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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:** Dangote Cement Plc, Cadbury Plc
- Annual General Meeting:** Capital Hotels Plc, Lafarge Africa Plc, Okomu oil Plc
- Dividend Payment:** Lafarge Africa 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
BANKING						
ACCESS	STRONG BUY	7.93	6.7	18.4%	-33.0%	9.0%
FBNH	STRONG BUY	7.00	5.2	34.6%	-15.4%	4.5%
FCMB	SELL	1.79	1.81	-1.1%	-2.2%	6.4%
FIDELITY	BUY	2.60	1.89	37.6%	-7.8%	7.9%
GTB	STRONG BUY	37.00	23.75	55.8%	-20.0%	11.9%
UBA	STRONG BUY	8.50	6.8	25.0%	-4.9%	13.8%
ZENITH	STRONG BUY	28.00	16.95	65.2%	-98.2%	17.1%
CEMENT						
DANGCEM	STRONG BUY	240.87	150	60.6%	5.6%	7.7%
LAFARGE	STRONG BUY	23.59	11.25	109.7%	-60.8%	14.7%
BREWERIES						
GUINNESS	STRONG BUY	42.63	17.75	140.2%	-41.8%	11.3%
NB	SELL	36.69	39.5	-7.1%	-33.1%	6.5%
AGRIC						
OKOMU	BUY	77.23	64.40	19.9%	15.8%	4.1%
PRESCO	BUY	51.90	41.5	25.1%	-12.6%	2.2%
FOOD PRODUCERS						
DANG SUGAR	STRONG BUY	15.67	12.80	22.4%	-5.9%	7.1%
NESTLE	STRONG BUY	1404.40	995	41.1%	-32.3%	6.6%
UACN	NEUTRAL	8.94	8.35	7.1%	-2.9%	0.6%
PERSONAL CARE						
PZ	BUY	6.71	5.15	30.3%	-8.8%	2.9%
UNILEVER	SELL	12.70	17	-25.3%	-69.5%	17.6%
OIL & GAS						
SEPLAT	STRONG BUY	828.90	476.40	74.0%	-27.6%	10.0%
TOTAL	UR	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