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## ARM Research | Weekly Call

The Nigerian equity market closed the week negative, with the NSE ASI shedding 2.51% WoW to close at 30,636.36 points. The bearish performance was driven by losses in the most sectors - Banking (-2.66%), Brewers (-6.43%), Cement (-2.07%), Construction (-4.48%), Food (-2.25%) and Insurance (-0.74%). Further breakdown of the performance reveals that sell pressure prevailed across bellwether stocks (ACCESS: -6.15%, FBNH: -3.92%, UBA: -7.14%, GUINNESS: -8.45%, NB: -7.38%, DANGCEM: -2.06%, SEPLAT: -1.85% and MANSARD: -0.51%).

- **Dangote Cement Plc – STRONG BUY** (FVE: ₦253.03). We have lowered our FVE on DANGCEM to ₦253.03 largely due to a downward revision of 2019 volume growth due to electioneering concern which has slowed ongoing infrastructure projects. However, we believe DANGCEM presents an attractive entry point in the cement sector in Nigeria given its strong and diversified margins and balanced funding structure.
- **Unilever Plc – STRONG BUY** (FVE: ₦49.19). We have a STRONG BUY rating on UNILEVER with our FVE of ₦49.19 (+34.6% 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.
- **PZ Cussons Plc: SELL** (FVE: ₦10.93). We believe operating profit will come in weaker than the prior year, as competition with imported substitutes guides to weaker revenue of ₦76.7 billion (-4.8% YoY). We have a FVE of ₦10.93 on PZ, which translates to a SELL rating based on last trading price. On our numbers, PZ trades at a P/E of 42.9x, which is a premium to its Bloomberg MENA peer average of 32.2x.
- **Fidelity Bank Plc – OVERWEIGHT** (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).
- **Okomu Oil Palm Plc – OVERWEIGHT** (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

- Fidson Healthcare Plc has obtained approval from the Securities and Exchange Commission (SEC) to issue a revised Rights Circular with respect to its Rights Issue from an initial 900,000,000 ordinary shares at Five Naira (₦5.00) per share (on the basis of three new ordinary shares for every five) to 750,000,000 ordinary shares at ₦4.00 per share, on the basis of 1 new ordinary share for every 2 ordinary shares. Click [here](#) to read more
- Guinea Insurance Plc debunked publications stating the company suspension by National Insurance Commission (NAICOM) from writing new businesses. Click [here](#) to read more

Click [here](#) to view full corporate actions thus far in 2019.

Stock Recommendation

Sectors/Stocks	Rating	FVE (N)	Price (N)	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	6.5	UR	-37.8%	3.0	3.0	0.6	0.5	6.7%
DIAMOND	SELL	1.39	2.31	-39.9%	54.0%	1.2	1.3	0.2	0.4	0.0%
ETI	OVERWEIGHT	16.54	15	10.2%	-11.8%	41.4	17.3	131.9	118.6	0.0%
FBNH	UR	12.86	7.65	UR	-13.1%	7.0	3.9	0.2	0.3	4.0%
FCMB	NEUTRAL	2.34	2.15	9.0%	45.3%	7.6	3.0	0.3	0.3	4.7%
FIDELITY	OVERWEIGHT	2.92	2.5	16.6%	1.6%	2.0	4.5	0.1	0.4	6.5%
GTB	UR	49.02	34.5	UR	-15.3%	6.3	6.0	1.7	1.5	8.3%
STANBIC	OVERWEIGHT	55.00	47	17.0%	13.3%	10.2	9.9	2.7	2.4	6.4%
UBA	UR	16.14	7.7	UR	-25.2%	4.8	4.4	0.7	0.7	12.8%
ZENITH	UR	35.25	25.5	UR	-0.5%	4.9	4.4	1.1	1.0	12.5%
CEMENT										
CCNN	SELL	16.68	24	-30.5%	152.6%	19.2	104.5	0.8	0.7	1.1%
DANGCEM	STRONG BUY	253.03	194	30.4%	-15.7%	21.0	14.3	5.0	4.0	5.9%
LAFARGE	STRONG BUY	18.07	12.5	44.6%	-72.2%	NA	NA	1.6	0.5	8.9%
BREWERIES										
GUINNESS	NEUTRAL	73.96	71	4.2%	-24.5%	86.1	23.2	2.8	1.8	2.6%
NB	SELL	76.58	79.9	-4.2%	-40.8%	32.6	27.8	6.0	6.1	3.6%
AGRIC										
OKOMU	OVERWEIGHT	97.75	82.00	19.2%	21.1%	8.6	9.2	2.0	1.7	3.1%
PRESCO	NEUTRAL	67.47	60	12.5%	-12.4%	2.4	9.8	0.7	0.7	1.9%
FOOD PRODUCERS										
DANG SUGAR	OVERWEIGHT	17.01	14.5	17.3%	-27.5%	6.0	6.3	2.6	1.6	8.4%
FLOURMILL	BUY	39.40	19.5	102.1%	-32.8%	4.2	4.5	0.3	0.4	10.2%
NESTLE	SELL	1330.35	1450	-8.3%	-6.8%	36.6	24.2	27.5	27.5	4.1%
UACN	BUY	16.44	8.65	90.1%	-48.8%	9.9	5.9	0.3	0.3	6.7%
PERSONAL CARE										
PZ	SELL	10.93	11.3	-3.3%	-45.1%	22.3	46.4	1.6	2.0	1.3%
UNILEVER	STRONG BUY	49.19	36.55	34.6%	-10.9%	23.0	20.5	2.3	2.5	1.7%
OIL & GAS										
FORTE OIL	NEUTRAL	34.35	29.5	16.4%	-32.2%	2.6	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	540	80.6%	-13.8%	3.3	3.5	0.6	0.5	NA
TOTAL	OVERWEIGHT	244.28	214.5	13.9%	-6.7%	9.1	7.3	3.0	1.8	6.5%

“FVE” means Fair Value Estimate

“UR” means Under Review