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## ARM Research | Weekly Call

The Nigerian equities market closed positive for the second consecutive week, with the NSE ASI gaining 1.36% WoW to close at 31,426.63 points and market capitalization adding ₦157 billion. This was largely driven by gains in the Banking (+6.46%), Oil & Gas (+3.04%) and Insurance (+1.24%) sectors following buying interest in sector heavy weights: ACCESS: +16.07%, FBNH: +4.97%, GUARANTY: +7.98% MANSARD: +4.84% OANDO +8.99% and TOTAL +10.00%.

- **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.
- **Nestle Nigeria Plc – SELL** (FVE: ₦1,287.54): We expect NESTLE to report strong earnings with FY 18E EPS of ₦56.89 (+33.7% YoY), supported by expansion in gross margin and significant decline in interest expense. However, from a valuation standpoint, we think the stock is expensive at current pricing.
- **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.
- **Seplat Petroleum Development Company Plc – STRONG BUY** (FVE: ₦975.27). The case for Seplat remains higher crude oil prices and volumes, unrecognized capital allowance, reserve accretion, higher receipt from crude oil lifted in OML 55 as well as the company's extended debt maturity profile which feeds into an improved cash position.
- **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).

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

## Corporate Benefit Tracker

### Last week

- May & Baker's rights issue of 980,000,000 ordinary shares was 76.04% successful as 745,234,886 additional ordinary shares were listed on the NSE on Thursday, 24 January 2019, bringing the total issued and fully paid up shares to 1,725,234,886 from 980,000,000 ordinary shares. Click [here](#) to read more
- The entire issued share capital of Great Nigeria Insurance (GNI) were delisted from the Nigerian Stock Exchange on Friday, 25 January 2019, following its notification of Dealing Members of the approval for the voluntary delisting of the entire share capital of GNI. Click [here](#) to read more
- Flour Mills of Nigeria Plc filed a scheme of Arrangement with the SEC to transfer its existing assets in one of its divisions, Golden Penny Fertilizer, to its wholly owned Agro Allied company, Golden Fertilizer Company Limited. 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	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	7.7	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	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%
FLOURMILL	BUY	39.40	19.5	102.1%	-32.8%	4.2	4.5	0.3	0.4	10.2%
NESTLE	SELL	1,287.54	1450	-11.2%	-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	10.12	11.3	-10.4%	-45.1%	22.3	46.4	1.6	2.0	1.3%
UNILEVER	STRONG BUY	50.98	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