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## ARM Research | Weekly Call

The NGSE ASI reversed previous gains to decline 1.71% WoW last week, closing at 37,625.59 pts. The decline was largely due to negative performances in Forte Oil (-19.79%), Lafarge (-4.76%), Nestle (-4.76%), Zenith Bank (-2.80%), Nigerian Breweries (-2.71%), Unilever (-1.90%) and Dangote Cement (-1.75%). On a sectorial basis, the Oil & Gas (-5.69%), Food (-4.16%), Personal Care (-3.47%), Brewers (-2.49%) and Cement (-1.94%) sectors closed in red, offsetting gains in the Construction (+4.53%) and Insurance (+0.53%) sectors.

- **United Bank for Africa Plc – STRONG BUY** (FVE: ₦14.10). We expect meaningful improvement in UBA's profitability over 2018 hinged on growth in its deposit, increased loan book, expansion in its trading book, healthier asset quality, lower loan-loss provision, and resilience in fee income.
- **Dangote Cement Plc – OVERWEIGHT** (FVE: ₦256.85). We remain broadly positive on DANGCEM and expect the company to sustain earnings growth, albeit at a much slower pace than 2017. Specifically, we see volume induced revenue growth and lower energy cost as key drivers of earnings in FY 18, relative to the price-induced growth story in prior year.
- **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: ₦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 over FY 18.

**Kindly, visit [ARM Research Portal](#) for full stock reports.**

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

### Corporate Benefit Tracker

#### Last week

- First Bank of Nigeria Ltd announced its intention to exercise its option to redeem its \$300 million 8.25% Eurobond, due in August 2020. Click [here](#) to read more.
- C&I Leasing Plc announced the successful issuance of its ₦7 billion series 1 bond issuance programme. Click [here](#) to read more.

#### This Week

- **Closure of Register:** Presco Plc, Learn Africa Plc and The Initiates Plc.
- **AGM:** Conoil Plc.
- **Dividend Payment:** Cadbury 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
<b>BANKING</b>										
ACCESS	<b>STRONG BUY</b>	13.46	10.4	29.5%	-0.5%	4.9	4.8	0.9	0.7	4.2%
DIAMOND	<b>SELL</b>	1.39	1.43	-2.9%	-4.7%	NA	5.9	0.2	0.1	0.0%
ETI	<b>SELL</b>	16.54	20	-17.3%	17.6%	NA	40.3	138.2	145.4	0.0%
FBNH	<b>STRONG BUY</b>	14.40	10.5	37.1%	19.3%	3.9	5.8	0.3	0.5	3.2%
FCMB	<b>BUY</b>	3.38	2.18	55.2%	47.3%	7.1	2.5	0.3	0.3	6.0%
FIDELITY	<b>BUY</b>	3.08	2.16	42.5%	-12.2%	4.7	3.0	0.4	0.4	10.0%
GTB	<b>OVERWEIGHT</b>	49.02	41.5	18.1%	1.8%	7.2	6.8	2.0	1.7	6.9%
STANBIC	<b>NEUTRAL</b>	55.00	52	5.8%	25.3%	10.2	11.0	2.7	2.4	5.8%
UBA	<b>STRONG BUY</b>	14.10	10.35	42.0%	0.5%	4.8	4.4	0.7	0.5	11.6%
ZENITH	<b>STRONG BUY</b>	35.25	25.5	38.2%	-0.5%	4.9	4.4	1.1	1.0	12.5%
<b>CEMENT</b>										
CCNN	<b>BUY</b>	32.68	22.25	46.9%	134.2%	8.7	12.5	2.0	1.7	1.9%
DANGCEM	<b>OVERWEIGHT</b>	256.85	225	14.2%	-2.2%	21.0	15.5	5.5	5.2	5.5%
LAFARGE	<b>SELL</b>	34.39	39	-11.8%	-13.1%	NA	59.8	1.3	1.2	2.9%
<b>BREWERIES</b>										
GUINNESS	<b>SELL</b>	88.21	97	-9.1%	3.2%	86.1	24.5	3.9	2.5	1.7%
NB	<b>NEUTRAL</b>	118.68	111.1	6.8%	-17.6%	32.6	24.1	6.0	5.0	4.1%
<b>AGRIC</b>										
OKOMU	<b>NEUTRAL</b>	102.33	92.00	17.8%	35.9%	9.6	8.7	2.0	1.6	3.3%
PRESCO	<b>SELL</b>	70.44	75.5	-6.7%	10.2%	NA	9.3	1.4	2.3	2.2%
<b>FOOD PRODUCERS</b>										
DANG SUGAR	<b>NEUTRAL</b>	20.23	18.5	9.3%	-7.5%	6.0	8.4	2.6	2.1	6.2%
FLOURMILL	<b>RESTRICTED</b>	NA	30.7	NA	5.9%	6.6	7.1	0.5	0.7	6.5%
NESTLE	<b>SELL</b>	1008.97	1500	-32.7%	-3.6%	36.6	26.8	27.5	26.5	3.7%
UACN	<b>BUY</b>	16.44	13.7	20.0%	-18.9%	15.6	9.4	0.5	0.4	4.3%
<b>PERSONAL CARE</b>										
PZ	<b>SELL</b>	16.57	24.23	-31.6%	17.6%	25.3	53.4	1.9	2.1	1.1%
UNILEVER	<b>SELL</b>	36.21	51.5	-29.7%	25.6%	23.0	25.0	2.3	3.5	1.2%
<b>OIL &amp; GAS</b>										
FORTE OIL	<b>BUY</b>	59.00	26.35	123.9%	-39.4%	2.4	10.7	0.9	0.8	NA
MRS	<b>BUY</b>	38.07	28.55	33.3%	4.0%	5.2	49.9	0.4	0.4	NA
SEPLAT	<b>STRONG BUY</b>	975.27	650	50.0%	3.8%	4.0	4.2	0.7	0.6	NA
TOTAL	<b>SELL</b>	206.67	210	-1.6%	-8.7%	8.9	14.9	2.8	2.6	4.6%