



Cutix Plc Is Stock Of The Week

Using the parameters of price percentage gain, liquidity/availability in terms of volume and deals, returns to investors in form of price appreciation, dividend and bonus offer from January 2006 to date and profitability margin of the company, Cutix Plc, for the second time, emerged as our stock of the week.

The stock opened the week with N11.62 and closed the week with N14.82 representing a 27.54% price percentage gain. Following Cutix is Air Services & Logistics Plc and Evans Medical Plc with 21.32% and 16.45% price percentage gain respectively.

Talking about liquidity, the stock is liquid as a total of 476,810 units of the stock were traded in 46 deals within the week. Evans Medical actually pulled a higher volume with 3,540,675 units that were traded in 143 deals while for Air Services Plc it was a total of 1,192,500 units that got traded in 34 deals.

Investments in Cutix for the period covering January 4, 2006 to date posted the highest returns when compared with other contenders. Investors in Cutix have made 366.25% returns on investment. This margin of return is far ahead of the returns on investment from Evans Medical over the same period. With an opening price of N2.94 in January 4, 2006, an investor in Evans Medical would have only made only about 169.4% gain. Air Services & Logistics only got listed on July 25, 2007 and consequently lack the values for the comparison, though in its one month of trading, the stock has appreciated handsomely, recording a 249.5% price appreciation.

Cutix has sound fundamentals to its credit. The company's full year results for the period ended April 30, 2007 shows that though turnover increased only by 54% from N0.71 billion to N1.1 billion between 2006 and 2007, PAT increased by 124% from N54.3 million to N121.7 million during the same period an indication of better cost management.

As a growth stock, the rally in the price is still expected to continue as the company's fundamentals is impressive and market sentiment is favourable to the stock. ■

Quote of the Week

" If you wish to make money in the stock market, you must develop the ability to sell."

- John E. Deysher

Market Summary

The bears made another return to the capital market last week as The All Share Index dropped by 4 basis points to close at 50,291.09 points on Friday August 31, 2007 against 52,295.08 it opened on Monday August 27, 2007. Total market capitalization also dropped by 0.83% from the previous week to close at N7.82 trillion, whilst market return for the week declined by 13.54 billion or 28.3%. Overall, a total of 2.60 billion shares worth N34.36 billion were traded in 55,741 deals by investors for the week under review as compared to 2.66 billion shares worth N47.9 billion in 61,025 deals the previous week.

Analysis of the performances of all subsectors that participated in the trading last week revealed that the banking and insurance subsectors were the most active, measured by volume traded, number of deals executed and value.

In the banking sector, the shares of First Inland Bank, Sterling Bank, Wema Bank, First Bank, Union Bank, Zenith Bank and Access Bank propelled transaction as investors bought a total of N1.56 billion ordinary shares valued at N25.2 billion in 31, 971 deals. The banking sector also accounted for 60% of the total volume traded, 57.4% of the total deals executed, and 73.45% of the total market return last week. The shares of First Inland Bank were most sought after by investors with 299.9 million ordinary shares worth N3.38 billion traded in 2026 deals.

As in the previous week, the insurance sector, boosted by activity in the shares of Lasaco Assurance, Mutual Benefits, Oasis Insurance, International Energy Insurance, Equity Assurance, AIICO Insurance and Crusader Insurance followed on the week's activity chart with a turnover of 687.11 ordinary shares valued at N2 billion in 6813 deals.

Meanwhile, the price movement chart of the Nigerian Stock Exchange (NSE) displayed a total of 44 stocks that appreciated in their prices during the week, higher than 34 in the preceding week, while the prices of 68 stocks depreciated in their prices; 96 stocks closed the week unchanged. ■

Market Outlook

Events of last Friday saw a gradual return of the bulls into the market. This was propelled by the merger announcement of First Bank and Ecobank and the good corporate performance of companies that had their results released. This may as well continue this week. However, a cautious approach is recommended for stock selection as the bears are not completely out of the market. With more institutions like Dangote Flour, Fidelity Bank, Japaul Oil, NAHCO, FCMB and Afribank preparing to come to the market soon to raise additional funds, a further decline in share prices could still occur as investors decide to sell stocks listed on the secondary market to buy new issues and public offers.

Investors are advised to conduct due diligence with respect to their stock preference as only stocks with good fundamentals and prospect for growth can guarantee good returns. ■

Market News

Technical Suspension

The share price of **First City Monument Bank Plc (FCMB)** was placed on technical suspension following the receipt of an application for an Offer for Subscription of 3,162,500,000 Ordinary Shares at N14.00 per share on Monday, August 27, 2007. ■

Price Adjustment

The share prices of **CAP Plc**, **Cornerstone Insurance Plc** and **Airline Services and Logistics Plc** were adjusted for cash dividends of 75kobo, 4kobo and 5kobo per share respectively on Monday, August 27, 2007 while **Dangote Sugar Refinery Plc** was adjusted on Friday, August 31, 2007 for a cash dividend of 40kobo per share. ■

Listing

Transnational Corporation of Nigeria Plc (TransCorp) listed 2, 899,326, 100 ordinary shares of 50k each on Thursday, August 30, 2007. The shares were sold during its initial public offering (IPO), which ended in February. The group raised N21, 744,945,750 through the offering.

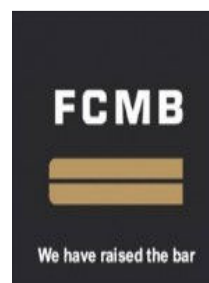
Also, 149,794,966 shares were added to the number of shares outstanding in the name of **University Press Plc** following the conclusion of their Right Offer. ■

Dividend Payment

Consequent to the release of their full year audited results for the period ended April 30, 2007, **First City Monument Bank** proposed a dividend payment of 35k, while **Cutix Plc** proposed a dividend of 12k and a bonus issue of 1 for 1 with closure date of October 19, 2007 and payment date of November 20, 2007.

University Press Plc also released its audited results for the year ended March 31, 2007 and proposed a dividend of 30k with September 10, 2007 as closure date and September 27, 2007 as payment date.

Finally, **Dangote Sugar** released its 6 months unaudited result for the period ended June 30, 2007 with a proposed quarterly dividend of 40k. The payment date is September 7, 2007. ■



Update on Upcoming FCMB Offer

- **Bank has filed an application with SEC to raise N45 billion.**
- **3.2 billion shares will be offered for public subscription.**
- **Offer price will be at N14 per share.**
- **The NSE placed the shares of the bank on technical suspension on August 27, 2007 at N17.80k per share.**
- **Offer price represents a discount of 21%.**
- **Offer date likely to be October.**
- **Offer duration will be one month.**
- **Prospectus will be available as soon as the offer opens. ■**

Corporate Action Expected For The Week

Company	Result	DPS (N)	Bonus Ratio	Closure Date	Payment Date
P.Z. Cussons	Full year, May 2007	0.71	1 for 4	3-Sep-07	2-Oct-07
Union Homes	Full year, Mar. 2007	0.05	1 for 4	2-Sep-07	24-Sep-07

Primary Equity on Offer

Company	No of Shares	Offer Price	Opening Date	Closing Date
Access Bank	Minimum-1000 units	N14.90	July 23	Sep 12

Top 10 Gainers For The Week

	27-Aug-07	31-Aug-07	1-Week
SYMBOL	OPEN	CLOSE	% CHANGE
CUTIX	12.20	14.82	21.48
ELLAHLAKES	1.33	1.59	19.55
AIRSERVICE	12.10	14.68	21.32
EVANSMED	7.04	7.93	12.64
UTC	3.10	3.51	13.23
FIRSTINLND	10.79	12.04	11.58
UNITYBNK	5.20	5.80	11.54
MORISON	2.33	2.56	9.87
NIG-GERMAN	15.13	16.60	9.72
FOOTWEAR	1.83	2.01	9.84

Top 10 Losers For The Week

	27-Aug-07	31-Aug-07	1-Week
SYMBOL	OPEN	CLOSE	% CHANGE
ROYALEX	3.98	3.26	18.09
UPL	7.18	5.87	18.25
LONGMAN	14.60	11.91	18.42
SOVRENINS	3.05	2.63	13.77
STDINSURE	3.12	2.75	11.86
UNHOMES	9.50	8.41	11.47
CUSTODYINS	3.85	3.42	11.17
CONTINSURE	3.50	3.15	10.00
UNILEVER	21.30	18.24	14.37
ALUMACO	3.93	3.39	13.74

Company Results

Cutix Plc		Turnover	PBT	TAX	PAT
		N'm	N'm	N'm	N'm
30-April-07	12Mths	1,100.00	187.60	65.90	121.70
30-April-06	12Mths	714.20	80.90	26.60	54.30
% Change		54.02%	131.89%	147.74%	124.13%
IBTC Chartered		Turnover	PBT	TAX	PAT
		N'm	N'm	N'm	N'm
30-June-07	3Mths	7,700.00	3,000.00	841.10	2,200.00
30-June-06	3Mths	4,600.00	1,800.00	540.90	1,300.00
% Change		67.39%	66.67%	55.50%	69.23%
EkoCorp		Turnover	PBT	TAX	PAT
		N'm	N'm	N'm	N'm
30-June-07	6Mths	50.60	55.50	5.50	49.90
30-June-06	6Mths	225.80	71.50	7.20	64.60
% Change		-77.59%	-22.38%	-23.61%	-22.76%
FCMB		Turnover	PBT	TAX	PAT
		N'm	N'm	N'm	N'm
30-Apr-07	12Mths	24,900.00	7,600.00	1,600.00	5,900.00
30-Apr-06	12Mths	11,000.00	3,600.00	807.40	2,800.00
% Change		126.36%	111.11%	98.17%	110.71%
Presco		Turnover	PBT	TAX	PAT
		N'm	N'm	N'm	N'm
30-June-07	6Mths	1,000	219.70	8.30	211.30
30-June-06	6Mths	1,400.00	359.10	59.70	299.40
% Change		28.57%	38.82%	86.10%	29.43%
Vitafoam		Turnover	PBT	TAX	PAT
		N'm	N'm	N'm	N'm
30-June-07	9Mths	4,400.00	445.40	142.50	302.90
30-June-06	9Mths	2,980.00	278.80	89.20	189.50
% Change		47.65%	59.76%	59.75%	59.84%
Studio Press		Turnover	PBT	TAX	PAT
		N'm	N'm	N'm	N'm
31-Dec-06	12Mths	1,000.00	1.80	8.70	10.40
31-Dec-05	12Mths	516.00	16.10	5.16	10.94
% Change		93.80%	88.82%	68.60%	4.94%
First Bank		Turnover	PBT	TAX	PAT
		N'm	N'm	N'm	N'm
30-June-07	3Mths	27,300.00	7,200.00	1,500.00	5,700.00
30-June-06	3Mths	18,400.00	5,700.00	1,300.00	4,400.00
% Change		48.37%	26.32%	15.38%	29.55%

Dangote Sugar		Turnover	PBT	TAX	PAT
		N'm	N'm	N'm	N'm
30-June-07	6Mths	40,800.00	15,300.00	3,800.00	11,500.00
30-June-06	6Mths	42,400.00	7,800.00	0.00	7,800.00
% Change		3.77%	96.15%	-	47.44%
Nampak		Turnover	PBT	TAX	PAT
		N'm	N'm	N'm	N'm
30-June-07	9Mths	2,100.00	110.90	36.20	74.70
30-June-06	9Mths	1,900.00	153.00	49.30	103.70
% Change		10.53%	27.52%	26.57%	27.97%
University Press		Turnover	PBT	TAX	PAT
		N'm	N'm	N'm	N'm
31-Mar-07	12Mths	691.80	168.00	58.60	109.40
31-Mar-06	12Mths	548.20	104.70	34.30	70.30
% Change		26.19	60.46	70.85	55.62
NASCON		Turnover	PBT	TAX	PAT
		N'm	N'm	N'm	N'm
30-June-07	6Mths	2,330.00	645.00	129.00	516.00
30-June-06	6Mths	70.00	4.00	0.00	4.00
% Change		3,228.57%	16,225%	-	13,000%
Nigeria-German Chemicals		Turnover	PBT	TAX	PAT
		N'm	N'm	N'm	N'm
30-June-07	6Mths	1,360.00	170.70	51.20	119.50
30-June-06	6Mths	1,260.00	122.00	36.60	85.40
% Change		7.94%	39.92%	39.89%	39.93%

Hot Stocks for the Week

STOCK	TARGET ENTRY PRICE	TARGET SALE PRICE
C & I LEASING	N5.00	N9.00
TRIPPLE GEE	N5.50	N10.00
UNION HOMES	N6.50	N15.00
BOC GASES	BELOW N8.00	N10.00
VITAFOAM	N6.00	N10.00

Executive Summary And Investment Rationale

C & I LEASING

Recommendation: Buy **Entry price:** N5 **Target price:** N9

Background

C&I Leasing was incorporated on 28 December 1990 as a private limited liability company to provide both operating and finance leases to companies as well as other financing products. In 1997, C&I Leasing Plc concluded a major shareholding NICON INVESTMENT DIGEST

restructuring and diversification exercise that saw the conversion of the company into a public company and the listing of its shares on the Nigerian Stock Exchange in December that year. The principal activities of the company are the extension of structured operating and finance leases to both the productive and other sectors of the economy. In recent years, this activity has been expanded to providing logistic support services where there is some strategic fit with our core leasing services. The company is also a key player in the strategic energy sector where it provides equipment leases to both local affiliates of international companies and major local service companies. The company's financial year-end is 31st January while it's registrar is DBL Securities. The CEO/ MD of C&I Leasing is Mr. C.E. Ndu.

Investment Basis

Turnover increased by 33% from N1.2 billion in 2005 to N1.6 billion in 2006, while PAT increased by 40% from N96 million in 2005 to N134.1 million in 2006. A five-year analysis shows an average increase of 27% in turnover, while PAT increased by an average of 10%. The company's first quarter unaudited result for the year 2007 saw turnover increased by 44% from N359.2 million in 2006 to N517.6 million in 2007 while PAT increase by 119% from N27.8 million in 2005 to N61 million in 2006. Total asset of the company is over N2 billion mark while shareholder's fund stands at N500 million.

Future Outlook

The company recently entered a joint venture with Biddyosa Nigeria Ltd to lease mini containers known as cargo baskets to be used in the oil industry. Efforts are on to sign on additional customers. The company is set to take advantage of the business opportunities in Nigeria and deliver value to its esteemed investors and customers. C&I Leasing share price opened trading this year at N1.22 and is presently trading at N5.19. The target price of N9/share is within the next seven months. Good for both short-term and long term investment. ■

TRIPPLE GEE

Recommendation: Buy **Entry price:** N5.50 **Target price:** N10

Background

Tripple Gee and Co Plc was incorporated on the 14th of April 1980. Tripple Gee is into manufacturing of computer stationery, sensitive financial instruments, self-adhesive papers, and manufacturers' labels. It was listed on the Exchange in October 1991. Tripple Gee is one of the eleven companies accredited by the Central Bank of Nigeria under the Nigeria Cheques Printers Accreditation Scheme to print uniform cheques

for the 25 banks in Nigeria. In order to meet the high demand expected from the accreditation, Tripple Gee entered into technical partnership with a leading cheque printing firm based in Reading, United Kingdom, and because of the quality of its services despite competing with ten other companies, Tripple Gee had been able to win most customers. Financial year-end is 31st March. Chief Gbade Giwa is its Executive Chairman.

Investment Basis

Tripple Gee posted a turnover of N631.35 million in 2007, up by 64% above the N383.8 million in 2006. A five-year analysis shows an average increase of 15.42% in turnover. Profit After Tax (PAT) increased by 151.84% from N20.68 million in 2006 to N52.08 million in 2007. Also, between 2003 and 2007, it grew by an average of 99.43%. In the company's 1st quarter result of 30th June 2007, turnover increased by 16% while Profit After Tax increased by 216%. If the 64% and 151.84% increases between 2006 and 2007, in turnover and PAT respectively are maintained, then the turnover will be over N1 billion, while PAT will be N131.19 million in 2008. The company is well capitalized. Shareholders' fund is over N700 million. Its total asset is over N1 billion.

Future Outlook

Tripple Gee & Company Plc. has recorded improved performance for the year ended March 31, 2007, and also for the first quarter which ended in June 30th 2007. There is also an increase of 266.44% in the share price, from N1.49 in January 4 this year, to N5.46 as at August 30. This shows the impact of its recent business re-engineering exercise. The Chairman and Managing Director of the company had promised to increase shareholders' returns pointing out that the company's business expansion drive and partnership with foreign technical partners would improve returns to shareholders. If one invests in the stock, the 13k dividend of this year will be a tip of the iceberg compared with the next year's dividend. The target price of N10 is for nine months. Good for both short term and long term investment. ■

UNION HOMES SAVINGS AND LOANS

Recommendation: Buy **Entry price:** N6.50 **Target price:** N15

Background

Union Homes Savings and Loans, the mortgage-banking subsidiary of Union Bank of Nigeria Plc, was incorporated on November 6, 1992. Issued license to carry on mortgage banking business on May 30, 1994, it commenced operations on August 22, 1994 and was listed on the Nigerian Stock Exchange (NSE) on April 24, 2006. It is the leading Primary Mortgage Institution (PMI) in Nigeria. Union Homes offers a wide

range of banking and mortgage services. These include: savings deposits, term deposits/bankers acceptances, mortgage loans, commercial loans - National Housing Fund loans, estate development loans, pension-linked mortgage scheme loans. Union Homes has also funded/financed estates and notable projects in Nigeria. For instance it was the leading investor in the purchase of 1004 Estate, Lagos, from the Federal Government. Union Homes has international business partnerships with HFC BANK (Ghana) Limited and Distribution and Wholesale Network Limited (DAWN) - South Africa. Presently, Union Homes has twenty computerised branches located in different parts of Nigeria and linked on-line through a wide area network. Financial year-end is 31st March. Mr. E.A. Aikhorin is the Managing Director/Chief Executive Officer.

Investment Basis

Union Homes has consistently improved on its financials each year. The audited results for the year ended 31st March 2007 shows Profit Before Tax (PBT) of N1.061 billion as against N154 million representing a 566.67% increase posted from the comparative period of last year. Consequently Profit After Tax (PAT) went up from N117 million achieved in the corresponding period of last year to N1.001 billion representing a whopping 754.70% increase from the preceding year. Based on this good performance, the directors have recommended a dividend of N0.05kobo per share and bonus of 1 for 4. The register closes 2nd September 2007 and the payment date is 24th September 2007. Investors already with the stock should hold on to it in order to benefit from the dividend and bonus declared.

Future Outlook

Nigerians are still faced with the problem of inadequate housing facilities. Mortgage banks like Union Homes are expected to play a major role in the delivery of houses, thus a vast market still exists for their services and products. With the support of its parent bank, Union Bank, Union Homes is strategically positioning itself to lead the pack in this sector. The management is sound. Over the years they have demonstrated a good management of the business fundamentals to show that the future is indeed bright for the company. Stock price, which at the first trading day of the year was N3.33, has recorded a high of N10.34kobo. Based on the good business fundamentals, the strategies for growth being adopted, the opportunities in the sector, the price of the stock is expected to rally to a high of N15 in the next eight months. Good for both short term and long term investment. For a new investor, he should buy below N6.50. ■

BOC GASES

Recommendation: Buy **Entry price:** Below N8 **Target price:** N12

Background

BOC Gases Nigeria Plc is the pioneer manufacturer of industrial and medical gases in the country. BOC Gases Nigeria is part of The BOC Group, one of the largest and most global of the world's great gases businesses. BOC Group which is part of The Linde Group has a 60% shareholding in BOC Gases Nigeria. BOC is also an agent to Afrox for the distribution of Arc and Gas welding products in Nigeria. The incorporation of the company was in 1959 and commencement of its gas manufacturing business was in 1961. It was listed on the Nigerian Stock Exchange in January 1979. BOC Gases has its main gases manufacturing operations located at Oshodi along the busy Apapa-Oshodi Expressway. It also operates gas-manufacturing plants in two other key centers of industrial activities in the country - Kaduna and Warri. In addition, the company has branches in Port Harcourt, Ibadan, Ilorin, Kano and a sales outlet at Ketu in the Lagos area. BOC Gases also operate a network of agencies in Apapa, Tincan Island, Otta, Ikeja, Abeokuta, Agbara, Akure, Oshogbo, Jos, Benin, and Ajaokuta & Abuja. The products and services of the company in Nigeria include: compressed oxygen, nitrogen, carbon dioxide, argon and acetylene; a full range of bulk industrial gases; medical oxygen, nitrous oxide and entonox; refrigerants - HFC's, R744; welding and safety products - equipment and consumables; personal protection equipment and safety training, audits and risk management services. Mr. J. A. Idowu is the current Managing Director/CEO. The company's end of financial year is every September 30.

Investment Basis

Full year 2006 results show a growth of 16.8% in PAT, 91% growth in gross earnings and an EPS of 37k. The recently released half-year result of the company for the period ended March 31, 2007 reveals a 14% growth within the same period in Turnover from N0.628 billion in 2006 to N0.715 billion in 2007. PBT also witnessed a growth of 22% from N0.101 billion to N0.122 billion over the same period. PAT grew by 24% from N0.067 billion to N0.083 billion over the same corresponding period. Annualizing the result suggests a more profitability level for the company at the end of the financial year comes September 30th 2007. When annualized turnover would stand at N1.429 billion, PBT at N0.245 billion and PAT at N0.166 billion. Forecast EPS at 2007 financial year-end using the annualised PAT is 42k representing a 13.51% change from the current EPS of 37k. Giving the performance in the first half of the year, the company would most likely meet the projections for full year barring any unforeseen circumstances. On returns to shareholders, over the past the 11 years, the company

has consistently paid out dividend to its shareholders, at an average of 24k per share. In 2006, BOC Gases Nigeria Ltd paid out 18k dividend per share. As regards scrip offers, the company in the last 11 years declared bonus of 2 for 1 only in the year 2000. Talking about capital gain, investors in the stock have reaped about 154% gain from price appreciation as the stock opened the year at N3.15 and is currently trading at N8.00. Indeed, the stock has prospects for both income and growth investors and as the year-end is around the corner, the timing is appropriate to position into the stock.

Future Outlook

BOC Nigeria Plc in a bid to sustain profitability as well as deliver a more organised and effective service to its customers launched a strategy which is the on-line order system for all its product range. Location is no more an impediment to getting services from the company. In addition to the on-line order system, the company is also in partnership with many suppliers worldwide working across all lines of business and throughout the many countries within which BOC operates. These suppliers and partners form part of the driving force behind the development and delivery of the products, technologies and support services that BOC provide to its customers. The company's legal and ethical charter, contained in a global Code of Conduct ensures that the Group's suppliers, contractors, agents and distributors, as well as employees, work towards compliance with the highest safety, environmental, social, labour & human rights, and legal & ethical standards. Aside these strategies, the company's management ably led by Mr. Idowu who has been in the service of the company for 30 years is poised to taking the company to greater glories while adhering strictly to all safety, health, environmental and quality standards. Being a pioneer in her business model with a determination to continually improve its service delivery, as customer satisfaction is supreme for the company, the future is indeed bright for the company more so as the industry it operates in has prospects. The stock is good for both short term and long term investment. Investors already with the stock can hold on to it for better returns; the projected price of N12 is in the next six months. ■

Vitafoam Nigeria

Recommendation: Buy **Entry price:** Below N6 **Target price:** N10

Background

Vitafoam Plc was incorporated on 4th August 1962 and listed on the floor of the Nigerian Stock Exchange in 1978. The company is a leading producer of polyether, foam products, furniture and upholstery products and adhesives in Nigeria. It has

a technical relationship with British Vita Plc UK (The United Kingdom's largest manufacturer of foam, plastics and non woven). Apart from the Ikeja factory, which was opened in 1963, manufacturing locations are at Aba, Kano, Sapele and Jos with seven depots also spread all over the country. Vitafoam Plc has its year-end as 30 September. Dr. B.O. Makanjuola is the Managing Director/CEO.

Investment Basis

Although turnover increased by 15.19% from N3.525 billion in 2005 to N4.060 billion in 2006, PBT and PAT declined in 2006 when compared to 2005. PBT in 2005 was N173m but went down to N132.69m while PAT moved from N112m in 2005 to N103m in 2006. This was as a result of high overhead cost which the company has tried to find an answer to going by the results for 2007. Unaudited results for the third-quarter ended 30th June 2007 shows a Turnover of N4.4b, PBT of N0.445b and PAT N0.302b an increase of 48.76%, 60% and 59.78% respectively over that of the corresponding period in previous year. Barring any unforeseen circumstances, PAT at the end of the year is projected at about N0.4 billion.

Future Outlook

Vitafoam has embarked on a re-engineering exercise, with corporate re-branding and commissioning of new products. The exercise is aimed at improving productivity, profitability and ensuring greater returns to shareholders. It recently embarked on aggressive marketing strategy, which is set to increase turnover as well as possible expansion into new markets in the West African sub-region e.g. Ghana, Gambia, and Sierra Leone. The target price of N10 is achievable within six month when their 2007 results must have been released. ■

Dangote Flour Offer Begins ... As Access Bank Offer Gets Extension



**Professor Ndi Okereke Onyiuke
D-G NSE**

It's yet another wave of fresh capital raising as the much-awaited Dangote Flour Mills offer for sale is set to debut. Following the conclusion of plans to float a total of 1.25 billion

ordinary shares of 50 kobo each at N15 per share by the company, September 6, 2007 has been slated as the opening date for the offer. Information from the company has it that the offer would be open for three weeks. It is expected that the sum of N18.75 billion would be realised from the sale. Ahaji Aliko Dangote, the President of the Dangote Group, would be divesting 25% of his equity stake in the company to the general investing public through this offer for sale. In adherence to the Securities and Exchange Commission's directive that all offers must be underwritten by 80%, Alhaji Dangote was reported to have said that the offer has already been over-subscribed to. As stated in the prospectus, 60% of the offer would be preferentially allotted to investors. FCMB Capital Markets, IBTC, Zenith Bank Plc, Diamond Bank Plc, GTBank Plc, Fidelity Bank Plc, Afribank Nigeria Plc, and Intercontinental Capital Markets Limited are among the eleven issuing houses to the offer.

Meanwhile, the on-going Access Bank's public offer for subscription of 4,721,839,130 ordinary shares of 50k at N 14.90 per share got an extension of two weeks beginning from the prior closing date of the offer being August 29th, 2007. The two weeks extension according to the bank is to avail all intending investors into the bank's stock an opportunity to board their train.

Within the 2nd and 3rd quarter of this year alone, the nation's capital market scene has witnessed a barrage of public offerings by company's such as UBA, First Bank, Oceanic Bank etc following each other in quick succession and yet a lot more are still lined up for the rest part of the year. Sterling Bank, Fidelity, FCMB to mention a few, are already warming up to access the capital market any moment from now. The public offers would cause a shift from the secondary segment of the market to the primary segment with the resultant effect of a bearish climate. This is because capital for trading in the secondary market are being tied down in these public offers where delays in allotment and subsequent trading of the new units have been an attendant problem and of course, an item of huge concern to savvy investors.

Prospective investors of the Dangote Flour offering might not face the delays as the group is poised to repeat the giant landmark it made with the almost immediate allotment of shares and release of certificates during its first outing with Dangote Sugar Plc.

Analysts are of the opinion that new offers like that of Dangote Flour is needed to further deepen and broaden the capital market. At the moment, there are 208 quoted stocks on the stock

exchange, a number considered too low when compared with the vast population of the country and its economic potentials.

Dangote Flour Mills commenced operations in 1999 as a division of Dangote Industries Limited. It was incorporated in 2003. Application has been made to the council of the Nigerian Stock Exchange for the admission of the company into the official daily list having met the listing requirements. ■

Money Market Highlights

- High liquidity is expected to persist in the market as last month allocation trickles in. The 7-day NIBOR closed Friday's trading session at 6.72% from 7.83%% at the end of the previous week, while 30-day and 90-day NIBOR closed at 12.5% from 12.20% and 13.04% from 13.29% respectively over the same period.
- The 91-day Treasury bill coupon rate fell to 6.00% from 6.11% at the end of the previous week, while the 182-day coupon rate inched up marginally to 6.20% from 6.15%. The 364-day Treasury bill coupon rate closed the week at 7.30%. The OMO rate was revised downward by 76 basis points to close the trading session at 6.49% from 7.25%.
- The CBN offered \$80 million each both at Auction No. 63 held on 27/08/07 and Auction No. 64 held on 29/08/07 during the week with the sums of \$175.95m and \$157.3m sold respectively bringing total sales for the week to \$333.25m. 19 banks participated at the auction market on 27/08/07 while 16 banks participated at the 29/08/07 auction market. Total sales for the week went up by 570.52% when compared with \$49.7 million sold in the previous week.
- In the foreign exchange market, the Naira gained 7 kobo to close the week at N124.95 to US\$1 from the rate of N125.02 to US\$1 of the preceding week.

In the parallel segment of the market, the Naira appreciated by 2 kobo to close at N129.50/US\$1 from N129.70/US\$1 at the end of the previous week.

However in the inter bank market, the value of the Naira depreciated by 5 kobo to close the week at

N126.38/US\$1 from N126.33/US\$1 in the preceding week. ■

Money Market Review

LENDING RATES		DEPOSIT RATES	
Bank	Rate	Bank	Rate
Zenith	19%	Zenith	10%
Diamond	18%	Diamond	13%
Ecobank	18%	Ecobank	12.5%
Fidelity	18%	Fidelity	12%
Spring	17%	Spring	12%

Source: Banking Halls of Banks Indicated

PARALLEL MARKET			
		As @ 27/08/07	
CURRENCY		Selling	Buying
	£	262.00	261.00
LAGOS	\$	128.20	127.70
	£	261.50	260.00
IKEJA	\$	128.00	127.00
	£	262.50	261.00
AIRPORT	\$	128.50	127.50

Source: 'This Day' Newspaper

CROSS RATES (as @ 31/08/07)			
Name of Currency	BUYING	CENTRAL	SELLING
US Dollar	123.95	124.45	124.95
Pound Sterling	248.8544	249.8582	250.8621
Euro	168.696	169.3765	170.057
Swiss France	102.8204	103.2352	103.6499
Japanese Yen	1.0721	1.0764	1.0808

Source: CBN

FOREX ANALYSIS (as @ 29/08/07)	
Amount Sold at DAS	\$157.3m
Amount Sold at BDC	NIL
Total Forex Sale	\$157.3m
No. of Banks	16

Source: CBN

KEY ECONOMIC INDICATORS	%
Inflation Rate (July)	4.80
Inflation Rate (12 Mths Ave) July	6.00
Foreign Reserves (USb) July	42.90
GDP Growth Rate (2006)	5.63
MPR	8.00

Source: National Bureau of Statistics

Corporate News

Soludo Retains My Trust and Confidence – Yar'Adua

Following intense speculations on the fate of the Central Bank Governor, Professor Chukwuma Soludo on the seeming misadventure on the Naira re-denomination, a policy which he announced without the approval of the President as mandated by law, President Yar'Adua said during the week that the CBN Governor still has his trust and confidence. Before this, the CBN had accepted the position of the Federal Government on the suspension and had reversed itself on the Naira re-denomination exercise pledging to co-operate with the Federal Government on the task of growing the economy.

According to a release by the Special Assistant to the President (Communications), Segun Adeniyi, President Yar'Adua said that all programmes and policy initiatives of the Central Bank "which fall within the ambit of its powers and authority will continue to have the full support and approval of President Yar'Adua". ■

National Council on Privatisation Inaugurated ... Approves Bid Opening for Transmission Coy

President Umaru Musa Yar'Adua has inaugurated the National Council on Privatisation (NCP) with a charge to conclude all on-going privatization projects and reform of the energy sector. Former President Olusegun Obasanjo disbanded the NCP in the midst of the feud between him and former Vice President Atiku Abubakar in the dying days of the last administration.

The NCP has Vice-President Jonathan Goodluck as the Chairman and the Minister for Finance, Dr. Shamsudeen Usman as Vice-Chairman. Other members include the Minister for Industry, Minister for National Planning, the Governor of CBN, and four others appointed by the President. They are from Nigeria Labour Congress (NLC), the Oil and Gas sector, the Capital Market and the

National Association of Chambers of Commerce, Industry, Mines and Agriculture (NACCIMA).

Meanwhile, the NCP has approved that the Bureau of Public Enterprises (BPE) open the financial bids of three prospective management contractors for the Transmission Company of Nigeria (TCN). The TCN was borne out of the unbundling of the Power Holding Company of Nigeria (PHCN) in a major reform of the power sector by the government. ■

NNPC, Ministry of Energy, Scrapped

The Federal Government on Wednesday August 29, 2007 announced the scrapping of the Nigerian National Petroleum Corporation (NNPC) and the Ministry of Energy in a major restructuring exercise of the nation's oil and gas sector. While the former Ministry of Energy is to be replaced by a National Petroleum Directorate, the NNPC would be replaced by a National Oil Company (NOC). The Department of Petroleum Resources (DPR) is to be replaced by a new independent body called the Petroleum Inspectorate Commission; Pipeline Products Marketing Company (PPMC) to be replaced by a Products Distribution Authority (PDA) while NAPIMS is to be replaced by a newly created National Oil and Gas Assets Holding Company (NOGAHC). All the agencies are to report to the Minister of State for Petroleum.

Also created is new National Energy Council to be headed by the President as Chairman with the Vice President as Deputy Vice Chairman. Other members are the Ministers of Power, National Planning, Justice and Finance. The National Security Adviser, Honorary Presidential Adviser on Petroleum are members with four others to be announced by the President. The council would soon be inaugurated.

Meanwhile the scrapping of the NNPC has generated controversy amongst analysts. Opinion being canvassed is that NNPC was a creation of the government through an Act and government ought to have gone to the National Assembly for a repeal of the Act before a new body can be created. ■

CSCS Plans T+1 Transaction Cycle

The Central Securities Clearing System (CSCS), the clearing house of the Nigerian Stock Exchange is planning a T + 1 transaction cycle to boost the delivery of transactions in the secondary market of the stock exchange. This was revealed last week by its Chairman, Apostle Hayford Alile while speaking at the 10th anniversary celebration of the company. Listing the achievements of the company which he said "are plethora", Apostle Alile said the

CSCS has amongst other things entrenched transparency, accountability and confidence in the stock market.

Currently transactions at the secondary market take an average of T+ 3 days before settlement. An improvement by way of reduction would further boost activities on the exchange. ■

More Than N150 Billion Raised in First Bank Public Offer

First Bank raised more than N150 billion in its last public offer. This was disclosed during the bank's 38th AGM on Thursday August 30 2007 in Abuja. The bank had gone to the market to raise N100 billion with a plan to accommodate up to N125 billion if oversubscribed. With this development, there is an indication that the bank may absolve more than the planned N125 billion. The CBN is yet to conclude its verification of the offer. First Bank posted a PAT of N20.4 billion in its 2006 financial year. The bank paid shareholders dividend of N1.00 per share and a bonus issue of 1 for every 6 shares held. ■

FCMB Released 2007 Results, Made N6 Billion PAT

It is another impressive year for FCMB as the bank released its 2007 results last week. Analysis of the results shows an increase in Turnover by 126.4% from N11b in 2006 to N24.9b in 2007, PBT by 111.1% from N3.6b in 2006 to N7.6b in 2007 and PAT by 110.7% from N2.8b in 2006 to N5.9 in 2007. Meanwhile, the bank has set to reward its shareholders with a dividend of 35 kobo per share. This amount when compared with previous year reward of 15 kobo per share gives an increase of 133.33%. The stock which opened the year with a share price of N4.00 rose to N18.10 in the month of August and was suspended at N17.80 same month for a proposed hybrid offer of 3,162,500,000 units of N0.50 kobo each at N14.00 per share. The closure date for the dividend and the date for the commencement of the hybrid offer are yet to be announced.

Meanwhile, the bank is expected to release its first quarter results for the period ended July 31, 2007 in few weeks time. Analysts are of the opinion that the expected result is likely to be more robust, given the pace at which the bank is moving. ■

Investment Article

Steps You Should Take When Your Stock's Price Falls (Cont'd from last week)

-By Wayne A. Thorp



What do I do when a "disaster" befalls a company?

Through the course of normal business operations, companies can be stricken by extraordinary events—natural disasters, product recalls, and specific product liability suits, for example. The common response of investors to such events is to sell without taking a rational look at what has really happened. This forces stock prices down—often significantly—in a short period of time.

When confronted by this type of reactionary selling, investors need to look past the noise and address a singular issue: Are the fundamentals of the company different than they were before the event? If the answer is no, meaning there is no indication that the company will be unable to generate earnings and operate in the same manner as it has been, there is no reason to sell your stock. In fact, the fall in price may represent an opportunity to buy more of the stock at a discount. However, if management negligence led to the disaster, or if the earnings-generating potential of the firm has been impaired, the prudent move might be to sell.

It is also beneficial to consider the "disaster" in a broader context. Sometimes events such as a product recall are indicative of underlying problems within the company that could grow to even bigger problems down the road. In these cases, the best course of action would be to sell. Other times, however, such events have a short-lived, temporary impact and you are usually better off holding or even adding to your stock position.

The size of the company and the nature of its business also play a role in how easily a company can recover from such events. Larger, more established companies with stable earnings are better positioned to handle these situations, as are companies whose products or services are not easily substituted by the products or services of other companies. Smaller firms, as well as growth companies, tend to experience stronger investor reaction when bad news hits, and subsequently these kinds of stocks take longer

to recover. In general, the smaller the company, the less information that will be available for you to gain an understanding of the problem. If you still do not understand what has happened even after doing some additional investigation, you should sell the stock.

Should I sell just because a company falls short of its consensus earnings estimate figure?

Each quarter investors anxiously await company earnings announcements, which will meet, exceed, or fall short of analysts' expectations. When companies fail to meet expectations, investor reaction is dictated to a large extent by how large the "miss" is.

When the shortfall is "small," the impact probably won't be significant enough to warrant a mass sell-off or large decline in stock price. However, **if the company has a history of exceeding analyst estimates and then suddenly misses the mark, this could signal future troubles for the company. No matter how small the shortfall, you may wish to investigate the reasons behind it to try to identify any problems that may be looming with this stock.**

The larger the earnings shortfall as compared to expected earnings, the more negative investor reaction tends to become, and the ensuing price declines grow as well. This is especially true for momentum stocks that have had a string of positive earnings surprises. History has shown that once these stocks have one negative earnings surprise, the decline can be swift and massive. In cases like this, your best bet is to sell the investment as quickly as possible.

Sometimes a company may announce earnings in excess of the consensus estimate and, at the same time, warn that they may not be able to meet expectations for the next fiscal quarter. This is known as **"downward guidance"** and is not necessarily as bad as it sounds. Over the years, companies have become very adept at managing analyst and investor expectations. Downward guidance is a way for a company to provide advance warning so that market analysts are not taken by surprise if an earnings shortfall takes place. When a company provides downward guidance, analysts tend to lower their earnings estimates and, in doing so, make it easier for a company to make or exceed these lowered expectations. You should, however, examine the root causes of the expected shortfall to see if there are bigger problems brewing at the company.

Should I be concerned with changes in company management?

With all companies, there will be changes in top management from time to time as people retire or move on to different firms. The majority of times these moves are amicable and will have no lasting impact on the company. Well-run companies will have people in place to assume these vacancies or can recruit from the outside.

There are the rare occasions, however, when the departure of one or more members of top management can signal serious problems. A mass exodus of top management is one example. Sometimes, news will begin surfacing as to deep-rooted problems within the company—sometimes rooted in accounting fraud by those who have recently departed.

Another potential area of concern is when a key member of the top management unexpectedly leaves. While it may be that the person was simply offered a better position elsewhere, you will want to stay alert for any news that may come from the company signaling bigger problems.

A company has just changed auditors, again. Should this worry me?

Auditors examine and verify the validity of company financial and accounting records. They strive to make sure the information is as accurate as possible.

When a company changes auditors, therefore, it is not always an innocuous event, especially if the company has a history of changing auditors. Many times, these companies are trying to use questionable accounting practices that the auditor will not go along with. Eventually these companies are found out and their stock prices suffer accordingly.

A company announces it is buying another company and the price drops. Should I sell?

When one company announces it is buying another, the typical market reaction is to drive down the price of the buyer and to drive up the price of the firm being acquired. The reasoning is usually that the acquirer is thought to be paying too much or the acquisition does not hold promise. Depending on the companies involved, there may be questions of whether the merger will be allowed to take place from a regulatory angle, whether the corporate cultures are compatible, and whether there will be a dilution of earnings.

You can attempt to learn more about the merger and try to discern for yourself whether or not it will benefit investors. However, information tends to be sparse and can be less than objective. The main source of information is often the management of the acquiring firm, and they will only be lauding the acquisition.

Analysts may also make their opinions known, but you need to discount this information if the analyst works for a brokerage firm who has investment banking ties to the deal.

Should I sell a stock that was doing well but has been declining for the past few weeks?

All stocks will eventually have a price decline. It is normal for a stock that has been rising for an extended period of time to take a breather now and then and take a dip. As long as there is no news that accompanies this decline, investors may wish to use these short-term declines to add to their stock investment position.

When looking at a fall in stock price, especially after a prolonged run-up, you should examine the decline in relation to the industry, as well as the trading volume accompanying the decline. If the stock declines significantly versus the industry or if there is above-average volume as the price falls, you may want to consider selling the position. However, if the stock is down on average volume, you may want to buy additional shares. The key, again, is whether the fundamentals of the company have changed.

What should I do if the stock price has been declining for a long period for no apparent reason?

No investor likes to see the value of his or her shares decline over a long period, especially if there appears to be no contributing factor(s) to the decline. As prices decline, there will be those investors who believe that the market as a whole is more knowledgeable than they are and enter into a "herd" mentality, selling their shares and further lowering the price. There are others who take a contrarian approach, believing that sellers are overreacting. Such investors will add to their positions as the price drops, taking advantage of what they believe to be a bargain price.

Most professional investors view a slow, steady decline in a stock's price as an excellent buying opportunity. Their reasoning is that if there were real problems with the company, the rush of investors to sell would force the price down sharply in a short amount of time. Instead, they theorize that declines in price are caused by money managers selling their stake in a company to raise money and this, in turn, causes some investors to follow suit.

Conclusion

While this article has outlined the issues you should consider if your stock holding should fall in price, your own reaction to these situations will also have a big impact on the outcome. The biggest problem many stock investors face is that they become too emotionally involved and lose objectivity when deciding whether it is time to sell. **Maintaining your objectivity during these times is important to your investing success.** Unfortunately, there are no simple, mechanical rules that are effective for when to sell a stock. **Nothing substitutes for an understanding of what economic, industry, and firm fundamentals drive your stock's price.**

By examining the situation rationally and doing your homework to determine if the fundamentals of the company have changed, you are better equipped to determine whether the time has come to sell your stake. ■

Wayne A. Thorp is associate financial analyst of American Association of Individual Investors (AAII). (Culled from AAII Journal)

Investment Education Column

Non-Marketable Fixed Income Securities

- By Bright Obiazi



We considered last week a list of marketable fixed-income securities. We shall continue this week with a consideration of non-marketable fixed-income securities. Note that the distinguishing factor here is the degree of marketability into cash without risk and before maturity, should the need arise. We shall start the discourse by looking at term loans.

Term Loan

A term loan is a contract under which a borrower agrees to make payments interest and principal, on specific dates to all lenders. These loans are not covered by negotiable financial instruments and are arranged directly between the borrower and a financial institution or a lender. Therefore, the instruments are non-marketable securities.

Generally, loans are given for a specific period of time at fixed rate of interest. Various arrangements may be entered into by the lender and borrower for the payment of interest during the tenor of the debt. Also the principal may be paid installmentally or at maturity.

There are short, medium and long-term loans depending on the tenor of the debts. Short-term loans are for the period of less than one (1) year. Medium terms have tenors of above one (1) year and less than five (5) years. Long-term loans are for period of 5 years and above. The various classes of loans are:

Secured loans

Unsecured loans

Syndicated loans

Consumer loans/Installment Credit

Secured Loans

Secured loans have security pledge by the borrowers to protect the lender in the case of default. The security may be in the form of a specific asset or more generally spread over the assets of the borrower. A mortgage loan is a debt secured with a pledge of real property by the borrower.

Unsecured Loans

Unsecured loans are debts not backed by the pledge of assets by the borrower. The lender is left with nothing to fall back on in case of the borrower's default.

Syndicated Loans

Syndicated loans are loans in which two or more lenders or financial institutions combine their resources together to finance a single debt. The funds are made available to the borrower through the joint participation of two or more lenders or financiers. Loans are syndicated for several reasons. Some of the reasons are:

- When the outlay is so large that no single financier can conveniently provide it alone.
- When the lender or financial institution approached would exceed its statutory regulated credit limit by granting the loan.

Consumer Loans

Consumer loan or installment credits are debts with fixed interest, fully amortized over relatively short maturities. They include loans for which motor vehicles, home appliances or equipment are pledged as security and repaid installmentally with interest. These are examples of secured consumer loans. Some consumer loans are not secured. Consumer loans and installment credit are mostly provided by finance companies, leasing companies, credit unions and commercial banks.

Mr. Bright Obiazi is a Business Development Manager with Nicon Investment Limited.

Investment Jokes

- ❑ **A** study of markets usually reveals that the best time to buy anything is yesterday!
- ❑ **Amateurs** focus on rewards. Professionals focus on risk.
- ❑ **Why** is advice so cheap? Because supply always exceeds demand!
- ❑ **A** market analyst is an expert who will know tomorrow why the things he predicted yesterday didn't happen today!
- ❑ **The four** golden rules of technical analysis:
 1. Think brilliantly,
 2. Be infinitely creative,
 3. Be outstandingly lucky,
 4. Otherwise, stick to being a theorist! ■

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