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## ARM Research | Weekly Call

- GUARANTY STRONG BUY (FVE: ₦42.12):** Over FY 21, we expect a rebound in earnings. Precisely, due to our expectation of improved interest rate environment over 2021, we see higher prospect for growth in interest on investment securities, cash and financial assets. Furthermore, we expect further revaluation gains as recent movements in Naira room for revaluation gains in 2021. Overall, we revise our recommendation to a **STRONG BUY** rating on GUARANTY, with a revised FVE of **₦42.21** (from ₦36.16) due to i) expectation of higher growth in net loan book forecast by 9.7% YoY (previously: 5.6%) and upward revision of interest income by 2.8% YoY to ₦309.1 billion (previously: ₦301.4 billion) as well as ii) an upward revision of NIR by 16% YoY to ₦172 billion (previously: ₦151.3 billion).
- DANGCEM - OVERWEIGHT (FVE: ₦255.73):** Going into 2021, we maintain our optimism on DANGCEM and expect the company to sustain earnings growth, albeit at a slower pace relative to 2020. According to the IMF, Sub-Saharan Africa is expected to grow by 3.2% YoY in 2021, which may be positive for the demand for cement. Furthermore, recent price increases taken in January 2021 as mentioned by management may bode well for topline and margins. Specifically, we expect PBT to expand by 10% YoY and EPS to grow by 4% YoY in 2021. The impact of our adjustments following an impressive run in 2020 culminated in an increase in our fair value estimate on DANGCEM to ₦255.73 (previous: ₦235:35). Accordingly, we maintain an **OVERWEIGHT** recommendation on the stock.
- UBA - 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.
- 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.

## Corporate Benefit Tracker

### This week

- Access bank announced that it received approvals from the South African and Nigerian authorities of its proposed acquisition of the south African-based Grobank ltd. Click [here](#) to read more.
- Dangote Cement Plc made announcement regarding its submitted application to the Securities and Exchange Commission (SEC) for the registration of a bond issuance programme. Click [here](#) to read more.

### Next week

- Payment Date: United Capital Plc and Africa Prudential Plc
- Closure of register: SFS Real Estate Investment Fund (REITS), Guaranty Trust Bank Plc and Union Bank of Nigeria 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 20(x)	P/E FY 21E (x)	ROE FY 20 (%)	ROE FY 21E (%)	FY 21E dividend yield
<b>BANKING</b>										
ACCESS	<b>STRONG BUY</b>	12.92	8.35	54.7%	-1.2%	2.8	2.2	15.3%	16.8%	9.1%
FBNH	<b>STRONG BUY</b>	9.40	7.30	28.8%	2.1%	3.9	4.4	10.5%	14.5%	0.0%
FCMB	<b>SELL</b>	1.81	2.98	-39.3%	-10.5%	5.0	3.5	6.2%	8.2%	6.4%
FIDELITY	<b>BUY</b>	3.18	2.32	37.1%	-7.9%	2.6	2.0	10.3%	13.3%	7.8%
GTB	<b>STRONG BUY</b>	42.12	31.55	33.5%	-2.5%	4.5	6.0	24.7%	23.5%	9.8%
UBA	<b>BUY</b>	12.18	6.8	79.1%	-21.4%	2.6	2.1	15.9%	17.0%	13.4%
ZENITH	<b>STRONG BUY</b>	30.20	22.00	37.3%	-11.3%	3.4	3.6	20.6%	20.4%	15.1%
<b>CEMENT</b>										
DANGCEM	<b>OVERWEIGHT</b>	255.73	225.00	13.7%	2.1%	15.2	13.1	30.9%	32.3%	6.5%
WAPCO	<b>UR</b>	UR	21.50	NA	2.1%	-3.4	9.0	-17.0%	-5.7%	4.1%
<b>BREWERIES</b>										
GUINNESS	<b>SELL</b>	28.41	30.00	-5.3%	57.9%	8.4	31.1	6.4%	6.8%	3.6%
NB	<b>NEUTRAL</b>	53.20	48.50	9.7%	-13.4%	60.9	31.0	4.6%	6.4%	3.2%
<b>FOOD PRODUCERS</b>										
DANG SUGAR	<b>OVERWEIGHT</b>	18.97	16.40	15.7%	-6.8%	7.1	5.2	25.6%	28.4%	9.1%
NESTLE	<b>NEUTRAL</b>	1502.97	1375	9.3%	-8.6%	30.4	23.1	104.8%	135.0%	4.3%
<b>PERSONAL CARE</b>										
UNILEVER	<b>OVERWEIGHT</b>	16.03	13.75	16.6%	-1.1%	-49.6	32.0	-2.5%	3.0%	2.5%
<b>OIL &amp; GAS</b>										
SEPLAT	<b>NEUTRAL</b>	581.44	550.00	5.7%	36.7%	2.5	3.6	-12.8%	-11.7%	0.0%

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

\*Means Last communicated FVE