

# WEEKLY MARKET REVIEW & STOCK RECOMMENDATIONS

MONDAY OCTOBER 5, 2020

## MACROECONOMIC ROUNDUP

### Oil prices drop as Trump test positive for coronavirus

Oil prices fell 3% on Friday after U.S. President Donald Trump tested positive for COVID-19, roiling risky assets, and as rising global crude output threatens to overwhelm the market's weak recovery. International benchmark Brent crude futures were down 2.42% to \$39.94 per barrel. U.S. crude futures also shed 2.43% to \$37.78 per barrel. That followed a sizable decline on last Thursday of nearly 4%. Shares of oil companies regionally also fell in Friday trade. Crude supplies from the OPEC rose in September by 160,000 barrels per day (bpd) from a month earlier, a Reuters survey showed. The rise was mainly the result of increased supplies from Libya and Iran.

### President Trump and First lady test positive for coronavirus

President Donald Trump tested positive for coronavirus on Friday, plunging the United States into further upheaval and uncertainty just over a month away from Election Day. Shortly after Trump's tweet, U.S. stock futures moved sharply lower with Dow futures falling more than 500 points at one point, while stock markets in Asia backtracked sharply. The world's most powerful political leader testing positive to the COVID-19 virus could trigger a new wave of market price swings across the spectrum as global investors get set for a hotly-contested presidential election in November.

### P&ID: London Court orders release of \$200m to Nigeria

Nigeria's Foreign Exchange Reserves boosted by over \$200 Million when the London Commercial Court ordered the release of the \$200 Million guarantee put in place as security in respect of the execution of the P&ID \$10 Billion Arbitral Claim. The CBN also disclosed that the court awarded £70,000 cost in favour of Nigeria in addition to an earlier award of £1.5 million.

### Income of Nigerians households decline – NBS

The NBS has reported that the total income of over 67% of households declined in August, when compared to the same period in August 2019. Across the three main income-generating activities (wages, agriculture, and non-farm enterprises), there was a significant decrease in income compared to last year. A decline in income was highest for non-farm family business activities at 65% of households, compared to 58% for agriculture (household farming, livestock or fishing); and 43% for wage employment.



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### Global Equities Watch (W/W)

US	DJIA	▲	0.09%
US	S&P 500	▲	0.87%
US	NASDAQ	▲	2.61%
China	SHCOMP	▼	-3.60%
Japan	NIKKEI 225	▼	-1.41%
Germany	DAX INDEX	▼	-3.26%
UK	FTSE 100	▼	-1.75%
France	CAC 40	▼	-3.08%
India	SENSEX	▼	-0.38%
Russia	RTSI	▼	-6.56%
Kenya	NSE	▲	-0.01%
	MSCI EM	▼	-2.42%
	MSCI FM	▼	-0.48%

Source: Bloomberg, MSCI, MBC Research

### Domestic Macro Indicators

	Current	Previous	Change
GDP	-6.10%	1.87%	▼ 797bsp
Inflation	13.22%	12.82%	▲ 40bsp
Unemployment	27.10%	23.10%	▲ 400bsp
MPR	11.50%	12.50%	▼ 100bsp
Exchange Rate (\$)	N379.00	N379.00	↔ N0
Foreign Reserve	\$36.16bn	\$36.17bn	▼ \$1mn

Source: CBN, MBC Research

### Inflation Rising Streak (Y/Y)



Source: NBS, MBC Research

## Effects of Covid-19 on the Equities Market

The Covid-19 pandemic is expected to adversely impact the domestic economy, as the country remains highly susceptible to shocks from the international oil market, and the self-induced slowdown put in place to curb the spread of the virus is expected to deter growth. Consequently, we project that the GDP of Nigeria will contract by 1.45 percent by year end, in a moderate scenario where oil price averages \$30 a barrel and the proposed N2.3 trillion stimulus response is swiftly implemented by the third quarter.

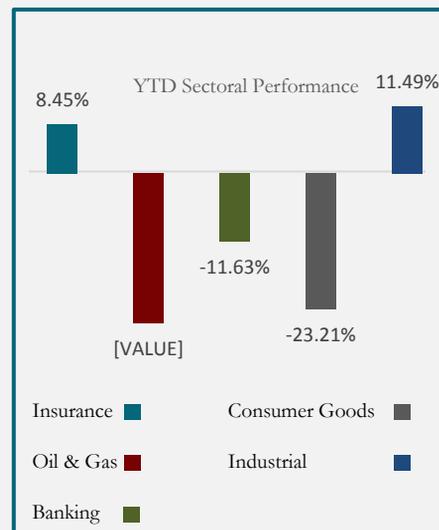
The sectoral performance in 2020 will be majorly impacted by the Covid-19 induced economic slowdown and the decline in oil receipts. Accordingly, companies operating in sectors that are exposed to oil; those heavily dependent on FX; those who are suppliers of non-essential goods; and those who are providers of services that can not be delivered digitally, will be the most hit. However, the contraction of some of these sectors will be cushioned by the stimulus plan of the FG. On the other hand, sectors incubated from the headwinds that derive from the international oil market; those with an established and digitalized medium of providing services; those uniquely positioned to benefit off the movement restrictions; and those recognized as viable options for economic diversification, will record growth and weather the headwinds.

Consequently, sectors in the equity market will be affected differently by the economic slowdown. The financial services industry is expected to growth, albeit subdued, supported by the performance of the insurance sector, as we witnessed in 2016, and by the performance of highly digitized and diversified banks. The ICT industry is also expected to sustain their profitability, buoyed by the performance of telecommunications and broadcasting subsectors, as they leverage on the relevance of the services they provide to people who work from home or are compelled to stay indoors. Similarly, the agricultural industry is expected to experience growth this year, benefitting from increased investors' sentiment and several government intervention facilities, as we witnesses during the 2016 recession. The consumer goods industry is expected to perform poorly, hampered by the weakened purchasing power of individuals, and by stiff competition. The industrial space is exposed to the adverse impacts of movement restrictions, hence, should contract. Also, Conglomerates are expected to perform poorly, as most business lines are in the consumer goods and industrial sector. Lastly, the Oil and Gas industry will be severely impacted, as we are also faced with an international oil market crises.



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## The Nigerian Equites Market

The Nigerian Bourse closed bullish last week as the ASI improved by 2.53% week-on-week to close at 26,985.77 points, while year-to-date returns closed at 0.54%.

Market activity waned as aggregate volume fell by -2.23% while value declined by 17.95%. Investors traded a total of 1.532 billion units of shares valued at N16.901 billion in 17,882 deals.

The Financial Services industry (measured by volume) led the activity chart with 1.292 billion shares valued at N10.562 billion traded in 10,046 deals. The Conglomerates industry followed with 62.395 million shares worth N89.205 million in 453 deals.

Sectors performance was significantly bullish as Banking (4.24%), Industrial (3.25%), Oil and Gas (1.79%), Insurance (0.64%) indices advanced, while the Consumer Goods (-0.75%) index declined.

**Outlook for the Week: We expect the bullish trend to continue this week on the back of increased liquidity in the market. However, fundamentally sound stocks should pique most investors interest this coming week.**

## Technical Indicator



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### Top 5 Gainers for the Week

(W/W)

Total Plc	21.00%
Oando Plc	12.81%
Sterling Bank Plc	10.34%
Champion Brew Plc	9.88%
Ikejahotel Plc	9.78%

Source: NSE, MBC Research

### Top 5 Losers for the Week

(W/W)

Cornerstone Plc	-15.49%
University Press Plc	-12.68%
E-tranzact Plc	-9.96%
Uacn Plc	-8.00%
Nigeria Breweries Plc	-6.76%

Source: NSE, MBC Research

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# STOCK RECOMMENDATIONS FOR THE WEEK

## Stock Recommendations for the week ending 9<sup>th</sup> of October 2020

Ticker	Last Close (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside/Downside Potential	Recommendation
DANG-CEM	144.00	116.00	180.40	220.00	53%	BUY
WAPCO	15.15	8.95	17.60	25.00	65%	BUY
NESTLE	1,175	764.90	1,469	1,400	19%	HOLD
FBNH	5.20	3.60	7.85	9.00	73%	BUY
AFRIPRUD	4.75	3.15	5.50	4.00	-16%	SELL
ZENITH-BANK	18.05	10.70	23.00	23.50	22%	BUY
CAD-BURY	7.00	4.95	11.60	7.00	0%	SELL
FIDELITY	1.90	1.50	2.40	2.50	32%	BUY
MTNN	130.00	90.00	138.00	160.00	23%	BUY
UNILEVER	13.60	9.90	26.70	11.00	-19%	SELL
DANG-SUGAR	12.90	8.90	16.60	20.50	59%	BUY
UCAP	3.33	1.90	3.80	4.50	35%	BUY



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### INVESTMENT RATING

BUY

When the expected return over the next twelve months is estimated to be 20% or more. Investors are thus advised to take position at the prevailing rate.

HOLD

Investors are advised to remain neutral as the expected total returns over the next twelve months is estimated to be below 20%.

SELL

The stock trades at a premium to its intrinsic value and is thus expected to lose up to 5% or more of its market value. Investors are thus advised to exit the market at the prevailing rate.

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# TOP 5 STOCK PICKS FOR THE WEEK

Stock picks for the week ending 9<sup>th</sup> of Oct. 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
DANGCEM	144.00	116.00	180.40	220.00	53%

## 1. DANGOTE CEMENT PLC

### RECOMMENDATION - BUY

#### Comments on Last Financials

Dangote Cement Plc. results for HY'2020 showed that revenue increased by 1.95% from N467.73 billion in HY'2019 to N476.85 billion in HY'2020. Gross profit dipped marginally by 0.05% from N274.56 billion in HY'2019 to N274.43 billion in HY'2020, due to a 4.79% increase in cost of sales. Operating profit advanced from N170.50 billion in HY'2019 to N173.48 billion in HY'2020, reflecting a growth of 1.75%. The growth recorded in operating profit can be attributed to a 123.13% increase and 3.32% decline, recorded in other income and selling and distribution expenses, respectively. Profit before tax also rose by 4.74% from N155.49 billion in HY'2019 to N162.85 billion in HY'2020, due to a 121.77% increase in finance income. Profit after tax advanced by 5.79% from N119.24 billion in HY'2019 to N126.14 billion in HY'2020. Consequently, EPS grew by 6.28% to N7.45 in HY'2020 from N7.01 in HY'2019. Dangcem has a BVPS of N43.39, P/BV of 3.32x and P/E ratio of 9.66x.

While Dangote operates in the construction sector for which we maintain a negative growth outlook, the company however is well insulated from the existing recessionary drivers that are expected to blight the industry. During the lockdown Dangote was able to continue operations in their single largest cement production plant in Obajana, Kogi, and was also able to sustain their distribution channels. Furthermore, to compensate for an expected decline in demand, cement producers have implemented an organized increase in their cement prices. Hence, we expect the 2020 PAT to increase marginally to N206 billion, while the EPS should move to N12.



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#### DANGCEM: Market Information

Current Price	N144.00
Previous Close	N144.00
Opening Price	N142.90
Day's Range	N144.00 – N144.00
% Change	0.77%
Shares Outstanding	17,040,507,405
Market Cap.	N2,453,833,066,320.00
YTD	1.41%
BVPS	N43.39
P/BV	3.32x
P/E Ratio	9.66x
52 Week Low	N116.00
52 Week High	N180.40
5 Year Low	N116.00
5 Year High	N278.00

Source: Bloomberg, MBC Research

#### Dangcem Plc - FY Dividend History (N)



Source: NSE, MBC Research

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# TOP 5 STOCK PICKS FOR THE WEEK

## Stock picks for the week ending 9<sup>th</sup> of Oct. 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
WAPCO	15.15	8.95	17.60	25.00	65%

## 2. WAPCO PLC

### RECOMMENDATION - BUY

#### Comments on Last Financials

Lafarge Africa Plc. HY'2020 results showed that revenue grew by 2.25% from N117.89 bn in HY'2019 to N120.54 bn in HY'2020. Similarly, gross profit went up by 5.70% to N41.71 bn in HY'2020 from N39.46 bn in HY'2019. The growth in gross profit was driven by the growth in revenue. Profit from operations rose by 17.81% from N27.85 bn in HY'2019 to N32.81 bn in HY'2020, due to a 30.64% and 9.93% decline in administrative expenses and selling and distribution expense, respectively. Profit before tax grew by 86.09% to N28.76 bn in HY'2020 from N15.45 bn in HY'2019, on the back of a 66.77% decline in finance cost. Profit after tax rose by 47.29% from N15.84 bn in HY'2019 to N23.33 bn in HY'2020, despite a 1,506% increase in taxes. Consequently, earnings per share increased by 158.93%, from N0.56 in HY'2019 to N1.45 in HY'2020. Wapco has a BVPS of N21.91 P/BV of 0.69x and P/E ratio of 5.22x.

Wapco is expected to shield itself from the adverse impacts of the Covid-19 pandemic, as the company has been able to sustain their revenue during the lockdown by leveraging an organized price increase of their cement product to fill the shortfalls left by reduced demands. This aggressive revenue growth strategy has also been met with effective cost reduction tactics, both of which will support a full year growth similar to what was seen the first half of the year. Accordingly, we expect to see the PAT cross N28.00 billion, hence, taking the EPS above N10.00.



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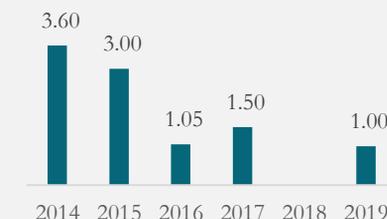
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#### Wapco: Market Information

Current Price	N15.15
Previous Close	N15.00
Opening Price	N15.00
Day's Range	N15.15 – N15.15
% Change	1%
Shares Outstanding	16,107,795,496
Market Cap.	N244,033,101,764.40
YTD	21.69%
BVPS	N21.41
P/BV	0.69x
P/E Ratio	5.22x
52 Week Low	N8.95
52 Week High	N17.60
5 Year Low	N8.95
5 Year High	N87.73

Source: Bloomberg, MBC Research

#### Wapco Plc - FY Dividend History (↻)



Source: NSE, MBC Research

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# TOP 5 STOCK PICKS FOR THE WEEK

Stock picks for the week ending 9<sup>th</sup> of Oct. 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
NESTLE	1,175.00	764.90	1,469.90	1,400.00	19%

### 3. NESTLE PLC

#### RECOMMENDATION - HOLD

#### Comments on Last Financials

Nestle Plc. HY'2020 results showed that revenue dipped by 0.62% from N141.91 bn in HY'2019 to N141.03 bn in HY'2020. Similarly, gross profit went down by 7.93% to N60.84 bn in HY'2020 from N66.08 bn in HY'2019. The decline in gross profit was driven by the fall in revenue and by a 5.75% hike in cost of sales. Profit from operations declined by 15.10% from N40.43 bn in HY'2019 to N34.33 bn in HY'2020, due to a 50.68% increase in administrative expenses. Profit before tax fell by 16.26% to N33.86 bn in HY'2020 from N40.44 bn in HY'2019, on the back of a 47.03% decline in finance income and a 5.48% rise in finance costs. In the same vein, profit after tax declined by 16.84% from N26.25 bn in HY'2019 to N21.83 bn in HY'2020, despite a 16.48% decline in income tax expense. Consequently, earnings per share fell by 16.85%, from N33.11 in HY'2019 to N27.53 in the current period.

Nestle is one of the most preferred stocks on the local bourse, but still wouldn't be spared from the downturn in the consumer goods industry. The outlook for the foods and beverages players remain grim, underpinned by weakening topline performance, blame the reducing purchasing power of consumers. Nevertheless, the company remains fundamentally viable, but other negative surrounding factors will make "a wait and see approach" most suggestible at this moment.



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#### Nestle: Market Information

Current Price	N1,175.00
Previous Close	N1,175.00
Opening Price	N1,175.00
Day's Range	N1,175 - N1,175
% Change	0.00%
Shares Outstanding	792,656,252
Market Cap.	N931,371,096,100.00
YTD	-20.06%
BVPS	N71.50
P/BV	16.43x
P/E Ratio	20.80x
52 Week Low	N764.90
52 Week High	N1,469.90
5 Year Low	N570.00
5 Year High	N1,615.00

Source: Bloomberg, MBC Research

#### Nestle Plc - FY Dividend History (N)



Source: NSE, MBC Research

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# TOP 5 STOCK PICKS FOR THE WEEK

## Stock picks for the week ending 9<sup>th</sup> of Oct. 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
FBNH	5.20	3.60	7.85	9.00	73%

### 4. FBNH PLC

#### RECOMMENDATION - BUY

#### Comments

FBNH Plc HY'2020 results showed an increase in the bottom-line as profit for the period grew by 23.84%. Interest income however declined by 4.31% from N216.76 bn in HY'2019 to N207.42 bn in the current period. Net interest income went down by 7.35% from N141.69 bn in HY'2019 to N131.28 bn in HY'2020, due to the drop in interest income and a 1.44% increase in interest expense. The company recorded a 14.70% increase in operating profit from N36.23 bn in HY'2019 to N41.55 bn in the current period. The increase in operating profit is attributable to a 16.41% and 183.05% increase in net fees and commission income and trading income, respectively. Also, impairment charges increased by 38.65% from N22.11 bn in HY'2019 to N30.65 bn in HY'2020. Profit before tax advanced by 14.26% from N36.25 bn in HY'2019 to N41.42 bn in the current period. Profit after tax went up by 23.84% from N28.78 bn in HY'2019 to N35.65 bn in the current period. Consequently, the company recorded a 60.71% increase in EPS to N1.35 in HY'2020 from N0.84 in HY'2019. FBNH has a BVPS of N19.62, P/BV of 0.27x and P/E ratio of 1.93x.

FBNH is one the major companies that would support a forecasted 20.50 percent growth for the financial services sector, as FBNH is expected to leverage their highly diversified business model, to prop up their revenue from other sources, such as; their trading income and other income. This would enable them sustain their profitability even during this current pandemic. The company is poised to record the strongest growth margin of all tier one banks, with the PAT crossing the N80 billion mark, hence taking the EPS past N2.



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#### FBNH: Market Information

Current Price	N5.20
Previous Close	N5.20
Opening Price	N5.20
Day's Range	N5.25 – N5.20
% Change	1.00%
Shares Outstanding	35,895,292,792
Market Cap.	N186,655,522,518.40
YTD	-15.45%
BVPS	N19.62
P/BV	0.27x
P/E Ratio	1.93x
52 Week Low	N3.60
52 Week High	N7.85
5 Year Low	N2.95
5 Year High	N13.90

Source: Bloomberg, MBC Research

#### FBNH Plc - FY Dividend History (N)



Source: NSE, MBC Research

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Stock picks for the week ending 9<sup>th</sup> of Oct. 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
AFRIPRUD	4.75	3.15	5.50	4.00	-16%

## 5. AFRIPRUD PLC

**RECOMMENDATION - SELL**

### Comments

Africa Prudential's result for HY'2020 showed that revenue from contracts with customers fell by 32.12%, from N870.14 mn in HY'2019 to N590.67 mn in the current period. Interest income however increased by 12.45% from N1.14 bn in HY'2019 to N1.28 bn in the current period. Consequently, gross earnings went down by 6.84% from N2.01 bn in HY'2019 to N1.87 bn in HY'2020, driven by the fall in revenue. Profit before tax increased by 0.61% from N1.21 bn in HY'2019 to N1.22 bn in HY'2020, due to a 100% and 12.57% decline in finance cost and other operating expenses, respectively. Profit after tax also rose by 5.34% to N1.08 bn in the current period from N1.03 bn in HY'2019, on the back of a 26.13% decline in tax expense. Consequently, Earnings per share advanced by 5.88% from N0.51 in HY'2019 to N0.54 in the current period. Afriprud has a BVPS of N3.96, P/BV of 1.20x, P/E ratio of 4.40x.

Africa Prudential remains well exposed to the shriveling effects of the pandemic, hence, would not share in a forecasted financial industry growth. The company recorded zero retainership fee in the first half of the year due to their inability to conduct physical meetings where the revenue is generated. The retainership fee however accounted for 61 percent of the total revenue generated last year. Hence, it is unlike that Afriprud will stage a turnaround before the end of the year.



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### Afriprud: Market Information

Current Price	N4.75
Previous Close	N4.71
Opening Price	N4.71
Day's Range	N4.75 – N4.75
% Change	0.85%
Shares Outstanding	2,000,000,000
Market Cap.	N9,500,000,000.00
YTD	10.00%
BVPS	N3.96
P/BV	1.20x
P/E Ratio	4.40x
52 Week Low	N3.15
52 Week High	N5.50
5 Year Low	N2.11
5 Year High	N5.50

Source: Bloomberg, MBC Research

### Afriprud Plc - FY Dividend History (N)



Source: NSE, MBC Research

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# TOP STOCK PICKS FOR THE WEEK

Stock picks for the week ending 9<sup>th</sup> of Oct. 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
ZENITHBANK	18.05	10.70	23.00	23.50	22%

## 6. ZENITH BANK PLC

### RECOMMENDATION - BUY

#### Comments

The HY'2020 result of Zenith Plc showed that Interest income advanced by 1.10% from N214.60 bn in HY'2019 to N216.95 bn in the current period. Net interest income increased by 10.45% to N157.41 bn in HY'2020 from N142.52 bn in HY'2019. The increase in net interest income was driven by the rise in interest income and a 17.40% drop in the interest expense. Likewise, profit before tax advanced by 2.19% from N111.68 bn recorded in HY'2019 to N114.12 bn in the current period. The growth in profit was driven by a 174.01% and 30.45% increase in other operating income and trading income, respectively, but subdued by a 74.18% hike in impairment charge and a 39.97% fall in net fees and commission income. Profit after tax grew by 16.81% from N88.88 bn in HY'2019 to N103.83 bn in HY'2020, due to a 54.82% decline in income tax expense. Consequently, earnings per share went up by 16.61% from N2.83 in HY'2019 to N3.30 in HY'2020. The company proposed an interim dividend of N0.30. Zenith has a BVPS of 31.50, P/BV of 1.26x and P/E ratio of 4.83x.

Zenith remains the leading tier-1 lender based on the size of their tier-1 capital; hence, they are well equipped to sit through a recession, and stage a post-covid recovery. The company is expected to grow tepidly this year, as the strength of their balance sheet should withstand headwinds that derive from the Covid-19 pandemic. Accordingly, the company is expected to maintain its PAT above N200 billion and maintain their dividend payment at the same level from last year's.



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#### Zenith Bank: Market Information

Current Price	N18.05
Previous Close	N17.85
Opening Price	N17.85
Day's Range	N18.10 - N17.9
% Change	1.12%
Shares Outstanding	31,396,493,786
Market Cap.	N566,706,712,837.30
YTD	-1.22%
BVPS	N31.50
P/BV	1.26x
P/E Ratio	4.83x
52 Week Low	N10.70
52 Week High	N23.00
5 Year Low	N9.44
5 Year High	N33.00

Source: Bloomberg, MBC Research

#### Zenith Bank Plc - FY Dividend



Source: NSE, MBC Research

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# TOP STOCK PICKS FOR THE WEEK

Stock picks for the week ending 9<sup>th</sup> of Oct. 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
CADBURY	7.00	4.95	11.60	7.00	0%

## 7. CADBURY PLC

### RECOMMENDATION - **SELL**

#### Comments on Last Financials

Cadbury Nigeria Plc. HY'2020 results showed that revenue declined by 18.18% from N19.45 bn in HY'2019 to N15.92 bn in the current period. This decline was due to the slowdown witnessed in domestic sales, as their performance was hampered by the weakened purchasing power of consumers in the economy. Consequently, gross profit fell by 20.12% to N3.31 bn in HY'2020 from N4.14 bn in HY'2019. Similarly, the firm recorded a decline of 19.59% in operating profit from N888.78 mn in HY'2019 to N714.70 mn in the current period. Profit before tax fell by 19.89% to N766.66 mn in the current period from N957.06 mn in HY'2019, due a 23.90% decrease in net finance income. Profit after tax declined by 19.89% from N669.94 mn in HY'2019 to N536.66 mn in the current period. Earnings per share dipped by 19.44%, from N0.36 in HY'2019 to N0.29 in the current period. Cadbury has a BVPS of N7.02, P/BV of 1.00x and P/E ratio of 12.07x.

The consumer goods industry is plummeting, blame shriveling consumer purchasing power, and stiff competition among certain segments. Cadbury is well exposed to the shock in this sector, as evidenced by their HY'2020 results. The manufacturing industry in general is projected to contract by 5.10 percent, and Cadbury has no observed strategic product offerings or cost reduction maneuvers to weather the headwind in the sector and the global economy at large.



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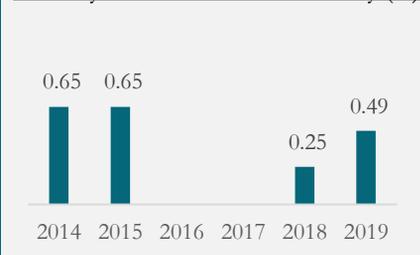
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#### CADBURY: Market Information

Current Price	N7.00
Previous Close	N7.40
Opening Price	N7.40
Day's Range	N7.00 – N7.00
% Change	-5.41%
Shares Outstanding	1,878,202,040
Market Cap.	N13,147,414,280.00
YTD	-33.65%
BVPS	N7.02
P/BV	1.00x
P/E Ratio	12.07x
52 Week Low	N4.95
52 Week High	N11.60
5 Year Low	N4.95
5 Year High	N40.00

Source: Bloomberg, MBC Research

#### Cadbury Plc - FY Dividend History (N)



Source: NSE, MBC Research

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# TOP STOCK PICKS FOR THE WEEK

Stock picks for the week ending 9<sup>th</sup> of Oct. 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
FIDELITY	1.85	1.50	2.40	2.50	35%

## 8. FIDELITY BANK PLC

### RECOMMENDATION - BUY

#### Comments on Last Financials

Fidelity Bank's HY'2020 showed that interest income advanced by 2.09% from N85.83 bn in HY'2019 to N87.62 bn in the current period. Net interest income went up by 30.95% from N36.90 bn in HY'2019 to N48.32 bn in HY'2020. The increase in the net interest income was driven by the rise in interest income, and by a 19.68% decline in interest expense. Profit before tax advanced by 21.92% from N9.81 bn in HY'2019 to N11.96 bn in the current period. The growth in profit before tax is attributable to a 2,191% and 80.78% increase seen in the net gains from financial assets and other operating income, respectively. Increments in the revenue line items offset a 27.04% fall in fees and commission income, and a 15.12% and 8.28% hike in the fees and commission expense and operating expense, respectively. Profit after tax went up by 33.01% from N8.50 bn in HY'2019 to N11.30 bn in the current period, on the back of a 49.77% decline in income tax expense. Consequently, Fidelity recorded a 34.48% growth in earnings per share from N0.29 in HY'2019 to N0.39 in HY'2020. Fidelity has a BVPS of N8.65, P/BV of 0.22x and P/E ratio of 2.44x.

Fidelity Bank was able to deploy some cost reduction strategies to compliment the growth seen in their interest income, which helped the company improve all growth margins. The company's effort to improve the volume of transactions on its electronic channels and also restructure and grow their loan book, yielded positive results, as the company was able to sustain their service delivery during the lockdown, and maintain their asset quality. Accordingly, we expect the 2020 PAT to reach N34.00 billion, taking the EPS near N1.18.



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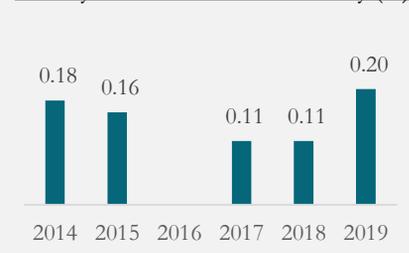
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#### FIDELITY: Market Information

Current Price	N1.85
Previous Close	N1.85
Opening Price	N1.85
Day's Range	N1.85 – N1.85
% Change	-0.24%
Shares Outstanding	28,974,797,023
Market Cap.	N53,603,374,492.55
YTD	-9.76%
BVPS	N8.65
P/BV	0.21x
P/E Ratio	2.37x
52 Week Low	N1.50
52 Week High	N2.40
5 Year Low	N0.79
5 Year High	N3.90

Source: Bloomberg, MBC Research

#### Fidelity Plc - FY Dividend History (₦)



Source: NSE, MBC Research

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# TOP STOCK PICKS FOR THE WEEK

## Stock picks for the week ending 9<sup>th</sup> of Oct. 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
MTNN	130.00	90.00	138.00	160.00	23%

### 9. MTN NIGERIA PLC

#### RECOMMENDATION - **BUY**

#### Comments

MTNN's HY'2020 results showed an increase in revenue by 12.54% from N566.99 bn in HY'2019 to N638.08 bn in HY'2020. Operating profit advanced from N189.40 bn in HY'2019 to N204.54 bn in HY'2020, reflecting an increase of 7.99%. The growth in operating profit was buoyed by a 20.28% and 20.67% decline in roaming costs and advertisement, sponsorship and sales promotion, respectively. However, there were increments in numerous expenditure line items which subdued operating profit growth, notably; direct network and technology operating costs and cost of handset and other accessories, both increased by 23.67% and 68.65%, respectively. PBT fell by 1.99% from N142.40 bn in HY'2019 to N139.57 bn in the current period, due to a 27.66% decrease in finance income and a 26.22% rise in finance cost. PAT fell by 4.68% from N99.54 bn in HY'2019 to N94.88 bn in HY'2020, due to a 4.26% surge in taxes. EPS dipped by 4.70% to N4.66 in HY'2020 from N4.89 in HY'2019. Following the 15.09% growth seen in the ICT sector in Q2, we maintain our 12 percent growth forecast for 2020, as the services provided have received increased traction due to the lockdown orders effected to tackle the pandemic. MTNN is the largest firm in the ICT sector and will be the major sponsor of the growth. The lockdown imposed to curb the spread of the COVID-19 pandemic continues to give support to the company's top-line, as the revenue from data and voice calls is expected to increase by over 50 percent this year. Accordingly, we expect to witness growth in the bottom-line of the company, as the profit after tax is expected to climb past N220 billion, while the earnings per share should move past N11.00 by year's end.



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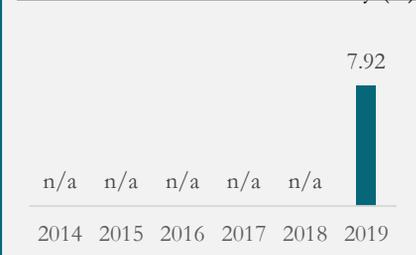
(Member of The Nigerian Stock Exchange)

#### MTNN: Market Information

Current Price	N130.00
Previous Close	N130.00
Opening Price	N130.00
Day's Range	N130.00 – N130.00
% Change	0.78%
Shares Outstanding	20,354,513,050
Market Cap.	N2,646,086,696,500.
YTD	23.81%
BVPS	N6.85
P/BV	18.99x
P/E Ratio	13.95x
52 Week Low	N90.00
52 Week High	N138.00
5 Year Low	n/a
5 Year High	n/a

Source: Bloomberg, MBC Research

#### MTNN Plc - FY Dividend History (↻)



Source: NSE, MBC Research

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# TOP STOCK PICKS FOR THE WEEK

Stock picks for the week ending 9<sup>th</sup> of Oct. 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
UNILEVER	13.60	9.90	26.70	11.00	-19%

## 10. UNILEVER PLC

### RECOMMENDATION - **SELL**

#### Comments on Last Financials

Unilever Nigeria Plc. HY'2020 results showed that revenue declined by 35.91% from N42.66 bn in HY'2019 to N27.34 bn in the current period. This decline was due to the slowdown witnessed in both their food products and home/personal care revenue sources, as their performance was hampered by the weakened purchasing power of consumers in the economy. Similarly, gross profit fell by 45.74% to N6.16 bn in HY'2020 from N11.35 bn in HY'2019, despite a 32.35% decline in cost of sales. The firm recorded a decline of 136.62% in operating profit from N3.85 bn in HY'2019 to -N1.41 bn in the current period, and this was majorly driven by a 196.80% increase in impairment loss. Profit before tax declined by 112.07% to -N566.80 mn in the current period from N4.70 bn in HY'2019, due a 29.33% decline in finance income. Consequently, profit after tax fell by 114.77% from N3.52 bn in HY'2019 to -N519.11 mn in the current period. The firm recorded an 114.75% decline in earnings per share from N0.61 in HY'2019 to -N0.09 in the current period.

Unilever Nigeria is currently experiencing the negative effects of the lull in business activities in February and March due to movement restrictions across the country. The fall in the purchasing power of individuals also contributed to the company's falling topline, as their Food Products and Home & Personal Care revenue segments declined by 29% and 43%, respectively. Following the 8.78% Q2 contraction seen in the manufacturing industry, the outlook for the entire sector remains grim, with a full year growth forecast of 5.10%. Unilever remains unshielded from the slowdown in the sector and the entire economy; hence, we maintain a negative outlook for the firm.



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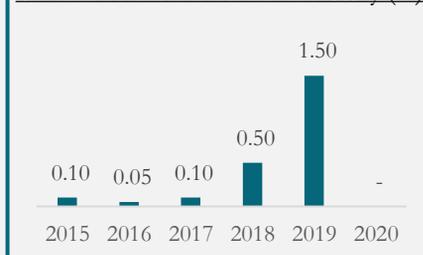
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#### UNILEVER: Market Information

Current Price	N13.60
Previous Close	613.40
Opening Price	N13.60
Day's Range	N13.60 – N13.60
% Change	0.00%
Shares Outstanding	5,745,005,417
Market Cap.	N78,132,073,671.20
YTD	-38.18%
BVPS	N11.49
P/BV	1.18x
P/E Ratio	n/a
52 Week Low	N9.90
52 Week High	N26.70
5 Year Low	N9.90
5 Year High	N62.20

Source: Bloomberg, MBC Research

#### Unilever Plc - FY Dividend History (N)



Source: NSE, MBC Research

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# TOP STOCK PICKS FOR THE WEEK

## Stock picks for the week ending 9<sup>th</sup> of Oct. 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
DANGSUGAR	12.90	8.90	16.60	20.50	59%

### 11. DANGSUGAR PLC

#### RECOMMENDATION - **BUY**

#### Comments on Last Financials

Dangote Sugar Plc. HY'2020 results showed that revenue grew by 28.46% from N80.36 bn in HY'2019 to N103.23 bn in HY'2020. However, gross profit went down by 1.38% to N20.82 bn in HY'2020 from N21.12 bn in HY'2019. The decline in gross profit was driven by a 39.09% hike in cost of sales. Profit from operations advanced by 0.68% from N17.28 bn in HY'2019 to N17.40 bn in HY'2020, due to a 434.33% increase in other income and a 15.93% decline in selling and distribution expenses. Profit before tax inched up marginally by 0.07% to N17.05 bn in HY'2020 from N17.03 bn in HY'2019. Profit after tax grew by 5.51% from N10.98 bn in HY'2019 to N11.58 bn in HY'2020, on the back of a 9.79% decline in income tax expenses. Consequently, earnings per share rose by 5.43%, from N0.92 in HY'2019 to N0.97 in HY'2020. Dangote Sugar has a BVPS of N9.98, P/BV of 1.29x and P/E ratio of 6.65x.

Dangote Sugar has managed to shield itself from the slowdown witnessed in the consumer goods industry, owing to the increased sale of sugar and related products before and even during the lockdown. We saw their revenue from the retail and industrial sale of sugar increase by 30 percent and 69 percent, respectively in the first half of the year, hence supporting a bottom-line growth. While the manufacturing industry in general is projected to contract by 5.10% in 2020, following the 8.78% contraction in Q2, it has been observed that the demand for sugar has remained high, hence, allowing Dangote Sugar grow their revenue by maneuvering around the distribution limitations during the lockdown. Hence, we expect their 2020 PAT to move past N23.00 billion, taking the EPS above N2.00.



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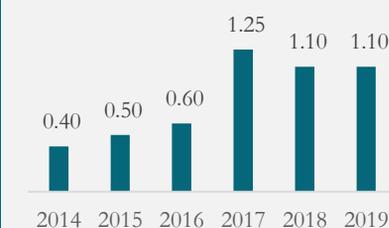
(Member of The Nigerian Stock Exchange)

#### Dangsugar: Market Information

Current Price	N12.90
Previous Close	N12.40
Opening Price	N12.40
Day's Range	N13.40 – N12.80
% Change	4.03%
Shares Outstanding	12,146,878,241
Market Cap.	N156,694,729,308.90
YTD	-5.15%
BVPS	N9.98
P/BV	1.29x
P/E Ratio	6.65x
52 Week Low	N8.90
52 Week High	N16.60
5 Year Low	N5.25
5 Year High	N22.50

Source: Bloomberg, MBC Research

#### Dangsugar - FY Dividend History (N)



Source: NSE, MBC Research

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# TOP STOCK PICKS FOR THE WEEK

## Stock picks for the week ending 9<sup>th</sup> of Oct. 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
UCAP	3.33	1.90	3.80	4.50	35%

### 12. UCAP PLC

#### RECOMMENDATION - **BUY**

#### Comments

United Capital's result for HY'2020 showed that gross earnings increased by 37.26% from N3.24 bn in HY'2019 to N4.45 bn in HY'2020. Net operating income rose by 45.40% from N2.82 bn in HY'2019 to N4.10 bn in HY'2020, due to a 347.65%, 85.03% and 77.15% increase in net interest margin, net trading income and fees and commission income, respectively. Profit before tax rose by 14.10% from N1.99 bn in HY'2019 to N2.27 bn in the current period, despite the surge in key expenditure line items, such as the personnel expenses which rose by 7.86%, and the other operating expense which increased by 87.73%. Profit after tax increased by 15.98% to N1.91 bn in the current period from N1.65 bn in HY'2019. Consequently, Earnings per share went up by 14.29% from N0.28 in HY'2019 to N0.32 in the current period. UCAP has a BVPS of N3.02, P/BV of 1.10x and P/E ratio of 5.20x

The financial services sector grew by 28.41% in Q2, and is projected to grow by 20.50 percent this year, supported by the performance of highly digitized firms such as United Capital. The company has been able to digitize their products, with various online and mobile platforms for service delivery. This in turn serves them, as the Covid induced restrictions on movement has minimally disrupted some aspects of their business. Hence, we should see the PAT climb above N5.4 billion, while the EPS is projected above N0.90.



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#### UCAP: Market Information

Current Price	N3.33
Previous Close	N3.33
Opening Price	N3.33
Day's Range	N3.34 – N3.3
% Change	0.3%
Shares Outstanding	6,000,000,000
Market Cap.	N19,980,000,000.00
YTD	61.65%
BVPS	N3.02
P/BV	1.10x
P/E Ratio	5.20x
52 Week Low	N1.90
52 Week High	N3.80
5 Year Low	N1.14
5 Year High	N4.34

Source: Bloomberg, MBC Research

#### UCAP Plc - FY Dividend History (N)



Source: NSE, MBC Research

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# NASD RECOMMENDATIONS

## NASD Stock Picks

### NDEP PLC

#### RECOMMENDATION - **SELL**

##### Comments on Last Financials

NDEP FY-2019 result showed that revenue advanced by 17.69% from N39.05 bn in FY'2018 to N45.96 bn in the reference period. Gross profit declined by 30.02% from N22.80 bn in FY'2018 to N15.95 bn in FY'2019, on the back of an 84% hike in cost of sales. The company recorded a 26.09% drop in operating profit from N19.57 bn in FY'2018 to N14.47 bn in FY'2019. NDEP recorded a 29.80% decline in profit before tax from N29.33 bn in FY'2018 to N20.59 bn in the reference period, due to a 72.39% decline in finance income and a 333.41% rise in finance cost. Profit after tax fell by 47.90% from N37.42 bn in FY'2018 to N19.50 bn in the reference period, due to a 113.53% rise in taxes. EPS declined by 56.50% from N206.30 in FY'2018 to N89.75 in FY'2019. The company currently trades at N330.58 and has a BVPS of N1,017.22, P/BV of 0.32x and P/E of 3.67x.

### CSCS PLC

#### RECOMMENDATION - **BUY**

##### Comments on Last Financials

CSCS Q1-2020 result showed that total operating income increased by 13.95% from N2.13 bn in Q1'2019 to N2.43 bn in the current period. The increase in revenue and other income by 41.77% and 3,042% respectively, contributed to the growth in operating income. Revenue moved from N929.72 mn in Q1'2019 to N1.32 bn in the current period. Profit before tax went up 2.86% from N1.55 bn in Q1'2019 to N1.59 bn in the current period. Profit after tax increased by 10.63% from N1.27 bn to N1.40 bn in the current period, due to a 31.90% decline in taxes. Consequently, EPS grew by 12.00% to N0.28 from N0.25 in Q1'2019. The company currently trades at N13.50 and has a BVPS of N6.87, P/bv of 2.11x and P/E ratio of 12.95x. CSCS proposed a final dividend of ₦0.86k.

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