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ARM Research | Weekly Call

The Nigerian equity market traded bearish last week, posting losses for 4 out of the 5 trading days. The market ended the week 2.11% lower WoW, making it the third consecutive week of decline. The decline was largely due to negative performances in First Bank (-12.98%), Guaranty Bank (-4.88%), Zenith Bank (-4.17%), Lafarge (-13.33%), Nestle (-6.35%), PZ (-11.58%) and Okomu Oil (-9.78%). Dissecting the performance on a sectorial basis, all sectors closed in the red save the Cement sector with Construction (-6.19%), Banking (-4.73%) and Food (-4.44%) sectors leading the decliners.

- **FBNH Plc – STRONG BUY** (FVE: ₦14.40). FBNH looks increasingly attractive underpinned by improving asset quality. Precisely, we see further potential upside from lower provisioning, resilience in NIM, operational efficiency and possible streamlining of branches.
- **Lafarge Africa Plc. – NEUTRAL** (FVE: ₦34.71). Despite our expectation of improved fundamentals mainly from higher volumes, energy savings and lower finance cost, we believe Lafarge is still overpriced. Lafarge trades at 2018 EV/EBITDA and P/E of 9.7x and 49.9x compare to Bloomberg EMEA peers of 9.2x and 21.9x.
- **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 – OVERWEIGHT** (FVE: ₦20.23). We are cautiously optimistic on Dangote Sugar due to the recent smuggling of cheaper refined sugar which impacted on the company's market share and, by extension, revenue. Irrespective, we believe the moderation in input costs would provide some support to 2018 earnings.
- **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.
- **Okomu Oil Plc – NEUTRAL** (FVE: ₦102.33). Okomu is our most preferred pick in the Palm oil sector, as 2018 presents opportunities for stronger growth in volumes, better operating efficiency, and lower finance cost which guides to improved earnings

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

Corporate Benefit Tracker

Last week

- Great Nigeria Insurance Plc proposed voluntary delisting from the main board of the NSE. Click [here](#) to read more.
- The NSE announced the lifting of trading suspension in the shares of Royal Exchange Plc following its compliance to NSE rule. Click [here](#) to read more.
- Linkage Assurance Plc and University Press Plc proposed a dividend of 5kobo/share and 3kobo/share respectively to shareholders.

This Week

- **Closure of Register:** Rak Unity Petroleum Company Plc
 - **AGM:** Presco Plc, Omoluabi Mortgage Bank Plc. The Initiates Plc, Cement Company of Northern Nigeria Plc
 - **Dividend Payment:** Presco Plc, Conoil Plc, Cement Company of Northern Nigeria Plc
- Click [here](#) to view full corporate actions thus far in 2018

Stock Recommendation

Sectors/Stocks	Rating	FVE (₹)	Price (₹)	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	10.1	33.3%	-3.3%	4.7	4.6	0.8	0.7	4.3%
DIAMOND	NEUTRAL	1.39	1.3	6.8%	-13.3%	NA	5.3	0.2	0.1	0.0%
ETI	SELL	16.54	20.7	-20.1%	21.8%	57.1	23.9	182.1	163.7	0.0%
FBNH	STRONG BUY	14.40	9.05	59.1%	2.8%	3.9	5.8	0.3	0.5	3.7%
FCMB	BUY	3.38	1.96	72.6%	32.4%	7.1	2.3	0.3	0.3	6.6%
FIDELITY	BUY	3.08	1.88	63.7%	-23.6%	4.7	2.6	0.4	0.4	11.4%
GTB	STRONG BUY	49.02	38	29.0%	-6.7%	7.2	6.2	2.0	1.7	7.5%
STANBIC	OVERWEIGHT	55.00	48.8	12.7%	17.6%	10.2	10.3	2.7	2.4	6.2%
UBA	STRONG BUY	14.69	9.55	53.9%	-7.3%	4.8	4.4	0.7	0.5	12.6%
ZENITH	STRONG BUY	35.25	25.5	38.2%	-0.5%	4.9	4.4	1.1	1.0	12.5%
CEMENT										
CCNN	UR*	N/A	24.9	N/A	162.1%	9.7	14.0	2.3	1.9	1.7%
DANGCEM	UR*	N/A	234.7	N/A	2.0%	21.0	16.2	5.5	5.2	5.3%
LAFARGE	NEUTRAL	34.71	32.5	6.8%	-27.6%	NA	49.9	1.1	1.0	3.5%
BREWERIES										
GUINNESS	SELL	88.21	97	-9.1%	3.2%	86.1	24.5	3.9	2.5	1.7%
NB	OVERWEIGHT	118.76	107.5	10.5%	-20.3%	32.6	23.3	6.0	4.8	4.3%
AGRIC										
OKOMU	NEUTRAL	102.33	83.00	17.8%	22.6%	8.7	7.8	2.0	1.6	3.7%
PRESCO	NEUTRAL	70.44	66.15	6.5%	-3.4%	NA	8.1	1.3	2.0	2.5%
FOOD PRODUCERS										
DANG SUGAR	OVERWEIGHT	20.23	17.7	14.3%	-11.5%	6.0	8.0	2.6	2.0	6.5%
FLOURMILL	RESTRICTED	N/A	29.7	N/A	2.4%	6.4	6.8	0.5	0.7	6.7%
NESTLE	SELL	1008.97	1430	-29.4%	-8.1%	36.6	25.5	27.5	25.3	3.9%
UACN	BUY	16.44	13.25	24.1%	-21.6%	15.1	9.1	0.5	0.4	4.4%
PERSONAL CARE										
PZ	SELL	16.57	24.23	-31.6%	17.6%	25.3	53.4	1.9	2.1	1.1%
UNILEVER	SELL	36.21	52	-30.4%	26.8%	23.0	25.3	2.3	3.5	1.1%
OIL & GAS										
FORTE OIL	BUY	59.00	27.9	111.5%	-35.8%	2.5	10.7	0.9	0.8	NA
MRS	BUY	38.07	28.55	33.3%	4.0%	5.2	49.9	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	206.67	200	3.3%	-13.0%	8.5	14.9	2.6	2.6	4.8%

* 'UR' means Under review