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ARM Research | Weekly Call

The Nigerian bourse closed negative for the second consecutive week, with the NSE ASI Shedding 2.12% WoW to close at 31,827.24 points while market capitalization dipped by ₦256.67 billion. The broad market loss was driven by bearish sentiments in the Banking (-5.83%), Brewers (-0.18%), Personal care (-5.26%), Food (-3.49%) and Oil & Gas (-2.60%) indices which neutered gains in the Cement (+2.09%) and Insurance (+1.04%) indices.

- **Zenith Bank Plc – STRONG BUY** (FVE: ₦38.17): We retain our STRONG BUY rating on Zenith with a revised FVE of ₦38.17/share. Over 2019, we forecast EPS of ₦6.57 which is 7% higher than 2018 (₦6.16) mainly reflecting i) expansion in assets yield from increase in loan book which would more than outweigh funding cost to support moderate expansion in NIM ii) increase in NIR due to resilience in fee income and ii) improvement in asset quality with non-performing loan (NPL) ratio of 4.5% and slower expansion in cost of risk (CoR) to 1.0%.
- **Fidelity Bank Plc – BUY** (FVE: ₦2.92): With our estimates suggesting a solid performance for 2018, we have rolled forward our model and maintain our TP on the stock. Beyond our modeled expansion in Net Interest Margin over 2019, we expect stronger support from NIR (+19% YoY) during the year which will be central to earnings over 2019. Our estimates put PBT at ₦30 billion (+16% YoY) with EPS printing at ₦0.95 (+17% YoY).
- **Lafarge Africa Plc – SPECULATIVE BUY** (FVE: ₦18.07): We have lowered our FVE on Lafarge to ₦18.07 as we now expect a more significant dilution from the ₦89 billion Rights Issue and a downward revision to our 2019 volumes growth. Based on current price, our FVE translates to a BUY. However, we are highly cautious on Lafarge and thus rate the stock a SPECULATIVE BUY.
- **Unilever Plc – STRONG BUY** (FVE: ₦49.19): We have a STRONG BUY rating on UNILEVER with our FVE of ₦49.19 (+13.1% upside), supported by our expectation of strong growth from the food business over 2019, given its resilience over the last two years - having maintained a double-digit growth. In addition, given Unilever's strong cash balance and our anticipation of slight uptick in yields, we expect the company to report a higher net finance income over the year.
- **Okomu Oil Palm Plc – STRONG BUY** (FVE: ₦97.75): Over our forecast period, we anticipate volumes growth emanating from the harvest of fresh fruit bunches from its extension 2 plantation. Based on our expectation for volumes growth, accompanied by margin expansion, we raise our FVE to ₦97.75.

Please read our [Ratings, Disclosure & Disclaimer](#) to understand how our analysts reach their recommendations.

Corporate Benefit Tracker

Last week

- Dangote Cement Plc released its FY 18 result with EPS expanding 91% YoY to ₦22.91. The company also declared a final dividend of ₦16.0. Click [here](#) to read more
 - Chellarams Plc formally launched its new product- the Real Active Malted food drink – to satisfy the demand of its new customers. Click [here](#) to read more
 - Following the application of the voluntary delisting of Newrest ASL Nigeria Plc, the Company's shares was placed on full suspension, to comply with the post-approval requirements which will precede the final delisting of the company. Click [here](#) to read more
- Click [here](#) to view full corporate actions thus far in 2019.

Stock Recommendation

Sectors/Stocks	Rating	FVE (₦)	Price (₦)	Upside	YTD Return	P/E FY 17(x)	P/E FY 18E (x)	P/B FY 17E (x)	P/B FY 18E (x)	FY 18E dividend yield
BANKING										
ACCESS	UR	13.46	5.9	UR	-43.5%	2.8	2.7	0.6	0.5	7.4%
DIAMOND	SELL	1.39	2.31	-39.9%	54.0%	1.2	1.3	0.2	0.4	0.0%
ETI	OVERWEIGHT	16.54	14	18.1%	-17.6%	38.6	16.2	123.2	110.7	0.0%
FBNH	UR	12.86	7.75	UR	-11.9%	7.0	3.9	0.2	0.3	3.9%
FCMB	NEUTRAL	2.34	2.08	12.5%	40.5%	7.6	2.9	0.3	0.3	4.8%
FIDELITY	BUY	2.92	2.35	24.2%	-4.5%	2.0	4.2	0.1	0.4	7.0%
GTB	UR	49.02	35.5	UR	-12.9%	6.3	6.0	1.7	1.5	8.0%
STANBIC	OVERWEIGHT	55.00	46.5	18.3%	12.0%	10.2	9.8	2.7	2.4	6.5%
UBA	UR	16.14	7.60	UR	-26.2%	4.8	4.4	0.7	0.7	13.0%
ZENITH	STRONG BUY	38.17	23.95	59.4%	-6.6%	4.9	3.9	1.1	1.0	11.7%
CEMENT										
CCNN	SELL	16.68	19.95	-16.4%	110.0%	16.0	86.9	0.8	0.7	1.1%
DANGCEM	UR	253.03	196.6	UR	-14.5%	21.0	14.5	5.0	4.0	5.8%
LAFARGE	STRONG BUY	18.07	12.9	40.1%	-71.3%	NA	NA	1.6	0.5	8.6%
BREWERIES										
GUINNESS	OVERWEIGHT	77.31	67.15	15.1%	-28.6%	86.1	21.9	2.8	1.7	2.7%
NB	UNDERWEIGHT	76.58	80	-4.3%	-40.7%	32.6	27.8	6.0	6.1	3.6%
AGRIC										
OKOMU	STRONG BUY	97.75	80.00	22.2%	18.2%	8.3	9.0	2.0	1.7	3.2%
PRESCO	SELL	67.47	75	-10.0%	9.5%	3.0	12.2	0.7	0.7	1.5%
FOOD PRODUCERS										
DANG SUGAR	OVERWEIGHT	17.01	14.65	16.1%	-26.8%	6.0	6.4	2.6	1.7	8.3%
NESTLE	SELL	1287.54	1510	-14.7%	-3.0%	36.6	25.2	27.5	27.5	4.0%
PERSONAL CARE										
PZ	SELL	10.12	13.45	-24.8%	-34.7%	22.3	46.4	1.6	2.0	1.1%
UNILEVER	STRONG BUY	49.19	38.7	27.1%	-5.6%	23.0	21.7	2.3	2.6	1.6%
OIL & GAS										
FORTE OIL	BUY	34.35	28	22.7%	-35.6%	2.5	5.4	0.9	0.8	NA
MRS	BUY	39.20	28.55	37.3%	4.0%	5.2	51.4	0.4	0.4	NA
SEPLAT	STRONG BUY	975.27	619	57.6%	-1.2%	3.8	4.0	0.7	0.6	NA
TOTAL	BUY	244.28	200	22.1%	-13.0%	8.5	7.3	3.0	1.8	6.9%

“FVE” means Fair Value Estimate

“UR” means Under Review