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ARM Research | Weekly Call

The Nigeria equity market closed the week positive, expanding by 0.23% WoW driven by interest in NESTLE (+7.35%) and other bellwether stocks – ZENITHBNK (+3.61%), GUINNESS (+1.37%) and SEPLAT (+6.96%). On a sectorial basis, most sectors closed negative except the Food sector which increased 4.99% WoW reflecting the gains in NESTLE.

- **Fidelity Bank Plc – BUY** (FVE: ₦2.92). We are now more optimistic over our expectation for earnings growth 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 current price, our dividend expectation translates to a dividend yield of 8%.
- **Zenith Bank Plc – STRONG BUY** (FVE: ₦35.25). Zenith Bank now looks very attractive following sell-off across the equity market. Zenith trades at a P/B of 0.95x, a premium to peer average of 0.85x. Strong valuation for zenith is premised on substantial decline in funding cost and improved asset quality.
- **Unilever Nigeria Plc – STRONG BUY** (FVE: ₦50.98). Unilever is our top pick in the consumer space with FY 18E EPS expectation of ₦2.13 (+19.7% YoY), based on revenue growth (+13.1% YoY) and significant moderation in interest expense (-91% YoY) – following the sizeable deleveraging of its balance sheet. On our numbers, Unilever trades at a FY 18E and FY 19F P/E of 20.2x and 18.7x relative to 5-year historical average of 33.5x.
- **Okomu Oil Palm Plc – OVERWEIGHT** (FVE: ₦92.45). Although we expect PAT to be lower over FY 18 due to lower revenue and higher cost, we have an OVERWEIGHT rating on Okomu based on our FVE of ₦92.45, as we believe current pricing presents an attractive entry point.
- **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.

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

Corporate Benefit Tracker

Last week

- Red Star Express Plc announced the opening of a new office in Burkina Faso which will handle shipments within Burkina Faso. In addition, the company has been appointed Licensee of FedEx and TNT in Burkina Faso. Click [here](#) to read more.
- The NSE announced the lifting in suspension of four firms – Premier Paints Plc, Ekocorp Plc, Austin Laz & Company Plc and FTN Cocoa Processors Plc – following due compliance of submitting relevant financial statements.

This week

- **Dividend Payment:** UPDC REIT
- **Closure of Register:** Seplat Plc, UPDC REIT, Cutix 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	7.7	74.9%	-26.3%	3.6	3.5	0.7	0.6	5.7%
DIAMOND	NEUTRAL	1.39	1.28	8.4%	-14.7%	NA	NA	0.2	0.2	0.0%
ETI	NEUTRAL	16.54	15.55	6.3%	-8.5%	42.9	17.9	136.8	123.0	0.0%
FBNH	STRONG BUY	12.86	7.45	72.7%	-15.3%	7.0	3.9	0.2	0.3	4.1%
FCMB	BUY	2.34	1.63	43.8%	10.1%	3.9	3.4	0.3	0.3	6.1%
FIDELITY	BUY	2.92	1.99	46.5%	-19.1%	2.0	4.5	0.1	0.4	8.2%
GTB	STRONG BUY	53.10	37.15	42.9%	-8.8%	5.0	8.1	1.2	2.1	4.6%
STANBIC	OVERWEIGHT	55.00	47.1	16.8%	13.5%	10.2	9.9	2.7	2.4	6.4%
UBA	STRONG BUY	16.14	7.95	103.0%	-22.8%	4.8	4.4	0.7	0.7	12.4%
ZENITH	STRONG BUY	35.25	25.5	38.2%	-0.5%	4.9	4.4	1.1	1.0	12.5%
CEMENT										
CCNN	SELL	17.01	17.9	-5.1%	88.4%	7.0	37.4	0.8	0.7	1.3%
DANGCEM	STRONG BUY	278.54	205	35.9%	-10.9%	21.0	13.7	5.5	5.2	6.2%
LAFARGE	STRONG BUY	29.96	15	99.7%	-66.6%	NA	NA	1.6	1.3	7.1%
BREWERIES										
GUINNESS	OVERWEIGHT	88.21	74	19.2%	-21.3%	86.1	18.7	3.9	1.9	2.3%
NB	STRONG BUY	121.30	82	47.9%	-39.2%	32.6	17.8	6.0	3.7	5.6%
AGRIC										
OKOMU	OVERWEIGHT	92.45	79.80	17.8%	17.9%	8.3	10.2	2.0	1.7	2.9%
PRESCO	SELL	67.47	66.25	1.8%	-3.3%	2.6	10.8	0.7	0.7	1.7%
FOOD PRODUCERS										
DANG SUGAR	STRONG BUY	17.01	13	30.8%	-35.0%	6.0	5.7	2.6	1.5	9.3%
FLOURMILL	RESTRICTED	N/A	15.4	N/A	-46.9%	3.3	3.5	0.3	0.3	13.0%
NESTLE	SELL	1287.54	1460	-11.8%	-6.2%	36.6	24.4	27.5	27.5	4.1%
UACN	BUY	16.44	10	64.4%	-40.8%	11.4	6.9	0.4	0.3	5.8%
PERSONAL CARE										
PZ	NEUTRAL	10.12	9	12.4%	-56.3%	22.3	46.4	1.6	2.0	1.7%
UNILEVER	STRONG BUY	50.98	39.25	29.9%	-4.3%	23.0	22.0	2.3	2.7	1.6%
OIL & GAS										
FORTE OIL	BUY	34.35	21.95	56.5%	-49.5%	2.0	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	668.5	45.9%	6.8%	4.1	4.3	0.7	0.6	NA
TOTAL	STRONG BUY	244.28	200	22.1%	-13.0%	8.5	7.3	3.0	1.8	6.9%