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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.
- Zenith Bank Plc – OVERWEIGHT (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 an OVERWEIGHT rating.
- Unilever Plc – NEUTRAL (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.
- Fidelity Bank Plc – NEUTRAL (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.

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

### Corporate Benefit Tracker

#### This week

- Lafarge Africa Plc announced the divestment of its 35% shareholding in Continental Blue Investment Ghana Limited. Click [here](#) to read more.
- Portland Paints and Products Nigeria Plc and Chemical and Allied Products Plc released their scheme of merger document. Click [here](#) to read more.

#### Next week

- Click [here](#) to view full corporate actions thus far in 2021.

## Stock Recommendation

Sectors/Stocks	Rating	FVE (₱)	Price (₱)	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
<b>BANKING</b>										
ACCESS	<b>STRONG BUY</b>	12.92	9.15	41.2%	8.3%	3.5	2.8	0.5	0.5	6.6%
FBNH	<b>OVERWEIGHT</b>	9.40	7.35	27.9%	2.8%	5.8	4.4	0.4	0.5	3.2%
FCMB	<b>SELL</b>	1.90	3.25	-41.5%	-2.4%	2.4	3.5	0.2	0.2	3.6%
FIDELITY	<b>NEUTRAL</b>	3.18	2.72	16.9%	7.9%	3.2	2.0	0.2	0.1	5.5%
GTB	<b>NEUTRAL</b>	35.16	33.10	6.2%	2.3%	6.6	6.0	1.8	1.9	8.5%
UBA	<b>NEUTRAL</b>	10.39	8.7	19.4%	0.6%	3.0	2.1	0.5	0.4	10.8%
ZENITH	<b>OVERWEIGHT</b>	30.20	26.5	14.0%	6.9%	4.2	3.6	0.7	0.7	10.9%
<b>CEMENT</b>										
DANGCEM	<b>NEUTRAL</b>	235.35	234	0.6%	-4.5%	21.0	17.3	5.0	4.0	4.9%
LAFARGE	<b>SELL</b>	23.28	26	-10.5%	23.5%	NA	9.0	1.6	0.5	3.4%
<b>BREWERIES</b>										
GUINNESS	<b>NEUTRAL</b>	21.40	18.5	15.7%	-2.6%	35.9	31.1	2.8	2.6	10.8%
NB	<b>SELL</b>	53.20	61	-12.8%	8.9%	33.9	31.0	4.0	3.6	4.2%
<b>AGRIC</b>										
OKOMU	<b>SELL</b>	81.17	93	-12.7%	2.2%	9.7	10.4	2.0	1.7	2.8%
PRESCO	<b>SELL</b>	72.98	74.5	-2.0%	5.0%	2.9	12.1	0.7	0.7	1.2%
<b>FOOD PRODUCERS</b>										
DANG SUGAR	<b>SELL</b>	18.97	20.2	-6.1%	14.8%	6.0	8.8	2.6	2.3	4.5%
NESTLE	<b>SELL</b>	1288.63	1505	-14.4%	0.0%	36.6	25.1	27.5	27.5	4.4%
UACN	<b>NEUTRAL</b>	8.94	8.3	7.7%	14.5%	-4.7	4.7	0.4	0.2	7.7%
<b>PERSONAL CARE</b>										
UNILEVER	<b>NEUTRAL</b>	16.03	13.5	18.7%	-2.9%	23.0	7.6	2.3	0.9	8.7%
<b>OIL &amp; GAS</b>										
SEPLAT	<b>STRONG BUY</b>	964.45	540	78.6%	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