

STOCK RECOMMENDATION – AUGUST 10, 2020

MARKET REVIEW
For the week ended August 7, 2020.

- Buying pressures were sustained on the local bourse for the third consecutive week, as the NSEASI gained 1.41%WoW to close at 25,041.89pts. This trimmed the YtD loss to -6.71%.
- Reflective of the broader market performance, apart from the **NSE-INS10** (-0.28% Wtd), all sectoral indices closed the week in the green, with strongest gains seen on **NSE-B10** (+4.94% Wtd) and **NSE-OG5** (+4.81% Wtd)
- NEIMETH (+21.33%)** saw the largest share price gain closing at NGN6.20, while **UACN** lost 11.43% to emerge as top loser.
- Better than expected results from some bellwether counters have spurred renewed optimism towards the equities market. Thus, the bullish momentum was sustained this week, ensuring a positive week-on-week close.**

MARKET *P*REVIEW
For the week commencing August 10, 2020

- As COVID-19 restrictions are further eased, expectations for corporate performance appear to brighten up from the pessimism expected earlier in the year.
- Although pre existing risks remain, investors have reacted positively to results that were resilient in H1:2020 and show promise of dividend payment. The All-share index has so far gained 2.30% QtD.
- Despite the positive sentiment in the market so far, we see little room for upward price movement this week as investors are expected to take profit on counters that have seen significant share price appreciation over the past weeks. Thus, we expect this to drive the market to a negative close this week.**

THE WEEK THAT WAS (A REVIEW)

	Cur. Week	Prev. Week
NSEASI	25,041.89	24,693.73
Market Cap [NGN'tr]	13.06	12.88
Market Cap [USD 'bn]	33.84	33.37
Volume Traded [bn]	1.06	0.42
Value Traded [NGN'bn]	10.76	5.34

NSEASI & Sectoral Indices [Return Profile]				
	WtD	MtD	QtD	YtD
NSEASI	1.41%	1.41%	2.30%	-6.71%
NSE-30	1.65%	1.65%	1.76%	-9.11%
NSE-B10	4.94%	4.94%	3.69%	-18.07%
NSE-FB10	0.72%	0.72%	-8.23%	-31.63%
NSE-OG5	4.81%	4.81%	-9.13%	-32.00%
NSE-INS10	-0.28%	-0.28%	-5.95%	-3.04%
NSE-IND	0.10%	0.10%	3.99%	6.72%

Value (NGN)		Volume	
GUARANTY	1,771,095,255	FBNH	144,430,311
PRESCO	1,286,867,333	ACCESS	82,650,060
ZENITHBANK	1,064,061,456	GUARANTY	75,206,629
NEWGOLD	1,060,612,416	ZENITHBANK	63,358,325
MTNN	1,053,983,644	TRANSCORP	60,222,647

Highest Gainers		Highest Losers	
	%		%
UAC-PROP	18.52%	UACN	-11.43%
FLOURMILL	13.20%	TOTAL	-9.91%
SEPLAT	12.83%	ARDOVA	-9.67%
NEIMETH	10.30%	CUSTODIAN	-9.09%
STANBIC	10.00%	SUNUASSUR	-9.09%

	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	19.1%	15.2%	1.3%	11.5	2.71	17.88	2.4x	0.4x	11.60	5.40	-35.00%	2.81	2.64	7.42	6.50	+14%	BUY
ETI	0.09	12.4%	11.9%	0.9%	12.6	3.60	30.20	1.2x	0.1x	8.00	3.90	-34.62%	-	-	-	4.25	-	UR
FCMB	0.10	9.9%	9.1%	1.0%	9.2	0.99	10.83	2.1x	0.2x	2.09	1.45	+9.19%	0.98	2.01	1.97	2.02	-2%	HOLD
FIDELITYBK	0.10	11.5%	11.7%	1.3%	9.3	0.98	8.37	1.8x	0.2x	2.37	1.53	-12.20%	2.27	0.89	2.02	1.80	+12%	BUY
FBNH	0.09	16.7%	13.0%	1.3%	10.1	2.55	19.62	2.0x	0.3x	7.70	3.70	-17.89%	2.43	2.87	6.97	5.05	+38%	BUY
GUARANTY	0.11	44.4%	29.9%	4.9%	6.1	6.71	22.46	3.6x	1.1x	34.00	16.75	-18.01%	3.76	6.77	25.46	24.35	+5%	HOLD
STANBIC	0.10	33.5%	23.8%	3.2%	7.6	7.47	31.33	4.4x	1.1x	42.50	23.85	-19.51%	5.91	6.71	39.66	33.00	+20%	BUY
STERLNBANK	0.11	7.7%	8.0%	0.8%	10.1	0.36	4.47	3.3x	0.3x	2.04	0.99	-39.70%	3.97	0.36	1.43	1.20	+19%	BUY
UBA	0.09	20.5%	14.8%	1.4%	10.4	2.65	17.91	2.5x	0.4x	8.90	4.40	-8.39%	2.80	2.65	7.42	6.55	+13%	BUY
UBN	0.08	13.1%	7.3%	0.8%	8.6	0.64	8.88	8.4x	0.6x	7.60	5.35	-10.00%	-	-	-	5.40	-	UR
WEMABANK	0.11	3.9%	8.1%	0.5%	15.0	0.12	1.43	4.5x	0.4x	0.79	0.44	-29.73%	4.15	0.11	0.46	0.52	-12%	SELL
ZENITHBANK	0.09	30.3%	22.6%	2.9%	7.7	6.66	29.49	2.5x	0.6x	22.75	10.70	-9.14%	2.86	6.57	18.79	16.90	+11%	BUY
Insurance																		
AIICO	0.25	9.6%	19.2%	2.7%	7.2	0.84	4.41	1.1x	0.2x	0.99	0.56	+25.00%	3.60	0.54	1.94	0.90	+116%	BUY
LASACO	0.55	7.5%	8.4%	4.1%	2.0	0.10	1.21	2.4x	0.2x	0.29	0.20	-4.00%	3.80	0.10	0.38	0.24	+58%	BUY
LAWUNION	0.36	8.2%	12.1%	6.6%	1.8	0.21	1.71	5.0x	0.6x	1.22	0.50	+108.00%	-	-	-	1.04	-	UR
LINKASSURE	0.22	14.6%	6.1%	4.4%	1.4	0.18	2.95	2.1x	0.1x	0.62	0.35	-28.30%	-	-	-	0.38	-	UR
MANSARD	0.44	15.9%	17.1%	5.0%	3.4	0.49	2.89	3.2x	0.5x	2.14	1.44	-20.20%	6.68	0.39	2.61	1.58	+65%	BUY
NEM	0.69	13.9%	15.6%	8.0%	2.0	0.44	2.81	4.3x	0.7x	2.42	1.44	-22.73%	3.11	0.61	1.90	1.87	+1%	HOLD
WAPIC	0.40	35.9%	5.1%	3.0%	1.7	0.09	1.80	3.6x	0.2x	0.38	0.21	-2.94%	-	-	-	0.33	-	UR
CUSTODIAN	0.46	12.9%	13.7%	4.5%	3.0	1.10	8.04	4.6x	0.6x	6.30	4.80	-16.67%	-	-	-	5.00	-	UR

	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	1.4%	3.0%	1.6%	1.8	1.18	39.76	11.9x	0.4x	30.20	13.00	-53.08%	19.08	1.06	20.22	14.10	+43%	BUY
NB	0.66	3.7%	5.2%	1.8%	2.9	1.05	20.12	30.5x	1.6x	59.00	22.00	-45.76%	35.00	0.87	30.45	32.00	-5%	HOLD
INTBREW	0.35	-15.4%	-20.0%	-8.5%	2.3	-1.13	5.65	-2.8x	0.6x	9.50	3.15	-66.84%	-	-	2.90	3.15	-8%	HOLD
Packaged Foods & Meats																		
CADBURY	1.09	3.4%	7.1%	2.9%	2.5	0.50	7.02	13.2x	0.9x	10.85	4.95	-37.44%	-	-	-	6.60	-	UR
DANGSUGAR	0.80	11.2%	19.2%	10.0%	1.9	1.91	9.98	6.2x	1.2x	15.05	8.90	-12.50%	8.00	1.67	13.36	11.90	+12%	BUY
HONYFLOUR	0.57	0.8%	1.2%	0.5%	2.5	0.09	7.22	12.2x	0.1x	1.18	0.83	+6.06%	-	-	-	1.05	-	UR
FLOURMILL	1.33	2.0%	7.3%	2.6%	2.8	2.77	38.00	7.0x	0.5x	24.00	17.00	-2.03%	-	-	-	19.30	-	UR
NASCON	0.19	10.2%	15.0%	4.3%	3.5	0.71	4.75	14.1x	2.1x	15.70	8.50	-22.78%	10.00	1.12	11.20	10.00	+12%	BUY
NESTLE	1.46	15.5%	130.3%	21.3%	6.1	52.06	39.95	22.6x	29.4x	1,469.90	764.90	-20.06%	-	-	-	1,175.00	-	UR
UACN	0.77	3.2%	-18.1%	-10.9%	1.7	-3.71	20.51	-1.7x	0.3x	11.05	6.15	-27.91%	-	-	8.08	6.20	+30%	BUY
Agricultural Products																		
OKOMUOIL	0.48	29.6%	20.9%	13.2%	1.6	6.84	32.79	11.3x	2.3x	77.40	55.05	+38.49%	9.50	7.76	73.72	77.00	-4%	HOLD
PRESCO	0.32	32.6%	17.5%	8.1%	2.2	5.65	32.28	8.5x	1.5x	57.05	36.45	+1.05%	-	-	-	48.00	-	UR
Household & Personal Products																		
PZ	0.93	-4.7%	-3.8%	-2.1%	1.8	-0.41	11.02	-10.3x	0.4x	5.85	3.75	-24.78%	-	-	4.58	4.25	+8%	HOLD
VITAFOAM	1.16	13.1%	44.5%	18.3%	2.4	2.68	6.03	2.1x	1.0x	6.00	3.95	+30.68%	2.30	2.32	5.34	5.75	-7%	HOLD
Healthcare																		
Pharmaceuticals																		
MAYBAKER	0.71	10.8%	14.7%	7.6%	1.9	0.50	3.40	6.1x	0.9x	3.39	1.79	+58.03%	8.00	0.44	3.52	3.05	+15%	BUY
FIDSON	0.61	6.1%	6.2%	2.6%	2.4	0.30	4.85	11.3x	0.7x	3.63	2.21	+10.32%	7.40	0.54	4.00	3.42	+17%	BUY
GLAXOSMITH	1.03	2.9%	9.0%	4.1%	2.2	0.71	7.91	7.4x	0.7x	8.45	3.45	-13.93%	9.00	0.79	7.11	5.25	+35%	BUY
NEIMETH	0.46	11.8%	5.2%	1.1%	4.8	0.04	0.75	46.6x	2.4x	2.57	0.40	+193.55%	5.00	0.29	1.45	1.82	-20%	SELL

Materials																		
Construction Materials																		
BUACEMENT	0.36	34.4%	16.2%	12.4%	1.3	4.91	30.32	8.0x	1.3x	44.00	29.40	+12.86%	-	-	30.88	39.50	-22%	SELL
DANGCEM	0.50	26.5%	28.1%	11.5%	2.4	12.17	43.39	11.6x	3.3x	179.90	116.80	-0.14%	-	-	171.80	141.80	+21%	BUY
WAPCO	0.43	19.4%	36.8%	26.1%	1.4	8.03	21.86	1.5x	0.5x	17.60	8.95	-23.20%	-	-	17.53	11.75	+49%	BUY
Specialty Chemicals																		
CAP	1.04	17.4%	47.3%	19.3%	2.4	2.12	4.47	8.0x	3.8x	27.50	17.00	-29.17%	9.50	2.52	23.94	17.00	+41%	BUY
BERGER	0.74	2.2%	11.3%	6.6%	1.7	1.19	10.50	5.1x	0.6x	7.70	5.50	-10.37%	5.10	1.17	5.97	6.05	-1%	HOLD
Energy																		
CONOIL	2.33	0.6%	6.5%	2.4%	2.7	1.86	28.54	9.1x	0.6x	21.00	13.15	-8.65%	-	-	-	16.90	-	UR
ETERNA	3.33	-0.2%	-0.8%	-0.3%	2.5	-0.07	9.46	-26.6x	0.2x	3.60	1.80	-47.22%	-	-	-	1.90	-	UR
ARDOVA	3.99	1.2%	-3.0%	-1.2%	2.6	-0.40	13.10	-30.4x	0.9x	20.60	9.55	-32.87%	-	-	-	12.15	-	UR
MOBIL	1.90	3.1%	17.1%	7.6%	2.2	19.97	117.03	8.8x	1.5x	213.90	133.20	+18.32%	-	-	-	175.00	-	UR
MRS	1.52	-1.4%	-8.8%	-4.2%	2.1	-5.40	61.61	-2.3x	0.2x	15.30	12.45	-18.63%	-	-	-	12.45	-	UR
SEPLAT	0.17	-47.2%	1.8%	1.0%	1.8	18.21	1,024.16	19.2x	0.3x	605.00	282.00	-46.79%	-	-	-	350.00	-	UR
TOTAL	1.97	-0.5%	6.3%	1.3%	4.9	4.75	75.13	16.7x	1.1x	117.00	79.10	-28.67%	-	-	-	79.10	-	UR
Telecommunications																		
MTNN	0.71	14.9%	141.7%	11.4%	12.5	9.70	6.85	12.2x	17.3x	128.50	90.00	+12.86%	-	-	-	118.50	-	UR
AIRTELAFRI	0.33	6.7%	11.0%	3.7%	2.9	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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