

Corporate Benefit Tracker

Date	Company	Event	Dividend Amount (₦)
December 18, 2017	Total Nigeria Plc	Dividend Payment	3.00
December 20, 2017	UPDC REIT	Dividend Payment	0.44


- ◆ An additional volume of 49,465,731 ordinary shares of 50k each of Stanbic IBTC Holdings Plc were listed on the Daily Official List of the Exchange on the 15th of December, 2017 as a result of a scrip dividend scheme offered to eligible shareholders of the company.
- ◆ An additional volume of 5,301,612,656 ordinary shares of International Breweries Plc were listed on the Daily Official List of the Exchange on the 14th of December, 2017.—

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Weekly Stock Recommendation

Guaranty Trust Bank Plc.

Price	39.80
FVE	44.50
Return	 11.8%
Year High	43.45
Year Low	22.90
Market Cap (N'mn)	1,171,361
SHO (mn)	29,431
YTD re-turn	 61.9%

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	EPS (₦)	DPS (₦)	ROE (%)	P/E (x)	P/B (x)	NIM (%)	PBT Margin
FY 16	4.49	2.00	26.2	9.6	2.5	8.2	40.2%
FY17E	5.67	2.81	28.3	7.9	2.2	9.5	48.8%

- ◆ **Recent sell-offs creates buying opportunity.** Despite Equities market was largely in the hand of the bears last week and GTB was not spared from the sell-offs. The stock lost 5.2% last week and traded below ₦40 by close of the week. Consequently, GTB looks more attractive from a valuation perspective as we expect positive earnings momentum to subsist for Q4 2017 with full-year EPS of ₦5.67 coming in 26.3% higher YoY. The bank reported decent nine-months 2017 result where it posted strong PBT (+8.7% YoY to ₦150 billion), which places it on track to deliver on its FY 17 PBT guidance of ₦168 billion. Earnings has been largely supported by higher asset yields on the back of elevated interest rate environment and lower loan provision which offset sizable decline on the non-interest revenue (NIR) leg to bring EPS to ₦4.27 (+7.3% YoY). That said, the bank faced funding cost pressure in the review quarter (Q3 17) to bring EPS on overall 70bps lower QoQ to ₦1.42.
- ◆ Going forward, we forecast a 6% decline in loan book as elevated yields on government securities continues to drive disintermediation. Elsewhere, we raise our cost of funds by 20bps to 3.4% to reflect funding cost pressure. The foregoing drives our net interest margin (NIM) lower to 9.5%. Furthermore, we forecast cost of risk to 0.7% and consequentially project 2017E loan loss provision of ₦10.6 billion (2016: ₦65.3 billion). Net impact of these changes results in Q4 17 PBT and PAT of ₦50.9 billion and ₦41.2 billion respectively with FY 17E EPS of ₦5.67. Beyond 2017, we cut our views regarding asset yields and annualized WACF as we think our call for a lower yield environment should moderate funding cost pressure but also depress asset yields. Post adjustments, our FVE for GTB increases to ₦44.50 (vs. ₦42.02 previously) relative to last trading price of ₦39.8 (+11.8% upside) which informs our **OVERWEIGHT** rating.

PZ Cussons Plc.	
Price	22.50
FVE	20.78
Return	 -7.6%
Year High	27.30
Year Low	11.04
Market Cap (N'mn)	89,336
SHO (mn)	3,970
YTD Return	 55.2%

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	EPS (₦)	DPS (₦)	ROE (%)	P/E (x)	P/B (x)	GM (%)	PBT Margin
FY 16	0.84	0.50	8.3%	28.9	2.1	35.1	6.0%
FY 17E	0.90	0.60	8.9%	24.6	2.0	30.0	6.8%

- ♦ **Rich valuation informs SELL recommendation:** We have lowered our estimates for PZ as we plug in recent results and our expectations of higher costs and slower sales growth. For FY 18, we still hold the view that margins will be subdued due to the impact of depressed real income levels, intense industry competition as well as weaker sales from the electricals segment. However, lower FX losses relative to 2017, should drive stronger earnings performance in the current financial year. Overall, the stock continues to feel richly valued relative to its peers (MENA) trading a forward P/E of 25x relative to peers of 19.05x.
- ♦ Last week, PZ Cussons Plc. released its 6M 2018 result which showed some weaknesses in its earnings. Despite robust sales growth (+24% YoY to ₦41.1 billion) on the back of higher prices, gross margins contracted as a result of input cost pressure. The foregoing alongside higher admin expenses drove a contraction in operating profit (-10.7% YoY to ₦3.8 billion). Irrespective, slower foreign exchange losses in the period of ₦2.6 billion (relative to ₦4.9 billion in 6M 2017), supported PBT of ₦868 million (6M 17: pre-tax loss of ₦429 million) with EPS printing at ₦0.15. Isolating the Q2 18 standalone result also reveals a weak earnings picture with EPS declining 45% YoY to ₦0.18. Despite posting higher revenue (34% YoY) largely underpinned by higher prices, input cost pressures and foreign exchange loss (net short FCY position from trade payables) weighed on top-line performance to neuter earnings.
- ♦ For the rest of the financial year, while we have revised sales higher in line with performance over the first half, we still expect tamer growth in H2 18. We have also revised our projection for input cost higher to capture the impact of increasing cost of petrochemical inputs and inability to fully pass-on cost in the electrical segment. This, together with a milder top-line growth expectation, should see gross margin shed 5pps YoY to 30% with related profit at ₦26.7 billion (- 5% YoY). Going by recent stability in FX markets, our view remains that PZ will unlikely experience significant troubles on the FX front in coming quarters. This underpins our decision to retain projected FX losses at ₦2.5 billion. Net impact of our model revisions which translates to PBT and PAT of ₦6 billion and ₦4.1 billion respectively. We have a **SELL** rating on the stock with a FVE of ₦20.78 (previously ₦22.15). The key upside risk to our recommendation and earnings outlook for PZ is over performance from upcoming product lines, lower Brent crude prices and improved ability to pass on costs over FH2 18.