

### Corporate Benefit Tracker

Last week, the following companies declared dividend to shareholders:

Company	Dividend Amount (₦)
Beta Glass Plc	1.07
Caverton Offshore Plc	0.15
Lafarge Africa Plc	1.50
Okomu Oil Plc	3.00
Presco Plc	2.00
Transnational Corporation of Nigeria Plc	0.02
Unilever Nigeria Plc	0.50

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Weekly Stock Recommendation	
<i>Seplat Plc.</i>	
<b>Price (₦)</b>	<b>698.30</b>
<b>FVE (₦)</b>	<b>952.81</b>
<b>Return</b>	 <b>36.4%</b>
<b>Year High (₦)</b>	<b>785.00</b>
<b>Year Low (₦)</b>	<b>626.22</b>
<b>Market Cap (N'mn)</b>	<b>410,911</b>
<b>SHO (mn)</b>	<b>588.44</b>
<b>YTD Return</b>	 <b>11.5%</b>

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	EPS (\$)	DPS (\$)	ROE (%)	EV/EBITDA (x)	P/CF (x)	Gross Margin (%)	PBT Margin (%)
<b>FY 17A</b>	0.45	NA	19.4	8.71	1.98	46.9	9.7
<b>FY 18F</b>	0.43	0.10	15.4	6.22	2.15	52.9	27.3

- ◆ Last week, Seplat announced its board meeting scheduled to hold on 19th April 2018 to discuss its Q1 18 results as well as the declaration of interim dividend. We expect a dividend payout of 23.2% for FY 18 and still retain our buy rating on the stock. The case for seplat remains higher crude oil prices and volumes as well as the company's extended debt maturity profile which feeds into an improved cash position, unrecognized capital allowance, reserve accretion and higher receipt from crude oil lifted in OML 55.
- ◆ On the debt profile, the company refinanced its RCF with a new four year \$300 million RCF now due in June 2022 at Libor + 6%. Also, Seplat issued \$350million senior notes at 9.25% due 2023 to repay its existing 7-year term facility which has a maturity of ~\$145 million in 2018 and 2019 apiece. Given the foregoing, gross debt should print at \$550 million in Q1 2018 with free cash flow at \$500 million.
- ◆ Following the tax credit recognized in 2017 which relates to its entitled allowance during the pioneer tax period, we estimate a capital allowance of \$200 million yearly over 2018 to 2020. On production, we expect working interest production of 43.3kbopd (+17% YoY) in 2018. The foregoing alongside our crude oil price and gas projection of \$60/bbl. and \$3/Mscf respectively should drive a 40% YoY expansion in revenue to \$634 million. Management noted that it has hedged 3.6mbbbls and 3.0mbbbls. in H1 and H2 2018 at average strike price of \$40/bbl. and \$50/bbl. respectively, in a bid to support its cash flow strategy.
- ◆ Having factored these changes into our model, we place a **BUY** recommendation with a FVE of ₦952.81 ( 36.4% upside from prior closing price).



### Weekly Stock Recommendation

*FBNH Plc.*

<b>Price (₦)</b>	<b>12.25</b>
<b>FVE (₦)</b>	<b>16.69</b>
<b>Return</b>	 <b>36.24%</b>
<b>Year High (₦)</b>	<b>14.75</b>
<b>Year Low (₦)</b>	<b>8.79</b>
<b>Market Cap (N'mn)</b>	<b>437,923</b>
<b>SHO (mn)</b>	<b>35,895</b>
<b>YTD Return</b>	 <b>39.20%</b>

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	EPS (₦)	DPS (₦)	ROE (%)	P/E (x)	NIM (%)	P/B (x)
<b>FY 17E</b>	1.72	0.30	10.26	7.12	10.69	0.71
<b>FY 18F</b>	3.18	0.50	17.46	3.86	10.73	0.64

- ◆ Across our Tier 1 space, FBNH offers a more sizeable return underpinned by improving asset quality and above par core banking metrics. Precisely, we see further potential upside from lower provisioning, resilience in Net Interest Margin (NIM), operational efficiency and possible streamlining of branches.
- ◆ Having booked ~₦442 billion on loan loss provision, we expect to see sizable improvement from its upstream Oil and Gas (O&G) exposure which currently constitutes 43% of NPL as at 9M 17. Given the recovery in crude oil production and higher crude oil prices, we expect upstream O&G NPL to moderate to ~30% in FY 18. We forecast NPL and Cost of Risk in FY 18F to print at 18% (FY 17E: 20%) and 3.5% (FY 17E: 6.5%) respectively.
- ◆ Excluding asset quality concerns, FBNH core banking metrics remain above peer average with key metrics pointing to sustained momentum. Central to core performance is the robust contribution of higher asset yields to interest income and lower funding cost to expansion in NIMs. On funding cost, FBNH's deposit mix (CASA/total deposits 9M 17: +2.4pps YoY to 71%) guides to benign pressure on this front with FY 17 WACF projected at 3.6% (FY 2016: 2.8%). Going forward, we expect funding cost to remain flat in 2018 (3.7%) and average 3.8% between 2019F-2021F.
- ◆ On asset yields, despite our expectation of a 200bps decline in yields on investment securities, the largely sticky nature of interest rate on loan books should moderate the impact of a lower yield environment. Accordingly, we forecast asset yields of 15% for 2017E and 2018F, and an average of 14.8% for the period 2019F-2021F. Overall, we forecast NIMs of 10.7% for 2017E and 2018F. Consequently, we estimate FY 17E EPS of ₦1.72 (9M 17: ₦1.28) and ₦3.18 for FY 18F – implying a 260% and 85% growth in EPS in FY 17E and FY 18F accordingly, given the materially low base in 2016.
- ◆ In summary, with a focus on leveraging lower funding cost, operational efficiency, adequate capital buffer, no plans to grow risky assets, and lower loan-loss provisioning — the downside risk to 2018 earnings now seems moderated than was earlier expected. Overall, we forecast 2018F EPS of ₦3.18 (+85% YoY) and DPS of ₦0.50. FBNH trades at a P/B of 0.7x compared to peer average of 1.4x. Furthermore, at current pricing, its 2017E dividend translates to dividend yield of 6.3%. Our FVE of ₦16.69 translates to a 36% upside from current pricing. Consequently, we rate the stock a **STRONG BUY**, reflecting attractive valuation and a view that fundamentals will improve going forward.

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