

# WEEKLY MARKET REVIEW & STOCK RECOMMENDATIONS

MONDAY OCTOBER 12, 2020

## MACROECONOMIC ROUNDUP

### Oils jumps 9% for the week, snapping two-week losing streak

Oil prices eased on after an oil worker strike in Norway ended, which should boost output, even though production was still down in the United States ahead of a hurricane. Norwegian oil firms have struck a wage bargain with labor union officials, ending a strike that had threatened to cut the country's oil and gas output by close to 25% next week. An escalation of the strike could almost triple the existing outage if no solution is reached by Oct. 14, taking the total capacity cut to about 934,000 barrels of oil equivalents per day.

### Democrats and Republicans dismiss Trump's coronavirus stimulus offer

Democrats in the House and Republicans in the Senate expressed opposition to President Donald Trump's \$1.8 trillion coronavirus stimulus offer, further complicating a week of already confusing negotiations and dimming hopes for a deal before Election Day. The White House offer includes the following, State and local governments — \$300 billion, Unemployment insurance — \$400 per week, Liability protection for businesses, Stimulus checks — \$1,200 for adults, \$1,000 per child, Airlines — \$20 billion and PPP loans — \$330 billion amongst others.

### The proposed 2021 FGN Budget was passed to the National Assembly

The President presented the 2021 Appropriation Bill and the performance of the 2020 budget as at July 2020. The budget was a 27% increase from the approved N10.3 trillion for 2020. Some of the assumptions underlying the appropriation bill includes; Benchmark Oil price of 40 US dollars per barrel, daily oil production at 1.86 million barrels, exchange rate at N379 per Us dollars, projected GDP growth at 3.0 percent and inflation closing at 11.95%. Also, the total distributable revenue was estimated at N8.433 trillion. Total revenue available to fund the 2021 budget was at N7.886 trillion, which includes grants and aids of about N354.85 billion. Oil revenue was projected at N2.01 trillion and non-oil revenue at N1.49 trillion.

### Lagos State Accounted for 78.94% of Credit in Q2 2020

The Nigerian Selected Banking sector data as at Q2 2020 revealed that total Geographical Distribution of Credit by State stood at N18.90trn compared to N18.56trn in Q1 2020 and N15.44trn in Q2 2019. This represents 1.82% increase in credit Quarter on Quarter and 22.38% Year on Year. Lagos State recorded the highest credit by geographical distribution with N14.92trn accounting for 78.94% while Yobe State recorded the least with N13.8bn accounting for 0.07% in Q2 2020.



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### Global Equities Watch (W/W)

US	DJIA	▲	3.27%
US	S&P 500	▲	5.42%
US	NASDAQ	▲	6.11%
China	SHCOMP	▲	1.64%
Japan	NIKKEI 225	▲	1.79%
Germany	DAX INDEX	▲	4.67%
UK	FTSE 100	▲	2.98%
France	CAC 40	▲	4.59%
India	SENSEX	▲	8.35%
Russia	RTSI	▼	-0.03%
Kenya	NSE	▼	-0.21%
	MSCI EM	▲	5.99%
	MSCI FM	▲	1.78%

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	\$35.81bn	\$35.67bn	▲ \$14mn

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.

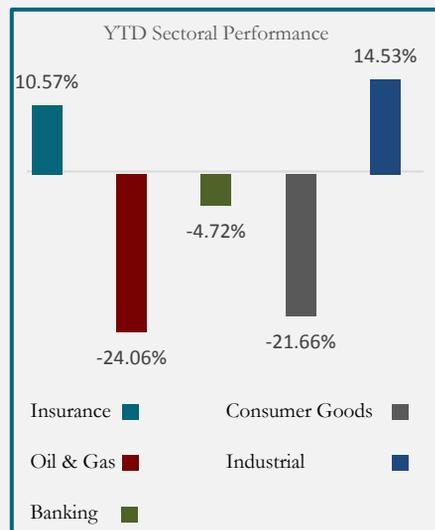
The sectoral performance in 2020 will be majorly impacted by the Covid-19 induced economic slowdown and the decline in oil receipts. Accordingly, companies operating in sectors that are exposed to oil; those heavily dependent on FX; those who are suppliers of non-essential goods; and those who are providers 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 5.30% week-on-week to close at 28,415.31 points, while year-to-date returns closed at 5.86%.

Market activity increased as aggregate volume climbed by 104.96% while value surged by 109.29%. Investors traded a total of 3.140 billion units of shares valued at N35.372 billion in 35,099 deals.

The Financial Services industry (measured by volume) led the activity chart with 2.325 billion shares valued at N25.816 billion traded in 21,306 deals. The Oil and Gas industry followed with 200.567 million shares worth N1.012 billion in 1,977 deals.

Sectors performance was significantly bullish as Banking (7.83%), Industrial (2.72%), Consumer Goods (2.02%), Oil and Gas (2.01%), Insurance (1.96%) indices advanced.

**Outlook for the Week: We expect to see some mixed performance during the week, as investors would be expecting the corporate results of companies to see how they have fared in their third quarters. Overall, we expect the bears to edge the bulls by week's end.**

## Technical Indicator



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### Top 5 Gainers for the Week

(W/W)

Eterna Plc	32.48%
International Brew Plc	21.03%
Africa Prudential Plc	20.63%
Trans Exp. Plc	19.48%
FBN Holdings Plc	19.23%

Source: NSE, MBC Research

### Top 5 Losers for the Week

(W/W)

Uacn Plc	-11.96%
Tripple Gee Plc	-10.00%
Dead Capital Plc	-10.00%
Academy Press Plc	-6.90%
Conoil Plc	-5.57%

Source: NSE, MBC Research

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# STOCK RECOMMENDATIONS FOR THE WEEK

## Stock Recommendations for the week ending 16<sup>th</sup> of October 2020

Ticker	Last Close (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside/Downside Potential	Recommendation
OKOMU OIL	80.00	49.75	80.00	89.00	11%	HOLD
UCAP	3.54	1.90	4.00	4.50	27%	BUY
UNILEVER	13.50	9.90	26.70	11.00	-19%	SELL
STANBIC	42.50	23.50	42.85	46.91	17%	HOLD
FLOURMILL	22	14.00	24.00	23.00	0%	SELL
DANG-CEM	150.00	116.00	180.40	220.00	47%	BUY
WAPCO	17.00	8.95	17.60	25.00	47%	BUY
NESTLE	1,175	764.90	1,469	1,400	19%	HOLD
FBNH	6.20	3.60	7.85	9.00	45%	BUY
AFRIPRUD	5.73	3.15	5.50	4.00	-30%	SELL
ZENITH-BANK	20.00	10.70	23.00	25.50	18%	BUY
CAD-BURY	7.15	4.95	11.60	7.00	-2%	SELL



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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 STOCK PICKS FOR THE WEEK

Stock picks for the week ending 16<sup>th</sup> of October 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
OKOMUOIL	79.00	49.75	80.00	89.00	11%

## 1. OKOMU OIL PLC

### RECOMMENDATION - HOLD

#### Comments

Okomu Oil Palm Plc. HY'2020 results showed that revenue grew by 57.92% from N8.57 bn in HY'2019 to N13.53 bn in the current period. Similarly, gross profit went up by 81.03% to N12.44 bn in HY'2020 from N6.87 bn in HY'2019. The growth in gross profit was driven in part by the growth in revenue, and by a 35.98% decline in cost of sales. Profit before tax grew by 94.15% to N5.51 bn in the current period from N2.84 bn in HY'2019. Profit after tax rose by 64.29% from N2.44 bn in HY'2019 to N4.01 bn in the current period. Earnings per share increased by 58.49% from N2.65 in HY'2019 to N4.20 in the current period. Okomu has a BVPS of N32.79, P/BV of 1.76x and P/E ratio of 9.52x.

The agricultural sector is projected to grow by 8.20 percent, as the economic slowdown will shift attention to the sector as an alternative to oil investment, similar to what was witnessed in 2016. The structural vulnerabilities that derive from our reliance on crude oil has caused attention to be pivoted from crude oil and to other revenue generating sources in our economy, and Okomu is receiving increased attention in this regards. Accordingly, we expect their PAT to cross N7 billion and their EPS to soar past N7.



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#### OKOMU: Market Information

Current Price	N80.00
Previous Close	N80.00
Opening Price	N80.00
Day's Range	N80.00 – N80.00
% Change	0.00%
Shares Outstanding	953,910,000
Market Cap.	N76,312,800,000.00
YTD	43.88%
BVPS	N32.79
P/BV	1.76x
P/E Ratio	9.52x
52 Week Low	N49.755
52 Week High	N80.00
5 Year Low	N19.60
5 Year High	N94.20

Source: Bloomberg, MBC Research

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



Source: NSE, MBC Research

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# TOP STOCK PICKS FOR THE WEEK

## Stock picks for the week ending 16<sup>th</sup> of October 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
UCAP	3.54	1.90	4.00	4.50	27%

## 2. 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 1.17x and P/E ratio of 5.53x

The financial services sector is projected to grow by 8.50 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	N3.54
Previous Close	N3.71
Opening Price	N3.71
Day's Range	N3.71 – N3.50
% Change	-4.58%
Shares Outstanding	6,000,000,000
Market Cap.	N21,240,000,000.00
YTD	71.84%
BVPS	N3.02
P/BV	1.17x
P/E Ratio	5.53x
52 Week Low	N1.76
52 Week High	N4.00
5 Year Low	N1.90
5 Year High	N4.34

Source: Bloomberg, MBC Research

### UCAP 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 16<sup>th</sup> of October 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
UNILEVER	13.50	9.90	26.70	11.00	-19%

### 3. 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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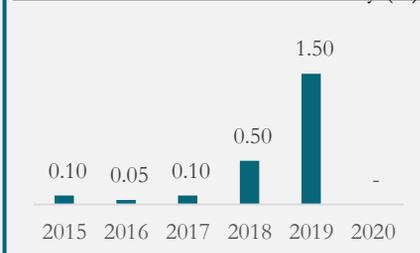
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#### UNILEVER: Market Information

Current Price	N13.50
Previous Close	N13.50
Opening Price	N13.50
Day's Range	N13.50 – N13.50
% Change	0.00%
Shares Outstanding	5,745,005,417
Market Cap.	N77,557,573,129.50
YTD	-38.64%
BVPS	N11.49
P/BV	1.17x
P/E Ratio	n/a
52 Week Low	N9.90
52 Week High	N26.70
5 Year Low	N10.00
5 Year High	N62.20

Source: Bloomberg, MBC Research

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



Source: NSE, MBC Research

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Stock picks for the week ending 16<sup>th</sup> of October 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
STANBIC	42.50	23.50	42.85	46.91	17%

## 4. STANBIC PLC

**RECOMMENDATION - HOLD**

### Comments on Last Financials

Stanbic Plc HY'2020 showed an increase in bottom-line result as profit for the period grew by 24.72%. Interest income declined by 9.30% from N60.78 bn in HY'2019 to N55.13 bn in the current period. Net interest income went down by 4.48% from N39.31 bn in HY'2019 to N37.55 bn in HY'2020. Profit before tax advanced by 17.37% from N44.65 bn in HY'2019 to N52.41 bn in the current period. The increase in profit before tax is attributable to a 94.63% increase in trading income, and supported by declines in key expenditure line items, such as; the fees and commission expense and operating expense, which both went down by 5.41% and 3.06%, respectively. Profit after tax went up by 24.72% from N36.25 bn in HY'2019 to N45.20 bn in the current period, due to a 14.31% decline in income tax expense. Consequently, Stanbic recorded a 22.51% increase in earnings per share from N3.42 in HY'2019 to N4.19 in HY'2020. The company proposed an interim dividend of N0.40. Stanbic has BVPS of N32.03, P/BV of 1.36x and P/E ratio of 5.07x.

Stanbic is expected to contribute to a forecasted financial industry growth of 20.50%, by leveraging their diversified business structure to hedge against losses specific to a certain business area. Just like other banks that maintain a hold-co. structure, the company would compensate for any decline recorded in their interest income from their other revenue streams, just as we witnessed in their half year results. Accordingly, we expect their PAT by year's end to reach N82 billion, taking the EPS above N7.



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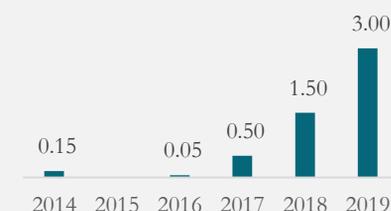
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### STANBIC: Market Information

Current Price	N42.50
Previous Close	N42.50
Opening Price	N42.50
Day's Range	N42.50 – N42.50
% Change	0.00%
Shares Outstanding	11,105,997,568
Market Cap.	N472,004,896,640.00
YTD	3.66%
BVPS	N32.03
P/BV	1.36x
P/E Ratio	5.07x
52 Week Low	N23.50
52 Week High	N42.85
5 Year Low	N13.00
5 Year High	N53.25

Source: Bloomberg, MBC Research

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



Source: NSE, MBC Research

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Stock picks for the week ending 16<sup>th</sup> of October 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
FLOURMILL	22.00	13.00	24.00	23.00	0%

## 5. FLOURMILL PLC

**RECOMMENDATION - SELL**

### Comments

Flourmill Plc. Q1'2021 results for the period ended June 2020 showed that revenue grew by 14.72% from N134.75 bn in Q1'2020 to N154.58 bn in Q1'2021. Similarly, gross profit went up by 55.10% to N25.55 bn in Q1'2021 from N16.47 bn in Q1'2020. The growth in gross profit was driven by the rise in revenue. Profit from operations advanced by 11.08% from N9.89 bn in Q1'2020 to N10.99 bn in Q1'2021, supported by a 1.77% decline in selling and distribution expenses, but subdued by a 6.01% and 9.26% increase in administrative expenses and impairment loss, respectively. Profit before tax inched up by 17.33% to N6.46 bn in Q1'2021 from N5.50 bn in Q1'2020, on the back of a 102.56% rise in investment income. Profit after tax grew by 17.33% from N4.24 bn in Q1'2020 to N4.97 bn in Q1'2021. Consequently, earnings per share rose by 3.88%, from N1.03 in Q1'2020 to N1.07 in Q1'2021. Flourmill has a BVPS of N39.21, P/BV of 0.47x and P/E ratio of 5.37x.

Flourmill has proven to be immune to the negative impacts of the pandemic, as the company's strong product offerings in the value segments, the benefits from the border closure, and their cost optimization strategies, helped offset the impact of the weakening consumer spending in the economy, disruptions to the supply chain and the existing currency risks in their export segment. Accordingly, their Food, Agro Allied and Sugar revenue segments grew by 12%, 29% and 12%, respectively, as the company continues to deepen their market share amidst competing brands. Hence, we expect their 2021 PAT to move past N20.00 billion, taking the EPS above N3.00.



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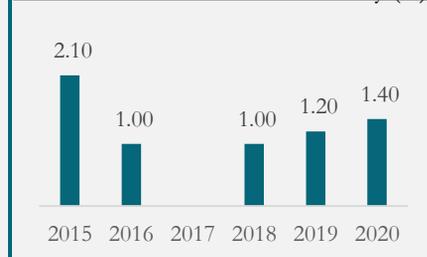
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### Flourmill: Market Information

Current Price	N22.00
Previous Close	N22.00
Opening Price	N22.00
Day's Range	N22.00 – N22.00
% Change	0.00%
Shares Outstanding	4,100,379,605
Market Cap.	N77,907,212,495.00
YTD	16.75%
BVPS	N39.21
P/BV	0.47x
P/E Ratio	5.37x
52 Week Low	N13.00
52 Week High	N24.00
5 Year Low	N13.00
5 Year High	N38.00

Source: Bloomberg, MBC Research

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



Source: NSE, MBC Research

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# TOP STOCK PICKS FOR THE WEEK

Stock picks for the week ending 16<sup>th</sup> of October 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
DANGCEM	150.00	116.00	180.40	220.00	47%

## 6. 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 3.23x and P/E ratio of 10.07x.

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	N150.00
Previous Close	N150.50
Opening Price	N150.50
Day's Range	N150.00 – N150.00
% Change	-0.33%
Shares Outstanding	17,040,507,405
Market Cap.	N2,556,076,110,750.00
YTD	5.63%
BVPS	N43.39
P/BV	3.23x
P/E Ratio	10.07x
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 STOCK PICKS FOR THE WEEK

## Stock picks for the week ending 16<sup>th</sup> of October 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
WAPCO	17.00	8.95	17.60	25.00	47%

### 7. 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 N21.86 P/BV of 0.78x and P/E ratio of 5.86x.

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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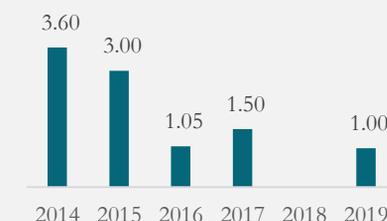
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### Wapco: Market Information

Current Price	N17.00
Previous Close	N17.00
Opening Price	N17.00
Day's Range	N17.10 – N17.00
% Change	0.59%
Shares Outstanding	16,107,795,496
Market Cap.	N273,832,523,432.00
YTD	36.55%
BVPS	N21.41
P/BV	0.78x
P/E Ratio	5.86x
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 STOCK PICKS FOR THE WEEK

Stock picks for the week ending 16<sup>th</sup> of October 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%

## 8. 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. It has a P/BV of 16.43x, a P/E ratio of 20.80x and a BVPS of N71.50.

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 STOCK PICKS FOR THE WEEK

## Stock picks for the week ending 16<sup>th</sup> of October 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
FBNH	6.20	3.60	7.85	9.00	45%

### 9. 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 0.32x and P/E ratio of 2.30x.

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	N6.20
Previous Close	N6.30
Opening Price	N6.30
Day's Range	N6.30 – N6.15
% Change	-1.59%
Shares Outstanding	35,895,292,792
Market Cap.	N222,550,815,310.40
YTD	0.81%
BVPS	N19.62
P/BV	0.32x
P/E Ratio	2.30x
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



Source: NSE, MBC Research

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# TOP STOCK PICKS FOR THE WEEK

## Stock picks for the week ending 16<sup>th</sup> of October 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
AFRIPRUD	5.73	3.15	5.50	4.00	-30%

### 10. 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 1.45x, P/E ratio of 5.31x.

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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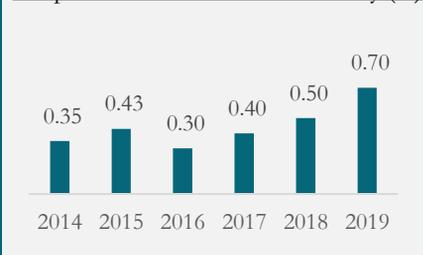
(Member of The Nigerian Stock Exchange)

### Afriprud: Market Information

Current Price	N5.73
Previous Close	N5.70
Opening Price	N5.70
Day's Range	N5.73 – N5.70
% Change	0.53%
Shares Outstanding	2,000,000,000
Market Cap.	N11,460,000,000.00
YTD	3.25%
BVPS	N3.96
P/BV	1.45x
P/E Ratio	5.31x
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 5 STOCK PICKS FOR THE WEEK

Stock picks for the week ending 16<sup>th</sup> of October 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
ZENITHBANK	20.00	10.70	23.00	25.50	27%

## 11. 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 0.63x and P/E ratio of 3.03x.

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	N20.10
Opening Price	N20.05
Day's Range	N20.50 - N19.75
% Change	-0.5%
Shares Outstanding	31,396,493,786
Market Cap.	N627,929,875,720.00
YTD	7.53%
BVPS	N31.50
P/BV	0.63x
P/E Ratio	3.03x
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 16<sup>th</sup> of October 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
CADBURY	7.15	4.95	11.60	7.00	-2%

### 12. 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 1.02x and P/E ratio of 12.33x.

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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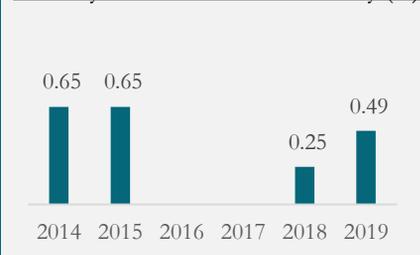
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#### CADBURY: Market Information

Current Price	N7.15
Previous Close	N7.15
Opening Price	N7.15
Day's Range	N7.15 – N7.15
% Change	0%
Shares Outstanding	1,878,202,040
Market Cap.	N13,147,414,280.00
YTD	-32.23%
BVPS	N7.02
P/BV	1.02x
P/E Ratio	12.33x
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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# 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 3.68x.

### 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 1.96x and P/E ratio of 12.05x. CSCS proposed a final dividend of ₦0.86k.

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