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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) 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.
- WAPCO - STRONG BUY (FVE: ₦28.61):** Lafarge's FY'20 performance was largely supported by improvement in its cost optimization strategy, which helped delivered a faster growth in operating income than witnessed on its revenue line. Over FY'21, we are positive on Lafarge Africa Plc with management planning to spend around \$60m to \$70m on the captive power plant for the Ashaka cement plant as well as the debottlenecking of the Ashaka and WAPCO plants to unlock as much as 300kt and 700kt of additional capacity in 2021 and 2022. Similarly, plans to further optimize its energy mix in 2021 may be positive for margins.

Corporate Benefit Tracker

This week

- MTN Nigeria announced the completion of the issuance of Series III and IV commercial papers. The proceeds from the commercial papers will be deployed towards the company's working capital and general corporate purposes. Click [here](#) to read more.

Next week

- Closure of Register: Stanbic IBTC Holdings Plc, FCMB Group Plc, Custodian Investment Plc, Transnational Corporation of Nigeria Plc, Union Homes Real Estate Investment Trust (REIT) and Access Bank Plc.
- AGM: Ardova Plc and Union Bank of Nigeria Plc.
- Payment Date: Ardova Plc, Union Bank of Nigeria Plc and SFS Real Estate Investment Fund (REITS)
- 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
BANKING										
ACCESS	STRONG BUY	12.92	8.05	60.5%	-4.7%	2.8	2.1	15.3%	16.8%	9.4%
FBNH	STRONG BUY	9.40	7.25	29.7%	1.4%	3.9	4.4	10.5%	14.5%	0.0%
FCMB	SELL	1.81	2.92	-38.0%	-12.3%	5.0	3.5	6.2%	8.2%	6.5%
FIDELITY	BUY	3.18	2.48	28.2%	-1.6%	2.6	2.0	10.3%	13.3%	7.3%
GTB	STRONG BUY	42.12	28.9	45.7%	-10.7%	4.5	6.0	24.7%	23.5%	10.7%
UBA	STRONG BUY	12.18	7.00	74.0%	-19.1%	2.6	2.1	15.9%	17.0%	13.0%
ZENITH	STRONG BUY	30.20	21.95	37.6%	-11.5%	3.4	3.6	20.6%	20.4%	15.2%
CEMENT										
DANGCEM	OVERWEIGHT	255.73	215.00	18.9%	-12.2%	15.2	12.5	30.9%	32.3%	6.8%
WAPCO	BUY	28.61	21.00	36.2%	-0.2%	-3.4	9.0	-17.0%	-5.7%	4.2%
BREWERIES										
GUINNESS	SELL	28.41	29.70	-4.3%	56.3%	8.4	31.1	6.4%	6.8%	3.6%
NB	NEUTRAL	53.20	51.00	4.3%	-8.9%	60.9	31.0	4.6%	6.4%	3.1%
FOOD PRODUCERS										
DANG SUGAR	OVERWEIGHT	18.97	16.95	11.9%	-3.7%	7.1	5.4	25.6%	28.4%	8.8%
NESTLE	NEUTRAL	1502.97	1420.00	5.8%	-5.6%	30.4	23.9	104.8%	135.0%	4.2%
PERSONAL CARE										
UNILEVER	BUY	16.03	13.30	20.5%	-4.3%	-49.6	30.9	-2.5%	3.0%	2.6%
OIL & GAS										
SEPLAT	NEUTRAL	581.44	550.00	5.7%	36.7%	1915.7	4.3	-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