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ARM Research | Weekly Call

After two consecutive weeks of downtrading, the Nigerian bourse witnessed a major leap last week as the NSEASI gained 3.94% WoW to 31,005.17 points. This was largely driven by gains in the Cement 10.04%, Brewers +3.46%, Food +3.11% and Insurance +6.05% indices following gains in sector heavy weights: DANGCEM +10.11%, GUINNESS +7.58%, NESTLE +3.59% and CUSTODYNS +21.7% respectively. Elsewhere, top losers for the week were RESORTS (-29.73%) and BETAGLAS (-17.91%).

- **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.
- **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.
- **Total Nigeria Plc – STRONG BUY** (FVE: ₦244.28). We upgrade our FVE on Total Nigeria Plc to ₦244.28, as we now model a 24% hike in domestic petrol price to ₦180 per litre and increase in finance income in 2019 - following robust subsidy receivables as at H1 18.
- **Seplat Petroleum Development Company Plc – STRONG BUY** (FVE: ₦975.27). The case for Seplat remains higher crude oil prices and volumes, unrecognized capital allowance, reserve accretion, higher receipt from crude oil lifted in OML 55 as well as the company's extended debt maturity profile which feeds into an improved cash position.
- **Fidelity Bank Plc – BUY** (FVE: ₦2.92). With our estimates suggesting a solid performance for 2018, we have rolled forward our model and maintain our TP on the stock. Beyond our modeled expansion in Net Interest Margin over 2019, we expect stronger support from NIR (+19% YoY) during the year which will be central to earnings over 2019. Our estimates put PBT at ₦30 billion (+16% YoY) with EPS printing at ₦0.95 (+17% YoY).

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

Corporate Benefit Tracker

Last week

- C & I leasing's suspension on its shares was lifted on Monday -14th January 2019- as it notified the Exchange that the reconstruction exercise has been completed and the shareholders' register updated. Click [here](#) to read more
- Sovereign Trust Insurance Plc applied to the NSE on 15th January 2019, for the approval and listing of a Rights issue worth ₦4,170,411,648 ordinary shares at ₦0.50 per share. It will be based on one new share for every two ordinary shares held. Click [here](#) to read more
- Lafarge Africa Plc obtained an approval to extend the period of its Rights issue to January 28th, 2019 from the initial close January 26, 2019. Click [here](#) to read more
- Access bank Plc has submitted its applications in respect of a proposed Green Bond Issuance of ₦15 billion by 2021 but is yet to receive any regulatory approval. Click [here](#) to read more

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	5.6	UR	-46.4%	2.6	2.6	0.5	0.5	7.8%
DIAMOND	SELL	1.39	2.1	-33.9%	40.0%	1.1	1.2	0.2	0.3	4.8%
FBNH	UR	12.86	7.3	UR	-17.0%	7.0	3.9	0.2	0.3	4.2%
FCMB	BUY	2.34	1.76	+33%	18.9%	7.6	2.5	0.3	0.3	5.7%
FIDELITY	BUY	2.92	2.01	45.0%	-18.3%	2.0	4.5	0.1	0.4	8.1%
GTB	UR	49.02	31.95	UR	-21.6%	6.3	6.0	1.7	1.5	8.9%
STANBIC	OVERWEIGHT	55.00	47	17.0%	13.3%	10.2	9.9	2.7	2.4	6.4%
UBA	UR	16.14	7.3	UR	-29.1%	4.8	4.4	0.7	0.7	13.5%
ZENITH	UR	35.25	25.5	UR	-0.5%	4.9	4.4	1.1	1.0	12.5%
CEMENT										
CCNN	SELL	16.68	25.1	-33.5%	164.2%	20.1	109.3	0.8	0.7	1.1%
DANGCEM	STRONG BUY	253.03	194.9	29.8%	-15.3%	21.0	14.4	5.0	4.0	5.9%
LAFARGE	STRONG BUY	18.07	12.8	41.2%	-71.5%	NA	NA	1.6	0.5	8.7%
BREWERIES										
GUINNESS	NEUTRAL	73.96	71	4.2%	-24.5%	86.1	23.2	2.8	1.8	2.6%
NB	SELL	76.58	81	-5.5%	-40.0%	32.6	28.2	6.0	6.1	3.5%
AGRIC										
OKOMU	OVERWEIGHT	97.75	82.00	19.2%	21.1%	8.6	9.2	2.0	1.7	3.1%
PRESCO	NEUTRAL	67.47	62	8.8%	-9.5%	2.4	10.1	0.7	0.7	1.8%
FOOD PRODUCERS										
DANG SUGAR	OVERWEIGHT	17.01	14.5	17.3%	-27.5%	6.0	6.3	2.6	1.6	8.4%
FLOURMILL	BUY	39.40	19.45	102.6%	-32.9%	4.2	4.5	0.3	0.4	10.3%
NESTLE	SELL	1287.54	1450	-11.2%	-6.8%	36.6	24.2	27.5	27.5	4.1%
UACN	BUY	16.44	8.8	86.8%	-47.9%	10.0	6.0	0.3	0.3	6.6%
PERSONAL CARE										
PZ	SELL	10.12	11.85	-14.6%	-42.5%	22.3	46.4	1.6	2.0	1.3%
UNILEVER	STRONG BUY	50.98	37	37.8%	-9.8%	23.0	20.8	2.3	2.5	1.7%
OIL & GAS										
FORTE OIL	BUY	34.35	30	14.5%	-31.0%	2.7	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	576	69.3%	-8.0%	3.5	3.7	0.6	0.5	NA
TOTAL	STRONG BUY	244.28	195	25.3%	-15.2%	8.3	7.3	3.0	1.8	7.1%

“UR” means Under Review

“FVE” means Fair Value Estimate