

Market Watch

Profit-taking could dominate trades

Notwithstanding the upward movement in the All Share Index over the past few weeks (+ 11.5%), we think some bearish runs could take over the market this week. We expect profit-taking on stocks that have gained significantly since the beginning of the year. For example, in the banking industry, Skye Bank, FCMB and Diamond Bank have appreciated by 40%, 36% and 29%, respectively. At the same time, the building materials industry has shown much resilience, appreciating by an average of 21% since the start of the year. Key stocks to watch out for include CCNN and Ashaka Cement. Considering that several banks still have many margin stocks in their portfolio, we think that the bulk of sales this week could comprise such stocks as banks try to reduce their losses. Regardless of our expectation of a run on some stock prices this week, we encourage investors to make informed trade decisions based on fundamentals and not just market sentiment.

Shortage of credit constrains value

Given the level of bad loan provisions that banks had to make in the wake of the CBN special audit, most banks have become extremely conservative and have adopted a very cautious approach to risk asset creation. For example, at the end of 2009, credit to the private sector increased by only 28% as opposed to a benchmark of 45% at the start of the year. Corporate and individual clients have therefore had to contend with limited access to credit, which has negatively affected the funding of expansion projects and other running expenses. Based on this we see a potential risk to several companies' (listed and unlisted) earnings and profitability.

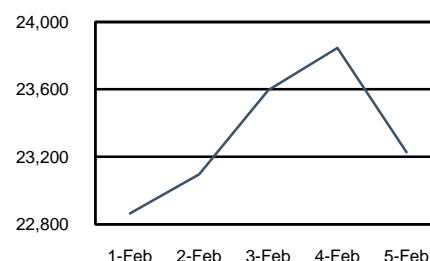
Secondary market

The market capitalisation of the 200 first-tier equities closed higher (see table). Some 36,457 deals were recorded last week — 49% down on the previous week. As illustrated in Chart 3, the banking sector once again maintained its lead over other sectors (measured by the volume of shares traded) with a turnover of 1.4 billion shares worth N10.5 billion. The sector's volume and value represent 51% and 56%, respectively, of all NSE transactions for the week.

Share price performance

About 52 stocks recorded price gains last week compared to 58 stocks in the preceding week. The number of losers increased to 50 stocks compared to 33 stocks in the week before.

Market performance (ASI)



Source: NSE

All Share Index	▲ 3%	23,226.28
Market cap	▲ 4%	N5.6 trillion
Value traded	▲ 34%	N18.9 billion
Volume traded	▼ 17%	2.7 billion

Top gainers

Nestle	7%	N270.00
AP	8%	N39.37
NB	5%	N57.00

Sources: NSE, Stanbic IBTC Research

Top losers

Alumaco	-14%	N18.42
Conoil	-8%	N31.00
Mobil	-2%	N97.51

Sources: NSE, Stanbic IBTC Research

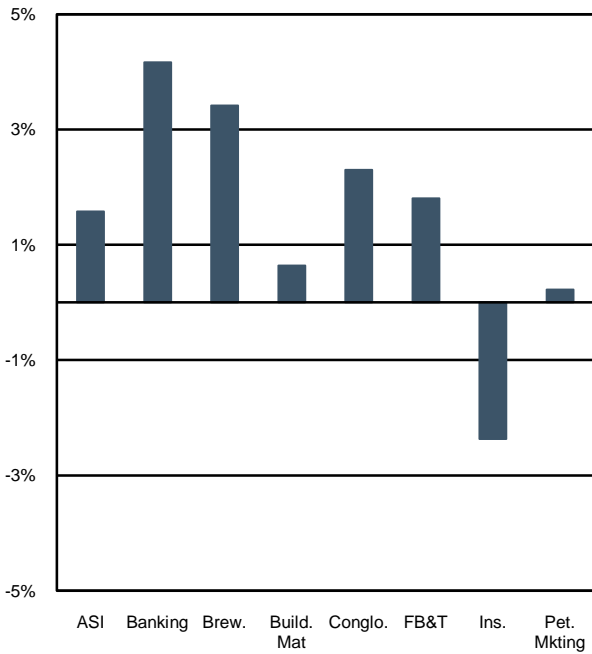
Stocks to watch	Proj. P/E (x)	Proj. P/BV (x)	Proj. DY (%)
Fidelity	16.0	0.6	3.1
NB	14.1	12.8	6.7
CCNN	9.5	4.3	7.3
Flourmills	6.6	1.5	3.3
JBerger	11.1	4.7	7.2

Sources: NSE, Stanbic IBTC Research

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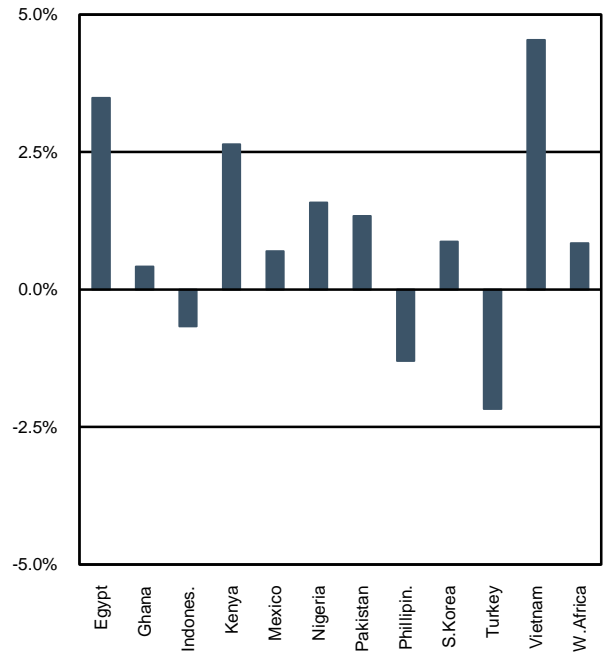
Picture gallery

Chart 1: Sector performance vs. ASI 01 Feb – 05 Feb 2010



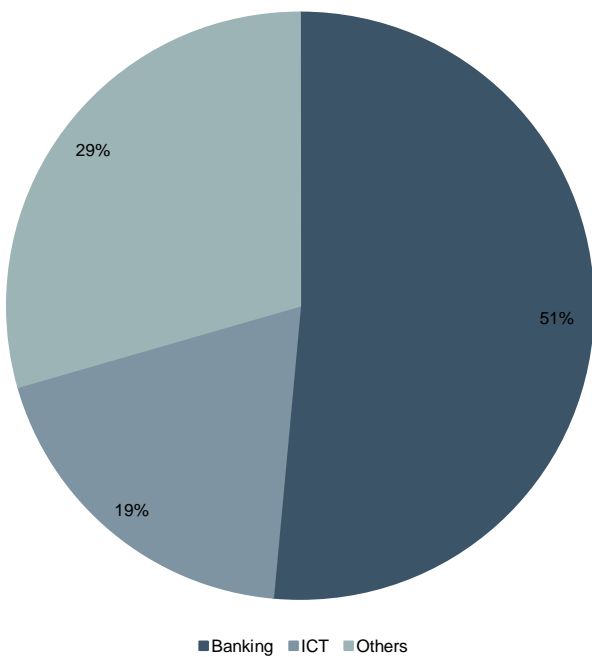
Sources: NSE, Stanbic IBTC Research

Chart 2: Performance of selected emerging market indices 01 Feb – 05 Feb 2010



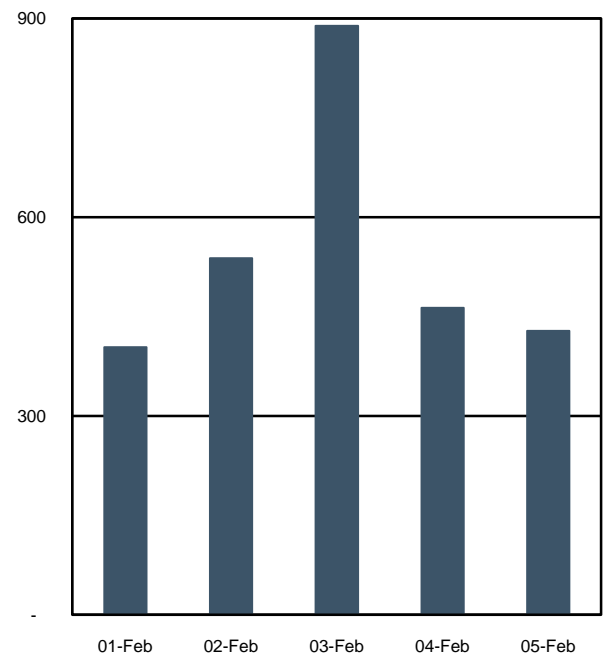
Sources: NSE, Stanbic IBTC Research

Chart 3: Vol. by sector, 01 Feb – 05 Feb 2010



Sources: NSE, Stanbic IBTC Research

Chart 4: Vol. traded (M), 01 Feb – 05 Feb 2010



Sources: NSE, Stanbic IBTC Research

Research publications

Date	Company	Title	Recommendation
01/02/2010	PZ Cussons Nig. 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	7up Bottling Company plc	Turnover rises, despite competition	BUY
24/12/2009	Continental Reinsur. 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
01/12/2009	Union Homes Savings & Loans plc	Tough conditions trigger losses	HOLD
03/12/2009	Nigerian Breweries plc	Turnover and PAT growth slows down	HOLD
24/11/2009	Oando plc	Still on a growth path	BUY
24/11/2009	Guinness Nigeria plc	Marketing costs depress earnings	HOLD
23/11/2009	Int. Energy Insurance plc	Establishing a trend	BUY
18/11/2009	Okomu Oil Palm Co. plc	Double blow to the bottom line	SELL
18/11/2009	Prestige Assurance plc	Earnings update	BUY
18/11/2009	Chevron Oil Nigeria plc	Maintaining an impressive trend	BUY
18/11/2009	Conoil plc	Suspension of coverage, depressed price helps valuation	BUY
16/11/2009	Cornerstone Ins plc	Paying the price – huge claims hit earnings	HOLD
16/11/2009	UACN plc	Tough times beckon	BUY
16/11/2009	Cust and Allied Ins. plc	Right on track to achieve targets	BUY
12/11/2009	Prestige Assurance plc	On course to grow its market share	BUY
12/11/2009	PZ Cussons Nig. plc	Taxes turn profit red	BUY
11/11/2009	Dangote sugar Ref.plc	Reduced credit slows down sales	HOLD

Source: Stanbic IBTC Research

Latest research publications

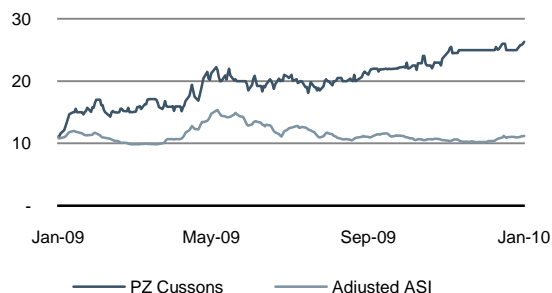
PZ Cussons Nigeria plc

Bloomberg ticker
Recommendation
Target price

PZ NL
BUY
N31.31

PZ Cussons' turnover, which declined by 4% in Q2:10, was impacted by reduced credit lines and the fact that sales of the company's Nutricima and Harefield products are no longer consolidated with group turnover. Despite a decline in volumes, PZ Cussons' profit continues to rise. This is on the back of two factors: (1) an increased focus on higher profit margin products, such as personal and home care and electronic goods; and (2) the fact that the company's nutritional products have returned to profitability as a result of falling milk prices. Following huge investments in plant upgrades, PZ Cussons is driving its growth strategy by redefining its core brands in the hair care, skin care, baby care, fabric care and medicinal market segments.

Price performance, N



Sources: NSE, Stanbic IBTC Research

Costain West Africa plc

Bloomberg ticker
Recommendation
Target price

COSTAIN NL
HOLD
N3.26

Costain (WA) plc's year-end results show a bottom-line decline of 274%, despite a 65% increase in turnover during the period. This result fell short of our PAT projection of N0.4bn, as well as Costain's projections of N0.5bn and N1.9bn for FY 08 and FY 09, respectively. According to management, the huge drop in profit can be attributed to the 100% provisions for doubtful debt. Costain claims that several of its clients have not been able to settle their debts, given the current liquidity constraint in the economy. In the absence of further doubtful debt provisions in FY 10, we expect PAT to recover. However, this might be affected by the current loss provision. Based on our 50% turnover growth projection and expenses constituting 90% of turnover, we derive a PAT of N0.1bn in FY 10 — 118% up on the current year's PAT.

Price performance, N



Sources: NSE, Stanbic IBTC Research

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	9.12	20.79	149.91	7.20	7.68	0.81	173.50	0.81	0.37
Diamond Bank plc	9.27	23.87	134.19	25.95	3.85	1.18	59.74	1.17	0.92
Ecobank Nigeria plc	6.72	28.93	48.51	23.10	4.33	1.39	0.00	1.71	0.00
Ecobank Transnational Incorporated	16.00	-33.47	139.74	10.54	9.49	0.87	12.16	0.85	5.76
First City Monument Bank plc	9.52	6.67	155.94	39.04	2.56	1.17	95.49	1.16	0.37
Fidelity Bank plc	2.66	35.81	77.04	53.88	1.86	0.60	16.02	0.58	3.12
First Bank of Nigeria plc	15.17	5.56	440.03	35.01	2.86	1.30	37.90	1.11	2.40
Guaranty Trust Bank plc	18.00	8.36	339.12	11.98	8.35	1.86	16.30	2.20	3.68
Bank PHB plc	2.09	14.07	42.12	2.15	21.53	0.25	0.00	0.00	0.00
Skye Bank plc	7.69	28.99	89.09	5.56	7.80	0.94	16.65	0.91	3.00
United Bank for Africa plc	13.68	23.16	294.89	7.22	7.31	1.53	45.37	1.50	0.88
Zenith Bank plc	15.85	51.45	398.11	7.71	10.73	1.16	28.94	1.70	2.21
Breweries									
Guinness Nigeria plc	128.02	0.41	188.82	13.94	5.86	5.99	12.99	5.55	6.37
Nigerian Breweries plc	57.00	7.55	431.07	16.77	4.91	13.38	14.10	12.77	6.74
Building materials									
Ashaka Cement plc	14.96	31.34	29.78	14.39	2.01	2.33	11.51	2.02	2.17
Benue Cement Company plc	50.00	16.25	195.78	47.24	0.00	14.24	12.25	8.42	3.31
Cement Company of Northern Nigeria plc	15.87	22.08	19.70	12.88	2.84	4.96	9.54	4.29	7.34
Lafarge Cement WAPCO plc	34.28	14.27	102.89	9.14	1.75	2.54	12.36	2.20	2.02
Conglomerates									
PZ Cussons Nigeria plc	26.00	4.00	82.59	17.14	2.62	2.32	15.27	2.13	2.55
UAC of Nigeria plc	41.90	14.01	53.66	12.80	4.77	1.31	10.53	1.24	5.26
Unilever Nigeria plc	24.00	26.32	90.80	34.97	2.83	13.59	19.20	10.39	2.94
Food & beverages									
Dangote Sugar Refinery plc	15.96	7.11	191.52	8.76	7.52	5.87	11.84	5.00	5.49
Nigerian Bottling Company plc	28.50	26.72	37.30	2375.73	0.00	1.70	14.52	1.59	2.76
Nestle Nigeria plc	270.00	12.73	178.35	21.41	4.65	19.75	18.52	18.75	5.13
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	39.37	17.49	40.75	7.99	13.21	5.85	5.98	4.90	13.38
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	97.51	-1.31	29.30	17.06	5.13	13.03	12.77	9.98	5.48
Oando plc	93.99	0.00	85.07	10.20	6.38	1.90	9.87	1.81	7.49
Total Nigeria plc	150.00	0.67	50.93	11.57	8.62	6.98	12.02	6.94	8.24
Agriculture									
Okomu Oil Palm plc	22.75	0.00	10.87	9.01	1.10	2.54	36.24	2.44	1.10
Presco plc	4.57	-18.39	4.57	6.78	6.56	1.79	13.06	1.66	3.45
Chemical & paints									
Chemical and Allied Products plc	28.00	0.00	5.88	8.00	13.39	5.88	12.59	7.32	5.96
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	4.88	-9.46	1.42	22.30	2.05	8.71	20.32	6.10	0.00
Construction									
Julius Berger Nigeria plc	28.50	10.51	34.20	13.64	6.14	5.15	11.15	4.71	7.17
Costain (W.A.) plc	5.95	56.58	5.48	0.00	-	-	50.39	0.62	
Insurance									
Unic Insurance plc	0.76	-33.91	1.96	5.96	6.58	0.41	10.75	0.39	1.86
Prestige Assurance Company plc	3.61	-9.75	7.76	12.16	5.54	1.78	9.48	1.65	6.33
Mutual Benefit Assurance plc	0.64	0.00	5.12	-	0.00	0.48	3.66	0.65	12.58
Custodian and Allied Insurance plc	2.92	7.69	15.01	9.62	5.82	1.57	8.11	1.44	6.85
Intercontinental Wapic Insurance plc	0.95	-15.65	4.81	26.49	0.00	0.56	24.08	0.55	2.62
International Energy Insurance plc	0.59	2.10	3.25	6.87	8.474576271	0.28	8.44	0.28	3.56
Standard Alliance Insurance plc	0.68	19.30	5.71	6.60	7.35	0.25	0.00	0.26	0.00

Source: Stanbic IBTC Research

Note: *As at 05 February 2010

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Disclosures*

Company	Disclosure
Ashaka Cement plc	E
Cement Company of Northern Nigeria plc	E
Costain WA plc	E
Diamond Bank plc	E
First City Monument Bank plc	E
Fidelity Bank plc	E
Flour Mills Nigeria plc	E
Julius Berger plc	E
Nigerian Breweries plc	E
PZ Cussons Nigeria plc	E
Skye Bank plc	E, G

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