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## ARM Research | Weekly Call

The Nigerian equity market extended losses for the third consecutive week as the index dipped 51 basis points to close the week at 35266.29pts. The sell pressure was fueled by losses in UBA (-11.64%), Flourmills (-10.57%), Dangote Sugar (-4.52%), Nestle (-3.85%), Zenith (-3.18%) and Guaranty (-2.56%) which largely masked gains in Unilever (+4.76%), FBNH (+2.08%), and Dangote Cement (+2.80%). Analyzing the performance on a sectorial basis, the sectors that closed negative outweighed those that closed positive with the Banking, Food, Insurance, Oil & Gas and the Real Estate sectors closing negative while the Brewers, Cement and Personal Care sectors closed the week positive.

- **First Bank of Nigeria Holdings Plc – STRONG BUY** (FVE: ₦12.86). We revise our FVE slightly to ₦12.86 from ₦14.40 following our revision of a higher impairment charge due to concerns on FBNH's exposure to Atlantic Energy and also lower asset yield for 2018. Aside these, we remain strongly optimistic on FBNH on the back of sizable moderation in impairment charge. For context, we expect NPL to moderate to 18% (FY 19E: 16%) from 22.8% in FY 17.
- **Lafarge Africa Plc. – SELL** (FVE: ₦23.57). We expect higher input costs, surge in OPEX and elevated finance cost to weigh on earnings over FY 18. On leverage, with total net borrowings of ₦256 billion as at H1 18, we expect persisting pressure on finance cost and have thus raised our net finance cost for the year higher to ₦39 billion, which would further swamp operating profit (EBIT) to instigate a loss after tax of ₦8.3 billion for the year.
- **Dangote Cement Plc – STRONG BUY** (FVE: ₦278.54). We expect Dangote Cement to sustain earnings growth over 2018, at faster pace than our earlier estimate. To be specific, we are now more positive on the write back of the tax provisions booked thus far.
- **Guinness Nigeria Plc – SELL** (FVE: ₦88.21). Guinness is poised for further earnings recovery into 2019 underpinned by lower operating and finance expenses. However, from a valuation standpoint, we believe the stock is expensive due to the dilutive impact of the recently concluded rights issue.
- **PZ Cussons Plc – SELL** (FVE: ₦16.57). Our sell rating on PZ is premised on expected slower recovery in volumes due to weak income levels. Additionally, the recent rise in Brent crude is expected to stoke pressures on petrochemical prices which would weigh on gross profit and earnings.
- **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.

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

## Corporate Benefit Tracker

### Last week

- Dangote Cement Plc announced the proposed issuance of ₦50 billion Series 3 and 4 Notes under its ₦150 billion Commercial Paper Programme earlier announced on 27th June 2018. Click [here](#) to read more.
- The entire issued share capital of Paints and Coatings Nigeria Plc was delisted from the Daily Official List of the NSE in compliance with the company's request for voluntary delisting. Click [here](#) to read more.
- Zenith Bank Plc announced a change of its dividend payment date from August 24 to August 29 due to the recently announced public holiday. Click [here](#) to read more.

### This Week

- **Closure of Register:** Triple Gee and Company Plc, Linkage Assurance Plc, Custodian Investment Plc and Zenith Bank Plc. Click [here](#) to view full corporate actions thus far in 2018

Stock Recommendation

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	STRONG BUY	13.46	9.6	40.2%	-8.1%	4.5	4.4	0.8	0.7	4.5%
DIAMOND	UR*	1.39	1.09	27.3%	-27.3%	NA	4.5	0.1	0.1	0.0%
ETI	SELL	16.54	21.05	-21.4%	23.8%	58.0	24.3	185.2	166.5	0.0%
FBNH	STRONG BUY	12.86	9.8	31.3%	11.4%	3.9	5.3	0.3	0.5	3.1%
FCMB	UR*	3.38	1.7	99.0%	14.9%	7.1	2.0	0.3	0.3	7.6%
FIDELITY	BUY	3.08	1.66	85.4%	-32.5%	4.7	2.3	0.4	0.4	13.0%
GTB	UR*	49.02	38	29.0%	-6.7%	7.2	6.2	2.0	1.7	7.5%
STANBIC	UR*	55.00	50.05	9.9%	20.6%	10.2	10.6	2.7	2.4	6.0%
UBA	STRONG BUY	14.69	8.35	76.0%	-18.9%	4.8	4.4	0.7	0.5	14.4%
ZENITH	UR*	35.25	25.5	38.2%	-0.5%	4.9	4.4	1.1	1.0	12.5%
CEMENT										
CCNN	UR	32.68	30.9	5.7%	225.3%	12.0	17.4	2.8	2.4	1.4%
DANGCEM	STRONG BUY	278.54	220	26.6%	-4.3%	21.0	14.7	5.5	5.2	5.8%
LAFARGE	SELL	23.57	27.8	-15.2%	-38.1%	NA	NA	0.9	0.5	5.1%
BREWERIES										
GUINNESS	SELL	88.21	90	-2.0%	-4.3%	86.1	22.8	3.9	2.3	1.9%
INTBREW	SELL	24.40	35.2	-30.7%	-35.4%	43.7	77.0	8.3	7.9	0.4%
NB	UR*	118.76	103	15.3%	-23.6%	32.6	22.4	6.0	4.6	4.5%
AGRIC										
OKOMU	UR*	102.30	74.55	17.8%	10.1%	7.8	7.0	2.0	1.6	4.1%
PRESCO	BUY	72.03	60	20.1%	-12.4%	NA	7.4	1.2	1.8	2.7%
FOOD PRODUCERS										
DANG SUGAR	OVERWEIGHT	17.00	14.8	14.9%	-26.0%	6.0	6.5	2.6	1.7	8.2%
FLOURMILL	RESTRICTED	38.94	22	77.0%	-24.1%	4.7	5.1	0.4	0.5	9.1%
NESTLE	UR*	1008.97	1500	-32.7%	-3.6%	36.6	26.8	27.5	26.5	3.7%
UACN	BUY	16.44	12.6	30.5%	-25.4%	14.3	8.6	0.5	0.4	4.6%
PERSONAL CARE										
PZ	SELL	16.57	24.23	-31.6%	17.6%	25.3	53.4	1.9	2.1	1.1%
UNILEVER	UR*	36.21	55	-34.2%	34.1%	23.0	26.7	2.3	3.7	1.1%
OIL & GAS										
FORTE OIL	UR*	58.50	23.15	152.7%	-46.8%	2.1	10.6	0.9	0.8	NA
MRS	UR*	39.20	28.55	37.3%	4.0%	5.2	51.4	0.4	0.4	NA
SEPLAT	STRONG BUY	975.27	650	50.0%	3.8%	4.0	4.2	0.7	0.6	NA
TOTAL	OVERWEIGHT	201.23	183	10.0%	-20.4%	7.7	14.5	2.4	2.5	5.3%

\* ‘UR’ means Under review