

STOCK RECOMMENDATION - JUNE 27TH, 2022

MARKET REVIEW

For the week ended June 24th, 2022.

- The Nigerian equities market ended on a bearish note last week as the All-Share Index declined by 0.14% WoW to close at 51,705.6pts. Thus, Year to date return declined to 21.04% (vs 21.22% last week).
- On a sectorial basis, the sentiment was mixed as **NGXINDUSTR** (-1.89% WoW), **NGXCNSMRGDS** (-2.02% WoW), and **NGXINS** (-1.36% WoW) closed in the red zone while **NGXBNK** (+0.33% WoW) and **NGXOILGAS** (+0.32% WoW) closed in the green zone.
- While **NACHO** emerged the week's top gainer, advancing by 10.53% WoW, **CWG** was the week's top loser shedding 14.89% WoW. **UBA** and **MTNN** led the activities chart as the top traded stock by volume and value respectively.

MARKET *P*REVIEW*For the week commencing June 27th, 2022.*

- We expect buying activities to prevail in the equities market this week, as prices are at attractive levels and a lot of stocks have significant upside potential.
- However, we do not rule out the possibility of profit taking activities. Also, we expect rotation of funds into the fixed income market especially with the projection of marginal rise in rates at the upcoming treasury bills auction.
- Overall, we expect bargain hunting activities to dominate the market. **Hence, we expect the market to close positive this week.**

THE WEEK THAT WAS (A REVIEW)

			Cur. Week	Prev. Week
NGXASI			51,705.61	51,778.08
Market Cap [NGN'trn]			27.87	27.91
Market Cap [USD 'bn]			66.53	66.62
Volume Traded [bn]			0.96	0.93
Value Traded [NGN'bn]			13.13	11.49
NSEASI & Sectoral Indices [Return Profile]				
	WtD	MtD	QtD	YtD
NGXASI	-0.14%	-3.60%	10.09%	21.04%
NGX-30	-0.07%	-4.04%	4.91%	9.10%
NGX-B10	0.33%	-7.21%	-3.48%	-2.72%
NGX-FB10	-2.02%	-3.88%	13.04%	6.31%
NGX-OG5	0.32%	-1.38%	23.63%	57.83%
NGX-INS10	-1.36%	-3.84%	-6.39%	-12.03%
NGX-IND	-1.89%	-5.13%	1.86%	7.35%
Value (NGN)		Volume		
MTNN	1,613,736,753	UBA	88,206,617	
GTCO	1,234,660,094	OANDO	86,141,163	
ZENITHBANK	1,156,372,630	FCMB	84,681,368	
SEPLAT	889,818,054	ACCESSCORP	80,091,362	
PRESCO	839,968,001	GTCO	58,650,896	
Highest Gainers	%	Highest Losers		%
NAHCO	10.53%	CWG	-14.89%	
CHAMPION	10.00%	RTBRISCOE	-14.29%	
MRS	9.80%	GLAXOSMITH	-13.48%	
FBNH	8.76%	JOHNHOLT	-11.27%	
ROYALEX	6.59%	ACADEMY	-10.00%	

	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	2022 TP	Last Wk. Pr	UPP	RT
Financial Services																		
Banks																		
ACCESSCORP	0.09	16%	15%	1%	11.02	4.64	30.84	2.05x	0.31x	10.40	9.30	+2.15%	2.21	5.43	11.99	9.50	+26%	BUY
ETI	0.09	16%	17%	1%	12.78	6.27	35.83	1.55x	0.27x	13.10	8.60	+11.49%	2.21	6.60	14.56	9.70	+50%	BUY
FCMB	0.09	10%	9%	1%	9.96	1.14	12.57	2.90x	0.26x	3.88	2.85	+10.37%	3.15	1.38	4.35	3.30	+32%	BUY
FIDELITYBK	0.08	13%	12%	1%	11.53	1.23	10.65	2.77x	0.32x	4.05	2.50	+32.94%	2.45	1.47	3.60	3.39	+6%	HOLD
FBNH	0.09	21%	19%	2%	10.14	4.68	25.29	2.25x	0.42x	12.40	8.40	-7.46%	3.85	3.09	11.90	10.55	+13%	BUY
GTCO	0.08	37%	19%	3%	6.05	5.86	30.88	3.57x	0.68x	28.00	20.90	-19.62%	4.29	7.80	33.51	20.90	+60%	BUY
STANBIC	0.07	27%	15%	2%	7.83	5.47	35.64	5.94x	0.91x	38.00	32.15	-9.72%	8.15	5.21	42.45	32.50	+31%	BUY
STERLNBANK	0.09	9%	9%	1%	10.96	0.49	5.27	3.12x	0.29x	1.73	1.40	+1.32%	3.10	0.47	1.46	1.53	-5%	HOLD
UBA	0.08	18%	15%	1%	10.76	3.57	24.15	2.09x	0.31x	8.85	7.45	-7.45%	2.36	3.87	9.15	7.45	+23%	BUY
UBN	0.07	9%	6%	1%	9.58	0.56	9.23	10.73x	0.65x	6.55	5.40	+1.69%	7.16	0.96	6.90	6.00	+15%	BUY
WEMABANK	0.08	10%	14%	1%	17.33	0.27	1.89	11.58x	1.66x	3.85	0.78	+337.50%	5.11	0.68	3.49	3.15	+11%	BUY
ZENITHBANK	0.08	31%	19%	2%	7.76	7.95	42.37	2.72x	0.51x	27.40	21.40	-13.92%	3.71	7.98	29.59	21.65	+37%	BUY
Insurance																		
AIICO	0.33	11%	21%	4%	5.80	0.39	1.86	1.63x	0.34x	0.84	0.64	-8.57%	5.32	0.14	0.74	0.64	+16%	BUY
LASACO	0.50	1%	1%	0%	2.18	0.05	6.01	18.85x	0.17x	1.15	1.00	-1.90%	5.69	0.25	1.42	1.03	+38%	BUY
MANSARD	0.55	7%	12%	4%	3.03	0.23	1.91	8.98x	1.07x	2.60	2.03	-12.07%	6.05	0.46	2.77	2.04	+36%	BUY
NEM	0.73	16%	20%	12%	1.72	0.49	2.43	7.47x	1.49x	4.50	3.01	-19.11%	4.96	0.96	4.76	3.64	+31%	BUY
WAPIC	0.41	-6%	-5%	-3%	1.80	-0.04	0.94	-9.10x	0.43x	0.53	0.40	-28.57%	-	-	-	0.40	-	UR
CORNERST	0.37	16%	14%	6%	2.40	0.16	1.13	3.81x	0.55x	0.74	0.50	+34.78%	3.20	0.21	0.67	0.62	+8%	HOLD
CUSTODIAN	0.43	12%	17%	5%	3.19	1.88	11.27	3.73x	0.62x	8.00	6.50	-11.39%	4.21	1.87	7.87	7.00	+12%	BUY

*TP calculated with EV/EBITDA multiple; 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.

	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	2022 TP	Last Wk. Pr	UPP	RT
Other Financial Services																		
UCAP	0.04	62%	50%	3%	19.45	1.99	3.98	6.40x	3.19x	14.15	9.95	+28.28%	6.50	2.33	15.15	12.70	+19%	BUY
AFRIPRUD	0.21	41%	18%	9%	2.10	0.74	4.08	7.55x	1.36x	7.80	5.55	-12.60%	9.28	0.80	7.39	5.55	+33%	BUY
Consumer Staples & Discretionary																		
Breweries																		
GUINNESS	0.81	3%	6%	3%	2.30	2.54	41.12	35.68x	2.20x	110.00	39.00	+132.05%	-	-	-	90.50	-	UR
NB	0.90	4%	10%	4%	2.80	2.33	23.26	25.76x	2.58x	77.00	40.00	+20.00%	25.45	3.12	79.51	60.00	+33%	BUY
INTBREW	0.43	-7%	-10%	-3%	3.29	-0.53	5.23	-11.23x	1.15x	9.75	4.40	+21.21%	-	-	-	6.00	-	UR
Packaged Foods & Meats																		
BUAFOODS	0.57	21%	33%	12%	2.77	68.55	208.94	0.80x	0.26x	66.00	40.00	+37.50%	14.18	4.74	67.23	55.00	+22%	BUY
CADBURY	0.94	5%	255%	5%	52.50	1.28	0.50	13.50x	34.47x	17.70	7.75	+96.02%	21.58	0.34	7.34	17.25	-57%	SELL
DANGSUGAR	0.84	7%	18%	6%	2.79	1.86	10.59	8.59x	1.51x	18.30	15.50	-8.05%	8.10	2.95	23.90	16.00	+49%	BUY
HONYFLOUR	0.90	1%	2%	1%	2.45	0.13	7.26	23.65x	0.42x	4.02	3.00	-10.88%	23.17	0.13	3.01	3.03	-1%	HOLD
FLOURMILL	1.48	3%	15%	4%	3.80	6.63	45.11	4.90x	0.72x	41.45	28.10	+14.64%	6.48	6.27	40.63	32.50	+25%	BUY
NASCON	0.80	-4%	-11%	-4%	2.96	-0.60	5.67	-19.70x	2.07x	14.50	11.70	-10.98%	12.54	1.26	15.80	11.75	+34%	BUY
NESTLE	1.16	12%	116%	14%	8.26	57.54	49.54	24.33x	28.26x	1,556.50	1,395.00	-10.05%	28.18	54.57	1,537.78	1,400.00	+10%	HOLD
UACN	0.93	2%	5%	2%	2.24	0.89	17.87	12.49x	0.62x	14.50	8.90	+16.84%	12.48	1.21	15.16	11.10	+37%	BUY
UNILEVER	0.64	-1%	-2%	-1%	1.72	-0.18	11.76	-80.18x	1.23x	15.30	12.20	0.00%	27.13	0.56	15.07	14.50	+4%	HOLD
Agricultural Products																		
OKOMUOIL	0.56	35%	36%	19%	1.86	16.53	45.65	11.71x	4.24x	215.00	127.80	+36.27%	11.74	18.72	219.73	193.50	+14%	BUY
PRESCO	0.34	45%	60%	16%	3.85	21.37	35.67	7.72x	4.63x	200.00	87.80	+87.93%	8.25	26.25	216.54	165.00	+31%	BUY
Household & Personal Products																		
PZ	0.79	-10%	-20%	-8%	2.55	-1.71	8.76	-7.30x	1.43x	13.55	6.10	+104.92%	-	-	-	12.50	-	UR
VITAFOAM	0.92	20%	44%	18%	2.46	4.57	10.35	4.92x	2.17x	25.00	20.25	0.00%	6.00	4.90	29.40	22.50	+31%	BUY

	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	2022 TP	Last Wk. Pr	UPP	RT
Healthcare																		
Pharmaceuticals																		
MAYBAKER	0.70	8%	13%	6%	2.38	0.57	4.32	6.94x	0.92x	5.45	3.66	-1.24%	7.50	0.67	5.03	3.97	+27%	BUY
FIDSON	0.95	13%	31%	13%	2.44	2.20	7.13	5.10x	1.57x	12.05	6.22	+80.06%	5.03	2.06	10.35	11.20	-8%	HOLD
GLAXOSMITH	0.99	4%	11%	4%	2.79	0.91	7.91	6.72x	0.77x	8.35	5.65	+2.52%	10.00	0.81	8.10	6.10	+33%	BUY
NEIMETH	0.44	5%	13%	2%	5.89	0.07	0.56	21.00x	2.75x	1.98	1.36	-11.43%	2.55	0.86	2.19	1.55	+41%	BUY
Materials																		
Construction Materials																		
BUACEMENT*	0.37	34%	23%	13%	1.82	2.98	12.73	24.14x	5.65x	74.25	68.00	+7.23%	18.34	4.35	76.13	71.90	+6%	HOLD
DANGCEM*	0.60	27%	37%	16%	2.33	22.93	61.93	11.99x	4.44x	300.00	249.30	+7.00%	6.86	50.78	333.38	275.00	+21%	BUY
WAPCO*	0.58	19%	15%	11%	1.35	3.69	24.59	7.32x	1.10x	31.75	21.80	+12.73%	6.46	5.61	38.65	27.00	+43%	BUY
Specialty Chemicals																		
CAP	1.36	9%	31%	13%	2.50	1.99	6.33	9.13x	2.87x	22.40	17.55	-6.68%	12.38	1.32	16.34	18.15	-10%	HOLD
BERGER	1.06	4%	6%	4%	1.54	0.66	11.46	10.45x	0.60x	8.55	6.15	-19.88%	12.00	0.74	8.92	6.85	+30%	BUY
Energy																		
CONOIL	2.17	3%	14%	6%	2.47	4.63	32.20	6.21x	0.89x	34.25	21.30	+30.91%	7.57	3.83	28.96	28.80	+1%	HOLD
ETERNA	1.93	-1%	-4%	-1%	3.78	-0.37	9.97	-20.50x	0.75x	8.00	4.99	+48.51%	-	-	5.79	7.50	-23%	SELL
ARDOVA	2.93	-1%	-9%	-3%	3.60	-1.27	13.86	-10.84x	0.99x	15.20	11.55	+5.77%	8.21	2.08	17.08	13.75	+24%	BUY
MRS	2.02	0%	2%	1%	2.10	0.96	56.24	16.87x	0.29x	16.40	12.20	+31.58%	55.23	0.20	11.05	16.25	-32%	SELL
SEPLAT	0.20	14%	6%	3%	2.29	77.78	1,222.95	16.58x	1.05x	1,300.10	650.00	+98.46%	13.14	86.37	1,134.94	1,290.00	-12%	SELL
TOTAL	1.37	5%	40%	7%	5.88	53.78	135.71	4.36x	1.73x	264.90	221.90	+5.68%	5.60	60.98	341.51	234.50	+46%	BUY
Telecommunications																		
MTNN	0.71	18%	90.12%	13.10%	6.88	15.81	17.54	14.56x	13.12x	270.00	185.50	+16.80%	13.00	18.28	237.64	230.10	+3%	HOLD
AIRTELAFRI*	0.47	22%	30%	10%	2.95	114.89	383.44	15.08x	4.52x	1,767.00	955.00	+81.40%	3.91	296.33	1,159.11	1,732.40	-33%	SELL

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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.

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.

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Contact Information

Brokerage and Retail Services

topeoludimu@meristemng.com (+234 905 569 0627)
isaaconaolapo@meristemng.com (+234 803 234 8275)
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

Trust Services

damilolahassan@meristemng.com (+234 803 613 9123)
trustees@meristemng.com

Group Business Development

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

Client Services

adefemtaiwo@meristemng.com (+234 803 694 3034)
car@meristemng.com

Investment Research

damilarejojo@meristemng.com
praiseihansekhien@meristemng.com
research@meristemng.com

Corporate websites: www.meristemng.com www.meristemwealth.com www.meristemregistrars.com

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