

Market Watch

Market uptick in the offing

We expect the audit report of the CBN to have a positive effect on the market. The report indicates that the entire sector has been audited and three more Nigerian banks would experience a top management change. In our view, a clear and detailed disclosure of the audit outcome and an outlined process of how the CBN intends to improve governance in such banks could actually result in positive performance (a rise in the demand for banking stocks) as uncertainties have already led to a major sell-off in the banking sector. Besides, investors appear to be waiting for the CBN audit report on the banking sector before making investment decisions. We therefore expect investors to take positions in banking stocks after the CBN audit report, thereby resulting in a market upswing. However, the market depreciated by 17.86% in Q3:09 and, by our calculation, an appreciation of 39.80% from the current level is needed for the market to break even for 2009. In our view, this is unlikely to be achieved given that more investors are likely to take a cautious approach to investing.

Secondary market

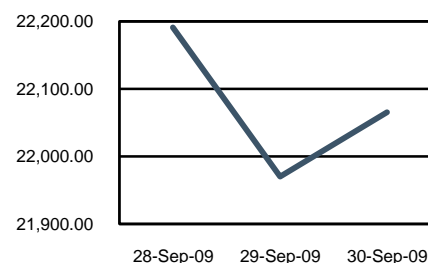
The NSE ASI appreciated by 0.74%, to close at 22,497.27 points from 22,322.15 the preceding week. The market capitalisation of the 196 first-tier equities also closed higher at N5.230 trillion, from N5.192 trillion in the preceding week. A turnover of 2.2 billion shares worth N16.14 billion in 27,236 deals was recorded this week, in contrast to a total of 1.42 billion shares valued at N12.93 billion and exchanged in 20,011 deals in the preceding week.

As illustrated in [Chart 3](#), the banking sector maintained its lead during the week (measured by the volume of shares traded), with a turnover of 1.55 billion shares worth N13.2 billion. The sector's volume and value represent 70.45% and 81.78%, respectively, of the NSE's transactions for the week.

Share price performance

About 52 stocks recorded price gains this week in comparison to 47 stocks in the preceding week. In contrast, the number of losers during the week decreased to 48 stocks as against 47 stocks in the preceding week.

Market performance (ASI)



Source: NSE

All Share Index	▲ 0.74%	22,497.27
Market cap	▲ 0.73%	N5.230 trillion
Value traded	▲ 24.83%	N16.14 billion
Volume traded	▲ 54.93%	2.2 billion

Top gainers

Total	10.24%	N150.48
Mobil	8.28%	N105.00
WAPCO	9.57%	N34.00

Sources: NSE, Stanbic IBTC Research

Top losers

GUINNESS	-5.21%	N136.50
NB	-8.50%	N54.90
7up	-5.00%	N28.50

Sources: NSE, Stanbic IBTC Research

Stocks to watch	Proj. P/E (x)	Proj. P/BV (x)	Proj. DY (%)
Diamond Bank	8.81	0.99	6.24
ETI	5.31	0.60	13.19
UACN	9.30	1.09	5.96
Intenegins	5.92	0.30	5.07
CCNN	6.88	3.09	10.17

Sources: NSE, Stanbic IBTC Research

Muyiwa Oni*

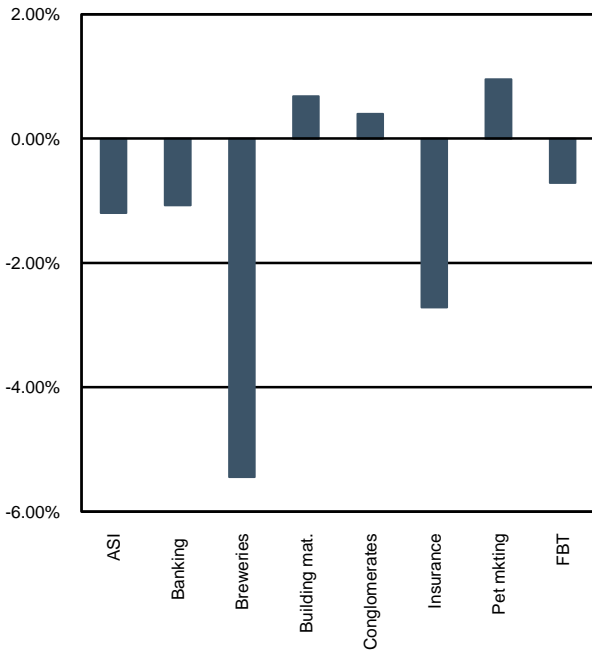
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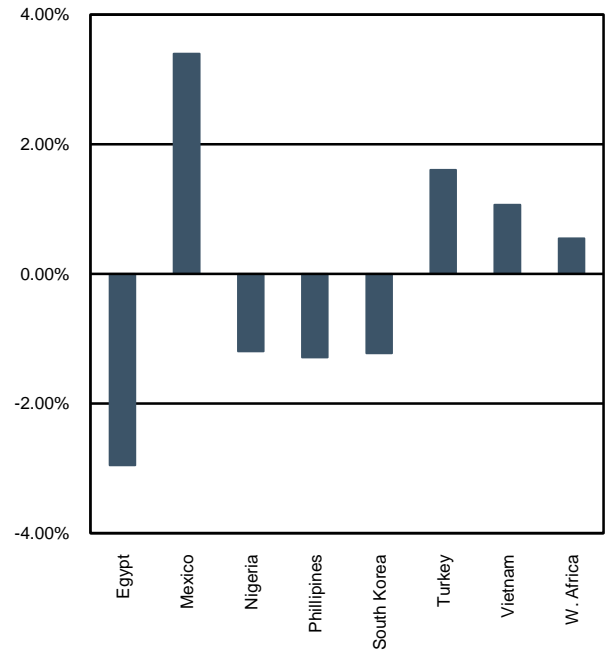
Picture gallery

Chart 1: Sector performance vs. ASI 28 Sep – 30 Sep 2009



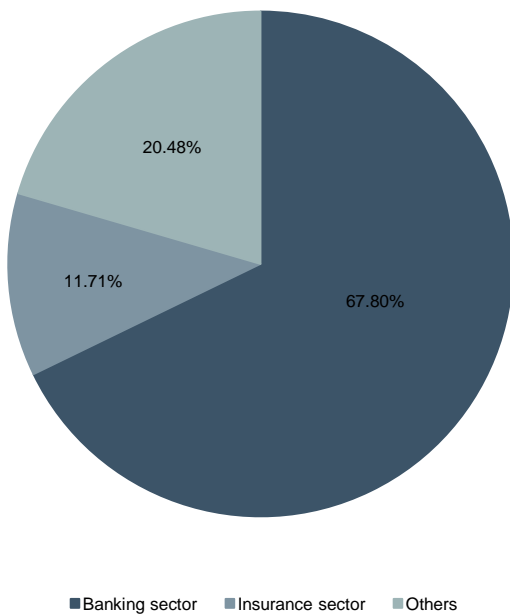
Sources: NSE, Stanbic IBTC Research

Chart 2: Performance of selected emerging market indices 28 Sep – 30 Sep 2009



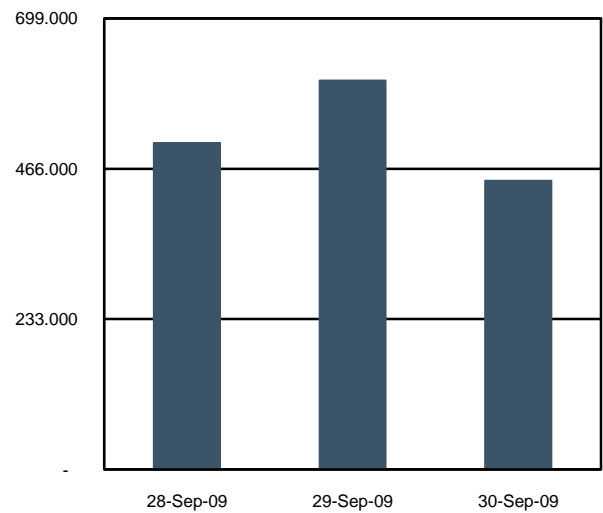
Sources: NSE, Stanbic IBTC Research

Chart 3: Vol. by sector, 28 Sep – 30 Sep 2009



Sources: NSE, Stanbic IBTC Research

Chart 4: Vol. traded (M), 28 Sep – 30 Sep 2009



Sources: NSE, Stanbic IBTC Research

Latest research publications

Guinness Nigeria plc

Ticker
Recommendation
Target price

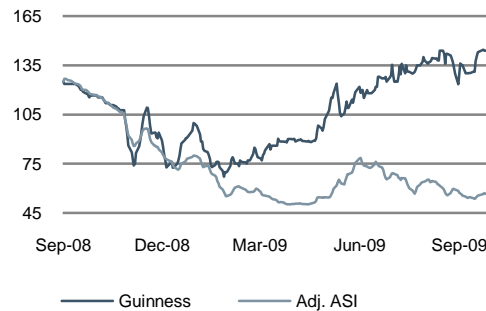
GUINNESS
HOLD
N162.12

We maintain a positive outlook for Guinness Nigeria plc, whose key products (Guinness Stout and Malta Guinness) are market leaders in their respective niches. The company is operating at over 80% of its current capacity of 4.7 million hectolitres — it plans to increase its capacity to 6 million hectolitres by 2011. We believe this is necessary, given intensifying competition in the industry.

For FY 09, Guinness recorded PAT growth of 14.16% to N13.54 billion. This falls short of our estimate of N15 billion.

Using a combination of different valuation methods, we arrive at a fair value of N162.12/share. At the current price, this implies 12.58% upside potential.

Price performance, N



Sources: NSE, Stanbic IBTC Research

Flour Mills of Nigeria plc

Ticker
Recommendation
Target price

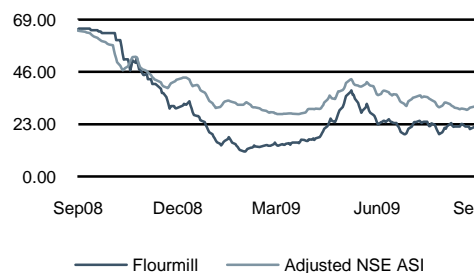
FLOURMILL
BUY
N53.71

Flour Mills of Nigeria plc (Flour Mills) recorded a sharp decline of 38.85% in profit after tax (PAT) to N3.891 billion in FY 09 from N6.363 billion in FY 08. This was expected as the company had hinted of a foreign exchange-related loss of about N6.6 billion in Q3:08 ended December 2008.

We believe that Flour Mills is well on track to remain the leading flour-milling company in Nigeria. This is on the back of the company's announcement to buy a 51% stake in Nigerian Eagle Flour Mills, a 25-year old miller with capacity of 850 metric tonnes per day.

Using a combination of several valuation methods, we arrive at a fair value estimate of N53.71/share for the year ending March 2010. This represents upside potential of 133.62% from the current level.

Price performance, N



Sources: NSE, Stanbic IBTC Research

Research publications

Date	Company	Title	Recommendation
30/09/2009	Guinness Nigeria plc	Optimistic outlook	Hold
28/09/2009	Flour Mills of Nigeria plc	Profit decline not surprising	Buy
25/09/2009	Nigerian Bottling Co. plc	Closing down the concentrate plant	Buy
15/09/2009	GTBank plc	Provisioning depresses earnings	Buy
15/09/2009	NNFM plc	Growth in bottom-line goes sky high	Sell
14/09/2009	Int. Energy Insurance	Margins dwindle in H1:09	Buy
14/09/2009	Royal Exchange plc	Initiation of coverage: De-merger erodes bottom line	Buy
08/09/2009	Chevron Oil Nigeria plc	Speedy recovery	Hold
08/09/2009	Seven Up Bottling Co.	Festive period boosts turnover	Buy
03/09/2009	Crusader Nigeria	Renewed focus on core business to grow PAT	Hold
03/09/2009	CCNN	Very attractive upside potential	Buy
01/09/2009	Standard Alliance	Quarterly Results point towards better earnings in FY 09	Buy
01/09/2009	Int. Energy Insurance	Earnings grow sharply in Q1:09	Buy
31/08/2009	Diamond Bank	Dividends shrink due to provisions	Hold
26/08/2009	Presco	Turnover still on the rise - Buy	Buy

Source: Stanbic IBTC Research

Dividends payable

Company	Declared	LDT	Pay	Dividend amount	YTD
Guinness Nigeria plc	29-Sep-09		04-Nov-09	NGN7.50k	

Source: NSE

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)
Banking								
Access Bank plc	6.15	-15.75	101.09	4.86	11.38	0.55	117.00	0.54
Diamond Bank plc	8.22	15.94	118.99	23.01	4.35	1.04	8.81	0.99
Ecobank Nigeria plc	21.66	-22.53	156.34	74.45	1.34	4.49	19.54	4.03
Ecobank Transnational Incorporated	11.55	-71.55	100.87	7.61	13.14	0.62	5.31	0.60
First City Monument Bank plc	6.00	-2.44	98.28	6.50	15.37	0.74	18.45	0.72
Fidelity Bank plc	1.90	-59.49	55.03	4.12	24.27	0.40	11.45	0.39
First Bank of Nigeria plc	14.48	-11.98	420.01	33.42	2.99	1.24	22.54	1.06
Guaranty Trust Bank plc	13.38	2.92	252.08	8.90	11.23	1.38	19.57	1.67
Bank PHB plc	3.50	-64.96	70.54	3.60	12.86	0.42	17.35	0.41
Skye Bank plc	4.65	-43.08	53.87	3.36	12.90	0.57	11.71	0.56
United Bank for Africa plc	14.03	4.70	302.44	7.41	7.13	1.57	270.76	1.56
Zenith Bank plc	14.00	-33.27	351.64	6.81	12.14	1.02	146.16	1.53
Breweries								
Guinness Nigeria plc	144.00	46.92	212.39	15.68	5.21	6.74	12.84	5.89
Nigerian Breweries plc	55.00	37.50	415.94	16.18	6.18	12.91	12.26	11.68
Building materials								
Ashaka Cement plc	12.20	-30.29	20.82	10.06	2.46	1.63	8.04	1.41
Benue Cement Company plc	42.00	122.22	164.45	39.68	-	11.96	10.29	5.53
Cement Company of Northern Nigeria plc	11.31	102.33	14.21	9.29	3.98	3.57	6.88	3.09
Lafarge Cement WAPCO plc	32.50	30.00	97.55	8.67	1.85	2.41	8.26	1.98
Conglomerates								
PZ Cussons Nigeria plc	21.90	85.59	69.56	13.05	3.11	1.96	10.94	1.76
UAC of Nigeria plc	37.00	1.84	47.38	11.30	5.41	1.15	9.30	1.09
Unilever Nigeria plc	14.50	33.15	54.86	21.13	4.69	8.21	15.37	7.27
Food & beverages								
Dangote Sugar Refinery plc	14.78	-6.46	177.36	8.11	8.12	5.44	7.72	4.36
Nigerian Bottling Company plc	18.05	-51.12	23.62	1504.63	0.00	1.08	7.87	1.00
Nestle Nigeria plc	208.00	8.65	137.39	16.49	6.03	15.21	15.50	14.50
7-UP Bottling Company plc	28.50	-26.18	14.61	9.08	5.26	1.83	8.68	1.69
Petroleum marketing								
African Petroleum plc	31.00	-89.46	32.09	6.29	16.77	4.61	4.71	3.85
Chevron Oil Nigeria plc	69.96	-56.25	17.77	0.00	0.00	9.28	14.47	8.46
Conoil plc	36.00	-54.08	24.98	9.63	7.64	2.09	6.73	1.94
Mobil Oil Nigeria plc	105.00	-68.30	31.55	18.37	4.76	14.03	23.60	11.91
Oando plc	87.50	12.17	79.19	9.49	6.86	1.76	9.15	1.68
Total Nigeria plc	150.48	-26.12	51.09	11.61	6.07	7.00	10.60	6.18
Agriculture								
Okomu Oil Palm plc	25.19	-23.18	12.04	9.97	0.99	2.81	8.32	2.34
Presco plc	5.44	-46.19	5.44	8.07	5.51	2.13	9.06	1.89
Chemical & paints								
Chemical and Allied Products plc	29.23	-31.01	6.14	8.35	12.83	6.13	10.23	7.34
Nigeria-German Chemicals plc	15.83	-18.49	2.43	17.71	2.84	2.16	16.82	2.02
D.N. Meyer plc	6.27	-45.53	1.83	28.65	1.59	11.19	26.11	7.83
Construction								
Julius Berger Nigeria plc	28.10	-49.46	33.72	13.44	6.23	5.08	10.34	4.62
Costain (W.A.) plc	4.60	-59.90	4.23	11.99	-	-	10.57	-4.77
Insurance								
Unic Insurance plc	0.76	-36.67	1.96	5.96	6.58	0.41	5.37	0.38
Prestige Assurance Company plc	4.38	-29.92	9.42	14.76	4.57	2.16	11.77	2.01
Mutual Benefit Assurance plc	0.64	-56.46	5.12	-	0.00	0.48	3.66	0.65
Custodian and Allied Insurance plc	2.50	-18.03	11.88	7.62	6.80	1.24	5.42	1.12
Intercontinental Wapic Insurance plc	0.89	-77.58	4.51	8.45	14.04	0.51	4.69	0.49
International Energy Insurance plc	0.64	-70.23	3.52	7.45	7.8125	0.31	5.92	0.30
Standard Alliance Insurance plc	0.90	-40.00	7.55	8.74	5.56	0.33	7.03	0.32

Source: Stanbic IBTC Research

Note: *As at 30 September 2009

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This is a weekly report.

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Disclosures*

Company	Disclosure
Diamond Bank plc	E, G
Ecobank Transnational Inc plc	E
UAC Nigeria plc	E
International Energy Insurance plc	None
Cement Company of Northern Nigeria plc	E
Guinness Nigeria plc	E
Flour Mills of Nigeria plc	E

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Stanbic IBTC Equity Investment Research

Rating	Buy	Hold	Sell
All Recommendations (%)	60	27	13
Recommendations with Investment Banking Relationship (%)	62	8	30

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