

## STOCK RECOMMENDATION - JUNE 28, 2021

### MARKET REVIEW

*For the week ended June 25, 2021.*

- Bearish sentiments dominated the Nigerian bourse last week as the market closed in the red on three of the five trading days. Thus, the NGXASI shed 2.60%WoW to close at 37,658.26 points, worsening the Year-to-Date losses to -6.50%.
- All sectoral indices save the NSEIND (-3.30% WoW) and the NSEINS10 (-0.80% WoW) closed positive.
- **VERITASKAP** and **LINKASSURE** both emerged top gainers with a gain of 18.18% WoW, while **CHIPLC** shed 13.43% off its share price to lead the losers.

### MARKET *P*REVIEW

*For the week commencing June 28, 2021.*

- Selloffs on heavyweight tickers such as **DANGCEM** and **AIRTELAFRI** were the main drivers of market direction last week.
- While we acknowledge the relatively low prices of counters across sectors and the bargain-hunting opportunities this presents, we expect investors' sentiment to remain predominantly bearish this week.
- **We therefore expect the equities market to close in the negative territory this week.**

### THE WEEK THAT WAS (A REVIEW)

	Cur. Week	Prev. Week
NSEASI	37,658.26	38,648.91
Market Cap [NGN'tr]	19.63	20.14
Market Cap [USD 'bn]	47.85	49.11
Volume Traded [bn]	1.01	0.98
Value Traded [NGN'bn]	10.32	10.38

#### NSEASI & Sectoral Indices [Return Profile]

	WtD	MtD	QtD	YtD
NSEASI	-2.56%	-2.03%	-3.55%	-6.49%
NSE-30	-1.32%	1.05%	1.43%	-3.78%
NSE-B10	0.92%	2.64%	-1.04%	-6.92%
NSE-FB10	0.57%	1.74%	5.28%	-0.31%
NSE-OG5	0.12%	1.73%	18.32%	39.07%
NSE-INS10	-0.83%	-2.51%	-2.58%	5.15%
NSE-IND	-3.33%	0.33%	-0.18%	-8.09%

Value (NGN)	Volume
ZENITHBANK	83,167,049
BUACEMENT	67,977,604
ACCESS	56,196,237
GUARANTY	55,548,756
STANBIC	46,085,238

Highest Gainers	%	Highest Losers	%
VERITASKAP	18.18%	CHIPLC	-13.43%
LINKASSURE	18.18%	ROYALEX	-12.50%
VITAFOAM	17.77%	AIRTELAFRI	-10.00%
HONYFLOUR	10.71%	NPFMCRFBK	-8.95%
PORTPAINT	10.00%	LASACO	-8.67%

	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	2.7x	0.4x	9.70	7.20	-0.59%	2.76	3.40	9.38	8.40	+12%	BUY
<b>ETI</b>	0.09	1.7%	4.4%	0.3%	13.3	1.26	28.81	4.0x	0.2x	6.75	4.70	-16.67%	2.37	4.40	10.43	5.00	+109%	BUY
<b>FCMB</b>	0.09	9.5%	9.5%	1.0%	9.5	1.03	10.85	2.9x	0.3x	3.50	2.66	-9.91%	2.71	1.06	2.87	3.00	-4%	HOLD
<b>FIDELITYBK</b>	0.08	13.2%	11.4%	1.2%	9.8	1.03	9.05	2.3x	0.3x	2.77	2.10	-7.94%	2.83	1.01	2.86	2.32	+23%	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	+1.40%	3.22	2.59	8.34	7.25	+15%	BUY
<b>GTCO</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	30.00	+14%	BUY
<b>STANBIC</b>	0.09	36.1%	23.4%	3.3%	7.0	7.71	32.92	5.2x	1.2x	52.90	38.70	-9.08%	6.80	7.37	50.12	40.05	+25%	BUY
<b>STERLNBANK</b>	0.11	6.9%	8.2%	0.8%	10.3	0.36	4.42	4.5x	0.4x	2.10	1.43	-20.59%	-	-	-	1.62	-	UR
<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	-16.18%	3.00	3.60	10.80	7.25	+49%	BUY
<b>UBN</b>	0.08	12.4%	7.5%	0.9%	8.5	0.68	9.01	7.9x	0.6x	6.10	4.55	0.00%	9.00	0.88	7.92	5.35	+48%	BUY
<b>WEMABANK</b>	0.10	4.6%	6.7%	0.4%	15.4	0.10	1.45	6.2x	0.4x	0.75	0.55	-13.04%	-	-	-	0.60	-	UR
<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	2.6x	0.5x	1.59	1.00	-7.08%	5.14	0.26	1.34	1.05	+27%	BUY
<b>LASACO</b>	0.48	6.7%	3.5%	1.6%	2.2	0.04	1.15	34.0x	1.2x	1.71	0.35	+291.43%	-	-	-	1.37	-	UR
<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	-15.24%	-	-	-	0.89	-	UR
<b>NEM</b>	0.71	12.0%	15.8%	8.1%	2.0	0.45	2.81	4.3x	0.7x	2.69	1.72	+7.26%	4.19	0.56	2.35	1.92	+22%	BUY
<b>WAPIC</b>	0.40	35.9%	5.1%	3.0%	1.7	0.09	1.80	6.0x	0.3x	0.72	0.39	+37.50%	1.90	0.31	0.59	0.55	+7%	HOLD
<b>CUSTODIAN</b>	0.43	17.0%	10.8%	7.3%	1.5	2.17	20.17	2.8x	0.3x	7.10	5.75	+2.56%	3.80	2.22	8.44	6.00	+41%	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	65.0x	3.0x	63.00	47.00	+6.88%	44.36	1.38	61.22	59.85	+2%	<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	11.5x	0.4x	10.80	7.75	-13.33%	13.84	0.59	8.17	7.80	+5%	<b>HOLD</b>
<b>DANGSUGAR</b>	0.77	13.9%	23.9%	10.7%	2.2	2.45	10.26	7.3x	1.8x	21.70	16.40	+2.27%	6.52	3.08	20.08	18.00	+12%	<b>BUY</b>
<b>HONYFLOUR</b>	0.73	0.4%	3.3%	1.3%	2.5	0.24	7.22	6.5x	0.2x	1.55	1.09	+29.17%	-	-	-	1.55	-	<b>UR</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	+14.42%	6.80	4.68	31.82	29.75	+7%	<b>HOLD</b>
<b>NASCON</b>	0.63	9.6%	21.1%	6.1%	3.5	1.01	4.80	14.2x	3.0x	17.55	13.00	-1.03%	13.00	1.17	15.21	14.35	+6%	<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	11.7x	0.5x	11.25	7.10	+35.17%	5.87	1.70	9.98	9.80	+2%	<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	14.5x	2.5x	78.90	69.00	+6.98%	12.01	7.25	87.07	75.90	+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	-14.1x	0.5x	6.00	4.15	+10.38%	-	-	4.58	5.85	-22%	<b>SELL</b>
<b>VITAFOAM</b>	1.19	12.8%	43.4%	20.0%	2.2	3.51	8.08	4.1x	1.8x	14.25	7.35	+82.69%	2.30	2.32	5.34	14.25	-63%	<b>SELL</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	18.7x	1.1x	6.15	4.28	+23.56%	7.00	1.02	7.14	5.56	+28%	<b>BUY</b>
<b>GLAXOSMITH</b>	0.96	2.6%	10.3%	4.1%	2.5	0.77	7.47	7.9x	0.8x	7.25	6.00	-12.32%	8.00	0.89	7.12	6.05	+18%	<b>BUY</b>
<b>NEIMETH</b>	0.41	-46.2%	-3.7%	-0.6%	5.9	-0.02	0.57	-80.8x	3.0x	2.23	1.70	-23.77%	8.00	0.28	2.24	1.70	+32%	<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	13.3x	2.3x	85.00	69.95	-7.56%	-	-	71.57	71.50	+0%	<b>HOLD</b>
<b>DANGCEM</b>	0.53	27.4%	31.1%	13.8%	2.3	14.96	48.02	14.8x	4.6x	244.90	204.00	-9.76%	-	-	232.64	221.00	+5%	<b>HOLD</b>
<b>WAPCO</b>	0.44	15.7%	6.5%	4.4%	1.5	1.44	22.16	14.6x	0.9x	30.30	19.50	-0.24%	-	-	23.91	21.00	+14%	<b>BUY</b>

Specialty Chemicals																		
<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%	<b>HOLD</b>
<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%	<b>BUY</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	21.00	17.00	+0.24%	8.50	2.94	24.95	20.90	+19%	<b>BUY</b>
<b>ETERNA</b>	1.89	0.4%	8.1%	3.2%	2.5	0.81	9.92	9.4x	0.8x	8.00	4.62	+49.02%	7.56	0.79	5.97	7.60	-21%	<b>SELL</b>
<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%	-	-	-	15.50	-	<b>UR</b>
<b>MOBIL</b>	3.77	3.6%	7.2%	15.2%	0.5	18.47	256.10	-	-				-	-	-	-	-	<b>UR</b>
<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%	<b>BUY</b>
<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%	<b>HOLD</b>
<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%	<b>HOLD</b>
<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%	15.77	12.14	191.45	163.00	+17%	<b>BUY</b>
<b>AIRTELAFRI</b>	0.37	9.1%	10.0%	3.3%	3.0	34.53	345.52	19.6x	2.0x	930.00	678.00	-20.40%	17.24	48.96	844.11	678.00	+25%	<b>BUY</b>

\*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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## Contact Information

### Brokerage and Retail Services

topeoludimu@meristemng.com (+234 905 569 0627)  
 olatunjifaniyi@meristemng.com (+234 803 4463118)  
 contact@meristemng.com

### Investment Banking/Corporate Finance

rasakisalawu@meristemng.com (+234 806 022 9889)  
 seunlijofi@meristemng.com (+234 808 536 5766)

### Wealth Management

funmilolaadekola-daramola@meristemng.com (+234 805 498 4522)  
 crmwealth@meristemng.com  
 Tel : +234 01 738 9948

### Registrars

muboolasoko@meristemregistrars.com (+234 803 324 7996)  
 martinaosague@meristemregistrars.com (+234 802 303 1783)  
 www.meristemregistrars.com  
 Tel: +23401-280 9250

### Group Business Development

saheedbashir@mersitemng.com (+234 802 454 6575)  
 ifeomaogalue@meristemng.com (+234 802 394 2967)  
 emekaikpechukwu@meristemng.com (+234 803 791 5731)  
 info@meristemng.com

### Client Services

adefemtaiwo@meristemng.com (+234 803 694 3034)  
 blessingogwuche@meristemng.com (+234 706 896 5173)  
 car@meristemng.com

### Investment Research

ahmedjinad@meristemng.com (+234 809 187 8917)  
 research@meristemng.com

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Meristem Research portal: [meristem.com.ng/rhub](http://meristem.com.ng/rhub)

Bloomberg: MERI <GO>

Capital IQ: [www.capitaliq.com](http://www.capitaliq.com)

ISI Emerging Markets: [www.securities.com/ch.html?pc=NG](http://www.securities.com/ch.html?pc=NG)

Reuters: [www.thomsonreuters.com](http://www.thomsonreuters.com)

FactSet: [www.factset.com](http://www.factset.com)