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ARM Research | Weekly Call

Activities in the Nigeria equities market was bearish in the past week, with the NSE ASI declining by 0.60% WoW to 30,681.50 points and market capitalization shedding about N61.8 billion over the week. The loss was driven by declines in bellwether stocks in the banking (FBNH: -1.97%, STANBIC: -2.34% and ZENITH: -2.34%), Breweries (NB: -0.63%) and Food (NESTLE: -6.39%) sectors. Top decliners during the week were MOBIL (-10.41%), CONOIL (-10.00%) and CUTIZ (-9.64%).

- **Fidelity Bank Plc – BUY** (FVE: ₦2.92). We are more optimistic on our earnings expectation over 2018 largely on the back of lower loan-loss provisioning. We have revised our FY 18E EPS higher to ₦0.82 (previously ₦0.76) which is 25% higher YoY. Our FVE of ₦2.92 (previously ₦2.82) translates to a BUY rating on the stock. Based on Friday's closing price, our dividend expectation translates to a dividend yield of 8%.
- **Nigerian Breweries Plc – SELL** (FVE: ₦76.58): Reflecting the industry competition and further declines in volumes into Q4 18, we forecast FY 18E revenue to decline by 6.8% YoY to ₦321 billion. However, we envisage cost pressures due to rising barley prices. Thus, we forecast FY 18E gross margin at 40.8% (FY 17: 41.7%) and EBIT margin of 12.6% (FY 17: 17%). Having rolled forward our model, we cut our FVE on NB to ₦76.58, translating to a SELL.
- **Unilever Nigeria Plc – STRONG BUY** (FVE: ₦47.58). Unilever is our top pick in the consumer space with FY 18E EPS expectation of N2.11 (+18.2% YoY), based on revenue growth (+9.7% YoY) and significant moderation in interest expense (-90.1% YoY) – following the sizeable deleveraging of its balance sheet.
- **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 2018 and 2019 volume growths. The revision reflects the impact of the prolonged rainy season and electioneering concerns which has now 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**.

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

Corporate Benefit Tracker

Last week

- C&I Leasing Plc announced that it has gotten regulatory approval for the proposed reduction of the company's issued and paid-up share capital from ₦808.5 million (being 1.6 billion ordinary shares) to ₦202.1 million (being 404 million ordinary shares) by consolidating every four ordinary shares currently held into one new share in the company. The reduction in share capital will be added the company's share premium. Click [here](#) to read more
- Great Nigeria Insurance (GNI) Plc got approval from NSE on its application for a voluntary delisting of its entire share capital.

This week

- **Dividend Payment:** ValuAlliance Value Fund
- Click [here](#) to view full corporate actions thus far in 2018

Stock Recommendation

Sectors/Stocks	Rating	FVE (N)	Price (N)	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	NA	7.45	NA	-28.7%	3.5	3.4	0.7	0.6	5.9%
DIAMOND	BUY	1.39	0.95	46.1%	-36.7%	NA	NA	0.2	0.1	0.0%
ETI	NEUTRAL	16.54	15	10.2%	-11.8%	41.4	17.3	131.9	118.6	0.0%
FBNH	UR	NA	7.45	72.7%	-15.3%	7.0	3.9	0.2	0.3	4.1%
FCMB	UR	NA	1.63	NA	10.1%	7.6	2.3	0.3	0.3	6.1%
FIDELITY	BUY	2.92	1.97	48.0%	-19.9%	2.0	4.5	0.1	0.4	8.3%
GTB	UR	NA	35	NA	-14.1%	6.3	6.0	1.7	1.5	8.1%
STANBIC	STRONG BUY	55.00	45.55	20.7%	9.8%	10.2	9.6	2.7	2.4	6.6%
UBA	UR	NA	7.55	NA	-26.7%	4.8	4.4	0.7	0.7	13.1%
ZENITH	UR	NA	25.5	NA	-0.5%	4.9	4.4	1.1	1.0	12.5%
CEMENT										
CCNN	NEUTRAL	16.96	15.7	8.0%	65.3%	12.6	68.4	0.8	0.7	1.1%
DANGCEM	STRONG BUY	253.03	185	36.8%	-19.6%	21.0	13.7	5.0	4.0	6.2%
LAFARGE	BUY	18.07	12.45	45.1%	-72.3%	NA	NA	1.6	0.5	8.9%
BREWERIES										
GUINNESS	UNDERWEIGHT	73.96	73	1.3%	-22.3%	86.1	23.8	2.8	1.8	2.5%
NB	SELL	76.58	79.5	-3.7%	-41.1%	32.6	27.7	6.0	6.1	3.6%
AGRIC										
OKOMU	STRONG BUY	97.75	73.00	33.9%	7.8%	7.6	8.2	2.0	1.7	3.5%
PRESCO	NEUTRAL	67.47	62.15	8.6%	-9.3%	2.4	10.1	0.7	0.7	1.8%
FOOD PRODUCERS										
DANG SUGAR	STRONG BUY	17.01	13.3	27.9%	-33.5%	6.0	5.8	2.6	1.5	9.1%
FLOURMILL	BUY	39.40	20.55	91.7%	-29.1%	4.4	4.7	0.4	0.5	9.7%
NESTLE	SELL	1287.54	1450	-11.2%	-6.8%	36.6	24.2	27.5	27.5	4.1%
UACN	BUY	16.44	10.7	53.7%	-36.7%	12.2	7.3	0.4	0.3	5.4%
PERSONAL CARE										
PZ	SELL	10.12	10.35	-2.2%	-49.8%	22.3	46.4	1.6	2.0	1.4%
UNILEVER	STRONG BUY	47.58	38.9	22.3%	-5.1%	23.0	21.8	2.3	2.6	1.6%
OIL & GAS										
FORTE OIL	BUY	34.35	24.1	42.5%	-44.6%	2.2	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	594	64.2%	-5.1%	3.7	3.8	0.6	0.5	NA
TOTAL	STRONG BUY	244.28	198	23.4%	-13.9%	8.4	7.3	3.0	1.8	7.0%

“UR” means Under Review

“FVE” means Fair Value Estimate