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## ARM Research | Weekly Call

- Dangote Cement Plc – STRONG BUY (FVE: ₦219.77):** 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.
- GTB Plc – STRONG BUY (FVE: ₦38.85):** 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. Precisely, Zenith and GTB continue to command a better ROE (Zenith - 21.5%, GTB – 26.8%) and operating efficiency (Zenith - CIR: 54.3%, GTB – 43.2%) compared to most other banks. 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 Plc – STRONG BUY (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 and GTB continue to command a better ROE (Zenith - 21.5%, GTB – 26.8%) and operating efficiency (Zenith - CIR: 54.3%, GTB – 43.2%) compared to most other banks. Elsewhere, Zenith bank net long dollar position of \$1.7 billion puts it in a comfortable position to record FX revaluation gain this year.
- Guinness Nigeria Plc – BUY (FVE: ₦18.94):** Guinness' stock, down 56% YTD, has been much sold this year but looking ahead we see opportunities that could make this an attractive buy. Management confirmed their intention to keep focusing on RTDs and spirits which have grown in recent times and whose combined contribution to overall revenue has almost doubled from 22% at the end of FY17 to 43% at the end of FY20. Additionally, Guinness can set prices in the spirits segment, unlike the beer segment where they're price takers, which should give them more room for maneuvering should there be a further increase in excise duty.

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

### Corporate Benefit Tracker

#### This Week

Both Access Bank and Sterling Bank announced that they had received Approval-in-Principle from the CBN for their restructuring to holding companies. Click [here](#) to read more on Access Bank and [here](#) to read on Sterling Bank.

#### Next Week

- **Closure of Register:** Learn Africa Plc
- **AGM:** Redstar Express Plc
- **Dividend Payment:** N/A
- Click [here](#) to view full corporate actions thus far in 2020.

## 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>	9.80	6.7	46.3%	-33.0%	3.5	2.0	0.4	0.4	9.0%
FBNH	<b>STRONG BUY</b>	9.40	5.2	80.8%	-15.4%	5.8	4.4	0.4	0.5	4.5%
FCMB	<b>SELL</b>	1.90	2.1	-9.5%	13.5%	2.4	3.5	0.2	0.2	5.5%
FIDELITY	<b>BUY</b>	2.90	1.85	56.8%	-9.8%	3.2	2.0	0.2	0.1	8.1%
GTB	<b>STRONG BUY</b>	38.85	29.00	34.0%	-2.4%	6.6	6.0	1.8	1.9	9.7%
UBA	<b>STRONG BUY</b>	10.00	6.25	60.0%	-12.6%	3.0	2.1	0.5	0.4	15.0%
ZENITH	<b>STRONG BUY</b>	30.20	18.05	67.3%	-3.0%	4.2	3.6	0.7	0.7	16.1%
<b>CEMENT</b>										
DANGCEM	<b>STRONG BUY</b>	219.77	144	52.6%	1.4%	21.0	10.6	5.0	4.0	8.0%
LAFARGE	<b>STRONG BUY</b>	23.28	15.15	53.7%	-1.0%	NA	9.0	1.6	0.5	5.8%
<b>BREWERIES</b>										
GUINNESS	<b>STRONG BUY</b>	18.94	14	35.3%	-54.1%	35.9	31.1	2.8	2.6	14.3%
NB	<b>SELL</b>	36.69	49	-25.1%	-16.9%	33.9	31.0	4.0	3.6	5.3%
<b>AGRIC</b>										
OKOMU	<b>SELL</b>	77.23	80	-3.5%	43.9%	8.3	9.0	2.0	1.7	3.3%
PRESCO	<b>SELL</b>	51.90	53	-2.1%	11.6%	2.1	8.6	0.7	0.7	1.8%
<b>FOOD PRODUCERS</b>										
DANG SUGAR	<b>STRONG BUY</b>	15.67	12.9	21.5%	-5.1%	6.0	5.6	2.6	1.5	7.1%
NESTLE	<b>NEUTRAL</b>	1239.21	1175	5.5%	-20.1%	36.6	19.6	27.5	27.5	5.6%
UACN	<b>BUY</b>	8.94	6.5	37.5%	-24.4%	-4.7	4.7	0.4	0.2	9.8%
<b>PERSONAL CARE</b>										
PZ	<b>BUY</b>	6.71	4	67.8%	-29.2%	22.3	46.4	1.6	2.0	3.8%
UNILEVER	<b>SELL</b>	12.70	13.6	-6.6%	-38.2%	23.0	7.6	2.3	0.9	8.7%
<b>OIL &amp; GAS</b>										
SEPLAT	<b>STRONG BUY</b>	828.90	400	107.2%	-39.2%	2.5	2.6	0.4	0.4	10.0%
TOTAL	<b>UR</b>	NA	96.8	NA	-12.7%	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