

05 October 2016

# Nigerian Equity Market

## Buying Interests in big-cap stocks drove the ASI northwards in September

- ASI surged by 2.67% in September:** Overall market sentiments on the Nigerian bourse were largely bearish in September. However, intermittent buying interests in some big cap names across all segments ensured the Nigerian All Share index closed the month in positive territory.
- NSE Oil and gas index, best performed segment index during the month; up 9.82%:** Conoil Plc (+75.5%) m/m led the gainers chart in the oil and gas space during the month after the company released very strong audited FY: 2015 financials. Profit after tax was up by 176.74% y/y (See table 2). Furthermore, news of the Trans-Forcados pipeline coming back online after the disruptions on 14 February 2016 ignited some interests for the major upstream player, Seplat Plc. The stock rose 14.30% m/m. Total Nigeria Plc (+22.90%) and Mobil Nigeria (+12.30%) were also gainers during the period (See table 1).
- Consumer goods segment enjoyed some patronage in September; the index rose by 5.45%:** Nigerian Breweries (+7.10%), and Guinness (+4.80%) drove the gains recorded in that segment during the period. The month also witnessed price gains for Unilever (+20.5%) and Cadbury (+17.80%) amongst a host of others. (See table 1).
- NSE banking index; one of two segment indices to dip during the period, down 2.84%:** Guaranty (-9.40%) and UBA (-3.40%) were largely responsible for the downward trend on the index. Otherwise, a number of the banking stocks recorded price gains. Stanbic (+17.20%) and Diamond (+14.3%) were the biggest gainers (See table 1).
- NSE Industrial index dipped by 0.35% m/m:** Ashakacem (-18.4%), Julius Berger (-8.40%) and Lafarge Africa (-5.50%) all drove the losses recorded in the industrial segment in September. Dangote Cement (+4%) and CAP (+10.5%) were about the only price gainers in that space.
- Valuations:** We recently upgraded our recommendations for Dangote Cement (**BUY, TP: N237.0**) and Ashaka Cement (**BUY, TP: N27.0**) from HOLD and SELL respectively. The recent price increase (+40%) in the sector will help salvage deteriorating margins from the impact of the Naira devaluation and persisting gas supply challenges. We have also upgraded our target price for Guaranty (**BUY, TP: N29**) from (BUY, TP; N24.45) while Zenith (**BUY, TP: N19.0**) continues to remain of one of our most preferred picks in the banking space. We prefer Total Nigeria Plc (**SBUY, TP: N231**) ahead of the pack in the Oil and gas space. Nestle (**BUY, TP: N1031**) is our top pick in the Consumer goods space as we expect food companies to outperform the consumer sector in the medium term.
- Outlook for October 2016:** We expect investor interests in quality names will be maintained in October amid economic uncertainties and the deteriorating macro-economic indicators. Following OPEC's latest decision to cut output by about 700,000 barrels per day, we could see a rally in oil prices which should be supportive for increased government's FX Earnings more so because the Trans-forcados pipeline is expected to be back up and running early in October. Also, we expect to start seeing Q3 numbers from listed companies in the next couple of weeks. While we are not very optimistic of strong numbers across all segments, we could see some more companies post decent numbers as compared to Q2:2016.

Indicator	2015: End	30-Sep	31-Aug	Month-on-month (%)	Year-to-date (%)
NSE ASI INDEX	28,642.25	28,335.40	27,599.03	2.67%	-1.07%
Market Cap (N'bn)	9,850.61	9,733.37	9,478.87	2.68%	-1.19%
Volume traded (mn)	252.16	217.81	262.61	-17.06%	-13.62%
Value traded (N'mn)	3,854.74	2,385.02	4,881.42	-51.14%	-38.13%

STOCK PICKS			
COMPANY	TP	CMP	RECOM
DANGCEM	237.00	183.00	BUY
GUARANTY	29.00	24.99	BUY
ZENITHBANK	19.00	15.57	BUY
NESTLE	1,031.00	815.00	BUY
PRESCO	47.00	40.00	BUY
UBA	5.78	4.01	BUY
OKOMUOIL	45.00	38.00	BUY
CAP	48.00	33.25	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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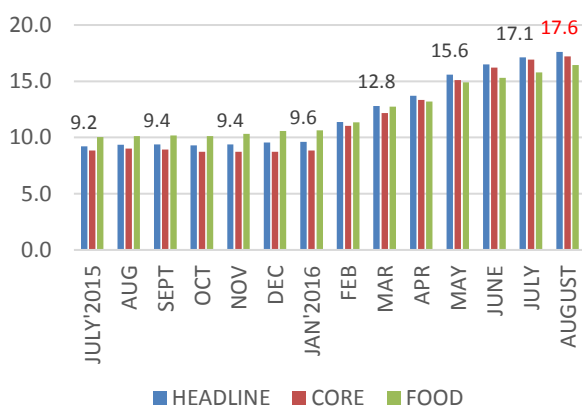
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# Domestic and Global Update

## Domestic

- The **Monetary Policy Committee** at its September meeting, opted to retain the Monetary Policy rate (MPR) at 14% while also leaving other Monetary Policy levers unchanged.
- Nigeria's Headline Inflation** surged for the eight consecutive month in August to reach 17.6% y/y from 17.1% y/y in July. Likewise, July food and core inflation also accelerated to 16.4% y/y and 17.2% y/y from 15.8% y/y and 16.9% y/y respectively in July. We expect the headline rate to yet trend higher in September albeit a slightly lower pace. Our revised projections expects the headline inflation to come in higher (+40bps) in September and 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 N510.27 billion in September. This figure was higher by N16.27billion from the N494billion shared in August 2016. Excess Crude account totalled \$2.26billion (unchanged since July, 2015).
- Nigeria's External Reserves** stood at \$24.57 billion as at 30 September 2016; down slightly from \$25.42billion in August 2016. Oil price (according to the CBN website) stood at \$49.21 per barrel as at 30 September 2016.

Figure 1: Headline Inflation rate at 11- year high

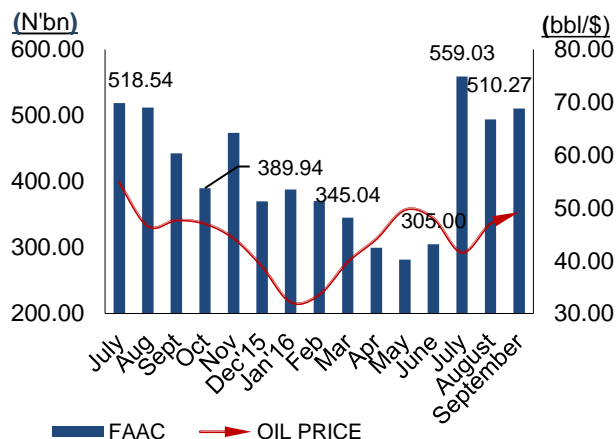


Source: National Bureau of Statistics, Stanbic IBTC Stockbrokers

## Global

- The Organization of Petroleum Exporting Countries (OPEC), during its September meeting, agreed to modest output curbs in a first deal since 2008. The organisation is expected to limit output to around 32.5- 33.0 million barrels per day (mbpd). Current production is estimated to be around 33.24mbpd.
- In the global Equity markets, only three of the indices under our purview closed in positive territory m/m. The NSDAQ (US) index gained the most; up 189bps, followed closely by FTSE 100 (UK); up 174bps. The Shanghai composite index on the other hand dipped the most during the month; down 262bps.
- Brent Crude prices closed higher in September at \$49.19 per barrel from \$47.04 per barrel close in August.

Figure 2: FAAC Allocation vs Oil price



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

INDICES	2015:CLOSE	30-Sep	31-Aug	Month-on-month change (%)	Year-to-date change (%)
DOW JONES (US)	17,425.03	18,308.15	18,400.88	-0.50%	5.07%
S&P 500 (US)	2,043.94	2,168.27	2,170.95	-0.12%	6.08%
NASDAQ (US)	5,007.41	5,312.00	5,213.22	1.89%	6.08%
FTSE 100 (UK)	6,242.32	6,899.33	6,781.51	1.74%	10.53%
CAC 40 (FRANCE)	4,637.06	4,448.26	4,438.22	0.23%	-4.07%
NIKKEI 225 (JAPAN)	18,450.98	16,449.84	16,887.40	-2.59%	-10.85%
SHANGHAI COMP (CHINA)	3,539.18	3,004.70	3,085.49	-2.62%	-15.10%
JSE (SOUTH AFRICA)	50,693.76	51,949.83	52,733.12	-1.49%	2.48%
GSE (GHANA)	1,994.91	1,774.90	1,805.36	-1.69%	-11.03%

Table 1: Sectoral Stock Performance

Sector/Industry	Ticker	Rec	Close	1MONTH CHANGE	YEAR-TO DATE
<b>Basic Materials</b>			Naira	%	%
<b>Specialty Chemicals</b>					
Chem.& Allied products Plc.	CAP NL EQUITY	BUY	33.25	10.50%	-11.60%
<b>Consumer goods</b>					
7UP Plc.	7UP NL EQUITY		139	-0.70%	-23.60%
Cadbury Plc.	CADBURY NL EQUITY		16.49	17.80%	-3.80%
Champion Breweries Plc.	CHAMPION NL EQUITY		2.51	-2.70%	-25.50%
Dangote Flourmill Plc	DANGFLOU NL EQUITY		4.07	5.70%	260.20%
Dangote Sugar Refinery	DANGSUGA NL EQUITY		6.50	0.00%	7.8%
Flourmill Nigeria Plc.	FLOURMILL NL EQUITY		21.92	9.60%	5.40%
Guinness Nigeria Plc.	GUINNESS NL EQUITY		97.99	4.80%	-15.6%
Nigerian Breweries Plc	NB NL EQUITY		150.00	7.10%	10.30%
Nestle Nigeria Plc.	NESTLE NL EQUITY	BUY	825.00	0.00%	-4.1%
Okomu Oil	OKOMUOIL NL EQUITY	BUY	38.00	5.60%	25.40%
Presco Plc	PRESKO NL EQUITY	BUY	40.00	-11.70%	21.20%
PZ Cussons Plc.	PZ NL EQUITY		20.70	13.70%	-19.50%
Unilever Plc.	UNILEVER NL EQUITY	SELL	47.00	20.50%	8.70%
<b>Financials</b>					
<b>Banks</b>					
Access Bank Plc.	ACCESS NL EQUITY	BUY	5.55	0.40%	14.40%
Diamond Bank Plc.	DIAMONDBNK NL EQUITY	SELL	1.20	14.30%	-47.80%
ETI Bank	ETI NL EQUITY	SELL	11.50	-0.3%	-31.5%
Fidelity Bank Plc.	FIDELITY NL EQUITY	HOLD	0.88	-1.10%	-41.3%
First Bank Holding Plc.	FBNH NL EQUITY	SELL	3.16	3.6%	-38.40%
First City Monument Bank Plc.	FCMB NL EQUITY	BUY	1.07	4.90%	-36.70%
Guaranty Trust Bank Plc.	GUARANTY NL EQUITY	BUY	24.00	-9.40%	32.00%
Skye Bank Plc.	SKYEBANK NL EQUITY	SELL	0.65	3.20%	-58.90%
Stanbic-IBTC Bank Plc.	STANBIC NL EQUITY		17.00	17.20%	2.80%
Sterling Bank Plc.	STERLNBANK NL EQUITY		1.03	10.80%	-43.70%
UBA Bank Plc.	UBA NL EQUITY	BUY	4.20	-3.40%	24.30%
Union Bank Nigeria Plc.	UBN NL EQUITY		4.54	8.10%	-34.20%
Wema Bank Plc.	WEMABANK NL EQUITY		0.72	9.10%	-28.00%
Zenith Bank Plc.	ZENITHBANK NL EQUITY	BUY	15.21	2.10%	8.30%
<b>INSURANCE</b>					
AIICO Insurance Plc.	AIICO NL EQUITY		0.61	-3.20%	-33.00%
Axa-Mansard Insurance Plc.	MANSARD NL EQUITY		2.00	-3.8%	-25.7%
Wapic Insurance Plc.	WAPIC NL EQUITY		0.50	0.00%	0.00%
<b>Industrials</b>					
<b>Building Materials &amp;Fixtures</b>					
Ashaka Cement Plc.	ASHAKACEM NL EQUITY	BUY	16.27	-18.40%	-34.90%
Cement Co of North. Nig. Plc	CCNN NL EQUITY	BUY	6.00	0.00%	-35.8%
Dangote Cement Plc.	DANGCEM NL EQUITY	BUY	183.00	4.00%	7.60%
Julius Berger Plc.	JBERGER NL EQUITY		40.00	-8.40%	-4.80%
Lafarge Africa Plc.	WAPCO NL EQUITY	HOLD	54.80	-5.50%	-37.70%
<b>Oil and Gas</b>					
<b>Integrated Oil &amp; Gas</b>					
Forte Oil Plc.	FO NL EQUITY		165.90	-5.20%	-49.70%
Mobil Nigeria Plc.	MOBIL NL EQUITY	SELL	191.72	12.30%	19.80%
Oando Plc.	OANDO NL EQUITY	SELL	5.40	9.80%	-8.50%
Seplat Petroleum Dev. Co. Plc.	SEPLAT NL EQUITY	BUY	346.50	14.30%	70.70%
Conoil Plc	CONOIL NL EQUITY		36.10	75.5%	45.9%
Total Nigera Plc	TOTAL NL EQUITY	SBUY	295.00	22.90%	100.70%
<b>Others</b>					
Transcorp Hotels Plc.	TRANSCORP NL EQUITY		1.03	-6.40%	-28.80%
UAC Property Dev. Company Plc.	UACPROP NL EQUITY		3.95	12.90%	-35.10%

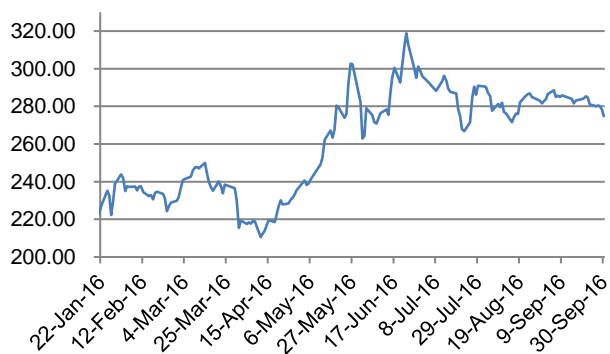
Source: Bloomberg, Stanbic IBTC Stockbrokers

Table 2: Earnings Releases

COMPANY/ RESULTS		FY: 2016	FY: 2015	% change
		N'million	N'million	
GUINNESS NIGERIA PLC	Revenue	101,973	118,496	-13.94%
	Profit before Tax	(2,347)	10,795	-121.74%
	Profit After Tax	(2,016)	7,795	-125.86%
	Net Assets	41,661	48,341	-13.82%
CONOIL PLC	Revenue	82,919	128,353	-35.40%
	Profit before Tax	3,448	1,532	125.07%
	Profit After Tax	2,308	834	176.74%
	Net Assets	17,709	16,096	10.02%
* Q1- Quarter 1		* 6M- Six month		
* 9M- Nine month		* FY- Full Year		

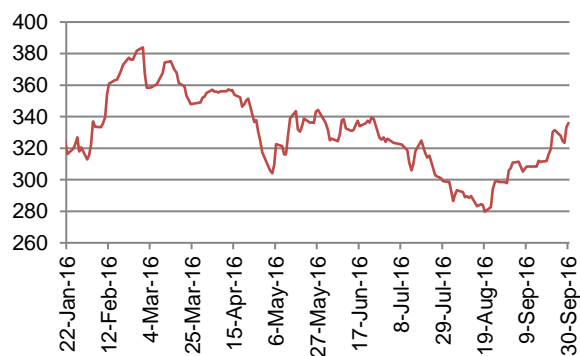
## NIGERIAN STOCK EXCHANGE (NSE) SUB-INDEXES PERFORMANCE

Figure 3: NSE banking Index- 2016 performance



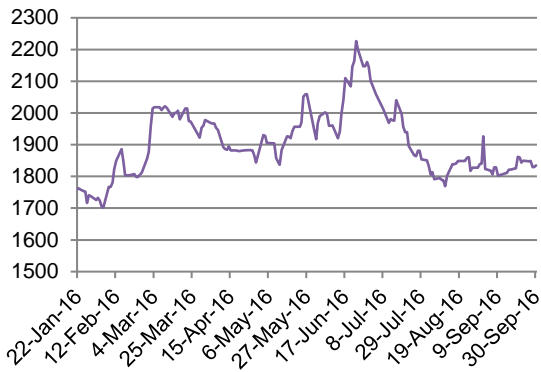
Source: Bloomberg, Stanbic IBTC Stock brokers

Figure 4: NSE Oil and gas index- 2016 performance



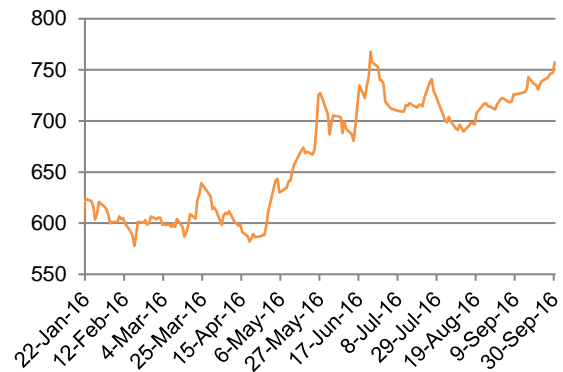
Source: Bloomberg, Stanbic IBTC Stockbrokers

**Figure 6: NSE Industrial index- 2016 performance**



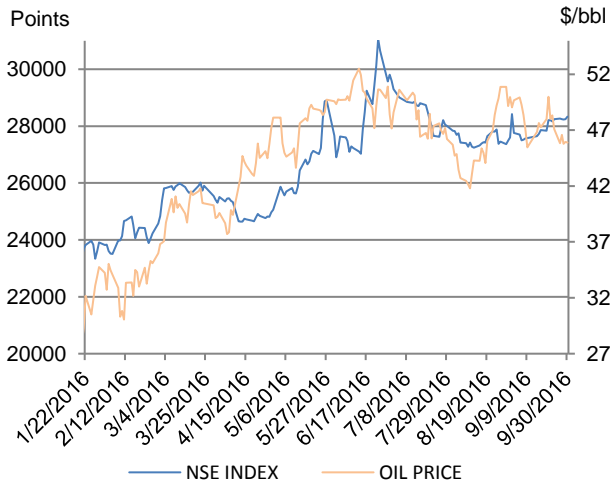
Source: Bloomberg, Stanbic IBTC Stockbrokers

**Figure 5: NSE Consumer goods index- 2016 performance**



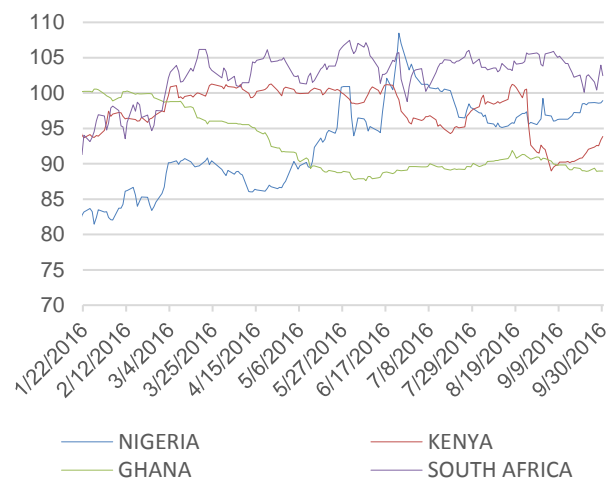
Source: Bloomberg, Stanbic IBTC Stockbrokers

**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 Stockbrokers

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