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ARM Research | Weekly Call

Early last week, the NSE listed the second telecommunication company - Airtel Africa Plc - on its mainboard, listing 3,758,151,504 ordinary shares at an offer price of ₦363 per ordinary share. However, the stock closed the week 11% lower than its listing price at ₦323.50, reflecting weak investor sentiments. At the end of the week, the Nigerian all share index lost -2.41% to close at 28,566.76 points, while the market capitalization increased by ₦1.02 trillion due to additional shares from the above stated listing. On sectoral performance, all sectors of the index closed the week in the negative territory, save Banking sector which gained 0.09%. A further probe into the sectors revealed selloff across various stocks such as NB: -3.97%, DANGCEM: -2.26%, PZ: -10.14%, DANGSUGA: -7.83% and NESTLE: -8.92%.

- Dangote Cement Plc – STRONG BUY** (FVE: ₦248.14): Dangote Cement Plc (Dangcem) Q1 2019 result showed decline in group revenue by 0.8% YoY to ₦240 billion, largely emanating from Nigeria. However, the high base of effective tax rate in the prior year, resulted in much softer decline for EPS to ₦3.54 from ₦4.23 in Q1 18. Going into 2019, we forecast slower growth in our PBT stemming from i) downward revision of our 2019 and 2020 volume forecast; ii) downward adjustment to revenue per ton; and (iii) reduction in our gross margin estimates to 57.8% from 58.3%.
- Guinness Nigeria Plc – STRONG BUY** (FVE: ₦77.31). We had earlier highlighted that Guinness would have to contend with slower beer volumes due to intense industry competition. In its Q1 19 numbers, revenue was dragged lower due to lower volumes over the same period. 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 over 2019. Also, following lower finance cost after recent deleveraging of its FCY debt using proceeds from rights issue, we see improved profitability for the company.
- United Bank for Africa Plc – STRONG BUY** (FVE: ₦13.04): After a very weak Q4 performance, UBA posted a strong recovery in Q1 19 with EPS expanding 69% QoQ to ₦0.84 on the back of a sturdy growth in NIR and interest income. Over 2019, we maintain our view and believe UBA growth story across Africa remain compelling. Particularly, we expect meaningful growth in earnings over 2019 on the back of strong retail deposit growth, increase in loan book, expansion in trading book and net fee income, and healthier asset quality. Consequently, we see FY 19E earnings growth of 15% YoY to ₦90.2 billion. Overall, we maintain our STRONG BUY recommendation with a revised FVE of ₦13.04.
- Fidelity Bank Plc – BUY** (FVE: ₦2.92): Fidelity bank kicked off the year on a good note with the bank posting EPS growth of 17.2% QoQ to ₦0.21 largely due to support from a higher interest income and lower OPEX. Despite an expected decline in NIR for the bank, we expect Fidelity to record a modest growth in earnings over 2019 on account of our expectation of higher loan growth as well as moderation in funding cost. We forecast a 11% increase in EPS (₦0.88) over 2019 and thus maintain our BUY rating with an FVE of ₦2.92.
- CCNN Plc – BUY** (FVE: ₦22.87): We had earlier noted the solid volumes reported by CCNN in its Q1 19 financials. As a result, we now see increasing volume growth on the horizon with our forecast average capacity utilization of 88% and domestic market share of 5.6% by FY 2023 (FY 18: 3.1%). Additionally, we see increased efficiency on the company's new plant translating to improvement in margins with average estimate of 48% (previously: 43%). Consequently, we have raised our FVE to ₦22.87 (previous estimate of ₦17.31) which translates to a BUY on our rating.

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

Corporate Benefit Tracker

Last Week

- Ecobank Transnational Incorporated announced its subsidiary -Ecobank Nigeria Limited- has indicated its intention to fully redeem the 8.75% subordinated Note of \$250 million issued to EBN Finance Company B.V. due 2021. Click [here](#) to read more.
- Access bank Plc debunked rumours regarding the acquisition of Union Bank of Nigeria Plc. The bank claims it is not in any discussion with Union Bank or any of its shareholders regarding any such transaction. Click [here](#) to read more.

This Week

- Closure of Register: C & I Leasing Plc and Redstar Express Plc.
- Click [here](#) to view full corporate actions thus far in 2019.

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	6.7	NA	-35.9%	3.5	2.6	0.2	1.1	7.4%
FBNH	STRONG BUY	9.12	6	52.0%	-24.5%	4.4	4.7	0.5	0.5	3.9%
FCMB	BUY	2.07	1.57	31.8%	-16.9%	2.4	3.5	0.2	0.2	5.7%
FIDELITY	BUY	2.92	1.62	80.2%	-20.2%	2.0	4.7	0.1	0.4	14.2%
GTB	STRONG BUY	49.66	29.90	66.1%	-13.2%	6.6	6.0	1.8	1.9	9.4%
UBA	STRONG BUY	13.04	5.90	120.9%	-23.4%	2.3	4.5	0.4	0.7	16.0%
ZENITH	STRONG BUY	33.71	19	77.4%	-17.6%	4.2	3.6	0.7	0.7	14.9%
CEMENT										
CCNN	BUY	22.87	14.5	57.7%	-25.3%	33.3	11.7	0.6	0.9	1.1%
DANGCEM	STRONG BUY	248.14	173	43.4%	-8.8%	21.0	12.8	5.0	4.0	6.7%
LAFARGE	BUY	18.07	13.65	32.4%	9.6%	NA	NA	1.6	0.5	28.3%
BREWERIES										
GUINNESS	STRONG BUY	77.31	47.5	62.8%	-34.0%	35.9	31.1	2.8	2.6	4.2%
NB	STRONG BUY	75.82	58	30.7%	-32.2%	33.9	31.0	4.0	3.6	4.5%
AGRIC										
OKOMU	BUY	75.60	62.00	21.9%	-18.6%	6.5	7.0	2.0	1.7	4.2%
PRESCO	BUY	67.47	44.8	50.6%	-30.0%	1.8	7.3	0.7	0.7	2.1%
FOOD PRODUCERS										
DANG SUGAR	STRONG BUY	14.44	10.60	36.2%	-30.5%	6.0	4.6	2.6	1.2	8.6%
NESTLE	OVERWEIGHT	1411.29	1225	15.2%	-17.5%	36.6	20.5	27.5	27.5	5.3%
PERSONAL CARE										
PZ	BUY	10.12	6.2	63.2%	-48.8%	22.3	46.4	1.6	2.0	2.4%
UNILEVER	NEUTRAL	35.82	33	8.5%	-10.8%	23.0	18.5	2.3	2.2	3.6%
OIL & GAS										
FORTE OIL	UR	NA	20.7	NA	-27.9%	1.8	5.4	0.9	0.8	NA
MRS	UR	NA	28.55	NA	11.1%	5.2	51.4	0.4	0.4	NA
SEPLAT	STRONG BUY	782.15	590.00	32.6%	-7.8%	3.6	3.8	0.6	0.5	NA
TOTAL	UR	NA	140	NA	-31.0%	5.9	7.3	3.0	1.8	5.3%

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