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## ARM Research | Weekly Call

- Dangote Cement Plc – STRONG BUY (FVE: ₦240.87):** The tough competitive play in 2019 placed pressure on DANGCEM's FY 19 earnings, with EPS printing 21% lower to ₦11.8 (ex-tax credit impact). While competition is likely to continue playing out in 2020 pressuring domestic market, we expect recovery in exports from the Nigeria business, as the export terminal is set for completion in H1 20. This is expected to neuter negative impact of the border closure in 2019. We also expect positive contribution from the Pan-African businesses. Finally, shareholders stand to enjoy the attractive ₦16 dividend per share, yielding ~12% on current pricing, as well as value accretion from the planned share buy-back programme.
- Nestle Plc – STRONG BUY (FVE: ₦1447.39):** This year, incessant competition in the seasoning market informs relative stability in prices, particularly in the food segment. However, we believe the brand loyalty enjoyed thus far, lower seasoning price relative to the closest peer “Knorr” as well as modest growth in the beverage segment will keep sales afloat. Also, efficient cost management, low exposure to foreign debt and tax rate normalization informs our FY 20 EPS estimate of ₦69.12 (+19.9% YoY) and FVE of ₦1,447.39 which translates to a BUY rating.
- GTB – STRONG BUY (FVE: ₦49.66):** Amid heightened regulatory overhang, we like GTB given its impressive Cost to Income ratio relative to peers as well as proven strategies. In addition, management guided to reducing capex spending, also in a bid to reduce costs. We also see GTB's plan of a Holdco as positive given that the current CEO (Segun Agbaje) would retain the helm of affairs thus ensuring a continuation of growth strategy in the group. Lastly, possible moves into the asset management business and payments services sector would offer a diversification away from the heightened regulations in core banking.
- UBA – STRONG BUY (FVE: ₦13.04):** We expect to see additional contribution to UBA's PBT from its rest of Africa business, which could reduce impact of the regulatory overhang in the Nigeria business. In addition, we see the recent retail strategy as positive to the bank, as this should help reduce funding cost for the bank.
- Seplat Plc – STRONG BUY (FVE: ₦828.90):** Seplat's total production declined in Q3 19, as the drop in gas production offset improvement in the oil segment. That said, we remain positive on growth in production (especially in oil) into 2020 as Seplat increases capex. Cashflows remain healthy. Upsides reside in the ANOH Gas project and acquisition of Eland Oil & Gas Limited, while decline in oil prices pose a threat to our estimates.

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

### Corporate Benefit Tracker

#### Next Week

- Closure of Register:** Transcorp Hotels Plc, United Bank for Africa Plc, Transnational Corporation of Nigeria, Guaranty Trust Bank Plc and Stanbic IBTC Holdings Plc.
- AGM:** Zenith Bank plc.
- Payment:** Zenith Bank Plc

Click [here](#) to view full corporate actions thus far in 2020.

## Stock Recommendation

Sectors/Stocks	Rating	FVE (₹)	Price (₹)	Upside	YTD Return	P/E FY 18(x)	P/E FY 19E (x)	P/B FY 18E (x)	P/B FY 19E (x)	FY 19E dividend yield
<b>BANKING</b>										
ACCESS	UR	NA	5.4	NA	-46.0%	3.5	1.6	0.3	0.3	11.1%
FBNH	STRONG BUY	9.12	4	128.0%	-35.0%	5.8	4.4	0.4	0.5	5.9%
FCMB	BUY	2.07	1.56	32.6%	-15.7%	2.4	3.5	0.2	0.2	7.4%
FIDELITY	BUY	2.92	1.68	73.8%	-18.0%	3.2	2.0	0.2	0.1	8.9%
GTB	STRONG BUY	49.66	19.00	161.4%	-36.0%	6.6	6.0	1.8	1.9	14.9%
UBA	STRONG BUY	13.04	6.15	112.0%	-14.0%	3.0	2.1	0.5	0.4	15.3%
ZENITH	STRONG BUY	31.50	11.9	164.7%	-36.0%	4.2	3.6	0.7	0.7	24.4%
<b>CEMENT</b>										
DANGCEM	STRONG BUY	240.87	153	57.4%	7.7%	21.0	11.3	5.0	4.0	7.6%
LAFARGE	STRONG BUY	23.59	10.65	121.5%	-30.4%	NA	9.0	1.6	0.5	8.3%
<b>BREWERIES</b>										
GUINNESS	BUY	42.63	25.2	69.2%	-17.4%	35.9	31.1	2.8	2.6	7.9%
NB	STRONG BUY	75.82	28	170.8%	-52.5%	33.9	31.0	4.0	3.6	9.2%
<b>AGRIC</b>										
OKOMU	BUY	77.23	60.00	28.7%	7.9%	6.3	6.7	2.0	1.7	4.4%
PRESCO	BUY	51.90	40.45	28.3%	-14.8%	1.6	6.6	0.7	0.7	2.3%
<b>FOOD PRODUCERS</b>										
DANG SUGAR	STRONG BUY	15.67	10.15	54.4%	-25.4%	6.0	4.4	2.6	1.2	9.0%
NESTLE	STRONG BUY	1447.39	915.3	58.1%	-37.7%	36.6	15.3	27.5	27.5	7.2%
UACN	BUY	8.94	7.5	19.2%	-12.8%	-4.7	4.7	0.4	0.2	8.5%
<b>PERSONAL CARE</b>										
PZ	BUY	6.71	3.75	78.9%	-33.6%	22.3	46.4	1.6	2.0	4.0%
UNILEVER	UR	31.95	11.65	174.2%	-47.0%	23.0	6.5	2.3	0.8	10.1%
<b>OIL &amp; GAS</b>										
ARDOVA	UR	NA	15.3	NA	-15.5%	1.4	5.4	0.9	0.8	NA
MRS	UR	NA	13.8	NA	-9.8%	2.5	51.4	0.4	0.4	NA
SEPLAT	STRONG BUY	828.90	544.50	52.2%	-17.2%	3.3	3.5	0.6	0.5	10.0%
TOTAL	UR	NA	107	NA	-3.5%	4.5	7.3	3.0	1.8	NA

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

\*Means Last communicated FVE