

Market Watch

Three days of modest trading

In line with our projections for last week, investors exhibited mixed feelings as the market declined for the first few days and then rose consistently until the end of the week. The All Share Index (ASI) appreciated by 1.8% in contrast to the 1.75% decline recorded in the preceding week. Considering the big spending that often characterises holiday periods, combined with the recent festivities, we expect tightened liquidity of retail investors. This, together with the reasonable reservations investors have towards the banking industry and the mixed sentiments on most banking stocks, will result in a more modest movement of the NSE ASI through the three working days of this week. In anticipation of the release of results for the recently audited banks, a few speculators may seize the opportunity to take positions for banks they strongly believe will scale through, while visibly avoiding doubtful stocks. The more risk-averse investors will likely just aim to limit their transactions within the sector as a whole and decline the urge to speculate. We expect that in general activity in the entire market will remain subdued and volatile and we therefore do not anticipate significant capital appreciation in the short term, particularly in the few trading days of this week. However, we expect sustained interest in the non-banking sectors to offer some solace to investors, both in the form of stability and good dividends.

Secondary market

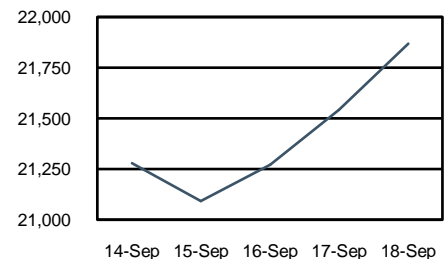
The NSE ASI closed higher last week, rising by 1.80%, to close at 21,870.12 points from 21,483.02 the preceding week. The market capitalisation of the 196 first-tier equities also closed higher at N5.10 trillion, from N4.92 trillion in the preceding week. A turnover of 2.22 billion shares worth N16.17 billion in 29,482 deals was recorded this week, in contrast to a total of 2.1 billion shares valued at N13.2 billion and exchanged in 29,963 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 1.54 billion shares worth N11.31 billion, and exchanged by investors in 15,973 deals. The sector's volume and value represent 44.16% and 42.97%, respectively, of the NSE's transactions for the week.

Share price performance

About 44 stocks recorded price gains last week in comparison to 28 stocks in the preceding week. In contrast, the number of losers during the week decreased to 54 stocks as against 74 stocks in the preceding week.

Market performance (ASI)



Source: NSE

All Share Index	▲ 1.80%	21,870.12
Market cap	▲ 3.66%	N5.1 trillion
Value traded	▲ 22.50%	N16.17 billion
Volume traded	▲ 5.71%	2.22 billion

Top gainers

Guinness	9.69%	N143.00
Nestlé	4.00%	N208.00
Julius Berger	21.52%	N22.93

Sources: NSE, Stanbic IBTC Research

Top losers

Mobil	-5.00%	N97.75
AP	-10.03%	N33.00
Chevron	-4.98%	N69.96

Sources: NSE, Stanbic IBTC Research

Stocks to watch	Proj. P/E (x)	Proj. P/BV (x)	Proj. DY (%)
GTBank	9.54	1.64	6.29
Union Homes	2.16	0.39	9.71
CCNN	9.11	4.10	7.68
MBenefit	3.66	0.65	12.58
Custodyins	6.07	1.25	7.40

Sources: NSE, Stanbic IBTC Research

Muyiwa Oni*

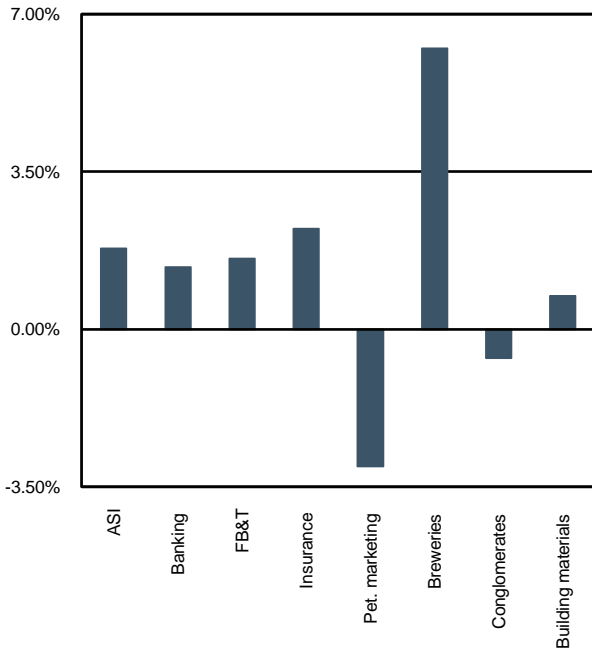
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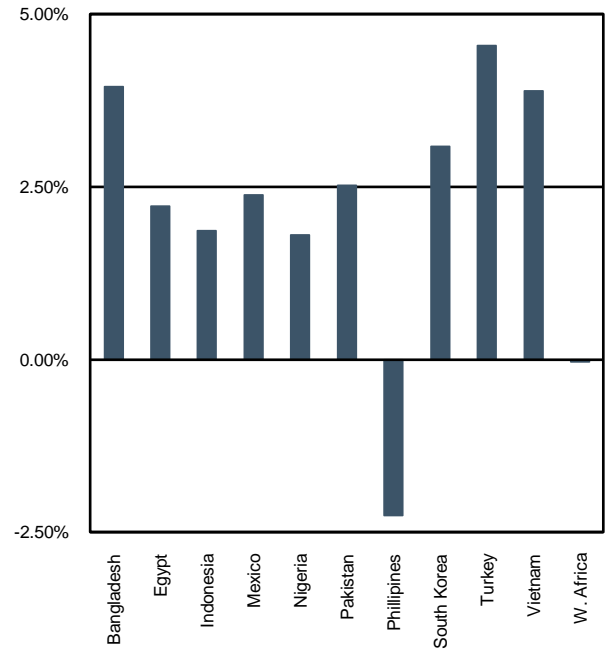
Picture gallery

Chart 1: Sector performance vs. ASI 14 Sep – 18 Sep 2009



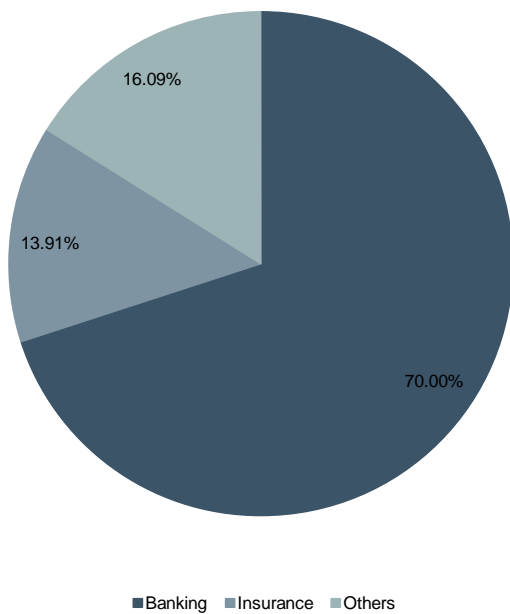
Sources: NSE, Stanbic IBTC Research

Chart 2: Performance of selected emerging market indices 14 Sep – 18 Sep 2009



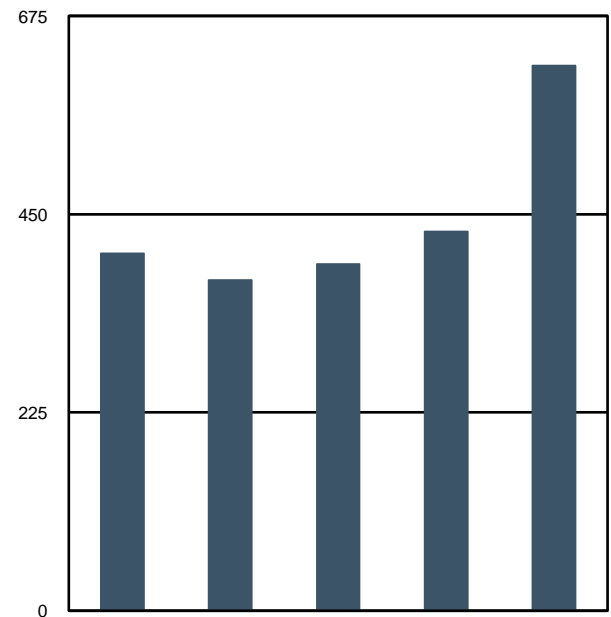
Sources: NSE, Stanbic IBTC Research

Chart 3: Vol. by sector, 14 Sep – 18 Sep 2009



Sources: NSE, Stanbic IBTC Research

Chart 4: Vol. traded (M), 14 Sep – 18 Sep 2009



Sources: NSE, Stanbic IBTC Research

Latest research publications

Royal Exchange plc

Ticker
Recommendation
Target price

Royalex
BUY
N1.07

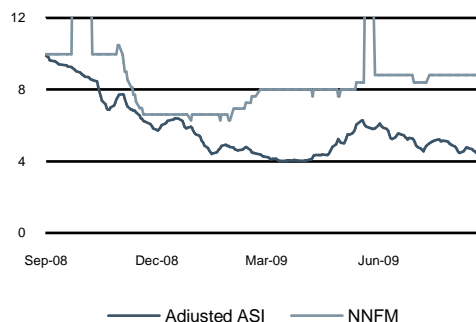
Royal Exchange plc (Royalex) recorded a significant decline of 476.35% to an after-tax loss of N2.435 billion in FY 08, from a profit after tax (PAT) of N0.647 billion in FY 07.

This was in spite of the 20.95% top-line growth to N3.314 billion in FY 08 from N2.740 billion in FY 07.

Net income was eroded by a de-merger, a suspended rights issue and re-branding expenses. This was worsened by a radically increased claims ratio, and provision for income taxes.

For FY 09, we predict gross premium and PAT growth of 15.01% and 117.43%, respectively.

Price performance, N



Sources: NSE, Stanbic IBTC Research

International Energy Insurance plc

Ticker
Recommendation
Target price

Intenegins
BUY
N1.63

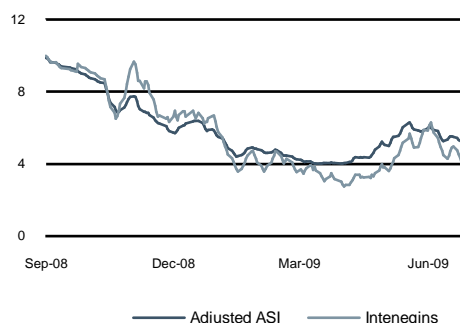
International Energy Insurance plc (Intenegins) recorded strong gross premium growth of 76.43% to N3.137 billion in H1:09 from N1.778 billion in H1:08. However, profit after tax declined by 55.98% to N0.570 billion from N1.295 billion in the same period.

In FY 09, we expect that low insurance penetration rates in Nigeria will continue to inhibit earnings growth for insurance companies.

On the foreign scene, however, we expect increased patronage (as a result of the company's expansions into other West African countries) to continue to grow premium generation.

In our view, Intenegins should focus on improving its profit margins.

Price performance, N



Sources: NSE, Stanbic IBTC Research

Northern Nigeria Flour Mills plc

Ticker
Recommendation
Target price

NNFM
SELL
N11.87

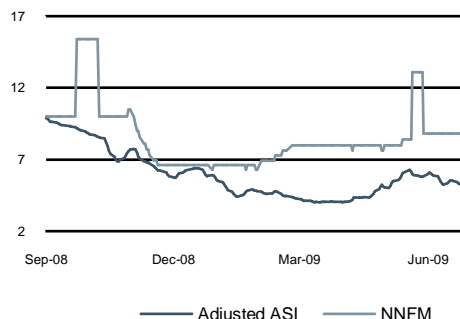
Northern Nigeria Flour Mills plc (NNFM) recorded turnover growth of 55.15% to N8.533 billion in FY 09 from N5.500 billion in FY 08.

More significantly, the company's profit after tax (PAT) grew by 314.04% to N0.236 billion in FY 09 from N0.057 billion in FY 08.

In FY 10, we expect more modest growth of 29.41% and 22.34% in revenue and PAT, respectively.

NNFM's shares have historically been characterised by infrequent trading — an average volume of 2,212 shares was traded daily on the floor of the exchange over the past six months, and an average of only one deal was transacted every other day over the same period. The company's stock is therefore relatively tight in liquidity.

Price performance, N



Sources: NSE, Stanbic IBTC Research

GT Bank plc

Ticker
Recommendation
Target price

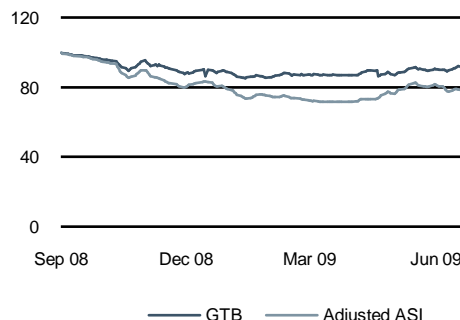
GTBank
BUY
N20.18

GT Bank's H1:09 results show 135.81% growth in gross earnings, to N85.09 billion from N36.084 billion in H1:08.

This was mostly driven by interest income, as the bank recorded growth of 37.78% in its loans and advances portfolio. Furthermore, deposits and other accounts increased by 32.63%, boosted primarily by low-cost funds. We presume that this may have also contributed to gross earnings growth, as interest expense growth would have slowed down.

Following the CBN's recommendation, GT Bank realised a loan loss provision of N20.789 billion in H1:09 which reflected in the bank's earnings, as PAT declined by 8%, to N8.758 billion in H1:09 from N9.520 billion in H1:08.

Price performance, N



Sources: NSE, Stanbic IBTC Research

Research publications

Date	Company	Title	Recommendation
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
25/08/2009	Standard Alliance	Fresh funds to help grow income	Buy
24/08/2009	Custodian & Allied	Bottom line bolstered by income from money market	Buy
21/08/2009	Oando	Less funding could topple revenues	Buy
18/08/2009	Glaxo Smithkline	Strong earnings sustained in H1:09	Hold
17/08/2009	Mutual Benefit	Diminution in investments strikes again	Buy
13/08/2009	Int. Energy Insurance	Diminution in investments hits PAT	Buy
12/08/2009	Cadbury	Initiation of coverage: Operation costs continue to inhibit...	Hold
12/08/2009	Tantalizers	Initiation of coverage: Festive period to bolster sales	Buy
12/08/2009	PZ Cussons	Surpassing expectation	Buy
07/08/2009	Mobil	Still recovering from exceptional items	Hold
07/08/2009	Staco	Stock market exposure still a risk	Sell
05/08/2009	Bank PHB	Expenses choke earnings efficiency	Buy
05/08/2009	Unilever	Strengthening product visibility	Hold
05/08/2009	CAP	Tougher terrain affects performance	Hold
03/08/2009	UBA	Trend of loss provisions continues	Hold
03/08/2009	Starcomms	Initiation of coverage: Dollar-denominated dilemma	Hold

Source: Stanbic IBTC Research

Dividends payable

Company	Declared	LDT	Pay	Dividend amount	YTD
Flour Mill of Nigeria plc	16-Sep-09		06-Nov-09	NGN0.50k	0.50
Guinness	08-Sep-09		04-Nov-09	NGN7.50k	7.50
NNFM	04-Sep-09		30-Oct-09	NGN0.40k	0.40
Seven Up	02-Sep-09		n/a	NGN1.50k	1.50

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)
Banking								
Access Bank plc	5.60	-23.29	92.05	4.42	12.50	0.50	6.33	0.48
Diamond Bank plc	7.74	9.17	112.04	21.67	4.62	0.98	8.30	0.93
Ecobank Nigeria plc	23.99	-14.20	173.16	82.46	1.21	4.97	21.65	4.46
Ecobank Transnational Incorporated	12.35	-69.58	107.86	8.14	12.29	0.67	5.68	0.64
First City Monument Bank plc	5.45	-11.38	89.27	5.91	16.92	0.67	4.62	0.61
Fidelity Bank plc	2.00	-57.36	57.93	4.34	23.06	0.42	3.25	0.40
First Bank of Nigeria plc	15.37	-8.45	445.83	35.47	2.82	1.32	13.97	1.12
Guaranty Trust Bank plc	13.65	5.00	257.16	9.08	11.01	1.41	9.54	1.64
Bank PHB plc	3.28	-67.17	66.11	3.38	13.72	0.39	5.45	0.37
Skye Bank plc	4.48	-45.17	51.90	3.24	13.39	0.55	2.95	0.50
United Bank for Africa plc	12.96	-3.28	279.37	6.84	7.72	1.45	12.70	1.35
Zenith Bank plc	12.50	-40.42	313.96	6.08	13.60	0.91	34.63	1.35
Breweries								
Guinness Nigeria plc	143.00	45.90	210.91	17.78	5.24	5.72	13.71	5.05
Nigerian Breweries plc	59.93	49.83	453.22	17.63	5.67	14.06	13.36	12.72
Building materials								
Ashaka Cement plc	12.30	-29.71	20.99	10.14	2.44	1.64	8.11	1.42
Benue Cement Company plc	42.09	122.70	164.80	39.77	-	11.98	10.31	5.54
Cement Company of North. Nig. plc	14.98	167.98	18.83	12.30	3.00	4.73	9.11	4.10
Lafarge Cement WAPCO plc	31.00	24.00	93.05	8.27	1.94	2.30	7.88	1.89
Conglomerates								
PZ Cussons Nigeria plc	20.01	69.58	63.56	11.92	3.40	1.79	9.99	1.60
UAC of Nigeria plc	35.91	-1.16	46.13	11.00	5.57	1.12	9.06	1.06
Unilever Nigeria plc	15.00	37.74	56.75	21.86	4.53	8.49	15.90	7.52
Food & beverages								
Dangote Sugar Refinery plc	15.49	-1.96	185.88	8.50	7.75	5.70	8.09	4.57
Nigerian Bottling Company plc	19.00	-48.55	24.87	1583.82	0.00	1.13	8.29	1.05
Nestle Nigeria plc	208.00	8.65	137.39	16.49	6.03	15.21	15.50	14.50
7-UP Bottling Company plc	30.00	-22.30	15.37	9.56	5.00	1.93	9.14	1.78
Petroleum marketing								
African Petroleum plc	33.00	-88.77	26.03	5.10	15.76	3.74	3.82	3.13
Chevron Oil Nigeria plc	69.96	-56.25	17.77	0.00	0.00	9.28	14.47	8.46
Conoil plc	39.27	-49.91	27.25	10.51	7.00	2.27	7.34	2.11
Mobil Oil Nigeria plc	97.75	-70.49	29.37	17.10	5.12	13.06	21.97	11.09
Oando plc	89.00	14.09	80.55	9.66	6.74	1.79	9.31	1.71
Total Nigeria plc	130.00	-36.18	44.14	10.03	7.02	6.05	9.16	5.34
Agriculture								
Okomu Oil Palm plc	25.19	-23.18	12.04	9.97	0.99	2.81	8.32	2.34
Presco plc	4.50	-55.49	4.50	6.68	6.67	1.76	7.50	1.56
Chemical & paints								
Chemical and Allied Products plc	26.52	-37.41	5.57	7.58	14.14	5.56	9.28	6.66
Nigeria-German Chemicals plc	15.83	-18.49	2.43	17.71	2.84	2.16	16.82	2.02
D.N. Meyer plc	6.93	-39.79	2.02	31.66	1.44	12.37	28.86	8.66
Construction								
Julius Berger Nigeria plc	22.93	-58.76	27.52	10.97	7.63	4.14	8.44	3.77
Costain (W.A.) plc	4.56	-60.24	4.20	11.88	-	-	10.48	-4.73
Insurance								
Unic Insurance plc	0.73	-39.17	1.88	5.73	6.85	0.39	5.16	0.37
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	2.80	-8.20	13.30	8.53	6.07	1.39	6.07	1.25
Intercontinental Wapic Insurance plc	0.69	-82.62	3.49	6.55	18.12	0.39	3.64	0.38
Goldlink Insurance plc	0.50	-44.44	4.55	6.70	10.00	0.55	5.92	0.53
International Energy Insurance plc	0.68	-68.37	3.74	7.92	7.35	0.33	6.29	0.32
Standard Alliance Insurance plc	1.00	-33.33	8.22	9.51	5.00	0.36	7.65	0.35

Source: Stanbic IBTC Research

Note: *As at 18 September 2009

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This is a weekly report.

We plan to formally update the companies we cover when next there is substantial financial news about them.

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Disclosures*

Company	Disclosure
Diamond Bank plc	E, G
Conoil plc	E
Cement Company of Northern Nigeria plc	E
International Energy Insurance plc	None
Custodian and Allied Insurance plc	E
Seven Up Bottling Company plc	None
Chevron Oil Nigeria plc	E

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Recommendations with Investment Banking Relationship (%)	64	27	9

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