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## ARM Research | Weekly Call

The Nigerian Bourse closed negative for the third consecutive week, with the NSE ASI shedding 0.65% WoW to close at 29,851.29 points and market capitalization shedding ₦78.1 billion. The bearish sentiment was spurred by losses recorded in Personal care (-0.24%), Construction (-1.96%), and Food (-2.40%) sectors offsetting the gains in Banking (+1.30%), Brewers (+1.47%), Cement (+0.23%), Insurance (+3.28%) and Oil & Gas (+1.26%) segments. A closer look at the market performance reveals selloff across stocks such as PZ: -4.76%, NESTLE: -5.57%, OKOMU: -10.00%, PRESCO: -9.09%, GUINNESS: -3.68%, INTBREW: -9.97% and MTNN: -4.13%.

- **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 ratings.
- **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%.
- **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

- Ignite Investments and Commodities Limited concluded the acquisition of 74.02% equity stake in Forte Oil's downstream operations from Mr Femi Otedola, CON giving them controlling stake in the company. Click [here](#) to read more.
- Lafarge announced the redemption of its matured ₦26.4bn series 1 bond, due on June 15, 2019. The bond was part of a ₦60bn, issued in a series 1 and 2 programme. The outstanding balance of ₦33.6bn, which represents series 2 issuance programme, matures in June 2021. Click [here](#) to read more

### This Week

- Annual General Meeting – Total Nigeria Plc, Cadbury Nigeria Plc, UAC of Nigeria Plc, Law Union & Rock Insurance Plc and NEM Insurance Plc.
- Payment Date: Total Nigeria Plc, UAC of Nigeria Plc, Law Union & Rock Insurance Plc and NEM Insurance 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	6.9	NA	-34.0%	3.5	2.7	0.2	1.1	8.9%
FBNH	STRONG BUY	9.12	7	30.3%	-11.9%	4.4	4.7	0.5	0.5	3.3%
FCMB	BUY	2.07	1.66	24.6%	-12.2%	2.4	3.5	0.2	0.2	5.4%
FIDELITY	BUY	2.92	1.73	68.8%	-14.8%	2.0	4.7	0.1	0.4	13.3%
GTB	STRONG BUY	49.66	31.25	58.9%	-9.3%	6.6	6.0	1.8	1.9	9.0%
UBA	STRONG BUY	13.04	6.40	103.7%	-16.9%	2.3	4.5	0.4	0.7	14.7%
ZENITH	STRONG BUY	33.71	20	68.6%	-13.2%	4.2	3.6	0.7	0.7	14.2%
<b>CEMENT</b>										
CCNN	STRONG BUY	22.87	13.5	69.4%	-30.4%	31.0	10.9	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	11.55	NA	-7.2%	NA	NA	1.6	0.5	33.5%
<b>BREWERIES</b>										
GUINNESS	STRONG BUY	77.31	45.75	69.0%	-36.5%	35.9	31.1	2.8	2.6	4.4%
NB	STRONG BUY	75.82	60	26.4%	-29.8%	33.9	31.0	4.0	3.6	4.3%
<b>AGRIC</b>										
OKOMU	NEUTRAL	75.60	66.60	13.5%	-12.6%	6.9	7.5	2.0	1.7	3.9%
PRESCO	UR	67.47	50	NA	-21.9%	2.0	8.1	0.7	0.7	1.9%
<b>FOOD PRODUCERS</b>										
DANG SUGAR	OVERWEIGHT	14.44	12.40	16.5%	-18.7%	6.0	5.4	2.6	1.4	7.4%
NESTLE	NEUTRAL	1411.29	1350.3	4.5%	-9.1%	36.6	22.6	27.5	27.5	4.9%
<b>PERSONAL CARE</b>										
PZ	BUY	10.12	7	44.6%	-42.1%	22.3	46.4	1.6	2.0	2.1%
UNILEVER	OVERWEIGHT	35.82	31	15.5%	-16.2%	23.0	17.4	2.3	2.1	3.8%
<b>OIL &amp; GAS</b>										
FORTE OIL	UR	34.35	31.2	NA	8.7%	2.8	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