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ARM Research | Weekly Call

- Seplat Plc - NEUTRAL (FVE: ₦581.44):** Seplat's FY2020 numbers were reflective of the low crude demand and low oil price environment, as Liquid and Gas sales took a hit. For FY21 we expect improved liquid and gas sales as the global oil market recovers from the depressed state it was in 2020. With a full-year production guidance of 48,000bpd - 55,000bpd, we expect that Seplat will fall within guidance, whilst factors such as OPEC+ quotas limit production reaching the upper band. In addition, with a good cash balance and cost management, we expect the company to fulfill debt obligations and sustain a positive outlook.
- Guinness Nigeria Plc - NEUTRAL (FVE: ₦28.41):** The breweries sector is currently suffering from tightening margins as costs spike on the back of the currency devaluation and double-digit inflation. Guinness, which recorded a 2.2%YoY increase in revenue in the most recent quarter, might be best placed to best withstand the current malaise in the industry. They have a more diverse portfolio and are focusing more on their higher yielding spirits division which has better margins than mainstream lager where their competitors are bigger players. The decision by the industry to increase prices only serves to strengthen their case.
- UBA - STRONG BUY (FVE: ₦12.18):** Over 2021, we expect growth in earnings to stem from higher net interest income (+19% YoY) hinged on our expectation of a gradual recovery in interest rates. That said, we expect a slight expansion in NIM which should reflect higher asset yields. Elsewhere, we expect continuous expansion in NIR (+14% YoY), which is a reflection of our expectation of higher trading income as well as fee income. The impact of these adjustments translates to a revised PBT of ₦180 billion (+28% YoY). The adjustment is a 17% increase in our FVE to ₦12.18 (Previous: ₦10.39) and maintain our BUY recommendation.
- Dangsguga - STRONG BUY (FVE: ₦20.41):** Over FY20 DSR recorded an impressive 33% increase in revenue to ₦214.3 billion on the back of a price increase in Q320 and higher sales volume (+6.9%) over the year. Sales is expected to continue growing strongly this year as Nigeria crawls out of recession and DSR continues to reap the benefits from their completed merger with Savannah Sugar. Cost pressure from FX devaluation and double-digit inflation will continue to have an impact in 2021 but DSR have shown they know how to successfully navigate these issues and reduce the hit to their bottom line. They have reduced their FX dependency where they can and have shown a willingness to pass on higher costs to consumers.

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

Corporate Benefit Tracker

This week

- The DMO listed the ₦162.56 billion 7-year Sovereign Sukuk bond, which was issued last year, on the Nigeria Exchange (NGX) Limited. Click [here](#) to read more.
- Dangote Cement Plc ([here](#)) and Union Bank of Nigeria plc ([here](#)) made announcements regarding its proposed dividend payments for FY20.

Next week

- Payment Date: United Capital Plc and Africa Prudential Plc
- Closure of register: Ardova Plc
- AGM: United Capital Plc and Africa Prudential Plc
- 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 19E (x)	P/B FY 20E (x)	FY 20E dividend yield
BANKING										
ACCESS	STRONG BUY	12.92	7.85	64.6%	-7.1%	3.5	2.4	0.5	0.4	7.6%
FBNH	STRONG BUY	9.40	7.2	30.6%	0.7%	5.8	4.4	0.4	0.5	3.3%
FCMB	SELL	1.90	2.86	-33.6%	-14.1%	2.4	3.5	0.2	0.2	4.0%
FIDELITY	BUY	3.18	2.28	39.5%	-9.5%	3.2	2.0	0.2	0.1	6.6%
GTB	OVERWEIGHT	35.16	29.80	18.0%	-7.9%	6.6	6.0	1.8	1.9	9.5%
UBA	STRONG BUY	12.18	7.1	71.5%	-17.9%	3.0	2.1	0.5	0.4	13.2%
ZENITH	STRONG BUY	30.20	21.35	41.5%	-13.9%	4.2	3.6	0.7	0.7	13.6%
CEMENT										
DANGCEM	NEUTRAL	235.35	227.8	3.3%	-7.0%	21.0	16.8	5.0	4.0	5.1%
LAFARGE	NEUTRAL	23.28	22.6	3.0%	7.4%	NA	9.0	1.6	0.5	3.9%
BREWERIES										
GUINNESS	NEUTRAL	28.41	25.3	12.3%	33.2%	35.9	31.1	2.8	2.6	7.9%
NB	SELL	42.44	47	-9.7%	-16.1%	33.9	31.0	4.0	3.6	5.5%
AGRIC										
OKOMU	SELL	81.17	93	-12.7%	2.2%	9.7	10.4	2.0	1.7	2.8%
PRESCO	NEUTRAL	72.98	69	5.8%	-2.7%	2.7	11.2	0.7	0.7	1.3%
FOOD PRODUCERS										
DANG SUGAR	STRONG BUY	20.41	17	20.1%	-3.4%	6.0	7.4	2.6	1.9	5.4%
NESTLE	NEUTRAL	1504.05	1375	9.4%	-8.6%	36.6	23.0	27.5	27.5	4.8%
PERSONAL CARE										
UNILEVER	NEUTRAL	13.19	13.25	-0.5%	-4.7%	23.0	7.4	2.3	0.9	8.9%
OIL & GAS										
SEPLAT	NEUTRAL	581.44	550	5.7%	36.7%	3.4	3.6	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