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ARM Research | Weekly Call

The Nigerian equity market reversed the positive trend witnessed over the past two weeks, declining by 2.38% WoW. The negative performance was driven by declines in FBNH (-15.0%), ETI (-4.48%), GUINNESS (-5.2%), DANGSUGAR (-10.9%), DANGCEM (-2.9%), NESTLE (-1.5%) and SEPLAT (-3.1%). The stocks that recorded the highest declines during the week were UNITYBNK (-21%), DANGFLOUR (-21.1%), CCNN (-18.8%) and DIAMONDBNK (-16.7%). On a sectorial basis, most sectors closed negative save for the Construction and Real Estate which closed flat. The Brewers (-4.7%), Cement (-3.1%), Personal Care (-5.1%) and Food (-3.3%) were the largest losers.

- **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.
- **CCNN Plc – SELL** (FVE: ₦17.01). While we maintain our volume and earnings expectation for the company over 2018 and beyond, the expected increase in shares outstanding from the merger informed a material adjustment to our FVE to ₦17.01 from previous estimate based on our expected 6.10 billion shares of ₦28.47, which translates to a SELL rating on the stock.
- **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.
- **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.

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

Corporate Benefit Tracker

Last week

- FCMB Group Plc announced the transfer of Credit Direct Limited (CDL) from FCMB Limited – the commercial banking business – to FCMB Group Plc, making CDL a direct subsidiary of FCMB Group Plc. Click [here](#) to read more.
- Shares of Unity Bank Plc, Fortis Microfinance Bank Plc, Thomas Wyatt Nig Plc, Multi-Trex Integrated Foods Plc, Golden Guinea Breweries Plc and Deap Capital Mgt & Trust Plc were suspended for trading due to failure to submit nine-month financial statements. The suspension on trading of Unity Bank was however lifted following due compliance.

This week

- **Dividend Payment:** Cutix Plc, Seplat Plc, Nestle Nigeria Plc and Nigeria Breweries 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	8.35	61.2%	-20.1%	3.9	3.8	0.8	0.7	5.2%
DIAMOND	NEUTRAL	1.39	1.2	15.7%	-20.0%	NA	NA	0.2	0.2	0.0%
ETI	NEUTRAL	16.54	16	3.4%	-5.9%	44.1	18.5	140.7	126.5	0.0%
FBNH	STRONG BUY	12.86	7.65	68.1%	-13.1%	7.0	3.9	0.2	0.3	4.0%
FCMB	BUY	2.34	1.53	53.2%	3.4%	3.9	3.2	0.3	0.3	6.5%
FIDELITY	BUY	2.92	1.98	47.2%	-19.5%	2.0	4.5	0.1	0.4	8.2%
GTB	STRONG BUY	53.10	37.5	41.6%	-8.0%	5.0	8.1	1.2	2.1	4.5%
STANBIC	OVERWEIGHT	55.00	47	17.0%	13.3%	10.2	9.9	2.7	2.4	6.4%
UBA	STRONG BUY	16.14	7.9	104.3%	-23.3%	4.8	4.4	0.7	0.7	12.5%
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	20.25	-16.0%	113.2%	7.9	42.3	0.8	0.7	1.1%
DANGCEM	STRONG BUY	278.54	204.9	35.9%	-10.9%	21.0	13.7	5.5	5.2	6.2%
LAFARGE	STRONG BUY	29.96	17.5	71.2%	-61.0%	NA	NA	1.6	1.3	6.1%
BREWERIES										
GUINNESS	STRONG BUY	88.21	73	20.8%	-22.3%	86.1	18.5	3.9	1.8	2.3%
NB	STRONG BUY	121.30	82.3	47.4%	-39.0%	32.6	17.9	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	NEUTRAL	67.47	59.85	12.7%	-12.6%	2.4	9.7	0.7	0.7	1.9%
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	18.5	N/A	-36.2%	4.0	4.2	0.3	0.4	10.8%
NESTLE	SELL	1287.54	1360	-5.3%	-12.6%	36.6	22.7	27.5	27.5	4.4%
UACN	BUY	16.44	9	82.7%	-46.7%	10.2	6.2	0.3	0.3	6.5%
PERSONAL CARE										
PZ	SELL	10.12	10	1.2%	-51.5%	22.3	46.4	1.6	2.0	1.5%
UNILEVER	STRONG BUY	50.98	42	21.4%	2.4%	23.0	23.6	2.3	2.9	1.5%
OIL & GAS										
FORTE OIL	BUY	34.35	22	56.1%	-49.4%	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	625	56.0%	-0.2%	3.8	4.0	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%