

# STOCK RECOMMENDATION - SEPTEMBER 07, 2020

## MARKET REVIEW

*For the week ended September 04, 2020.*

- The Nigerian equities market closed in the positive territory for the seventh consecutive week, as the **NSEASI** edged up by 1.17% WoW to close at 25,605.64 pts. The YtD return thus moderated to -4.61%.
- All sectoral indices closed positive, with the **NSEOILG5** recording the most gain (+3.7%), followed closely by the **NSEBNK10** (+2.8%).
- ROYALEX** topped the gainers' list having advanced by 26.92%, while **LASACO** emerged as the biggest loser, shedding 16.13% off its share price.
- The bullish momentum in the market was sustained by buying interest in Tier 1 banking tickers following the release of Q2 results, and bargain hunting activities on other fundamentally sound stocks.

## MARKET *P*REVIEW

*For the week commencing September 07, 2020*

- We anticipate lingering positive sentiment into the new week, following the release of Q2:2020 results from most Tier 1 banks (including **GUARANTY**, **ACCESS**, **ZENITHBANK** and **UBA**).
- We also expect corporate actions to be top of mind for most investors as they take position ahead of declared dividend payments announced in the previous week.
- In addition, we envisage that the elevated system liquidity following the maturities in the fixed income space, and a dearth of attractive alternative investment options would influence market direction this week.
- Ultimately, we expect the market to close positive this week.

## THE WEEK THAT WAS (A REVIEW)

			Cur. Week	Prev. Week
NSEASI			25,605.64	25,309.37
Market Cap [NGN'tr]			13.36	13.20
Market Cap [USD 'bn]			34.61	34.21
Volume Traded [bn]			2.21	1.07
Value Traded [NGN'bn]			10.96	7.38
NSEASI & Sectoral Indices [Return Profile]				
	WtD	MtD	QtD	YtD
NSEASI	1.17%	1.10%	4.60%	-4.61%
NSE-30	1.31%	1.21%	3.48%	-7.57%
NSE-B10	2.76%	3.53%	7.14%	-15.34%
NSE-FB10	1.49%	1.51%	-1.89%	-26.90%
NSE-OG5	3.65%	1.63%	-1.16%	-26.03%
NSE-INS10	1.96%	2.58%	4.07%	7.30%
NSE-IND	0.44%	-0.11%	1.85%	4.52%
Value (NGN)		Volume		
ZENITHBANK	2,542,128,435	ZENITHBANK	148,260,401	
GUARANTY	1,496,456,162	LASACO	126,571,529	
ACCESS	728,617,245	TRANSCORP	120,600,145	
DANGCEM	661,699,019	ACCESS	112,944,674	
MTNN	547,335,596	UACN	88,836,246	
Highest Gainers	%	Highest Losers		
ROYALEX	26.92%	LASACO	-16.13%	
CORNERST	17.86%	TRIPPLEG	-12.00%	
UNIONDAC	12.50%	CILEASING	-10.00%	
UACN	10.53%	ACADEMY	-10.00%	
LIVESTOCK	10.00%	WAPIC	-5.71%	

	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>																		
ACCESS	0.10	15.4%	14.4%	1.2%	11.6	2.72	18.86	2.4x	0.3x	11.60	5.40	-35.50%	-	-	-	6.45	-	UR
ETI	0.09	12.4%	11.9%	0.9%	12.6	3.60	30.20	1.2x	0.1x	8.00	3.90	-36.15%	-	-	-	4.15	-	UR
FCMB	0.10	9.9%	9.1%	1.0%	9.2	0.99	10.83	2.2x	0.2x	2.20	1.45	+18.92%	0.98	2.01	1.97	2.20	-10%	SELL
FIDELITYBK	0.09	10.7%	12.5%	1.3%	9.6	1.08	8.65	1.7x	0.2x	2.37	1.53	-9.27%	-	-	-	1.86	-	UR
FBNH	0.09	16.7%	13.0%	1.3%	10.1	2.55	19.62	2.0x	0.3x	7.70	3.70	-18.70%	2.43	2.87	6.97	5.00	+39%	BUY
GUARANTY	0.10	41.9%	26.6%	4.3%	6.3	6.52	24.50	4.1x	1.1x	34.00	16.75	-10.61%	-	-	-	26.55	-	UR
STANBIC	0.08	35.7%	25.0%	2.8%	9.0	8.20	32.86	4.6x	1.2x	42.50	23.85	-7.32%	-	-	-	38.00	-	UR
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	0.08	14.8%	12.1%	1.1%	10.7	2.25	18.56	2.9x	0.3x	8.90	4.40	-9.79%	-	-	-	6.45	-	UR
UBN	0.08	13.1%	7.3%	0.8%	8.6	0.64	8.88	7.9x	0.6x	7.60	5.00	-15.00%	-	-	-	5.10	-	UR
WEMABANK	0.11	3.9%	8.1%	0.5%	15.0	0.12	1.43	4.8x	0.4x	0.79	0.44	-25.68%	4.15	0.11	0.46	0.55	-17%	SELL
ZENITHBANK	0.09	30.0%	22.6%	3.0%	7.7	7.13	31.50	2.4x	0.6x	22.75	10.70	-6.45%	-	-	-	17.40	-	UR
<b>Insurance</b>																		
AIICO	0.25	9.6%	19.2%	2.7%	7.2	0.53	2.78	1.7x	0.3x	1.18	0.67	+29.17%	2.20	0.45	0.99	0.93	+6%	HOLD
LASACO	0.48	6.7%	3.5%	1.6%	2.2	0.04	1.15	6.4x	0.2x	0.33	0.20	+4.00%	3.80	0.10	0.38	0.26	+46%	BUY
LAWUNION	0.36	8.2%	12.1%	6.6%	1.8	0.21	1.71	5.5x	0.7x	1.22	0.50	+126.00%	-	-	-	1.13	-	UR
LINKASSURE	0.22	14.6%	6.1%	4.4%	1.4	0.18	2.95	2.3x	0.1x	0.62	0.35	-20.75%	-	-	-	0.42	-	UR
MANSARD	0.44	15.9%	17.1%	5.0%	3.4	0.49	2.89	3.7x	0.6x	2.14	1.44	-7.58%	6.68	0.39	2.61	1.83	+42%	BUY
NEM	0.71	12.0%	15.8%	8.1%	2.0	0.45	2.81	4.6x	0.7x	2.42	1.44	-14.46%	3.65	0.61	2.23	2.07	+8%	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	4.3x	0.6x	6.30	4.75	-20.83%	-	-	-	4.75	-	UR

Consumer Staples & Discretionary																		
<b>Breweries</b>																		
GUINNESS	0.72	-12.1%	-17.2%	-8.7%	2.0	-5.74	33.35	-2.5x	0.4x	30.20	13.00	-51.91%	30.00	0.49	14.70	14.45	+2%	HOLD
NB	0.66	3.7%	5.2%	1.8%	2.9	1.05	20.12	38.2x	2.0x	59.00	22.00	-32.20%	35.00	0.87	30.45	40.00	-24%	SELL
INTBREW	0.35	-15.4%	-20.0%	-8.5%	2.3	-1.13	5.65	-3.2x	0.6x	9.50	2.75	-61.58%	-	-	2.90	3.65	-21%	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	11.1x	0.1x	1.18	0.83	-3.03%	-	-	-	0.96	-	UR
FLOURMILL	1.25	3.2%	7.5%	2.5%	3.0	2.95	39.21	6.4x	0.5x	24.00	17.00	-3.55%	8.00	3.19	25.52	19.00	+34%	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	-1.7x	0.3x	11.05	5.40	-26.74%	-	-	8.08	6.30	+28%	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	-9.9x	0.4x	5.85	3.75	-27.43%	-	-	4.58	4.10	+12%	BUY
VITAFOAM	1.16	13.1%	44.5%	18.3%	2.4	2.68	6.03	2.2x	1.0x	6.00	3.95	+35.68%	2.30	2.32	5.34	5.97	-11%	SELL
<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	6.8x	0.6x	8.45	3.45	-20.49%	9.00	0.79	7.11	4.85	+47%	BUY
NEIMETH	0.46	11.8%	5.2%	1.1%	4.8	0.04	0.75	47.9x	2.5x	2.57	0.40	+201.61%	5.00	0.29	1.45	1.87	-22%	SELL
<b>Materials</b>																		

Construction Materials																		
BUACEMENT	0.36	34.4%	16.2%	12.4%	1.3	4.91	30.32	8.2x	1.3x	44.00	29.40	+15.14%	-	-	42.03	40.30	+4%	HOLD
DANGCEM	0.50	26.5%	28.1%	11.5%	2.4	12.17	43.39	11.0x	3.1x	179.90	116.80	-5.63%	-	-	171.80	134.00	+28%	BUY
WAPCO	0.43	19.4%	36.8%	26.1%	1.4	8.03	21.86	1.5x	0.5x	17.60	8.95	-21.57%	-	-	17.53	12.00	+46%	BUY
Specialty Chemicals																		
CAP	1.04	17.4%	47.3%	19.3%	2.4	2.12	4.47	8.0x	3.8x	27.50	15.30	-29.58%	9.50	2.52	23.94	16.90	+42%	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%	5.12	0.59	3.02	6.05	-50%	SELL
Energy																		
CONOIL	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	-	UR
ETERNA	3.33	-0.2%	-0.8%	-0.3%	2.5	-0.07	9.46	-29.1x	0.2x	3.60	1.80	-42.22%	-	-	-	2.08	-	UR
ARDOVA	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	-	UR
MOBIL	1.90	3.1%	17.1%	7.6%	2.2	19.97	117.03	9.6x	1.6x	213.90	133.20	+30.16%	-	-	-	192.50	-	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	22.0x	0.4x	605.00	282.00	-39.19%	-	-	-	400.00	-	UR
TOTAL	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	-	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	+12.95%	-	-	-	118.60	-	UR
AIRTELAFRI	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	-	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.

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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.

**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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