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ARM Research | Weekly Call

- Nestle Plc – STRONG BUY (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.
- 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%.
- WAPCO – STRONG BUY (FVE: ₦23.59):** Upon sale of the South Africa business in July 2019, Lafarge Africa is set to see less pressure on its earnings which had, hitherto, contributed negatively to the bottom line. Also, with lower debts now expected on its books, WAPCO is set to post lower finance cost. We are also cautiously optimistic of the company's capex plans (Ashaka debottlenecking and power plant) supporting improved margins. We revised FY 19E EPS higher to ₦0.86 (2018: ₦1.01), with a 5-year CAGR of 24% to ₦2.52 by FY 2023E.
- 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

- Eterna Plc announced that the criminal case instituted in 2012 by the Economic and Financial Crimes Commission (EFCC) against Eterna Plc has been struck out by the Lagos state High Court. Click [here](#) to read more.

Next Week

- AGM:** Vitafoam Nigeria plc.
- Payment:** Vitafoam Nigeria Plc.

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

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
BANKING										
ACCESS	UR	NA	8.2	NA	-18.0%	3.5	2.5	0.5	0.5	7.3%
FBNH	STRONG BUY	9.12	4.7	94.0%	-23.6%	5.8	4.4	0.4	0.5	5.0%
FCMB	BUY	2.07	1.71	21.0%	-7.6%	2.4	3.5	0.2	0.2	6.8%
FIDELITY	BUY	2.92	1.95	49.7%	-4.9%	3.2	2.0	0.2	0.1	7.7%
GTB	STRONG BUY	49.66	23.80	108.7%	-19.9%	6.6	6.0	1.8	1.9	11.9%
UBA	STRONG BUY	13.04	6.7	94.6%	-6.3%	3.0	2.1	0.5	0.4	14.0%
ZENITH	UR	NA	18.5	NA	-0.5%	4.2	3.6	0.7	0.7	15.7%
CEMENT										
DANGCEM	UR	NA	170	NA	19.7%	21.0	12.6	5.0	4.0	6.8%
LAFARGE	STRONG BUY	23.59	15.5	52.2%	1.3%	NA	9.0	1.6	0.5	5.7%
BREWERIES										
GUINNESS	UR	NA	25.2	NA	-17.4%	35.9	31.1	2.8	2.6	7.9%
NB	UR	NA	40.5	NA	-31.4%	33.9	31.0	4.0	3.6	6.4%
AGRIC										
OKOMU	NEUTRAL	77.23	68.00	13.6%	22.3%	7.1	7.6	2.0	1.7	3.9%
PRESCO	NEUTRAL	51.90	44.9	15.6%	-5.5%	1.8	7.3	0.7	0.7	2.1%
FOOD PRODUCERS										
DANG SUGAR	STRONG BUY	15.67	12.10	29.5%	-11.0%	6.0	5.3	2.6	1.4	7.5%
NESTLE	STRONG BUY	1447.39	1130	28.1%	-23.1%	36.6	18.9	27.5	27.5	5.8%
UACN	BUY	8.94	7.4	20.8%	-14.0%	-4.7	4.7	0.4	0.2	8.6%
PERSONAL CARE										
PZ	SELL	6.71	4.5	49.1%	-20.4%	22.3	46.4	1.6	2.0	3.3%
UNILEVER	STRONG BUY	31.95	15	113.0%	-31.8%	23.0	8.4	2.3	1.0	7.9%
OIL & GAS										
FORTE OIL	UR	NA	17	NA	-6.1%	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