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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 – STRONG BUY (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 and GTB continue to command a better ROE (Zenith - 21.5%, GTB – 26.8%) and operating efficiency (Zenith - CIR: 54.3%, GTB – 43.2%) compared to most other banks. Elsewhere, Zenith bank net long dollar position of \$1.7 billion puts it in a comfortable position to record FX revaluation gain this year.
- Guinness Nigeria Plc – BUY (FVE: ₦21.40):** Guinness's Q121 results showed a surprising 11.6% YoY increase in revenue to ₦30.02 billion led by a 13% increase in domestic sales while exports declined over the period by 46%. Management's decision to focus more on their RTDs and spirits segments, which have better margins than the beleaguered mainstream larger, has been the main attraction for us with Guinness. And the performance in Q121 has led to a slight increase in our forecast for FY21 and on that basis our FVE is up to ₦21.40 while our buy rating is maintained.
- Dangsga Plc- OVERWEIGHT (FVE: ₦18.97):** Over the 9M period Dangsga recorded an impressive 37%YoY growth in its revenue to ₦160.51 billion which led to us revising our FY20 estimate upwards by 8.6% to ₦220.15 billion. This estimate translates to a 37%YoY growth compared to FY19. Revenue has been boosted by a slight increase in price that came into effect in Q320 but the main driver has been volumes which rose 19%YoY in Q320 going by our estimates. DSR are also taking concrete steps to expand their customer base by undertaking bold trade initiatives and optimizing marketing channels which should support further volume growth.
- Fidelity Bank Plc – BUY (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

- GTB Plc announced that it obtained approval-in-principle of the Central Bank of Nigeria to commence the formal process of the reorganization of the bank, to a financial holding company. Click [here](#) to read more.
- Click [here](#) to view full corporate actions thus far in 2020.

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	OVERWEIGHT	9.80	8.2	19.5%	-18.0%	3.5	2.5	0.5	0.5	7.3%
FBNH	STRONG BUY	9.40	6.85	37.2%	11.4%	5.8	4.4	0.4	0.5	3.4%
FCMB	SELL	1.90	3.1	-38.7%	67.6%	2.4	3.5	0.2	0.2	3.7%
FIDELITY	BUY	3.18	2.56	24.2%	24.9%	3.2	2.0	0.2	0.1	5.9%
GTB	OVERWEIGHT	38.85	33.50	16.0%	12.8%	6.6	6.0	1.8	1.9	8.4%
UBA	STRONG BUY	10.00	8.15	22.7%	14.0%	3.0	2.1	0.5	0.4	11.5%
ZENITH	STRONG BUY	30.20	22.3	35.4%	19.9%	4.2	3.6	0.7	0.7	13.0%
CEMENT										
DANGCEM	UR	NA	174.5	NA	22.9%	21.0	NA	5.0	NA	NA
LAFARGE	OVERWEIGHT	23.28	19.5	19.4%	27.5%	NA	9.0	1.6	0.5	4.5%
BREWERIES										
GUINNESS	STRONG BUY	21.40	17.5	22.3%	-42.6%	35.9	31.1	2.8	2.6	11.4%
NB	NEUTRAL	53.20	52	2.3%	-11.9%	33.9	31.0	4.0	3.6	5.0%
AGRIC										
OKOMU	SELL	81.17	80	1.5%	43.9%	8.3	9.0	2.0	1.7	3.3%
PRESCO	NEUTRAL	72.98	67	8.9%	41.1%	2.6	10.9	0.7	0.7	1.4%
FOOD PRODUCERS										
DANG SUGAR	OVERWEIGHT	18.97	16.5	15.0%	21.3%	6.0	7.2	2.6	1.9	5.5%
NESTLE	SELL	1288.63	1421.7	-9.4%	-3.3%	36.6	23.7	27.5	27.5	4.6%
UACN	NEUTRAL	8.94	7.95	12.4%	-7.6%	-4.7	4.7	0.4	0.2	8.1%
PERSONAL CARE										
UNILEVER	OVERWEIGHT	16.03	14.1	13.7%	-35.9%	23.0	7.9	2.3	1.0	8.4%
OIL & GAS										
SEPLAT	STRONG BUY	964.45	420	129.6%	-36.2%	2.6	2.7	0.5	0.4	10.0%

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

*Means Last communicated FVE