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## ARM Research | Weekly Call

The Nigerian Bourse bucked its negative streak last week, with the ASI gaining 0.39% WoW to close at 29,966.87 points and market capitalization gaining ₦50.9 billion. The bullish sentiment was spurred by gains in Brewers (+5.53%), Personal care (+5.75%), Oil & Gas (+3.07%) and Construction (+2.67%) sectors, muting losses in the Insurance (-0.95%), Banking (-0.36%) and Real Estate segments (-0.03%). Examining the market performance reveals gains across stocks such as UACN: +9.92%, INTBREW: +9.58%, GLAXOSMITH: +9.09%, GUARAN-TY: +5.28%, NB: +5.00% and PRESCO: +4.00%.

- Dangote Cement Plc – STRONG BUY** (FVE: ₦248.14): Dangote Cement Plc (Dangcem) Q1 2019 result showed decline in group revenue by 0.8% YoY to ₦240 billion, largely emanating from Nigeria. However, the high base of effective tax rate in the prior year, resulted in much softer decline for EPS to ₦3.54 from ₦4.23 in Q1 18. Going into 2019, we forecast slower growth in our PBT stemming from i) downward revision of our 2019 and 2020 volume forecast; ii) downward adjustment to revenue per ton; and (iii) reduction in our gross margin estimates to 57.8% from 58.3%.
- CCNN Plc – STRONG BUY** (FVE: ₦22.87): We had earlier noted the solid volumes reported by CCNN in its Q1 19 financials. As a result, we now see increasing volume growth on the horizon with our forecast average capacity utilization of 88% and domestic market share of 5.6% by FY 2023 (FY 18: 3.1%). Additionally, we see increased efficiency on the company's new plant translating to improvement in margins with average estimate of 48% (previously: 43%). Consequently, we have raised our FVE to ₦22.87 (previous estimate of ₦17.31) which translates to a STRONG BUY on our rating.
- United Bank for Africa Plc – STRONG BUY** (FVE: ₦13.04): After a very weak Q4 performance, UBA posted a strong recovery in Q1 19 with EPS expanding 69% QoQ to ₦0.84 on the back of a sturdy growth in NIR and interest income. Over 2019, we maintain our view and believe UBA growth story across Africa remain compelling. Particularly, we expect meaningful growth in earnings over 2019 on the back of strong retail deposit growth, increase in loan book, expansion in trading book and net fee income, and healthier asset quality. Consequently, we see FY 19E earnings growth of 15% YoY to ₦90.2 billion. Overall, we maintain our STRONG BUY recommendation with a revised FVE of ₦13.04.
- Seplat Petroleum Development Company Plc – STRONG BUY** (FVE: ₦782.15). Seplat recorded a decline in EPS by 53% QoQ to \$0.06 over Q1 19 following drop in revenue as well as increased over lift in the period and loss on derivatives. We have reduced our FVE on the stock following moderated expectation on capital allowance and increase in our cost per boe estimates which led to a reduction in our forecast 2019 EPS to \$0.33 from \$0.43.
- Guinness Nigeria Plc – STRONG BUY** (FVE: ₦77.31). We had earlier highlighted that Guinness would have to contend with slower beer volumes due to intense industry competition. In its Q1 19 numbers, revenue was dragged lower due to lower volumes over the same period. Despite stiff competition across the brewery sector, we expect the wider portfolio mix of Guinness and gains from the Spirit segment to support a slower moderation in margins over 2019. Also, following lower finance cost after recent deleveraging of its FCY debt using proceeds from rights issue, we see improved profitability for the company.

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

## Corporate Benefit Tracker

### Last Week

- Nigerian Breweries launched Series 3 and Series 4 of its commercial paper programme with a tenor of 91-days and 172-days respectively. It aims to raise up to ₦15bn to support its short-term funding needs. Click [here](#) to read more.
- First Bank of Nigeria Limited declared its intention to redeem the fixed rated subordinated note of \$450 million at 8%, held by FBN finance company, due in July 2021. It seeks to call and pre-pay holders of the Note at the next callable date of July 23, 2019. Click [here](#) to read more

### This Week

- Closure of Register: Smart Products Plc and Cement Company of Northern Nigeria Plc.
- Annual General Meeting: Beta Glass Nigeria Plc.
- Payment Date: Beta Glass Nigeria Plc.
- Click [here](#) to view full corporate actions thus far in 2019.

## Stock Recommendation

Sectors/Stocks	Rating	FVE (₦)	Price (₦)	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
<b>BANKING</b>										
ACCESS	UR	24.21	6.5	NA	-37.8%	3.5	2.5	0.2	1.1	9.4%
FBNH	STRONG BUY	9.12	6.55	39.2%	-17.6%	4.4	4.7	0.5	0.5	3.6%
FCMB	BUY	2.07	1.63	26.9%	-13.8%	2.4	3.5	0.2	0.2	5.5%
FIDELITY	BUY	2.92	1.7	71.8%	-16.3%	2.0	4.7	0.1	0.4	13.6%
GTB	STRONG BUY	49.66	32.90	51.0%	-4.5%	6.6	6.0	1.8	1.9	8.6%
UBA	STRONG BUY	13.04	6.20	110.2%	-19.5%	2.3	4.5	0.4	0.7	15.2%
ZENITH	STRONG BUY	33.71	19.8	70.3%	-14.1%	4.2	3.6	0.7	0.7	14.3%
<b>CEMENT</b>										
CCNN	STRONG BUY	22.87	13.2	73.3%	-32.0%	30.3	10.6	0.6	0.9	1.1%
DANGCEM	STRONG BUY	248.14	184	34.9%	-3.0%	21.0	13.6	5.0	4.0	6.3%
LAFARGE	UR	18.07	12	NA	-3.6%	NA	NA	1.6	0.5	32.2%
<b>BREWERIES</b>										
GUINNESS	STRONG BUY	77.31	47.65	62.2%	-33.8%	35.9	31.1	2.8	2.6	4.2%
NB	STRONG BUY	75.82	63	20.3%	-26.3%	33.9	31.0	4.0	3.6	4.1%
<b>AGRIC</b>										
OKOMU	NEUTRAL	75.60	64.00	18.1%	-16.0%	6.7	7.2	2.0	1.7	4.1%
PRESCO	UR	67.47	52	NA	-18.8%	2.0	8.5	0.7	0.7	1.8%
<b>FOOD PRODUCERS</b>										
DANG SUGAR	STRONG BUY	14.44	11.35	27.2%	-25.6%	6.0	5.0	2.6	1.3	8.0%
NESTLE	NEUTRAL	1411.29	1390	1.5%	-6.4%	36.6	23.2	27.5	27.5	4.7%
<b>PERSONAL CARE</b>										
PZ	BUY	10.12	7.1	42.5%	-41.3%	22.3	46.4	1.6	2.0	2.1%
UNILEVER	NEUTRAL	35.82	33	8.5%	-10.8%	23.0	18.5	2.3	2.2	3.6%
<b>OIL &amp; GAS</b>										
FORTE OIL	UR	34.35	26.8	NA	-6.6%	2.4	5.4	0.9	0.8	NA
MRS	UR	39.20	28.55	NA	11.1%	5.2	51.4	0.4	0.4	NA
SEPLAT	STRONG BUY	782.15	590.00	32.6%	-7.8%	3.6	3.8	0.6	0.5	NA
TOTAL	UR	244.28	150	NA	-26.1%	6.4	7.3	3.0	1.8	4.9%

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