

**Online Trading Made Easy.** Trade stocks on the Nigeria Stock Exchange (NSE) from anywhere in the world.

[How it works](#)

## ARM Research | Weekly Call

- Dangote Cement Plc – STRONG BUY (FVE: ₦240.87):** The tough competitive play in 2019 placed pressure on DANGCEM's FY 19 earnings, with EPS printing 21% lower to ₦1.8 (ex-tax credit impact). While competition is likely to continue playing out in 2020 pressuring domestic market, we expect recovery in exports from the Nigeria business, as the export terminal is set for completion in H1 20. This is expected to neuter negative impact of the border closure in 2019. We also expect positive contribution from the Pan-African businesses. Finally, shareholders stand to enjoy the attractive ₦16 dividend per share, yielding ~12% on current pricing, as well as value accretion from the planned share buy-back programme.
- Nestle Plc – STRONG BUY (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 BUY 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

#### Next Week

- Closure of Register:** Okomu Oil Plc, Nestle Nigeria Plc
- Annual General Meeting:** Wema Bank Plc
- Dividend Payment:** Wema Bank Plc, MTN Nigeria Plc

Click [here](#) to view full corporate actions thus far in 2020.

## Stock Recommendation

| Sectors/Stocks        | Rating              | FVE (N) | Price (N) | Upside | YTD Return | FY 20E dividend yield |
|-----------------------|---------------------|---------|-----------|--------|------------|-----------------------|
| <b>BANKING</b>        |                     |         |           |        |            |                       |
| ACCESS                | <b>STRONG BUY</b>   | 7.93    | 6.25      | 26.9%  | -37.5%     | 9.6%                  |
| FBNH                  | <b>STRONG BUY</b>   | 7.00    | 4.95      | 41.4%  | -19.5%     | 4.7%                  |
| FCMB                  | <b>NEUTRAL</b>      | 1.79    | 1.72      | 4.1%   | -7.0%      | 6.7%                  |
| FIDELITY              | <b>BUY</b>          | 2.60    | 1.8       | 44.4%  | -12.2%     | 8.3%                  |
| GTB                   | <b>STRONG BUY</b>   | 37.00   | 22.50     | 64.4%  | -24.2%     | 12.5%                 |
| UBA                   | <b>STRONG BUY</b>   | 8.50    | 6.25      | 36.0%  | -12.6%     | 15.0%                 |
| ZENITH                | <b>STRONG BUY</b>   | 28.00   | 15.45     | 81.2%  | -16.9%     | 18.8%                 |
| <b>CEMENT</b>         |                     |         |           |        |            |                       |
| DANGCEM               | <b>STRONG BUY</b>   | 240.87  | 143.5     | 67.9%  | 1.1%       | 8.1%                  |
| LAFARGE               | <b>STRONG BUY</b>   | 23.59   | 10.7      | 120.5% | -30.1%     | 8.2%                  |
| <b>BREWERIES</b>      |                     |         |           |        |            |                       |
| GUINNESS              | <b>STRONG BUY</b>   | 42.63   | 17.5      | 143.6% | -42.6%     | 11.4%                 |
| NB                    | <b>UNDER WEIGHT</b> | 36.69   | 37.5      | -2.2%  | -36.4%     | 6.9%                  |
| <b>AGRIC</b>          |                     |         |           |        |            |                       |
| OKOMU                 | <b>BUY</b>          | 77.23   | 55.05     | 40.3%  | -1.0%      | 4.8%                  |
| PRESCO                | <b>BUY</b>          | 51.90   | 40.05     | 29.6%  | -15.7%     | 2.3%                  |
| <b>FOOD PRODUCERS</b> |                     |         |           |        |            |                       |
| DANG SUGAR            | <b>STRONG BUY</b>   | 15.67   | 12.80     | 22.4%  | -5.9%      | 7.1%                  |
| NESTLE                | <b>STRONG BUY</b>   | 1404.4  | 1040      | 35.0%  | -29.2%     | 6.3%                  |
| UACN                  | <b>BUY</b>          | 8.94    | 6.95      | 28.6%  | -19.2%     | 9.2%                  |
| <b>PERSONAL CARE</b>  |                     |         |           |        |            |                       |
| PZ                    | <b>BUY</b>          | 6.71    | 4.5       | 49.1%  | -20.4%     | 3.3%                  |
| UNILEVER              | <b>BUY</b>          | 31.95   | 12.7      | 151.6% | -42.3%     | 9.3%                  |
| <b>OIL &amp; GAS</b>  |                     |         |           |        |            |                       |
| SEPLAT                | <b>STRONG BUY</b>   | 828.90  | 476.40    | 74.0%  | -27.6%     | 10.0%                 |
| TOTAL                 | <b>UR</b>           | NA      | 102.8     | NA     | -7.3%      | NA                    |

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

\*Means Last communicated FVE