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ARM Research | Weekly Call

- Seplat Plc – STRONG BUY (FVE: ₦964.45):** We remain positive on Seplat despite the material deterioration in earnings in 9M'20, which was due to the decline in global crude oil prices and management's provisioning for impairment charges in the year. Our optimism is premised on management's continued capex spend, which is set to improve production both in its crude oil and gas business. We make specific reference to Seplat's ANOH Gas project and the Amukpe-Escravos pipeline both of which are expected to come on stream in 2021. This combined with its resolve to curtail operating cost should support accretion in earnings. Furthermore, given that its revenue and dividends are reported in dollars, we find this comforting as it provides a shield against the volatility of the Naira in the FX space.
- Unilever Plc – STRONG BUY (FVE: ₦16.03):** After implementing their credit tightening last year, we struggled to see how Unilever would drive sales going forward. With two quarters of consecutive QoQ increase this year, we believe this result is a step on the right path towards a recovery in sales. That said, with the 9M sales tracking ahead of our projections, we now expect FY 20 sales to tick up mildly by 2% YoY (previously: -25%). Beyond this year, we expect sales to grow by an average of 3% over our forecast horizon. Also, we do not expect a re-occurrence of the FX losses reported this year and therefore expect the company to return to profitability from next year.
- 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 commands a better ROE of Zenith - 21.5%, and operating efficiency (Zenith - CIR: 52.5%) compared to most other banks. We have a FVE of ₦30.2 on the stock which translates to a BUY rating.
- 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 BUY rating on the stock based on current pricing.
- 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

Next week

- Closure of Register: Axa Mansard Insurance Plc.

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	12.92	8.05	60.5%	-19.5%	3.5	2.5	0.5	0.4	7.5%
FBNH	STRONG BUY	9.40	6.85	37.2%	11.4%	5.8	4.4	0.4	0.5	3.4%
FCMB	SELL	1.90	2.95	-35.6%	59.5%	2.4	3.5	0.2	0.2	3.9%
FIDELITY	BUY	3.18	2.47	28.7%	20.5%	3.2	2.0	0.2	0.1	6.1%
GTB	NEUTRAL	35.16	32.90	6.9%	10.8%	6.6	6.0	1.8	1.9	8.6%
UBA	STRONG BUY	10.39	8	29.9%	11.9%	3.0	2.1	0.5	0.4	11.8%
ZENITH	STRONG BUY	30.20	22.7	33.0%	22.0%	4.2	3.6	0.7	0.7	12.8%
CEMENT										
DANGCEM	STRONG BUY	235.35	183	28.6%	28.9%	21.0	13.5	5.0	4.0	6.3%
LAFARGE	OVERWEIGHT	23.28	20.55	13.3%	34.3%	NA	9.0	1.6	0.5	4.3%
BREWERIES										
GUINNESS	BUY	21.40	17	25.9%	-44.3%	35.9	31.1	2.8	2.6	11.8%
NB	SELL	53.20	55	-3.3%	-6.8%	33.9	31.0	4.0	3.6	4.7%
AGRIC										
OKOMU	SELL	81.17	88	-7.8%	58.3%	9.2	9.9	2.0	1.7	3.0%
PRESCO	SELL	72.98	71.8	1.6%	51.2%	2.8	11.7	0.7	0.7	1.3%
FOOD PRODUCERS										
DANG SUGAR	NEUTRAL	18.97	17.75	6.9%	30.5%	6.0	7.8	2.6	2.0	5.1%
NESTLE	SELL	1288.63	1400	-8.0%	-4.8%	36.6	23.4	27.5	27.5	4.7%
UACN	BUY	8.94	7.3	22.4%	-15.1%	-4.7	4.7	0.4	0.2	8.8%
PERSONAL CARE										
PZ	BUY	6.71	5	34.2%	-11.5%	22.3	46.4	1.6	2.0	3.0%
UNILEVER	STRONG BUY	16.03	12.9	24.3%	-41.4%	23.0	7.2	2.3	0.9	9.1%
OIL & GAS										
SEPLAT	STRONG BUY	964.45	402.3	139.7%	-38.8%	2.5	2.6	0.4	0.4	10.0%

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

*Means Last communicated FVE