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ARM Research | Weekly Call

Last week, the Nigerian bourse broke its negative trend as it closed on a bullish note, with the ASI appreciating by 0.33% WoW to 30,3773.64 points, and market capitalization gaining ₦33.65 billion over the week. Sectoral performance showed gains in the Brewers (NB: 2.56%), Cement (DANGCEM: 1.08%, C.C.N.N: 13.38% and LAFARGE: 7.23%), Food (NESTLE: 1.39%, DANGSUGAR: 5.26% and FLOURMILLS: 1.95%), Insurance (MANSARD: 1.01% and CUSTODIAN & ALLIED: 0.98%), and Oil & Gas (MOBIL: 18.01% and FO: 18.05%). Top gainers for the week were DIAMOND (57.89%) and UNITY (39.13%), while Top losers for the week JAPPAUL (-9.09%) AND IKEJA HOTEL (-9.63%).

- **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%.
- **Total Nigeria Plc – STRONG BUY** (FVE: ₦244.28). We upgrade our FVE on Total Nigeria Plc to ₦244.28, as we now model a 24% hike in domestic petrol price to ₦180 per litre and increase in finance income in 2019 - following robust subsidy receivables as at H1 18.
- **Unilever Nigeria Plc – STRONG BUY** (FVE: ₦47.58). Unilever is our top pick in the consumer space with FY 18E EPS expectation of ₦2.11 (+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.
- **Okomu Oil Palm Plc – STRONG BUY** (FVE: ₦97.75): Over our forecast period, we anticipate volumes growth emanating from the harvest of fresh fruit bunches from its extension 2 plantation. Based on our expectation for volumes growth, accompanied by margin expansion, we raise our FVE to ₦97.75.

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

Corporate Benefit Tracker

Last week

- eTranzact International Plc announced its proposal to increase its authorized share capital of the company from ₦2.1 billion to ₦9.1 billion. Click [here](#) to read more
- Beta Glass Plc announced an investment of 25 – 30 million euro from Frigoglass. The investment is intended to be used to expand the furnace capacity at the Beta Glass Guinea plant. Click [here](#) to read more
- Skyway Aviation Plc obtained an approval to extend the offer period of its IPO to January 9, 2019 from the initial close of December 19, 2018. Click [here](#) to read more

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	UR	7.05	UR	-32.5%	3.3	3.2	0.7	0.6	6.2%
DIAMOND	SELL	1.39	1.5	-7.5%	0.0%	NA	NA	0.2	0.2	0.0%
ETI	OVERWEIGHT	16.54	14.25	16.0%	-16.2%	39.3	16.4	125.4	112.7	0.0%
FBNH	UR	UR	7.9	UR	-10.2%	7.0	3.9	0.2	0.3	3.9%
FCMB	UR	UR	1.65	UR	11.5%	7.6	2.3	0.3	0.3	6.1%
FIDELITY	BUY	2.92	1.94	50.3%	-21.1%	2.0	4.5	0.1	0.4	8.4%
GTB	UR	UR	33.8	UR	-17.1%	6.3	6.0	1.7	1.5	8.4%
STANBIC	OVERWEIGHT	55.00	46	19.6%	10.8%	10.2	9.7	2.7	2.4	6.6%
UBA	UR	UR	7.85	UR	-23.8%	4.8	4.4	0.7	0.7	12.6%
ZENITH	UR	UR	25.5	UR	-0.5%	4.9	4.4	1.1	1.0	12.5%
CEMENT										
CCNN	SELL	16.96	17.8	-4.7%	87.4%	14.2	77.5	0.8	0.7	1.1%
DANGCEM	STRONG BUY	253.03	187	35.3%	-18.7%	21.0	13.8	5.0	4.0	6.1%
LAFARGE	BUY	18.07	12.6	43.4%	-71.9%	NA	NA	1.6	0.5	8.8%
BREWERIES										
GUINNESS	NEUTRAL	73.96	72	2.7%	-23.4%	86.1	23.5	2.8	1.8	2.6%
NB	UNDERWEIGHT	76.58	80	-4.3%	-40.7%	32.6	27.8	6.0	6.1	3.6%
AGRIC										
OKOMU	STRONG BUY	97.75	76.20	28.3%	12.6%	7.9	8.6	2.0	1.7	3.4%
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	14	21.5%	-30.0%	6.0	6.1	2.6	1.6	8.7%
FLOURMILL	BUY	39.40	20.95	88.1%	-27.8%	4.5	4.8	0.4	0.5	9.5%
NESTLE	SELL	1287.54	1470.1	-12.4%	-5.5%	36.6	24.6	27.5	27.5	4.1%
UACN	BUY	16.44	11	49.5%	-34.9%	12.5	7.5	0.4	0.3	5.3%
PERSONAL CARE										
PZ	SELL	10.12	10.7	-5.4%	-48.1%	22.3	46.4	1.6	2.0	1.4%
UNILEVER	STRONG BUY	50.98	37	37.8%	-9.8%	23.0	20.8	2.3	2.5	1.7%
OIL & GAS										
FORTE OIL	BUY	34.35	28.45	20.7%	-34.6%	2.5	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	584.5	66.9%	-6.7%	3.6	3.8	0.6	0.5	NA
TOTAL	STRONG BUY	244.28	200	22.1%	-13.0%	8.5	7.3	3.0	1.8	6.9%

“UR” means Under Review

“FVE” means Fair Value Estimate