

## STOCK RECOMMENDATION – AUGUST 31, 2020

**MARKET REVIEW**
*For the week ended August 28, 2020.*

- The Nigerian equities market ended positive for the sixth consecutive week, as the NSEASI gained 0.35% WoW to close at 25,309.37pts, thus moderating the YtD loss -5.71%
- All sectoral indices except the NSEB10 (which shed 0.23%) closed in the positive zone.
- **UPL** emerged top gainer with a gain of 31.45% WoW, while **BETAGLAS** shed 9.99% of its share price to lead the losers.
- **The bullish momentum in the market was sustained by the rally seen on fundamentally sound stocks spread across sectors but particularly in the consumer goods and insurance spaces.**

**MARKET *P*REVIEW**
*For the week commencing August 31, 2020*

- The decline in the number of COVID-19 cases in Nigeria and the sustained oil price rally in the global oil market are considered upside risks to market performance this week. We also consider the relative attractiveness of the stock market viz-a-viz the fixed income market as a key driver of performance this week.
- This week, we also expect that results from key banking tickers **GUARANTY, ACCESS, ZENITHBANK** and **UBA** will spur positive investor sentiment in the market. We however note that market gains have been marginal, driven by bargain hunting. given that prices are still at relatively low levels.
- **Overall, we expect the market to close marginally positive this week.**

## THE WEEK THAT WAS (A REVIEW)

	Cur. Week	Prev. Week
NSEASI	25,309.37	25,221.87
Market Cap [NGN'tr]	13.20	13.16
Market Cap [USD 'bn]	34.21	34.09
Volume Traded [bn]	1.07	0.95
Value Traded [NGN'bn]	7.38	10.12

## NSEASI &amp; Sectoral Indices [Return Profile]

	WtD	MtD	QtD	YtD
<b>NSEASI</b>	0.35%	2.49%	3.39%	-5.71%
<b>NSE-30</b>	0.45%	2.03%	2.14%	-8.77%
<b>NSE-B10</b>	-0.23%	5.52%	4.26%	-17.62%
<b>NSE-FB10</b>	1.12%	6.09%	-3.33%	-27.98%
<b>NSE-OG5</b>	0.00%	9.99%	-4.64%	-28.64%
<b>NSE-INS10</b>	2.80%	8.23%	2.07%	5.24%
<b>NSE-IND</b>	0.64%	-2.39%	1.40%	4.06%

Value (NGN)	Volume
<b>ZENITHBANK</b> 1,332,691,621	<b>TRANSCORP</b> 186,332,243
<b>GUARANTY</b> 833,408,743	<b>UACN</b> 121,255,625
<b>UACN</b> 695,215,829	<b>UBA</b> 88,749,372
<b>UBA</b> 573,762,421	<b>ZENITHBANK</b> 78,291,238
<b>PRESCO</b> 573,253,591	<b>ACCESS</b> 70,219,259

Highest Gainers	Highest Losers
<b>UPL</b> 31.45%	<b>BETAGLAS</b> -9.99%
<b>FTNCOCOA</b> 20.00%	<b>ARBICO</b> -9.52%
<b>CHAMPION</b> 19.23%	<b>CILEASING</b> -9.09%
<b>NEM</b> 14.97%	<b>CHIPLC</b> -8.11%
<b>PZ</b> 9.09%	<b>CUTIX</b> -7.89%

	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>																		
<b>ACCESS</b>	0.10	19.1%	15.2%	1.3%	11.5	2.71	17.88	2.4x	0.4x	11.60	5.40	-36.00%	2.81	2.64	7.42	6.40	+16%	BUY
<b>ETI</b>	0.09	12.4%	11.9%	0.9%	12.6	3.60	30.20	1.1x	0.1x	8.00	3.90	-40.00%	-	-	-	3.90	-	UR
<b>FCMB</b>	0.10	9.9%	9.1%	1.0%	9.2	0.99	10.83	2.2x	0.2x	2.15	1.45	+16.22%	0.98	2.01	1.97	2.15	-8%	HOLD
<b>FIDELITYBK</b>	0.10	11.5%	11.7%	1.3%	9.3	0.98	8.37	1.8x	0.2x	2.37	1.53	-14.15%	2.27	0.89	2.02	1.76	+15%	BUY
<b>FBNH</b>	0.09	16.7%	13.0%	1.3%	10.1	2.55	19.62	1.9x	0.3x	7.70	3.70	-19.51%	2.43	2.87	6.97	4.95	+41%	BUY
<b>GUARANTY</b>	0.11	44.4%	29.9%	4.9%	6.1	6.71	22.46	3.8x	1.1x	34.00	16.75	-14.48%	3.76	6.77	25.46	25.40	+0%	HOLD
<b>STANBIC</b>	0.10	33.5%	23.8%	3.2%	7.6	7.47	31.33	4.8x	1.2x	42.50	23.85	-12.07%	5.91	6.71	39.66	36.05	+10%	BUY
<b>STERLN BANK</b>	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
<b>UBA</b>	0.09	20.5%	14.8%	1.4%	10.4	2.65	17.91	2.4x	0.4x	8.90	4.40	-11.19%	2.80	2.65	7.42	6.35	+17%	BUY
<b>UBN</b>	0.08	13.1%	7.3%	0.8%	8.6	0.64	8.88	8.4x	0.6x	7.60	5.00	-10.00%	-	-	-	5.40	-	UR
<b>WEMABANK</b>	0.11	3.9%	8.1%	0.5%	15.0	0.12	1.43	4.4x	0.4x	0.79	0.44	-31.08%	4.15	0.11	0.46	0.51	-10%	SELL
<b>ZENITHBANK</b>	0.09	30.3%	22.6%	2.9%	7.7	6.66	29.49	2.5x	0.6x	22.75	10.70	-9.41%	2.86	6.57	18.79	16.85	+12%	BUY
<b>Insurance</b>																		
<b>AIICO</b>	0.25	9.6%	19.2%	2.7%	7.2	0.53	2.78	1.7x	0.3x	1.18	0.67	+25.00%	2.20	0.45	0.99	0.90	+10%	BUY
<b>LASACO</b>	0.48	6.7%	3.5%	1.6%	2.2	0.04	1.15	7.7x	0.3x	0.31	0.20	+24.00%	3.80	0.10	0.38	0.31	+23%	BUY
<b>LAWUNION</b>	0.36	8.2%	12.1%	6.6%	1.8	0.21	1.71	5.0x	0.6x	1.22	0.50	+106.00%	-	-	-	1.03	-	UR
<b>LINKASSURE</b>	0.22	14.6%	6.1%	4.4%	1.4	0.18	2.95	2.2x	0.1x	0.62	0.35	-26.42%	-	-	-	0.39	-	UR
<b>MANSARD</b>	0.44	15.9%	17.1%	5.0%	3.4	0.49	2.89	3.7x	0.6x	2.14	1.44	-7.07%	6.68	0.39	2.61	1.84	+42%	BUY
<b>NEM</b>	0.71	12.0%	15.8%	8.1%	2.0	0.45	2.81	4.8x	0.8x	2.42	1.44	-11.16%	3.65	0.61	2.23	2.15	+4%	HOLD
<b>WAPIC</b>	0.40	35.9%	5.1%	3.0%	1.7	0.09	1.80	3.8x	0.2x	0.38	0.21	+2.94%	-	-	-	0.35	-	UR
<b>CUSTODIAN</b>	0.46	12.9%	13.7%	4.5%	3.0	1.10	8.04	4.4x	0.6x	6.30	4.80	-20.00%	-	-	-	4.80	-	UR

Consumer Staples & Discretionary																		
<b>Breweries</b>																		
GUINNESS	0.78	1.4%	3.0%	1.6%	1.8	1.18	39.76	11.9x	0.4x	30.20	13.00	-52.91%	-	-	-	14.15	-	UR
NB	0.66	3.7%	5.2%	1.8%	2.9	1.05	20.12	35.3x	1.8x	56.10	22.00	-37.29%	35.00	0.87	30.45	37.00	-18%	SELL
INTBREW	0.35	-15.4%	-20.0%	-8.5%	2.3	-1.13	5.65	-3.3x	0.7x	9.50	2.75	-61.05%	-	-	2.90	3.70	-22%	SELL
<b>Packaged Foods &amp; Meats</b>																		
CADBURY	1.09	3.4%	7.1%	2.9%	2.5	0.50	7.02	15.5x	1.1x	10.85	4.95	-26.54%	-	-	-	7.75	-	UR
DANGSUGAR	0.80	11.2%	19.2%	10.0%	1.9	1.91	9.98	6.5x	1.3x	15.05	8.90	-8.09%	8.00	1.67	13.36	12.50	+7%	HOLD
HONYFLOUR	0.57	0.8%	1.2%	0.5%	2.5	0.09	7.22	10.8x	0.1x	1.18	0.83	-6.06%	-	-	-	0.93	-	UR
FLOURMILL	1.25	3.2%	7.5%	2.5%	3.0	2.95	39.21	6.4x	0.5x	24.00	17.00	-4.57%	8.00	3.19	25.52	18.80	+36%	BUY
NASCON	0.19	10.2%	15.0%	4.3%	3.5	0.71	4.75	14.1x	2.1x	15.70	8.50	-22.39%	10.00	1.12	11.20	10.05	+11%	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%	20.00	60.00	1,200.00	1,175.00	+2%	HOLD
UACN	0.77	3.2%	-18.1%	-	1.7	-3.71	20.51	-1.5x	0.3x	11.05	5.70	-33.72%	-	-	8.08	5.70	+42%	BUY
<b>Agricultural Products</b>																		
OKOMUOIL	0.48	29.6%	20.9%	13.2%	1.6	6.84	32.79	11.5x	2.4x	80.00	55.05	+42.09%	9.50	7.76	73.72	79.00	-7%	HOLD
PRESCO	0.32	32.6%	17.5%	8.1%	2.2	5.65	32.28	8.7x	1.5x	57.05	36.45	+3.16%	-	-	-	49.00	-	UR
<b>Household &amp; Personal Products</b>																		
PZ	0.93	-4.7%	-3.8%	-2.1%	1.8	-0.41	11.02	-10.1x	0.4x	5.85	3.75	-25.66%	-	-	4.58	4.20	+9%	HOLD
VITAFOAM	1.16	13.1%	44.5%	18.3%	2.4	2.68	6.03	2.0x	0.9x	6.00	3.95	+24.32%	2.30	2.32	5.34	5.47	-2%	HOLD
<b>Healthcare</b>																		
<b>Pharmaceuticals</b>																		
MAYBAKER	0.71	10.8%	14.7%	7.6%	1.9	0.50	3.40	6.0x	0.9x	3.39	1.79	+55.44%	8.00	0.44	3.52	3.00	+17%	BUY
FIDSON	0.61	6.1%	6.2%	2.6%	2.4	0.30	4.85	12.2x	0.8x	4.00	2.21	+19.68%	7.40	0.54	4.00	3.71	+8%	HOLD
GLAXOSMITH	1.03	2.9%	9.0%	4.1%	2.2	0.71	7.91	7.2x	0.6x	8.45	3.45	-16.39%	9.00	0.79	7.11	5.10	+39%	BUY
NEIMETH	0.46	11.8%	5.2%	1.1%	4.8	0.04	0.75	47.7x	2.5x	2.57	0.40	+200.00%	5.00	0.29	1.45	1.86	-22%	SELL
<b>Materials</b>																		

Construction Materials																		
<b>BUACEMENT</b>	0.36	34.4%	16.2%	12.4%	1.3	4.91	30.32	8.1x	1.3x	44.00	29.40	+14.29%	-	-	42.03	40.00	+5%	<b>HOLD</b>
<b>DANGCEM</b>	0.50	26.5%	28.1%	11.5%	2.4	12.17	43.39	11.0x	3.1x	179.90	116.80	-5.49%	-	-	171.80	134.20	+28%	<b>BUY</b>
<b>WAPCO</b>	0.43	19.4%	36.8%	26.1%	1.4	8.03	21.86	1.4x	0.5x	17.60	8.95	-24.51%	-	-	17.53	11.55	+52%	<b>BUY</b>
Specialty Chemicals																		
<b>CAP</b>	1.04	17.4%	47.3%	19.3%	2.4	2.12	4.47	7.9x	3.7x	27.50	15.40	-30.42%	9.50	2.52	23.94	16.70	+43%	<b>BUY</b>
<b>BERGER</b>	0.74	2.2%	11.3%	6.6%	1.7	1.19	10.50	5.1x	0.6x	7.70	5.50	-10.37%	5.12	0.59	3.02	6.05	-50%	<b>SELL</b>
Energy																		
<b>CONOIL</b>	2.33	0.6%	6.5%	2.4%	2.7	1.86	28.54	8.2x	0.5x	21.00	13.15	-17.57%	-	-	-	15.25	-	<b>UR</b>
<b>ETERNA</b>	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	-	<b>UR</b>
<b>ARDOVA</b>	3.99	1.2%	-3.0%	-1.2%	2.6	-0.40	13.10	-31.6x	1.0x	17.00	9.55	-30.39%	-	-	-	12.60	-	<b>UR</b>
<b>MOBIL</b>	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	-	<b>UR</b>
<b>MRS</b>	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	-	<b>UR</b>
<b>SEPLAT</b>	0.17	-47.2%	1.8%	1.0%	1.8	18.21	1,024.16	21.1x	0.4x	605.00	282.00	-41.47%	-	-	-	385.00	-	<b>UR</b>
<b>TOTAL</b>	1.97	-0.5%	6.3%	1.3%	4.9	4.75	75.13	16.9x	1.1x	117.00	79.10	-27.86%	-	-	-	80.00	-	<b>UR</b>
Telecommunications																		
<b>MTNN</b>	0.71	14.9%	141.7%	11.4%	12.5	9.70	6.85	12.1x	17.2x	128.50	90.00	+12.19%	-	-	-	117.80	-	<b>UR</b>
<b>AIRTELAFRI</b>	0.33	6.7%	11.0%	3.7%	2.9	36.16	329.80	10.5x	1.2x	380.00	298.90	+27.13%	-	-	-	380.00	-	<b>UR</b>

\*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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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.

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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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**Meristem Research portal:** [meristem.com.ng/rhub](http://meristem.com.ng/rhub)

**Bloomberg:** MERI <GO>

**Capital IQ:** [www.capitaliq.com](http://www.capitaliq.com)

**ISI Emerging Markets:** [www.securities.com/ch.html?pc=NG](http://www.securities.com/ch.html?pc=NG)

**Reuters:** [www.thomsonreuters.com](http://www.thomsonreuters.com)

**FactSet:** [www.factset.com](http://www.factset.com)