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ARM Research | Weekly Call

- Dangote Cement Plc – STRONG BUY (FVE: ₦219.77):** DANGCEM's Q2 20 performance (+11% YoY growth in EPS to ₦3.85) surpassed our expectations with a solid performance from the top line, thanks to resilience in both its Nigerian and Pan African businesses. It remains our best pick in the cement sector given its strong fundamentals with superior margins and ROE, relative to peers. Furthermore, the planned share buyback gives further boost to the company's fundamentals.
- GTB Plc – STRONG BUY (FVE: ₦38.85):** Amid heightened regulatory overhang, impact of covid-19 pandemic on economic activities and lower oil price, we like GTB given its impressive Cost to Income ratio relative to peers as well as proven strategies. 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. 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.
- 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.

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

Corporate Benefit Tracker

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

Stock Recommendation

Sectors/Stocks	Rating	FVE (N)	Price (N)	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	9.80	7.7	27.3%	-23.0%	3.5	2.3	0.5	0.4	7.8%
FBNH	STRONG BUY	9.40	6.1	54.1%	-0.8%	5.8	4.4	0.4	0.5	3.8%
FCMB	SELL	1.90	2.44	-22.1%	31.9%	2.4	3.5	0.2	0.2	4.7%
FIDELITY	BUY	2.90	2.02	43.6%	-1.5%	3.2	2.0	0.2	0.1	7.4%
GTB	STRONG BUY	38.85	30.45	27.6%	2.5%	6.6	6.0	1.8	1.9	9.3%
STANBIC	STRONG BUY	55.00	44	25.0%	7.3%	10.2	9.3	2.7	2.4	6.9%
UBA	STRONG BUY	10.00	7.05	41.8%	-1.4%	3.0	2.1	0.5	0.4	13.3%
ZENITH	STRONG BUY	30.20	21	43.8%	12.9%	4.2	3.6	0.7	0.7	13.8%
CEMENT										
DANGCEM	STRONG BUY	219.77	151	45.5%	6.3%	21.0	11.2	5.0	4.0	7.7%
LAFARGE	STRONG BUY	23.28	17.9	30.1%	17.0%	NA	9.0	1.6	0.5	4.9%
BREWERIES										
GUINNESS	STRONG BUY	21.40	15.95	34.2%	-47.7%	35.9	31.1	2.8	2.6	12.5%
NB	SELL	36.69	52	-29.4%	-11.9%	33.9	31.0	4.0	3.6	5.0%
AGRIC										
OKOMU	SELL	77.23	80	-3.5%	43.9%	8.3	9.0	2.0	1.7	3.3%
PRESCO	SELL	51.90	65.9	-21.2%	38.7%	2.6	10.7	0.7	0.7	1.4%
FOOD PRODUCERS										
DANG SUGAR	OVERWEIGHT	15.67	13.8	13.6%	1.5%	6.0	6.0	2.6	1.6	6.6%
NESTLE	NEUTRAL	1239.21	1175	5.5%	-20.1%	36.6	19.6	27.5	27.5	5.6%
UACN	BUY	8.94	7.15	25.0%	-16.9%	-4.7	4.7	0.4	0.2	9.0%
PERSONAL CARE										
UNILEVER	UR	NA	13.15	NA	-40.2%	23.0	7.4	2.3	0.9	NA
OIL & GAS										
SEPLAT	STRONG BUY	828.90	420	97.4%	-36.2%	2.6	2.7	0.5	0.4	10.0%
TOTAL	UR	NA	112.2	NA	1.2%	4.8	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