AFRINVEST

Research Note

Fidson Healthcare Plc H1 2011 Results

29 March, 2011

- Fidson Healthcare Plc recently released its half year results to December 31, 2010. These results show a 18.2% decline in sales from N2.8bn (US$18.8m) in 2009 to N2.3bn (US$15.4m) in 2010. Similarly, pre and post tax profits declined by 12.2% to N329.9m (US$2.2m) and N224.3m (US$1.5) from N375.6m (US$2.5m) and N255.4m (US$1.7m) in the corresponding period of 2009 respectively.

- Despite the decline in top and bottom line numbers, which is attributable to poor sales generation, the company recorded an improvement in pre tax profit margins from 13.2% to 14.2% within the period.

- A snapshot of the balance sheet shows a drop in the company's cash position from N232.8m to N46.3m, while fixed assets decreased marginally by 0.1% to N2.2bn. Total assets increased by 4.8% while net assets increased by 9.7% to N5.7bn (US$37.9m) from N5.2bn (US$34.6m) in the corresponding 2009 period. In addition, further analysis shows an impressive improvement in working position increasing by 226.8% from N521.2m to N1.7bn as at December 2010.

- Fidson is currently trading at 7.2x trailing EPS of N0.29 and 6.5x FYE 2011 EPS of N0.30 (compared to an industry average of 11.5x). The company also trades at 0.7x FYE 2011 book value per share (vs a peer average of 1.5x). The stock has lost significant value (YTD -31.4%) and is currently trading at a 34.4% discount to its 2011 high of N3.20. We see this significant price depreciation as an entry opportunity for value investors as we do not foresee any substantial deterioration in the company's fundamentals to warrant the steep fall in its stock price.

- Based on these results we have revised our initial FY 2011 forecasts slightly downwards to N5.3bn from N5.9bn. This has subsequently led to the revision of our fair value range to N2.27 - N2.87, with a 12 month price target of N2.87, which signifies a 43.3% upside potential to its current market price. We therefore upgrade our recommendation on the stock to a **BUY.**

© AFRINVEST RESEARCH.

AFRINVEST

Research Note

Fidson Healthcare Plc H1 2011 Results

29 March, 2011

Table: Fidson Healthcare Plc; H1A 2011, H1A 2010, LTM, FYE 2011

Fidson Half Year Results to Dec 2010	2011	2010	% Change	*LTM*	*2011 FYE*
	N'm	N'm		N'm	N'm
Turnover	2,327.0	2,845.0	-18.2%	*4,582.5*	*5,253.5*
PBT	329.9	375.6	-12.2%	*596.4*	*649.8*
Tax	(105.6)	(120.2)	-12.2%	*(161.6)*	*(194.4)*
PAT	224.3	255.4	-12.2%	*434.8*	*455.4*

Fixed Assets	2,221.0	2,224.0	-0.1%
Cash	46.3	232.8	-80.1%
Working Capital	1,703.0	521.2	226.8%
Net Assets	5,738.0	5,230.0	9.7%
PBT Margin	14.2%	13.2%	
PAT Margin	9.6%	9.0%	

Source: NSE, Afrinvest Research

DISCLAIMER

This report has been issued and approved by Afrinvest West Africa Limited ("Afrinvest"). This report is based on information from various sources that we believe are reliable; however, no, representation is made that it is accurate or complete. While reasonable care has been taken in preparing this document no responsibility or liability is accepted for errors or fact or for any opinion expressed herein. This document is for information purposes only. It does not constitute any offer or solicitation to any person to enter into any trading transaction. Any investment discussed may not be suitable for all investors. This report is provided solely for the information of clients of Afrinvest who are expected to make their own investment decisions. Afrinvest conducts designated investment business with market counter parties and intermediate customers and this document is directed only at such persons. Other persons should not rely on this document. Afrinvest accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report is for private circulation only. This report may not be reproduced distributed or published by any recipient for any purpose without prior express consent of Afrinvest. Investments can fluctuate in price and value and the investor might get back less than was originally invested. Past performance is not necessarily a guide to future performance. It may be difficult for the investor to realize an investment. Afrinvest and/or a connected company may have a position in any of the instruments mentioned in this document. Afrinvest and/or a connected company may or may not have in the future a relationship with any of the entities mentioned in this document for which it has received or may receive in the future fees or other compensation. Afrinvest is a member of The Nigerian Stock Exchange and is regulated by the Securities and Exchange Commission to conduct investment business in Nigeria.

AFRINVEST LIMITED 27 GERRARD ROAD, IKOYI, LAGOS, NIGERIA.

PHONE NO: +234 1 270 1680 , Fax: 2694392, 2701689.

© AFRINVEST RESEARCH.