

Market Watch

Increased interest to keep the market up

We believe the flat performance of the market last week (returning only 0.5%) was due to profit-taking. This week, we anticipate a gradual uptick of the market owing to the availability of value shares. In our view, the banking sector will continue to be of major interest to investors. Given that banks' FY 10 and FY 11 earnings should recover in the absence of huge provisions for loan losses, we expect long-term investors to take early long positions. Despite the challenging operating environment for companies in the food, beverages and tobacco sector, quarterly results have indicated that improved efficiency could boost earnings. Accordingly, we expect investor interest in the sector to increase in anticipation of cash dividends and long-term share price appreciation.

The political arena and banking reforms

The political arena saw some relief last week as the Nigerian House of Assembly proclaimed the vice-president as the acting president. This should address foreign investors' concerns regarding the country's political instability. According to the CBN governor, the asset management company (AMC) should be approved by the National Assembly in a few weeks' time. The AMC is expected to deal with banks' toxic assets and act as a recapitalisation vehicle for the banks that failed the CBN's audit test. Furthermore, the CBN is considering categorising banks according to regional and specialist banks. The CBN governor also confirms that the acting president is in support of the ongoing banking reforms. In our view, all these developments represent upside for the market and the economy as a whole in the long term.

Secondary market

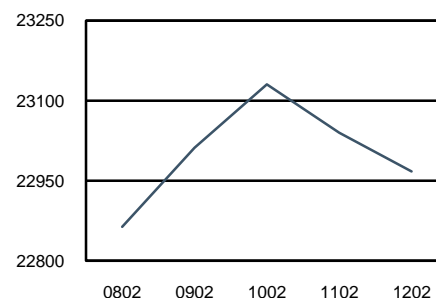
The market capitalisation of the 200 first-tier equities closed lower (see table). Some 34,643 deals were recorded last week — 5% down on the previous week.

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 billion shares worth N8 billion. Some 18,654 deals were recorded by investors. The sector's volume and value represent 50% and 58%, respectively, of all NSE transactions for the week.

Share price performance

About 31 stocks recorded price gains last week compared to 52 stocks in the preceding week. The number of losers increased to 64 stocks compared to 50 stocks in the week before.

Market performance (ASI)



Source: NSE, Stanbic IBTC Research

All Share Index	▲ 0.5%	22,967.26
Market cap	▼ 1.1%	N5.53 trillion
Value traded	▼ 23.7%	N14.5 billion
Volume traded	▼ 30.4%	1.9 billion

Top gainers

Flourmill	11%	N3.99
BCC	5%	N3.00
Ashakacem	7%	N1.04

Sources: NSE, Stanbic IBTC Research

Top losers

Total	-5%	N7.50
CAP	-10%	N2.73
Nestle	-1%	N2.00

Sources: NSE, Stanbic IBTC Research

Stocks to watch	Proj. P/E (x)	Proj. P/BV (x)	Proj. DY (%)
ETI	12	1	6
Dangflour	6	2	5
AP	6	3	14
Flourmill	7	2	3
CCNN	9	4	8

Sources: NSE, Stanbic IBTC Research

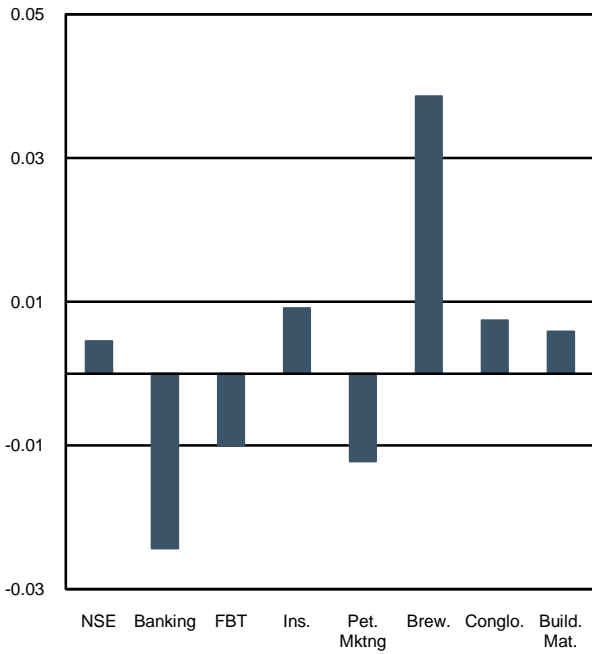
Tajudeen Ibrahim *

+234(1)8990672

Tajudeen.Ibrahim@stanbic.com

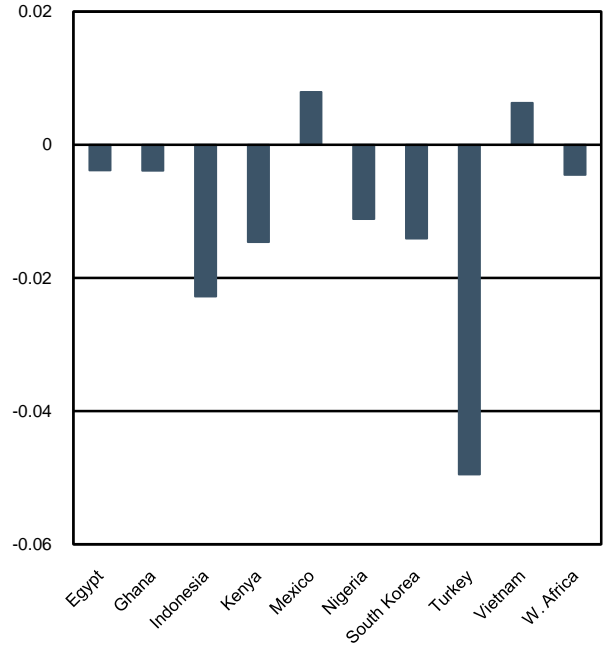
Picture gallery

Chart 1: Sector performance vs. ASI 08 Feb – 12 Feb 2010



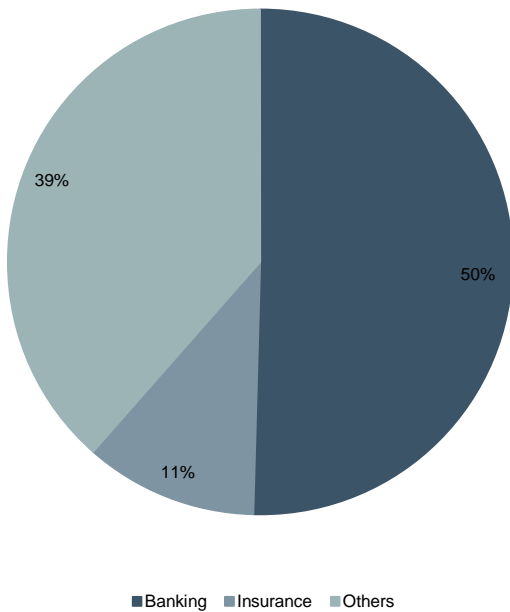
Sources: NSE, Stanbic IBTC Research

Chart 2: Performance of selected emerging market indices 08 – 12 Feb 2010



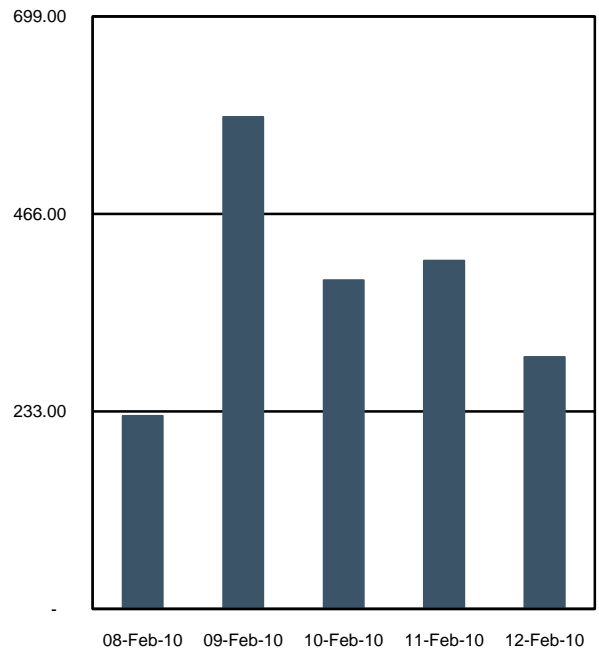
Sources: NSE, Stanbic IBTC Research

Chart 3: Vol. by sector, 08 Feb – 12 Feb '10



Sources: NSE, Stanbic IBTC Research

Chart 4: Vol. traded (M), 08 Feb – 12 Feb '10



Sources: NSE, Stanbic IBTC Research

Research publications

Date	Company	Title	Recommendation
12/02/2010	Flour mills of Nig. 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 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

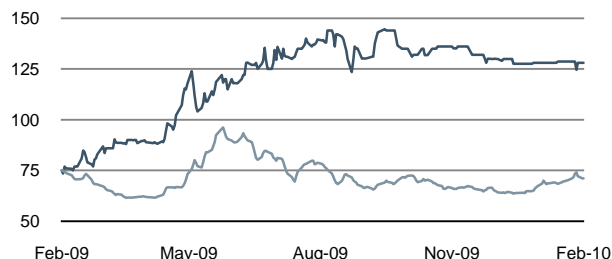
Guinness Nigeria plc

Bloomberg ticker
Recommendation
Target price

GUINNESS NL
SELL
112.76

Although Guinness' Q2:10 revenues grew by 24% and exceeded our forecast by 3%, we maintain our FY 10 revenue growth forecast of 18% as there are no major festivities that could spur demand in the company's H2:10. We believe increased competition from regional players, such as SAB Miller, will negatively affect sales growth in certain regions. For two consecutive quarters, Guinness' profit before tax has declined. While the company has been able to reduce its administrative expenses to 7% of turnover (vs. 9% in Q2:09), its marketing and distribution expenses continue to pull trading profit down, accounting for 17% of turnover (vs. 14% in Q2:09).

Price performance, N



Sources: NSE, Stanbic IBTC Research

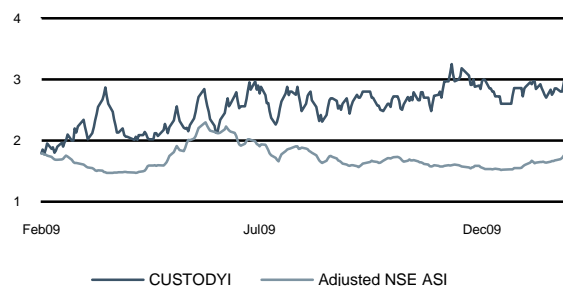
Custodian and Allied Insurance plc

Bloomberg ticker
Recommendation
Target price

CUSTODYI NL
BUY
4.03

Custodian's buyback of 257 million shares will lead to a 5% increase in its earnings per share (EPS) as its outstanding shares will decrease to 4.88 billion from 5.13 billion. According to our FY 10 forecasts, the company's EPS will improve to N0.46 from N0.44 and its dividend per share will rise to N0.24 from N0.23. We estimate the cost of the buyback at N746 million and have thus adjusted our forecast FY 10 shareholders' funds to N11.34 billion from N12.08 billion. This leaves our estimated price-to-book value for FY 10 at 1.20x compared to our previous forecast of 1.26x (assuming no share buyback) and the market average of 3.36x. As at the end of FY 08, Custodian's shareholders' funds amounted to N10 billion — significantly higher than the NAICOM regulatory requirement of N3 billion.

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	9.30	23.18	152.87	7.34	7.53	0.83	176.93	0.82	0.37
Diamond Bank plc	9.00	25.17	130.28	25.19	3.97	1.14	58.00	1.13	0.95
Ecobank Nigeria plc	5.23	-48.22	37.75	17.98	5.56	1.08	0.00	1.33	0.00
Ecobank Transnational Incorporated	15.31	2.07	133.71	10.09	9.91	0.83	11.64	0.81	6.02
First City Monument Bank plc	9.26	32.10	151.68	37.98	2.63	1.14	92.89	1.13	0.38
Fidelity Bank plc	2.65	5.16	76.75	53.67	1.86	0.59	15.96	0.58	3.13
First Bank of Nigeria plc	14.80	5.71	429.29	34.15	2.93	1.27	36.98	1.08	2.46
Guaranty Trust Bank plc	18.40	16.60	346.65	12.24	8.17	1.90	16.67	2.25	3.60
Bank PHB plc	1.98	43.48	39.91	2.04	22.73	0.24	0.00	0.00	0.00
Skye Bank plc	7.35	34.12	85.15	5.32	8.16	0.90	15.92	0.87	3.14
United Bank for Africa plc	12.70	17.48	273.77	6.71	7.87	1.42	42.12	1.39	0.95
Zenith Bank plc	15.59	15.48	391.58	7.59	10.90	1.14	28.46	1.67	2.25
Breweries									
Guinness Nigeria plc	129.00	1.18	190.27	14.05	5.81	6.04	13.09	5.53	6.12
Nigerian Breweries plc	60.00	13.21	453.75	17.66	4.67	14.08	14.84	13.44	6.40
Building materials									
Ashaka Cement plc	16.00	40.47	31.85	15.39	1.88	2.49	12.31	2.16	2.03
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	15.60	20.00	19.37	12.66	2.88	4.87	9.38	4.21	7.47
Lafarge Cement WAPCO plc	34.50	15.00	103.56	9.20	1.74	2.56	12.44	2.22	2.01
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	40.51	10.23	51.88	12.37	4.94	1.26	10.18	1.20	5.44
Unilever Nigeria plc	25.00	31.58	94.58	36.43	2.72	14.16	20.00	10.82	2.82
Food & beverages									
Dangote Sugar Refinery plc	15.20	2.01	182.40	8.34	7.89	5.59	11.28	4.76	5.76
Nigerian Bottling Company plc	27.10	20.50	35.47	2259.02	0.00	1.62	13.81	1.51	2.90
Nestle Nigeria plc	268.00	11.90	177.03	21.25	4.68	19.60	18.38	18.61	5.17
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	38.00	13.40	39.33	7.71	13.68	5.65	5.77	4.72	13.86
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	142.50	-4.36	48.38	11.00	9.07	6.63	11.42	6.59	8.67
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	5.01	-10.54	5.01	7.43	5.99	1.96	14.31	1.82	3.14
Chemical & paints									
Chemical and Allied Products plc	25.27	-9.75	5.31	7.22	14.84	5.30	11.36	6.61	6.60
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	4.41	-18.18	1.29	20.15	2.27	7.87	18.36	5.51	0.00
Construction									
Julius Berger Nigeria plc	28.00	8.57	33.60	13.40	6.25	5.06	10.96	4.63	7.30
Costain (W.A.) plc	5.29	39.21	4.87	0.00	-	-	44.80	0.55	-
Insurance									
Unic Insurance plc	0.83	-27.83	2.14	6.51	6.02	0.44	11.74	0.43	1.70
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	2.99	4.55	15.36	9.86	5.69	1.61	8.31	1.47	6.69
Intercontinental Wapic Insurance plc	0.94	-18.26	4.76	26.21	0.00	0.55	23.83	0.54	2.64
International Energy Insurance plc	0.58	-3.33	3.72	7.88	8.62	0.33	9.67	0.32	3.10
Standard Alliance Insurance plc	0.57	0.00	4.78	5.54	8.77	0.21	0.00	0.22	0.00

Source: Stanbic IBTC Research

Note: *As at 15 January 2010

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Disclosures*

Company	Disclosure
African Petroleum plc	E
Cement Company of Northern Nigeria plc	E
Custodian and Allied Insurance plc	E
Dangote Flour Mills plc	E
Ecobank Transnational Incorporated plc	E
Flour Mills Nigeria plc	E
Guinness Nigeria plc	E

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