

Equity Research

Nigeria: Market Watch

Bargain stocks are available

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Stocks to watch this week	Proj. P/E (x)	Proj. P/BV (x)	Proj. DY (%)
GT Bank	6.1	1.4	8.8
Skye Bank	5.2	0.9	11.4
Zenith Bank	6.2	0.7	7.2
Flour Mills	6.9	1.8	4.6
Nigerian Breweries	7.2	2.7	3.2

Sources: NSE, Stanbic IBTC Research

The week ahead

We expect an appreciation of the market this week as investors seek bargain stocks. Stocks such as Flour Mills and Nigerian Breweries have become increasingly attractive from a valuation perspective, given their price declines. In addition, the banking sector is attractive on a forward multiples basis.

Banking stocks in the spotlight

The spotlight will be on the banking sector over the next few weeks as the market awaits banks' 2009 year-end results. We do not expect any major negative surprises in the numbers relative to September 2009. We expect GT Bank and Zenith Bank to pay attractive dividends as their September 2009 results showed good profitability.

Secondary market

The market capitalisation of the 198 first-tier equities closed higher. Some 40,091 deals were recorded last week – 18.1% up on the previous week. As illustrated in Chart 3, the banking sector maintained its lead over other sectors last week (measured by the volume of shares traded), with a turnover of 1.45 billion shares worth N13.4 billion, and exchanged by investors in 21,131 deals. The sector's volume and value represent 55% and 71%, respectively, of the NSE's transactions for the week.

Share price performance

About 60 stocks recorded price gains last week compared to 65 stocks in the preceding week. The number of losers increased to 47 stocks compared to 38 stocks in the week before.

The market during the week	19 March 2010	12 March 2010	% Change
NSE ASI	24,517.88	24,141.72	1.6%
NSE market cap (N'trn)	5.925	5.814	1.6%
NSE value traded (N'bn)	21.41	16.95	26.3%
NSE val. traded (\$'m)	14.4	11.3	16.9%
NSE vol. traded (m)	2.5	2.2	13.6%
Banking sector val. traded (N'bn)	13.4	12.1	10.7%
Banking sector val. traded (\$'m)	9.03	8.07	11.8%
Banking sector vol. traded (m)	1.45	1.21	19.8%

Stanbic IBTC sector indexes	19 March 2010	12 March 2010	% Change
Banking Index	26.83	26.40	1.6%
Breweries Index	111.85	113.47	-1.4%
Building Materials Index	70.00	68.26	2.6%
Conglomerates Index	88.29	88.42	-0.1%
Insurance Index	15.86	15.73	0.8%
Petroleum Marketing Index	45.72	45.63	0.2%
Pension Index	51.83	51.09	1.5%
Food, Beverages & Tobacco Index	60.38	57.80	4.5%
Nifty Forty Index	49.30	48.60	1.4%

Gainers	Close (N)	%	Vol ('000)
Total Nigeria plc	149.62	5.00	284
Flour Mills of Nigeria plc	51.39	11.69	2,631
Mobil Oil Nigeria plc	107.64	4.98	4,555
Benue Cement Company plc	61.38	4.44	8,160
Northern Nig. Flour Mills plc	26.61	10.18	919

Losers	Close (N)	%	Vol ('000)
Oando plc	80.51	-5.37	440
Nigerian Breweries plc	57.90	-2.08	401
UPDC plc	19.03	-5.09	430
Longman Nigeria plc	8.82	-10.65	120
Lafarge Cement Wapco Nigeria plc	33.18	-2.47	1,102

Exchange rate	19 March 2010	12 March 2010	% Change
USD/NGN	148.40	147.75	0.0%
EUR/NGN	202.97	201.74	0.6%
GBP/NGN	226.71	222.17	2.0%

Commodities	19 March 2010	12 March 2010	% Change
Brent crude (US\$ per barrel)	80.24	78.68	2.0%

* Weekly changes

Our top picks

Our top four picks are Zenith Bank, GT Bank plc, Skye Bank plc and Flour Mills of Nigeria plc — they are all trading at significant discounts to our target prices. We list the catalysts for potential price appreciation below:

Zenith Bank plc — BUY (current price: NGN17.69; target price: NGN23)

- We expect the company to pay a better dividend compared to its peers (forecast dividend per share: NGN0.44, and 2.5% dividend yield); and
- Increased local and foreign investor interest due to the anticipated positive performance.

GT Bank plc — BUY (current price: NGN19.50; target Price: NGN30)

- The bank is still number one in terms of efficiency — its return on equity remains one of the top in the industry;
- The bank has a sound and experienced management team;
- The bank has implemented measures to keep its costs low and its pricing in its favour; and
- The bank has benefited from the huge flight to safety that the banking sector is experiencing, given its strong reputation.

Skye Bank plc — BUY (current price: NGN7.86; target price: NGN17)

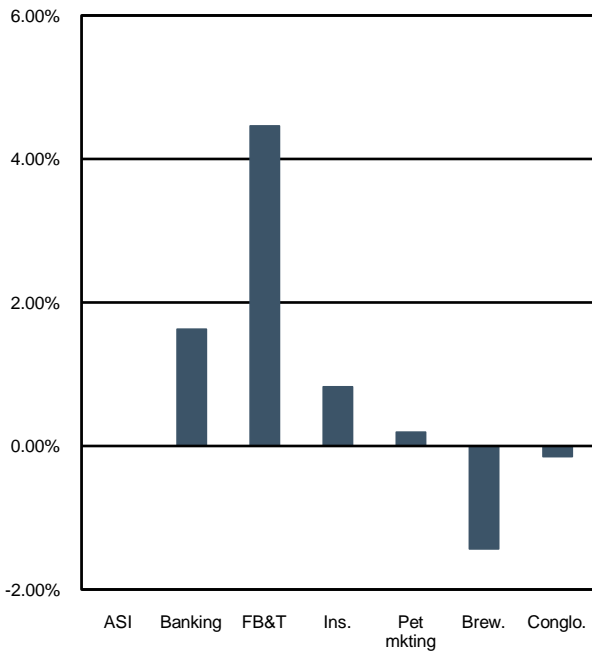
- The bank is still trading at a significant discount to its peers. We expect recoveries already being made to increase profitability;
- The bank is currently increasing its business offering to other state governments which we believe will deliver higher returns in the immediate future; and
- The bank has been able to generate fee income due to its efficient payment system, since interest income is currently strained as lending in the sector shrinks.

Flour Mills of Nigeria plc — BUY (current price: NGN51.39; target price: NGN78.25)

- Flour Mills has a good track record of dividend payments and bonus issues. The company is rated AA by local rating agency DataPro Limited;
- The company will likely recapitalise through a rights issue of about USD100m; and
- Improved efficiency and capacity expansion will boost earnings.

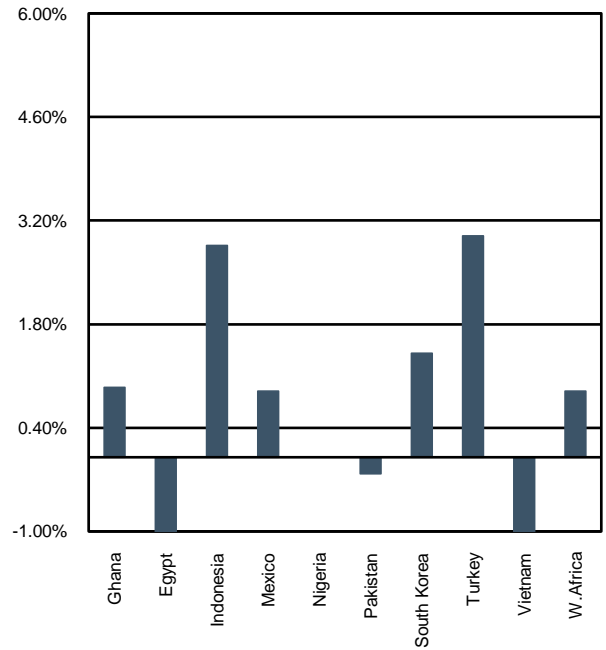
Picture gallery

Chart 1: Sector performance vs. ASI 12 March – 19 March 2010



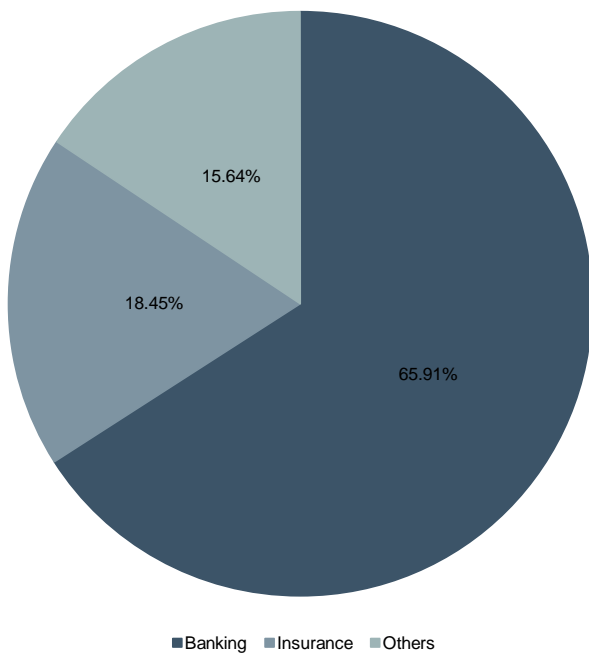
Sources: NSE, Stanbic IBTC Research

Chart 2: Performance of selected emerging market indices 12 March – 19 March 2010



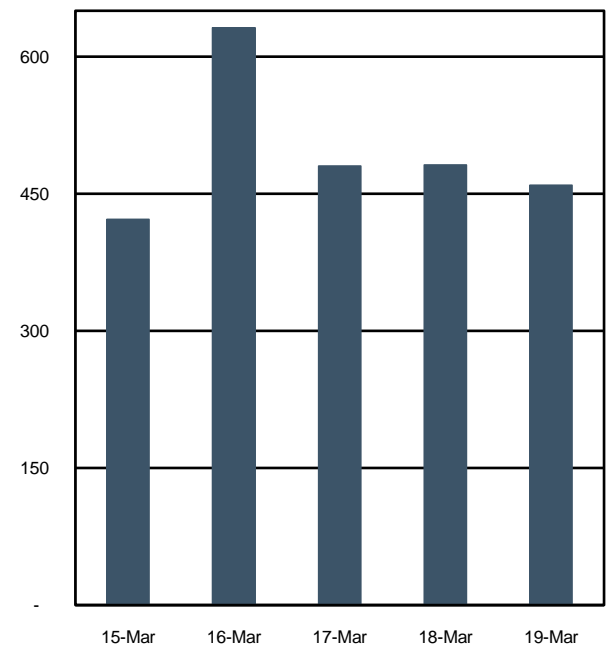
Sources: NSE, Stanbic IBTC Research

Chart 3: Vol. by sector, 15 March – 19 March 2010



Sources: NSE, Stanbic IBTC Research

Chart 4: Vol. traded (M), 15 March – 19 March 2010



Sources: NSE, Stanbic IBTC Research

Research publications

Date	Company	Title	Recommendation
12/03/2010	African Petroleum plc	Initial impressions – Q3: 09 results	HOLD
18/03/2010	First Bank of Nigeria plc	Oil and trade likely to boost earnings	BUY
18/03/2010	Okomu Oilpalm plc	Initial impressions – H1: 10 forecast results	SELL
12/03/2010	MRS Oil Nigeria plc	Initial impressions – H1: 10 forecast results	BUY
11/03/2010	Costain WA plc	Initial impressions – H1:09 results	HOLD
11/03/2010	Lafarge Wapco plc	Initial impressions – FY 09 results	SELL
11/03/2010	Flour mills of Nigeria plc	Improved efficiency drives earnings	BUY
11/03/2010	Unilever Nigeria plc	Initial impressions – H1:09 results	SELL
05/03/2010	Nestle Nigeria plc	Initial impressions – FY 09 results	HOLD
24/02/2010	Total Nigeria plc	Still looks good	BUY
12/02/2010	Flour mills of Nigeria plc	Initial impressions – Q3:09 results	BUY
11/02/2010	Custodian & Allied Ins. plc	Share buyback to boost earnings	BUY
10/02/2010	Guinness Nigeria plc	Margins shrink as pressures rise	SELL
01/02/2010	PZ Cussons Nigeria plc	Slow economy impacts earnings	BUY
22/01/2010	Costain W.A. plc	Results fall short of expectations	HOLD
14/01/2010	Dangote Sugar Ref. plc	Long- term hold	HOLD
05/01/2010	7-Up Bottling Co. plc	Turnover rises, despite competition	BUY
24/12/2009	Continental Reinsurance. plc	Declining profits y/y	SELL
15/12/2009	Nig. Bottling Co. plc	Consistently driving higher sales	BUY
15/12/2009	Flour Mills of Nigeria plc	Cost management bolsters profits	BUY
01/12/2009	Diamond Bank plc	Bright prospects, despite earnings dip	BUY

Source: Stanbic IBTC Research

Dividends payable

Company	Declared	LDT	Pay	Dividend amount	YTD
Lafarge Cement WAPCO Nigeria plc	5-Mar-10		17-May-10	NGN0.10k	NGN0.10k

Source: Company data

Summary valuation metrics of selected companies*

Sector/ company	Latest price (N)	Share performance YTD (%)	Mkt cap (N' Bn)	P/E (x)	DY (%)	P/BV (x)	FWD P/E (x)	FWD P/BV (x)	FWD DY (%)
Banking									
Access Bank plc	9.99	32.32	164.21	7.89	7.01	0.89	190.06	0.89	0.34
Diamond Bank plc	9.39	30.60	135.92	26.29	3.80	1.19	60.52	1.18	0.91
Ecobank Nigeria plc	7.00	-30.69	50.53	24.06	4.16	1.45	0.00	1.78	0.00
Ecobank Transnational	17.00	13.33	168.56	12.72	7.86	1.04	14.67	1.02	4.77
First City Monument Bank plc	9.06	29.24	148.41	9.83	10.17	1.15	90.88	1.14	0.39
Fidelity Bank plc	3.10	23.02	89.79	62.79	1.59	0.69	18.67	0.68	2.68
First Bank of Nigeria plc	15.87	13.36	460.33	36.62	2.73	1.36	39.65	1.16	2.29
Guaranty Trust Bank plc	19.50	23.57	363.75	12.85	7.78	2.00	17.49	2.36	3.43
Skye Bank plc	7.87	43.61	91.17	5.69	7.62	0.96	17.04	0.94	2.93
United Bank for Africa plc	14.45	33.67	311.49	7.63	6.92	1.61	47.92	1.58	0.83
Zenith Bank plc	17.69	31.04	444.32	8.61	9.61	1.29	32.30	1.89	1.98
Breweries									
Guinness Nigeria plc	130.00	1.96	191.74	14.16	5.77	6.08	13.20	5.57	6.07
Nigerian Breweries plc	57.90	9.25	437.87	15.69	6.37	9.40	13.86	9.09	6.86
Building materials									
Ashaka Cement plc	17.58	54.35	35.00	16.91	1.71	2.74	13.52	2.37	1.85
Benue Cement Company plc	61.38	42.71	240.34	58.00	0.00	17.48	15.04	10.33	2.69
Cement Company of Northern	18.01	38.54	22.36	14.61	2.50	5.62	10.83	4.87	6.47
Lafarge Cement WAPCO plc	33.18	10.60	99.59	19.70	0.30	2.28	15.36	2.02	0.98
Conglomerates									
PZ Cussons Nigeria plc	28.52	14.08	90.59	18.80	2.38	2.55	16.75	2.34	2.54
UAC of Nigeria plc	46.00	25.17	58.91	14.05	4.35	1.43	11.56	1.36	4.79
Unilever Nigeria plc	25.60	34.74	96.85	37.30	4.18	14.50	20.48	11.08	2.76
Food & beverages									
Dangote Sugar Refinery plc	17.71	18.86	212.52	9.72	6.78	6.51	13.14	5.55	4.95
Nigerian Bottling Company plc	26.50	17.83	34.68	2209.0	0.00	1.58	13.50	1.48	2.96
Nestle Nigeria plc	270.00	12.73	178.35	18.23	4.65	16.92	15.21	14.50	5.59
7-UP Bottling Company plc	30.60	4.08	15.68	10.26	4.90	1.96	9.32	1.81	6.44
Petroleum marketing									
African Petroleum plc	45.40	35.48	46.99	9.21	11.45	6.75	0.00	0.00	0.00
Chevron Oil Nigeria plc	69.79	0.00	17.73	0.00	0.00	9.26	10.13	8.14	8.39
Mobil Oil Nigeria plc	107.64	8.95	32.35	18.83	4.65	14.39	14.10	11.01	4.96
Oando plc	80.51	-14.34	72.87	8.73	7.45	1.62	8.46	1.55	8.74
Total Nigeria plc	149.62	0.42	50.80	11.55	8.64	6.96	11.99	6.92	8.26
Agriculture									
Okomu Oil Palm plc	21.62	-4.97	10.33	8.56	1.16	2.41	34.44	2.32	1.16
Presco plc	5.06	-9.64	5.06	7.51	5.93	1.98	14.46	1.84	3.11
Chemical & paints									
Chemical and Allied Products plc	29.67	5.96	6.23	8.48	12.64	6.23	13.34	7.76	5.62
Nigeria-German Chemicals plc	15.04	0.00	2.31	128.96	2.99	2.05	121.20	2.03	0.37
D.N. Meyer plc	3.24	-39.89	0.94	14.80	3.09	5.78	13.49	4.05	0.00
Construction									
Julius Berger Nigeria plc	28.90	12.06	34.68	13.83	6.06	5.22	11.31	4.78	7.07
Costain (W.A.) plc	5.10	34.21	5.53	0.00	-	-	16.94	0.61	-

Source: Stanbic IBTC Research
 Prices at cob 19 March 2010

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BUY – Total expected return of 25% and greater

HOLD – Total expected return of between 0% and 25%

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Company	Disclosure
Zenith Bank Plc	E, H
Flour Mills of Nigeria plc	E
Guaranty Trust Bank plc	E
Skye Bank plc	E, G

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All Recommendations (%)	72	21	7
Recommendations with Investment Banking Relationship (%)	80	20	0

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