching up by 0.58% WoW. Thus, the Year to date (YtD) return moderated to -8.99%.
- All sectoral indices save for the Industrial goods index (+0.60% WoW) closed the week in the negative territory.
- FIDSON** topped the gainers' chart with a price appreciation of 18.11%, while **PRESTIGE** led the losers with a 14.81% share price loss.
- Market performance was largely driven by the 6.50% gain on **DANGCEM** last week, coupled with the significant increase in market activities WoW.

MARKET *P*REVIEW

For the week commencing July 27, 2020

- The H1:2020 earnings season has fully kicked off and for some of the few companies that have released results, performances have not been as bad as expected.
- This week, we expect market performance to be driven by corporate actions; Zenith Bank approved the payment of an interim dividend last week, while management of MTN Group guided about a positive earnings expectation this period. We expect these corporate news to spur some positive sentiment on these counters.
- Also, the cheap valuations of some fundamentally sound tickers, present an opportunity for bargain hunting.
- Ultimately, we expect bullish sentiment to permeate the equities market this week.

THE WEEK THAT WAS (A REVIEW)

	Cur. Week	Prev. Week		
NSEASI	24,427.73	24,287.66		
Market Cap [NGN'tr]	12.74	12.67		
Market Cap [USD 'bn]	32.76	32.61		
Volume Traded [bn]	1.35	1.02		
Value Traded [NGN'bn]	14.43	7.44		
NSEASI & Sectoral Indices [Return Profile]				
	WtD	MtD	QtD	YtD
NSEASI	0.58%	-0.21%	-0.21%	-8.99%
NSE-30	0.72%	-1.14%	-1.14%	-11.69%
NSE-B10	-0.62%	-4.10%	-4.10%	-24.22%
NSE-FB10	-0.38%	-8.48%	-8.48%	-31.81%
NSE-OG5	-4.67%	-7.26%	-7.26%	-30.60%
NSE-INS10	-0.80%	-5.69%	-5.69%	-2.77%
NSE-IND	0.60%	0.24%	0.24%	2.88%
Value (NGN)		Volume		
DANGCEM	2,846,428,881	FBNH	182,390,619	
NB	2,799,880,936	UBA	113,828,493	
GUARANTY	1,685,402,784	ZENITHBANK	93,226,534	
ZENITHBANK	1,451,549,225	NB	90,552,695	
FBNH	904,883,183	GUARANTY	78,207,977	
Highest Gainers		Highest Losers		
	%		%	
FIDSON	18.11%	PRESTIGE	-14.81%	
LINKASSURE	17.14%	INTBREW	-10.53%	
UNITYBNK	15.56%	SEPLAT	-10.00%	
ROYALEX	14.81%	CORNERST	-9.09%	
CUSTODIAN	14.58%	CAP	-8.23%	

	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	2.3x	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	1.12x	0.15x	8.00	3.90	-34.62%	1.50x	3.50	5.25	4.25	24%	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	-15.61%	2.27x	0.89	2.02	1.73	17%	BUY
FBNH	0.09	12.91%	12.28%	1.19%	10.32	2.33	18.95	2.1x	0.3x	7.70	3.70	-19.51%	2.00x	2.87	5.74	4.95	16%	BUY
GUARANTY	0.11	45.13%	29.89%	4.87%	6.14	6.71	22.46	3.2x	1.0x	34.00	16.75	-27.10%	3.76x	6.77	25.46	21.65	17.58%	BUY
STANBIC	0.10	32.34%	23.84%	3.15%	7.57	7.47	31.33	4.0x	1.0x	42.50	23.85	-26.83%	5.91x	6.71	39.66	30.00	32%	BUY
STERLNBANK	0.12	6.38%	8.18%	0.77%	10.69	0.33	4.00	3.6x	0.3x	2.04	0.99	-40.70%	4.58x	0.36	1.65	1.18	40%	BUY
UBA	0.09	15.74%	14.78%	1.43%	10.37	2.65	17.91	2.3x	0.3x	8.90	4.40	-16.08%	2.80x	2.65	7.42	6.00	24%	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	4.1x	0.4x	0.79	0.44	-28.38%	5.81x	0.13	0.76	0.53	43%	BUY
ZENITHBANK	0.09	31.17%	22.59%	2.93%	7.70	6.66	29.49	2.3x	0.5x	22.75	10.70	-16.67%	2.86x	6.57	18.79	15.50	21.23%	BUY
Insurance																		
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	2.4x	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	5.8x	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	4.9x	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	4.2x	0.5x	2.14	1.51	-19.19%	6.68x	0.39	2.61	1.60	63%	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	5.4x	0.7x	6.05	4.95	-8.33%	6.58x	1.14	7.50	5.50	36.39%	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	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	18.2x	1.5x	59.00	22.00	-47.46%	25.00x	1.60	40.00	31.00	29%	BUY
INTBREW	0.35	-24.37%	-19.96%	-8.55%	2.33	-1.13	5.65	-3.0x	0.6x	9.50	3.40	-64.21%	-	-	-	3.40	-	UR
Packaged Foods & Meats																		
CADBURY	1.09	2.62%	7.11%	2.86%	2.49	0.50	7.02	14.5x	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	1.2x	15.05	8.90	-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	-8.3x	0.1x	1.18	0.83	5.05%	2.50x	0.38	0.95	1.04	-9%	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
Agricultural Products																		
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	13.6x	1.6x	57.05	36.45	-0.11%	-	-	-	47.45	-	UR
Household & Personal Products																		
PZ	0.93	-2.25%	-3.76%	-2.10%	1.80	-0.41	11.02	-10.7x	0.4x	5.85	3.75	-21.24%	-	-	4.58	4.45	3%	HOLD
VITAFOAM	1.24	15.44%	46.31%	19.08%	2.43	2.63	5.68	2.2x	1.0x	5.75	3.95	30.68%	2.30x	2.32	5.34	5.75	-7%	HOLD
Healthcare																		
Pharmaceuticals																		
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%	8.00x	0.44	3.52	3.00	17%	BUY
FIDSON	1.10	2.90%	4.23%	3.21%	1.32	0.20	4.69	15.8x	0.7x	3.13	2.21	0.97%	8.00x	0.50	4.00	3.13	28%	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	29.2x	2.1x	1.40	0.40	125.81%	3.60x	0.21	0.76	1.40	-46%	SELL

Materials																			
Construction Materials																			
BUACEMENT	0.15	20.11%	3.06%	2.92%	1.05	0.79	25.93	49.2x	1.5x	41.00	29.40	11.43%	-	-	30.88	39.00	-21%	SELL	
DANGCEM	0.50	23.03%	28.05%	11.49%	2.44	12.17	43.39	11.0x	3.1x	179.90	116.80	-5.49%	-	-	-	134.20	-	UR	
WAPCO	0.43	60.01%	36.75%	26.10%	1.41	8.03	21.86	1.4x	0.5x	17.60	8.95	-28.43%	-	-	-	10.95	-	UR	
Specialty Chemicals																			
CAP	1.04	18.54%	47.34%	19.33%	2.45	2.12	4.47	9.0x	4.2x	27.50	18.00	-21.04%	-	-	-	18.95	-	UR	
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	
Energy																			
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	-4.2x	0.2x	3.60	1.96	-45.56%	5.20x	0.65	3.39	1.96	73%	BUY	
ARDOVA	3.29	0.58%	6.53%	1.93%	3.39	0.83	12.71	16.2x	1.1x	20.60	11.20	-25.69%	6.88x	2.68	18.44	13.45	37%	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	5.1x	0.3x	605.00	347.40	-47.19%	-	-	500.06	347.40	44%	BUY	
TOTAL	1.97	0.65%	6.32%	1.28%	4.95	4.75	75.13	20.5x	1.3x	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	11.9x	12.5x	128.50	90.00	14.29%	13.58x	11.61	157.62	120.00	31.35%	BUY	
AIRTELAFRI	0.33	11.21%	10.96%	3.74%	2.93	36.16	329.80	9.6x	1.1x	348.00	298.90	16.43%	-	-	-	348.00	-	UR	

*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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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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