

## MACROECONOMIC INDICES

INDICATOR	PERCENTAGE/VALUE
INFLATION RATE DEC (YOY)	12%
MPR (%)	6.00
OPEC OIL BASKET (\$/barrel)	74.54 (21-01-10)
90 DAY T- BILL RATE	2.92 (22-01-10)
INTERBANK CALL RATE	2.54 (22-01-10)

## MARKET SNAPSHOT

		% $\Delta$ WEEKLY	% $\Delta$ YTD
NSE ASI	22,030.18	-0.14	5.76
CAP(Nbn)	5,305.59	0.39	6.32
VOL('bn)	2.35	6.82	
VAL('Nbn)	11.80	-7.81	
DEALS	160,784	365.89	
GAINERS	58		
LOSERS	47		

## WEEKLY TOP GAINERS

Company	Price (N)	% $\Delta$
CADBURY	15.50	26.63
SPRING BANK	0.94	23.68
ABC	1.00	19.05
NAHCO	8.85	18.79
FCMB	8.80	16.56

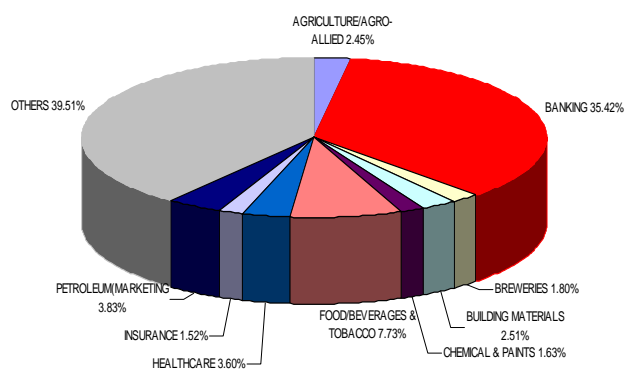
## WEEKLY TOP LOSERS

Company	Price (N)	% $\Delta$
GOLDLINK INSURANCE	0.56	-20.00
CRUSADER (NIG.)	1.19	-16.78
LIVESTOCK FEEDS	0.62	-16.22
ALUMACO	23.77	-14.22
INTERCONTINENTAL	2.01	-14.10

## WEEKLY MOST TRADED

Company	Price (N)	% $\Delta$
ZENITH BANK	14.36	231,289,574
FINBANK PLC	0.66	207,937,123
UNITY CAPITAL	1.78	158,003,000
BAGCO	1.72	148,697,037
CAPOIL	0.51	122,487,200

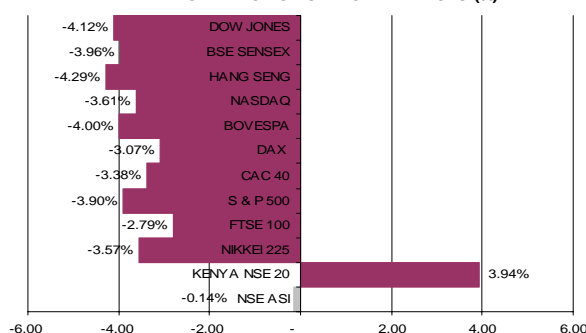
## TOTAL VOLUME TRADED BY SECTOR



## NSE ASI Index closes in the negative borders.

Major equity markets around the globe closed in the negative territory. Our universe of sample equity markets saw the Dow Jones, Nasdaq and S & P 500 all drop 4.12%, 3.61%, and 3.90% respectively at the end of our review period. In Europe, the bears were also agog with major indices dancing to the downbeat market mood. The FTSE 100, German Dax and France's CAC 40 all lost 2.79%, 3.07% and 3.38% respectively. In the Asia/Pacific region, the bulls were also confined to the woods with major indices recording southwards movements at the end of our review period. The BSE Sensex, Hang Seng and Nikkei 225 all plunged 3.96%, 4.29% and 3.57% respectively at the end of the week. On the local scene, a similar fate was recorded as the NSE ASI recorded 14 basis points decline at the end of our review period to close at 22,030.18.

## WEEKLY PERFORMANCE OF SELECTED INDICES (%)

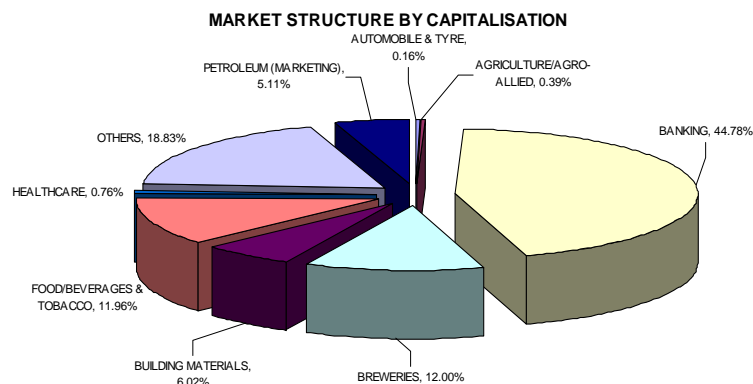
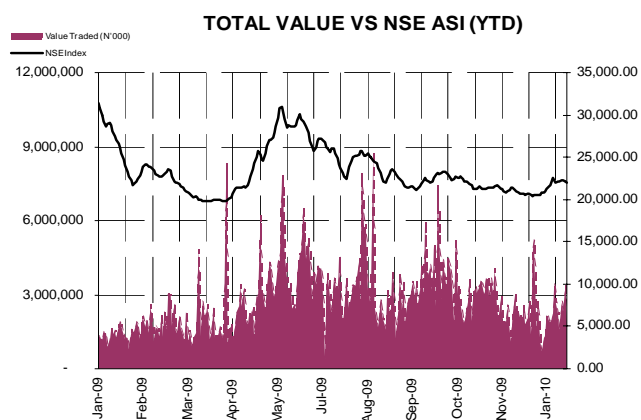


A turnover of 2.35 billion shares worth N11.8 billion in 160,784 deals was recorded this week, in contrast to a total of 2.2 billion shares valued at N12.8 billion exchanged last week in 34,511 deals. The Banking subsector was the most active during the week (measured by turnover volume), with 1.11 billion shares worth N7.9 billion exchanged by investors in 17,452 deals. Volume in the Banking subsector was largely driven by activity in the shares of Zenith Bank Plc, Finbank Plc and Fidelity Bank Plc. Trading in the shares of the three Banks accounted for 552.13 million shares, representing 49.6% of the subsector's turnover. The Insurance subsector, boosted by activity in the shares of Unity Kapital Assurance Plc and Guaranty Trust Assurance Plc, followed on the week's activity chart with a turnover of 412.1 million shares valued at N613.94 million in 1,756 deals. Last week, the Banking subsector led on the activity chart and was followed by the Insurance subsector.

Mixed sentiments recorded on the floor of the Nigerian Stock Exchange saw Fifty-Eight (58) stocks appreciate in price during the week, higher than the fifty-two (52) of the preceding week. Cadbury Nigeria Plc led on the gainers' table with a gain of 26.63% to close at N15.50 per share while Spring bank Nigeria Plc followed with 23.68% to close at N0.94 per share. On the flip side, Forty-Seven (47) stocks depreciated in price during the week, lower than the forty-eight (48) of the preceding week. Goldlink Insurance Plc led on the price losers' table, dropping by 20% to close at N0.56 per share while Crusader Nig Plc followed with a loss of 16.78% to close at N1.19 per share.

Two equity prices were adjusted for dividend payment as recommended by the Board of Directors. IHS Nigeria Plc was adjusted for dividend of N0.05 per share. Fidson Healthcare Plc was adjusted for dividend of N0.22 per share.

**Supplementary Listings** A total of 2,028,347,543 shares were added to the shares outstanding in the name of Cadbury Nigeria Plc on Wednesday, January 20th 2010 following the conclusion of the right Issue. Also, a total of 348,027,267 shares were added to the shares outstanding in the name of Custodian and Allied Insurance Plc on Wednesday, January 20th 2010 following the conversion of US\$8 million of the US\$10 million Unsecured Variable Coupon Redeemable Convertible Loan Stock. The balance of US\$2 million would remain as loan stock.



### THE PROSPECTS FOR CAPITAL RAISING IN 2010

#### **INTRODUCTION**

Most market analysts look forward to 2010 with cautious optimism, which stems from an improved general economic environment. That notwithstanding, investors' apathy which became noticeable in 2008, will be mixed and caution would still be the watch word. The general thinking points towards a gradual improvement in stock market indices. Foreign investors' are likely to renew their interest in the market and infact the movement in market indices since the beginning of the year is attributable to foreign investors' activities in the market. For the capital market in general, recovery is expected particularly in the Bonds sector – FGN, State & Corporate Bonds to be more popular in 2010.

#### **RATIONALE FOR RAISING CAPITAL**

Why would a company need to raise capital? In this case we are talking about long term capital. The most important reasons for raising capital are to finance strategic investments, expansion programmes, and in pursuit of business diversification. Using short term debt as oppose to long term capital would only lead to balance sheet mismatch and excessive financing cost. Another reason for raising capital in the stock market is to increase shareholders' funds which will enhance the company's ability to compete more effectively. An increased capital base should enable improvement in operational efficiency and enhance profitability and growth. For companies with multinational potentials, size is an important factor for such companies to compete globally, therefore would need a robust capital base.

#### **THE OPTIONS AVAILABLE FOR RAISING CAPITAL**

In the Nigerian capital market, three broad options exist: Recapitalization (Equity), Bonds and consolidation.

#### **Recapitalization (Equity)**

##### **Public Offer**

A public offering referred to simply as an "offering" or "flotation," is when a company (called the *issuer*) issues equity or shares to the public. They are often issued by companies seeking capital to expand, or by privately-owned companies looking to become publicly traded. This mode of capital raising was extensively used in between 2005 and 2008 by banks to meet the statutory required minimum capital base and capital expansion during the second phase of consolidation. Public offers floated in the later part of 2008 and 2009 failed due to the crashed in share prices in the secondary market. Moreover, in a little over a year, most successful public offers floated in 2007/2008 saw the share prices trading below their public offer prices resulting in massive losses to investors. The prospects for this type of capital raising in 2010 can be summarized as follows:

- Secondary market prices are currently too low to allow substantial capital to be raised

- A number of stocks are trading at their nominal values and raising capital via this option for such companies would most likely fail
- Although market is expected to pickup in 2010 in the secondary market but may not be vibrant enough to support public offers
- For public offers to revive, the practice of manipulating share prices ahead of such offers must stop

#### Rights Issue

A rights issue is a way in which a company can sell new shares in order to raise capital. Shares are offered to existing shareholders in proportion to their current shareholding, respecting their pre-emption rights. The price at which the shares are offered is usually at a discount to the current share price, which gives investors an incentive to buy the new shares — if they do not, the value of their holding is diluted. During the banking consolidation era, rights issues were offered alongside public offers. When this is done, offer becomes Hybrid. The prospects for this type of capital raising in 2010 can be summarized as follows:

- Rights issues will have better prospects in 2010 than public offers since it would have shareholders approval
- Since rights issues are restricted to the shareholders, other shareholders may take up the rights rejected by others
- Reasons for issuing rights are often strategic and in the interest of existing shareholders

#### Private Placement

Private placement (or non-public offering) is a funding round of securities which are sold without an initial public offering, usually to a small number of chosen private investors. In Nigeria, these placements are not subject to the Securities and Exchange Commission (SEC) rules for private companies. This mode of capital raising was also extensively used in 2007/2008 mainly by insurance companies usually preceding their Initial Public Offers (IPOs). At present, there are still a deluge of private placements waiting for the market to improve before such placements are listed. Some may never be listed resulting in colossal loss by inventors. The prospect for private placements in 2010 is therefore, very little or nonexistent.

#### Special Placement

Special placement is another kind of private placement which requires the issuer to woo a core investor. Usually, before a company can take this route, a core investor would be in place. Public companies interested in raising capital by special placement would be subject to

SEC rules. In this case, such core investor must not exceed 50% shareholding as above 50% signifies a takeover. The prospects for this type of capital raising in 2010 can be summarized as follows:

- Prospects brighter because Special Placing is a cheaper alternative to public offers and likely to succeed
- Better prospects for this type of capital raising depending on the company – may already have a core investor
- Can be combined with rights issue to raise larger capital therefore more attractive

#### **Bonds**

A bond is a debt security, in which the authorized issuer owes the holders a debt and, depending on the terms of the bond, is obliged to pay interest (the coupon) and/or to repay the principal at a later date, termed maturity. A bond is a formal contract to repay borrowed money with interest at fixed intervals. Depending on terms, some bonds are convertible to shares at the end of the fixed tenure or a minimum number of years after the issue. Thus a bond is like a loan: the issuer is the borrower (debtor), the holder is the lender (creditor), and the coupon is the

interest. Bonds provide the borrower with external funds to finance long-term investments, or, in the case of government bonds, to finance current expenditure. Outlook for bonds in 2010 are summarized as follows

- From the interest shown in the 4<sup>th</sup> quarter of last year prospects for bonds will be high in 2010
- We expect a deluge of FGN and State Government bonds to fund budget deficits
- Companies, particularly banks are raising funds by issuing corporate bonds and this trend will continue
- Success of corporate bonds will depend on rating and the coupon rate.

### **Consolidation**

#### Mergers and Acquisitions

The phrase mergers and acquisitions (abbreviated M&A) refers to the aspect of corporate strategy, corporate finance and management dealing with the buying, selling and combining of different companies that can aid, finance, or help a growing company in a given industry grow rapidly without having to create another business entity. An acquisition, also known as a takeover or a buyout or "merger", is the buying of one company (the 'target') by another. Given the present apathy towards capital raising and prospect of an unsuccessful bond offer, mergers and acquisition in certain industries may just be the way forward. In a well thought out merger or acquisition, the final entity could end up with a larger market share, hence competitive advantage. In 2010, we expect consolidation, via mergers and or acquisitions in banking and insurance industries. It may also apply to fragmented industries.

### **EMERGING TRENDS IN CAPITAL RAISING**

#### **Book Building**

Book building refers to the process of generating, capturing and recording investor demand for shares during an offer in order to support efficient price discovery. Usually, the issuer appoints a major investment bank to act as a major issuing house or book runner. Book building is a common practice in developed countries and has recently been making inroads into emerging markets as well, including Nigeria. An issuing house (book runner) attempts to determine at what price a public offer should be made, based on demand from qualified institutional investors. Bids can be revised by the bidder before the book closes. The process aims at tapping both wholesale and retail investors. The final issue price is not determined until the end of the process when the book has closed. After the close of the book building period, the book runner evaluates the collected bids on the basis of certain evaluation criteria and sets the final issue price. Book building is a less expensive and less time consuming process of offering securities to the public. It helps to determine the final price at which the securities would be offered with greater transparency. As a testimony to this trend, recently bond offers have been priced through a book building process.

#### **Special Placing combined with a Rights Issue**

Special Placing, as earlier explained involves inviting an existing or a targeted investor(s) to take a block holding in the equity of the company via a capital raising exercise. This mode of capital raising has however, been modified as a vehicle to absorb additional capital especially to bring in strategic investors into public companies subject to shareholders' and SEC approval. To assuage the dilution effect on existing shareholders, a Rights Issue can be offered simultaneous to the Special Placing.

#### **Debenture combined with a Rights Issue**

A debenture is a document that either creates a debt or acknowledges it. The term is used in corporate finance for a medium to long-term debt instrument used by large companies to borrow money. In some countries the term is used interchangeably with bond, loan stock or note. Debentures are generally freely transferable by the debenture holder. Debenture holders have no voting rights and the interest paid to them is a charge against profit in the company's financial statements. An advantage of debenture to the issuer is that it leaves specific assets

burden free, and thereby leave them open for subsequent financing. Debentures can be issued in various forms; it can be a lot more attractive when they are issued as convertible. Existing short term debt financiers of the company can be encouraged to participate in the underwriting of the Debenture.

#### **Valuation / Underwriting**

Due to the challenges of the bearish market, underwriters place premium on the intrinsic value of shares. The Discounted Cash Flow (DCF) valuation method is closer to the intrinsic value than historical and future earnings' methods. Investors now critically assess the future cash flows their investment is likely to generate as opposed to the earnings potential

Consequently, Underwriters will stick with a valuation method that minimizes their exposure to price risk – i.e. the intrinsic value.

#### **CONCLUSIONS**

Although secondary market activities are expected to pick-up in 2010 market will remain unfavourable to public offers given recent experiences – (as most offers done in recent past are currently trading below their public offer prices.). Underwriting remains key and pricing will become a major consideration. Convertible debenture and corporate bonds are more attractive to institutional investors at this time. Pricing and Rating of the debt instrument are important considerations for success. Book building will also be interesting as the issuer will have to contend with low bids (price-wise) from prospective investors. The days of price manipulation ahead of public offers may become history. Special Placing is a cheaper alternative, but one needs to find / woo a core investor. Finally, in a bearish market, it might pay the existing shareholders more to raise fresh capital through a rights issue to take advantage of low prices.

**COMPANY NEWS**

**VITAFoAM NIGERIA PLC:** Audited result for the year ended 30th September 2009. The Board of Directors is recommending a dividend of N0.25 per share. The date of closure of register of members is 15th February 2010 while payment date is 19th March 2010. The Annual General Meeting is scheduled to hold at Sheraton Hotels & Towers, 30 Mobolaji Bank-Anthony Way, Ikeja, Lagos on Thursday, March 4, 2010 by 10.00a.m.

**UNIC INSURANCE PLC:** Unaudited result for the third quarter ended 30th September 2009 shows Gross Earnings of N2.24 billion, as against N1.84 billion in the comparable period of 2008. Profit after tax and extra-ordinary items stood at N372.32 million compared with N365.25million in 2008.

**STUDIO PRESS (NIG) PLC:** Audited result for the year ended 31st December 2008 shows Turnover of N2.97 billion as against N1.83 billion in 2007. Loss after tax stood at N212.84 million compared with profit after tax of N35.35 million in 2007. The Annual General Meeting is scheduled to hold at The Company Premises, Israel Adebajo Close, Off Ladipo Oluwole Street, Industrial Estate, Ikeja, Lagos on Wednesday, February 10, 2010 by 11.00a.m.

**COSTAIN (WA) PLC:** Unaudited result for the first quarter ended 30th June 2009 shows Turnover of N2.03 billion, as against N1.15 billion in the comparable period of 2008. Profit after tax stood at N88.2 million compared with N237.2 million in 2008.

**TRIPPLE GEE & CO. PLC:** Unaudited result for the third quarter ended 31st December 2009 shows Turnover of N358.83 million, as against N788.61million in the comparable period of 2008. Loss after tax stood at N61 million compared with profit after tax of N77.71 million in 2008

**WEMA BANK PLC:** Audited result for the year ended 31st March 2008 shows Gross Earnings of N25.98 billion as against N29.38 billion in 2007. Loss after tax and exceptional items stood at N46.30 billion compared with profit after tax of N1.30 billion in 2007. Exceptional items represented provision for risk assets and provisions/recoveries on investments and other assets. The bank recorded loss before tax of N56.80 billion in 2008 compared to profit before tax of N356.1 million in 2007. However, the tax credit of N10.49 billion in 2008 led to a loss after tax of N46.30 billion. The date of closure of register of members is 21st January 2010. The Annual General Meeting is scheduled to hold at The Lagoon, Banquet Hall, 1c, Ozumba Mbadiwe Avenue, Victoria Island, Lagos on Friday, February 5, 2010 by 11.00a.m

**WEMA BANK PLC:** Audited result for the year ended 31st March 2009 shows Gross Earnings of N16.55 billion as against N25.98 billion in 2008. Loss after tax and exceptional items stood at N20.46 billion compared with N46.30 billion in 2008. Exceptional items represented provision for risk assets and provisions/recoveries on investments and other assets. The bank recorded loss before tax of N28.31 billion in 2009. However, the tax credit of N7.85 billion in 2009 led to a loss after tax of N20.46 billion. The date of closure of register of members is 21st January 2010. The Annual General Meeting is scheduled to hold at The Lagoon, Banquet Hall, 1c, Ozumba Mbadiwe Avenue, Victoria Island, Lagos on Friday, February 5, 2010 by 11.00a.m.

**COMPANY FORECASTS FIRST CITY MONUMENT BANK PLC:** The Company forecasts Gross Earnings of N21.82 billion and profit after tax of N1.35 billion during the first quarter ending March 31, 2010

**ABBAY BUILDING SOCIETY PLC:** The Company forecasts Turnover of N550.72 million and profit after tax of N175.63 million during the half year ending April 30, 2010

**INTERCONTINENTAL WAPIC INSURANCE PLC:** The Company forecasts Gross Premium of N1.57 billion and profit before tax of N289.4 million during the first quarter ending March 31, 2010.

**TRIPPLE GEE & CO. PLC:** The Company forecasts Turnover of N852.4 million and profit after tax of N19.4 million during the year ending March 31, 2010

**MEMORANDUM QUOTATIONS STANBIC IBTC GARANTEED INVESTMENT FUND:** Audited result for the year ended 31st December 2009. The Fund Managers is recommending a Coupon of N8.50 per Note. The date of closure of register of Note Holders is 16th February 2010 while payment date would be announced later. **STANBIC IBTC**

**NIGERIAN EQUITY FUND:** Audited result for the year ended 31st December 2009. The Fund Managers is recommending a Coupon of N45.00 per Note. The date of closure of register of Note Holders is 16th February 2010 while payment date would be announced later.

**STANBIC IBTC ETHICAL FUND:** Audited result for the year ended 31st December 2009. The Fund Managers is recommending a Coupon of N0.03 per Note. The date of closure of register of Note Holders is 16th February 2010 while payment date would be announced later



#### Disclaimer

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