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ARM Research | Weekly Call

The equity market closed the previous week negative, as the NSE ASI moderated by 0.61% WoW to 32,515.52 points with market capitalization shedding ~ ₦74 billion, and a YTD return of 3.45%. The bearish sentiment was driven by losses across few sectors – Brewers (-3.76%), Cement (-0.80%), and Personal care (-1.35%). Dissecting the sectoral performance reveals there were selloffs in both large and mid-cap stocks: (DANGCEM: -0.82%, NB: -3.61%, UNILEVER: -1.15%, PZ -2.37% FBNH: -1.18%, and ACCESS: -3.03%).

- **Dangote Cement Plc – STRONG BUY** (FVE: ₦253.03). We have lowered our FVE on DANGCEM to ₦253.03 largely due to a downward revision of 2019 volume growth due to electioneering concern which has slowed ongoing infrastructure projects. However, we believe DANGCEM presents an attractive entry point in the cement sector in Nigeria given its strong and diversified margins and balanced funding structure.
- **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.
- **Lafarge Africa Plc – SPECULATIVE BUY** (FVE: ₦18.07). We have lowered our FVE on Lafarge to ₦18.07 as we now expect a more significant dilution from the ₦89 billion Rights Issue and a downward revision to our 2019 volumes growth. Based on current price, our FVE translates to a BUY. However, we are highly cautious on Lafarge and thus rate the stock a SPECULATIVE BUY.
- **Unilever Plc – OVERWEIGHT** (FVE: ₦49.19). We have an OVERWEIGHT 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.
- **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.

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

Corporate Benefit Tracker

Last week

- Newrest ASL Nigeria Plc applied to the NSE for voluntary delisting of the entire 634,000,000 ordinary shares of the company from daily official list of the Exchange due to its inability to meet up with the 20% free float requirement of the Exchange. Click [here](#) to read more
- Fidson Healthcare Plc has proposed a rights issue of 750,000,000 ordinary shares of ₦0.50 kobo each at ₦4.00 per share based on one new ordinary share for every two (2) ordinary shares held. Click [here](#) to read more
- Access bank proposed issuance of Green bond has been approved by the Securities and Exchange commission (SEC). The bank is seeking to raise up to ₦15 billion. 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	6.4	UR	-38.8%	3.0	2.9	0.6	0.5	6.8%
DIAMOND	SELL	1.39	2.45	-43.3%	63.3%	1.2	1.4	0.2	0.4	0.0%
ETI	OVERWEIGHT	16.54	14.1	17.3%	-17.1%	38.9	16.3	124.0	111.5	0.0%
FBNH	UR	12.86	8.35	UR	-5.1%	7.0	3.9	0.2	0.3	3.7%
FCMB	UR	2.34	2.22	UR	50.0%	7.6	3.1	0.3	0.3	4.5%
FIDELITY	OVERWEIGHT	2.76	2.47	11.7%	0.4%	2.0	4.2	0.1	0.4	6.6%
GTB	UR	49.02	38.2	UR	-6.3%	6.3	6.0	1.7	1.5	7.5%
STANBIC	OVERWEIGHT	55.00	48.5	13.4%	16.9%	10.2	10.2	2.7	2.4	6.2%
UBA	UR	16.14	8.00	UR	-22.3%	4.8	4.4	0.7	0.7	12.4%
ZENITH	UR	35.25	25.5	UR	-0.5%	4.9	4.4	1.1	1.0	12.5%
CEMENT										
CCNN	SELL	16.68	20	-16.6%	110.5%	16.0	87.1	0.8	0.7	1.1%
DANGCEM	STRONG BUY	253.03	192.4	31.5%	-16.3%	21.0	14.2	5.0	4.0	6.0%
LAFARGE	STRONG BUY	18.07	13	39.0%	-71.0%	NA	NA	1.6	0.5	8.5%
BREWERIES										
GUINNESS	OVERWEIGHT	77.31	65.1	18.8%	-30.7%	86.1	21.2	2.8	1.6	2.8%
NB	SELL	76.58	80	-4.3%	-40.7%	32.6	27.8	6.0	6.1	3.6%
AGRIC										
OKOMU	STRONG BUY	97.75	80.05	22.1%	18.3%	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	15	13.4%	-25.0%	6.0	6.6	2.6	1.7	8.1%
NESTLE	SELL	1287.54	1580	-18.5%	1.5%	36.6	26.4	27.5	27.5	3.8%
PERSONAL CARE										
PZ	SELL	10.12	12.35	-18.1%	-40.0%	22.3	46.4	1.6	2.0	1.2%
UNILEVER	OVERWEIGHT	49.19	43	14.4%	4.9%	23.0	24.1	2.3	2.9	1.4%
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	619	57.6%	-1.2%	3.8	4.0	0.7	0.6	NA
TOTAL	BUY	244.28	195	25.3%	-15.2%	8.3	7.3	3.0	1.8	7.1%

“FVE” means Fair Value Estimate

“UR” means Under Review