

# STOCK RECOMMENDATION - JANUARY 11, 2020

## MARKET REVIEW

*For the week ended January 08, 2020.*

- The Nigerian equities market started the year on a negative note as the All-share index lost 0.37%WoW to settle at 40,120.22pts. Hence, the YtD return stood at **-0.37%**.
- While all other sectoral indices closed on a positive note, the **Industrial Goods** index slumped by 2.29%, largely due to the significant price decline on **DANGCEM**.
- JAPAUOIL** (+56.45%) saw the biggest gain for the week, while **DEAPCAP** (-12.00%) was the biggest laggard.
- Although bullish sentiment was still witnessed across sectors, last week's loss was due to profit-taking activities on large-cap stocks.

## MARKET *P*REVIEW

*For the week commencing January 11, 2020*

- Developments around the Coronavirus vaccine have continued to spur positive jitters across markets globally. Also, certainty concerning BREXIT and the US presidential elections have contributed to the mood in the financial markets.
- On the domestic front, the extant factors of elevated liquidity and depressed fixed income yields continue to spur the positive performance in the equities market. In the macroeconomy, the re-opening of the land borders and reversal of the electricity tariff hike are upside factors to spur confidence.
- Although we note that counters have rallied to record highs in recent times, we still expect the positive sentiments to be carried on this week as a dearth of investment alternatives still present the equities market as a viable choice.

## THE WEEK THAT WAS (A REVIEW)

|  |               |                | Cur. Week | Prev. Week  |
|--|---------------|----------------|-----------|-------------|
| NSEASI                                     |               |                | 40,120.22 | 40,270.72   |
| Market Cap [NGN'tr]                        |               |                | 20.98     | 21.06       |
| Market Cap [USD 'bn]                       |               |                | 53.38     | 53.58       |
| Volume Traded [bn]                         |               |                | 1.49      | 1.81        |
| Value Traded [NGN'bn]                      |               |                | 15.73     | 27.97       |
| NSEASI & Sectoral Indices [Return Profile] |               |                |           |             |
|  | WtD           | MtD            | QtD       | YtD         |
| NSEASI                                     | -0.37%        | -0.37%         | -0.37%    | -0.37%      |
| NSE-30                                     | 0.06%         | 0.06%          | 0.06%     | 0.06%       |
| NSE-B10                                    | 3.21%         | 3.21%          | 3.21%     | 3.21%       |
| NSE-FB10                                   | 2.58%         | 2.58%          | 2.58%     | 2.58%       |
| NSE-OG5                                    | 13.16%        | 13.16%         | 13.16%    | 13.16%      |
| NSE-INS10                                  | 9.49%         | 9.49%          | 9.49%     | 9.49%       |
| NSE-IND                                    | -2.29%        | -2.29%         | -2.29%    | -2.29%      |
| Value (NGN)                                |               | Volume         |           |             |
| ZENITHBANK                                 | 2,258,043,255 | TRANSCORP      |           | 132,076,039 |
| GUARANTY                                   | 2,093,684,910 | ACCESS         |           | 104,434,224 |
| ACCESS                                     | 923,234,694   | AIICO          |           | 100,738,620 |
| WAPCO                                      | 832,490,609   | ZENITHBANK     |           | 89,682,207  |
| NB   | 826,277,651   | UBA            |           | 76,652,340  |
| Highest Gainers                            | %             | Highest Losers |           | %           |
| JAPAULGOLD                                 | 56.45%        | DEAPACP        |           | -12.00%     |
| BOCGAS                                     | 32.18%        | ROYALEX        |           | -11.54%     |
| NEM  | 28.49%        | DANGCEM        |           | -8.13%      |
| SEPLAT                                     | 23.32%        | ABCTrans       |           | -7.89%      |
| LINKASSURE                                 | 23.08%        | MAYBAKER       |           | -6.84%      |

|   | 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         | 17.3%  | 16.3%  | 1.4%   | 11.6 | 3.07     | 18.86 | 2.9x  | 0.5x | 9.05               | 8.80  | +7.10%     | 2.50      | 3.41     | 8.53    | 9.05        | -6%   | HOLD |
| ETI   | 0.09         | 1.7%   | 4.4%   | 0.3%   | 13.3 | 1.26     | 28.81 | 5.3x  | 0.2x | 6.60               | 6.40  | +10.00%    | 3.03      | 3.50     | 10.62   | 6.60        | +61%  | BUY  |
| FCMB  | 0.09         | 9.5%   | 9.5%   | 1.0%   | 9.5  | 1.03     | 10.85 | 3.1x  | 0.3x | 3.25               | 3.01  | -2.40%     | 2.34      | 1.09     | 2.55    | 3.25        | -22%  | SELL |
| FIDELITYBK                                  | 9.75         | 13.2%  | 315.0% | 138.6% | 2.3  | 1.03     | 0.33  | 2.5x  | 8.0x | 2.77               | 2.57  | +3.97%     | 3.10      | 1.08     | 3.34    | 2.62        | +28%  | BUY  |
| FBNH  | 0.09         | 15.5%  | 12.6%  | 1.2%   | 10.2 | 2.51     | 19.84 | 3.0x  | 0.4x | 7.85               | 7.20  | +4.20%     | 3.30      | 2.63     | 8.69    | 7.45        | +17%  | BUY  |
| GUARANTY                                    | 0.10         | 43.1%  | 25.4%  | 4.2%   | 6.1  | 6.53     | 25.67 | 5.1x  | 1.3x | 33.50              | 32.50 | +2.01%     | 4.70      | 6.93     | 32.57   | 33.00       | -1%   | HOLD |
| STANBIC                                     | 0.09         | 36.1%  | 23.4%  | 3.3%   | 7.0  | 7.71     | 32.92 | 5.7x  | 1.3x | 44.05              | 44.00 | -0.11%     | 5.80      | 8.41     | 48.75   | 44.00       | +11%  | BUY  |
| STERLNBANK                                  | 0.11         | 6.9%   | 8.2%   | 0.8%   | 10.3 | 0.36     | 4.42  | 5.6x  | 0.5x | 2.10               | 1.96  | -0.98%     | 4.06      | 0.45     | 1.83    | 2.02        | -10%  | HOLD |
| UBA   | 0.08         | 17.0%  | 12.9%  | 1.2%   | 10.8 | 2.47     | 19.16 | 3.6x  | 0.5x | 8.85               | 8.40  | +2.31%     | 3.40      | 2.80     | 9.50    | 8.85        | +7%   | HOLD |
| UBN   | 0.08         | 12.4%  | 7.5%   | 0.9%   | 8.5  | 0.68     | 9.01  | 7.8x  | 0.6x | 5.35               | 5.25  | -0.93%     | 6.37      | 0.90     | 5.73    | 5.30        | +8%   | HOLD |
| WEMABANK                                    | 0.10         | 4.6%   | 6.7%   | 0.4%   | 15.4 | 0.10     | 1.45  | 7.6x  | 0.5x | 0.75               | 0.71  | +7.25%     | 3.27      | 0.17     | 0.56    | 0.74        | -25%  | SELL |
| ZENITHBANK                                  | 0.09         | 31.3%  | 21.0%  | 2.7%   | 7.7  | 6.93     | 32.94 | 3.7x  | 0.8x | 25.70              | 24.60 | +3.43%     | -         | -        | -       | 25.65       | -     | UR   |
| <b>Insurance</b>                            |              |        |        |        |      |          |       |       |      |                    |       |            |           |          |         |             |       |      |
| AIICO                                       | 0.24         | 11.8%  | 20.0%  | 2.7%   | 7.4  | 0.41     | 2.03  | 2.7x  | 0.6x | 1.20               | 1.11  | -0.88%     | 1.65      | 0.95     | 1.57    | 1.12        | +40%  | BUY  |
| LASACO                                      | 0.48         | 6.7%   | 3.5%   | 1.6%   | 2.2  | 0.04     | 1.15  | 9.2x  | 0.3x | 0.38               | 0.35  | +5.71%     | 3.80      | 0.10     | 0.38    | 0.37        | +3%   | HOLD |
| MANSARD                                     | 0.44         | 15.9%  | 17.1%  | 5.0%   | 3.4  | 0.49     | 2.89  | 2.4x  | 0.4x | 1.24               | 1.15  | +13.33%    | 9.30      | 0.31     | 2.88    | 1.19        | +142% | BUY  |
| NEM   | 0.71         | 12.0%  | 15.8%  | 8.1%   | 2.0  | 0.45     | 2.81  | 5.2x  | 0.8x | 2.31               | 1.79  | +28.49%    | 4.00      | 0.73     | 2.92    | 2.30        | +27%  | BUY  |
| WAPIC                                       | 0.40         | 35.9%  | 5.1%   | 3.0%   | 1.7  | 0.09     | 1.80  | 4.6x  | 0.2x | 0.42               | 0.39  | +5.00%     | 1.90      | 0.31     | 0.59    | 0.42        | +40%  | BUY  |
| CUSTODIAN                                   | 0.38         | 13.3%  | 13.7%  | 4.4%   | 3.1  | 1.12     | 8.18  | 5.2x  | 0.7x | 5.85               | 5.85  | 0.00%      | 5.10      | 1.42     | 7.24    | 5.85        | +24%  | BUY  |
| <b>Consumer Staples &amp; Discretionary</b> |              |        |        |        |      |          |       |       |      |                    |       |            |           |          |         |             |       |      |
| <b>Breweries</b>                            |              |        |        |        |      |          |       |       |      |                    |       |            |           |          |         |             |       |      |
| GUINNESS                                    | 0.72         | -12.1% | -17.2% | -8.7%  | 2.0  | -5.74    | 33.35 | -3.1x | 0.5x | 19.00              | 17.65 | -5.00%     | 50.00     | 0.35     | 17.50   | 18.05       | -3%   | HOLD |
| NB  | 0.66         | 3.7%   | 5.2%   | 1.8%   | 2.9  | 1.05     | 20.12 | 55.4x | 2.9x | 58.00              | 56.00 | +3.57%     | 50.00     | 1.21     | 60.50   | 58.00       | +4%   | HOLD |
| INTBREW                                     | 0.35         | -15.4% | -20.0% | -8.5%  | 2.3  | -1.13    | 5.65  | -6.1x | 1.2x | 6.90               | 6.54  | +15.97%    | -         | -        | 5.90    | 6.90        | -14%  | SELL |
| <b>Packaged Foods &amp; Meats</b>           |              |        |        |        |      |          |       |       |      |                    |       |            |           |          |         |             |       |      |
| DANGSUGAR                                   | 0.76         | 16.6%  | 28.2%  | 12.7%  | 2.2  | 2.82     | 10.01 | 6.8x  | 1.9x | 19.15              | 18.30 | +8.81%     | 8.00      | 2.75     | 22.00   | 19.15       | +15%  | BUY  |
| HONYFLOUR                                   | 0.69         | 0.4%   | 1.2%   | 0.5%   | 2.5  | 0.08     | 7.22  | 14.7x | 0.2x | 1.32               | 1.20  | +1.67%     | 6.00      | 0.17     | 1.02    | 1.22        | -16%  | SELL |

|                               |      |       |        |       |      |        |          |       |       |          |          |         |       |       |          |          |      |             |
|-------------------------------|------|-------|--------|-------|------|--------|----------|-------|-------|----------|----------|---------|-------|-------|----------|----------|------|-------------|
| <b>FLOURMILL</b>              | 1.33 | 2.8%  | 9.6%   | 3.1%  | 3.1  | 3.76   | 39.02    | 7.1x  | 0.7x  | 27.00    | 26.10    | +2.69%  | 7.50  | 3.93  | 29.48    | 26.70    | +10% | <b>BUY</b>  |
| <b>NASCON</b>                 | 0.64 | 10.5% | 17.2%  | 4.8%  | 3.6  | 0.80   | 4.65     | 18.2x | 3.1x  | 14.50    | 14.50    | 0.00%   | 12.50 | 1.22  | 15.25    | 14.50    | +5%  | <b>HOLD</b> |
| <b>NESTLE</b>                 | 1.47 | 15.0% | 89.5%  | 21.1% | 4.2  | 51.45  | 57.48    | 29.3x | 26.2x | 1,505.00 | 1,505.00 | 0.00%   | 25.00 | 64.85 | 1,621.25 | 1,505.00 | +8%  | <b>HOLD</b> |
| <b>Agricultural Products</b>  |      |       |        |       |      |        |          |       |       |          |          |         |       |       |          |          |      |             |
| <b>OKOMUOIL</b>               | 0.44 | 26.9% | 18.4%  | 11.8% | 1.6  | 6.23   | 33.83    | 14.9x | 2.7x  | 92.50    | 90.00    | +1.65%  | 11.58 | 7.80  | 90.27    | 92.50    | -2%  | <b>HOLD</b> |
| <b>PRESCO</b>                 | 0.34 | 26.6% | 16.9%  | 7.6%  | 2.2  | 5.22   | 30.92    | 13.6x | 2.3x  | 71.00    | 70.95    | +0.07%  | 10.50 | 6.73  | 70.67    | 71.00    | -0%  | <b>HOLD</b> |
| <b>Healthcare</b>             |      |       |        |       |      |        |          |       |       |          |          |         |       |       |          |          |      |             |
| <b>Pharmaceuticals</b>        |      |       |        |       |      |        |          |       |       |          |          |         |       |       |          |          |      |             |
| <b>MAYBAKER</b>               | 0.62 | 10.6% | 15.0%  | 6.6%  | 2.3  | 0.53   | 3.54     | 6.2x  | 0.9x  | 3.51     | 3.21     | -6.84%  | 8.00  | 0.59  | 4.72     | 3.27     | +44% | <b>BUY</b>  |
| <b>FIDSON</b>                 | 0.66 | 3.5%  | 6.0%   | 2.4%  | 2.5  | 0.30   | 4.94     | 15.1x | 0.9x  | 4.70     | 4.50     | 0.00%   | 7.00  | 1.00  | 7.00     | 4.50     | +56% | <b>BUY</b>  |
| <b>GLAXOSMITH</b>             | 0.96 | 2.6%  | 10.3%  | 4.1%  | 2.5  | 0.77   | 7.47     | 9.1x  | 0.9x  | 7.00     | 6.85     | +1.45%  | 8.00  | 0.89  | 7.12     | 7.00     | +2%  | <b>HOLD</b> |
| <b>NEIMETH</b>                | 0.47 | 12.3% | 25.9%  | 5.7%  | 4.5  | 0.19   | 0.75     | 11.3x | 2.9x  | 2.23     | 2.05     | -1.35%  | 8.00  | 0.28  | 2.24     | 2.20     | +2%  | <b>HOLD</b> |
| <b>Materials</b>              |      |       |        |       |      |        |          |       |       |          |          |         |       |       |          |          |      |             |
| <b>Construction Materials</b> |      |       |        |       |      |        |          |       |       |          |          |         |       |       |          |          |      |             |
| <b>BUACEMENT</b>              | 0.33 | 34.2% | 17.0%  | 11.4% | 1.5  | 5.38   | 31.66    | 14.9x | 2.5x  | 85.00    | 80.00    | +3.43%  | -     | -     | 49.01    | 80.00    | -39% | <b>SELL</b> |
| <b>DANGCEM</b>                | 0.53 | 27.4% | 31.1%  | 13.8% | 2.3  | 14.96  | 48.02    | 15.0x | 4.7x  | 244.90   | 225.00   | -8.13%  | -     | -     | 220.70   | 225.00   | -2%  | <b>HOLD</b> |
| <b>WAPCO</b>                  | 0.44 | 15.7% | 6.5%   | 4.4%  | 1.5  | 1.44   | 22.16    | 15.5x | 1.0x  | 22.95    | 22.30    | +5.94%  | -     | -     | 22.48    | 22.30    | +1%  | <b>HOLD</b> |
| <b>Specialty Chemicals</b>    |      |       |        |       |      |        |          |       |       |          |          |         |       |       |          |          |      |             |
| <b>CAP</b>                    | 2.50 | 15.5% | 18.4%  | 41.7% | 0.4  | 2.06   | 11.17    | 9.7x  | 1.8x  | 20.00    | 20.00    | 0.00%   | 9.50  | 2.69  | 25.56    | 20.00    | +28% | <b>BUY</b>  |
| <b>BERGER</b>                 | 0.77 | 0.8%  | 4.0%   | 2.4%  | 1.6  | 0.41   | 10.42    | 17.8x | 0.7x  | 7.35     | 7.35     | 0.00%   | -     | -     | -        | 7.35     | -    | <b>UR</b>   |
| <b>Energy</b>                 |      |       |        |       |      |        |          |       |       |          |          |         |       |       |          |          |      |             |
| <b>CONOIL</b>                 | 2.21 | 1.3%  | 6.7%   | 2.6%  | 2.5  | 1.99   | 29.66    | 10.5x | 0.7x  | 20.85    | 20.85    | 0.00%   | 8.50  | 2.94  | 24.95    | 20.85    | +20% | <b>BUY</b>  |
| <b>ETERNA</b>                 | 1.89 | 0.4%  | 8.1%   | 3.2%  | 2.5  | 0.81   | 9.92     | 6.6x  | 0.5x  | 5.75     | 5.28     | +3.53%  | 12.50 | 0.44  | 5.55     | 5.28     | +5%  | <b>HOLD</b> |
| <b>ARDOVA</b>                 | 3.64 | 1.5%  | 3.0%   | 1.1%  | 2.8  | 0.42   | 13.88    | 39.0x | 1.2x  | 16.35    | 13.55    | +20.66% | 25.00 | 0.53  | 13.17    | 16.35    | -19% | <b>SELL</b> |
| <b>MOBIL</b>                  | 3.77 | 3.6%  | 7.2%   | 15.2% | 0.5  | 18.47  | 256.10   | 12.3x | 0.9x  | 228.00   | 228.00   | 0.00%   | -     | -     | -        | 228.00   | -    | <b>UR</b>   |
| <b>MRS</b>                    | 1.31 | -2.8% | -8.0%  | -3.9% | 2.1  | -4.76  | 59.81    | -2.9x | 0.2x  | 13.75    | 13.75    | 0.00%   | 4.00  | 4.47  | 17.87    | 13.75    | +30% | <b>BUY</b>  |
| <b>SEPLAT</b>                 | 0.18 | 24.8% | 9.7%   | 5.6%  | 1.7  | 105.44 | 1,087.26 | 4.7x  | 0.5x  | 496.10   | 402.30   | +23.32% | 6.85  | 72.55 | 496.96   | 496.10   | +0%  | <b>HOLD</b> |
| <b>TOTAL</b>                  | 1.80 | 0.3%  | 11.2%  | 2.4%  | 4.7  | 8.77   | 78.17    | 16.3x | 1.8x  | 143.00   | 130.00   | +10.00% | 13.00 | 9.16  | 119.06   | 143.00   | -17% | <b>SELL</b> |
| <b>Telecommunications</b>     |      |       |        |       |      |        |          |       |       |          |          |         |       |       |          |          |      |             |
| <b>MTNN</b>                   | 0.73 | 14.8% | 167.9% | 11.2% | 15.0 | 9.68   | 5.77     | 17.1x | 28.6x | 169.90   | 165.20   | -2.77%  | 15.79 | 10.93 | 172.65   | 165.20   | +5%  | <b>HOLD</b> |
| <b>AIRTELAFRI</b>             | 0.39 | 8.0%  | 10.5%  | 3.6%  | 2.9  | 35.19  | 334.61   | 24.2x | 2.5x  | 851.80   | 851.80   | 0.00%   | 17.24 | 48.96 | 844.11   | 851.80   | -1%  | <b>HOLD</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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## Investment Ratings

### 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

**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.

**Asset allocation:** The recommended weighting for equities, cash and fixed income instrument is based on a number of metrics and does not relate to a particular size change in one variable.

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