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## ARM Research | Weekly Call

Bullish run lingered in the Nigerian bourse last week, as the NSE ASI gained for the fourth consecutive week, albeit marginally by 4bps to 27,002.15 pts, while Market capitalization advanced by ₦5.18 billion. Sectoral performance revealed Breweries (+0.89%), Telecom (+0.02%) and Food (+6.67%) anchored the positive returns, while other sectors closed negative. Bellwether stocks such as NB (+1.09%), NESTLE (+8.00%), AIRTELAF (+0.03%), GUARANTY (+3.57%) and other stocks including DANGSUGA (+8.24%), UACN (+11.89%), CADBURY (+10.00%) drove gains, outweighing declines in DANGCEM (-1.11%), ACCESS (-7.96%), FBNH (-10.67%), UBA (-6.00%), STANBIC (-4.63%) and UNILEVER (-7.74%) WoW.

- Dangcem – STRONG BUY (FVE: ₦240.87):** DANGCEM's earnings will be pressured this year (EPS: ₦14, vs ₦22 in 2018) owing to lower volumes in Nigeria business (due to increased competition from BUA Cement) and some of its Pan Africa business, as well as high base of tax credits from last year. However, DANGCEM currently trades at FY 19E P/E of 11x on our estimates, which is cheap compared to WAPCO and CCNN of 17.7x and 16.8x, respectively. We believe current valuation is unjustified given the superior ROE of 24%.
- Zenith Bank Plc – STRONG BUY (FVE: ₦31.50):** We have made adjustment to our FY 2019 expectation for Zenith Bank following some surprises in the Q2 numbers. In specifics, we revised net interest income lower due to compressed yields on its loans and treasury asset (H1 18:10.6%, H1 19 9.1%) amidst contraction in funding cost. Elsewhere, we adjusted NIR higher due to upward review of electronic fee income and trading book. Thus, we now forecast PBT of ₦218 billion (-5.5% YoY), while we cut our FVE to ₦31.57/share (previously: ₦33.71/share).
- Guaranty Trust Bank Plc – STRONG BUY (FVE: ₦49.66):** GTB's 9M 19 earnings expanded modestly with PAT and EPS expanding only 3.4% YoY to ₦146.9 billion and ₦4.99/share respectively. 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%.
- Nigerian Breweries Plc – STRONG BUY (FVE: ₦75.82):** Intense competition from International Breweries (IB) and graduated excise duty (+17% YoY) that kicked-off in Jan-19, revenue growth is expected to be slow even as we expect higher finance cost (+38% YoY) to be another pressure point to earnings this year. However, given our case for a slight improvement in volumes and decline in cost of sales (-1.1% YoY) which translates to gross (+120bps YoY) and EBIT (+101bps YoY) margin expansion, the misery seems moderated. Overall, the net impact of all our adjustments translates to PBT of ₦29.9 billion and EPS of ₦2.58 (+6.3% YoY) over 2019.
- Seplat Plc – STRONG BUY (FVE: ₦828.90):** Seplat's total production declined in Q3 19, as the drop in gas production offset improvement in the oil segment. That said, we remain positive on growth in production going into the final quarter of the year (especially in oil) and into 2020 as Seplat increases capex. Cashflows remain healthy. Upsides reside in the ANOH Gas project and acquisition of Eland Oil & Gas Limited.

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

## Corporate Benefit Tracker

### Last Week

- C&I Leasing Plc obtained approval from the SEC to open subscription on its Rights issue of 539,003,333 ordinary shares of Fifty Kobo (₦0.50) each at Six Naira (₦6.00) per share on the basis of four (4) new ordinary shares for every three (3) ordinary shares held. The offer spans from November 18th, 2019 to December 20th, 2019. Click [here](#) to read more.
- NSE notified the public that trading in the shares of Continental Reinsurance Plc has been suspended effective Thursday, 28 November 2019. Click [here](#) to read more.

### This Week

- Dividend Payment: Seplat Plc
- Click [here](#) to view full corporate actions thus far in 2019.

## Stock Recommendation

Sectors/Stocks	Rating	FVE (N)	Price (N)	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	NA	9.25	NA	36.0%	3.5	2.8	0.5	0.5	6.5%
FBNH	STRONG BUY	9.12	6.7	36.1%	-15.7%	5.8	4.4	0.4	0.5	3.5%
FCMB	UR	2.07	2.01	NA	6.3%	2.4	3.5	0.2	0.2	5.8%
FIDELITY	BUY	2.92	2.05	42.4%	1.0%	3.2	2.0	0.2	0.1	7.3%
GTB	STRONG BUY	49.66	30.45	63.1%	-11.6%	6.6	6.0	1.8	1.9	9.3%
UBA	STRONG BUY	13.04	7.05	84.9%	-8.4%	3.0	2.1	0.5	0.4	13.3%
ZENITH	STRONG BUY	31.50	18.6	69.4%	-19.3%	4.2	3.6	0.7	0.7	15.6%
<b>CEMENT</b>										
CCNN	NEUTRAL	20.14	20	0.7%	3.1%	45.9	16.1	0.6	0.9	1.1%
DANGCEM	STRONG BUY	240.87	142.8	68.7%	-24.7%	21.0	10.6	5.0	4.0	8.1%
LAFARGE	STRONG BUY	20.88	14	49.1%	12.4%	NA	9.0	1.6	0.5	6.3%
<b>BREWERIES</b>										
GUINNESS	BUY	42.63	31	37.5%	-56.9%	35.9	31.1	2.8	2.6	6.5%
NB	STRONG BUY	75.82	51.05	48.5%	-40.3%	33.9	31.0	4.0	3.6	5.1%
<b>AGRIC</b>										
OKOMU	BUY	77.23	49.65	55.5%	-34.8%	5.2	5.6	2.0	1.7	5.3%
PRESCO	BUY	51.90	37.85	37.1%	-40.9%	1.5	6.2	0.7	0.7	2.5%
<b>FOOD PRODUCERS</b>										
DANG SUGAR	OVERWEIGHT	15.67	13.80	13.6%	-9.5%	6.0	6.0	2.6	1.6	6.6%
NESTLE	NEUTRAL	1447.39	1350	7.2%	-9.1%	36.6	22.6	27.5	27.5	4.9%
UACN	NEUTRAL	8.94	8	11.7%	-17.9%	-4.7	4.7	0.4	0.2	8.0%
<b>PERSONAL CARE</b>										
PZ	NEUTRAL	6.71	5.25	27.8%	-56.6%	22.3	46.4	1.6	2.0	2.9%
UNILEVER	STRONG BUY	31.95	16.1	98.4%	-56.5%	23.0	9.0	2.3	1.1	7.3%
<b>OIL &amp; GAS</b>										
FORTE OIL	UR	NA	18.1	NA	-36.9%	1.6	5.4	0.9	0.8	NA
MRS	UR	NA	15.3	NA	-40.5%	2.8	51.4	0.4	0.4	NA
SEPLAT	STRONG BUY	828.90	549.70	50.8%	-14.1%	3.4	3.5	0.6	0.5	10.0%
TOTAL	UR	NA	110.9	NA	-45.4%	4.7	7.3	3.0	1.8	NA

“FVE” means Fair Value Estimate while “UR” means Under Review and “NA” means Not applicable

\*Means Last communicated FVE