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ARM Research | Weekly Call

The Nigerian equity market advanced its losing streak for the second week in August as the NGSE index shed 289bps to close the week at 35,446.47pts. The weak performance was steered by sell pressures in Seplat (-8.45%), Flour Mills (-8.89%), Dangote Cement (-6.55%), Dangote Sugar (-3.13%), FBNH (-4.00%) and Guaranty (-2.62%). Clearly, none of the bellwether stocks closed in the green region as Nigerian Breweries, Nestle and UBA closed flat. Dissecting the performance on a sectorial basis, all the sectors closed negative save for Brewers, with Cement (-6.26%), Oil & Gas (-1.98%), Insurance (-1.64%), Banking (-1.51%), Food (-0.93%) and Personal Care (-0.53%) leading the decliners.

- **First Bank of Nigeria Holdings Plc – STRONG BUY** (FVE: ₦12.86). We revise our FVE slightly to ₦12.86 from ₦14.40 following our revision of a higher impairment charge due to concerns on FBNH's exposure to Atlantic Energy and also lower asset yield for 2018. Aside these, we remain strongly optimistic on FBNH on the back of sizable moderation in impairment charge. For context, we expect NPL to moderate to 18% (FY 19E: 16%) from 22.8% in FY 17.
- **Dangote Cement Plc. – STRONG BUY** (FVE: ₦278.54). We expect Dangote Cement to sustain earnings growth over 2018, at faster pace than our earlier estimate. To be specific, we are now more positive on the write back of the tax provisions booked thus far.
- **Guinness Nigeria Plc – SELL** (FVE: ₦88.21). Guinness is poised for further earnings recovery into 2019 underpinned by lower operating and finance expenses. However, from a valuation standpoint, we believe the stock is expensive due to the dilutive impact of the recently concluded rights issue.
- **Dangote Sugar Refinery Plc – NEUTRAL** (FVE: ₦17.01). Over 2018, we expect weaker revenue for DSR owing to lower refined sugar prices and volumes with the latter driven by ongoing sugar smuggling activities within the country which has impacted on DSR's share. Consequent to this, alongside higher operating expenses, we expect weaker earnings in 2018.
- **PZ Cussons Plc – SELL** (FVE: ₦16.57). Our sell rating on PZ is premised on expected slower recovery in volumes due to weak income levels. Additionally, the recent rise in Brent crude is expected to stoke pressures on petrochemical prices which would weigh on gross profit and earnings.
- **Seplat Petroleum Development Company Plc – STRONG BUY** (FVE: ₦975.27). The case for Seplat remains higher crude oil prices and volumes, unrecognized capital allowance, reserve accretion, higher receipt from crude oil lifted in OML 55 as well as the company's extended debt maturity profile which feeds into an improved cash position.

Please read our [Ratings, Disclosure & Disclaimer](#) to understand how our analysts reach their recommendations.

Corporate Benefit Tracker

Last week

- The ordinary shares of Stanbic holdings increased by 64.2 million units, resulting from the scrip dividends offered to eligible shareholders in lieu of the 50k cash dividend declared for the year ended 31st Dec 2017. Consequently, the outstanding shares of the company now stands at 10.1 billion units. Click [here](#) to read more.
- The NSE lifted the trading suspension in the shares of Cornerstone Insurance Plc, Conoil Plc, and Veritas Kapital Assurance Plc, following its compliance to applicable NSE rules. Click [here](#) to read more.

This Week

- **Closure of Register:** GTB Plc, Aluminium Extrusion Industries Plc.
 - **AGM:** Rak Unity Petroleum Company Plc, ABC Transport Plc.
 - **Dividend Payment:** Rak Unity Petroleum Company Plc, ABC Transport Plc
- Click [here](#) to view full corporate actions thus far in 2018

Stock Recommendation

Sectors/Stocks	Rating	FVE (N)	Price (N)	Upside	YTD Return	P/E FY 17(x)	P/E FY 18E (x)	P/B FY 17E (x)	P/B FY 18E (x)	FY 18E dividend yield
BANKING										
ACCESS	STRONG BUY	13.46	10	34.6%	-4.3%	4.7	4.6	0.8	0.7	4.4%
DIAMOND	UR*	1.39	1.19	16.6%	-20.7%	NA	4.9	0.2	0.1	0.0%
ETI	SELL	16.54	21.05	-21.4%	23.8%	58.0	24.3	185.2	166.5	0.0%
FBNH	STRONG BUY	12.86	9.6	34.0%	9.1%	3.9	5.3	0.3	0.5	3.2%
FCMB	UR*	3.38	1.91	77.1%	29.1%	7.1	2.2	0.3	0.3	6.8%
FIDELITY	BUY	3.08	1.81	70.0%	-26.4%	4.7	2.5	0.4	0.4	11.9%
GTB	UR*	49.02	39	25.7%	-4.3%	7.2	6.4	2.0	1.7	7.3%
STANBIC	OVERWEIGHT	55.00	49.35	11.4%	18.9%	10.2	10.4	2.7	2.4	6.1%
UBA	STRONG BUY	14.69	9.45	55.5%	-8.3%	4.8	4.4	0.7	0.5	12.7%
ZENITH	UR*	35.25	25.5	38.2%	-0.5%	4.9	4.4	1.1	1.0	12.5%
CEMENT										
CCNN	UR	32.68	30.9	5.7%	225.3%	12.0	17.4	2.8	2.4	1.4%
DANGCEM	STRONG BUY	278.54	214	30.2%	-7.0%	21.0	14.3	5.5	5.2	5.9%
LAFARGE	SELL	23.57	28	-15.8%	-37.6%	NA	NA	0.9	0.5	5.0%
BREWERIES										
GUINNESS	SELL	88.21	94	-6.2%	0.0%	86.1	23.8	3.9	2.4	1.8%
INTBREW	SELL	24.40	32	-23.8%	-41.3%	39.7	70.0	7.5	7.2	0.4%
NB	UR	118.76	103	15.3%	-23.6%	32.6	22.4	6.0	4.6	4.5%
AGRIC										
OKOMU	UR	102.30	73.10	17.8%	8.0%	7.6	6.9	2.0	1.6	4.2%
PRESCO	NEUTRAL	71.78	60	19.6%	-12.4%	NA	7.4	1.2	1.8	2.7%
FOOD PRODUCERS										
DANG SUGAR	NEUTRAL	17.00	15.5	9.7%	-22.5%	6.0	6.8	2.6	1.8	7.8%
FLOURMILL	RESTRICTED	38.94	24.6	58.3%	-15.2%	5.3	5.7	0.4	0.5	8.1%
NESTLE	UR*	1008.97	1560	-35.3%	0.3%	36.6	27.8	27.5	27.6	3.6%
UACN	BUY	16.44	13	26.5%	-23.1%	14.8	8.9	0.5	0.4	4.5%
PERSONAL CARE										
PZ	SELL	16.57	24.23	-31.6%	17.6%	25.3	53.4	1.9	2.1	1.1%
UNILEVER	UR*	36.21	52.5	-31.0%	28.0%	23.0	25.5	2.3	3.6	1.1%
OIL & GAS										
FORTE OIL	UR*	58.50	23.05	153.8%	-47.0%	2.1	10.6	0.9	0.8	NA
MRS	UR*	39.20	28.55	37.3%	4.0%	5.2	51.4	0.4	0.4	NA
SEPLAT	STRONG BUY	975.27	650	50.0%	3.8%	4.0	4.2	0.7	0.6	NA
TOTAL	NEUTRAL	201.23	185	8.8%	-19.5%	7.8	14.5	2.4	2.5	5.2%

* 'UR' means Under review

Summary of H1 18 Earnings Released

₦'Million	Topline	PAT	EPS	
			H1 18	H1 17
Guaranty	225,185	95,582	3.25	2.84
Zenith	322,201	81,737	2.60	2.40
Conoil	54,481	551	0.79	0.62
UACN	36,982	1,589	0.26	0.51
Diamond Bank	98,503	2,920	0.10	0.40
Forte Oil	61,827	7,917	1.54	1.05
Flourmills*	133,029	3,649	0.90	0.20
NB	95,243	8,231	1.00	1.50
Total Nigeria	156,269	5,674	16.71	13.57
Nestle	135,296	21,458	27.07	20.90
11 Plc	85,911	3,658	1.31	0.69
Seplat	104,794	14,844	25.59	(14.97)
Sterling Bank	77,637	6,214	0.22	0.10
Cadbury	17,554	(424)	(0.23)	(0.41)
FCMB	83,925	5,726	0.57	0.10
CCNN	12,085	2,603	2.07	0.82
OANDO	146,761	4,302	0.24	0.70
PRESCO	11,658	3,990	3.98	5.60
United Capital	3,881	2,011	0.34	0.34
Ecobank	278,613	51,552	1.67	1.30
Lafarge	162,292	(3,902)	(0.45)	3.68
Dangote Flour	56,391	3,251	0.65	1.15
FBNH	286,702	33,520	0.91	0.80
MRS	62,316	506	1.99	2.77
Dangote Sugar	84,077	12,717	1.07	1.43
Transcorp	54,089	10,875	0.12	0.04

* Q1 2019 Result