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ARM Research | Weekly Call

The Nigerian equity market ended last week positive, gaining 1.10% WoW. For the quarter ended June 2018, the market was down 7.8% QoQ, however, YTD performance is positive (+0.09%) supported by a strong Q1 (+8.5% QoQ). The positive run over the week was driven by gains in bellwether stocks: TOTAL (+8.64%), NESTLE (+5.35%), WAPCO (+5.00%), STANBIC (+6.67%) and NB (+3.35%). On a sectorial basis, the Food (+3.72%), Personal Care (+3.18%), Brewers (+2.05%), Cement (+1.87%) and Oil & Gas (+0.53%) sectors reported positive return WoW.

- **United Bank for Africa Plc – STRONG BUY** (FVE: ₦14.10). We expect meaningful improvement in UBA's profitability over 2018 on the back of deposit growth, increased loan book, expansion in its trading book, healthier asset quality, lower loan-loss provision, and resilience in fee income.
- **First Bank of Nigeria Holdings Plc – STRONG BUY** (FVE: ₦14.40). FBNH looks increasingly attractive underpinned by improving asset quality. Precisely, we see further potential upside from lower provisioning, resilience in NIM, operational efficiency and possible streamlining of branches.
- **Dangote Cement Plc – OVERWEIGHT** (FVE: ₦256.85). We remain broadly positive on DANGCEM and expect the company to sustain earnings growth, albeit at a much slower pace than 2017. Specifically, we see volume induced revenue growth and lower energy as key drivers of earnings in FY 18, relative to the price-induced growth story in prior year.
- **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.
- **Okomu Oil Plc – NEUTRAL** (FVE: ₦102.33). Okomu is our most preferred pick in the Palm oil sector, as 2018 presents opportunities for stronger volumes growth, better operating efficiency, and lower finance cost which guides to improved earnings over FY 18.

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

Corporate Benefit Tracker

Last week

- The NSE announced the final list of Incoming and Outgoing companies for the various indices following the completion of the Mid-Year Review of the NSE indices. Click [here](#) to read more.
- Dangote Cement Plc announced a proposed capital raising of up to ₦150 billion through the issuance of a Commercial Paper.
- CCNN Plc announced a proposed merger of the Company's business and Kalambaina Cement Company Ltd.

This Week

- **Closure of Register:** Trans-Nationwide Express Plc, UPDC REIT.
- **AGM:** Beta Glass Plc, Learn Africa Plc, Presco Plc, Lasaco Assurance Plc, Eterna Plc.
- **Dividend Payment:** Eterna Plc, NPF Microfinance Bank Plc, 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	10.35	30.1%	-1.0%	4.8	4.7	0.9	0.7	4.2%
DIAMOND	SELL	1.39	1.43	-2.9%	-4.7%	NA	5.9	0.2	0.1	0.0%
ETI	SELL	16.54	20	-17.3%	17.6%	NA	40.3	138.2	145.4	0.0%
FBNH	STRONG BUY	14.40	10.6	35.8%	20.5%	3.9	5.8	0.3	0.5	3.2%
FCMB	BUY	3.38	2.18	55.2%	47.3%	7.1	2.5	0.3	0.3	6.0%
FIDELITY	BUY	3.08	2.3	33.8%	-6.5%	4.7	3.2	0.4	0.4	9.4%
GTB	STRONG BUY	49.02	40.5	21.0%	-0.6%	7.2	6.6	2.0	1.7	7.0%
STANBIC	NEUTRAL	55.00	52	5.8%	25.3%	10.2	11.0	2.7	2.4	5.8%
UBA	STRONG BUY	14.10	10.5	39.9%	1.9%	4.8	4.4	0.7	0.5	11.4%
ZENITH	STRONG BUY	35.25	25.5	38.2%	-0.5%	4.9	4.4	1.1	1.0	12.5%
CEMENT										
CGNN	BUY	32.68	24	36.2%	152.6%	9.4	13.5	2.2	1.8	1.8%
DANGCEM	OVERWEIGHT	256.85	229	12.2%	-0.4%	21.0	15.8	5.5	5.2	5.4%
LAFARGE	SELL	34.39	40.95	-16.0%	-8.8%	NA	62.8	1.4	1.3	2.8%
BREWERIES										
GUINNESS	SELL	88.21	97.75	-9.8%	4.0%	86.1	24.7	3.9	2.5	1.7%
NB	NEUTRAL	118.68	114.2	3.9%	-15.3%	32.6	24.8	6.0	5.1	4.0%
AGRIC										
OKOMU	NEUTRAL	102.33	92.00	17.8%	35.9%	9.6	8.7	2.0	1.6	3.3%
PRESCO	SELL	70.44	75	-6.1%	9.5%	NA	9.2	1.4	2.3	2.2%
FOOD PRODUCERS										
DANG SUGAR	NEUTRAL	20.23	19	6.5%	-5.0%	6.0	8.6	2.6	2.2	6.1%
FLOURMILL	STRONG BUY	39.40	32	21.7%	10.3%	6.9	7.3	0.5	0.7	6.2%
NESTLE	SELL	1008.97	1575	-35.9%	1.2%	36.6	28.1	27.5	27.8	3.6%
UACN	NEUTRAL	16.44	14	17.4%	-17.2%	15.9	9.6	0.5	0.4	4.2%
PERSONAL CARE										
PZ	SELL	16.57	24.23	-31.6%	17.6%	25.3	53.4	1.9	2.1	1.1%
UNILEVER	SELL	36.21	52.5	-31.0%	28.0%	23.0	25.5	2.3	3.6	1.1%
OIL & GAS										
FORTE OIL	BUY	59.00	32.85	79.6%	-24.4%	2.9	10.7	0.9	0.8	NA
MRS	NEUTRAL	38.07	34.25	11.1%	24.7%	6.3	49.9	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	UNDERWEIGHT	206.67	210	-1.6%	-8.7%	8.9	14.9	2.8	2.6	4.6%