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ARM Research | Weekly Call

In a twist of events, the Nigerian Bourse closed negative last week, with the NSE ASI shedding 2.05% WoW to close at 30,432.13 points, with market capitalization dropping by N449.16 billion. The bearish sentiment was spurred by losses recorded across all sectors; Banking (-0.96%), Cement (-5.13%), Construction (-5.44%), Personal care (-2.62%), Food (-1.69%), Insurance (-1.48%) and Oil & Gas (-11.90%). Dissecting the sector performance reveals selloff across various stocks such as GUARANTY: -3.80%, DANGCEM: -5.26%, PZ: -9.26%, UNILEVER: -0.16%, DANGSUGA: -12.88%, SEPLAT: -6.64% and MTN: -0.33%.

- 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.
- 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%.
- Fidelity Bank Plc – BUY** (FVE: ₦2.92): Fidelity bank kicked off the year on a good note with the bank posting EPS growth of 17.2% QoQ to ₦0.21 largely due to support from a higher interest income and lower OPEX. Despite an expected decline in NIR for the bank, we expect Fidelity to record a modest growth in earnings over 2019 on account of our expectation of higher loan growth as well as moderation in funding cost. We forecast a 11% increase in EPS (₦0.88) over 2019 and thus maintain our BUY rating with an FVE of ₦2.92.
- 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

- Oando recently released press statement revealed the federal high court of Lagos granted Oando Plc's Group CEO and Deputy an injunction, restraining the Securities and Exchange Commission from executing its sanctions. Click [here](#) to read more
- Ecobank Transnational incorporated (ETI) successfully closed its Eurobond tap issuance of \$50 million, due in April 2024. The proceeds from the Eurobond - which was 4.6x oversubscribed, reflecting a yield of 8.25% - is set to be used for ETI's corporate purposes. Click [here](#) to read more

This Week

- Closure of Register – BOC Gases Nigeria Plc and Dangote Cement Plc.
- Annual General Meeting – Eterna Plc, Okomu Oil Palm Plc and NASCON Allied Industries Plc.
- Payment Date: Eterna Plc and Forte Oil 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	25.58	6.3	NA	-39.7%	3.5	2.4	0.2	1.0	9.7%
FBNH	STRONG BUY	9.12	6.95	31.2%	-12.6%	4.4	4.7	0.5	0.5	3.4%
FCMB	BUY	2.07	1.65	25.4%	-12.7%	2.4	3.5	0.2	0.2	5.4%
FIDELITY	BUY	2.92	1.72	69.8%	-15.3%	2.0	4.7	0.1	0.4	13.4%
GTB	STRONG BUY	49.66	30.40	63.4%	-11.8%	6.6	6.0	1.8	1.9	9.3%
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	20.35	65.7%	-11.7%	4.2	3.6	0.7	0.7	13.9%
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	189	31.3%	-0.4%	21.0	14.0	5.0	4.0	6.1%
LAFARGE	UR	18.07	10	NA	-19.7%	NA	NA	1.6	0.5	38.7%
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	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	STRONG BUY	14.44	11.50	25.6%	-24.6%	6.0	5.0	2.6	1.3	7.9%
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	7.35	37.7%	-39.3%	22.3	46.4	1.6	2.0	2.0%
UNILEVER	OVERWEIGHT	35.82	30.95	15.7%	-16.4%	23.0	17.4	2.3	2.1	3.8%
OIL & GAS										
FORTE OIL	UR	34.35	25.75	NA	-10.3%	2.3	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

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