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ARM Research | Weekly Call

After three consecutive weeks of losses, the market turned a corner last week with the NSE ASI appreciating 8bps WoW to close at 28,871.93 points. The renewed interest in Nigeria's bourse was spurred by investors' appetite for MTN Nigeria's shares following the company's listing on the Nigerian Bourse. For context, MTNN gained a whopping +20% last week in its first two days of trading session and following its lofty weight on the bourse (~17% of total market capitalization), the upbeat interest for the stock offset negative sentiment across major sectors (excluding the personal care sector which gained 1.1%). That said, distilling the market performance reveals selloff across bellwether stocks such as CCNN: -9.15%, ACCESS: -9.15%, UBA: -7.69%, NESTLE: -5.92%, GTBANK: -4.38%, ZENITH: -2.00% and DANGCEM: -1.68%.

- **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. 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.
- **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.
- **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. We also expect production to come in slightly lower in 2019 to 49,765boepd from 49,867boepd in 2018 (previous estimate: 51,100boepd). That said, we still expect our forecast tax credit of \$61 million to buoy 2019E EPS higher than it was in 2018 (\$0.26).

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

Corporate Benefit Tracker Last Week

- MTN Nigeria Plc listed the entire issued 20,354,513,050 ordinary shares by introduction at ₦90 per share on the premium board of the NSE. The trading symbol of MTN Nigeria is MTNN. Following its listing, the stock commenced trading on Thursday. Click [here](#) to read more
- MTN Nigeria signed a 7-year ₦200 billion Medium Term Facility with a consortium of 7 banks (mostly local banks), in other to enable MTN fund its evolving business opportunities while assisting with capital expenditure and working capital. Click [here](#) to read more
- Shares of First Aluminium Nigeria Plc were placed on suspension in preparation for the voluntary delisting of the issued share capital of the company from the daily official list of the exchange. Click [here](#) to read more

This Week

- Closure of Register – Cadbury Nigeria Plc and UAC of Nigeria Plc.
- Annual General Meeting – AIICO Insurance Plc , GlaxoSmithKline Consumer Nig. Plc, Berger Paints Plc, Consolidated Hallmark Insurance Plc and Caverton Offshore Support Group Plc.
- Payment Date – Nigerian Breweries Plc, Seplat Plc, AIICO Insurance Plc , GlaxoSmithKline Consumer Nig. Plc, Infinity Trust Mortgage Bank Plc, Berger Paints Plc, Consolidated Hallmark Insurance Plc, Caverton Offshore Support Group 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	10.18	6.45	NA	-38.3%	3.5	2.5	0.2	1.1	8.8%
FBNH	STRONG BUY	9.12	7	30.3%	-11.9%	4.4	4.7	0.5	0.5	3.3%
FCMB	BUY	2.07	1.55	33.5%	-18.0%	2.4	3.5	0.2	0.2	5.8%
FIDELITY	BUY	2.92	1.72	69.8%	-15.3%	2.0	4.7	0.1	0.4	6.4%
GTB	STRONG BUY	49.66	30.60	62.3%	-11.2%	6.0	7.6	1.9	2.1	9.2%
UBA	STRONG BUY	13.04	6.00	117.3%	-22.1%	2.3	4.5	0.4	0.7	12.5%
ZENITH	STRONG BUY	33.61	19.6	71.5%	-15.0%	4.2	3.6	0.7	0.7	10.3%
CEMENT										
CCNN	BUY	22.87	13.9	64.5%	-28.4%	31.9	11.2	0.6	0.9	1.1%
DANGCEM	STRONG BUY	248.14	176	41.0%	-7.2%	21.0	13.0	5.0	4.0	6.5%
LAFARGE	BUY	18.07	10.5	72.1%	-15.7%	NA	NA	1.6	0.5	10.6%
BREWERIES										
GUINNESS	STRONG BUY	77.31	49.05	57.6%	-31.9%	35.9	31.1	2.8	2.6	4.1%
NB	STRONG BUY	75.82	62.5	21.3%	-26.9%	33.9	31.0	4.0	3.6	4.1%
AGRIC										
OKOMU	NEUTRAL	75.60	74.00	2.2%	-2.9%	7.7	8.3	2.0	1.7	4.1%
PRESCO	NEUTRAL	67.47	58	16.3%	-9.4%	2.3	9.4	0.7	0.7	1.9%
FOOD PRODUCERS										
DANG SUGAR	NEUTRAL	14.44	13.60	6.2%	-10.8%	6.0	5.9	2.6	1.5	8.9%
NESTLE	UNDERWEIGHT	411.29	1430	-1.3%	-3.7%	36.6	23.9	27.5	27.5	4.2%
PERSONAL CARE										
PZ	NEUTRAL	10.12	8.5	19.1%	-29.8%	22.3	46.4	1.6	2.0	1.8%
UNILEVER	OVERWEIGHT	35.82	32	11.9%	-13.5%	23.0	17.9	2.3	2.2	1.9%
OIL & GAS										
FORTE OIL	UR	34.35	28.35	NA	-1.2%	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	8.5%

“FVE” means Fair Value Estimate

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