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ARM Research | Weekly Call

- Dangote Cement Plc – STRONG BUY (FVE: ₦201.05):** DANGCEM's Q2 20 performance (+11% YoY growth in EPS to ₦3.85) surpassed our expectations with a solid performance from the top line, thanks to resilience in both its Nigerian and Pan African businesses. It remains our best pick in the cement sector given its strong fundamentals with superior margins and ROE, relative to peers. Furthermore, the planned share buyback gives further boost to the company's fundamentals.
- Nestle Plc – OVERWEIGHT (FVE: ₦1404.4):** This year, incessant competition in the seasoning market informs relative stability in prices, particularly in the food segment. However, we believe the brand loyalty enjoyed thus far, lower seasoning price relative to the closest peer "Knorr" as well as modest growth in the beverage segment will keep sales afloat. Also, efficient cost management, low exposure to foreign debt and tax rate normalization informs FVE of ₦1,404.4 which translates to a OVERWEIGHT rating.
- GTB – STRONG BUY (FVE: ₦37.0):** Amid heightened regulatory overhang, impact of covid-19 pandemic on economic activities and lower oil price, we like GTB given its impressive Cost to Income ratio relative to peers as well as proven strategies. Also, with a CAR of 22.5%; on a stress test, GTB would still be in a good position assuming Cost or Risk go as high as 10% (FY 19: 0.3%). We also see GTB's plan of a Holdco as positive given that the current CEO (Segun Agbaje) would retain the helm of affairs thus ensuring a continuation of growth strategy in the group. Lastly, possible moves into the asset management business and payments services sector would offer a diversification away from the heightened regulations in core banking.
- Zenith Bank – STRONG BUY (FVE: ₦28.0):** 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. Specifically, with a CAR of 20%, Zenith bank has more room to absorb severe economic distraught. To buttress, with cost of risk at 10%, CAR would print at about 16%, higher than the minimum requirement of 15%. In addition, Zenith bank has better operating efficiency relative to other banks, which should help provide support in a time of pressured earnings. As a matter of fact, we expect Cost to Income ratio to moderate by 2.5ppts YoY to 44.0%. Elsewhere, Zenith bank net long dollar position of \$1.7 billion puts it in a comfortable position to record FX revaluation gain this year.

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

Corporate Benefit Tracker

- Access Bank Plc announced the successful completion of the acquisition of Transnational Bank (Kenya) Plc upon meeting all regulatory approvals and fulfillment of all condition precedent to the transaction. Click [here](#) to read more
- Stanbic IBTC Holdings Plc announced it's seeking regulatory approvals to establish a wholly owned life insurance subsidiary to be known and referred to as Stanbic IBTC Insurance Limited. Click [here](#) to read more.

Next Week

- AGM:** McNichols Consolidated Plc, Ikeja Hotel Plc
- Dividend Payment:** NASCON Allied Industries Plc, C & I Leasing 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	7.93	6.2	27.9%	-38.0%	3.5	1.9	0.4	0.3	9.7%
FBNH	STRONG BUY	7.00	4.95	41.4%	-19.5%	5.8	4.4	0.4	0.5	4.7%
FCMB	SELL	1.79	1.9	-5.8%	2.7%	2.4	3.5	0.2	0.2	6.1%
FIDELITY	BUY	2.60	1.73	50.3%	-15.6%	3.2	2.0	0.2	0.1	8.7%
GTB	STRONG BUY	37.00	21.65	70.9%	-27.1%	6.6	6.0	1.8	1.9	13.0%
UBA	STRONG BUY	8.50	6	41.7%	-16.1%	3.0	2.1	0.5	0.4	15.7%
ZENITH	STRONG BUY	28.00	15.5	80.6%	-16.7%	4.2	3.6	0.7	0.7	18.7%
CEMENT										
DANGCEM	STRONG BUY	201.05	134.2	49.8%	-5.5%	21.0	9.9	5.0	4.0	8.6%
LAFARGE	STRONG BUY	19.65	10.95	79.5%	-28.4%	NA	9.0	1.6	0.5	8.0%
BREWERIES										
GUINNESS	STRONG BUY	42.63	13.9	206.7%	-54.4%	35.9	31.1	2.8	2.6	14.4%
NB	OVERWEIGHT	36.69	31	18.4%	-47.5%	33.9	31.0	4.0	3.6	8.3%
AGRIC										
OKOMU	NEUTRAL	77.23	70.50	9.5%	26.8%	7.4	7.9	2.0	1.7	3.7%
PRESCO	NEUTRAL	51.90	47.45	9.4%	-0.1%	1.9	7.7	0.7	0.7	2.0%
FOOD PRODUCERS										
DANG SUGAR	STRONG BUY	15.67	11.90	31.7%	-12.5%	6.0	5.2	2.6	1.4	7.7%
NESTLE	OVERWEIGHT	1404.40	1175	19.5%	-20.1%	36.6	19.6	27.5	27.5	5.6%
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	4.45	50.8%	-21.2%	22.3	46.4	1.6	2.0	3.4%
UNILEVER	NEUTRAL	12.70	10.95	16.0%	-50.2%	23.0	6.1	2.3	0.7	10.8%
OIL & GAS										
SEPLAT	STRONG BUY	828.90	347.40	138.6%	-47.2%	2.1	2.2	0.4	0.3	10.0%
TOTAL	UR	NA	97.5	NA	-12.1%	4.1	7.3	3.0	1.8	NA

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

*Means Last communicated FVE