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## ARM Research | Weekly Call

Over 2019, the NSE ASI lost 14.6% YoY following declines across all sectors save for the food (+1.17%) and Insurance (+2.59%) sectors. In sectoral terms, the top three losers were Cement (-24.08%), Breweries (-38.65%), Banks (12.54%) and Personal care (-45.00%). Notably, DANGCEM, NB, GUARANTY and UNILEVER lost 25.14%, 30.99%, 13.79% and 40.54% YoY respectively in 2019. Meanwhile, the Nigerian bourse began 2020 on a positive note, as it gained 2.09% WoW to close at 26,968.79 pts, while market capitalization advanced N266.6 billion. Positive returns in the Banking (+3.39%), Cement (+1.32%), Telecom (+2.53%), Food (+2.40%), Oil & Gas (+15.04%) and insurance (+4.45%) sectors outweighed losses in the Brewers (-2.65%) and Personal care (-3.85%) segments. Dissecting the sectoral performance revealed gains in ACCESS (+2.01%), GUARANTY (+3.79%), UBA (+4.17%), ZENITH (+4.62%), DANGCEM (+1.43%), MTNN (+3.81%) and NESTLE (+2.79%). In other news, the recapitalization deadline for insurance companies earlier slated for June 30th, 2020 was extended to 31st of December 2020 by NAICOM.

- **Dangcem – STRONG BUY (FVE: ₦240.87):** We expect DANGCEM FY 19 earnings to be pressured (EPS: ₦14, vs ₦22 in 2018) owing to lower volumes in Nigeria business (due to increased competition from BUA Cement) and some of its Pan Africa business, as well as high base of tax credits from last year. However, DANGCEM currently trades at FY 19E P/E of 11x on our estimates, which is cheap compared to WAPCO and CCNN of 17.7x and 16.8x, respectively. We believe current valuation is unjustified given the superior ROE of 24%.
- **Zenith Bank Plc – STRONG BUY (FVE: ₦31.50):** We have made adjustment to our FY 2019 expectation for Zenith Bank following some surprises in the Q2 numbers. In specifics, we revised net interest income lower due to compressed yields on its loans and treasury asset (H1 18:10.6%, H1 19 9.1%) amidst contraction in funding cost. Elsewhere, we adjusted NIR higher due to upward review of electronic fee income and trading book. Thus, we now forecast PBT of ₦218 billion (-5.5% YoY), while we cut our FVE to ₦31.57/share (previously: ₦33.71/share).
- **Guaranty Trust Bank Plc – STRONG BUY (FVE: ₦49.66):** GTB's 9M 19 earnings expanded modestly with PAT and EPS expanding only 3.4% YoY to ₦146.9 billion and ₦4.99/share respectively. Although, we expect a slower growth in EPS (+4% YoY to ₦6.53) over 2019, our case for GUARANTY remains the resilience in NIR, improved cost management, still strong loan book with a moderate expansion in credit loss provision to 0.5%.
- **Nigerian Breweries Plc – STRONG BUY (FVE: ₦75.82):** Intense competition from International Breweries (IB) and graduated excise duty (+17% YoY) that kicked-off in Jan-19, revenue growth is expected to be slow even as we expect higher finance cost (+38% YoY) to be another pressure point to earnings this year. However, given our case for a slight improvement in volumes and decline in cost of sales (-1.1% YoY) which translates to gross (+120bps YoY) and EBIT (+101bps YoY) margin expansion, the misery seems moderated. Overall, the net impact of all our adjustments translates to PBT of ₦29.9 billion and EPS of ₦2.58 (+6.3% YoY) over 2019.

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

## Corporate Benefit Tracker

### Last Week

- MTN Nigeria PLC received regulatory approval to redeem all 402,590,263 of its preference shares. Click [here](#) to read more.
- The NSE lifted the suspension placed on trading in the shares of Omatek Ventures Plc. Click [here](#) to read more.

### This Week

- Payment: The Coral Income Fund
- Click [here](#) to view full corporate actions thus far in 2020.

Stock Recommendation

Sectors/Stocks	Rating	FVE (N)	Price (N)	Upside	YTD Return	P/E FY 18(x)	P/E FY 19E (x)	P/B FY 18E (x)	P/B FY 19E (x)	FY 19E dividend yield
BANKING										
ACCESS	UR	NA	10.15	NA	49.3%	3.5	3.1	0.6	0.6	5.9%
FBNH	STRONG BUY	9.12	6.6	38.2%	-17.0%	5.8	4.4	0.4	0.5	3.5%
FCMB	UR	NA	1.9	NA	0.5%	2.4	3.5	0.2	0.2	6.1%
FIDELITY	BUY	2.92	2.08	40.4%	2.5%	3.2	2.0	0.2	0.1	7.2%
GTB	STRONG BUY	49.66	30.10	65.0%	-12.6%	6.6	6.0	1.8	1.9	9.4%
UBA	STRONG BUY	13.04	7.5	73.8%	-2.6%	3.0	2.1	0.5	0.4	12.5%
ZENITH	STRONG BUY	31.50	19.25	63.6%	-16.5%	4.2	3.6	0.7	0.7	15.1%
CEMENT										
CCNN	OVERWEIGHT	20.14	18.1	11.3%	-6.7%	41.5	14.6	0.6	0.9	1.1%
DANGCEM	STRONG BUY	240.87	142	69.6%	-25.1%	21.0	10.5	5.0	4.0	8.1%
LAFARGE	STRONG BUY	20.88	13.8	51.3%	10.8%	NA	9.0	1.6	0.5	6.4%
BREWERIES										
GUINNESS	BUY	42.63	30.05	41.9%	-58.3%	35.9	31.1	2.8	2.6	6.7%
NB	STRONG BUY	75.82	56.1	35.2%	-34.4%	33.9	31.0	4.0	3.6	4.6%
AGRIC										
OKOMU	BUY	77.23	56.50	36.7%	-25.9%	5.9	6.3	2.0	1.7	4.6%
PRESCO	NEUTRAL	51.90	47.5	9.3%	-25.8%	1.9	7.7	0.7	0.7	2.0%
FOOD PRODUCERS										
DANG SUGAR	OVERWEIGHT	15.67	14.20	10.4%	-6.9%	6.0	6.2	2.6	1.6	6.4%
NESTLE	UNDERWEIGHT	1447.39	1469.9	-1.5%	-1.0%	36.6	24.6	27.5	27.5	4.5%
PERSONAL CARE										
PZ	NEUTRAL	6.71	5.65	18.8%	-53.3%	22.3	46.4	1.6	2.0	2.7%
UNILEVER	STRONG BUY	31.95	20.7	54.3%	-44.1%	23.0	11.6	2.3	1.4	5.7%
OIL & GAS										
FORTE OIL	UR	NA	18	NA	-37.3%	1.6	5.4	0.9	0.8	NA
MRS	UR	NA	15.3	NA	-40.5%	2.8	51.4	0.4	0.4	NA
SEPLAT	STRONG BUY	828.90	592.10	40.0%	-7.5%	3.6	3.8	0.6	0.5	10.0%
TOTAL	UR	NA	110.9	NA	-45.4%	4.7	7.3	3.0	1.8	NA

“FVE” means Fair Value Estimate while “UR” means Under Review and “NA” means Not applicable

\*Means Last communicated FVE