

WEEKLY MARKET REVIEW & STOCK RECOMMENDATIONS

MONDAY OCTOBER 19, 2020

MACROECONOMIC ROUNDUP

Oil gained nearly 2% as robust China trade data offsets returning supply

Oil prices rebounded on Tuesday, supported by robust economic data from China that offset returning supply in other regions but gains were capped by forecasts for a slow recovery in global oil demand as coronavirus cases rise. China, the world's top crude oil importer, took in 11.8 million barrels per day (bpd) of oil in September, up 5.5% from August and up 17.5% from a year earlier, but still below the record high level of 12.94 mln bpd in June, customs data showed.

Coronavirus spending pushes U.S. 2020 fiscal year deficit to \$3.132 trillion

The U.S. budget deficit hit a record \$3.132 trillion during fiscal 2020, more than triple the 2019 shortfall due to massive coronavirus rescue spending. The deficit more than doubled the previous record of \$1.416 trillion in fiscal 2009, when the United States was battling a financial crisis. At the start of the 2020 fiscal year ended Sept. 30, the U.S. government had forecast to rack up a \$1 trillion deficit before coronavirus lockdowns began in March, shutting down large portions of the travel, retail and small business sectors of the economy.

Nigeria's inflation rate hits 13.71% as food prices soar

The Nigerian inflation rate rose to 13.71% Y-o-Y in September 2020 indicating 0.49% point higher than 13.22% recorded in August 2020. On a M-o-M basis, the Headline index increased by 1.48% in September 2020. This is 0.14% rate higher than in August 2020 (1.34%). Also, the urban inflation rate increased by 14.31% Y-o-Y in review period from 13.83% recorded in August 2020, while the rural inflation rate increased by 13.14% in September 2020 from 12.65% in August 2020. Nigeria has endured persistent increase in inflationary rate, growing from 12.13% in January to 13.71% in September, which is highest recorded in 30 months. The rise in the food index was caused by increases in prices of Bread and Cereals, Potatoes, Yam and other tubers, Meat, Fish, Fruits and Oils and fats.

DMO offers for subscription N30 billion FGN bonds on October 21.

The Debt Management Office (DMO) has announced the offer for subscription by auction, a total of N30bn worth of bonds on October 21. The sum of N15 billion will be a 15-year re-opening bond at 12.5% per annum, that would mature in March 2035 and another N15 billion 25-year re-opening bond at 9.8% per annum, that would mature in July 2045.



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Global Equities Watch (W/W)

US	DJIA	▲	0.07%
US	S&P 500	▲	0.19%
US	NASDAQ	▲	0.79%
China	SHCOMP	▲	1.96%
Japan	NIKKEI 225	▼	-0.89%
Germany	DAX INDEX	▼	-1.09%
UK	FTSE 100	▼	-1.61%
France	CAC 40	▼	-0.28%
India	SENSEX	▼	-1.30%
Russia	RTSI	▼	-2.71%
Kenya	NSE	▼	-0.30%
	MSCI EM	▲	0.14%
	MSCI FM	▲	0.35%

Source: Bloomberg, MSCI, MBC Research

Domestic Macro Indicators

	Current	Previous	Change
GDP	-6.10%	1.87%	▼ 797bsp
Inflation	13.71%	13.22%	▲ 49bsp
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.

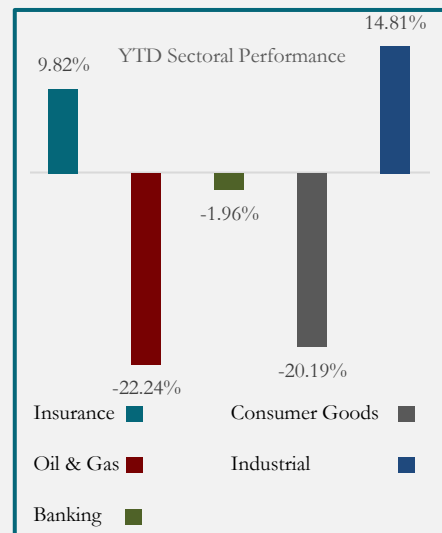
The sectoral performance in 2020 will be majorly impacted by the Covid-19 induced economic slowdown and the decline in oil receipts. Accordingly, companies operating in sectors that are exposed to oil; those heavily dependent on FX; those who are suppliers of non-essential goods; and those who are providers 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 Equities Market

The Nigerian Bourse closed bullish last week as the ASI improved by 0.86% week-on-week to close at 28,659.45 points, while year-to-date returns closed at 6.77%.

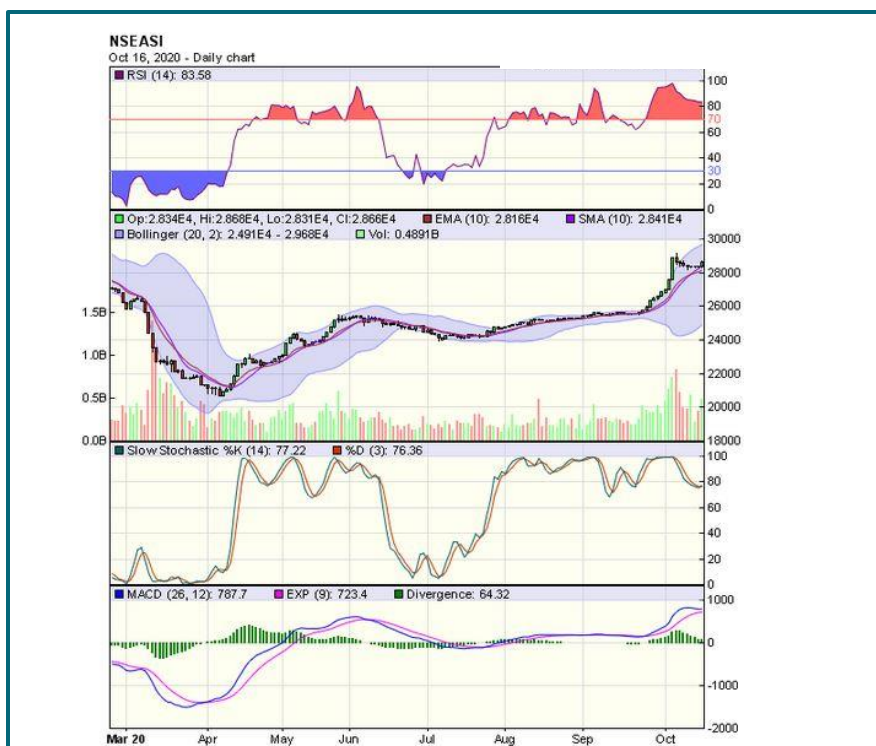
Market activity decreased as aggregate volume waned by 37.74% while value decreased by 35.04%. Investors traded a total of 1.955 billion units of shares valued at N22.978 billion in 22,844 deals.

The Financial Services industry (measured by volume) led the activity chart with 1.648 billion shares valued at N18.824 billion traded in 13,050 deals. The Conglomerates industry followed with 99.313 million shares worth N87.823 million in 553 deals.

Sectors performance was significantly bullish as Banking (2.89%), Oil and Gas (2.40%), Consumer Goods (1.87%) and Industrial (0.24%) indices advanced. However, the Insurance (-0.82%) index declined.

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. However, we expect the bulls to edge the bears by week's end on the back of increased liquidity in the equities market.

Technical Indicator



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Top 5 Gainers for the Week

(W/W)

Eterna Plc	34.99%
International Brew Plc	12.92%
Cadbury Plc	12.59%
Guinness Plc	12.33%
Lafarge Plc	10.88%

Source: NSE, MBC Research

Top 5 Losers for the Week

(W/W)

Etranzact Plc	-26.38%
Portland Plc	-10.31%
Consolidated Plc	-8.11%
Royal Exchange Plc	-7.41%
Cutix Plc	-5.81%

Source: NSE, MBC Research

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STOCK RECOMMENDATIONS FOR THE WEEK

Stock Recommendations for the week ending 23rd of October 2020

Ticker	Last Close (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside/Downside Potential	Recommendation
PRESCO	65.90	34.60	65.90	80.42	22%	BUY
FIDELITY	2.08	1.50	2.40	2.50	20%	BUY
DANGSUGAR	13.80	8.90	16.60	20.50	49%	BUY
NB	49.20	22.00	59.75	32.00	17%	SELL
MTNN	140.00	90.00	142.70	176.00	26%	BUY
OKOMU OIL	80.00	49.75	80.00	89.00	11%	HOLD
UCAP	3.63	1.90	4.00	4.50	24%	BUY
UNILEVER	13.50	9.90	26.70	11.00	-19%	SELL
STANBIC	43.00	23.50	42.85	46.91	15%	HOLD
FLOURMILL	21.65	14.00	24.00	23.00	6%	HOLD
DANG-CEM	150.00	116.00	180.40	220.00	47%	BUY
WAPCO	18.85	8.95	17.60	25.00	33%	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 STOCK PICKS FOR THE WEEK

Stock picks for the week ending 23rd of October 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
PRESCO	65.90	34.60	65.90	80.42	22%

1. PRESCO PLC

RECOMMENDATION - BUY

Comments on Last Financials

Presco's results for HY'2020 revealed that revenue increased by 29.35% from N10.41 bn in HY'2019 to N13.46 bn in the current period. Similarly, gross profit went up by 32.10% to N9.04 bn in HY'2020 from N6.85 bn in HY'2019, despite a 24.06% surge in cost of sales. In the same vein, operating profit increased by 51.73% from N4.35 bn in HY'2019 to N6.60 bn in the current period. The growth recorded in the operating profit was supported by reductions in key expenditure line items, such as; the administrative expenses and selling and distribution expenses, which both declined by 21.01% and 18.00%, respectively. Profit before tax rose by 67.71% to N5.77 bn in HY'2020 from N3.44 bn in HY'2019, supported by an 8.64% decline in finance cost. Profit after tax advanced by 70.51% from N2.58 bn in HY'2019 to N4.39 bn in HY'2020. Consequently, earnings per share grew by 70.82%, from N2.57 in HY'2019 to N4.39 in HY'2020. Presco has a BVPS of N32.28, P/BV of 2.04x and a P/E ratio of 7.51x.

Presco has been able to take advantage of greater government support and increased investor sentiment to sustain their growth through the recent economic crises. This was evidenced in their half year results, which stood in line with our earlier projections. The 2020 growth outlook for the agricultural sector remains positive at 4.20 percent, buoyed by the performance of key public companies, such as Presco, which are able to leverage the increased relevance of agriculture, during times of economic hardship that have been sponsored in part or in whole by crude oil shocks. Accordingly, see the 2020 PAT crossing N7.00 bn, taking the EPS past N7.00.



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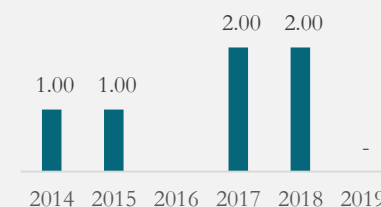
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Presco: Market Information

Current Price	N65.90
Previous Close	N60.50
Opening Price	N60.50
Day's Range	N65.90 – N58.85
% Change	8.93%
Shares Outstanding	1,000,000,000
Market Cap.	N65,900,000,000.00
YTD	38.74%
BVPS	N32.28
P/BV	2.04x
P/E Ratio	7.51x
52 Week Low	N34.60
52 Week High	N65.90
5 Year Low	N30.50
5 Year High	N75.60

Source: Bloomberg, MBC Research

Presco Plc - FY Dividend History (₦)



Source: NSE, MBC Research

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TOP STOCK PICKS FOR THE WEEK

Stock picks for the week ending 23rd of October 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
FIDELITY	2.08	1.50	2.40	2.50	20%

2. 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 0.24x and P/E ratio of 2.67x.

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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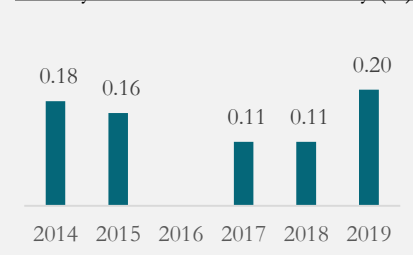
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FIDELITY: Market Information

Current Price	N2.08
Previous Close	N2.02
Opening Price	N2.02
Day's Range	N2.11 – N2.03
% Change	2.97%
Shares Outstanding	28,974,797,023
Market Cap.	N60,267,577,807.84
YTD	1.46%
BVPS	N8.65
P/BV	0.24x
P/E Ratio	2.67x
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 23rd of October 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
DANGSUGAR	13.80	8.90	16.60	20.50	49%

3. 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 N9.86, P/BV of 1.38x and P/E ratio of 7.11x.

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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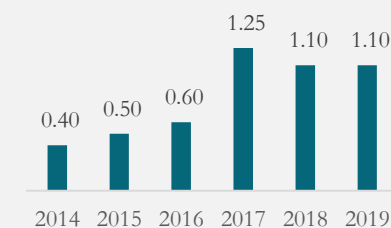
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Dangsugar: Market Information

Current Price	N13.80
Previous Close	N13.65
Opening Price	N13.8
Day's Range	N12.30 – N12.50
% Change	1.11%
Shares Outstanding	12,146,878,241
Market Cap.	N167,626,919,725.80
YTD	1.47%
BVPS	N9.86
P/BV	1.38x
P/E Ratio	7.11x
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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Stock picks for the week ending 23rd of October 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
NB	49.20	22.00	59.75	32.00	-35%

4. NB PLC

RECOMMENDATION - **SELL**

Comments on Last Financials

NB Plc. HY'2020 results showed that revenue fell by 10.80% from N170.19 bn in HY'2019 to N151.80bn in HY'2020. Gross profit went down by 17.46% to N59.14 bn in HY'2020 from N71.65 bn in HY'2019. The fall in gross profit was driven by the decline in revenue, although cost of sales went down by 5.96%. Operating profit declined by 38.49% from N24.46bn in HY'2019 to N15.04 bn in HY'2020 owing to a 6.86% increase in administrative expenses, although they recorded a 10.03% decrease in marketing and distribution expenses. Profit before Tax waned by 57% to N8.34 bn in HY'2020 from N19.40 bn in HY'2019, on the back of a 37.65% decline in finance income. Profit after Tax declined by 58.03% from N13.31 bn in HY'2019 to N5.58 bn in HY'2020. EPS fell by 57.23%, from N1.66 in HY'2019 to N0.71 in HY'2020. It has a P/E ratio of 34.65x, P/BV of 2.45x and a BVPS of N20.12.

The Breweries subsector is in a frightful situation than the consumer goods industry blame intense competition and heightened production costs due to increased tariffs. Additionally, the sector has been badly hit by the covid-19 pandemic owing to lockdowns that disrupted distribution channels and reduced social events. The outlook for NB will mirror the performance of the subsector, exacerbated by the impact of the reduced purchasing power on the consumer goods industry.



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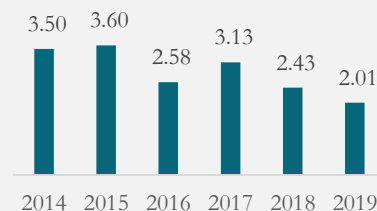
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NB: Market Information

Current Price	N49.20
Previous Close	N49.20
Opening Price	N49.20
Day's Range	N49.20 – N49.20
% Change	0%
Shares Outstanding	7,996,902,051
Market Cap.	N393,447,580,909.20
YTD	-16.61%
BVPS	N20.12
P/BV	2.45x
P/E Ratio	34.65x
52 Week Low	N22.00
52 Week High	N59.75
5 Year Low	N22.00
5 Year High	N191.00

Source: Bloomberg, MBC Research

NB 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 23rd of October 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
MTNN	140.00	90.00	142.70	176.00	26%

5. 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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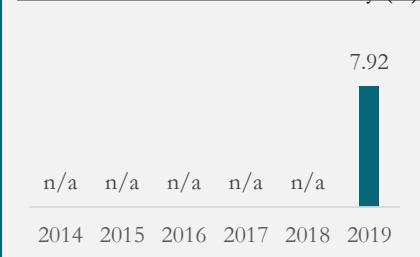
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MTNN: Market Information

Current Price	N140.00
Previous Close	N140.00
Opening Price	N140.00
Day's Range	N140.00 – N140.00
% Change	0.36%
Shares Outstanding	20,354,513,050
Market Cap.	N2,849,631,827,000.00
YTD	33.33%
BVPS	N6.85
P/BV	20.45x
P/E Ratio	15.02x
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 23rd of October 2020

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

6. 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 23rd of October 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
UCAP	3.63	1.90	4.00	4.50	24%

7. 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 1.20x and P/E ratio of 5.67x

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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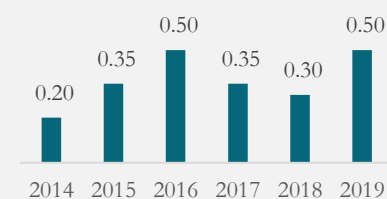
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UCAP: Market Information

Current Price	N3.63
Previous Close	N3.50
Opening Price	N3.50
Day's Range	N3.63 – N3.53
% Change	3.71%
Shares Outstanding	6,000,000,000
Market Cap.	N21,780,000,000.00
YTD	76.21%
BVPS	N3.02
P/BV	1.20x
P/E Ratio	5.67x
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 23rd 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%

8. 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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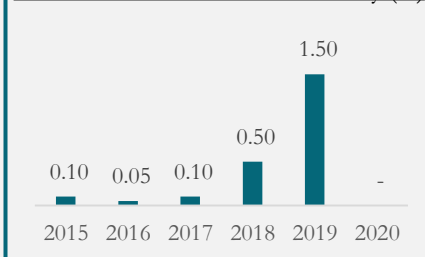
(Member of The Nigerian Stock Exchange)

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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TOP STOCK PICKS FOR THE WEEK

Stock picks for the week ending 23rd of October 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
STANBIC	43.00	23.50	42.85	46.91	15%

9. 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 1.34x and P/E ratio of 5.13x.

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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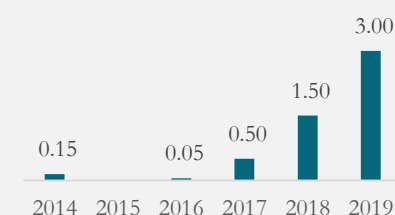
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STANBIC: Market Information

Current Price	N43.00
Previous Close	N42.50
Opening Price	N42.50
Day's Range	N43.00 – N43.00
% Change	1.18%
Shares Outstanding	11,105,997,568
Market Cap.	N477,557,895,424.00
YTD	4.88%
BVPS	N32.03
P/BV	1.34x
P/E Ratio	5.13x
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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TOP STOCK PICKS FOR THE WEEK

Stock picks for the week ending 23rd of October 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
FLOURMILL	21.65	13.00	24.00	23.00	6%

10. FLOURMILL PLC

RECOMMENDATION - HOLD

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 0.55x and P/E ratio of 5.06x.

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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Flourmill: Market Information

Current Price	N21.65
Previous Close	N21.11
Opening Price	N21.11
Day's Range	N21.65 – N21.65
% Change	2.61%
Shares Outstanding	4,100,379,605
Market Cap.	N88,773,218,448.25
YTD	9.90%
BVPS	N39.21
P/BV	0.55x
P/E Ratio	5.06x
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 23rd 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%

11. 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	N150.00
Opening Price	N150.00
Day's Range	N150.00 – N150.00
% Change	0%
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 23rd of October 2020

Ticker	Current Price (N)	52 Week Low (N)	52 Week High (N)	Exit Price	Upside Potential
WAPCO	18.85	8.95	18.85	25.00	33%

12. 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 0.86x and P/E ratio of 6.50x.

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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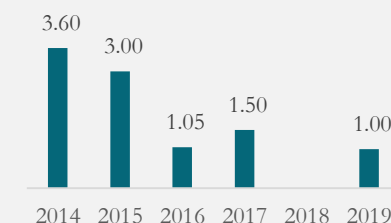
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Wapco: Market Information

Current Price	N18.85
Previous Close	N18.05
Opening Price	N18.05
Day's Range	N18.85 – N18.45
% Change	4.43%
Shares Outstanding	16,107,795,496
Market Cap.	N273,832,523,432.00
YTD	51.41%
BVPS	N21.41
P/BV	0.86x
P/E Ratio	6.50x
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 (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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