

02 November 2016

Nigerian Equity Market

Earnings Releases fail to lift market activities in October

- ASI declined by 3.94% in October:** We saw a sustained bearish trend during the month of October as most listed companies released their Q3:2016 financials. With the exception of some tier 1 banking names and a couple of Consumer names, the Earnings season was largely underwhelming and this was mostly in line with market expectations.
- NSE Industrial index, worst performed segment index during the month; down 7.52% m/m:** Q3:2016 results (See table 2) were not very flattering in the Industrial segment and as such we saw sell-offs in most stocks represented in that segment during the period. Ashaka cement (-24.60%), Lafarge Africa (-13.30%) and Dangcem (-4.40%) all largely impacted. (See table 1).
- Earnings largely disappoints in the Consumer goods space but not unexpected; the index dipped by 3.66%:** Cadbury Plc (-21.50%), Guinness (-16.20%) and PZ (-14.30%) drove the losses recorded in that segment during the period. However, in the Agricultural space, we saw gains for Presco and Okomu oil on the back very impressive results which were largely attributed to higher CPO prices and FX gains. (See table 1 and 2).
- NSE banking index down 2.84% m/m:** The banking segment of the Nigerian bourse only recorded a couple of gainers during the month of October amid fairly mixed results from the banks (See table 2). Wema bank (-22.20%), Sterling bank (-16.50%) and Diamond bank (-13.30%) were the biggest losers in that space during the period. However, minor gains were seen for Access (+1.80%) and UBA (+1.70%). (See table 1).
- Forte Oil (-27.7%) and Oando (-13%) drove the losses in the Oil and gas segment; index dropped by 3.14% m/m:** Total Nigeria Plc and Seplat Petroleum Development Company were however, both resilient during the month as the former posted very positive Q3:2016 results while the sentiments in the later was supported by the news of the Trans forcados pipeline coming back online.
- Valuations:** We maintain our BUY recommendation for Dangote Cement albeit with a cut in target price to **(BUY, TP: N215)** from (BUY, TP: N237) Higher than expected cement volumes and potential margin accretion from coal utilisation remain potential catalysts. Guaranty **(BUY, TP: N30)** from and Zenith **(BUY, TP: N20.33)** continues to remain of one of our most preferred picks in the banking space. We prefer Seplat Plc **(BUY, TP: 113P)** in the Oil and gas space. Presco **(BUY, TP: N47)** and Okomu oil **(BUY, TP: N45)** are our top picks in the Agricultural segment.
- Outlook for November 2016:** We do not expect any particular change in the current (bearish) market trend going into the month of November. The FX market illiquidity along with the largely deteriorated macro-economic fundamentals has increased the level of investor apathy towards Nigerian Equities in the past year. As things stand, there doesn't seem to be any indication to suggest we will see an improvement in the macro-space in the very short term especially given that the joy of the Trans-Forcados pipeline being back online was short-lived following news it has been attacked again. Oil exports and government FX revenues are hence set to dip again. Third quarter (Q3) economic growth figures should be released within the month and we expect those figures to come in yet lower (Q2:GDP was -2.06%).

Indicator	2015: End	31-Oct	30-Sep	Month-on-month (%)	Year-to-date (%)
NSE ASI INDEX	28,642.25	27,220.09	28,335.40	-3.94%	-4.97%
Market Cap (N'bn)	9,850.61	9,349.56	9,733.37	-3.94%	-5.09%
Volume traded (mn)	252.16	219.9	217.81	0.96%	-12.79%
Value traded (N'mn)	3,854.74	1,877.82	2,385.02	-21.27%	-51.29%

TOP PICKS			
COMPANY	TP	CMP	RECOM
SEPLAT (GBP)	113P	83.50P	BUY
DANGCEM	215.00	175.00	BUY
GUARANTY	30.00	23.80	BUY
ZENITHBANK	20.33	14.81	BUY
PRESCO	47.00	43.85	BUY
UBA	5.78	4.27	BUY
OKOMUOIL	45.00	47.00	BUY
CAP	47.00	33.75	BUY
*TP- TARGET PRICE *CMP- CURRENT MARKET PRICE			
*RECOM- RECOMMENDATION			
*The target price and Recommendation is solely based on company and market analysis from SBG Securities.			

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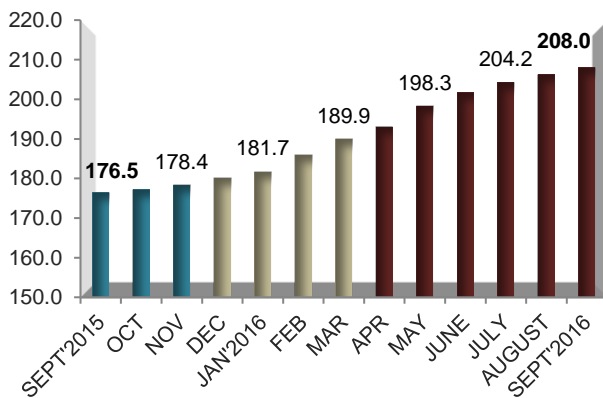
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Domestic and Global Update

Domestic

- **Nigeria's Headline Inflation** inched higher for the ninth consecutive month in September to reach 17.9% y/y from 17.6% y/y in August. Likewise, September food and core inflation also accelerated to 16.6% y/y and 17.7% y/y from 16.4% y/y and 17.2% y/y respectively in August. We expect the headline rate to yet trend higher for the rest of the year albeit a slightly lower pace. Our revised projections expects the headline inflation to peak around 19% y/y by year-end. Major drivers remain higher food prices, weaker Naira and higher petrol and utility prices.
- **Nigeria's Distributable Revenue;** The Federal, States and Local Governments shared N420 billion in October. This figure was lower by N90.27billion from the N510.27billion shared in September 2016.
- **Nigeria's External Reserves** stood at \$23.95 billion as at 31 October 2016; down slightly from \$24.53billion in September 2016.
- **FCMB** notified the Nigerian Stock Exchange its will file its Q3:2016 results before the end of November due to the bank's interim audit.
- **Mobil Oil Nigeria** informed the Nigeria stock exchange that its parent company, ExxonMobil, has agreed to divest its 60% stake to a Nigerian investor – NIPCO investments, subject to regulatory approval.

Figure 1: Monthly Consumer Price Index (CPI)

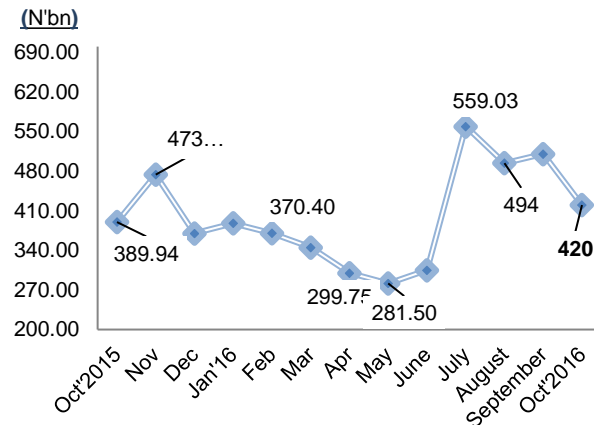


Source: National Bureau of Statistics, Stanbic IBTC Stockbrokers

Global

- In the global Equity markets, only three of the indices under our purview closed in positive territory m/m. Japan's Nikkei 225 index gained the most; up 593bps, followed by Shanghai Composite index (China); up 319bps. The Ghana Composite index and the Johannesburg Stock Exchange index (South Africa) were joint worst performed amongst our select indices; each down by 262bps m/m.
- Brent Crude prices closed lower in October at \$48.30 per barrel from \$49.06 per barrel close in September.

Figure 2: FAAC Allocation (October 2015- October 2016)



Source: Federal Ministry of Finance, CBN, Bloomberg, Stanbic IBTC Stockbrokers

INDICES	2015:CLOSE	31-Oct	30-Sep	Month-on-month change (%)	Year-to-date change (%)
DOW JONES (US)	17,425.03	18,142.42	18,308.15	-0.91%	4.12%
S&P 500 (US)	2,043.94	2,126.15	2,168.27	-1.94%	4.02%
NASDAQ (US)	5,007.41	5,189.14	5,312.00	-2.31%	3.63%
FTSE 100 (UK)	6,242.32	6,899.33	6,954.22	-0.79%	10.53%
CAC 40 (FRANCE)	4,637.06	4,509.26	4,448.26	1.37%	-2.76%
NIKKEI 225 (JAPAN)	18,450.98	17,425.02	16,449.84	5.93%	-5.56%
SHANGHAI COMP (CHINA)	3,539.18	3,100.49	3,004.70	3.19%	-12.40%
JSE (SOUTH AFRICA)	50,693.76	50,590.08	51,949.83	-2.62%	-0.20%
GSE (GHANA)	1,994.91	1,728.37	1,774.90	-2.62%	-13.36%

Table 1: Sectoral Stock Performance

Sector/Industry	Ticker	Rec	Close	1MONTH CHANGE	YEAR-TO DATE
			Naira	%	%
Basic Materials					
Specialty Chemicals					
Chem. & Allied products Plc.	CAP NL EQUITY	BUY	33.75	1.50%	-10.20%
Consumer goods					
7UP Plc.	7UP NL EQUITY		150.86	8.50%	-17.10%
Cadbury Plc.	CADBURY NL EQUITY		12.95	-21.50%	-24.5%
Champion Breweries Plc.	CHAMPION NL EQUITY		2.46	-2.00%	-27.0%
Dangote Flourmill Plc	DANGFLOU NL EQUITY		3.97	-2.50%	251.3%
Dangote Sugar Refinery	DANGSUGA NL EQUITY		6.20	-4.60%	2.8%
Flourmill Nigeria Plc.	FLOURMILL NL EQUITY		19.18	-12.50%	-7.80%
Guinness Nigeria Plc.	GUINNESS NL EQUITY		82.09	-16.20%	-31.80%
Nigerian Breweries Plc	NB NL EQUITY		146.01	-2.70%	-7.40%
Nestle Nigeria Plc.	NESTLE NL EQUITY	HOLD	795.00	-3.60%	-7.60%
Okomu Oil	OKOMUOIL NL EQUITY	BUY	47.00	23.70%	55.10%
Presco Plc	PRESCO NL EQUITY	BUY	43.85	9.60%	32.90%
PZ Cussons Plc.	PZ NL EQUITY		17.75	-14.30%	-30.9%
Unilever Plc.	UNILEVER NL EQUITY	SELL	50.00	6.40%	15.60%
Financials					
Banks					
Access Bank Plc.	ACCESS NL EQUITY	BUY	5.65	1.80%	16.50%
Diamond Bank Plc.	DIAMONDBNK NL EQUITY	SELL	1.04	-13.30%	-54.80%
ETI Bank	ETI NL EQUITY	SELL	10.71	-6.90%	-36.30%
Fidelity Bank Plc.	FIDELITY NL EQUITY	HOLD	0.87	-1.10%	-42.00%
First Bank Holding Plc.	FBNH NL EQUITY	SELL	3.10	-1.90%	-39.60%
First City Monument Bank Plc.	FCMB NL EQUITY	BUY	1.09	1.90%	-35.50%
Guaranty Trust Bank Plc.	GUARANTY NL EQUITY	BUY	23.80	-0.80%	30.90%
Skye Bank Plc.	SKYEBANK NL EQUITY	SELL	0.58	-10.80%	-63.30%
Stanbic-IBTC Bank Plc.	STANBIC NL EQUITY		17.00	0.00%	2.80%
Sterling Bank Plc.	STERLNBANK NL EQUITY		0.86	-16.50%	-53.00%
UBA Bank Plc.	UBA NL EQUITY	BUY	4.27	1.70%	26.30%
Union Bank Nigeria Plc.	UBN NL EQUITY		4.30	-5.30%	-37.70%
Wema Bank Plc.	WEMABANK NL EQUITY		0.56	-22.20%	-44.00%
Zenith Bank Plc.	ZENITHBANK NL EQUITY	BUY	14.81	-2.60%	5.40%
INSURANCE					
AIICO Insurance Plc.	AIICO NL EQUITY		0.63	3.30%	-30.80%
Axa-Mansard Insurance Plc.	MANSARD NL EQUITY		1.93	-3.50%	-28.30%
Wapic Insurance Plc.	WAPIC NL EQUITY		0.50	0.00%	0.00%
Industrials					
Building Materials & Fixtures					
Ashaka Cement Plc.	ASHAKACEM NL EQUITY	BUY	12.26	-24.60%	-51.00%
Cement Co of North. Nig. Plc	CCNN NL EQUITY	BUY	5.23	-12.80%	-44.10%
Dangote Cement Plc.	DANGCEM NL EQUITY	BUY	175.00	-4.40%	2.90%
Julius Berger Plc.	JBERGER NL EQUITY		38.00	-5.00%	-9.50%
Lafarge Africa Plc.	WAPCO NL EQUITY	HOLD	47.50	-13.30%	-46.00%
Oil and Gas					
Integrated Oil & Gas					
Forte Oil Plc.	FO NL EQUITY		120.00	-27.70%	-63.60%
Mobil Nigeria Plc.	MOBIL NL EQUITY	SELL	190.00	-0.90%	18.80%
Oando Plc.	OANDO NL EQUITY	SELL	4.70	-13.00%	-20.30%
Seplat Petroleum Dev. Co. Plc.	SEPLAT NL EQUITY	BUY	380.00	9.70%	87.20%
Conoil Plc	CONOIL NL EQUITY		35.90	-0.60%	45.1%
Total Nigera Plc	TOTAL NL EQUITY	SBUY	345.00	16.90%	134.70%
Others					
Transcorp Hotels Plc.	TRANSCORP NL EQUITY		0.87	-15.50%	-39.90%
UAC Property Dev. Company Plc.	UACPROP NL EQUITY		3.09	-21.80%	-49.30%

Source: Bloomberg, Stanbic IBTC Stockbrokers

Table 2: Earnings Releases

COMPANY/ RESULTS		9M: 2016	9M: 2015	% change
		N'million	N'million	
UBA PLC	Revenue	265,527	245,492	8.16%
	Profit before Tax	61,555	57,366	7.30%
	Profit After Tax	52,269	48,557	7.64%
	Net Assets	433,380	322,558	34.36%
GUARANTY TRUST BANK PLC	Revenue	181,909	172,964	5.17%
	Profit before Tax	140,837	92,062	52.98%
	Profit After Tax	119,927	75,160	59.56%
	Net Assets	492,198	413,562	19.01%
WEMA BANK PLC	Revenue	37,892	32,566	16.35%
	Profit before Tax	1,494	1,528	-2.23%
	Profit After Tax	1,270	1,299	-2.23%
	Net Assets	47,334	45,068	5.03%
ZENITH BANK PLC	Revenue	380,352	336,853	12.91%
	Profit before Tax	121,275	104,052	16.55%
	Profit After Tax	100,074	83,087	20.44%
	Net Assets	695,596	571,501	21.71%
ECOBANK TRANSNATIONAL INCORPORATION	Revenue	456,438	411,833	10.83%
	Profit before Tax	67,598	78,665	-14.07%
	Profit After Tax	51,577	60,417	-14.63%
	Net Assets	627,534	528,178	18.81%
STERLING BANK PLC	Revenue	79,652	81,811	-2.64%
	Profit before Tax	6,071	8,304	-26.89%
	Profit After Tax	5,537	7,548	-26.64%
	Net Assets	82,252	95,566	-13.93%
DIAMOND BANK PLC	Revenue	151,109	156,543	-3.47%
	Profit before Tax	3,892	18,595	-79.07%
	Profit After Tax	3,511	15,967	-78.01%
	Net Assets	227,976	224,614	1.50%
FIDELITY BANK PLC	Revenue	91,428	88,772	2.99%
	Profit before Tax	9,835	13,789	-28.68%
	Profit After Tax	8,753	11,445	-23.52%
	Net Assets	184,984	180,339	2.58%

UNION BANK PLC	Revenue	93,429	83,715	11.60%
	Profit before Tax	13,275	9,450	40.48%
	Profit After Tax	13,012	9,240	40.82%
	Net Assets	258,532	243,920	5.99%
FBN HOLDINGS PLC	Revenue	417,313	389,446	7.16%
	Profit before Tax	57,455	59,563	-3.54%
	Profit After Tax	42,517	50,217	-15.33%
	Net Assets	624,618	575,645	8.51%
FORTE OIL PLC	Revenue	121,083	91,616	32.16%
	Profit before Tax	5,633	5,288	6.52%
	Profit After Tax	2,797	4,285	-34.73%
	Net Assets	43,199	45,972	-6.03%
SEPLAT PETROLEUM DEVELOPMENT COMPANY PLC	Revenue	47,672	82,004	-41.87%
	Profit before Tax	(21,464)	13,536	-258.57%
	Profit After Tax	(24,079)	13,579	-277.33%
	Net Assets	394,442	245,394	60.74%
MOBIL OIL NIGERIA PLC	Revenue	71,869	45,326	58.56%
	Profit before Tax	8,476	5,248	61.51%
	Profit After Tax	5,744	3,650	57.37%
	Net Assets	18,511	14,819	24.91%
OANDO PLC	Revenue	227,846	134,762	69.07%
	Profit before Tax	(87,516)	(65,848)	32.91%
	Profit After Tax	(35,887)	(65,972)	-45.60%
	Net Assets	159,065	55,380	187.22%
MRSOIL NIGERIA PLC	Revenue	82,335	64,590	27.47%
	Profit before Tax	1,961	1,260	55.63%
	Profit After Tax	1,170	731	60.05%
	Net Assets	21,868	20,758	5.35%
CONOIL PLC	Revenue	63,951	60,157	6.31%
	Profit before Tax	2,715	1,760	54.26%
	Profit After Tax	1,810	1,197	51.21%
	Net Assets	19,519	17,293	12.87%
TOTAL NIGERIA PLC	Revenue	220,217	159,299	38.24%
	Profit before Tax	17,004	4,947	243.72%
	Profit After Tax	11,632	2,770	319.93%

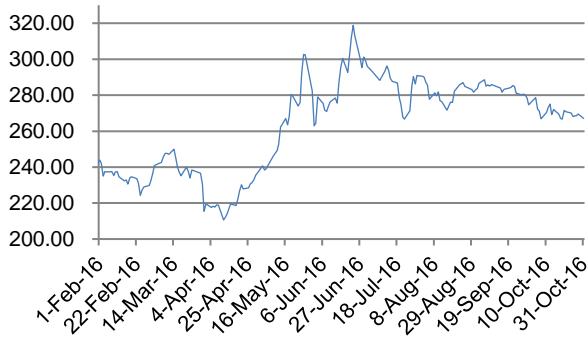
	Net Assets	22,782	12,328	84.80%
PRESCO PLC	Revenue	11,938	8,044	48.41%
	Profit before Tax	9,715	4,735	105.17%
	Profit After Tax	6,800	3,435	97.96%
	Net Assets	37,196	22,411	65.97%
OKOMUOIL PALM	Revenue	10,912	7,750	40.80%
	Profit before Tax	5,109	2,556	99.88%
	Profit After Tax	4,176	2,205	89.39%
	Net Assets	16,144	24,623	-34.44%
UNILEVER NIGERIA PLC	Revenue	49,891	42,699	16.84%
	Profit before Tax	1,511	201	651.74%
	Profit After Tax	1,567	141	1011.35%
	Net Assets	9,381	8,003	17.22%
NIGERIA BREWERIES PLC	Revenue	222,717	214,919	3.63%
	Profit before Tax	27,796	37,562	-26.00%
	Profit After Tax	20,112	26,176	-23.17%
	Net Assets	163,915	170,436	-3.83%
DANGOTE FLOURMILLS PLC	Revenue	78,108	48,027	62.63%
	Profit before Tax	5,543	(12,466)	144.46%
	Profit After Tax	5,542	(12,679)	143.71%
	Net Assets	16,445	(3,071)	635.49%
GLAXOSMITHKLINE CONSUMER NIGERIA PLC	Revenue	20,540	23,040	-10.85%
	Profit before Tax	(6,288)	701	-997.00%
	Profit After Tax	(4,046)	486	-932.51%
	Net Assets	8,789	12,717	-30.89%
CHEMICAL AND ALLIED PRODUCTS (CAP) PLC	Revenue	4,710	5,098	-7.61%
	Profit before Tax	1,517	1,724	-12.01%
	Profit After Tax	1,031	1,172	-12.03%
	Net Assets	1,712	1,520	12.63%
DANGOTE CEMENT PLC	Revenue	442,092	365,450	20.97%
	Profit before Tax	148,716	166,914	-10.90%
	Profit After Tax	133,521	157,993	-15.49%
	Net Assets	748,246	626,908	19.35%
CEMENT COMPANY OF NORTHERN NIGERIA (CCNN)	Revenue	9,229	11,145	-17.19%
	Profit before Tax	1,061	2,423	-56.21%

	Profit After Tax	722	1,648	-56.19%
	Net Assets	10,741	10,653	0.83%
LAFARGE AFRICA PLC	Revenue	161,044	215,039	-25.11%
	Profit before Tax	(40,368)	36,512	-210.56%
	Profit After Tax	(37,402)	32,362	-215.57%
	Net Assets	202,991	197,325	2.87%
PZ CUSONS PLC		Q1: 2016/2017	Q1: 2015/2016	% change
		N'million	N'miillion	
	Revenue	16,753	14,953	12.04%
	Profit Before Tax	(2,431)	547	-544.42%
	Profit After Tax	(1,586)	428	-470.56%
	Net Assets	41,817	43,403	-3.65%
* Q1- Quarter 1	* 6M- Six month			
* 9M- Nine month	* FY- Full Year			

Source: Nigerian Stock Exchange, Stanbic IBTC Stockbrokers

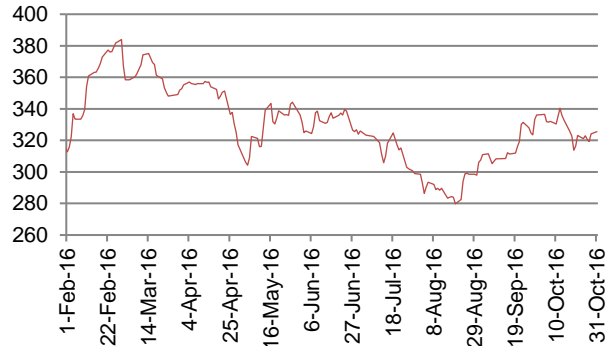
NIGERIAN STOCK EXCHANGE (NSE) SUB-INDEXES PERFORMANCE

Figure 3: NSE banking Index- 2016 performance



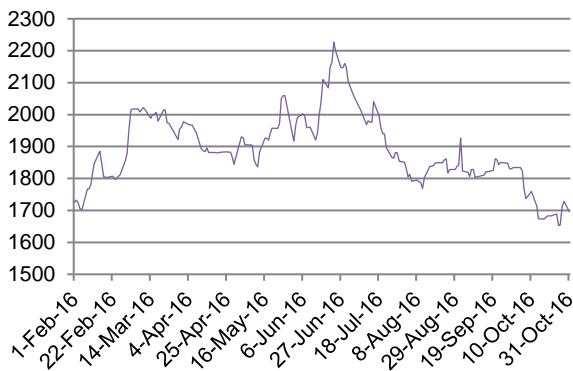
Source: Bloomberg, Stanbic IBTC Stock brokers

Figure 4: NSE Oil and gas index- 2016 performance



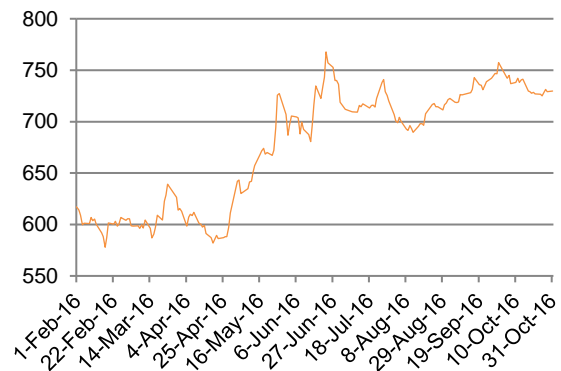
Source: Bloomberg, Stanbic IBTC Stock brokers

Figure 6: NSE Industrial index- 2016 performance



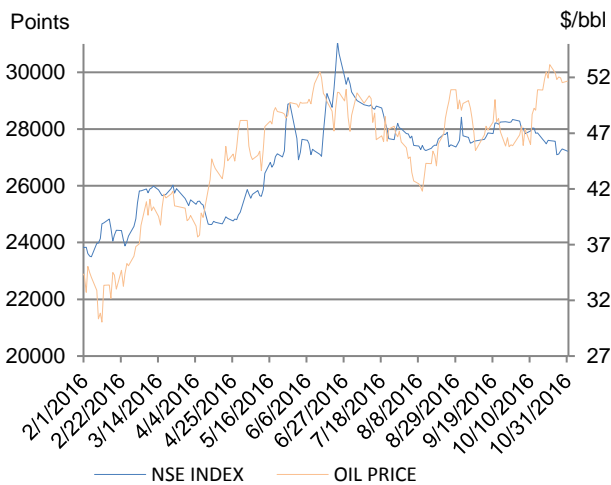
Source: Bloomberg, Stanbic IBTC Stock brokers

Figure 5: NSE Consumer goods index- 2016 performance



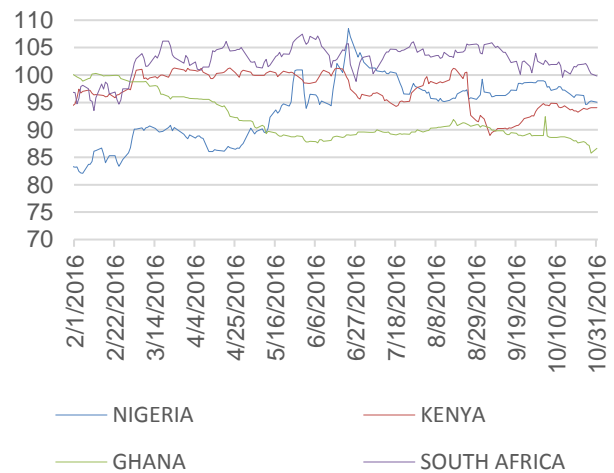
Source: Bloomberg, Stanbic IBTC Stock brokers

Figure 7: NSE index vs Oil price



Source: Bloomberg, Stanbic IBTC Stock brokers

Figure 8: NSE index vs Selected African indices



Source: Bloomberg, Stanbic IBTC Stock brokers

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