

## STOCK RECOMMENDATION - JUNE 21, 2021

### MARKET REVIEW

*For the week ended June 18, 2021.*

- The impact of selloffs at the start of the trading week dragged the Nigerian equities market to a negative close, halting its two-week bullish run. The All Share Index declined by 1.30%WoW to settle at 38,648.91pts, while the Year to Date (YtD) return worsened to -4.03%, from -2.77% at the end of the previous week.
- Save for the **NSEIND** (-0.06%), all sectoral indices closed the week positive led by the **NSEBNK10** (+1.09%) and **NSEOILG5** (+1.05%). **BERGER** (+14.93%) closed the week as the top gainer, while **UACN** (-11.01%) emerged as the week's biggest loser.
- Market breadth improved significantly to 1.56x, from 0.97x in the prior week.
- Trading on **GUARANTY** was suspended last Friday ahead of the eventual delisting of the bank & relisting of the new HoldCo entity.

### MARKET *P*REVIEW

*For the week commencing June 21, 2021*

- Despite closing down last week (-1.30%WoW) due to selloffs on **AIRTELAFRI**, **OKOMUOIL** and **STANBIC**, we note that positive sentiment has lingered in the equities market. Market breadth (which improved to 1.56x vs. 0.97x at the end of last week) is one of the data points we reference.
- Coming into the new week and barring any significant negative shock in the market, we expect cherry-picking and bargain hunting by investors to drive the market to a positive close.
- All in, we expect the equities market to close positive this week.**

### THE WEEK THAT WAS (A REVIEW)

	Cur. Week	Prev. Week		
All Share Index	38,648.91	39,157.29		
Market Cap [NGN'tr]	20.14	20.41		
Market Cap [USD 'bn]	49.11	49.76		
Volume Traded [bn]	0.98	1.06		
Value Traded [NGN'bn]	10.38	12.83		
NSEASI & Sectoral Indices [Return Profile]				
	WtD	MtD	QtD	YtD
NSEASI	-1.30%	0.55%	-1.01%	-4.03%
NSE-30	0.29%	2.40%	2.78%	-2.49%
NSE-B10	1.09%	1.71%	-1.94%	-7.76%
NSE-FB10	0.25%	1.16%	4.68%	-0.87%
NSE-OG5	1.05%	1.61%	18.18%	38.91%
NSE-INS10	0.76%	-1.69%	-1.76%	6.03%
NSE-IND	-0.06%	3.79%	3.26%	-4.92%
Value (NGN)		Volume		
ZENITHBANK	2,270,012,165	ZENITHBANK	96,944,369	
GUARANTY	954,620,411	STERLNBANK	86,884,010	
SEPLAT	809,487,282	WEMABANK	81,820,872	
PRESCO	789,001,426	ACCESS	80,351,861	
MTNN	723,616,205	UBA	40,434,471	
Highest Gainers		Highest Losers		
	%		%	
BERGER	14.93%	UACN	-11.01%	
LASACO	10.29%	AIRTELAFRI	-10.00%	
CHAMPION	10.00%	ABBEYBDS	-9.52%	
MORISON	9.68%	CHIPLC	-9.46%	
REDSTAREX	8.06%	OKOMUOIL	-9.44%	

	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
<b>Financial Services</b>																		
<b>Banks</b>																		
<b>ACCESS</b>	0.10	17.3%	16.3%	1.4%	11.6	3.07	18.86	2.8x	0.5x	9.70	7.20	+1.18%	2.76	3.40	9.38	8.55	+10%	HOLD
<b>ETI</b>	0.09	1.7%	4.4%	0.3%	13.3	1.26	28.81	4.1x	0.2x	6.75	4.70	-13.33%	2.37	4.40	10.43	5.20	+101%	BUY
<b>FCMB</b>	0.09	9.5%	9.5%	1.0%	9.5	1.03	10.85	3.1x	0.3x	3.50	2.66	-4.20%	2.71	1.06	2.87	3.19	-10%	HOLD
<b>FIDELITYBK</b>	0.08	13.2%	11.4%	1.2%	9.8	1.03	9.05	2.2x	0.3x	2.77	2.10	-9.92%	2.83	1.01	2.86	2.27	+26%	BUY
<b>FBNH</b>	0.09	15.5%	12.6%	1.2%	10.2	2.51	19.84	2.9x	0.4x	7.85	6.90	+2.10%	3.22	2.59	8.34	7.30	+14%	BUY
<b>GUARANTY</b>	0.10	43.1%	25.4%	4.2%	6.1	6.53	25.67	4.4x	1.1x	36.00	28.00	-11.75%	4.90	6.99	34.25	28.55	+20%	BUY
<b>STANBIC</b>	0.09	36.1%	23.4%	3.3%	7.0	7.71	32.92	5.1x	1.2x	52.90	38.70	-11.46%	6.80	7.37	50.12	39.00	+29%	BUY
<b>STERLNBANK</b>	0.11	6.9%	8.2%	0.8%	10.3	0.36	4.42	4.4x	0.4x	2.10	1.43	-22.06%	4.12	0.46	1.90	1.59	+20%	BUY
<b>UBA</b>	0.08	18.3%	15.7%	1.5%	10.6	3.33	21.17	2.2x	0.3x	9.25	6.80	-15.61%	3.00	3.60	10.80	7.30	+48%	BUY
<b>UBN</b>	0.08	12.4%	7.5%	0.9%	8.5	0.68	9.01	8.5x	0.6x	6.10	4.55	+8.41%	9.00	0.88	7.92	5.80	+37%	BUY
<b>WEMABANK</b>	0.10	4.6%	6.7%	0.4%	15.4	0.10	1.45	5.7x	0.4x	0.75	0.55	-20.29%	3.07	0.23	0.71	0.55	+29%	BUY
<b>ZENITHBANK</b>	0.10	33.1%	25.1%	3.3%	7.6	8.92	35.59	2.7x	0.7x	27.20	20.30	-4.03%	3.85	7.68	29.57	23.80	+24%	BUY
<b>Insurance</b>																		
<b>AIICO</b>	0.24	11.8%	20.0%	2.7%	7.4	0.41	2.03	2.7x	0.5x	1.59	1.01	-3.54%	5.14	0.26	1.34	1.09	+23%	BUY
<b>LASACO</b>	0.48	6.7%	3.5%	1.6%	2.2	0.04	1.15	37.2x	1.3x	1.71	0.35	+328.57%	3.21	0.47	1.51	1.50	+1%	HOLD
<b>MANSARD</b>	0.44	15.9%	17.1%	5.0%	3.4	0.49	2.89	1.8x	0.3x	1.70	0.83	-14.29%	1.23	0.88	1.08	0.90	+20%	BUY
<b>NEM</b>	0.71	12.0%	15.8%	8.1%	2.0	0.45	2.81	4.2x	0.7x	2.69	1.72	+4.47%	4.19	0.56	2.35	1.87	+25%	BUY
<b>WAPIC</b>	0.40	35.9%	5.1%	3.0%	1.7	0.09	1.80	6.2x	0.3x	0.72	0.39	+42.50%	1.90	0.31	0.59	0.57	+3%	HOLD
<b>CUSTODIAN</b>	0.43	17.0%	10.8%	7.3%	1.5	2.17	20.17	2.7x	0.3x	7.10	5.75	+1.71%	3.80	2.22	8.44	5.95	+42%	BUY
<b>Consumer Staples &amp; Discretionary</b>																		
<b>Breweries</b>																		

<b>GUINNESS</b>	0.91	-0.4%	5.3%	2.6%	2.0	1.76	33.20	16.5x	0.9x	35.90	17.65	+52.63%	14.84	2.13	31.61	29.00	+9%	<b>HOLD</b>
<b>NB</b>	0.76	2.2%	4.6%	1.7%	2.8	0.92	20.16	64.0x	2.9x	63.00	47.00	+5.36%	44.36	1.38	61.22	59.00	+4%	<b>HOLD</b>
<b>INTBREW</b>	0.35	-15.4%	-20.0%	-8.5%	2.3	-1.13	5.65	-4.8x	1.0x	7.07	4.55	-9.24%	-	-	5.51	5.40	+2%	<b>HOLD</b>
<b>Packaged Foods &amp; Meats</b>																		
<b>CADBURY</b>	2.68	3.3%	3.7%	9.4%	0.4	0.68	18.20	11.8x	0.4x	10.80	7.75	-11.11%	13.84	0.59	8.17	8.00	+2%	<b>HOLD</b>
<b>DANGSUGAR</b>	0.77	13.9%	23.9%	10.7%	2.2	2.45	10.26	7.2x	1.7x	21.70	16.40	+0.85%	6.52	3.08	20.08	17.75	+13%	<b>BUY</b>
<b>HONYFLOUR</b>	0.73	0.4%	3.3%	1.3%	2.5	0.24	7.22	5.8x	0.2x	1.49	1.09	+16.67%	9.00	0.15	1.35	1.40	-0%	<b>HOLD</b>
<b>FLOURMILL</b>	1.43	2.8%	11.3%	3.8%	3.0	4.58	40.40	6.5x	0.7x	34.70	26.10	+14.62%	6.80	4.68	31.82	29.80	+7%	<b>HOLD</b>
<b>NASCON</b>	0.63	9.6%	21.1%	6.1%	3.5	1.01	4.80	14.3x	3.0x	17.55	13.00	0.00%	13.00	1.17	15.21	14.50	+5%	<b>HOLD</b>
<b>NESTLE</b>	1.17	13.7%	20.3%	15.9%	1.3	49.47	243.96	28.3x	5.7x	1,505.00	1,350.00	-6.98%	27.92	53.09	1,482.27	1,400.00	+6%	<b>HOLD</b>
<b>UACN</b>	0.75	2.5%	4.0%	2.2%	1.8	0.84	21.01	11.6x	0.5x	11.25	7.10	+33.79%	5.87	1.70	9.98	9.70	+3%	<b>HOLD</b>
<b>Agricultural Products</b>																		
<b>OKOMUOIL</b>	0.44	26.9%	18.4%	11.8%	1.6	6.23	33.83	16.9x	3.1x	116.50	90.00	+15.93%	10.99	11.56	127.04	105.50	+20%	<b>BUY</b>
<b>PRESCO</b>	0.34	26.6%	16.9%	7.6%	2.2	5.22	30.92	14.6x	2.5x	78.90	69.00	+7.12%	12.01	7.25	87.07	76.00	+15%	<b>BUY</b>
<b>Household &amp; Personal Products</b>																		
<b>PZ</b>	0.93	-4.7%	-3.8%	-2.1%	1.8	-0.41	11.02	-14.0x	0.5x	6.00	4.15	+9.43%	-	-	4.58	5.80	-21%	<b>SELL</b>
<b>VITAFOAM</b>	1.19	12.8%	43.4%	20.0%	2.2	3.51	8.08	3.4x	1.5x	12.10	7.35	+55.13%	4.50	2.95	13.28	12.10	+10%	<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	7.6x	1.1x	5.02	3.21	+15.10%	7.70	0.63	4.85	4.04	+20%	<b>BUY</b>
<b>FIDSON</b>	0.66	3.5%	6.0%	2.4%	2.5	0.30	4.94	17.1x	1.0x	6.15	4.28	+13.33%	7.00	1.02	7.14	5.10	+40%	<b>BUY</b>
<b>GLAXOSMITH</b>	0.96	2.6%	10.3%	4.1%	2.5	0.77	7.47	7.8x	0.8x	7.25	6.00	-13.04%	8.00	0.89	7.12	6.00	+19%	<b>BUY</b>
<b>NEIMETH</b>	0.41	-46.2%	-3.7%	-0.6%	5.9	-0.02	0.57	-84.6x	3.1x	2.23	1.71	-20.18%	8.00	0.28	2.24	1.78	+26%	<b>BUY</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	13.8x	2.3x	85.00	69.95	-4.33%	-	-	71.57	74.00	-3%	<b>HOLD</b>
<b>DANGCEM</b>	0.53	27.4%	31.1%	13.8%	2.3	14.96	48.02	15.4x	4.8x	244.90	204.00	-6.08%	-	-	232.64	230.00	+1%	<b>HOLD</b>

<b>WAPCO</b>	0.44	15.7%	6.5%	4.4%	1.5	1.44	22.16	14.5x	0.9x	30.30	19.50	-0.71%	-	-	23.91	20.90	+14%	BUY
<b>Specialty Chemicals</b>																		
<b>CAP</b>	2.50	15.5%	18.4%	41.7%	0.4	2.06	11.17	9.2x	1.7x	23.90	18.00	-5.00%	9.89	2.10	20.77	19.00	+9%	HOLD
<b>BERGER</b>	0.77	0.8%	4.0%	2.4%	1.6	0.41	10.42	18.6x	0.7x	8.05	6.05	+4.76%	10.47	0.84	8.79	7.70	+14%	BUY
<b>Energy</b>																		
<b>CONOIL</b>	2.21	1.3%	6.7%	2.6%	2.5	1.99	29.66	10.3x	0.7x	21.00	17.00	-1.68%	8.50	2.94	24.95	20.50	+22%	BUY
<b>ETERNA</b>	1.89	0.4%	8.1%	3.2%	2.5	0.81	9.92	9.5x	0.8x	8.00	4.62	+50.00%	7.56	0.79	5.97	7.65	-22%	SELL
<b>ARDOVA</b>	2.81	1.0%	10.3%	2.9%	3.6	1.43	13.86	10.8x	1.1x	21.85	13.50	+14.39%	10.65	1.52	16.19	15.50	+5%	HOLD
<b>MRS</b>	1.31	-2.8%	-8.0%	-3.9%	2.1	-4.76	59.81	-2.6x	0.2x	13.75	10.90	-8.36%	4.00	4.47	17.87	12.60	+42%	BUY
<b>SEPLAT</b>	0.15	-16.1%	-4.9%	-2.3%	2.1	-52.20	1,074.59	-13.4x	0.7x	700.00	402.30	+74.00%	-	-	681.55	700.00	-3%	HOLD
<b>TOTAL</b>	1.80	0.3%	11.2%	2.4%	4.7	8.77	78.17	16.5x	1.9x	145.00	130.00	+11.54%	19.65	7.48	146.98	145.00	+1%	HOLD
<b>Telecommunications</b>																		
<b>MTNN</b>	0.69	15.2%	115.0%	10.5%	11.0	10.08	8.76	16.4x	18.8x	182.90	157.00	-2.88%	15.77	12.14	191.45	165.00	+16%	BUY
<b>AIRTELAFRI</b>	0.37	9.1%	10.0%	3.3%	3.0	34.53	345.52	21.8x	2.2x	930.00	753.30	-11.56%	17.24	48.96	844.11	753.30	+12%	BUY

\*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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**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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