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ARM Research | Weekly Call

- **ZENITH - STRONG BUY (FVE: ₦30.20):** We expect revenue to strengthen in the coming quarters, on the back of a higher yield environment and a general pick-up in economic activities, which should strengthen non-interest income. Although we also anticipate an uptick in interest expense compared to the previous quarter, the expected increase in non-interest income should be sufficient to counter the uptick and sustain the growth in earnings. Considering the company has a sustained history of dividend payments, both interim and final, coupled with the expectations for revenue and earnings, we maintain our position of a **STRONG BUY** on ZENITHBANK with a FVE of NGN30.20.
- **ACCESS - STRONG BUY (FVE: ₦12.92):** Our 2021 outlook for Access Bank's interest income is positive considering its strong earning assets base. As Access Bank continues its expansionary activities across Africa, it has a robust agent Banking network which should drive transaction volume. Similarly, efforts are being made to improve cost efficiency even as impairment is expected to moderate due to improving business conditions. Overall, we expect a positive outlook for Access Bank in 2021.
- **UBA - STRONG BUY (FVE: ₦12.18):** Over 2021, we expect growth in earnings to stem from higher net interest income (+19% YoY) hinged on our expectation of a gradual recovery in interest rates. That said, we expect a slight expansion in NIM which should reflect higher asset yields. Elsewhere, we expect continuous expansion in NIR (+14% YoY), which reflects our expectation of higher trading income as well as fee income. The impact of these adjustments translates to a revised PBT of ₦180 billion (+28% YoY). The adjustment is a 17% increase in our FVE to ₦12.18 (Previous: ₦10.39) and maintain our **STRONG BUY** recommendation.
- **WAPCO - STRONG BUY (FVE: ₦28.61):** Lafarge's FY'20 performance was largely supported by improvement in its cost optimization strategy, which helped delivered a faster growth in operating income than witnessed on its revenue line. Over FY'21, we are positive on Lafarge Africa Plc with management planning to spend around \$60m to \$70m on the captive power plant for the Ashaka cement plant as well as the debottlenecking of the Ashaka and WAPCO plants to unlock as much as 300kt and 700kt of additional capacity in 2021 and 2022. Similarly, plans to further optimize its energy mix in 2021 may be positive for margins.

Corporate Benefit Tracker

Next week

- Closure of Register: None.
- AGM: None
- Payment Date: None
- Click [here](#) to view full corporate actions thus far in 2021.

Stock Recommendation

Sectors/Stocks	Rating	FVE (N)	Price (N)	Upside	YTD Return	P/E FY 20(x)	P/E FY 21E (x)	ROE FY 20 (%)	ROE FY 21E (%)	FY 21E dividend yield
BANKING										
ACCESS	STRONG BUY	12.92	9.5	36.0%	12.4%	2.8	2.5	15.3%	16.8%	8.0%
FBNH	SELL	9.40	11.05	-14.9%	54.5%	3.9	4.4	10.5%	14.5%	0.0%
FCMB	SELL	1.81	3.19	-43.3%	-4.2%	5.0	3.5	6.2%	8.2%	6.0%
FIDELITY	STRONG BUY	3.18	2.78	14.4%	10.3%	2.6	2.0	10.3%	13.3%	6.5%
GTB	STRONG BUY	42.12	28.65	47.0%	-11.4%	4.5	6.0	24.7%	23.5%	10.8%
UBA	STRONG BUY	12.18	8.6	41.6%	-0.6%	2.6	2.1	15.9%	17.0%	10.6%
ZENITH	STRONG BUY	30.20	25.25	19.6%	1.8%	3.4	3.6	20.6%	20.4%	13.2%
CEMENT										
BUACEMENT	SELL	44.42	72	-38.3%	-6.9%	36.2	34.6	23.8%	20.2%	3.0%
DANGCEM	NEUTRAL	255.73	280	-8.7%	14.3%	15.2	16.3	30.9%	32.3%	5.2%
WAPCO	STRONG BUY	28.61	27	6.0%	28.3%	11.0	10.4	8.7%	9.0%	4.5%
BREWERIES										
GUINNESS	SELL	28.41	36.3	-1.00%	51.10%	8.4	31.1	6.4%	6.8%	3.0%
NB	NEUTRAL	53.2	53	3.90%	-8.60%	60.9	31.0	4.6%	6.4%	2.9%
FOOD PRODUCERS										
DANG SUGAR	OVERWEIGHT	18.97	17	11.6%	-3.4%	7.1	5.4	25.6%	28.4%	8.8%
NESTLE	SELL	1502.97	1400	7.36%	-7.0%	30.4	23.5	104.8%	135.0%	4.3%
PERSONAL CARE										
UNILEVER	OVERWEIGHT	16.03	15.6	2.8%	12.2%	-49.6	36.3	-2.5%	3.0%	2.2%
OIL & GAS										
SEPLAT	UR	-	731.5	-	81.8%	1915.7	5.7	-12.8%	-11.7%	-

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

*Means Last communicated FVE. Note the FVE for most of the companies are as at FY 2020 numbers.

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