

Online Trading Made Easy. Trade stocks on the Nigeria Stock Exchange (NSE) from anywhere in the world.

[How it works](#)

ARM Research | Weekly Call

The Nigerian Bourse closed the prior week negative with the NSE ASI shedding 2.32% WoW to close at 29,270.95 points and market capitalization dropping by ₦303.75 billion. The bearish sentiment was spurred by losses across all sectors; Construction (-5.06%), Banking (-4.82%), Brewers (-3.84%), Cement (-3.32%), Personal care (-2.77%), Food (-2.15%), Oil & Gas (-1.64%), Real Estate (-0.28%) and Insurance (-0.05%). Dissecting the sector performance reveals selloff across various stocks such as GUARANTY: -11.85%, ZENITH: -2.27%, NB: -4.13%, INTBREW: -6.83%, DANGCEM: -3.80%, UNILEVER: -3.03%, NESTLE: -3.24%, PRESCO: -10.00% and MTN: -0.04%.

- 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 – 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 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

- Trading in Conoil's shares was suspended on Tuesday following their failure to file their audited financial statements for the year ended 31 December 2018 by the expiration of the Cure Period. These statements were eventually filed on Thursday and the suspension subsequently lifted. The audited financial statement showed Profit after Tax (PAT) for the year ended 2018 expanded by 13.8% YoY to ₦1.8 billion. Click [here](#) to read more.

This Week

- Closure of Register: Presco Plc, Cement Company of Northern Nigeria Plc, NPF Microfinance Bank Plc and Nigerian Aviation Handling Coy 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
BANKING										
ACCESS	UR	NA	6.7	NA	-35.9%	3.5	2.6	0.2	1.1	9.1%
FBNH	STRONG BUY	9.12	6.2	47.1%	-22.0%	4.4	4.7	0.5	0.5	3.8%
FCMB	BUY	2.07	1.58	30.9%	-16.4%	2.4	3.5	0.2	0.2	5.7%
FIDELITY	BUY	2.92	1.6	82.5%	-21.2%	2.0	4.7	0.1	0.4	14.4%
GTB	STRONG BUY	49.66	29.00	71.3%	-15.8%	6.6	6.0	1.8	1.9	9.7%
UBA	STRONG BUY	13.04	6.05	115.5%	-21.4%	2.3	4.5	0.4	0.7	15.6%
ZENITH	STRONG BUY	33.71	19.35	74.2%	-16.1%	4.2	3.6	0.7	0.7	14.6%
CEMENT										
CCNN	BUY	22.87	15.25	50.0%	-21.4%	35.0	12.3	0.6	0.9	1.1%
DANGCEM	STRONG BUY	248.14	177	40.2%	-6.7%	21.0	13.1	5.0	4.0	6.5%
LAFARGE	BUY	18.07	13.7	31.9%	10.0%	NA	NA	1.6	0.5	28.2%
BREWERIES										
GUINNESS	STRONG BUY	77.31	47.5	62.8%	-34.0%	35.9	31.1	2.8	2.6	4.2%
NB	STRONG BUY	75.82	60.4	25.5%	-29.4%	33.9	31.0	4.0	3.6	4.3%
AGRIC										
OKOMU	BUY	75.60	62.00	21.9%	-18.6%	6.5	7.0	2.0	1.7	4.2%
PRESCO	UR	NA	46.8	NA	-26.9%	1.8	7.6	0.7	0.7	2.0%
FOOD PRODUCERS										
DANG SUGAR	STRONG BUY	14.44	11.50	25.6%	-24.6%	6.0	5.0	2.6	1.3	7.9%
NESTLE	NEUTRAL	1411.29	1345	4.9%	-9.4%	36.6	22.5	27.5	27.5	4.9%
PERSONAL CARE										
PZ	BUY	10.12	6.9	46.7%	-43.0%	22.3	46.4	1.6	2.0	2.2%
UNILEVER	OVERWEIGHT	35.82	32	11.9%	-13.5%	23.0	17.9	2.3	2.2	3.7%
OIL & GAS										
FORTE OIL	UR	NA	27	NA	-5.9%	2.4	5.4	0.9	0.8	NA
MRS	UR	NA	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	NA	148	NA	-27.1%	6.3	7.3	3.0	1.8	5.0%

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