

Market Watch

Caution is the word for the week

This week we expect the same level of caution that has been witnessed over the past few weeks. From the recent trend of activity, it is obvious that several investors appear to be holding on to their stocks and are also cautious about the price at which they pick up additional volumes. This is evident in the volume of stocks traded which has not shown a stable pattern. Over the past week alone, turnover decreased by 33.86% while it decreased by 18.63% and 24.50%, respectively, in the past two and three weeks. We believe this inactivity stems from the fact that several investors who have lost significant value due to the market downside are now indifferent to further price declines and would rather hold on to their stocks in the hope that the market soon improves. At the same time, other investors who wish to mop up cheap stocks do not want to pay a premium above the current prices. This has led to the sideways performance in the market over the past two weeks. While we expect further declines in the ASI as the year winds up, we think the rate of decline will decrease. This is given our expectation that the CBN's measures to ensure increased liquidity in the system and the asset management company to be set up should raise some hopes of a gradual recovery of the market. As a result, we project a slight decline in the ASI by the end of this week.

Secondary market

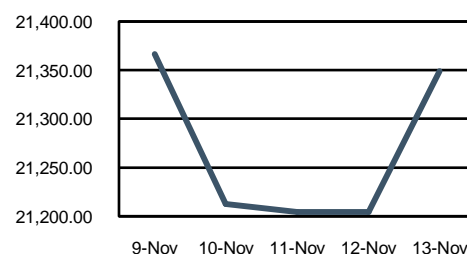
The NSE ASI closed on a negative note last week: it declined by 0.78%, to close at 21,349.18 points (from 21,517.29 the preceding week). The market capitalisation of the 198 first-tier equities also closed lower at N5.04 trillion, from N5.10 trillion in the previous week. A turnover of 2.20 billion shares worth N17.20 billion in 30,275 deals was recorded last week, in contrast to a total of 2.40 billion shares valued at N14.65 billion and exchanged in 31,070 deals in the preceding week.

As illustrated in Chart 3, the banking sector maintained its lead last week (measured by volume of shares traded), with a turnover of 1.30 billion shares worth N10.10 billion, and exchanged by investors in 17,542 deals. The sector's volume and value represent 59.09% and 58.72%, respectively, of the NSE's transactions for the week.

Share price performance

Some 32 stocks recorded price gains last week, compared to 33 in the previous week while the number of losers rose to 61 from 59 in the preceding week.

Market performance (ASI)



Source: NSE

All Share Index	▼ 0.78%	21,349.18
Market cap	▼ 0.78%	N5.04 trillion
Value traded	▲ 17.41%	N17.20 billion
Volume traded	▼ 8.33%	2.20 billion

Top gainers

JBERGER	7.71%	N2.07
UPDC	7.89%	N1.42
AP	3.89%	N1.21

Sources: NSE, Stanbic IBTC Research

Top losers

TOTAL	-5.00%	N8.00
FLOURMILL	-5.52%	N1.87
CONOIL	-4.99%	N1.84

Sources: NSE, Stanbic IBTC Research

Stocks to watch	Proj. P/E (x)	Proj. P/BV (x)	Proj. DY (%)
Diamond Bank	7.84	0.88	7.02
GTB	14.90	2.01	4.03
Dangflour	2.59	0.98	12.94
NNFM	10.72	3.03	2.21
OANDO	9.83	1.80	7.52

Sources: NSE, Stanbic IBTC Research

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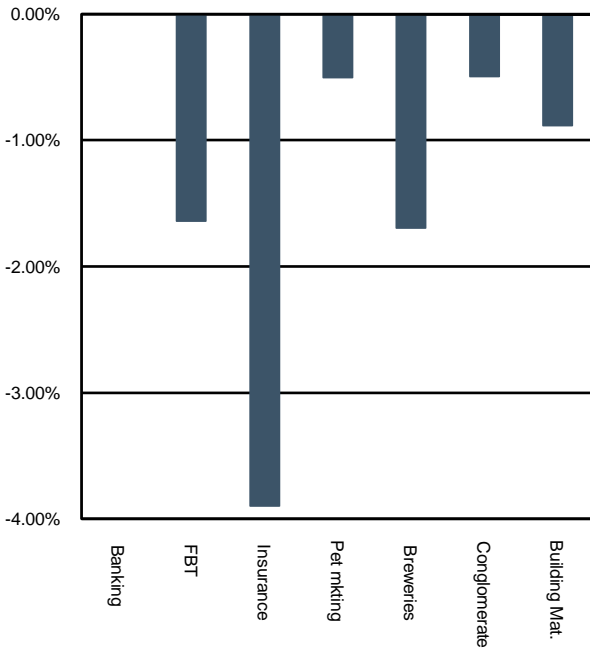
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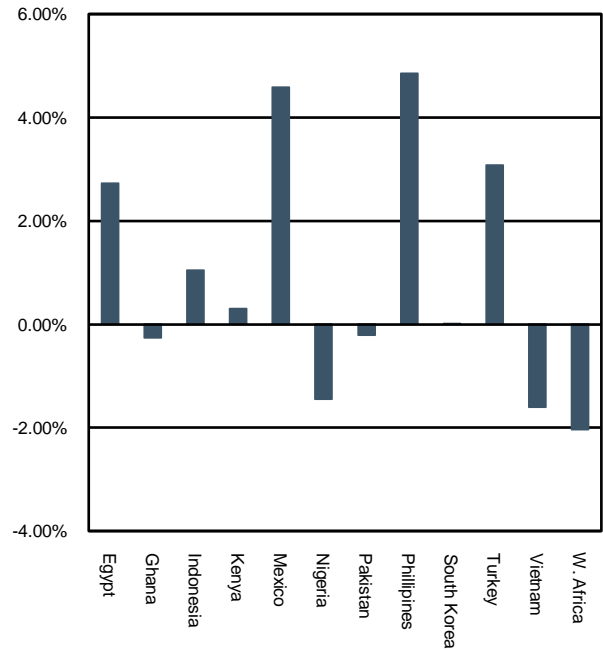
Picture gallery

Chart 1: Sector performance vs. ASI 09 Nov – 13 Nov 2009



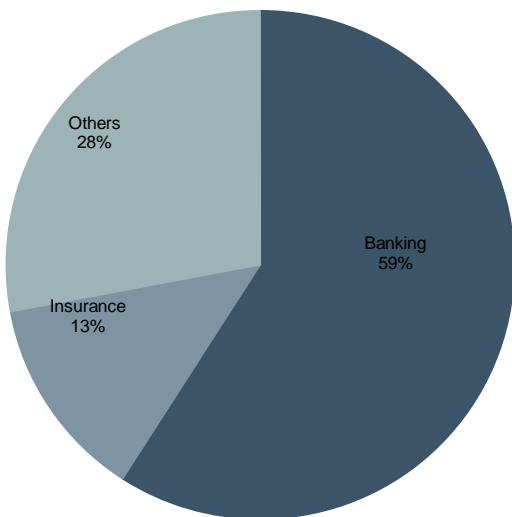
Sources: NSE, Stanbic IBTC Research

Chart 2: Performance of selected emerging market indices 09 Nov – 13 Nov 2009



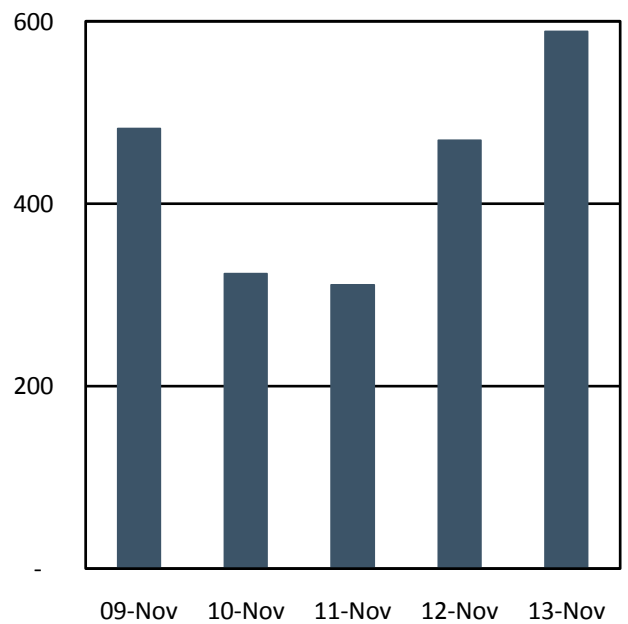
Sources: NSE, Stanbic IBTC Research

Chart 3: Vol. by sector, 09 Nov – 13 Nov 2009



Sources: NSE, Stanbic IBTC Research

Chart 4: Vol. traded (M), 09 Nov – 13 Nov 2009



Sources: NSE, Stanbic IBTC Research



Latest research publications

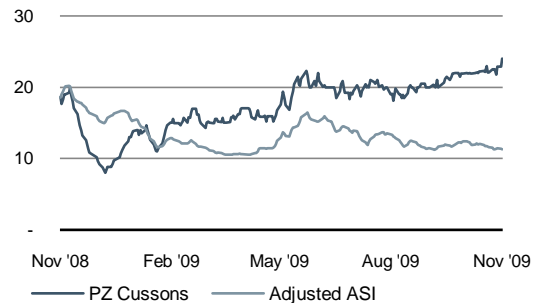
PZ Cussons Nig. plc

Bloomberg ticker
Recommendation
Target price

PZ NL
BUY
N30.88

The Q1:09 results of PZ Cussons Nigeria plc show that although turnover increased by 14.65% to N18.996bn, PAT fell by 3.88% to N0.545m. We believe the company's costs must have been strained during the period because even PBT for the period grew by only 9.68% while significant 46.63% growth in taxes eroded the gain in PBT and led to a decline in the bottom line. As some of the company's products are seasonal, we expect more sales to be generated during the latter part of the financial year. Based on this, we project a better performance by the end of the FY. However, due to the competitive and challenging operating environment, we have revised our PAT forecast for PZ Cussons downwards to N5.847bn from N6.360bn.

Price performance, N



Sources: NSE, Stanbic IBTC Research

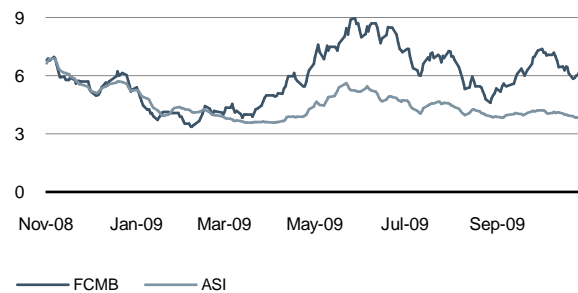
FCMB plc

Bloomberg ticker
Recommendation
Target price

FCMB NL
BUY
N9.48

The gross earnings of FCMB plc for H1:09 fell by 13.70% to N35.21bn from N40.79bn in the comparable period of 2008. Likewise, the bottom line for the period fell by 105.11% to a loss after tax of N0.48bn. The unimpressive bottom line is an accumulation of the losses the bank had incurred after making a N24bn loan loss provision (N14bn as at its April FY 09 and N10bn in Q1:09). However, the bank is optimistic it might recover some of the bad loans. It recovered about N5.2bn between September and October 2009. Due to the losses already incurred and the stringent loan policies the bank will have to adhere to, we have reduced our PAT projection for FCMB to N1.63bn from N5.33bn.

Price performance, N



Sources: NSE, Stanbic IBTC Research

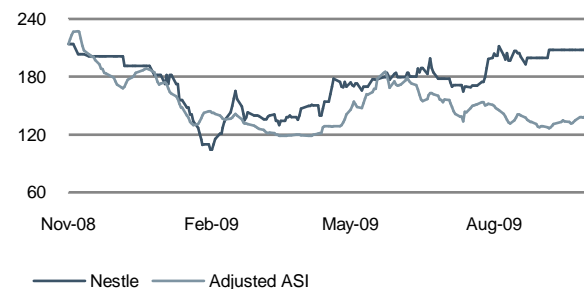
Nestle Nigeria plc

NSE Ticker
Recommendation
Target price

NESTLE
HOLD
N211.15

Nestle Nigeria plc's Q3:09 results for the period ended 30 September 2009 show the company has been able to efficiently manage its resources. This is evident in the relationship between the growth in turnover and PAT for the period. The company recorded 32.23% growth in turnover to N49.899bn and 31.45% growth in PAT to N7.222bn. We believe that despite increasing competition Nestlé's position remains very strong, given the company's high-quality products, and effective marketing and sales promotions. For FY 09, we project a PAT of N9.629bn, which represents a 20% increase over the 2008 figure. The company declared an interim dividend per share of N1.95k. We project a total DPS of N13.85 at the end of the financial year.

Price performance, N



Sources: NSE, Stanbic IBTC Research

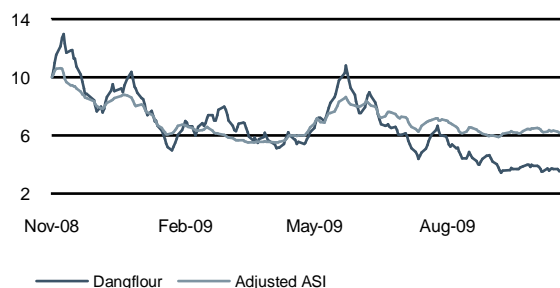
Dangote Flourmills plc

Bloomberg ticker
Recommendation
Target price

DANGFLOU NL
BUY
N12.93

The Q3:09 results of Dangote Flourmills plc show a very impressive performance when compared to the last financial year. The company recorded turnover growth of 34.77% to N46.95bn and a very significant increment of 333.16% in PAT to N7.615bn. We attribute the impressive performance to better sales strategies and also improved internal efficiencies. We expect this positive performance to continue and as such we project a PAT of N10.153bn for the end of FY 09. The company announced two dividend payments — N0.20 for FY 08 and a N0.30 interim dividend for FY 09. We project a total DPS of N0.68 for the end of FY 09.

Price performance, N



Sources: NSE, Stanbic IBTC Research

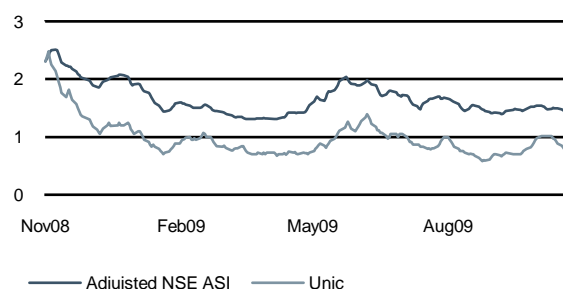
UNIC Insurance plc

Bloomberg ticker
Recommendation
Target price

UNIC NL
BUY
N1.26

While UNIC Insurance plc's turnover for FY 08 grew by 31.89% to N2.742bn, PAT declined significantly by 43.02% to N0.151bn. We attribute the drop in profit to the decrease in underwriting profits as well as the decline in investment income due to the persistent trend in the equities market. We believe this might put continued downward pressure on profitability. However, as UNIC has a strong presence in the health insurance market, we expect it to leverage more on this competency to grow its business. As at FY 07, the health insurance business accounted for 45% of its gross premium.

Price performance, N



Sources: NSE, Stanbic IBTC Research

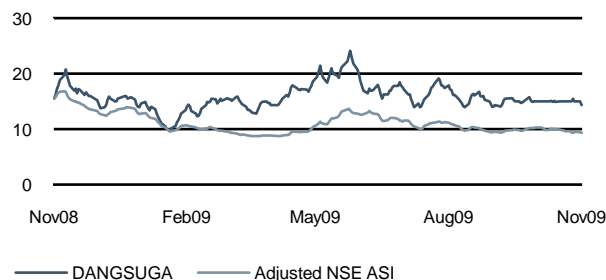
Dangote Sugar Refineries plc

Bloomberg ticker
Recommendation
Target price

CUSTODYI NL
HOLD
N183.58

Dangote Sugar's Q3:09 results show a 7.64% decline in turnover to N59.44bn from N64.357bn in the comparable period in 2008. At the same time, the PAT for the period declined by 35.89% to N11.895bn. According to management, some of the factors which contributed to this dismal performance include the fact that a huge portion of its retail distributors (constitute 75% of sales) were not able to obtain credit from banks and as such were not able to buy much. Also, the cost of sales was affected by the rising price of wholesale sugar in the international market. However, the company hopes margins will improve, especially as credit supply to the private sector improves. We project a PAT of N16.17bn by the end of FY 09. This implies a 26.06% decline from FY 08.

Price performance, N



Sources: NSE, Stanbic IBTC Research

Research publications

Date	Company	Title	Recommendation
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
11/11/2009	Dangote Flour plc	Prosperous times for flour millers	BUY
11/11/2009	Nestle Nigeria plc	Bullish on profitability	HOLD
11/11/2009	FCMB plc	Looking forward to increased profitability	BUY
11/11/2009	UNIC Insurance plc	Profitability heads south	BUY
06/11/2009	GlaxoSmith Cons. Nig plc	Declining y/y efficiency	Hold
06/11/2009	GlaxoSmith Cons. Nig plc	Declining y/y efficiency	Hold
06/11/2009	Ecobank Nigeria plc	Still trading at a higher price than parent company	Sell
06/11/2009	Starcomms plc	FX losses/interest expenses hit earnings	Buy
06/11/2009	Total Nigeria plc	Declining y/y efficiency	Hold
05/11/2009	Mobil Oil Nigeria plc	On the rebound	Buy
04/11/2009	First Bank of Nigeria plc	Still a value stock	Buy
04/11/2009	Unilever Nigeria plc	Sterling efficiency drive	Hold
03/11/2009	Tantalizers plc	Higher sales expected in Q4:09	Buy
03/11/2009	North. Nig. Flour Mills plc	Earnings surprise	Hold
03/11/2009	Fidelity Bank	Moderate loss provisions expected	Buy
02/11/2009	ETI plc	Still looking profitable compared to peers	Buy
02/11/2009	Access Bank plc	More loan provisions depress earnings	Buy
02/11/2009	Skye Bank plc	Good future prospects	Buy
30/10/2009	Benue Cement Coy plc	Superior performance	Hold
30/10/2009	Honeywell Flour Mills	Business expansion is paying-off	Buy
28/10/2009	Cust. and Allied Ins. plc	Boosting Investors confidence in insurance stocks	Buy
26/10/2009	Lafarge Cem. WAPCO plc	Q3 results cast a shadow on projections	Hold
26/10/2009	AIICO Insurance plc	Significant growth in business	Buy
22/10/2009	Zenith Bank plc	Looking better by the quarter	Buy
20/10/2009	UBA plc	An end to loss provisions	Buy

Sources: NSE, Stanbic IBTC Research

Dividends payable

Company	Declared	LDT	Closure date	Payment date	Div. amount	YTD
Nestle Nigeria plc	10/11/2009	13/11/2009	30/11/2009 – 04/12/2009	07/12/2009	N1.95	22.93%
Dangote Flour plc	10/11/2009	13/11/2009	23/11/2009 – 16/12/2009	16/12/2009	N0.30	-64.35%
Dangote Flour plc	10/11/2009	13/11/2009	23/11/2009 – 16/12/2009	16/12/2009	N0.20	-64.35%

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)	FWD DY (%)
Banking									
Access Bank plc	6.26	-14.25	102.90	4.94	11.18	0.56	119.09	0.55	0.55
Diamond Bank plc	7.31	3.10	105.81	20.46	4.89	0.93	7.84	0.88	7.02
Ecobank Nigeria plc	15.96	-42.92	115.20	54.86	1.82	3.31	0.00	4.05	0.00
Ecobank Transnational Incorporated	13.61	-66.48	118.86	8.97	11.15	0.74	10.34	0.72	6.77
First City Monument Bank plc	6.01	-2.28	98.45	24.65	4.06	0.74	60.29	0.73	0.58
Fidelity Bank plc	2.14	-54.37	61.98	4.64	21.55	0.45	12.89	0.44	3.88
First Bank of Nigeria plc	14.03	-19.83	406.96	32.38	3.09	1.21	35.06	1.03	2.60
Guaranty Trust Bank plc	16.45	58.17	309.92	10.95	9.14	1.70	14.90	2.01	4.03
Bank PHB plc	1.47	-85.29	29.63	1.51	30.61	0.18	7.29	0.17	10.29
Skye Bank plc	5.80	-29.01	67.19	4.19	10.34	0.71	12.56	0.69	3.98
United Bank for Africa plc	11.50	-14.18	247.90	6.07	8.70	1.28	38.14	1.26	1.05
Zenith Bank plc	14.25	-32.08	357.92	6.94	11.93	1.04	26.02	1.53	2.46
Breweries									
Guinness Nigeria plc	135.20	37.95	199.41	14.73	5.55	6.33	12.06	5.53	6.03
Nigerian Breweries plc	53.71	34.28	406.19	15.80	6.33	12.60	11.97	11.40	7.52
Building materials									
Ashaka Cement plc	13.60	-22.29	23.21	11.21	2.21	1.81	8.97	1.57	2.79
Benue Cement Company plc	42.10	122.75	164.84	39.78	0.00	11.99	10.32	7.09	3.93
Cement Coy of Northern Nigeria plc	13.21	136.31	16.60	10.85	3.41	4.18	8.04	3.61	8.71
Lafarge Cement WAPCO plc	28.20	12.80	84.65	7.52	2.13	2.09	10.17	1.81	2.46
Conglomerates									
PZ Cussons Nigeria plc	22.83	93.47	72.52	13.61	2.98	2.04	12.40	1.85	3.14
UAC of Nigeria plc	40.98	12.80	52.48	12.52	4.88	1.28	10.30	1.21	5.38
Unilever Nigeria plc	20.00	83.65	75.67	29.14	3.40	11.32	16.00	8.66	3.53
Food & beverages									
Dangote Sugar Refinery plc	14.65	-7.28	175.80	8.04	8.19	5.39	10.87	4.59	5.98
Nigerian Bottling Company plc	20.14	-45.46	26.36	1678.85	0.00	1.20	8.79	1.11	4.55
Nestle Nigeria plc	235.34	22.93	155.45	18.66	5.33	17.21	16.14	16.34	5.88
7-UP Bottling Company plc	27.00	-30.07	13.84	8.60	5.56	1.73	8.23	1.60	7.29
Petroleum marketing									
African Petroleum plc	33.49	-88.61	34.66	6.79	15.53	4.98	5.09	4.16	15.73
Chevron Oil Nigeria plc	66.47	-58.43	16.88	0.00	0.00	8.82	13.75	8.04	6.18
Conoil plc	35.07	-55.27	24.34	9.39	7.84	2.03	6.55	1.89	11.45
Mobil Oil Nigeria plc	99.25	-70.03	29.82	17.36	5.04	13.26	13.00	10.16	5.38
Oando plc	93.99	20.48	85.07	10.20	6.38	1.90	9.83	1.80	7.52
Total Nigeria plc	152.00	-25.38	51.61	11.73	6.01	7.07	14.55	6.44	5.50
Agriculture									
Okomu Oil Palm plc	23.94	-26.99	11.44	9.48	1.04	2.67	7.91	2.22	5.06
Presco plc	4.90	-51.53	4.90	7.27	6.12	1.92	8.16	1.70	5.51
Chemical & paints									
Chemical and Allied Products plc	29.23	-31.01	6.14	8.35	12.83	6.13	10.23	7.34	7.33
Nigeria-German Chemicals plc	15.04	-22.55	2.31	16.83	2.99	2.05	15.98	1.92	2.82
D.N. Meyer plc	5.96	-48.22	1.74	27.23	1.68	10.63	24.82	7.44	0.00
Construction									
Julius Berger Nigeria plc	28.50	-48.74	34.20	13.64	6.14	5.15	10.49	4.69	7.63
Costain (W.A.) plc	3.39	-70.44	3.12	8.84	-	-	7.79	-3.51	
Insurance									
Unic Insurance plc	0.59	-50.83	1.52	4.63	8.47	0.32	8.34	0.31	2.40
Prestige Assurance Company plc	3.97	-36.48	8.54	13.38	5.04	1.95	7.75	1.77	7.75
Mutual Benefit Assurance plc	0.64	-56.46	5.12	-	0.00	0.48	3.66	0.65	12.58
Custodian and Allied Insurance plc	2.83	-7.21	13.56	8.70	6.01	1.42	7.33	1.30	7.07
Intercontinental Wapic Ins. plc	0.85	-78.59	4.30	23.70	0.00	0.50	21.54	0.49	2.92
International Energy Insurance plc	0.58	-73.02	3.19	6.75	8.62	0.28	5.36	0.27	5.60
Standard Alliance Insurance plc	0.78	-48.00	6.55	7.58	6.41	0.28	7.39	0.28	6.36

Source: Stanbic IBTC Research
 *as at 13 November 2009

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Hold – A good company with excellent long term prospects which is currently suffering as a result of short-term difficulties but which once cleared up will result in significant return on investment for the investor.

Definitions relate to **long term** – between 1 year and 2 years

Frequency of Next Update

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
Dangote Flour Mills plc	E
Dangote Sugar Refinery plc	E
Diamond Bank plc	E, G
First City Monument Bank plc	E, H
Guaranty Trust Bank plc	E
Nestle Nigeria plc	E
Northern Nigeria Flour Mills plc	E
Oando plc	D, E, G, H
PZ Cussons Nigeria plc	None
UNIC Insurance plc	E

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Recommendations with Investment Banking Relationship (%)	62	8	30

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