

Corporate Benefit Tracker

Date	Company	Event	Dividend Amount (₦)
Nov 27 —Dec 1, 2017	Nestle Nigeria Plc	Closure of Register	0.15

- ♦ Lafarge Africa Plc announced the opening of its rights issue of 3,097,653,023 ordinary shares of 50 Kobo each at the offer price of ₦42.50 per share on the basis of five (5) new ordinary shares for every nine (9) ordinary shares held as at 01 November 2017 – [Click here](#)
- ♦ FCMB Group Plc announced it has received relevant regulatory approvals and concluded the acquisition of additional 60% stake in of Legacy Pension Managers Limited making FCMB's interest in Legacy 88.2% now – [Click here](#)

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

Weekly Stock Recommendation



FCMB Group Plc.

Price	1.12
FVE	1.34
Return	 19.3%
Year High	1.42
Year Low	0.93
Market Cap (₦'mn)	22,179
SHO (mn)	19,803
YTD return	 1.8%

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	EPS (₦)	DPS (₦)	ROE (%)	P/E (x)	P/B (x)	NIM (%)	PBT Margin
FY 16	0.71	0	8.5	4.7	0.1	6.4	9.1%
FY 17E	0.69	0.11	8.3	7.2	0.1	6.6	9.4%

- ♦ **Earnings marred by funding cost and lower NIR:** FCMB 9M 17 result revealed persisting funding cost pressure and a decline in Non-Interest Revenue (NIR) which largely weighed down earnings. First, gross earnings declined 16% YoY on the back of mild growth in interest income (+3.3% YoY to ₦96.3 billion) and a decline in Non Interest Revenue (-58% YoY to ₦18.8 billion). The decline in NIR reflects the large FX revaluation gain (₦35.3 billion) recorded in 9M 16. Like most tier two banks, FCMB suffered funding cost pressure as weighted average cost of fund (WACF) rose 130bps YoY to 6.8% with interest expense also increasing 16% YoY to ₦46.4 billion. Consequently, despite lower provisions recorded in the period (-63.3% to ₦12.7 billion), funding cost pressure as well as lower NIR drove a 58% YoY decline in earnings per share (EPS) to ₦0.28.
- ♦ Going forward, we expect management's renewed focus on capturing yields on the naira curve, no plans to grow risky assets, lower loan-loss provisioning, increased prospects of recoveries, operational efficiency, and adequate capital buffer to limit the downside risk to 2017 earnings. Overall, we forecast 2017E EPS of ₦0.55 (-22% YoY) and DPS of ₦0.11. However, excluding FX gains in prior year, FY 17 EPS should be four-fold higher YoY. We have a FVE of ₦1.34 for FCMB which is 19% upside from current market price and translates to a **NEUTRAL** rating.

Fidelity Bank Plc.	
Price	1.70
FVE	1.88
Return	 10.6%
Year High	1.42
Year Low	0.77
Market Cap (N'mn)	49,257
SHO (mn)	28,975
YTD return	 104.8%

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	EPS (N)	DPS (N)	ROE (%)	P/E (x)	P/B (x)	NIM (%)	PBT Margin
FY 16	0.34	0.14	4.4	5.1	0.1	6.3	7.5%
FY 17E	0.60	0.21	8.9	3.1	0.3	6.9	11.6%

- ◆ **Earnings remain upbeat despite funding cost pressure:** Fidelity earnings remain upbeat despite funding cost pressure with the bank posting an impressive 9M-17 result reflecting both strong top and bottom line performance. Specifically, the result was supported by a strong core earnings (+21% YoY to ₦130.8 billion). However, most of the gain was masked by higher funding cost (+38.3% YoY to ₦56.6 billion) with Net Interest Margin (NIM) expanding only 76bps YoY to 7.1%. Further supporting earnings was a 82% jump in net foreign gains (₦4.9 billion) to leave Non Interest Revenue (NIR) 7.7% higher at ₦17.2 billion. Most importantly, the bank recorded an 8% decline in loan loss provision (₦7.3 billion) with annualized cost of risk at 1.3% (-16bps YoY). Overall, the impact of the lower loan provision further buoyed earnings to leave EPS at ₦0.50 (+65% YoY).
- ◆ Going forward, we see more room for loan growth and forecast interest income to increase 19.4% YoY to ₦147 billion while we forecast WACF to be 8.1% (+1.6pps YoY) to reflect funding cost pressure. This brings our NIM to 6.9% (+60bps YoY). The foregoing with lower provisions is expected to bring EPS 79% higher YoY to ₦0.60. Beyond 2017, we see more upside for loan growth as the economy continues to improve and funding cost to subside following an expectation of rate cut. Net impact of our estimates puts our FVE at ₦1.88, 11% upside to the last market price. This translates to a **NEUTRAL** rating on the stock.