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ARM Research | Weekly Call

- Dangote Cement Plc – STRONG BUY (FVE: ₦201.05):** DANGCEM remains our best pick in the cement sector. A culmination of our adjustments brings Dangcem’s FVE to ₦201.05 (previously ₦240.87) which is a 45% upside from current market price. Dangcem’s 2020E and 2021E forward P/E of 15x and 11.5x are a premium to Lafarge’s of 11.3x and 8.4x, while MENA peer average print at 14x and 13x. Dangcem continues to deliver superior ROE (23%) and margins relative to WAPCO’s 4% ROE, and as such Dangcem remains our preferred pick of the two players.
- 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 N1,404.4 which translates to a BUY rating.
- 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.
- 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.

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

Corporate Benefit Tracker

Next Week

- **Closure of Register:** Ikeja Hotel Plc., Airtel Africa Plc and Trans-Nationwide Express Plc.
- **AGM:** Dangote Sugar Refinery Plc.
- Click [here](#) to view full corporate actions thus far in 2020.

Stock Recommendation

Sectors/Stocks	Rating	FVE (₦)	Price (₦)	Upside	YTD Return	FY 20E dividend yield
BANKING						
ACCESS	STRONG BUY	7.93	6.35	24.9%	-36.5%	9.4%
FBNH	STRONG BUY	7.00	5.05	38.6%	-17.9%	4.6%
FCMB	SELL	1.79	1.8	-0.6%	-2.7%	6.4%
FIDELITY	BUY	2.60	1.67	55.7%	-18.5%	9.0%
GTB	STRONG BUY	37.00	20.80	77.9%	-30.0%	13.6%
UBA	STRONG BUY	8.50	6.05	40.5%	-15.4%	15.5%
ZENITH	STRONG BUY	28.00	15.25	83.6%	-18.0%	19.0%
CEMENT						
DANGCEM	STRONG BUY	201.05	127	58.3%	-10.6%	9.1%
LAFARGE	STRONG BUY	19.65	10.35	89.9%	-32.4%	8.5%
BREWERIES						
GUINNESS	STRONG BUY	42.63	14	204.5%	-54.1%	14.3%
NB	NEUTRAL	36.69	34.05	7.8%	-42.3%	7.6%
AGRIC						
OKOMU	SELL	77.23	77.4	-0.2%	39.2%	3.4%
PRESCO	NEUTRAL	51.90	45.25	14.7%	-4.7%	2.1%
FOOD PRODUCERS						
DANG SUGAR	BUY	15.67	11.70	33.9%	-14.0%	7.8%
NESTLE	OVERWEIGHT	1404.40	1256.8	11.7%	-14.5%	5.2%
UACN	BUY	8.94	7.2	24.1%	-16.3%	8.9%
PERSONAL CARE						
PZ	BUY	6.71	3.9	72.1%	-31.0%	3.8%
UNILEVER	SELL	12.70	13.8	-8.0%	-37.3%	8.5%
OIL & GAS						
SEPLAT	STRONG BUY	828.90	386.00	114.7%	-41.3%	10.0%

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

*Means Last communicated FVE