

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 positive the prior week, with the NSE ASI gaining 0.31% WoW to close at 31,924.51 points while market capitalization appreciated by ~ ₦36.27 billion. The market gain was bolstered by positive sentiments in the Banking (+3.41%) sector, while other sectors recorded declines WoW. Further breakdown of the sectoral performance revealed interests in bellwether stocks (GUARANTY: +5.07%, ZENITH: +4.18%, FBNH: +4.52%, STANBIC: +3.23%, and INTBREW: (+8.00)).

- **Zenith Bank Plc – STRONG BUY** (FVE: ₦38.17): We retain our STRONG BUY rating on Zenith with a revised FVE of ₦38.17/share (from ₦38.83/share). Over 2019, we forecast EPS of ₦6.57 which is 7% higher than 2018 (₦6.16). Growth in earnings mainly reflects i) expansion in assets yield from increase in loan book which would more than outweigh funding cost to support moderate expansion in NIM ii) increase in NIR due to resilience in fee income and ii) improvement in asset quality with non-performing loan (NPL) ratio of 4.5% and slower expansion in cost of risk (CoR) to 1.0%. At current price, expected dividend of ₦2.92 over FY 19E translates to a dividend yield of 12.3%.
- **Guinness Nigeria Plc – OVERWEIGHT** (FVE: ₦77.31). 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. Coupled with lower finance cost for after recent deleveraging of its FCY debt using proceeds from rights issue, we see improved profitability for the brewer.
- **Seplat Petroleum Development Company Plc – STRONG BUY** (FVE: ₦975.27). The case for Seplat remains higher crude oil prices and volumes, unrecognized capital allowance, reserve accretion, higher receipt from crude oil lifted in OML 55 as well as the company's extended debt maturity profile which feeds into an improved cash position.
- **Unilever Plc – STRONG BUY** (FVE: ₦49.19): We have a STRONG BUY rating on UNILEVER with our FVE of ₦49.19 (+13.1% upside), supported by our expectation of strong growth from the food business over 2019, given its resilience over the last two years - having maintained a double-digit growth. In addition, given Unilever's strong cash balance and our anticipation of slight uptick in yields, we expect the company to report a higher net finance income over the year.
- **Okomu Oil Palm Plc – STRONG BUY** (FVE: ₦97.75): Over our forecast period, we anticipate volumes growth emanating from the harvest of fresh fruit bunches from its extension 2 plantation. Based on our expectation for volumes growth, accompanied by margin expansion, we raise our FVE to ₦97.75.

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

Corporate Benefit Tracker

Last week

- Following Lafarge Africa Plc Rights Issue of 7,434,367,256 ordinary shares, a total of 1,826 acceptances for 7,434,367,256 units valued at ₦89,212,407,072 were received in connection with the Rights Issue. Click [here](#) to read more
- Following a court ordered meeting, shareholders of both Access and Diamond bank approved the merger between both banks. The combined business is expected to start operating on April 1st, 2019. Click [here](#) to read more

Click [here](#) to view full corporate actions thus far in 2019.

Stock Recommendation

Sectors/Stocks	Rating	FVE (₦)	Price (₦)	Upside	YTD Return	P/E FY 17(x)	P/E FY 18E (x)	P/B FY 17E (x)	P/B FY 18E (x)	FY 18E dividend yield
BANKING										
ACCESS	UR	13.46	6	UR	-42.6%	2.8	2.8	0.6	0.5	7.3%
DIAMOND	SELL	1.39	2.42	-42.6%	61.3%	1.2	1.4	0.2	0.4	0.0%
ETI	OVERWEIGHT	16.54	14	18.1%	-17.6%	38.6	16.2	123.2	110.7	0.0%
FBNH	UR	12.86	8.1	UR	-8.0%	7.0	3.9	0.2	0.3	3.8%
FCMB	NEUTRAL	2.34	2.12	10.4%	43.2%	7.6	3.0	0.3	0.3	4.7%
FIDELITY	BUY	2.92	2.31	26.4%	-6.1%	2.0	4.2	0.1	0.4	7.1%
GTB	UR	52.6	37.3	UR	-8.5%	6.3	6.0	1.7	1.5	7.6%
STANBIC	OVERWEIGHT	55.00	48	14.6%	15.7%	10.2	10.1	2.7	2.4	6.3%
UBA	UR	16.14	7.65	UR	-25.7%	4.8	4.4	0.7	0.7	12.9%
ZENITH	STRONG BUY	38.17	23.95	59.4%	-6.6%	4.9	3.9	1.1	1.0	11.7%
CEMENT										
CCNN	SELL	16.68	19	-12.2%	100.0%	15.2	82.8	0.8	0.7	1.1%
DANGCEM	STRONG BUY	253.03	195	29.8%	-15.2%	21.0	14.4	5.0	4.0	5.9%
LAFARGE	STRONG BUY	18.07	12.95	39.5%	-71.2%	NA	NA	1.6	0.5	8.6%
BREWERIES										
GUINNESS	OVERWEIGHT	77.31	67.15	15.1%	-28.6%	86.1	21.9	2.8	1.7	2.7%
NB	NEUTRAL	76.58	75	2.1%	-44.4%	32.6	26.1	6.0	6.1	3.8%
AGRIC										
OKOMU	STRONG BUY	97.75	80.00	22.2%	18.2%	8.3	9.0	2.0	1.7	3.2%
PRESCO	SELL	67.47	75	-10.0%	9.5%	3.0	12.2	0.7	0.7	1.5%
FOOD PRODUCERS										
DANG SUGAR	OVERWEIGHT	17.01	14.55	16.9%	-27.3%	6.0	6.4	2.6	1.7	8.3%
NESTLE	SELL	1287.54	1510	-14.7%	-3.0%	36.6	25.2	27.5	27.5	4.0%
PERSONAL CARE										
PZ	SELL	10.12	11.65	-13.1%	-43.4%	22.3	46.4	1.6	2.0	1.3%
UNILEVER	STRONG BUY	49.19	38.7	27.1%	-5.6%	23.0	21.7	2.3	2.6	1.6%
OIL & GAS										
FORTE OIL	BUY	34.35	28	22.7%	-35.6%	2.5	5.4	0.9	0.8	NA
MRS	BUY	39.20	28.55	37.3%	4.0%	5.2	51.4	0.4	0.4	NA
SEPLAT	STRONG BUY	975.27	596.9	63.4%	-4.7%	3.7	3.9	0.6	0.5	NA
TOTAL	BUY	244.28	200	22.1%	-13.0%	8.5	7.3	3.0	1.8	6.9%

“FVE” means Fair Value Estimate

“UR” means Under Review