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## ARM Research | Weekly Call

Tides turned in the Nigerian Equities market with the NSE ASI shedding 1.15% WoW to close at 29,740.41 points, while market cap lost ₦126 billion. The bearish sentiment was spurred by losses across major sectors – Breweries (-4.28%), Cement (-1.10%), Personal Care (-6.54%) and Food (-0.05%). Dissecting the sectoral performances revealed selloff across various blue-chip stocks such as GUINNESS: -19.00%, INTBREW: -13.04%, UNILEVER: -8.82%, DANGCEM: -1.11% and NESTLE: -1.90%. To mention, interest in DANGFLOUR (+45.3% WoW) soared, following news of Olam International Limited acquisition of all outstanding shares of DANGFLOUR at a proposed price of ₦130 billion.

- 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 growth story across Africa remain 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 and 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. 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%. Reflecting our expectation of increased transfer of salary accounts to GUARANTY following the Quick Credit Scheme, we model 12% YoY growth in deposits over 2019. However, reflecting the sticky funding cost, we see a slight decline in net interest margin by 7bps YoY. Overall, we see a slower growth in EPS by 4% YoY to ₦6.53.
- 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.
- 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. Q1 19 numbers released last week backed up our expectation. Particularly, 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.
- Unilever Nigeria Plc – OVERWEIGHT** (FVE: ₦35.82): Unilever's earnings for the first quarter of 2019 was rather disappointing, following decline in sales and pressure from input cost. While we envisaged the poor sales outing in the home and personal care segment, the material decline in the food segment (-24% YoY) was rather surprising. Given the tightened business landscape, we cut our 2019 sales expectation and made upward adjustment to our cost estimate to reflect the pressures over Q1 19. Overall, we forecast PAT of ₦8.5 billion (-7.3% YoY) over 2019 (previously: ₦11.6 billion) with related EPS of ₦1.47 (previous: ₦2.01).

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

## Corporate Benefit Tracker

### Last week

- Skyway Aviation Handling company concluded its initial public offering by way of offer, listing 1,353,580,000 ordinary shares priced at ₦4.65 on the main board of the Nigerian Stock Exchange. Click [here](#) to read more
- Zenith Bank Plc announced the complete redemption of its matured US \$500 million Eurobond due April 22, 2019. The Eurobond was issued on April 22, 2014 with a 5-year tenor at a coupon pf 6.25% under the bank's US \$1 billion Global medium term note program. Click [here](#) to read more

### This Week

- Closure of Register – Total Nigeria Plc, Capital Hotel Plc, GlaxoSmithKline Consumer Nig. Plc, and Infinity Trust Mortgage Bank Plc, Berger Paints Plc, and Newrest ASL Nigeria Plc.
- Annual General Meeting – Capital Hotel Plc.
- Dividend Payment – FCMB 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
<b>BANKING</b>										
ACCESS	<b>UR</b>	20.61	6.6	NA	-36.8%	3.5	2.5	0.2	1.1	8.6%
FBNH	<b>UR</b>	12.86	7.25	NA	-17.6%	7.0	3.9	0.2	0.3	4.2%
FCMB	<b>UR</b>	2.34	1.8	NA	21.6%	6.5	3.7	0.2	0.2	5.6%
FIDELITY	<b>BUY</b>	2.92	1.94	50.5%	-21.1%	2.0	4.7	0.1	0.4	5.7%
GTB	<b>STRONG BUY</b>	49.66	34.20	45.2%	-16.1%	6.6	6.0	1.8	1.9	8.0%
UBA	<b>STRONG BUY</b>	13.04	6.85	90.3%	-33.5%	2.3	4.5	0.4	0.7	10.9%
ZENITH	<b>STRONG BUY</b>	33.61	21.35	57.4%	-16.7%	4.2	3.6	0.7	0.7	9.5%
<b>CEMENT</b>										
CCNN	<b>UR</b>	17.31	17	NA	78.9%	13.6	74.0	0.8	0.7	1.1%
DANGCEM	<b>UR</b>	248.14	186.9	NA	-18.7%	21.0	13.8	5.0	4.0	6.2%
LAFARGE	<b>BUY</b>	18.07	11.35	59.2%	-74.7%	NA	NA	1.6	0.5	9.8%
<b>BREWERIES</b>										
GUINNESS	<b>STRONG BUY</b>	77.31	48.6	59.1%	-48.3%	35.9	31.1	2.8	2.6	4.1%
NB	<b>OVERWEIGHT</b>	75.82	64.65	17.3%	-52.1%	33.9	31.0	4.0	3.6	4.0%
<b>AGRIC</b>										
OKOMU	<b>UR</b>	97.75	72.00	NA	6.4%	7.5	8.1	2.0	1.7	4.2%
PRESCO	<b>NEUTRAL</b>	67.47	62.75	7.5%	-8.4%	2.5	10.2	0.7	0.7	1.8%
<b>FOOD PRODUCERS</b>										
DANG SUGAR	<b>SELL</b>	14.44	14.25	1.3%	-28.8%	6.0	6.2	2.6	1.6	8.5%
NESTLE	<b>SELL</b>	1411.29	1550	-8.9%	-0.4%	36.6	25.9	27.5	27.5	3.9%
<b>PERSONAL CARE</b>										
PZ	<b>NEUTRAL</b>	10.12	9.45	7.1%	-54.1%	22.3	46.4	1.6	2.0	1.6%
UNILEVER	<b>OVERWEIGHT</b>	35.82	31	15.5%	-24.4%	23.0	17.4	2.3	2.1	2.0%
<b>OIL &amp; GAS</b>										
FORTE OIL	<b>UR</b>	34.35	29.2	NA	-32.8%	2.6	5.4	0.9	0.8	NA
MRS	<b>UR</b>	39.20	28.55	NA	4.0%	5.2	51.4	0.4	0.4	NA
SEPLAT	<b>STRONG BUY</b>	975.27	590.00	65.3%	-5.8%	3.6	3.8	0.6	0.5	NA
TOTAL	<b>UR</b>	244.28	182	NA	-20.9%	7.7	7.3	3.0	1.8	7.6%

“FVE” means Fair Value Estimate

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