

Corporate Benefit Tracker

Date	Company	Event	Dividend Amount (₦)
Dec. 4 - Dec. 8, 2017	Total Nigeria Plc	Closure of Register	3.00

- Last week, UPDC REIT proposed a dividend of N0.44 per share which will be paid to shareholders on December 20, 2017.
- ♦ Seven-up Bottling Company Plc announced that it has received an offer from Affelka S.A. to acquire all the outstanding and issued shares of SBC that are not currently owned by Affelka – [Click here](#)

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Weekly Stock Recommendation

Guaranty Trust Bank Plc.

Price	43.00
FVE	44.50
Return	 3.5%
Year High	41.10
Year Low	22.90
Market Cap (N'mn)	1,265,541
SHO (mn)	29,431
YTD re-turn	 79.2%

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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	7.6	2.1	9.5	48.8%

- ♦ **Softer provisioning masks slowdown in Operating profit.** Guaranty Trust Bank Plc (GTB) posted a decent nine-months 2017 result supported by strong interest income (+36.5% YoY to ₦248.3 billion) and, more importantly, lower loan loss provision (-85% YoY to ₦8.4 billion) which managed to offset sizable decline on the non-interest revenue (NIR) leg (-59% YoY to ₦59.2 billion) to bring EPS to N4.27 (+7.3% YoY). That said, Q3 showed slowdown in operative performance. Despite an impressive trading income and lower provision in the quarter, the bank faced funding cost pressure to bring EPS on overall 70bps lower QoQ to ₦1.42.
- ♦ The funding pressures and lower provisioning ahead of expectation trigger some revisions to our estimates. First, 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 (WACF) by 20bps to 3.4% to reflect funding cost pressure. The foregoing drives our net interest margin (NIM) lower (-10bps YoY) 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 N43.0 (+3.5% upside) which informs our **NEUTRAL** rating.

<i>Lafarge Africa Plc..</i>	
Price	52.02
FVE	47.59
Return	 -8.5%
Year High	63.00
Year Low	34.50
Market Cap (N'mn)	285,108
SHO (mn)	5,481
YTD Return	 27.0%

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	EPS (₦)	DPS (₦)	ROE (%)	P/E (x)	P/B (x)	GM (%)	PBT Margin
FY 16	3.09	1.95	8.0%	16.8	1.1	18.5	-10.4%
FY 17E	1.90	1.29	5.1%	25.0	1.8	26.0	4.1%

- ♦ Last week, Lafarge Africa Plc. announced the opening of its right issue of 3.098 billion shares of 50 kobo each at a price of ₦42.50 per share based on 5 new ordinary shares for every 9 existing shares. The proceeds of the rights, of ~₦132 billion, is targeted at converting the company's \$287 million quasi equity owned by parent—Lafarge Holcim—to ordinary shares. Given that the parent owns ~72.6% of Lafarge Africa, the proportion of the potential rights due to it is expected to be worth around ₦95.6 billion with the balance ₦36.07 billion set to be allocated to minority stakeholders. This, alongside the forthcoming ₦24 billion commercial paper borrowing, implies a rise in cash balance of ~₦60 billion that could be used to slightly reduce pressures from working capital (**9M 17 negative working capital: ₦171 billion**) and expensive overdraft (₦35 billion as at 9M 17). On balance, we expect the company's net debt position to print at ₦219 billion by year end (vs. ₦245 billion as at 9M 17).
- ♦ **Base effect to flatter 2018 earnings.** In line with current run rate of Nigerian cement volume and weighted average Nigerian cement price, we now project Nigerian cement revenue at ₦204 billion. However, having reviewed our target South African non-cement revenue 32% higher to ₦33 billion in line with 9M 17 performance, we now forecast overall group revenue 32% higher YoY at ₦290 billion (vs. ₦266 billion previously). The foregoing alongside higher input cost, operating expenses, and expected tax charge of ₦1.4 billion going by the recent return to tax payment, should drive 2017 PAT to ₦10.4 billion (vs. ₦16.9 billion in 2016). Going into 2018, we adjust our mean Nigerian cement price significantly higher to ₦40,000/ton (vs. ₦29,008/ton previously) which implies lower Nigerian cement volumes lower to 5.3MT. The duo should drive 2018E Nigerian revenue to ₦214 billion (vs. ₦253 billion previously). At the group level therefore, we see scope for sales in excess of ₦324 billion in 2018E (vs. ₦337 billion previously). In addition, although gains from energy flexibility have scarcely impacted 2017 performance, we look for improvement on this front in 2018 and therefore stick to a slightly lower cost to sales ratio of 70%. Thus, we expect a 29% YoY increase in gross profit to ₦97 billion (gross margin: +4pps YoY to 30%). Furthermore, we review our FY 18 OPEX to ₦45 billion in tune with current realities to leave our implied FY 18E PAT at ₦29 billion (vs. ₦10.4 billion in FY 17E) barring any positive surprise in form of tax writeback.
- ♦ Having factored in these adjustment as well as dilution impact in our model, we now have a FVE of and ₦47.59 (₦64.46 - without dilution) – 8.5% discount relative to the last closing price of ₦52.02 implies a **SELL** rating on the stock.