

Corporate Benefit Tracker



Last week, the following companies declared dividend to shareholders:

Company	Dividend Amount (₦)
Dangote Flour mills Plc	0.20
Pharma - Deko Plc	0.05
May & Baker Plc	0.20
Lafarge Wapco Plc	1.50
Berger Paints Plc	0.50
FCMB Plc	0.10
Caverton Offshore Plc	0.15
Aiico Insurance Plc	0.05

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Weekly Stock Recommendation

Seplat Plc.

Price (₦)	665.10
FVE (₦)	952.81
Return	 43.26%
Year High (₦)	785.00
Year Low (₦)	626.22
Market Cap (N'mn)	391,374
SHO (mn)	588.44
YTD Return	 6.21%

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	EPS (\$)	DPS (\$)	ROE (%)	P/E (x)	P/CF (x)	Gross Margin (%)	PBT Margin (%)
FY 17A	0.45	NA	19.4	4.09	1.89	46.9	9.7
FY 18F	0.43	0.10	15.4	6.15	2.94	52.9	27.3

◆ Last week, Seplat shares traded at a flat price of ₦665.10. Nevertheless, we still see significant upside to the stock underpinned by 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. We therefore have a new fair value estimate of ₦952.81 (Previous FVE: ₦663.85).

◆ On the debt profile, Seplat secured a one-year extension on its revolving credit facility (RCF) now scheduled to expire by year end 2018 (Previously: Year end 2017). The RCF was amended to amortize the outstanding principal balance of \$150 million over 5-quarters in equal instalments, commencing Q4 17. Furthermore, the company refinanced its RCF with a new four year \$300 million RCF now due in June 2022 at Libor + 6%. Finally, 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 3.6mbbls and 3.0mbbls. 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 (43% upside from prior closing price).



Weekly Stock Recommendation

Unilever Nigeria Plc.

Price (₦)	59.80
FVE (₦)	33.56
Return	 -43.9%
Year High (₦)	64.60
Year Low (₦)	39.86
Market Cap (N'mn)	343,551
SHO (mn)	5,745
YTD Return	 45.9%

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	EPS (₦)	DPS (₦)	ROE (%)	P/E (x)	Gross Margin (%)	PBT Margin (%)
FY 17A	1.78	0.50	9.8	33.5	31.9	12.3
FY 18F	2.04	0.41	13.8	29.3	32.8	17.6

- ◆ Unilever Nigeria (Unilever) sustained earnings recovery in its full year 2017 results with a record after-tax earnings of ₦7.5 billion, representing a 142.5% YoY increase from the prior year and translating to EPS of ₦1.78 (FY 16: ₦0.81; FY 15: ₦0.32). In terms of earnings driver, higher revenue (+30.1% YoY to ₦90.8 billion) was the major driver, which more than offset input cost pressures to drive a 280bps expansion in gross margin to 32%. Q4 17 standalone performance was also positive as EPS rose 36% to ₦0.50 underpinned by sizeable increase in operating profit (+46.5% to ₦3.5 billion) reflecting higher revenue, and finance income (+17.7% to ₦1.0 billion).
- ◆ Going forward, higher petrochemical prices from the sustained rise in crude oil price remains a key factor in Unilever's earnings even as we expect Crude Palm Oil (CPO) to moderate in 2018. Nonetheless, expected increase in revenue from a mix of price and volume as well as an expected rise in finance income should offset these pressures which drive our expectation for earnings to rise 57.5% YoY to ₦11.7 billion. However, due to the dilutive impact of the additional shares (1.96 billion ordinary shares) from the rights issue in Q3, our EPS forecast of ₦2.04 represents a 14.6% YoY increase from FY 17 .
- ◆ Unilever Nigeria has gained +45.9% Year-to-Date (YTD), stronger than the return on the personal care segment (+34.7% YTD) and NGSE All Share Index (+6.8% YTD). On our 2018 numbers, Unilever trades at a P/E of 29.3x relative to Bloomberg Middle-East and Africa (MENA) peers of 28.6x. We retain our SELL rating on the stock with our FVE estimate of ₦33.56.