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ARM Research | Weekly Call

The Nigerian equities market declined further by 2.33% WoW to close at 34,037pts. The negative performance stemmed from persisting sell-pressure in bellwether stocks – SEPLAT (-7.23%), NB (-5.11%), ACCESS (-4.74%), GUARANTY (-2.78%), UBA (-1.25%) and ZENITHBANK (-0.48%). Analysis of the performance on a sectorial basis shows that Personal Care (-6.29%), Brewers (-4.82%), Banking (-2.24%), Cement (-2.16%) and Food (-0.43%) closed the week negative while the Insurance (+0.79%) and Oil & Gas (+0.07%) sectors closed positive.

- **First Bank of Nigeria Holdings Plc – STRONG BUY** (FVE: ₦12.86). We revise our FVE slightly to ₦12.86 from ₦14.40 following our revision of a higher impairment charge due to concerns on FBNH’s exposure to Atlantic Energy and also lower asset yield for 2018. Aside these, we remain strongly optimistic on FBNH on the back of sizable moderation in impairment charge.
- **First City Monument Bank Plc – BUY** (FVE: ₦2.34). We revise our FVE lower to ₦2.34 (previously: ₦3.38) following our revision of a negative loan growth, higher Non-Performing Loan, higher OPEX and a slightly lower Non-Interest Revenue (NIR) in 2018. Key drivers for 2018 earnings remain strong NIR, lower funding cost and loan-loss provision.
- **Dangote Cement Plc – STRONG BUY** (FVE: ₦278.54). We expect Dangote Cement to sustain earnings growth over 2018, at faster pace than our earlier estimate. To be specific, we are now more positive on the write back of the tax provisions booked thus far.
- **Dangote Sugar Refinery Plc – NEUTRAL** (FVE: ₦17.01). Over 2018, we expect weaker revenue for DSR owing to lower refined sugar prices and volumes with the latter driven by ongoing sugar smuggling activities within the country which has impacted on DSR’s share. Consequent to this, alongside higher operating expenses, we expect weaker earnings in 2018.
- **Forte Oil Plc – BUY** (FVE: ₦34.55). Our BUY rating on FO is premised on improvement in margins beyond 2018, hinged on the possibility of upward adjustment in domestic PMS Price. Accordingly, we forecast gross margin to average 13.1% over our forecast horizon (vs 5-year historical average of 10.2%). Also, the finance cost is expected to drop significantly as the company was able to pay down over 50% of its long-term borrowing this year.
- **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

- The NSE lifted suspension on trading of shares of Standard Alliance following the company’s compliance of submitting its audited financial statement for the year ended 31 December 2017.
- Stanbic IBTC Holdings PLC announced its application to the Securities and Exchange Commission for voluntary suspension of its subsidiary’s (Stanbic IBTC Ventures Ltd) license as a venture capital manager. Click [here](#) to read more.
- Diamond Bank and Stanbic IBTC disclosed the debit of their accounts by the CBN with respect to foreign remittances on behalf of MTN Communications Nigeria.

This Week

- **Closure of Register:** Honeywell Flour Mills Plc, Access Bank Plc, UBA Plc.
- **Annual General Meeting:** Triple Gee and Company 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	9.05	48.73%	-13.41%	4.4	4.4	0.9	0.8	4.60%
DIAMOND	NEUTRAL	1.39	1.33	4.51%	-11.33%	NA	NA	0.2	0.2	8.10%
ETI	SELL	16.54	19.5	-15.18%	14.66%	55.1	23.1	175.9	158.2	0.00%
FBNH	STRONG BUY	12.86	9	42.89%	2.27%	3.9	5.9	0.3	0.5	3.50%
FCMB	BUY	2.34	1.8	30.00%	21.60%	3.9	3.8	0.3	0.3	5.60%
FIDELITY	BUY	3.08	1.7	81.18%	-30.87%	4.7	2.3	0.4	0.4	13.00%
GTB	STRONG BUY	49.02	35	40.06%	-14.15%	8.2	8	2.2	1.7	5.60%
STANBIC	STRONG BUY	55	45	22.22%	8.47%	10.2	10.1	2.7	2.4	6.30%
UBA	STRONG BUY	16.14	7.9	104.30%	-23.27%	4.8	4.4	0.7	0.7	12.40%
ZENITH	STRONG BUY	35.25	20.9	68.66%	-18.45%	4.9	4.4	1.1	1	12.50%
CEMENT										
CCNN	NEUTRAL	32.68	30.9	5.76%	225.30%	12	17.4	2.8	2.4	1.40%
DANGCEM	STRONG BUY	278.54	223	24.91%	-3.07%	21	15.2	5.5	5.2	5.60%
LAFARGE	STRONG BUY	27.94	23	21.48%	-48.71%	NA	NA	0.8	0.5	8.50%
BREWERIES										
GUINNESS	UNDERWEIGHT	88.21	88	0.24%	-6.35%	86.1	24	3.9	2.4	1.80%
INTBREW	SELL	24.4	32	-23.75%	-41.30%	39.7	70	7.5	7.2	0.40%
NB	STRONG BUY	118.76	92.9	27.84%	-31.11%	32.6	21.3	6	4.4	4.70%
AGRIC										
OKOMU	BUY	102.3	79.9	28.04%	18.06%	8	7.2	2	1.6	4.00%
PRESCO	NEUTRAL	72.03	60.05	19.95%	-12.30%	NA	7.4	1.2	1.8	2.70%
FOOD PRODUCERS										
DANG SUGAR	NEUTRAL	17	16	6.25%	-20.05%	6	6.9	2.6	1.8	7.70%
FLOURMILL	RESTRICTED	38.94	21.5	81.12%	-25.86%	5.2	5.6	0.4	0.5	8.20%
NESTLE	SELL	1008.97	1500	-32.74%	-3.60%	36.6	26.8	27.5	26.5	3.70%
UACN	BUY	16.44	11	49.45%	-34.91%	13.8	8.3	0.4	0.4	4.80%
PERSONAL CARE										
PZ	BUY	16.57	13.5	22.74%	-34.48%	25.3	53.4	1.9	2.1	1.10%
UNILEVER	SELL	36.21	46.8	-22.63%	14.19%	23	24.3	2.3	3.4	1.20%
OIL & GAS										
FORTE OIL	BUY	34.55	21	64.52%	-51.70%	1.8	5.4	0.9	0.8	NA
MRS	BUY	39.2	28.55	37.30%	4.00%	5.2	51.4	0.4	0.4	NA
SEPLAT	STRONG BUY	975.27	603	61.74%	-3.71%	4	4.2	0.7	0.6	NA
TOTAL	NEUTRAL	201.23	189.7	6.08%	-17.50%	8	14.5	2.5	2.5	5.10%

* 'UR' means Under review