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ARM Research | Weekly Call

- Dangote Cement Plc – STRONG BUY (FVE: ₦201.05):** DANGCEM remains our best pick in the cement sector. A culmination of our adjustments brings Dangcem’s FVE to ₦201.05 (previously ₦240.87) which is a 45% upside from current market price. Dangcem’s 2020E and 2021E forward P/E of 15x and 11.5x are a premium to Lafarge’s of 11.3x and 8.4x, while MENA peer average print at 14x and 13x. Dangcem continues to deliver superior ROE (23%) and margins relative to WAPCO’s 4% ROE, and as such Dangcem remains our preferred pick of the two players.
- Nestle Plc – STRONG BUY (FVE: ₦1404.4):** 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 FVE of ₦1,404.4 which translates to a BUY rating.
- Zenith Bank – STRONG BUY (FVE: ₦28.0):** 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. Specifically, with a CAR of 20%, Zenith bank has more room to absorb severe economic distraught. To buttress, with cost of risk at 10%, CAR would print at about 16%, higher than the minimum requirement of 15%. In addition, Zenith bank has better operating efficiency relative to other banks, which should help provide support in a time of pressured earnings. As a matter of fact, we expect Cost to Income ratio to moderate by 2.5ppts YoY to 44.0%. Elsewhere, Zenith bank net long dollar position of \$1.7 billion puts it in a comfortable position to record FX revaluation gain this year.
- GTB – STRONG BUY (FVE: ₦37.0):** 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. Also, with a CAR of 22.5%; on a stress test, GTB would still be in a good position assuming Cost or Risk go as high as 10% (FY 19: 0.3%). 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.

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

Corporate Benefit Tracker

This Week

- Seplat Petroleum Development Company Plc announced the completion of transfer of the business activities and assets of OMLs 4, 38 and 41 from the Holding Company, to its wholly owned Subsidiary Seplat West Limited. Click [here](#) for more.

Next Week

- Closure of Register:** Skyway Aviation Handling Coy. Plc, Prestige Assurance Plc, Dangote Sugar Refinery Plc and GlaxoSmithKline Consumer Nig. Plc.
- AGM:** Berger Paints Plc, BOC Gases Plc and Caverton Offshore Supp. Group Plc,
- Dividend Payment:** Berger Paints Plc, BOC Gases Plc and Caverton Offshore Supp. Group Plc
- Click [here](#) to view full corporate actions thus far in 2020.

Stock Recommendation

| Sectors/Stocks | Rating | FVE (₦) | Price (₦) | Upside | YTD Return | FY 20E dividend yield |
|-----------------------|-------------------|---------|-----------|--------|------------|-----------------------|
| BANKING | | | | | | |
| ACCESS | OVERWEIGHT | 7.93 | 6.75 | 17.5% | -32.5% | 8.9% |
| FBNH | STRONG BUY | 7.00 | 5.3 | 32.1% | -13.8% | 4.4% |
| FCMB | NEUTRAL | 1.79 | 1.72 | 4.1% | -7.0% | 6.7% |
| FIDELITY | BUY | 2.60 | 1.77 | 46.9% | -13.7% | 8.5% |
| GTB | STRONG BUY | 37.00 | 23.15 | 59.8% | -22.1% | 12.2% |
| UBA | STRONG BUY | 8.50 | 6.4 | 32.8% | -10.5% | 14.7% |
| ZENITH | STRONG BUY | 28.00 | 16.15 | 73.4% | -13.2% | 18.0% |
| CEMENT | | | | | | |
| DANGCEM | STRONG BUY | 201.05 | 130 | 54.7% | -8.5% | 8.9% |
| LAFARGE | STRONG BUY | 19.65 | 11.2 | 75.4% | -26.8% | 7.9% |
| BREWERIES | | | | | | |
| GUINNESS | STRONG BUY | 42.63 | 17 | 150.8% | -44.3% | 11.8% |
| NB | SELL | 36.69 | 38 | -3.4% | -35.6% | 6.8% |
| AGRIC | | | | | | |
| OKOMU | BUY | 77.23 | 64 | 20.7% | 15.1% | 4.1% |
| PRESCO | NEUTRAL | 51.90 | 45.25 | 14.7% | -4.7% | 2.1% |
| FOOD PRODUCERS | | | | | | |
| DANG SUGAR | NEUTRAL | 15.67 | 14.30 | 9.6% | 5.1% | 6.4% |
| NESTLE | BUY | 1404.40 | 1094.5 | 28.3% | -25.5% | 6.0% |
| UACN | BUY | 8.94 | 7 | 27.7% | -18.6% | 9.1% |
| PERSONAL CARE | | | | | | |
| PZ | BUY | 6.71 | 4.9 | 36.9% | -13.3% | 3.1% |
| UNILEVER | SELL | 12.70 | 17 | -25.3% | -22.7% | 6.9% |
| OIL & GAS | | | | | | |
| SEPLAT | STRONG BUY | 828.90 | 428.80 | 93.3% | -34.8% | 10.0% |

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

*Means Last communicated FVE