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## ARM Research | Weekly Call

The Nigerian equity market continued its negative run for the fifth consecutive week, losing 6.38% WoW to end the week (28<sup>th</sup> May-1<sup>st</sup> June) at 36,816.29pts. On a sectorial level, all sectors closed in the negative territory save the Personal Care sector. The Brewers sector topped the losers chart. ETERNA and MBENEFIT led the gainers while INTBREW and WAPCO topped the decliners.

- **GTB – STRONG BUY** (FVE: ₦49.02). We believe higher Net Interest Margin (+10 bps YoY to 9.2%) and lower loan loss provision (-39% YoY) – due to lower NPL - will be central to strong earnings performance (+6% YoY to ₦6.12/share) over FY 18.
- **CCNN Plc. – NEUTRAL** (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.
- **Dangote Sugar Refinery Plc – OVERWEIGHT** (FVE: ₦20.23). We are cautiously optimistic on Dangote Sugar due to the recent smuggling of cheaper refined sugar which impacted on the company's market share and, by extension, revenue. Irrespective, we believe the moderation in input costs would provide some support to 2018 earnings.
- **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 – BUY** (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.

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

## Corporate Benefit Tracker

### Last week

- Stanbic Africa Holdings Limited acquired significant (1,141,191,943 shares) shares of Stanbic IBTC Holdings Plc, increasing its stake in Stanbic IBTC Holdings Plc by 11.35% to 64.44%.

### This Week

- Closure of register: Julius Berger Plc, B.O.C Gases Plc, Lasaco Assurance Plc and NEM Insurance Plc
- AGM: Berger Paints Plc
- Dividend Payment: May & Baker Nigeria Plc, Berger Paints Plc and Seplat Petroleum Dev. Co. Plc

Click [here](#) to view full corporate actions thus far in 2018

# Stock Recommendation

| Sectors/Stocks | Rating     | FVE<br>(₹) | Price<br>(₹) | Upside | YTD<br>Return | P/E FY<br>17(x) | P/E FY<br>18E (x) | P/B FY<br>17E (x) | P/B<br>FY 18E<br>(x) | FY 18E<br>dividend<br>yield |
|----------------|------------|------------|--------------|--------|---------------|-----------------|-------------------|-------------------|----------------------|-----------------------------|
| BANKING        |            |            |              |        |               |                 |                   |                   |                      |                             |
| ACCESS         | STRONG BUY | 13.46      | 10.95        | 23.0%  | 4.8%          | 5.1             | 5.0               | 0.9               | 0.8                  | 4.0%                        |
| DIAMOND        | SELL       | 1.39       | 1.39         | -0.1%  | -7.3%         | NA              | 5.7               | 0.2               | 0.1                  | 0.0%                        |
| ETI            | SELL       | 16.54      | 19           | -13.0% | 11.8%         | NA              | 38.3              | 131.3             | 138.2                | 0.0%                        |
| FBNH           | STRONG BUY | 14.40      | 10.15        | 41.8%  | 15.3%         | 3.9             | 6.1               | 0.3               | 0.5                  | 3.0%                        |
| FCMB           | BUY        | 3.38       | 2.18         | 55.2%  | 47.3%         | 7.1             | 2.5               | 0.3               | 0.3                  | 6.0%                        |
| FIDELITY       | BUY        | 3.08       | 1.99         | 54.6%  | -19.1%        | 4.7             | 2.8               | 0.4               | 0.4                  | 10.8%                       |
| GTB            | STRONG BUY | 49.02      | 38.65        | 26.8%  | -5.2%         | 7.2             | 6.3               | 2.0               | 1.7                  | 7.4%                        |
| STANBIC        | OVERWEIGHT | 55.00      | 46.1         | 19.3%  | 11.1%         | 10.2            | 9.7               | 2.7               | 2.4                  | 6.6%                        |
| UBA            | STRONG BUY | 14.17      | 11           | 28.8%  | 6.8%          | 4.5             | 3.8               | 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           | NEUTRAL    | 32.68      | 27.95        | 16.9%  | 194.2%        | 10.9            | 15.7              | 2.5               | 2.1                  | 1.5%                        |
| DANGCEM        | OVERWEIGHT | 253.39     | 223          | 13.6%  | -3.0%         | 21.0            | 15.4              | 5.5               | 5.2                  | 5.5%                        |
| LAFARGE        | SELL       | 26.09      | 34           | -23.3% | -24.3%        | NA              | 64.4              | 1.1               | 1.1                  | 1.3%                        |
| BREWERIES      |            |            |              |        |               |                 |                   |                   |                      |                             |
| GUINNESS       | SELL       | 88.21      | 95           | -7.1%  | 1.1%          | 86.1            | 24.0              | 3.9               | 2.4                  | 1.8%                        |
| INTBREW        | SELL       | 24.40      | 40.2         | -39.3% | -26.2%        | 49.9            | 87.9              | 9.5               | 9.0                  | 0.4%                        |
| NB             | OVERWEIGHT | 118.68     | 103          | 15.2%  | -23.6%        | 32.6            | 22.4              | 6.0               | 4.6                  | 4.5%                        |
| AGRIC          |            |            |              |        |               |                 |                   |                   |                      |                             |
| OKOMU          | BUY        | 102.33     | 80.00        | 27.9%  | 18.2%         | 8.3             | 7.5               | 2.0               | 1.6                  | 3.8%                        |
| PRESCO         | SELL       | 70.44      | 75           | -6.1%  | 9.5%          | NA              | 9.2               | 1.4               | 2.3                  | 2.2%                        |
| FOOD PRODUCERS |            |            |              |        |               |                 |                   |                   |                      |                             |
| DANG SUGAR     | OVERWEIGHT | 20.23      | 17.45        | 15.9%  | -12.8%        | 6.0             | 7.9               | 2.6               | 2.0                  | 6.6%                        |
| FLOURMILL      | STRONG BUY | 38.94      | 31.1         | 25.2%  | 7.2%          | 6.7             | 7.1               | 0.5               | 0.7                  | 6.4%                        |
| NESTLE         | SELL       | 1008.97    | 1430         | -29.4% | -8.1%         | 36.6            | 25.5              | 27.5              | 25.3                 | 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      | 51.45        | -29.6% | 25.5%         | 23.0            | 25.0              | 2.3               | 3.5                  | 1.2%                        |
| OIL & GAS      |            |            |              |        |               |                 |                   |                   |                      |                             |
| FORTE OIL      | BUY        | 59.00      | 35.15        | 67.8%  | -19.2%        | 3.1             | 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     | 740          | 31.8%  | 18.2%         | 4.5             | 4.8               | 0.8               | 0.7                  | NA                          |
| TOTAL          | SELL       | 206.67     | 201.7        | 2.5%   | -12.3%        | 8.5             | 14.9              | 2.7               | 2.6                  | 4.8%                        |