




Corporate Benefit Tracker



Date	Company	Event	Dividend per share (₦)
26-Oct-17	Nigerian Breweries Plc.	Dividend Proposal	1.00
26-Oct-17	Total Nigeria Plc.	Dividend Payment	3.00
30-Oct-17	Nestle Nigeria Plc.	Dividend Payment	15.00
4-7 Dec 17	Total Nigeria Plc.	Closure of Register	3.00

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Weekly Stock Recommendation

Dangote Sugar Refinery Plc.	
Price	15.20
FVE	17.84
Return	 17.4%
Year High	14.91
Year Low	5.71
Market Cap (N'mn)	182,400
SHO (mn)	12,000
YTD return	 148.8%

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Lafarge Africa Plc.	
Price	52.02
FVE	48.81
Return	 -6.90%
Year High	63.00
Year Low	34.50
Market Cap (N'mn)	285,108
SHO (mn)	5,481
YTD return	 27.00%

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	EPS (₦)	DPS (₦)	ROE	P/E (x)	P/B (x)	Gross Margin	PBT Margin
FY 16	1.20	1.50	21.8%	12.7	2.4	13.5%	11.6%
FY 17E	2.99	1.34	47.4%	6.0	2.1	25.9%	23.1%

Lower input costs boost earnings: Dangote sugar posted an impressive 9months 2017 result with a 44% increase in revenue to ₦163 and EPS of ₦2.21 (260%) relative to the previous year (9months 2016). Stripping out the result for the third quarter only (Q3 2017), EPS increased 244% to ₦0.78 when compared to Q3 2016 - which is the strongest earnings growth on record for the business. In our view, the impressive performance reflects lower input cost (-26% YoY to ₦29.7 billion) given a significant decline in its key raw material – raw sugar prices.

Other support for the result includes the four-fold YoY increase in finance income of ₦709 million, the slight decline in operating expenses (OPEX) - 2% YoY to ₦1.9 billion), lower effective taxes and slower growth in interest expense.

We have considered higher product prices relative to the previous year, declining input and operating expenses. Consequently, we expect full year EPS to print at ₦2.99 (+150% YoY) and a full year dividend of ₦1.34 (final dividend: ₦0.24). We have a fair value estimate (FVE) of ₦17.75 – 17% higher than the last closing price, which informs our **BUY** rating on the stock.

	EPS (₦)	DPS (₦)	ROE	P/E (x)	P/B (x)	Gross Margin	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%	25.5	1.8	26.0%	4.1%

Negative one-offs drag Lafarge back into red: Unlike other cement companies, Lafarge reported a surprising ₦18 billion loss in the third quarter of 2017. Although the company grew gross profits by over four-folds YoY to ₦13 billion, negative one-offs from a combination of higher admin expense, rise in other losses & net finance cost, as well as a reversal to tax charge contributed to the loss of ₦383 million in Q3 17.

For Full year 2017, despite an expected increase in input cost, we forecast a stronger revenue from increased volume sales to drive gross profit 75% higher YoY. However, we expect the one-off costs in Q3 17 to bring Profit after Tax (PAT) 65% lower to ₦10.4 billion. Going over to 2018, we expect a base effect from FY 17 earnings to compliment 2018 earnings as a result of the one-off costs.

Overall, net adjustment for our revised forecast, we have a FVE of ₦48.45 which is a 7% lower relative to current market price of ₦52.02. Thus, we have a **SELL** rating on the stock. We have adjusted for the dilution impact from the ₦131 billion proposed rights issue in our valuation.