

**Online Trading Made Easy.** Trade stocks on the Nigeria Stock Exchange (NSE) from anywhere in the world.

[How it works](#)

## ARM Research | Weekly Call

In the previous week, Nigeria's equity market closed on a negative note, with the NSEASI losing 9bps to 27,674.04 pts with market capitalization shedding ₦11.5 billion. This was largely driven by losses across major sectors such as Banking (-3.25%), Brewers (-0.56%), Cement (-2.55%), Personal Care (-0.22%) and Real estate (-0.74%) segments, which outweighed gains in Oil & Gas (+36.45%), Food (7.57%) and Insurance (+1.92%) sectors. Furthermore, major losses were seen in GUARANTY (-4.83%), STANBIC (-11.32%), ZENITH (-1.07%), GUINNESS (-8.11%), DANGCEM (-2.77%) and PZ (-0.71%), outweighing gains in SEPLAT (+21%) and NESTLE (11.15%).

- DANGCEM – STRONG BUY (FVE: ₦240.87):** DANGCEM's earnings will be pressured this year (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 last year. That said, 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%.
- Zenith Bank Plc – STRONG BUY (FVE: ₦31.57):** We have made adjustment to our FY 2019 expectation for Zenith Bank following some surprises in the Q2 numbers. In specifics, we revised net interest income lower due to compressed yields on its loans and treasury asset (H1 18:10.6%, H1 19 9.1%) amidst contraction in funding cost. Elsewhere, we adjusted NIR higher due to upward review of electronic fee income and trading book. Thus, we now forecast PBT of ₦218 billion (-5.5% YoY), while we cut our FVE to ₦31.57/share (previously: ₦33.71/share).
- Guaranty Trust Bank Plc – STRONG BUY (FVE: ₦49.66):** GTB's H1 19 earnings growth slacked over Q2 19 with PAT and EPS expanding only 0.6% QoQ to ₦46.6 billion and ₦1.69/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%.
- Seplat Plc – STRONG BUY (FVE: ₦828.90):** Following a stronger than expected oil exit rate in Q2 19, we have revised our FY19E total production estimate slightly higher to 50,266 boepd (previous: 49,765boepd) and crude oil price to \$63.9/bbl. (previous: \$60/bbl.). This coupled with a surprise gas toll revenue of \$67 million in Q2, increased 2019E revenue to \$701 million (previous: \$656 million). Thus, our 2019E EPS and FCF/s were revised higher to \$0.33 and \$0.12, from previous estimate of \$0.31 and -\$0.02, respectively.
- Nigerian Breweries Plc – STRONG BUY (FVE: ₦75.82):** Intense competition from International Breweries (IB) and graduated excise duty (+17% YoY) that kicked-off in Jan-19, revenue growth is expected to be slow even as we expect higher finance cost (+38% YoY) to be another pressure point to earnings this year. However, given our case for a slight improvement in volumes and decline in cost of sales (-1.1% YoY) which translates to gross (+120bps YoY) and EBIT (+101bps YoY) margin expansion, the misery seems moderated. Overall, the net impact of all our adjustments translates to PBT of ₦29.9 billion and EPS of ₦2.58 (+6.3% YoY) over 2019.

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

### Corporate Benefit Tracker

#### Last Week

- The NSE has lifted its suspension on the trading in the shares of Guinea Insurance Plc and Niger Insurance Plc following the filing of their Audited Financial Statements for the year ended 31 December 2018. Click [here](#) to read more.
- AG. Leventis Plc (AGL) has notified the NSE that Boval S.A acting on behalf of core shareholders has approached the board of AGL with the intention to acquire the shares held by other shareholders of the company at an offer price of 53 kobo per share, and subsequently delist the Company from the NSE. Click [here](#) to read more.

#### This Week

- Click [here](#) to view full corporate actions thus far in 2019

## Stock Recommendation

Sectors/Stocks	Rating	FVE (₦)	Price (₦)	Upside	YTD Return	P/E FY 19E (x)	P/B FY 19E (x)	FY 19E dividend yield
<b>BANKING</b>								
ACCESS	<b>UR</b>	NA	7.65	NA	-26.8%	3.0	1.3	6.5%
FBNH	<b>STRONG BUY</b>	9.12	5.5	65.8%	-30.8%	4.4	0.5	4.3%
FCMB	<b>BUY</b>	2.07	1.63	26.9%	-13.8%	3.5	0.2	7.1%
FIDELITY	<b>BUY</b>	2.92	1.7	71.8%	-16.3%	2.0	0.1	8.8%
GTB	<b>STRONG BUY</b>	49.66	27.60	79.9%	-19.9%	6.0	1.9	10.2%
UBA	<b>STRONG BUY</b>	13.04	6.20	110.2%	-19.5%	2.1	0.4	15.2%
ZENITH	<b>STRONG BUY</b>	31.50	18.5	70.3%	-19.7%	3.6	0.7	15.7%
<b>CEMENT</b>								
CCNN	<b>STRONG BUY</b>	20.14	14.95	34.7%	-22.9%	12.1	0.9	1.1%
DANGCEM	<b>STRONG BUY</b>	240.87	150.7	59.8%	-20.6%	11.1	4.0	7.7%
LAFARGE	<b>STRONG BUY</b>	20.88	16	30.5%	28.5%	NA	0.5	5.5%
<b>BREWERIES</b>								
GUINNESS	<b>BUY</b>	42.63	34	25.4%	-52.8%	31.1	2.6	5.9%
NB	<b>STRONG BUY</b>	75.82	52.5	44.4%	-38.6%	31.0	3.6	4.9%
<b>AGRIC</b>								
OKOMU	<b>BUY</b>	75.60	54.95	37.6%	-27.9%	6.2	1.7	4.8%
PRESKO	<b>BUY</b>	51.90	40.35	28.6%	-37.0%	6.6	0.7	2.3%
<b>FOOD PRODUCERS</b>								
DANG SUGAR	<b>STRONG BUY</b>	15.67	10.90	43.8%	-28.5%	4.8	1.2	8.4%
NESTLE	<b>NEUTRAL</b>	1447.39	1345	7.6%	-9.4%	22.5	27.5	4.9%
<b>PERSONAL CARE</b>								
PZ	<b>SELL</b>	6.71	7	-4.1%	-42.1%	46.4	2.0	2.1%
UNILEVER	<b>OVERWEIGHT</b>	31.95	29	10.2%	-21.6%	16.3	2.0	4.1%
<b>OIL &amp; GAS</b>								
FORTE OIL	<b>UR</b>	NA	15.8	NA	-44.9%	5.4	0.8	NA
MRS	<b>UR</b>	NA	18.8	NA	-26.8%	51.4	0.4	NA
SEPLAT	<b>STRONG BUY</b>	828.90	556.60	48.9%	-13.0%	3.6	0.5	NA
TOTAL	<b>UR</b>	NA	120	NA	-40.9%	7.3	1.8	6.1%

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

\*Means Last communicated FVE