

## Corporate Benefit Tracker

Date	Company	Event	Dividend Amount (₦)
Dec.11, 2017	Nestle Nigeria Plc	Dividend Payment	15.00
Dec.11, 2017	UPDC Real Estate Investment Trust	Closure of Register	0.44
Dec.12, 2017	Sim Capital Alliance Value Fund	Closure of Register	10.00

- An additional volume of 51,299,322 ordinary shares of 50k each of Union Bank of Nigeria Plc were listed on the Daily Official List of the Exchange on the 4th of December, 2017.
- Flour Mills of Nigeria Plc. announced the submission of its application to The Nigerian Stock Exchange for approval for the listing of a rights issue of 1,476,142,418 ordinary shares of 50 Kobo each at ₦27.00 kobo per share on the basis of 9 new ordinary share for every 16 ordinary shares held. – [Click here](#)

Click [here](#) for corporate actions thus far in 2017

## Weekly Stock Recommendation

## Seplat Plc.

Price	501.31
FVE	588.11
Return	 17.3%
Year High	490.50
Year Low	345.80
Market Cap (N'mn)	277,380
SHO (mn)	553
YTD Return	 31.9%

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	EPS (₦)	DPS (₦)	ROE (%)	P/E (x)	P/B (x)	Gross Margin (%)	PBT Margin
FY 16	-144.4	0.00	-13.6%	NA	223.5	28.2	-68.0%
FY17E	16.9	0.00	-12.8%	33.7	221.1	50.7	6.3%

- ◆ Our deductions from Seplat Petroleum Development Company Plc. (Seplat's) latest financial report as well as recent discussions with management underpins our view on the stock's capacity to close the valuation gap relative to its African peers. Particularly, an improving and more stable P&L premised on the company's return to past production levels and de-risked earnings via adding a new export route to existing two routes should give investors comfort on earnings performance over 2018. In addition, with capital expenditure (capex) also decelerating from peak levels attained between 2014-16, cash flow is set to expand in 2018.
- ◆ The company's Q3 17 result revealed a PAT of \$22.3 million after six consecutive quarters of losses reflecting higher oil exports. Consequently, we expect FY 17 PAT of \$19.4 million relative to a loss of \$166.1 million in prior year. That said, our positive theme on Seplat is hinged on 2018 where we think earnings will be sizable upbeat.
- ◆ **Upbeat outlook in 2018 amidst persisting risks:** Starting off, we expect the company's exports to rise largely reflecting the planned completion of the Escravos pipeline which offers a third export route for the company. Furthermore, the combination of higher crude oil prices and production is expected to support positive earnings momentum. To add, Seplat is likely to call its tax allowance on capex made during the pioneer tax period, which we estimate at \$98 million.
- ◆ We therefore raise our FVE from ₦518.74 to ₦588.11 after reviewing our model and considering recent updates on the company's operations, precisely its Escravos project and tax position. Against this backdrop, we place an **OVERWEIGHT** rating on the stock.

<b><i>Nigeria Breweries Plc.</i></b>	
<b>Price</b>	<b>145.00</b>
<b>FVE</b>	<b>130.75</b>
<b>Return</b>	 <b>-9.83%</b>
<b>Year High</b>	<b>193.00</b>
<b>Year Low</b>	<b>112.82</b>
<b>Market Cap (N'mn)</b>	<b>1,149,720</b>
<b>SHO (mn)</b>	<b>7,929</b>
<b>YTD Return</b>	 <b>2.1%</b>

	EPS (₦)	DPS (₦)	ROE (%)	P/E (x)	P/B (x)	Gross Margin (%)	PBT Margin
<b>FY 16</b>	3.58	3.58	17.1%	40.5	6.9	43.2	12.6%
<b>FY 17E</b>	5.54	5.27	21.0%	28.6	6.8	42.0	14.0%

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- ♦ **Price to support to 2017 earnings:** We retain our projection for FY 17 revenue at ₦348.3 billion (+11% YoY), premised on the narrow disparity between our estimates and actual numbers. However, against the backdrop of elevated input cost which prevailed over 9M 17, we have revised our expectations for COGS higher to ₦201.99 billion (previously ₦188.1). The foregoing translates to gross profit of ₦146.27 billion (+7.9% YoY) with related margin now at 42% (gross margin 9M 17: 41.9%, prior estimate; 56%). Similarly, reflecting elevated admin and S&D expenses over the nine-month period, we have revised NB's OPEX higher to ₦88.8 billion (+6.7% YoY) with projected EBIT of ₦59.7 billion (+12.9% YoY).
- ♦ On the other side, we forecast finance expense lower to ₦10 billion (-23.1% YoY, 9M 17: -24% YoY to ₦8 billion) reflecting moderate FX losses relative to the prior year (+56% YoY). Likewise, we have revised NB's finance income lower to ₦172.6 million (-59% YoY) to match the nine-month run rate of ₦124.7 million (-61.7% YoY). Net impact of our model revisions translates to PBT and PAT of ₦49.4 billion (+25% YoY) and ₦34.6 billion (+22% YoY) respectively – EPS of ₦4.36. (previously ₦5.99)
- ♦ **Tight operating environment to subsist in FY 18:** Going into FY 18, depressed real income levels, intense industry competition, weaker volumes as well as NB's relatively more expensive product portfolio guide to a more subdued outlook for revenue growth (+8% YoY to ₦376.1 billion). In our view, although we expect input cost pressures from raw materials to moderate over 2018E, the higher share of value beers in the sales mix implies that gross margin will remain at below trend levels in the near term.
- ♦ NB trades at a current P/E of 35.7x vs 29.8x for Bloomberg Middle East and Africa. We have a **SELL** rating on the stock with a FVE of **₦130.75**