

## Market Watch

### Positive outlook for the week ahead

We project that the upside recorded over the past three trading days will linger into the week ahead and, as such, we predict an appreciation in the ASI. This is given that the ASI's steady decline over the past two weeks up until last week Thursday implied that several stocks would have fallen to new lows and have thus become attractive to investors. Also, several stocks — particularly banking stocks — are currently on strong bids. In the past four trading days, the banking index has appreciated by 3.58%, notwithstanding market rumours regarding the industry. During the same period, the conglomerates index appreciated by 2.38%. Although retail investors with a short-term position should soon start taking profit, thereby causing more volatility, we expect institutional investors who account for the bulk of market trades to maintain their positions in the medium term. At the same time, we reiterate our view that it is highly likely that some investors will diversify to other sectors besides the banking industry, given better valuations. However, downside remains that these other sectors are not as liquid as the banking industry.

### Secondary market

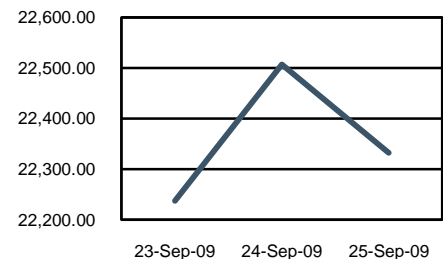
The NSE ASI rose by 0.43%, to close at 22,322.15 points from 21,870.12 the preceding week. The market capitalisation of the 196 first-tier equities also closed higher at N5.192 trillion, from N5.10 trillion in the preceding week. A turnover of 1.417 billion shares worth N12.932 billion in 20,011 deals was recorded this week, in contrast to a total of 2.22 billion shares valued at N16.17 billion and exchanged in 29,482 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 1.04 billion shares worth N9.67 billion. The sector's volume and value represent 73.94% and 74.82%, respectively, of the NSE's transactions for the week.

### Share price performance

About 47 stocks recorded price gains this week in comparison to 44 stocks in the preceding week. In contrast, the number of losers during the week decreased to 39 stocks as against 54 stocks in the preceding week.

#### Market performance (ASI)



Source: NSE

All Share Index	▲ 0.43%	22,322.15
Market cap	▲ 2.16%	N5.192 trillion
Value traded	▼ 20.00%	N12.932 billion
Volume traded	▼ 36.27%	1.417 billion

#### Top gainers

Total	5.00%	N136.50
Julius Berger	13.34%	N25.99
GSK	10.19%	N23.36

Sources: NSE, Stanbic IBTC Research

#### Top losers

CCNN	-14.02%	N12.88
Conoil	-4.99%	N37.31
Ecobank	-4.96%	N22.8

Sources: NSE, Stanbic IBTC Research

Stocks to watch	Proj. P/E (x)	Proj. P/BV (x)	Proj. DY (%)
Diamond Bank	9.54	1.07	5.76
CCNN	7.84	3.52	8.93
UACN	9.00	1.06	6.16
Custodian	5.85	1.21	7.67
Union Homes	2.44	0.44	13.35

Sources: NSE, Stanbic IBTC Research

#### Muyiwa Oni\*

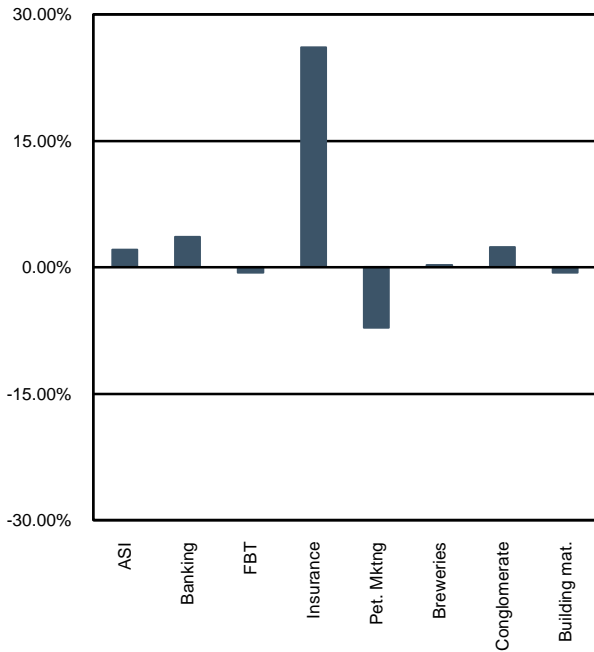
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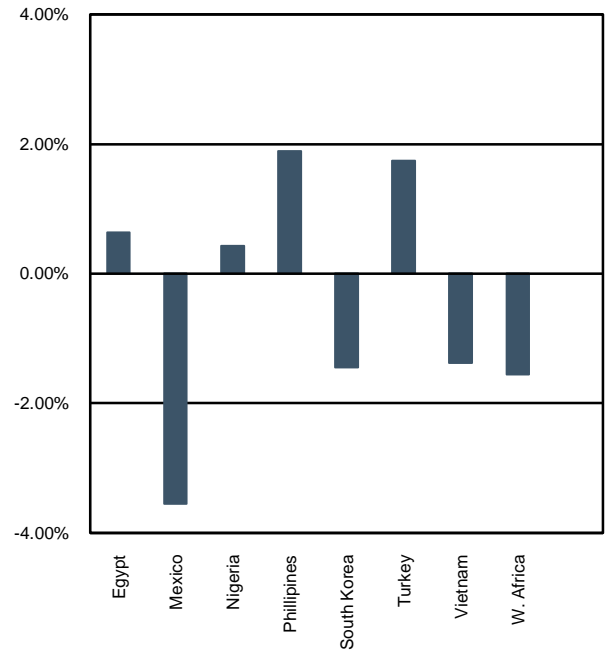
# Picture gallery

Chart 1: Sector performance vs. ASI 23 Sep – 25 Sep 2009



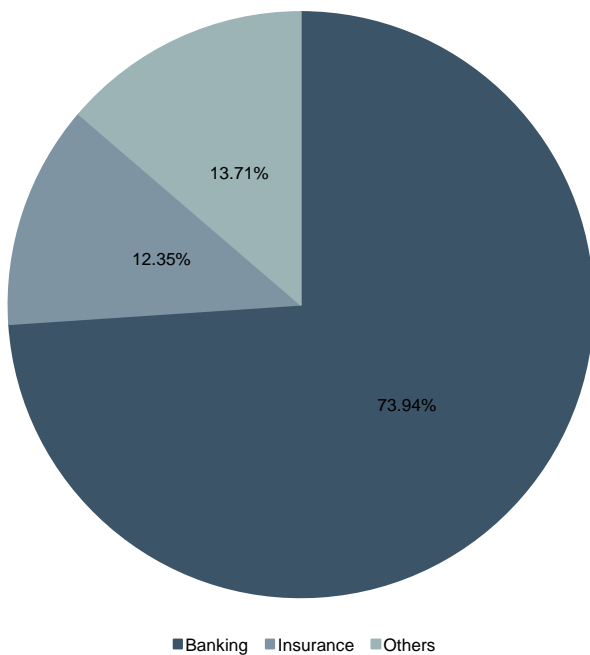
Sources: NSE, Stanbic IBTC Research

Chart 2: Performance of selected emerging market indices 23 Sep – 25 Sep 2009



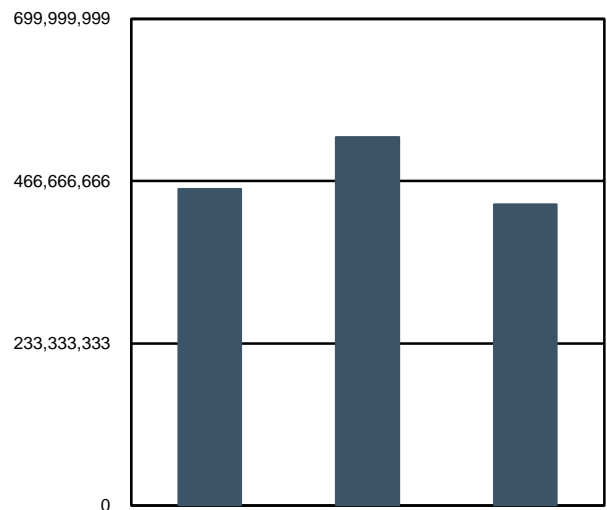
Sources: NSE, Stanbic IBTC Research

Chart 3: Vol. by sector, 23 Sep – 25 Sep 2009



Sources: NSE, Stanbic IBTC Research

Chart 4: Vol. traded (M), 23 Sep – 25 Sep 2009



Sources: NSE, Stanbic IBTC Research

## Latest research publications

### Nigerian Bottling Company plc

Ticker  
Recommendation  
Target price

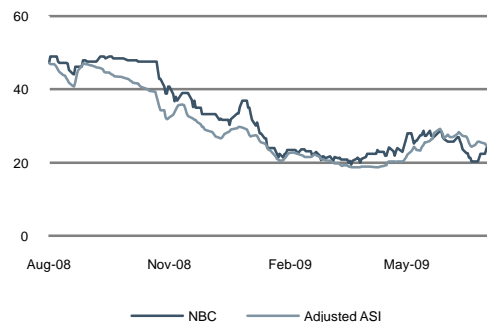
NBC  
BUY  
N32.10

Nigerian Bottling Company plc (NBC) recorded turnover growth of 16.70% to N45.995 billion in H1:09 from N39.413 billion in H1:08. However, the company recorded a dismal decline of 27.71% in its profit after tax to N1.602 billion from N2.216 billion in H1:08.

At the same time, the company recently announced the decision to close its concentrate plant at Ota, Ogun State. This is because the plant has been operating below capacity and, as with other manufacturing concerns in Nigeria, it has been plagued with increasing costs.

We forecast a PAT of N2.53 billion for FY 09. This translates into a forward P/E of 9.80x. NBC is currently trading at 68.95% upside potential to its fair value of N32.10/share.

#### Price performance, N



Sources: NSE, Stanbic IBTC Research

### Royal Exchange plc

Ticker  
Recommendation  
Target price

Royalex  
BUY  
N1.07

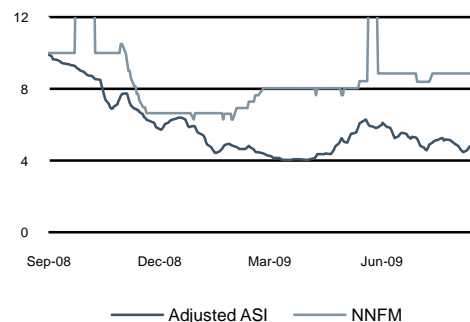
Royal Exchange plc (Royalex) recorded a significant decline of 476.35% to an after-tax loss of N2.435 billion in FY 08, from a profit after tax (PAT) of N0.647 billion in FY 07.

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

## Research publications

Date	Company	Title	Recommendation
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
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

Source: Stanbic IBTC Research

## Dividends payable

Company	Declared	LDT	Pay	Dividend amount	YTD
Flour Mill of Nigeria plc	23-Sep-09		06-Nov-09	NGN0.50k	0.50

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)
<b>Banking</b>								
Access Bank plc	5.57	-23.70	91.56	4.40	12.57	0.49	105.97	0.49
Diamond Bank plc	8.52	20.17	123.33	23.85	4.19	1.08	9.14	1.03
Ecobank Nigeria plc	22.80	-18.45	164.57	78.37	1.28	4.73	20.57	4.24
Ecobank Transnational Incorporated	12.07	-70.27	105.41	7.95	12.57	0.65	5.55	0.63
First City Monument Bank plc	5.88	-4.39	96.32	6.37	15.69	0.72	18.08	0.70
Fidelity Bank plc	1.88	-59.91	54.45	4.08	24.53	0.40	11.33	0.39
First Bank of Nigeria plc	16.49	-4.01	478.31	38.06	2.63	1.42	25.67	1.20
Guaranty Trust Bank plc	15.04	15.69	280.55	9.91	10.09	1.54	21.78	1.86
Bank PHB plc	3.61	-63.86	72.76	3.72	12.47	0.43	17.90	0.43
Skye Bank plc	4.47	-45.29	51.78	3.23	13.42	0.55	11.26	0.53
United Bank for Africa plc	14.28	6.57	307.83	7.54	7.00	1.59	275.58	1.59
Zenith Bank plc	13.77	-34.37	345.86	6.70	12.35	1.00	143.76	1.50
<b>Breweries</b>								
Guinness Nigeria plc	144.00	46.92	212.39	17.91	5.21	5.76	13.80	5.09
Nigerian Breweries plc	60.10	50.25	454.51	17.68	5.66	14.10	13.40	12.76
<b>Building materials</b>								
Ashaka Cement plc	12.00	-31.43	20.48	9.89	2.50	1.60	7.91	1.39
Benue Cement Company plc	42.09	122.70	164.80	39.77	-	11.98	10.31	5.54
Cement Company of North. Nig. plc	13.55	142.40	17.03	11.13	3.32	4.28	8.24	3.71
Lafarge Cement WAPCO plc	31.90	27.60	95.75	8.51	1.88	2.37	8.11	1.94
<b>Conglomerates</b>								
PZ Cussons Nigeria plc	21.22	79.83	67.40	12.65	3.20	1.90	10.60	1.70
UAC of Nigeria plc	36.57	0.66	46.83	11.17	5.47	1.14	9.19	1.08
Unilever Nigeria plc	15.00	37.74	56.75	21.86	4.53	8.49	15.90	7.52
<b>Food &amp; beverages</b>								
Dangote Sugar Refinery plc	15.20	-3.80	182.40	8.34	7.89	5.59	7.94	4.49
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
<b>Petroleum marketing</b>								
African Petroleum plc	32.00	-89.11	33.12	6.49	16.25	4.76	4.86	3.98
Chevron Oil Nigeria plc	69.96	-56.25	17.77	0.00	0.00	9.28	14.47	8.46
Conoil plc	37.31	-52.41	25.89	9.99	7.37	2.16	6.97	2.01
Mobil Oil Nigeria plc	92.88	-71.96	27.91	16.25	5.38	12.41	20.88	10.53
Oando plc	90.00	15.37	81.46	9.76	6.67	1.82	9.41	1.73
Total Nigeria plc	136.50	-32.99	46.34	10.53	6.69	6.35	9.62	5.61
<b>Agriculture</b>								
Okomu Oil Palm plc	25.19	-23.18	12.01	9.95	0.99	2.81	8.31	2.33
Presco plc	4.95	-51.04	4.95	7.34	6.06	1.94	8.25	1.72
<b>Chemical &amp; paints</b>								
Chemical and Allied Products plc	27.84	-34.29	5.85	7.95	13.47	5.84	9.74	6.99
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
<b>Construction</b>								
Julius Berger Nigeria plc	25.27	-54.55	30.32	12.09	6.93	4.56	9.30	4.16
Costain (W.A.) plc	4.80	-58.15	4.42	12.51	-	-	11.03	-4.98
<b>Insurance</b>								
Unic Insurance plc	0.70	-41.67	1.81	5.49	7.14	0.37	4.95	0.35
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	2.70	-11.48	9.56	8.30	6.30	2.28	5.90	1.22
Intercontinental Wapic Insurance plc	0.75	-81.11	3.80	7.12	16.67	0.43	3.96	0.41
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	0.99	-34.00	8.31	9.62	5.05	0.36	7.73	0.35

Source: Stanbic IBTC Research

Note: \*As at 24 September 2009

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Company	Disclosure
Diamond Bank plc	E, G
UAC Nigeria plc	E
Cement Company of Northern Nigeria plc	E
Union Homes Savings and Loans plc	E
Custodian and Allied Insurance plc	E
Nigerian Bottling Company plc	E
Royal Exchange Assurance plc	E

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Stanbic IBTC Equity Investment Research

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Recommendations with Investment Banking Relationship (%)	64	27	9

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