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ARM Research | Weekly Call

Nigerian Equities market closed positive last week with the NSE ASI appreciating 0.61% WoW to close at 31,069.37 points and market capitalization gaining ₦82.84 billion. Notably, the banking (+3.06%), food (+2.58%), oil & gas (+5.96%), construction (+2.15%) and insurance (+1.30%) sectors spurred the gains, offsetting losses in the personal care (-0.99%), brewers (-0.61%) and cement (-0.25%) sectors. A close evaluation of the market's performance reveals interest across various stocks such as MANSARD: +10.00%, UBA: +8.70%, ACCESS: +5.17%, ZENITH: +5.79%, SEPLAT: +5.75%, DANGFLOUR: +4.66%, CCNN: +7.14%, JULIUSBERGER: +3.70%, NESTLE: +3.57%, and GTBANK: +1.61%.

- 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%.
- 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.
- 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's growth story across Africa remains 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, net fee income, and healthier asset quality.
- Guaranty Trust Bank Plc – STRONG BUY** (FVE: ₦49.66): GTB Q1 19 revealed a double-digit expansion in EPS (+16% QoQ to ₦1.68) on the back of lower funding cost as well as strong NIR. 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%.
- 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.

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

Corporate Benefit Tracker

Last Week

- Following the press release published by SEC on May 31st, revealing severe penalties imposed on Oando plc, the company has challenged SEC's ruling, stating that the alleged infractions and penalties are unsubstantiated. Click [here](#) to read more
- MTN announced payment of the final instalment of ₦55 billion to the Nigerian Communications Commission (NCC) on 24th of May 2019, thereby completing the payment of ₦330 billion negotiation settlement agreed between both parties. Click [here](#) to read more

This Week

- Closure of Register – Nascon Allied Industries Plc, Dangote Sugar Refinery Plc, Law Union & Rock Insurance Plc NEM Insurance Plc, Julius Berger Nig. Plc, The Initiates Plc, BOC Gases Nigeria Plc, Forte Oil Plc and Dangote Cement Plc.
- Annual General Meeting – May and Baker Plc.
- Payment Date: Vetiva S&P Nig. Sovereign Bond ETF.
- 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	10.18	6.1	NA	-41.6%	3.5	2.4	0.1	1.0	8.3%
FBNH	STRONG BUY	9.12	7.05	29.4%	-11.3%	4.4	4.7	0.5	0.5	3.3%
FCMB	BUY	2.07	1.61	28.5%	-14.8%	2.4	3.5	0.2	0.2	5.6%
FIDELITY	BUY	2.92	1.68	73.8%	-17.2%	2.0	4.7	0.1	0.4	13.7%
GTB	STRONG BUY	49.66	31.60	57.2%	-8.3%	6.6	6.0	1.8	1.9	8.9%
UBA	STRONG BUY	13.04	6.25	108.6%	-18.8%	2.3	4.5	0.4	0.7	15.1%
ZENITH	STRONG BUY	33.71	20.1	67.7%	-12.8%	4.2	3.6	0.7	0.7	14.1%
CEMENT										
CCNN	BUY	22.87	15	52.5%	-22.7%	34.4	12.1	0.6	0.9	1.1%
DANGCEM	STRONG BUY	248.14	199.5	24.4%	5.2%	21.0	14.8	5.0	4.0	5.8%
LAFARGE	UR	18.07	10.1	NA	-18.9%	NA	NA	1.6	0.5	38.3%
BREWERIES										
GUINNESS	STRONG BUY	77.31	48.5	59.4%	-32.6%	35.9	31.1	2.8	2.6	4.1%
NB	STRONG BUY	75.82	58	30.7%	-32.2%	33.9	31.0	4.0	3.6	4.5%
AGRIC										
OKOMU	NEUTRAL	75.60	74.00	2.2%	-2.9%	7.7	8.3	2.0	1.7	3.5%
PRESCO	UR	67.47	58	NA	-9.4%	2.3	9.4	0.7	0.7	1.6%
FOOD PRODUCERS										
DANG SUGAR	NEUTRAL	14.44	13.20	9.4%	-13.4%	6.0	5.8	2.6	1.5	6.9%
NESTLE	UNDERWEIGHT	1411.29	1450	-2.7%	-2.4%	36.6	24.2	27.5	27.5	4.5%
PERSONAL CARE										
PZ	BUY	10.12	8.1	24.9%	-33.1%	22.3	46.4	1.6	2.0	1.9%
UNILEVER	OVERWEIGHT	35.82	31	15.5%	-16.2%	23.0	17.4	2.3	2.1	3.8%
OIL & GAS										
FORTE OIL	UR	34.35	27.5	NA	-4.2%	2.5	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	162	NA	-20.2%	6.9	7.3	3.0	1.8	6.6%

“FVE” means Fair Value Estimate

“UR” means Under Review and “NA” means Not applicable.