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## ARM Research | Weekly Call

After 5 consecutive week of losses, Nigeria's stock market traded positive last week with a gain of 5.03% WoW, return so far in 2018 stands at 1.1%. Key stocks closed positive WoW, particularly, Dangote Cement (+5.7%), Guaranty (+6.5%), Zenith (+6.1%), and Lafarge (+17.1%). Despite the gains, the market closed negative on Friday, and it will be interesting to see if this reversal will be short-lived or sustained this week. The US Fed's FOMC will be meeting this week and we expect a further increase in interest rate (+25bps). On the local front, we are expecting May inflation data on Wednesday, and expect a decline in inflation to 11.7%. Panic is likely to be sustained, but a correction is very likely in the medium term.

- **FBNH 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.
- **CCNN Plc. – BUY** (FVE: ₦32.68). BUA, the largest shareholder of CCNN, recently announced the commissioning of the 1.5MMT plant in Sokoto State, expected to be operated by CCNN. Based on available data, we believe the capex was funded by BUA Group, as such, we assessed the possible structure on how the plant would be integrated into CCNN. Working on our best-case scenario, we assumed a debt related structure (finance lease) and arrived at a FVE of ₦32.68.
- **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 just concluded rights issue.
- **Flourmills of Nigeria Plc – STRONG BUY** (FVE: ₦39.40). Flourmills recently raised ₦39 billion via rights with proceeds earmarked to pay down some of its short-term debts amongst others. Following the payment of some of its debt, we expect tamer finance costs and, by extension, improvement in earnings in FY 19. Additionally, currently lower commodity prices (sugar and wheat) guides to expansion in gross margin and improvement in operating cash flow.
- **PZ Cussons Plc – SELL** (FVE: ₦16.57). Our sell rating on PZ is premised on expected slow rebound 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 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

- Ekocorp Plc, Learn Africa Plc, Great Nigerian Insurance Plc released results for the period ending FY 17 with Great Nigerian Insurance Plc also releasing its result for Q1 2018.
- The full suspension placed on the shares of Prestige Assurance Plc was lifted on Thursday, 7 June 2018.

### This Week

- Closure of register: Cadbury Nigeria Plc, Newrest ASL Plc and Capital Hotel Plc.
- AGM: CAP Plc and Okomu Oil Plc,
- Dividend Payment: CAP 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	10.7	25.8%	2.4%	5.0	4.9	0.9	0.7	4.1%
DIAMOND	SELL	1.39	1.52	-8.7%	1.3%	NA	6.2	0.2	0.2	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	10.55	36.5%	19.9%	3.9	6.1	0.3	0.5	2.9%
FCMB	BUY	3.38	2.4	40.9%	62.2%	7.1	2.8	0.3	0.3	5.4%
FIDELITY	BUY	3.08	2.28	35.0%	-7.3%	4.7	3.2	0.4	0.4	9.4%
GTB	OVERWEIGHT	49.02	41.15	19.1%	1.0%	7.2	6.7	2.0	1.7	6.9%
STANBIC	OVERWEIGHT	55.00	48.2	14.1%	16.1%	10.2	10.2	2.7	2.4	6.3%
UBA	STRONG BUY	14.17	10.95	29.4%	6.3%	4.8	4.0	0.7	0.5	10.4%
ZENITH	STRONG BUY	35.25	25.5	38.2%	-0.5%	4.9	4.4	1.1	1.0	12.5%
CEMENT										
CCNN	BUY	32.68	26.6	22.8%	180.0%	10.4	15.0	2.4	2.0	1.6%
DANGCEM	NEUTRAL	253.39	235.8	7.5%	2.5%	21.0	16.2	5.5	5.2	5.2%
LAFARGE	SELL	34.71	39.8	-12.8%	-11.3%	NA	61.1	1.3	1.3	2.9%
BREWERIES										
GUINNESS	SELL	88.21	99.75	-11.6%	6.1%	86.1	25.2	3.9	2.5	1.7%
INTBREW	SELL	24.40	41.8	-41.6%	-23.3%	51.9	91.4	9.8	9.4	0.3%
NB	UNDERWEIGHT	118.68	117	1.4%	-13.3%	32.6	25.4	6.0	5.2	3.9%
AGRIC										
OKOMU	NEUTRAL	102.33	82.00	17.8%	21.1%	8.6	7.7	2.0	1.6	3.8%
PRESCO	SELL	70.44	70.35	0.1%	2.7%	NA	8.7	1.3	2.2	2.3%
FOOD PRODUCERS										
DANG SUGAR	UNDERWEIGHT	20.23	20	1.1%	0.0%	6.0	9.0	2.6	2.3	5.7%
FLOURMILL	STRONG BUY	38.94	32.4	20.2%	11.7%	7.0	7.4	0.6	0.7	6.2%
NESTLE	SELL	1008.97	1450.2	-30.4%	-6.8%	36.6	25.9	27.5	25.6	3.9%
UACN	NEUTRAL	16.44	14.7	11.8%	-13.0%	16.7	10.1	0.5	0.4	4.0%
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	55	-34.2%	34.1%	23.0	26.7	2.3	3.7	1.1%
OIL & GAS										
FORTE OIL	BUY	59.00	37	59.4%	-14.9%	3.3	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	711.1	37.1%	13.6%	4.4	4.6	0.8	0.7	NA
TOTAL	NEUTRAL	206.67	193.3	6.9%	-15.9%	8.2	14.9	2.5	2.6	5.0%