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ARM Research | Weekly Call

- Seplat Plc – STRONG BUY (FVE: ₦964.45):** We remain positive on Seplat despite the material deterioration in earnings in 9M'20, which was due to the decline in global crude oil prices and management's provisioning for impairment charges in the year. Our optimism is premised on management's continued capex spend, which is set to improve production both in its crude oil and gas business. We make specific reference to Seplat's ANOH Gas project and the Amukpe-Escravos pipeline both of which are expected to come on stream in 2021. This combined with its resolve to curtail operating cost should support accretion in earnings. Furthermore, given that its revenue and dividends are reported in dollars, we find this comforting as it provides a shield against the volatility of the Naira in the FX space.
- Zenith Bank Plc – OVERWEIGHT (FVE: ₦30.20):** Despite pressures surrounding the banking sector, we however see some level of comfort particularly with Zenith bank given its capacity to withstand the pressures relative to other banks. Precisely, Zenith commands a better ROE of Zenith - 21.5%, and operating efficiency (Zenith - CIR: 52.5%) compared to most other banks. We have a FVE of ₦30.2 on the stock which translates to an OVERWEIGHT rating.
- Unilever Plc – NEUTRAL (FVE: ₦16.03):** After implementing their credit tightening last year, we struggled to see how Unilever would drive sales going forward. With two quarters of consecutive QoQ increase this year, we believe this result is a step on the right path towards a recovery in sales. That said, with the 9M sales tracking ahead of our projections, we now expect FY 20 sales to tick up mildly by 2% YoY (previously: -25%). Beyond this year, we expect sales to grow by an average of 3% over our forecast horizon. Also, we do not expect a re-occurrence of the FX losses reported this year and therefore expect the company to return to profitability from next year.
- Fidelity Bank Plc – NEUTRAL (FVE: ₦3.18):** Fidelity bank unaudited 9M 2020 result showed a 3.6% YoY and 7.1% YoY expansion in PBT and PAT respectively due to support from lower interest expense. We revised our interest expense lower for FY 2020 by 13% to ₦75.2 billion (previously ₦80.5 billion) to better reflect the lower interest rate environment. As a result, we expect a slower decline in Profit After Tax by 1.4% YoY to ₦28 billion in FY 2020. This adjustment takes our FVE to ₦3.18 (Previously: ₦2.9) which translates to a BUY rating on the stock.

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

Corporate Benefit Tracker

This week

- Dangote Cement Plc announced the completion of the first tranche ("Tranche I") of its share buy-back which was announced on 21 December 2020. Click [here](#) to read more.
- Ardova Plc (AP) and the shareholders of Enyo Retail and Supply Limited ("Enyo") entered discussions relating to AP acquiring Enyo. Click [here](#) to read more.

Next week

- Click [here](#) to view full corporate actions thus far in 2021.

Stock Recommendation

Sectors/Stocks	Rating	FVE (₦)	Price (₦)	Upside	YTD Return	P/E FY 19(x)	P/E FY 20E (x)	P/B FY 19 (x)	P/B FY 20E (x)	FY 20E dividend yield
BANKING										
ACCESS	STRONG BUY	12.92	9.7	33.2%	14.8%	3.5	3.0	0.6	0.5	6.2%
FBNH	STRONG BUY	9.40	7.6	23.7%	6.3%	5.8	4.4	0.4	0.5	3.1%
FCMB	SELL	1.90	3.23	-41.2%	-3.0%	2.4	3.5	0.2	0.2	3.6%
FIDELITY	NEUTRAL	3.18	2.77	14.8%	9.9%	3.2	2.0	0.2	0.1	5.4%
GTB	NEUTRAL	35.16	33.05	6.4%	2.2%	6.6	6.0	1.8	1.9	8.5%
UBA	NEUTRAL	10.39	9.25	12.3%	6.9%	3.0	2.1	0.5	0.4	10.2%
ZENITH	OVERWEIGHT	30.20	26.3	14.8%	6.0%	4.2	3.6	0.7	0.7	11.0%
CEMENT										
DANGCEM	UNDERWEIGHT	235.35	237	-0.7%	-3.2%	21.0	17.5	5.0	4.0	4.9%
LAFARGE	UNDERWEIGHT	23.28	23.8	-2.2%	13.1%	NA	9.0	1.6	0.5	3.7%
BREWERIES										
GUINNESS	NEUTRAL	21.40	19	12.6%	0.0%	35.9	31.1	2.8	2.6	10.5%
NB	SELL	53.20	60	-11.3%	7.1%	33.9	31.0	4.0	3.6	4.3%
AGRIC										
OKOMU	SELL	81.17	93	-12.7%	2.2%	9.7	10.4	2.0	1.7	2.8%
PRESCO	SELL	72.98	74	-1.4%	4.3%	2.9	12.0	0.7	0.7	1.3%
FOOD PRODUCERS										
DANG SUGAR	SELL	18.97	20.8	-8.8%	18.2%	6.0	9.1	2.6	2.4	4.4%
NESTLE	SELL	1288.63	1505	-14.4%	0.0%	36.6	25.1	27.5	27.5	4.4%
UACN	NEUTRAL	8.94	8.25	8.3%	13.8%	-4.7	4.7	0.4	0.2	7.8%
PERSONAL CARE										
UNILEVER	NEUTRAL	16.03	13.45	19.2%	-3.2%	23.0	7.5	2.3	0.9	8.8%
OIL & GAS										
SEPLAT	STRONG BUY	964.45	540	78.6%	34.2%	3.3	3.5	0.6	0.5	10.0%

“FVE” means Fair Value Estimate while “UR” means Under Review and “NA” means Not applicable

*Means Last communicated FVE