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## ARM Research | Weekly Call

The Nigerian equities market ended the week negative with the NSE ASI declining 1.63% WoW to close at 34,848.45pts. The turn in market activity relative to the prior week (+45bps) was on the back of losses in market bellwether counters – FBNH (-8.81%), ZENITHBANK (-4.33%), GUARANTY (-4%), DANGCEM (-2.98%) and NB (-2.1%). Analysis of the performance on a sectorial basis shows that Banking (-2.52%), Brewers (-0.87%), Cement (-3.19%), Insurance (-0.26%) and Personal Care (-1.62%) sectors closed negative whilst the Food (+1.11%) and Oil & Gas (+1.84%) 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, we expect finance cost to drop significantly as the company following the payment of 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 its 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.

### This Week

- **Closure of Register:** Stanbic IBTC Holdings Plc, Fidson Healthcare Plc, University Press Plc.
- **Dividend Payment:** Flour Mills of Nigeria Plc, Red Star Express Plc, Custodian Investment 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	UR*	13.46	9.5	41.7%	-9.1%	4.4	4.4	0.9	0.8	4.6%
DIAMOND	UR*	1.39	1.23	12.8%	-18.0%	NA	NA	0.2	0.2	8.1%
ETI	SELL	16.54	20.0	-17.3%	17.6%	55.1	23.1	175.9	158.2	0.0%
FBNH	STRONG BUY	12.86	8.8	46.2%	0.0%	3.9	5.9	0.3	0.5	3.5%
FCMB	BUY	2.34	1.8	30.2%	21.6%	3.9	3.8	0.3	0.3	5.6%
FIDELITY	BUY	3.08	1.65	86.5%	-32.9%	4.7	2.3	0.4	0.4	13.0%
GTB	UR*	49.02	36.0	36.2%	-11.7%	8.2	8.0	2.2	1.7	5.6%
STANBIC	OVERWEIGHT	55.00	48.0	14.6%	15.7%	10.2	10.1	2.7	2.4	6.3%
UBA	UR*	16.14	8.0	101.7%	-22.3%	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	UR*	32.68	30.9	5.7%	225.3%	12.0	17.4	2.8	2.4	1.4%
DANGCEM	STRONG BUY	278.54	228	22.2%	-0.9%	21.0	15.2	5.5	5.2	5.6%
LAFARGE	OVERWEIGHT	27.94	23.5	18.9%	-47.6%	NA	NA	0.8	0.5	8.5%
BREWERIES										
GUINNESS	UR*	88.21	95.0	-7.1%	1.1%	86.1	24.0	3.9	2.4	1.8%
INTBREW	SELL	24.40	32.0	-23.8%	-41.3%	39.7	70.0	7.5	7.2	0.4%
NB	UR*	118.76	97.9	21.3%	-27.4%	32.6	21.3	6.0	4.4	4.7%
AGRIC										
OKOMU	UR*	102.30	76.95	17.8%	13.7%	8.0	7.2	2.0	1.6	4.0%
PRESCO	BUY	72.03	60.05	20.0%	-12.3%	NA	7.4	1.2	1.8	2.7%
FOOD PRODUCERS										
DANG SUGAR	NEUTRAL	17.00	15.75	8.0%	-21.3%	6.0	6.9	2.6	1.8	7.7%
FLOURMILL	RESTRICTED	38.94	24.3	60.2%	-16.2%	5.2	5.6	0.4	0.5	8.2%
NESTLE	UR*	1008.97	1500	-32.7%	-3.6%	36.6	26.8	27.5	26.5	3.7%
UACN	BUY	16.44	12.1	35.9%	-28.4%	13.8	8.3	0.4	0.4	4.8%
PERSONAL CARE										
PZ	UR*	16.57	24.23	-31.6%	17.6%	25.3	53.4	1.9	2.1	1.1%
UNILEVER	UR*	36.21	50.0	-27.6%	22.0%	23.0	24.3	2.3	3.4	1.2%
OIL & GAS										
FORTE OIL	BUY	34.55	20.0	71.8%	-54.0%	1.8	5.4	0.9	0.8	NA
MRS	UR*	39.20	28.55	37.3%	4.0%	5.2	51.4	0.4	0.4	NA
SEPLAT	STRONG BUY	975.27	650	50.0%	3.8%	4.0	4.2	0.7	0.6	NA
TOTAL	NEUTRAL	201.23	189.7	6.1%	-17.5%	8.0	14.5	2.5	2.5	5.1%

\* ‘UR’ means Under review