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ARM Research | Weekly Call

The Nigerian equity market closed on a bearish note last week with the index shedding 0.37% WoW to close the week at 36,499.67pts. The negative performance was driven by sell pressures in Dangote Sugar (-3.03%), Dangote Cement (-2.14%), Nigerian Breweries (-0.96%) and Access (-0.50%) which masked gains in Seplat (+13.6%), Guaranty (+1.14%) and Zenith (+0.63%). Parsing through the reading on a sectorial basis, the sectors closed mixed with the Banking, Food, Oil & Gas and Real Estate closing in the green while Brewers, Personal Care, Cement, and Insurance sectors closed in the red. Additionally, Notore Chemical Industries (Notore) undertook a listing by the introduction of its entire ordinary shares – 1.61 billion at a per share price of ₦62.50.

- **United Bank for Africa Plc – STRONG BUY** (FVE: ₦14.10). We expect meaningful improvement in UBA's profitability over 2018 hinged on growth in its deposit, increased loan book, expansion in its trading book, healthier asset quality, lower loan-loss provision, and resilience in fee income.
- **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.
- **Dangote Sugar Refinery Plc – NEUTRAL** (FVE: ₦17.01). Over 2018, we expect weaker revenue for DSR owing to lower refined sugar prices and volumes with the latter driven by ongoing sugar smuggling activities within the country which has impacted on DSR's share. Consequent to this alongside higher operating expenses, we expect weaker earnings in 2018.
- **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

- Notore Chemicals Industries Plc listed its ordinary shares of 1.61 billion on the NSE last week, at a share price of ₦62.50. Click [here](#) to read more.
- Great Nigeria Insurance Plc announced its voluntary delisting from the NSE. Click [here](#) to read more.
- Transnational Corporation of Nigeria Plc reaffirmed its intention to divest its investment in Teragro (A fruit juice processing and packaging business). Click [here](#) to read more.

This Week

- **Closure of Register:** Red Star Express Plc, Flourmills Nigeria Plc.
- **Dividend Payment:** The Initiates 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	10	34.6%	-4.3%	4.7	4.6	0.8	0.7	4.4%
DIAMOND	NEUTRAL	1.39	1.17	18.6%	-22.0%	NA	4.8	0.2	0.1	0.0%
ETI	SELL	16.54	21.1	-21.6%	24.1%	58.2	24.3	185.6	166.9	0.0%
FBNH	UR*	14.40	10	44.0%	13.6%	3.9	5.3	0.3	0.5	2.5%
FCMB	UR*	3.38	1.86	81.7%	25.7%	7.1	2.1	0.3	0.3	7.0%
FIDELITY	BUY	3.08	1.87	64.6%	-24.0%	4.7	2.6	0.4	0.4	11.5%
GTB	STRONG BUY	49.02	40.05	22.4%	-1.7%	7.2	6.5	2.0	1.7	7.1%
STANBIC	OVERWEIGHT	55.00	49.8	10.4%	20.0%	10.2	10.5	2.7	2.4	6.1%
UBA	STRONG BUY	14.69	9.45	55.5%	-8.3%	4.8	4.4	0.7	0.5	12.7%
ZENITH	STRONG BUY	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	5.8%	225.3%	12.0	17.4	2.8	2.4	1.4%
DANGCEM	STRONG BUY	278.54	229	21.6%	-0.4%	21.0	15.3	5.5	5.2	5.6%
LAFARGE	SELL	23.57	28	-15.8%	-37.6%	NA	NA	0.9	0.5	5.0%
BREWERIES										
GUINNESS	SELL	88.21	94	-6.2%	0.0%	86.1	23.8	3.9	2.4	1.8%
INTBREW	SELL	24.40	30.5	-20.0%	-44.0%	37.9	66.7	7.2	6.8	0.5%
NB	UR*	118.76	103	15.3%	-23.6%	32.6	22.4	6.0	4.6	4.5%
AGRIC										
OKOMU	UR*	102.30	76.00	17.8%	12.3%	7.9	7.2	2.0	1.6	4.1%
PRESCO	NEUTRAL	71.78	60	19.6%	-12.4%	NA	7.4	1.2	1.8	2.7%
FOOD PRODUCERS										
DANG SUGAR	NEUTRAL	17.06	16	6.6%	-20.0%	6.0	7.0	2.6	1.8	7.6%
FLOURMILL	RESTRICTED	N/A	27	N/A	-6.9%	5.8	6.2	0.5	0.6	7.4%
NESTLE	UR*	1008.97	1560	-35.3%	0.3%	36.6	27.8	27.5	27.6	3.6%
UACN	BUY	16.44	12.55	31.0%	-25.7%	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	52.4	-30.9%	27.8%	23.0	25.5	2.3	3.6	1.1%
OIL & GAS										
FORTE OIL	UR*	58.54	23.4	150.2%	-46.2%	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	BUY	975.27	710	37.4%	13.4%	4.4	4.6	0.8	0.7	NA
TOTAL	NEUTRAL	201.72	195	3.4%	-15.2%	8.3	14.6	2.6	2.5	5.0%

* ‘UR’ means Under review

Summary of H1 18 Earnings Released

N'000	Topline	PAT	EPS	
			H1 18	H1 17
UACN	36,982,103	1,588,966	0.26	0.51
Diamond Bank	98,503,369	2,919,940	0.10	0.34
Forte Oil	61,826,951	96,544	1.54	1.10
Flourmills*	133,028,917	3,649,369	0.90	1.00
NB	95,243,301	8,230,978	1.00	1.50
Total Nigeria	156,268,519	5,674,037	16.71	13.57
Nestle	135,295,682	21,457,604	27.07	20.90
11 Plc	85,910,993	3,657,744	1.31	0.69
Seplat	104,794,000	14,844,000	25.59	(14.97)
Sterling Bank	77,637,000	6,214,000	0.22	0.10
Cadbury	17,554,457	(423,767)	(0.23)	(0.41)
FCMB	83,924,656	5,725,986	0.29	0.15
CCNN	12,084,570	2,602,996	2.07	0.82
OANDO	146,760,671	4,301,580	0.24	0.70
PRESCO	11,658,046	3,989,740	3.98	5.60
United Capital	3,881,023	2,010,676	0.34	0.34
Ecobank	278,612,751	51,552,393	1.67	1.30
Lafarge	162,291,526	(3,902,287)	(0.45)	3.68
Dangote Flour	56,390,514	3,251,335	0.65	1.15
FBNH	286,702,000	33,520,000	0.91	0.80
MRS	62,316,274	505,548	1.99	2.77
Dangote Sugar	84,077,202	12,717,006	1.07	1.43
Transcorp	54,089,467	10,875,330	0.12	0.04

* Q1 2019 Result