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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

Julius Berger announced the board approval of diversification opportunities in Agro-processing to support the continued success of the group in the future and align with the strategic objective of the government to stimulate value creation in Nigeria. Click [here](#) to read more

Next Week

- Closure of Register:** BUA Cement Plc and 11 Plc.
- AGM:** Honeywell Flour Mills Plc and AIICO Insurance Plc.
- Dividend Payment:** Access Bank Plc, Honeywell Flour Mills Plc and Stanbic IBTC Holdings Plc.
- 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
BANKING										
ACCESS	STRONG BUY	9.80	6.7	46.3%	-33.0%	3.5	2.0	0.4	0.4	9.0%
FBNH	STRONG BUY	9.40	5.15	82.5%	-16.3%	5.8	4.4	0.4	0.5	4.5%
FCMB	SELL	1.90	2.1	-9.5%	13.5%	2.4	3.5	0.2	0.2	5.5%
FIDELITY	BUY	2.90	1.9	52.6%	-7.3%	3.2	2.0	0.2	0.1	7.9%
GTB	STRONG BUY	38.85	27.00	43.9%	-9.1%	6.6	6.0	1.8	1.9	10.5%
UBA	STRONG BUY	10.00	6.1	63.9%	-14.7%	3.0	2.1	0.5	0.4	15.4%
ZENITH	STRONG BUY	30.20	17.3	74.6%	-7.0%	4.2	3.6	0.7	0.7	16.8%
CEMENT										
DANGCEM	STRONG BUY	219.77	139	58.1%	-2.1%	21.0	10.3	5.0	4.0	8.3%
LAFARGE	STRONG BUY	23.28	15.05	54.7%	-1.6%	NA	9.0	1.6	0.5	5.8%
BREWERIES										
GUINNESS	STRONG BUY	18.94	14	35.3%	-54.1%	35.9	31.1	2.8	2.6	14.3%
NB	SELL	36.69	52.55	-30.2%	-10.9%	33.9	31.0	4.0	3.6	4.9%
AGRIC										
OKOMU	SELL	77.23	78	-1.0%	40.3%	8.1	8.8	2.0	1.7	3.4%
PRESCO	SELL	51.90	53	-2.1%	11.6%	2.1	8.6	0.7	0.7	1.8%
FOOD PRODUCERS										
DANG SUGAR	STRONG BUY	15.67	12.3	27.4%	-9.6%	6.0	5.4	2.6	1.4	7.4%
NESTLE	NEUTRAL	1239.21	1175	5.5%	-20.1%	36.6	19.6	27.5	27.5	5.6%
UACN	BUY	8.94	6.1	46.5%	-29.1%	-4.7	4.7	0.4	0.2	10.5%
PERSONAL CARE										
PZ	BUY	6.71	4.25	57.9%	-24.8%	22.3	46.4	1.6	2.0	3.5%
UNILEVER	SELL	12.70	13.6	-6.6%	-38.2%	23.0	7.6	2.3	0.9	8.7%
OIL & GAS										
SEPLAT	STRONG BUY	828.90	400	107.2%	-39.2%	2.5	2.6	0.4	0.4	10.0%
TOTAL	UR	NA	80	NA	-27.9%	3.4	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