

STOCK RECOMMENDATION – AUGUST 3, 2020

MARKET REVIEW
For the week ended July 29, 2020.

- The bulls dominated the Nigerian equities market for the second week in a row. The **NSEASI** gained 1.09% during the week to close at 24,693.73pts., moderating the YtD return to -8.00%.
- On a sectoral basis, the **NSEBNK10** (+3.00%) and **NSEIND** (+3.60%) closed positive, while the **NSEOILG5** and **NSEFBT10** recorded week on week losses. The **NSEINS**, however, remained flat.
- **UNITYBNK** topped the gainers' chart with a price appreciation of 17.31%, while **NPFMCRFBK** led the losers, shedding 16.90% of its share price.
- The positive results released by some companies spurred upbeat investor sentiments across the industrial and banking sectors, driving the gains in the market last week.

MARKET *P*REVIEW
For the week commencing August 03, 2020

- So far, the results released for the April-June financial period has been mixed, reflecting the varying impact of the coronavirus pandemic on businesses.
- Nonetheless, bargain hunting activities ahead of the announcement of interim dividends should fuel positive investors' sentiment.
- **Ultimately, the equities market is expected to maintain the renewed optimism observed in the past two weeks. Considering the cheap prices at which some stocks are currently trading, we see headroom for bargain hunting activities on counters that have shown resilience in their fundamentals.**
- Thus, we expect the market to close up this week.

THE WEEK THAT WAS (A REVIEW)

	Cur. Week	Prev. Week
NSEASI	24,693.73	24,427.73
Market Cap [NGN'tr]	12.88	12.74
Market Cap [USD 'bn]	33.11	32.76
Volume Traded [bn]	0.42	1.35
Value Traded [NGN'bn]	5.34	14.33

NSEASI & Sectoral Indices [Return Profile]				
	WtD	MtD	QtD	YtD
NSEASI	1.09%	0.88%	0.88%	-8.00%
NSE-30	1.26%	0.11%	0.11%	-10.58%
NSE-B10	3.03%	-1.19%	-1.19%	-21.93%
NSE-FB10	-0.44%	-8.88%	-8.88%	-32.11%
NSE-OG5	-6.51%	-13.30%	-13.30%	-35.12%
NSE-INS10	0.00%	-5.69%	-5.69%	-2.77%
NSE-IND	3.63%	3.88%	3.88%	6.61%

Value (NGN)		Volume	
MTNN	1,083,276,945	WAPCO	41,137,149
GUARANTY	636,728,964	FBNH	36,698,850
FLOURMILL	529,196,768	MBENEFIT	32,278,028
SEPLAT	503,970,266	FLOURMILL	31,118,292
WAPCO	496,149,508	GUARANTY	28,297,250

Highest Gainers		Highest Losers	
	%		%
UNITYBNK	17.31%	NPFMCRFBK	-16.90%
MBENEFIT	15.00%	JBERGER	-12.02%
CORNERST	10.00%	SEPLAT	-10.71%
PRESTIGE	8.70%	MANSARD	-10.00%
NEIMETH	7.14%	UAC-PROP	-10.00%

	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	0.4x	11.60	5.40	-37.00%	2.81x	2.64	7.42	6.30	18%	BUY
ETI	0.09	10.67%	11.92%	0.94%	12.65	3.60	30.20	1.15x	0.14x	8.00	3.90	-36.15%	-	-	-	4.15	-	UR
FCMB	0.10	10.29%	9.10%	0.99%	9.20	0.99	10.83	2.0x	0.2x	2.09	1.45	5.4%	-	-	-	1.95	-	UR
FIDELITYBK	0.10	12.99%	11.69%	1.26%	9.27	0.98	8.37	1.7x	0.2x	2.37	1.53	-16.59%	2.27x	0.89	2.02	1.71	18%	BUY
FBNH	0.09	14.22%	12.99%	1.28%	10.13	2.55	19.62	2.0x	0.3x	7.70	3.70	-18.70%	-	-	-	5.00	-	UR
GUARANTY	0.11	45.13%	29.89%	4.87%	6.14	6.71	22.46	3.4x	1.0x	34.00	16.75	-24.24%	3.76x	6.77	25.46	22.50	13%	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	0.11	6.99%	8.04%	0.80%	10.06	0.36	4.47	3.3x	0.3x	2.04	0.99	-40.20%	4.58x	0.36	1.65	1.19	39%	BUY
UBA	0.09	15.74%	14.78%	1.43%	10.37	2.65	17.91	2.3x	0.3x	8.90	4.40	-13.29%	2.80x	2.65	7.42	6.20	20%	BUY
UBN	0.08	10.90%	7.27%	0.85%	8.55	0.64	8.88	8.4x	0.6x	7.60	5.35	-10.00%	-	-	-	5.40	-	UR
WEMABANK	0.11	4.82%	8.07%	0.54%	14.97	0.12	1.43	4.5x	0.4x	0.79	0.44	-29.73%	-	-	-	0.52	-	UR
ZENITHBANK	0.09	31.17%	22.59%	2.93%	7.70	6.66	29.49	2.4x	0.6x	22.75	10.70	-12.37%	2.86x	6.57	18.79	16.30	15%	BUY
Insurance																		
AIICO	0.25	10.50%	19.15%	2.66%	7.19	0.84	4.41	1.1x	0.2x	0.99	0.56	30.56%	3.60x	0.54	1.94	0.94	107%	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	0.36	18.44%	12.09%	6.59%	1.84	0.21	1.71	5.0x	0.6x	1.22	0.50	108.00%	-	-	-	1.04	-	UR
LINKASSURE	0.22	20.20%	6.06%	4.40%	1.38	0.18	2.95	2.2x	0.1x	0.62	0.35	-24.53%	-	-	-	0.40	-	UR
MANSARD	0.44	11.41%	17.06%	5.01%	3.41	0.49	2.89	2.9x	0.5x	2.14	1.44	-27.27%	6.68x	0.39	2.61	1.44	81%	BUY
NEM	0.69	11.62%	15.56%	7.97%	1.95	0.44	2.81	4.6x	0.7x	2.42	1.44	-17.36%	-	-	-	2.00	-	UR
WAPIC	0.40	7.59%	5.06%	3.01%	1.68	0.09	1.80	3.4x	0.2x	0.38	0.21	-8.82%	-	-	-	0.31	-	UR
CUSTODIAN	0.46	9.79%	13.66%	4.49%	3.05	1.10	8.04	5.0x	0.7x	6.30	4.80	-8.33%	-	-	-	5.50	-	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	2.06%	2.98%	1.61%	1.85	1.18	39.76	11.0x	0.3x	30.20	13.00	-56.74%	19.08x	1.06	20.22	13.00	56%	BUY
NB	0.66	2.75%	5.21%	1.80%	2.88	1.05	20.12	29.6x	1.5x	59.00	22.00	-47.46%	-	-	-	31.00	-	UR
INTBREW	0.35	-24.37%	-19.96%	-8.55%	2.33	-1.13	5.65	-2.9x	0.6x	9.50	3.30	-65.26%	-	-	-	3.30	-	UR
Packaged Foods & Meats																		
CADBURY	1.09	2.62%	7.11%	2.86%	2.49	0.50	7.02	13.2x	0.9x	10.85	4.95	-37.44%	-	-	-	6.60	-	UR
DANGSUGAR	0.80	12.48%	19.18%	10.02%	1.91	1.91	9.98	6.2x	1.2x	15.05	8.90	-12.13%	7.00x	1.92	13.44	11.95	12%	BUY
HONYFLOUR	0.57	0.85%	1.20%	0.48%	2.48	0.09	7.22	11.6x	0.1x	1.18	0.83	1.01%	-	-	-	1.00	-	UR
FLOURMILL	2.81	1.93%	5.29%	5.40%	0.98	1.99	37.61	8.6x	0.5x	24.00	17.00	-13.45%	8.50x	2.62	22.27	17.05	31%	BUY
NASCON	0.19	22.49%	14.98%	4.33%	3.46	0.71	4.75	13.5x	2.0x	15.70	8.50	-25.87%	-	-	-	9.60	-	UR
NESTLE	1.46	14.57%	130.29%	21.32%	6.11	52.06	39.95	22.6x	29.4x	1,469.90	764.90	-20.06%	-	-	-	1,175.00	-	UR
UACN	0.77	-14.12%	-18.10%	-10.93%	1.66	-3.71	20.51	-1.9x	0.3x	11.05	6.15	-18.60%	-	-	8.08	7.00	15%	BUY
Agricultural Products																		
OKOMUOIL	0.48	27.39%	20.87%	13.19%	1.58	6.84	32.79	11.0x	2.3x	77.40	55.05	34.80%	-	-	-	74.95	-	UR
PRESCO	0.32	24.82%	17.52%	8.05%	2.18	5.65	32.28	8.4x	1.5x	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	-9.9x	0.4x	5.85	3.75	-27.43%	-	-	4.58	4.10	12%	BUY
VITAFOAM	1.16	15.81%	44.46%	18.28%	2.43	2.68	6.03	2.1x	1.0x	6.00	3.95	30.68%	-	-	-	5.75	-	UR
Healthcare																		
Pharmaceuticals																		
MAYBAKER	0.85	8.87%	12.20%	7.55%	1.62	0.41	3.39	7.2x	0.9x	3.39	1.79	55.44%	8.00x	0.44	3.52	3.00	17%	BUY
FIDSON	0.61	4.24%	6.24%	2.60%	2.40	0.30	4.85	10.4x	0.6x	3.63	2.21	1.61%	7.40x	0.54	4.00	3.15	26.98%	HOLD
GLAXOSMITH	1.03	4.00%	8.98%	4.12%	2.18	0.71	7.91	6.9x	0.6x	8.45	3.45	-19.67%	-	-	-	4.90	-	UR
NEIMETH	0.46	2.35%	5.18%	1.09%	4.76	0.04	0.75	38.4x	2.0x	2.57	0.40	141.94%	5.00x	0.29	1.45	1.50	-3%	HOLD

Materials																		
Construction Materials																		
BUACEMENT	0.15	20.11%	3.06%	2.92%	1.05	0.79	25.93	49.7x	1.5x	44.00	29.40	12.57%	-	-	30.88	39.40	-22%	SELL
DANGCEM	0.50	23.03%	28.05%	11.49%	2.44	12.17	43.39	11.6x	3.3x	179.90	116.80	-0.14%	-	-	-	141.80	-	UR
WAPCO	0.43	60.01%	36.75%	26.10%	1.41	8.03	21.86	1.5x	0.5x	17.60	8.95	-23.20%	-	-	-	11.75	-	UR
Specialty Chemicals																		
CAP	1.04	18.54%	47.34%	19.33%	2.45	2.12	4.47	8.1x	3.8x	27.50	17.10	-28.75%	-	-	-	17.10	-	UR
BERGER	0.74	8.95%	11.31%	6.59%	1.72	1.19	10.50	5.1x	0.6x	7.70	5.50	-10.37%	5.10x	1.17	5.97	6.05	-1%	HOLD
Energy																		
CONOIL	2.02	1.42%	10.51%	2.87%	3.66	2.86	27.23	5.9x	0.6x	21.00	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	1.80	-44.72%	5.20x	0.65	3.39	1.99	70%	BUY
ARDOVA	3.99	-0.29%	-3.05%	-1.15%	2.64	-0.40	13.10	-33.7x	1.0x	20.60	9.55	-25.69%	-	-	-	13.45	-	UR
MOBIL	1.90	4.01%	17.06%	7.64%	2.23	19.97	117.03	8.7x	1.5x	213.90	133.20	17.24%	-	-	-	173.40	-	UR
MRS	1.52	-2.80%	-8.77%	-4.24%	2.07	-5.40	61.61	-2.3x	0.2x	15.30	12.45	-18.63%	-	-	-	12.45	-	UR
SEPLAT	0.17	5.78%	1.78%	0.98%	1.82	18.21	1,024.16	17.0x	0.3x	605.00	282.00	-52.84%	-	-	-	310.20	-	UR
TOTAL	1.97	0.65%	6.32%	1.28%	4.95	4.75	75.13	18.5x	1.2x	117.00	87.80	-20.83%	-	-	-	87.80	-	UR
Telecommunications																		
MTNN	0.71	15.91%	141.70%	11.35%	12.48	9.70	6.85	12.2x	17.2x	128.50	90.00	12.29%	-	-	-	117.90	-	UR
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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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.

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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.

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