

## STOCK RECOMMENDATION - JUNE 6TH, 2022

### MARKET REVIEW

*For the week ended June 3rd, 2022.*

- The Nigerian equities market ended the week on a negative note, as the All-Share Index lost 2.18% WoW to settle at 52,908.24pts. Consequently, the Year-to-date return declined to 23.86%.
- While the market breadth at 0.81x was higher than the prior week's 0.44x, the mood in the market was broadly negative, as all sectoral indices closed down, save for the insurance index (**NGXINS**), which gained 0.83% WoW.
- NAHCO** emerged as the top gainer for the week, with a 22.72% WoW price appreciation, while **CONOIL** lost 15.04% WoW to top the losers' chart. **TRANSCORP** and **MTNN** were the most traded stocks by volume and value respectively.

### MARKET *P*REVIEW

*For the week commencing June 6th, 2022.*

- We expect the selloffs witnessed in the market in the past weeks to persist, as investors take profit on stocks that have recorded decent gains previously. We also do not see any significant positive trigger to spur buying interest in the market. Moreover, foreign inflows into the Nigerian equities market remain low as per the Nigerian Bureau of Statistics (NBS) report.
- Also, we note the Treasury bills auction coming up during the week amid the low market liquidity which can lead to profit-taking in anticipation of higher rates at the auction.
- Therefore, we expect the market to close the week in the negative region.**

### THE WEEK THAT WAS (A REVIEW)

	Cur. Week	Prev. Week		
NGXASI	52,908.24	54,0085.30		
Market Cap [NGN'tr]	28.52	29.16		
Market Cap [USD 'bn]	68.40	69.92		
Volume Traded [bn]	1.38	1.82		
Value Traded [NGN'bn]	17.70	27.27		
NSEASI & Sectoral Indices [Return Profile]				
	WtD	MtD	QtD	YtD
NGXASI	-2.18%	-1.36%	12.65%	23.86%
NGX-30	-3.10%	-1.82%	7.33%	11.62%
NGX-B10	-0.73%	-0.32%	3.68%	4.50%
NGX-FB10	-2.51%	-0.64%	16.85%	9.89%
NGX-OG5	-0.45%	-0.57%	24.65%	59.13%
NGX-INS10	0.83%	0.31%	-2.35%	-8.24%
NGX-IND	-3.73%	-3.47%	3.64%	9.23%
Value (NGN)		Volume		
MTNN	3,391,630,846	TRANSCORP	353,923,548	
FBNH	1,665,440,162	FBNH	147,895,085	
ZENITHBANK	1,371,795,440	UACN	80,731,234	
GTCO	1,337,150,854	GTCO	59,089,180	
NESTLE	1,212,674,446	ZENITHBANK	58,768,033	
Highest Gainers		Highest Losers		
	%		%	
NAHCO	22.72%	CONOIL	-15.04%	
JAIZBANK	15.38%	WEMABANK	-12.33%	
ETERNA	13.74%	OKOMUOIL	-10.00%	
PZ	10.04%	PRESCO	-10.00%	
NEM	9.95%	NCR	-9.77%	

	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
<b>Financial Services</b>																		
<b>Banks</b>																		
<b>ACCESSCORP</b>	0.09	16%	15%	1%	11.02	4.64	30.84	2.14x	0.32x	10.40	9.55	+6.99%	2.21	5.43	11.99	9.95	+20%	BUY
<b>ETI</b>	0.09	16%	17%	1%	12.78	6.27	35.83	1.99x	0.35x	13.10	8.60	+43.68%	2.21	6.60	14.56	12.50	+16%	BUY
<b>FCMB</b>	0.09	10%	9%	1%	9.96	1.14	12.57	2.88x	0.26x	3.88	2.85	+9.36%	3.15	1.38	4.35	3.27	+33%	BUY
<b>FIDELITYBK</b>	0.08	13%	12%	1%	11.53	1.23	10.65	2.69x	0.31x	4.05	2.50	+29.41%	2.45	1.47	3.60	3.30	+9%	HOLD
<b>FBNH</b>	0.07	11%	8%	1%	11.29	1.74	20.99	6.33x	0.52x	12.40	10.55	-3.51%	4.34	2.68	11.63	11.00	+6%	HOLD
<b>GTCO</b>	0.08	37%	19%	3%	6.05	5.86	30.88	3.85x	0.73x	28.00	21.50	-13.27%	4.29	7.80	33.51	22.55	+49%	BUY
<b>STANBIC</b>	0.07	27%	15%	2%	7.83	5.47	35.64	6.22x	0.95x	38.00	32.15	-5.56%	8.15	5.21	42.45	34.00	+25%	BUY
<b>STERLNBANK</b>	0.09	9%	9%	1%	10.96	0.49	5.27	3.06x	0.28x	1.73	1.40	-0.66%	3.10	0.47	1.46	1.50	-3%	HOLD
<b>UBA</b>	0.08	18%	15%	1%	10.76	3.57	24.15	2.17x	0.32x	8.85	7.50	-3.73%	2.36	3.87	9.15	7.75	+18%	BUY
<b>UBN</b>	0.07	9%	6%	1%	9.58	0.56	9.23	11.18x	0.68x	6.55	5.40	+5.93%	7.16	0.96	6.90	6.25	+10%	BUY
<b>WEMABANK</b>	0.08	10%	14%	1%	17.33	0.27	1.89	11.77x	1.69x	3.85	0.78	+344.44%	5.11	0.68	3.49	3.20	+9%	HOLD
<b>ZENITHBANK</b>	0.08	31%	19%	2%	7.76	7.95	42.37	2.95x	0.55x	27.40	22.00	-6.76%	3.71	7.98	29.59	23.45	+26%	BUY
<b>Insurance</b>																		
<b>AIICO</b>	0.33	11%	21%	4%	5.80	0.39	1.86	1.74x	0.37x	0.84	0.64	-2.86%	5.32	0.14	0.74	0.68	+10%	HOLD
<b>LASACO</b>	0.50	1%	1%	0%	2.18	0.05	6.01	19.22x	0.17x	1.15	1.00	0.00%	5.69	0.25	1.42	1.05	+35%	BUY
<b>MANSARD</b>	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
<b>NEM</b>	0.73	16%	20%	12%	1.72	0.49	2.43	8.62x	1.72x	4.50	3.01	-6.67%	4.96	0.96	4.76	4.20	+13%	BUY
<b>WAPIC</b>	0.41	-6%	-5%	-3%	1.80	-0.04	0.94	-9.56x	0.45x	0.53	0.40	-25.00%	-	-	-	0.42	-	UR
<b>CORNERST</b>	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

\*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
<b>Other Financial Services</b>																		
UCAP	0.04	62%	50%	3%	19.45	1.99	3.98	6.60x	3.30x	14.15	9.95	+32.32%	5.50	2.33	12.82	13.10	-2%	HOLD
<b>Consumer Staples &amp; Discretionary</b>																		
<b>Breweries</b>																		
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	27.35x	2.74x	77.00	40.00	+27.40%	25.45	3.12	79.51	63.70	+25%	BUY
INTBREW	0.43	-7%	-10%	-3%	3.29	-0.53	5.23	-13.56x	1.39x	9.75	4.40	+46.46%	-	-	-	7.25	-	UR
<b>Packaged Foods &amp; Meats</b>																		
BUAFOODS	0.57	21%	33%	12%	2.77	68.55	208.94	0.87x	0.29x	66.00	40.00	+49.25%	14.18	4.74	67.23	59.70	+13%	BUY
CADBURY	0.94	5%	255%	5%	52.50	1.28	0.50	13.85x	35.37x	17.70	7.75	+101.14%	21.58	0.34	7.34	17.70	-59%	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	25.76x	0.45x	4.02	3.15	-2.94%	23.17	0.13	3.01	3.30	-9%	HOLD
FLOURMILL	1.48	3%	15%	4%	3.80	6.63	45.11	5.30x	0.78x	41.45	28.10	+23.99%	6.48	6.27	40.63	35.15	+16%	BUY
NASCON	0.80	-4%	-11%	-4%	2.96	-0.60	5.67	-21.54x	2.27x	14.50	11.70	-2.65%	12.54	1.26	15.80	12.85	+23%	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	12.38x	0.62x	14.50	8.90	+15.79%	12.48	1.21	15.16	11.00	+38%	BUY
<b>Agricultural Products</b>																		
OKOMUOIL	0.56	35%	36%	19%	1.86	16.53	45.65	11.71x	4.24x	215.00	127.80	+36.27%	-	-	-	193.50	-	UR
PRESCO	0.38	40%	26%	15%	1.67	18.87	73.77	8.59x	2.20x	200.00	87.80	+84.51%	8.25	26.25	216.54	162.00	+34%	BUY
<b>Household &amp; Personal Products</b>																		
PZ	0.79	-10%	-20%	-8%	2.55	-1.71	8.76	-7.36x	1.44x	13.55	6.10	+106.56%	-	-	-	12.60	-	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
<b>Healthcare</b>																		
<b>Pharmaceuticals</b>																		
<b>MAYBAKER</b>	0.70	8%	13%	6%	2.38	0.57	4.32	7.01x	0.93x	5.45	4.01	-0.25%	7.50	0.67	5.03	4.01	+25%	BUY
<b>FIDSON</b>	0.95	13%	31%	13%	2.44	2.20	7.13	4.99x	1.54x	12.05	6.22	+76.05%	5.03	2.06	10.35	10.95	-5%	HOLD
<b>GLAXOSMITH</b>	0.99	4%	11%	4%	2.79	0.91	7.91	7.54x	0.87x	8.35	5.65	+15.13%	-	-	-	6.85	-	UR
<b>NEIMETH</b>	0.47	5%	15%	3%	5.89	0.08	0.56	18.39x	2.75x	1.98	1.36	-11.43%	2.55	0.86	2.19	1.55	+41%	BUY
<b>Materials</b>																		
<b>Construction Materials</b>																		
<b>BUACEMENT*</b>	0.37	34%	23%	13%	1.82	2.98	12.73	24.93x	5.83x	74.25	68.00	+10.74%	18.34	3.19	76.13	74.25	+3%	HOLD
<b>DANGCEM*</b>	0.60	27%	37%	16%	2.33	22.93	61.93	12.08x	4.47x	300.00	250.00	+7.78%	6.86	50.78	333.38	277.00	+20%	BUY
<b>WAPCO*</b>	0.58	19%	15%	11%	1.35	3.69	24.59	7.32x	1.10x	31.75	21.80	+12.73%	6.46	38.65	38.65	27.00	+43%	BUY
<b>Specialty Chemicals</b>																		
<b>CAP</b>	1.36	9%	31%	13%	2.50	1.99	6.33	10.13x	3.18x	22.40	17.55	+3.60%	12.38	1.32	16.34	20.15	-19%	SELL
<b>BERGER</b>	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
<b>Energy</b>																		
<b>CONOIL</b>	2.17	3%	14%	6%	2.47	4.63	32.20	6.28x	0.90x	34.25	21.30	+32.27%	7.81	4.05	31.58	29.10	+9%	HOLD
<b>ETERNA</b>	1.93	-1%	-4%	-1%	3.78	-0.37	9.97	-21.05x	0.77x	7.70	4.99	+52.48%	-	-	5.79	7.70	-25%	SELL
<b>ARDOVA</b>	2.93	-1%	-9%	-3%	3.60	-1.27	13.86	-11.79x	1.08x	15.20	11.55	+15.00%	8.21	2.08	17.08	14.95	+14%	BUY
<b>MRS</b>	2.02	0%	2%	1%	2.10	0.96	56.24	17.02x	0.29x	16.40	12.20	+32.79%	55.23	0.20	11.05	16.40	-33%	SELL
<b>SEPLAT</b>	0.20	14%	6%	3%	2.29	77.78	1,222.95	16.58x	1.05x	1,300.10	650.00	+98.38%	13.14	86.37	1,134.94	1,289.50	-12%	SELL
<b>TOTAL</b>	1.37	5%	40%	7%	5.88	53.78	135.71	4.36x	1.73x	264.90	221.90	+5.68%	5.60	53.36	298.86	234.50	+27%	BUY
<b>Telecommunications</b>																		
<b>MTNN</b>	0.71	18%	90.12%	13.10%	6.88	15.81	17.54	14.55x	13.11x	270.00	185.50	+16.75%	13.00	18.28	237.64	230.00	+3%	HOLD
<b>AIRTELAFRI*</b>	0.47	22%	30%	10%	2.95	114.89	383.44	15.37x	4.61x	1,767.00	955.00	+84.92%	-	-	-	1,766.00	-	UR

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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.

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Meristem Research can also be accessed on the following platforms:

Meristem Research portal: [research.meristemng.com](http://research.meristemng.com)

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)

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