

STOCK RECOMMENDATION – JUNE 06, 2020

MARKET REVIEW
For the week ended July 03, 2020

- The equities market closed the week on a negative note as the NSEASI shed 1.99% WoW to settle at 24,336.12pts. This worsened the YtD return to -9.34%
- Bearish sentiments prevailed across all sectors, dragging all sectoral indices to a negative close with the banking sector (-7.52% Wtd) being the worst performer.
- **OKOMUOIL** was the largest gainer with a 20.94% share price appreciation, while **NAHCO** lost 24.24% to stay atop the loser's chart.
- We attribute last week's performance to continued profit taking activities across counters that have gained thus far.

MARKET *P*REVIEW
For the week commencing July 06, 2020

- The Nigerian bourse has remained undervalued, trading at a significant discount in relation to other markets in Sub-Saharan Africa, reflected in its current P/E ratio of 8.1x.
- Despite the relatively attractive entry prices, investors' sentiment has remained downbeat in the absence of any cheery news in the macroeconomic environment.
- With another round of earnings season on the horizon, we expect negative sentiments to persist due to our weak H1 corporate performance outlook, caused by the adverse impact of the pandemic.
- Thus, we expect the market to close down this week in the absence of any positive trigger.

THE WEEK THAT WAS (A REVIEW)

NSEASI	24,336.12	24,829.02
Market Cap [NGN'tr]	12.70	12.95
Market Cap [USD 'bn]	35.18	35.98
Volume Traded [bn]	0.96	0.74
Value Traded [NGN'bn]	9.18	8.56

NSEASI & Sectoral Indices [Return Profile]

	WtD	MtD	QtD	YtD
NSEASI	-1.99%	-0.58%	-0.58%	-9.34%
NSE-30	-2.20%	-0.72%	-0.72%	-11.32%
NSE-B10	-7.52%	-5.11%	-5.11%	-25.02%
NSE-FB10	-0.47%	-2.46%	-2.46%	-27.33%
NSE-OG5	-1.18%	-0.13%	-0.13%	-25.26%
NSE-INS10	-2.21%	-2.40%	-2.40%	0.63%
NSE-IND	-6.43%	1.29%	1.29%	3.95%

Value (NGN)

NEWGOLD	1,891,735,320
GUARANTY	1,724,499,172
ZENITHBANK	1,067,678,820
DANGCEM	939,607,542
NB	876,044,938

Volume

FBNH	125,303,915
GUARANTY	80,336,907
UBA	69,458,556
ZENITHBANK	68,539,362
TRANSCORP	57,005,336

Highest Gainers

	%
OKOMUOIL	20.94%
ROYALEX	13.04%
PRESTIGE	10.64%
NEIMETH	9.49%
ACADEMY	6.67%

Highest Losers

	%
NAHCO	-24.24%
LEARNAFRCA	-21.48%
UNILEVER	-18.82%
GLAXOSMITH	-15.38%
UBN	-15.08%

	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	2.4x	0.4x	11.60	5.40	-36.50%	2.81x	2.64	7.42	6.35	17%	BUY
ETI	0.09	11.17%	13.32%	1.04%	12.77	3.80	28.57	1.38x	0.18x	13.50	4.05	-26.15%	1.50x	3.50	5.25	4.80	9%	HOLD
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	1.80	-8%	HOLD
FIDELITYBK	0.10	12.99%	11.69%	1.26%	9.27	0.98	8.37	1.8x	0.2x	2.37	1.53	-18.54%	2.27x	0.89	2.02	1.67	21%	BUY
FBNH	0.09	12.91%	12.28%	1.19%	10.32	2.33	18.95	2.2x	0.3x	8.20	3.70	-17.89%	2.00x	2.87	5.74	5.05	14%	BUY
GUARANTY	0.11	45.13%	29.89%	4.87%	6.14	6.71	22.46	3.4x	1.0x	37.50	16.75	-29.97%	3.76x	6.77	25.46	20.80	22%	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	-42.21%	4.58x	0.36	1.65	1.15	43%	BUY
UBA	0.09	15.74%	14.78%	1.43%	10.37	2.65	17.91	2.4x	0.4x	8.90	4.40	-15.38%	2.80x	2.65	7.42	6.05	23%	BUY
UBN	0.09	11.93%	8.10%	1.03%	7.88	0.71	8.74	8.9x	0.7x	7.20	5.35	-10.83%	-	-	-	5.35	-	UR
WEMABANK	0.12	5.25%	8.97%	0.63%	14.15	0.13	1.46	4.6x	0.4x	0.80	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	-18.01%	2.86x	6.57	18.79	15.25	23%	BUY
Insurance																		
AIICO	0.37	12.96%	25.95%	4.78%	5.43	0.99	3.80	1.0x	0.3x	0.86	0.67	19.44%	3.60x	0.54	1.94	0.86	126%	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	-11.11%	6.68x	0.39	2.61	1.76	48%	BUY
NEM	0.73	12.39%	16.96%	9.06%	1.87	0.49	2.87	4.1x	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	50.3x	0.2x	0.42	0.21	-2.94%	-	-	-	0.33	-	UR
CUSTODIAN	0.47	9.22%	12.75%	4.30%	2.96	1.01	7.92	5.4x	0.7x	6.30	4.95	-8.33%	6.58x	1.14	7.50	5.50	36%	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	12.7x	0.4x	64.00	14.00	-53.41%	18.00x	1.06	19.08	14.00	36%	BUY
NB	0.83	4.21%	8.23%	3.51%	2.34	1.70	20.64	20.6x	1.7x	69.50	25.50	-42.29%	25.00x	1.60	40.00	34.05	17%	BUY
INTBREW	0.37	-22.21%	-17.89%	-8.12%	2.20	-1.10	6.13	-3.7x	0.7x	26.00	3.95	-58.42%	-	-	4.27	3.95	8%	HOLD
Packaged Foods & Meats																		
CADBURY	1.20	3.12%	8.47%	3.75%	2.26	0.64	7.56	11.7x	1.0x	10.85	4.95	-36.02%	-	-	-	6.75	-	UR
DANGSUGAR	0.73	12.74%	18.98%	9.29%	2.04	1.81	9.54	6.6x	1.2x	15.05	9.00	-13.97%	7.00x	1.92	13.44	11.70	15%	BUY
HONYFLOUR	0.59	-1.29%	-1.79%	-0.76%	2.37	-0.13	7.03	-7.9x	0.1x	1.21	0.83	-8.08%	2.50x	0.38	0.95	0.91	4%	HOLD
FLOURMILL	2.81	1.93%	5.29%	5.40%	0.98	1.99	37.61	9.9x	0.5x	24.00	17.60	-10.66%	8.50x	2.62	22.27	17.60	27%	BUY
NASCON	0.15	25.86%	15.18%	3.97%	3.82	0.67	4.42	17.3x	2.6x	19.00	8.50	-22.78%	10.00x	1.36	13.60	10.00	36%	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	-14.50%	20.00x	60.00	1,200.00	1,256.80	-5%	HOLD
UACN	0.77	-10.67%	-13.96%	-8.17%	1.71	-2.91	20.86	-2.6x	0.4x	11.05	7.10	-16.28%	-	-	8.08	7.20	12%	BUY
Agricultural Products																		
OKOMUOIL	0.45	28.06%	19.45%	12.53%	1.55	6.36	32.72	10.1x	2.0x	79.00	55.05	39.21%	9.50x	7.76	73.72	77.40	-5%	HOLD
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
Household & Personal Products																		
PZ	0.93	-2.25%	-3.76%	-2.10%	1.80	-0.41	11.02	-9.3x	0.3x	10.50	3.75	-30.97%	10.00x	0.46	4.58	3.90	17%	BUY
VITAFOAM	1.24	15.44%	46.31%	19.08%	2.43	2.63	5.68	2.0x	0.9x	5.59	3.95	27.05%	2.30x	2.32	5.34	5.59	-5%	HOLD
Healthcare																		
Pharmaceuticals																		
MAYBAKER	0.85	8.87%	12.20%	7.55%	1.62	0.41	3.39	7.2x	0.9x	2.78	1.79	44.04%	8.0x	0.44	3.52	2.78	26%	BUY
FIDSON	1.10	2.90%	4.23%	3.21%	1.32	0.20	4.69	15.0x	0.6x	4.95	2.21	-3.23%	8.0x	0.50	4.00	3.00	33%	BUY
GLAXOSMITH	1.14	4.48%	10.02%	5.10%	1.96	0.78	7.75	7.5x	0.8x	10.80	3.45	-18.85%	9.0x	0.79	7.11	4.95	43%	BUY
NEIMETH	0.89	3.12%	7.16%	2.77%	2.58	0.05	0.67	28.6x	2.0x	1.50	0.40	141.94%	3.60x	0.21	0.76	1.50	-50%	SELL

Materials																			
Construction Materials																			
BUACEMENT	0.15	20.11%	3.06%	2.92%	1.05	0.79	25.93	54.3x	1.7x	42.00	34.40	20.00%	-	-	30.88	42.00	-26%	SELL	
DANGCEM	0.50	22.30%	21.18%	11.17%	1.90	11.79	55.66	10.9x	2.3x	188.50	127.00	-10.56%	-	-	171.80	127.00	35%	BUY	
WAPCO	0.44	54.89%	34.00%	24.40%	1.39	7.45	21.91	1.5x	0.5x	16.35	9.10	-32.35%	-	-	14.87	10.35	44%	BUY	
Specialty Chemicals																			
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	-	5.10x	1.17	5.97	6.75	-12%	SELL	
Energy																			
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	-37.78%	-	-	-	2.24	-	UR	
ARDOVA	3.29	0.58%	6.53%	1.93%	3.39	0.83	12.71	15.7x	1.0x	20.60	11.65	-35.64%	8.00x	2.13	17.04	11.65	46%	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	
Telecommunications																			
MTNN	0.75	16.83%	104.66%	12.55%	8.34	10.06	9.61	11.7x	12.2x	128.30	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	7.8x	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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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

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