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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 create 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).
- ACCESS - STRONG BUY (FVE: ₦12.92):** Our 2021 outlook for Access Bank's interest income is positive considering its strong earning assets base. As Access Bank continues its expansionary activities across Africa, it has a robust agent Banking network which should drive transaction volume. Similarly, efforts are being made to improve cost efficiency even as impairment is expected to moderate due to improving business conditions. Overall, we expect a positive outlook for Access Bank in 2021.
- UBA - STRONG 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 **STRONG 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

- The management of FBN Holdings announced the dissolution of the board of directors of FBN Holdings Plc. and First Bank of Nigeria Limited by the Central Bank of Nigeria (CBN). A new board was reconstituted by the CBN pursuant to the power vested in it as the primary regulator of both companies. Click [here](#) to read more.

Next week

- Closure of Register: Seplat Petroleum Dev. Company Plc, MTN Nigeria Communications Plc, Eterna Plc, Berger Paints Nigeria Plc, Lafarge Africa Plc, Linkage Assurance Plc and Courteville Business Solutions Plc.
- AGM: NASCON Allied Industries Plc and Sterling Bank Plc.
- Payment Date: NASCON Allied Industries Plc, Sterling Bank Plc and AXA Mansard Insurance 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 20(x)	P/E FY 21E (x)	ROE FY 20 (%)	ROE FY 21E (%)	FY 21E dividend yield
BANKING										
ACCESS	STRONG BUY	12.92	7.3	77.0%	-13.6%	2.8	1.9	15.3%	16.8%	10.4%
FBNH	STRONG BUY	9.40	6.90	36.2%	-3.5%	3.9	4.4	10.5%	14.5%	0.0%
FCMB	SELL	1.81	2.8	-35.4%	-15.9%	5.0	3.5	6.2%	8.2%	6.8%
FIDELITY	STRONG BUY	3.18	2.25	41.3%	-10.7%	2.6	2.0	10.3%	13.3%	8.0%
GTB	STRONG BUY	42.12	30.1	39.9%	-7.0%	4.5	6.0	24.7%	23.5%	10.3%
UBA	STRONG BUY	12.18	7.3	66.8%	-15.6%	2.6	2.1	15.9%	17.0%	12.5%
ZENITH	STRONG BUY	30.20	22.25	35.7%	-10.3%	3.4	3.6	20.6%	20.4%	15.0%
CEMENT										
BUACEMENT	SELL	44.42	77.90	-43.0%	0.7%	36.2	34.6	23.8%	20.2%	2.8%
DANGCEM	OVERWEIGHT	255.73	217.00	17.8%	-11.4%	15.2	12.6	30.9%	32.3%	6.7%
WAPCO	STRONG BUY	28.61	22.15	29.2%	5.2%	11.0	10.4	8.7%	9.0%	5.5%
BREWERIES										
GUINNESS	SELL	28.41	28.7	-1.00%	51.10%	8.4	31.1	6.4%	6.8%	4.0%
NB	NEUTRAL	53.2	51.2	3.90%	-8.60%	60.9	31.0	4.6%	6.4%	2.8%
FOOD PRODUCERS										
DANG SUGAR	NEUTRAL	18.97	17.05	11.3%	-3.1%	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	STRONG BUY	16.03	12.85	24.7%	-7.6%	-49.6	29.9	-2.5%	3.0%	2.7%
OIL & GAS										
SEPLAT	NEUTRAL	581.44	570.00	2.0%	41.7%	1915.7	4.5	-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. Note the FVE are as at FY 2020 numbers.

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