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## ARM Research | Weekly Call

The Nigerian Bourse closed positive for the second consecutive week, with the NSE ASI appreciating 6.96% WoW to close at 30,881.29 points and market capitalization gaining ₦885 billion. The bullish sentiment was spurred by the two largest stocks in the Exchange – MTNN (+28.56% WoW) and DANGCEM (+13.64% WoW). Conversely, a close evaluation of the market performance showed negative performance across all sector(s), excluding cement sector which gained 13.12% WoW. Dissecting the sector performance reveals selloff across various stocks such as FLOURMILLS: -12.10%, UACN: -11.64%, ACCESSBANK: -10.08%, NB: -7.20%, UBA: -4.17%, UNILEVER: -3.13%, ZENITH: -3.06% and NESTLE: -2.10%.

- **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). However, we still expect our forecast tax credit of \$61 million to buoy 2019E EPS higher at \$0.26 (+25% YoY).
- **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.

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

## Corporate Benefit Tracker

### Last Week

- With recent whispers of shares manipulation by the Telecoms giant, MTN Nigeria Communications Plc received a letter from the Economic and Financial Crimes Commission (EFCC) requesting information and documentation related to the listing of its shares on the NSE, albeit the company has not been accused of any wrongdoing. Click [here](#) to read more

### This Week

- Closure of Register – May and Baker Plc, CAP Plc, and Nascon Allied Industries Plc.
- Annual General Meeting – May and Baker Plc, Nestle Nigeria Plc, and Portland Paints and Products Nig. Plc.
- Payment Date: Nestle Nigeria Plc, Vetiva Griffin 30 ETF, Portland Paints and Products Nig. 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         | 10.18   | 5.8       | NA     | -44.5%     | 3.5          | 2.2            | 0.1            | 1.0            | 9.8%                  |
| FBNH                  | STRONG BUY | 9.12    | 7.05      | 29.4%  | -11.3%     | 4.4          | 4.7            | 0.5            | 0.5            | 3.3%                  |
| FCMB                  | NEUTRAL    | 2.07    | 1.6       | 29.3%  | -15.3%     | 2.4          | 3.5            | 0.2            | 0.2            | 5.6%                  |
| FIDELITY              | BUY        | 2.92    | 1.81      | 61.3%  | -10.8%     | 2.0          | 4.7            | 0.1            | 0.4            | 6.1%                  |
| GTB                   | STRONG BUY | 49.66   | 31.10     | 59.7%  | -9.7%      | 6.6          | 6.0            | 1.8            | 1.9            | 8.8%                  |
| UBA                   | STRONG BUY | 13.04   | 5.75      | 126.7% | -25.3%     | 2.3          | 4.5            | 0.4            | 0.7            | 13.0%                 |
| ZENITH                | STRONG BUY | 33.61   | 19        | 76.9%  | -17.6%     | 4.2          | 3.6            | 0.7            | 0.7            | 10.6%                 |
| <b>CEMENT</b>         |            |         |           |        |            |              |                |                |                |                       |
| CCNN                  | BUY        | 22.87   | 14        | 63.4%  | -27.8%     | 32.1         | 11.3           | 0.6            | 0.9            | 1.1%                  |
| DANGCEM               | STRONG BUY | 248.14  | 200       | 24.1%  | 5.4%       | 21.0         | 14.8           | 5.0            | 4.0            | 5.7%                  |
| LAFARGE               | UR         | 18.07   | 10        | NA     | -19.7%     | NA           | NA             | 1.6            | 0.5            | 11.1%                 |
| <b>BREWERIES</b>      |            |         |           |        |            |              |                |                |                |                       |
| GUINNESS              | STRONG BUY | 77.31   | 50.5      | 53.1%  | -29.9%     | 35.9         | 31.1           | 2.8            | 2.6            | 4.0%                  |
| NB                    | STRONG BUY | 75.82   | 58        | 30.7%  | -32.2%     | 33.9         | 31.0           | 4.0            | 3.6            | 4.5%                  |
| <b>AGRIC</b>          |            |         |           |        |            |              |                |                |                |                       |
| OKOMU                 | NEUTRAL    | 75.60   | 74.00     | 2.2%   | -2.9%      | 7.7          | 8.3            | 2.0            | 1.7            | 4.1%                  |
| PRESCO                | UR         | 67.47   | 58        | NA     | -9.4%      | 2.3          | 9.4            | 0.7            | 0.7            | 1.9%                  |
| <b>FOOD PRODUCERS</b> |            |         |           |        |            |              |                |                |                |                       |
| DANG SUGAR            | NEUTRAL    | 14.44   | 13.35     | 8.2%   | -12.5%     | 6.0          | 5.8            | 2.6            | 1.5            | 9.1%                  |
| NESTLE                | NEUTRAL    | 1411.29 | 1400      | 0.8%   | -5.7%      | 36.6         | 23.4           | 27.5           | 27.5           | 4.3%                  |
| <b>PERSONAL CARE</b>  |            |         |           |        |            |              |                |                |                |                       |
| PZ                    | NEUTRAL    | 10.12   | 8.5       | 19.1%  | -29.8%     | 22.3         | 46.4           | 1.6            | 2.0            | 1.8%                  |
| UNILEVER              | OVERWEIGHT | 35.82   | 31        | 15.5%  | -16.2%     | 23.0         | 17.4           | 2.3            | 2.1            | 2.0%                  |
| <b>OIL &amp; GAS</b>  |            |         |           |        |            |              |                |                |                |                       |
| FORTE OIL             | UR         | 34.35   | 27.8      | NA     | -3.1%      | 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.