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## ARM Research | Weekly Call

- Dangcem– STRONG BUY (FVE: ₦240.87):** DANGCEM’s FY 19 earnings is expected to be pressured (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 2018. 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%.
- 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%.
- Nestle Plc – OVERWEIGHT (FVE: ₦1447.39):** Amongst the food producers, Nestle Nigeria Plc has managed to stay afloat, reporting modest growth in earnings amidst incessant competition. For 9M 19, EPS expanded by 11.2% YoY to ₦46.48 driven largely by the absence of impairment charges which created a high base for input costs over the same period last year. Asides from improved earnings, its strong cash balance, return on equity and 100% dividend payout further supports the case for an OVERWEIGHT rating.
- 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 (especially in oil) into 2020 as Seplat increases capex. Cashflows remain healthy. Upsides reside in the ANOH Gas project and acquisition of Eland Oil & Gas Limited, while decline in oil prices pose a threat to our estimates.

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

### Corporate Benefit Tracker

#### This Week

- **Payment:** Lotus Halal Fixed Income Fund

#### Next Week

- Click [here](#) to view full corporate actions thus far in 2020.

## 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	9.4	NA	-6.0%	3.5	2.9	0.6	0.5	6.4%
FBNH	STRONG BUY	9.12	5.75	58.6%	-6.5%	5.8	4.4	0.4	0.5	4.1%
FCMB	BUY	2.07	1.95	6.1%	5.4%	2.4	3.5	0.2	0.2	5.9%
FIDELITY	BUY	2.92	2.14	36.4%	4.4%	3.2	2.0	0.2	0.1	7.0%
GTB	STRONG BUY	49.66	27.95	77.7%	-5.9%	6.6	6.0	1.8	1.9	10.1%
UBA	STRONG BUY	13.04	7.4	76.2%	3.5%	3.0	2.1	0.5	0.4	12.7%
ZENITH	UR	NA	19.85	NA	6.7%	4.2	3.6	0.7	0.7	14.6%
<b>CEMENT</b>										
DANGCEM	STRONG BUY	240.87	170	41.7%	19.7%	21.0	12.6	5.0	4.0	6.8%
LAFARGE	STRONG BUY	20.88	15.5	34.7%	1.3%	NA	9.0	1.6	0.5	5.7%
<b>BREWERIES</b>										
GUINNESS	UR	NA	25.2	NA	-17.4%	35.9	31.1	2.8	2.6	7.9%
NB	UR	NA	48.45	NA	-17.9%	33.9	31.0	4.0	3.6	5.3%
<b>AGRIC</b>										
OKOMU	BUY	77.23	68.00	13.6%	22.3%	7.1	7.6	2.0	1.7	3.9%
PRESCO	NEUTRAL	51.90	49.85	4.1%	4.9%	2.0	8.1	0.7	0.7	1.9%
<b>FOOD PRODUCERS</b>										
DANG SUGAR	STRONG BUY	15.67	12.10	29.5%	-11.0%	6.0	5.3	2.6	1.4	7.5%
NESTLE	BUY	1447.39	1130	28.1%	-23.1%	36.6	18.9	27.5	27.5	5.8%
UACN	BUY	8.94	8.4	6.4%	-2.3%	-4.7	4.7	0.4	0.2	7.6%
<b>PERSONAL CARE</b>										
PZ	BUY	6.71	5	34.2%	-11.5%	22.3	46.4	1.6	2.0	3.0%
UNILEVER	STRONG BUY	31.95	15	113.0%	-31.8%	23.0	8.4	2.3	1.0	7.9%
<b>OIL &amp; GAS</b>										
FORTE OIL	UR	NA	16.7	NA	-7.7%	1.5	5.4	0.9	0.8	NA
MRS	UR	NA	13.8	NA	-9.8%	2.5	51.4	0.4	0.4	NA
SEPLAT	STRONG BUY	828.90	605.00	37.0%	-8.0%	3.7	3.9	0.7	0.6	10.0%
TOTAL	UR	NA	107	NA	-3.5%	4.5	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