

Corporate Benefit Tracker

Date	Company	Event	Dividend Amount (₦)
16 th – 22 nd Nov. 2017	Nigerian Breweries Plc. (Interim)	Closure of Register	1.00

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Weekly Stock Recommendation

Guaranty Trust Bank Plc.

Price	43.00
FVE	44.50
Return	 3.5%
Year High	43.00
Year Low	22.90
Market Cap (₦ ¹ mn)	1,265,541
SHO (mn)	29,431
YTD return	 79.2%

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	EPS (₦)	DPS (₦)	ROE	P/E (x)	P/B (x)	Net Interest Margin	PBT Margin
FY 16	4.49	2.00	26.2%	9.6	2.5	8.2%	40.2%
FY 17E	5.67	2.81	28.3%	7.9	2.2	9.5%	48.8%

- ◆ **Lower loan-loss charges offset slowdown in operating profit.** Guaranty Trust Bank Plc (GTB) posted a decent nine-months 2017 result supported by strong interest income and, more importantly, lower loan loss provision which managed to offset sizable decline on the non-interest revenue (NIR) leg. For context, despite higher net interest margin (NIM), 59% YoY decline in NIR drove operating income lower to ₦249 billion – 10% lower relative to 9M 16. Irrespective, the sizable loan loss provision in 2016, driven by collective provisions, provided legroom for a material write back on the item given improved economic fundamentals. Consequently, write backs on collective loan loss provision and loan recovery buoyed earnings growth, with EPS coming in at ₦4.27 (+7.3% YoY).
- ◆ **Outlook – revision to estimates drive FVE higher.** First, we adjust our loan book estimate to reflect current run rate and now forecast a 6% decline in loan book. Elsewhere, we raise our cost of funds (WACF) by 20bps to 3.4% to reflect funding cost pressure. The foregoing drives our NIM lower (-10bps YoY) to 9.5%. Furthermore, we lower our cost of risk estimate, which we now see at 0.7% (previously 1.0%), as we believe an improving economic backdrop removes the excuse for cautious collective provisioning. Consequently, we 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.

<i>Unilever Nigeria Plc.</i>	
Price	40.00
FVE	28.48
Return	 -28.8%
Year High	46.00
Year Low	27.81
Market Cap (N'mn)	151,332
SHO (mn)	3,783
YTD return	 14.3%

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	EPS (N)	DPS (N)	ROE	P/E (x)	P/B (x)	Gross Margin	PBT Margin
FY 16	1.71	0.26	37.7%	23.3	8.8	31.0%	9.9%
FY 17E	2.19	0.33	34.2%	13.0	6.2	31.5%	12.5%

- ◆ **Higher prices and subdued cost pressure support earnings:** Across the consumer space, price hikes were major support for earnings in which unilever was not left out. The company's 9M EPS grew to ₦1.30 (+4.5x YoY) bolstered by price increase across its product lines (*Royco* +33% YoY, *Close Up*: +32% YoY, *Knorr*: +22% YoY, *Blue Band*: +10% YoY, *Lipton*: +5% YoY). Though the operating expenses expanded in the quarter with S&D and Marketing expenses higher by 62% and 33.4% respectively, gains from the price increase and subtle input cost growth still left the company in the green zone with the EBIT margin expanding by 6.2pps YoY to 11.6%.
- ◆ **Beyond 2017, Price induced gains to subside:** Over the rest of the year, higher prices are still expected to uphold the company's performance with PBT and PBT to print at ₦9.3 billion (126% YoY) and ₦6.5 billion (+111% YoY) respectively. However, the price induced growth appears unsustainable beyond 2017 which informs our view of the firm moving towards a volume led strategy in boosting its topline. Consequently, we forecast a +2% growth in revenue over the next five years and input cost at +2.4%. Overall, this guides towards slower rise in earnings going forward. The stock closed at ₦40.00 - 28% premium relative to our FVE of ₦28.48, we therefore have a sell rating on the stock.