

## STOCK RECOMMENDATION - APRIL 19, 2021

## MARKET REVIEW

*For the week ended April 16, 2021.*

- Bearish sentiments lingered in the Nigerian equities market last week, as the **NSEASI** dipped by 15bps WoW to settle at 38,808.01pts., dragging year to date (YTD) return further downwards to -3.63%.
- Across sectors, the overarching mood was bearish, with only the industrial index, **NSEIND** (+0.95%) closing the week in the green. **FTNCOCOA** (+16.28% WoW) emerged as the week's top gainer, while **NNFM** (-13.71% WoW) was the biggest loser.
- Market breadth dipped to 0.43x (from 0.88x in the previous week), as 22 stocks appreciated (against 51 decliners).

MARKET *P*REVIEW*For the week commencing April 19, 2021*

- Inflation has continued its uptrend, with the latest figures for March 2021 released by the NBS placing CPI at 18.17% YoY. Both food and core indices continue to support increases in general price levels. Expectedly, real rates of return remain firmly negative.
- With the 2020FY earnings season now behind us, we see little to no positive triggers that may influence the market's direction this week. While we do not rule out existing opportunities for bargain hunting, we think the lingering bearish sentiment would have the upper hand this week.
- Ultimately, we expect the equities market to close in the negative territory this week.

## THE WEEK THAT WAS (A REVIEW)

			Cur. Week	Prev. Week
NSEASI			38,808.01	38,866.39
Market Cap [NGN'tr]			20.31	20.34
Market Cap [USD 'bn]			51.68	51.74
Volume Traded [bn]			1.26	0.89
Value Traded [NGN'bn]			10.76	9.19
NSEASI & Sectoral Indices [Return Profile]				
	WtD	MtD	QtD	YtD
NSEASI	-0.15%	-0.61%	-0.61%	-3.63%
NSE-30	-0.29%	-0.93%	-0.93%	-6.02%
NSE-B10	-1.51%	-7.21%	-7.21%	-12.72%
NSE-FB10	-0.61%	1.79%	1.79%	-3.61%
NSE-OG5	-0.29%	-0.37%	-0.37%	17.10%
NSE-INS10	-4.23%	-5.48%	-5.48%	2.03%
NSE-IND	0.95%	0.19%	0.19%	-7.75%
Value (NGN)		Volume		
GUARANTY	2,640,472,189	FIDELITYBK	190,775,511	
NEWGOLD	2,500,732,595	FBNH	100,850,460	
ZENITHBANK	1,028,583,037	ACCESS	99,149,408	
ACCESS	795,280,519	GUARANTY	91,422,148	
FBNH	756,826,311	UACN	70,777,364	
Highest Gainers	%	Highest Losers	%	
FTNCOCOA	16.28%	NNFM	-13.71%	
MORISON	9.30%	MBENEFIT	-12.82%	
ROYALEX	8.33%	CUSTODIAN	-12.21%	
MEYER	8.16%	FIDSON	-9.89%	
UACN	7.53%	CUTIX	-9.78%	

	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	2021 TP	Last Wk. Pr	UPP	RT
Financial Services																		
Banks																		
ACCESS	0.10	17.3%	16.3%	1.4%	11.6	3.07	18.86	2.5x	0.4x	9.70	7.60	-10.06%	2.76	3.40	9.38	7.60	+23%	BUY
ETI	0.09	1.7%	4.4%	0.3%	13.3	1.26	28.81	3.9x	0.2x	6.75	4.70	-19.17%	3.03	3.10	9.39	4.85	+94%	BUY
FCMB	0.09	9.5%	9.5%	1.0%	9.5	1.03	10.85	2.6x	0.2x	3.50	2.66	-20.12%	2.71	1.06	2.87	2.66	+8%	HOLD
FIDELITYBK	0.08	13.2%	11.4%	1.2%	9.8	1.03	9.05	2.3x	0.3x	2.77	2.16	-4.76%	2.83	1.01	2.86	2.40	+19%	BUY
FBNH	0.08	15.6%	12.6%	1.3%	10.1	2.45	21.32	3.1x	0.4x	7.85	7.05	-3.18%	3.16	2.85	9.02	7.60	+19%	BUY
GUARANTY	0.10	43.1%	25.4%	4.2%	6.1	6.53	25.67	4.5x	1.1x	36.00	28.00	-9.89%	4.90	6.99	34.25	29.15	+17%	BUY
STANBIC	0.09	36.1%	23.4%	3.3%	7.0	7.71	32.92	6.0x	1.4x	52.90	38.70	+4.43%	6.80	7.37	50.12	46.00	+9%	HOLD
STERLNBANK	0.11	6.9%	8.2%	0.8%	10.3	0.36	4.42	4.1x	0.3x	2.10	1.45	-27.45%	-	-	-	1.48	-	UR
UBA	0.08	18.3%	15.7%	1.5%	10.6	3.33	21.17	2.1x	0.3x	9.25	6.80	-19.65%	3.00	3.60	10.80	6.95	+55%	BUY
UBN	0.08	12.4%	7.5%	0.9%	8.5	0.68	9.01	6.9x	0.5x	6.10	4.55	-13.08%	9.00	0.88	7.92	4.65	+70%	BUY
WEMABANK	0.10	4.6%	6.7%	0.4%	15.4	0.10	1.45	5.9x	0.4x	0.75	0.55	-17.39%	-	-	-	0.57	-	UR
ZENITHBANK	0.10	33.1%	25.1%	3.3%	7.6	8.92	35.59	2.4x	0.6x	27.20	20.30	-13.31%	3.85	7.68	29.57	21.50	+38%	BUY
Insurance																		
AIICO	0.24	11.8%	20.0%	2.7%	7.4	0.41	2.03	3.1x	0.6x	1.59	1.01	+11.50%	-	-	-	1.26	-	UR
LASACO	0.48	6.7%	3.5%	1.6%	2.2	0.04	1.15	31.2x	1.1x	1.52	0.35	+260.00%	-	-	-	1.26	-	UR
MANSARD	0.44	15.9%	17.1%	5.0%	3.4	0.49	2.89	1.8x	0.3x	1.70	0.87	-14.29%	-	-	-	0.90	-	UR
NEM	0.71	12.0%	15.8%	8.1%	2.0	0.45	2.81	4.5x	0.7x	2.69	1.72	+11.73%	-	-	-	2.00	-	UR
WAPIC	0.40	35.9%	5.1%	3.0%	1.7	0.09	1.80	5.0x	0.3x	0.72	0.39	+15.00%	1.90	0.31	0.59	0.46	+28%	BUY
CUSTODIAN	0.43	17.0%	10.8%	7.3%	1.5	2.17	20.17	2.6x	0.3x	7.10	5.75	-1.71%	3.80	2.22	8.44	5.75	+47%	BUY
Consumer Staples & Discretionary																		
Breweries																		

GUINNESS	0.91	-0.4%	5.3%	2.6%	2.0	1.76	33.20	18.1x	1.0x	35.90	17.65	+67.63%	-	-	16.99	31.85	-47%	SELL
NB	0.76	2.2%	4.6%	1.7%	2.8	0.92	20.16	54.4x	2.5x	63.00	47.00	-10.54%	60.00	0.76	45.60	50.10	-9%	HOLD
INTBREW	0.35	-15.4%	-20.0%	-8.5%	2.3	-1.13	5.65	-4.9x	1.0x	7.07	4.55	-7.56%	-	-	5.51	5.50	+0%	HOLD
Packaged Foods & Meats																		
CADBURY	2.68	3.3%	3.7%	9.4%	0.4	0.68	18.20	12.0x	0.4x	10.80	8.00	-10.00%	-	-	-	8.10	-	UR
DANGSUGAR	0.77	13.9%	23.9%	10.7%	2.2	2.45	10.26	6.9x	1.6x	21.70	16.40	-3.98%	8.00	2.50	20.00	16.90	+18%	BUY
HONYFLOUR	0.73	0.4%	3.3%	1.3%	2.5	0.24	7.22	5.0x	0.2x	1.49	1.09	-0.83%	6.00	0.17	1.02	1.19	-14%	SELL
FLOURMILL	1.43	2.8%	11.3%	3.8%	3.0	4.58	40.40	6.8x	0.8x	34.70	26.10	+19.23%	6.80	4.68	31.82	31.00	+3%	HOLD
NASCON	0.63	9.6%	21.1%	6.1%	3.5	1.01	4.80	15.0x	3.2x	17.55	13.00	+4.83%	12.50	1.04	13.00	15.20	-14%	SELL
NESTLE	1.17	13.7%	20.3%	15.9%	1.3	49.47	243.96	28.7x	5.8x	1,505.00	1,350.00	-5.65%	28.00	50.32	1,408.96	1,420.00	-1%	HOLD
UACN	0.75	2.5%	4.0%	2.2%	1.8	0.84	21.01	12.0x	0.5x	10.00	7.10	+37.93%	5.87	1.70	9.98	10.00	-0%	HOLD
Agricultural Products																		
OKOMUOIL	0.44	26.9%	18.4%	11.8%	1.6	6.23	33.83	14.5x	2.7x	93.00	90.00	-1.10%	-	-	-	90.00	-	UR
PRESCO	0.34	26.6%	16.9%	7.6%	2.2	5.22	30.92	13.8x	2.3x	75.00	69.00	+1.48%	-	-	-	72.00	-	UR
Household & Personal Products																		
PZ	0.93	-4.7%	-3.8%	-2.1%	1.8	-0.41	11.02	-10.9x	0.4x	5.85	4.15	-15.09%	-	-	4.58	4.50	+2%	HOLD
VITAFOAM	1.19	12.8%	43.4%	20.0%	2.2	3.51	8.08	2.4x	1.0x	10.05	7.35	+7.69%	2.30	2.32	5.34	8.40	-36%	SELL
Healthcare																		
Pharmaceuticals																		
MAYBAKER	0.62	10.6%	15.0%	6.6%	2.3	0.53	3.54	7.7x	1.2x	5.02	3.21	+16.81%	7.50	0.55	4.13	4.10	+1%	HOLD
FIDSON	0.66	3.5%	6.0%	2.4%	2.5	0.30	4.94	14.4x	0.9x	6.15	4.28	-4.89%	7.50	0.80	6.00	4.28	+40%	BUY
GLAXOSMITH	0.96	2.6%	10.3%	4.1%	2.5	0.77	7.47	8.3x	0.9x	7.25	6.20	-7.25%	8.00	0.89	7.12	6.40	+11%	BUY
NEIMETH	0.41	-46.2%	-3.7%	-0.6%	5.9	-0.02	0.57	-90.3x	3.3x	2.23	1.75	-14.80%	8.00	0.28	2.24	1.90	+18%	BUY
Materials																		
Construction Materials																		
BUACEMENT	0.33	34.2%	17.0%	11.4%	1.5	5.38	31.66	13.5x	2.3x	85.00	69.95	-6.01%	-	-	71.57	72.70	-2%	HOLD
DANGCEM	0.53	27.4%	31.1%	13.8%	2.3	14.96	48.02	14.7x	4.6x	244.90	213.00	-10.17%	-	-	232.64	220.00	+6%	HOLD

<b>WAPCO</b>	0.44	15.7%	6.5%	4.4%	1.5	1.44	22.16	14.3x	0.9x	30.30	19.50	-2.61%	-	-	23.91	20.50	+17%	BUY
<b>Specialty Chemicals</b>																		
<b>CAP</b>	2.50	15.5%	18.4%	41.7%	0.4	2.06	11.17	10.8x	2.0x	23.90	18.00	+11.00%	9.89	2.10	20.77	22.20	-6%	HOLD
<b>BERGER</b>	0.77	0.8%	4.0%	2.4%	1.6	0.41	10.42	15.7x	0.6x	8.05	6.05	-11.56%	10.47	0.84	8.79	6.50	+35%	BUY
<b>Energy</b>																		
<b>CONOIL</b>	2.21	1.3%	6.7%	2.6%	2.5	1.99	29.66	8.6x	0.6x	21.00	17.05	-18.23%	8.50	2.94	24.95	17.05	+46%	BUY
<b>ETERNA</b>	1.89	0.4%	8.1%	3.2%	2.5	0.81	9.92	7.2x	0.6x	5.99	4.62	+13.73%	-	-	-	5.80	-	UR
<b>ARDOVA</b>	2.81	1.0%	10.3%	2.9%	3.6	1.43	13.86	10.0x	1.0x	21.85	13.50	+5.54%	-	-	-	14.30	-	UR
<b>MOBIL</b>	3.77	3.6%	7.2%	15.2%	0.5	18.47	256.10	12.3x	0.9x	249.50	228.00	0.00%	-	-	-	228.00	-	UR
<b>MRS</b>	1.31	-2.8%	-8.0%	-3.9%	2.1	-4.76	59.81	-2.3x	0.2x	13.75	10.90	-20.73%	4.00	4.47	17.87	10.90	+64%	BUY
<b>SEPLAT</b>	0.15	-16.1%	-4.9%	-2.3%	2.1	-52.20	1,074.59	-10.5x	0.5x	583.00	402.30	+36.71%	-	-	681.55	550.00	+24%	BUY
<b>TOTAL</b>	1.80	0.3%	11.2%	2.4%	4.7	8.77	78.17	16.2x	1.8x	143.00	130.00	+9.23%	-	-	-	142.00	-	UR
<b>Telecommunications</b>																		
<b>MTNN</b>	0.69	15.2%	115.0%	10.5%	11.0	10.08	8.76	16.2x	18.6x	182.90	157.00	-4.06%	17.20	11.15	191.78	163.00	+18%	BUY
<b>AIRTELAFRI</b>	0.37	9.1%	10.0%	3.3%	3.0	34.53	345.52	26.9x	2.7x	930.00	851.80	+9.18%	17.24	48.96	844.11	930.00	-9%	HOLD

\*TP=Target Price, Last Wk. Pr= Last Week Price, CP= Current Price, UPP=Upside Potential, RT= Rating, Exp. EPS= 2021 Dec 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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**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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