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ARM Research | Weekly Call

The Nigeria equity market closed negative with the All Share Index moderating by 0.44% WoW to close the week at 32,058.28 pts. The negative performance was spurred by sell pressure in Nestle (-9.99%), Access (-9.92%) and Oando (-9.69%). Dissecting the sectoral performance, the Food, Personal Care, Insurance and Oil & Gas recorded gains during the week, as opposed to the Banking, Brewers, Cement, Construction and Real Estate sectors that closed negative.

- **Fidelity Bank Plc – BUY** (FVE: ₦2.92). We are now more optimistic over our expectation for earnings growth over 2018 largely on the back of lower loan-loss provisioning. We have revised our FY 18E EPS higher to ₦0.82 (previously ₦0.76) which is 25% higher YoY. Our FVE of ₦2.92 (previously ₦2.82) translates to a BUY rating on the stock. Based on current price, our dividend expectation translates to a dividend yield of 8%.
- **Nestle Nigeria Plc – SELL** (FVE: ₦1330.35): We expect NESTLE to report strong earnings with FY 18E EPS of ₦56.89 (+33.7% YoY), supported by expansion in gross margin and a significant decline in interest expense. However, from a valuation standpoint, we think the stock is expensive at current pricing. NESTLE currently trades at a P/E of 27.8x relative to MENA peers and 5-year historical average of 24.7x and 27.3x respectively.
- **Unilever Nigeria Plc – STRONG BUY** (FVE: ₦47.58). Unilever is our top pick in the consumer space with FY 18E EPS expectation of ₦2.11 (+18.2% YoY), based on revenue growth (+9.7% YoY) and significant moderation in interest expense (-90.1% YoY) – following the sizeable deleveraging of its balance sheet.
- **Okomu Oil Palm Plc – STRONG BUY** (FVE: ₦97.75): Over our forecast period, we anticipate volumes growth emanating from the harvest of fresh fruit bunches from its extension 2 plantation. Based on our expectation for volumes growth and accompanied margin expansion, we raise our FVE to ₦97.75.
- **Total Nigeria Plc – STRONG BUY** (FVE: ₦244.28). We upgrade our FVE on Total Nigeria Plc to ₦244.28, as we now model a 24% hike in domestic petrol price to ₦180 per litre and increase in finance income in 2019 - following robust subsidy receivables as at H1 18.

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

Corporate Benefit Tracker

Last week

- Seplat Plc announced the renewal of its mining licenses – OMLs 4, 38 and 41 – with a new expiry date of 21 October 2038. Seplat holds a 45% working interest in OMLs 4, 38 and 41. Click [here](#) to read more.
- The Initial Public Offering (IPO) of Skyway Aviation Handling Company opened for subscription on Monday, 12 November 2018 and will close Wednesday, 19 December 2018. Click [here](#) to read more.
- Access Bank and Diamond Bank released press reports to debunk a rumour about a merger and acquisition between the both banks. Click [here](#) to read more.

This week

- **Closure of Register:** Nigerian Breweries Plc, Prestige Assurance 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	UR	7.7	NA	-26.3%	3.6	3.5	0.7	0.6	5.7%
DIAMOND	BUY	1.39	0.9	54.2%	-40.0%	NA	NA	0.2	0.0	0.0%
ETI	NEUTRAL	16.54	15.75	5.0%	-7.4%	43.4	18.2	138.5	124.6	0.0%
FBNH	STRONG BUY	UR	7.45	NA	-15.3%	7.0	3.9	0.2	0.3	4.1%
FCMB	BUY	2.34	1.54	52.2%	4.1%	3.9	3.2	0.3	0.3	6.5%
FIDELITY	BUY	2.92	1.99	46.5%	-19.1%	2.0	4.5	0.1	0.4	8.2%
GTB	STRONG BUY	UR	36.9	NA	-9.4%	6.3	6.0	1.7	1.5	7.7%
STANBIC	OVERWEIGHT	55.00	48	14.6%	15.7%	10.2	10.1	2.7	2.4	6.3%
UBA	STRONG BUY	UR	7.8	NA	-24.3%	4.8	4.4	0.7	0.7	12.7%
ZENITH	STRONG BUY	UR	25.5	NA	-0.5%	4.9	4.4	1.1	1.0	12.5%
CEMENT										
CCNN	SELL	16.96	18.45	-8.1%	94.2%	14.8	80.4	0.8	0.7	1.3%
DANGCEM	STRONG BUY	278.54	203.5	36.9%	-11.5%	21.0	13.6	5.5	5.2	6.3%
LAFARGE	STRONG BUY	29.96	16.00	87.3%	-64.4%	N/A	N/A	1.6	1.3	6.6%
BREWERIES										
GUINNESS	OVERWEIGHT	88.21	74	19.2%	-21.3%	86.1	18.7	3.9	1.9	2.3%
NB	STRONG BUY	121.30	82.8	46.5%	-38.6%	32.6	18.0	6.0	3.7	5.6%
AGRIC										
OKOMU	STRONG BUY	97.75	75.75	29.0%	11.9%	7.9	8.5	2.0	1.7	3.4%
PRESCO	SELL	67.47	66.25	1.8%	-3.3%	2.6	10.8	0.7	0.7	1.7%
FOOD PRODUCERS										
DANG SUGAR	STRONG BUY	17.01	12.85	32.4%	-35.8%	6.0	5.6	2.6	1.5	9.4%
FLOURMILL	UR	N/A	17.2	N/A	-40.7%	3.7	4.0	0.3	0.4	11.6%
NESTLE	SELL	1287.54	1480	-13.0%	-4.9%	36.6	24.7	27.5	27.5	4.0%
UACN	BUY	16.44	9.5	73.1%	-43.8%	10.8	6.5	0.3	0.3	6.1%
PERSONAL CARE										
PZ	NEUTRAL	10.12	9	12.4%	-56.3%	22.3	46.4	1.6	2.0	1.7%
UNILEVER	STRONG BUY	47.58	39.5	20.5%	-3.7%	23.0	22.2	2.3	2.7	1.5%
OIL & GAS										
FORTE OIL	BUY	34.35	20.6	66.7%	-52.6%	1.8	5.4	0.9	0.8	NA
MRS	BUY	39.20	28.55	37.3%	4.0%	5.2	51.4	0.4	0.4	NA
SEPLAT	STRONG BUY	975.27	652.7	49.4%	4.2%	4.0	4.2	0.7	0.6	NA
TOTAL	STRONG BUY	244.28	199.1	22.7%	-13.4%	8.4	7.3	3.0	1.8	6.9%

"UR" means Under Review

Ratings, Disclosure & Disclaimer – [Click here](#)