

## Corporate Benefit Tracker

Date	Company	Event	Dividend Amount (₦)
November 21, 2017	Cutix Plc	Dividend Payment	0.18
November 23, 2017	Nigerian Breweries Plc. (Interim)	Dividend Payment	1.00

- ♦ UACN announced the opening of its rights issue of 960,432,193 ordinary shares of 50 Kobo each at the offer price of ₦16 per share on the basis of one (1) new ordinary shares for every two (2) ordinary shares held as at 19 October 2017 – [Click here](#)
- ♦ Unilever Nigeria Plc. announced the listing of additional ordinary shares which arose from its rights issue of 1,961,709,167 ordinary shares of 50 kobo at ₦30.00 per share in the ratio of 14:27 ordinary shares held as at 28 June 2017 – [Click here](#)
- ♦ Trans Nationwide Plc announced the listing of additional ordinary shares which arose from its rights issue of 270,027,370 ordinary shares of 50 kobo at ₦0.80 per share in the ratio of 3:2 ordinary shares held as at 25 January 2017 – [Click here](#)

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

## Weekly Stock Recommendation

*PZ Cussons Plc.*

Price	24.23
FVE	22.16
Return	 -8.6%
Year High	27.30
Year Low	11.04
Market Cap (₦'mn)	96,205
SHO (mn)	3,970
YTD return	 -30.8%

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	EPS (₦)	DPS (₦)	ROE	P/E (x)	P/B (x)	Gross Margin	PBT Margin
<b>FY 16</b>	0.84	0.50	8.3	28.9	2.1	35.1	6.0
<b>FY 17E</b>	1.04	0.60	10.2	21.3	2.0	32.0	8.2

- ♦ Last week, MSCI released the result of its November semi-annual index review revealing a total of nine stocks were deleted from the frontier index, while five stocks were added. Of the stocks taken out of the index is PZ Cussons which closed the week lower at ₦22.49 with the one week return at -2.22%.
- ♦ **Cost pressures inform downward earnings review:** Just to reiterate our views on the stock, despite the price induced revenue growth (+6% to ₦84.7 billion), the increased cost of the petrochemical inputs led to a revision of our input cost estimates which brought about a 3pps decline in the gross margin to 32%. Elsewhere, in line with FQ1 18 performance - we revised the company's operating cost higher to ₦17 billion (+16% YoY) which should drive the operating income lower by 24% YoY to ₦10.2 billion.
- ♦ Lastly, we expect lower finance income at ₦313 million reflecting PZ's lower cash balances (-73% to ₦2.2 billion whilst we project higher finance expense mirroring the elevated borrowing relative to the previous year. Net impact of our model revisions translates to PBT and PAT of ₦7 billion (+45% YoY) and ₦4.7 billion (+29% YoY) respectively. With the last closing price at ₦22.49, the stock appears to be trading closer to its fair value estimate of ₦22.16 which informs our **SELL** rating on the stock..

<i>Unilever Nigeria Plc.</i>	
<b>Price</b>	37.50
<b>FVE</b>	24.48
<b>Return</b>	 -34.7%
<b>Year High</b>	46.00
<b>Year Low</b>	27.81
<b>Market Cap (₦'mn)</b>	141,874
<b>SHO (mn)</b>	3,783
<b>YTD return</b>	 7.1%

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	EPS (₦)	DPS (₦)	ROE	P/E (x)	P/B (x)	Gross Margin	PBT Margin
<b>FY 16</b>	0.81	0.10	26.3	46.3	12.1	29.1	5.9
<b>FY 17E</b>	1.13	0.17	37.7	33.2	8.2	31.0	9.9

- ♦ **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, adjusting for higher shares outstanding (**5.7 billion vs 3.8 billion previously assumed**), our 2018E EPS amounts to ₦1.13.
- ♦ 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. We have a FVE of ₦24.84 on the stock which translates to a **SELL** rating.