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## ARM Research | Weekly Call

The Nigerian bourse closed the week positive as the NSE ASI appreciated by 2.92% WoW to close at 31,529.92 points, with the market capitalization gaining ₦333.6 billion. The bullish sentiments were spurred by gains in most sectors – Banking (+7.63%), Brewers (+3.68%), Personal care (+1.86%), Food (+5.10%), Insurance (+0.67%), Oil & Gas (+0.19%) and Real Estate (+0.22%). Dissecting the sector performance, gains were driven by interest across bellwether stocks (FBNH: +8.84%, GUARANTY: +14.69%, ZENITH: +6.32%, NB: +5.41%, NESTLE: +5.63%, AIICO: +12.50% and MANSARD: +4.64%) across sectors.

- **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.
- **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 (+39.3% 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.
- **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

- Consolidated Hall Mark Insurance Plc listed 1,130,000,000 additional ordinary shares of 50 kobo each at 65 kobo per share on the NSE. This brings its total and fully paid up shares to 8,130,000,000 shares from 7,000,000,000. Click [here](#) to read more
- Click [here](#) to view full corporate actions thus far in 2019.

# Stock Recommendation

| Sectors/Stocks | Rating      | FVE<br>(₹) | Price<br>(₹) | Upside | YTD<br>Return | P/E FY<br>17(x) | P/E FY<br>18E (x) | P/B FY<br>17E (x) | P/B FY 18E<br>(x) | FY 18E<br>dividend<br>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           | UR          | 2.34       | 2.15         | UR     | 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      | 7.70         | 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             | UNDERWEIGHT | 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%                        |
| NESTLE         | SELL        | 1287.54    | 1450         | -11.2% | -6.8%         | 36.6            | 24.2              | 27.5              | 27.5              | 4.1%                        |
| PERSONAL CARE  |             |            |              |        |               |                 |                   |                   |                   |                             |
| PZ             | SELL        | 10.12      | 11.3         | -10.4% | -45.1%        | 22.3            | 46.4              | 1.6               | 2.0               | 1.3%                        |
| UNILEVER       | STRONG BUY  | 49.19      | 36.55        | 39.5%  | -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