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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 – BUY (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
- 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.
- UBA Plc – STRONG BUY (FVE: ₦10.39):** We expect to see additional contribution to UBA's PBT from its rest of Africa business, which could reduce impact of the tight operational play in the Nigeria business. Meanwhile, we expect the lower interest rate environment to drive a moderation in interest expense to ₦177 billion (previously: ₦194.6 billion). Thus, we now forecast an increase in PAT by 9% YoY to ₦96.9 billion over FY 2020. That said, we have a FVE of ₦10.39/share (previously: ₦10.0/share) with an upside of 23.7%, which translates to a **STRONG BUY** rating on the stock based on current pricing.

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

Corporate Benefit Tracker

This week

- Seplat Petroleum Development Company Plc ([here](#)), MTN Nigeria communications Plc ([here](#)) and Nascon Allied Industries Plc ([here](#)) all made announcements regarding their proposed dividend payments for FY20.

Next week

- Payment Date: Neimeth International Pharmaceutical Plc
- Closure of register: United Capital Plc, Nigerian Breweries Plc
- Click [here](#) to view full corporate actions thus far in 2021.

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	12.92	7.8	65.6%	-7.7%	3.5	2.4	0.5	0.4	7.7%
FBNH	STRONG BUY	9.40	7.1	32.4%	-0.7%	5.8	4.4	0.4	0.5	3.3%
FCMB	SELL	1.90	2.91	-34.7%	-12.6%	2.4	3.5	0.2	0.2	4.0%
FIDELITY	BUY	3.18	2.3	38.3%	-8.7%	3.2	2.0	0.2	0.1	6.5%
GTB	OVERWEIGHT	35.16	31.00	13.4%	-4.2%	6.6	6.0	1.8	1.9	9.1%
UBA	STRONG BUY	10.39	7.95	30.7%	-8.1%	3.0	2.1	0.5	0.4	11.8%
ZENITH	UR	NA	25.45	NA	2.6%	4.2	3.6	0.7	0.7	11.4%
CEMENT										
DANGCEM	NEUTRAL	235.35	220	7.0%	-10.2%	21.0	16.3	5.0	4.0	5.3%
LAFARGE	NEUTRAL	23.28	22.2	4.9%	5.5%	NA	9.0	1.6	0.5	4.0%
BREWERIES										
GUINNESS	BUY	28.41	23	23.5%	21.1%	35.9	31.1	2.8	2.6	8.7%
NB	SELL	42.44	49.5	-14.3%	-11.6%	33.9	31.0	4.0	3.6	5.2%
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	UR	NA	16.9	NA	-4.0%	6.0	7.4	2.6	1.9	5.4%
NESTLE	OVERWEIGHT	1504.05	1350	11.4%	-10.3%	36.6	22.6	27.5	27.5	4.9%
UACN	NEUTRAL	8.94	7.4	20.8%	2.1%	-4.7	4.7	0.4	0.2	8.6%
PERSONAL CARE										
UNILEVER	UNDERWEIGHT	13.19	13.25	-0.5%	-4.7%	23.0	7.4	2.3	0.9	8.9%
OIL & GAS										
SEPLAT	NEUTRAL	581.44	539.9	7.7%	34.2%	3.3	3.5	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