

NIGERIA

Our Initial Reaction

NIGERIA EQUITY MARKETPLACE

Multiverse Resources Plc (NSE Ticker: MULTIVERSE)

The ‘new bride’ in the construction sector: Incorporated in June 2002 and listed on the Nigerian Stock Exchange in October 2008, Multiverse Resources Plc is an extractive company chiefly engaged in mining, quarrying, and sales and distribution of granite chippings and other solid minerals. The Company has 2 granite sites with combined estimate of +44 million metric tones of granite deposit.

Growth looks healthy on absolute terms, but at significant variance with forecasts: For the year ended December 31, 2008, the Company grew its turnover to N417m (vs. 2007: N303m, translating to 38% turnover growth) while earnings after tax leapt to N87m (vs. 2007: N65m, translating to 34% earnings growth). These figures contrast sharply with 2008 Management forecasts of N605m turnover and N150m earnings after tax.

Balance sheet size swells, but earnings power grapples under dilutive pressure: Multiverse graced the primary market in 2008 to rake N1.05bn by offering 1.1bn units of ordinary shares at 95k via a Private Placement. The reported shareholders’ fund of N3.6bn as at 2008FYE implies an inorganic growth of 1688% while total assets bulged by 394% to N4.06bn. However, reported EPS laid down arms to the dilutive pressure of 3bn shares to stand at 3kobo (vs. Management forecast of 5k), implying a return on average equity (RoAE) of 4.6%. Inferentially, the Company will have to rocket its bottom line growth by 840% in 2009, if Management forecast of 2009EPS of 28k is to be achieved. This, in our opinion, appears to be a **tall order**. Nonetheless, we do see some positives as regard the Company’s ability to generate growth in 2009FY on the lever of the fresh equity injection raked from investors. The magnitude of this growth remains a test of Management ability to efficiently utilize its asset base.

Current price multiples suggest significant growth expectations: Despite shrinking by 73% since listed in October 8, 2008 and currently trading at 52k (As of April 20, 2009: near nominal value of 50k), MULTIVERSE 2008 actual EPS is priced at 17.93x with a P/S of 3.74x and P/BV of 0.34x. However, the market price before the release of the 2008FY results was most likely impaired by the regulatory ‘injunction’ of a nominal value price floor. Nonetheless, these price metrics suggest stratospheric valuation reminiscent of a high growth company. **To what extent can the Company deliver this growth expectation? This remains a question that 2009FY will likely answer.**

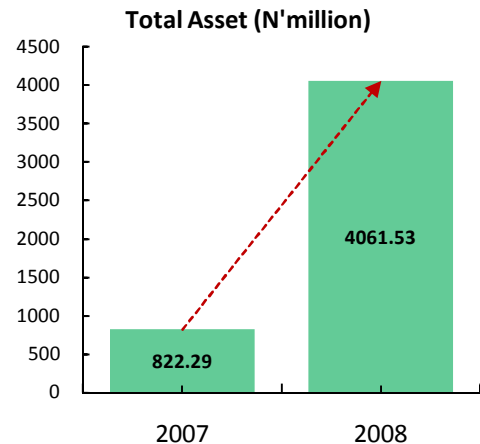
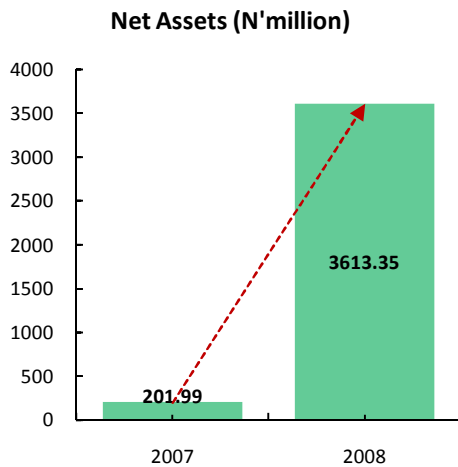
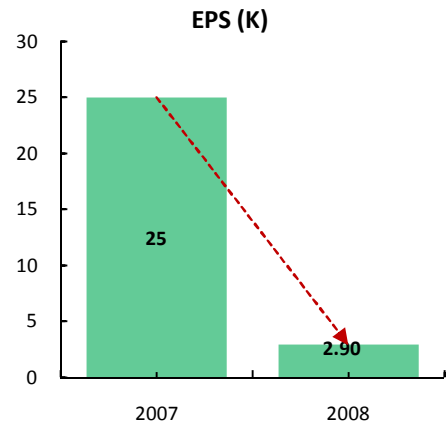
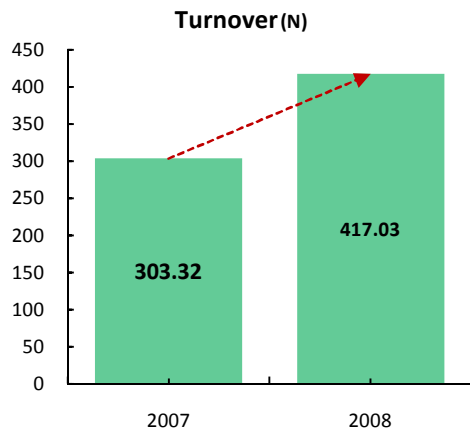
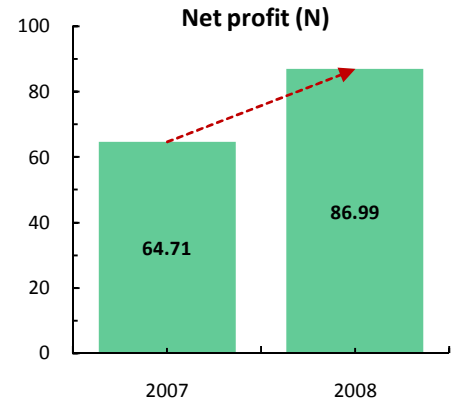
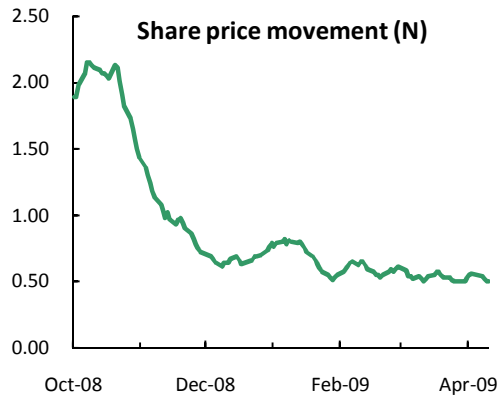
137% dividend payout appears quite unsustainable: In what *seems* like a swift reaction to compensate investors for the drastic plunge in the Company’s share price after Listing, MULTIVERSE declared a dividend of 4k per share (representing a 137% payout) prior to the closing bell on the floors of the Exchange yesterday. However, the qualification and payment dates are yet to be made public.

This payout rate implies that investors are being rewarded with resources outside what the company generated operationally during the year. This is quite unsustainable and we see it as a “one-off event” given the need to deliver substantial growth in the meantime to justify the current market price.

NIGERIA

Our Initial Reaction

NIGERIA EQUITY MARKETPLACE



IMPORTANT INFORMATION: DISCLAIMER

Meristem Securities Limited ("Meristem") equity reports and its attendant recommendations are prepared based on publicly available information and are meant for general information purposes only and it may not be reproduced or distributed to any other person. All reasonable care has been taken to ensure that the information contained herein is not misleading or untrue at the time of publication; Meristem can neither guarantee its accuracy nor completeness as they are an expression of our analysts' views and opinions.

Meristem and any of its associated or subsidiary companies or the employees thereof cannot be held responsible for any loss suffered by relying on the said information as this information as earlier stated, is based on publicly available information, analysts' estimates and opinions and is meant for general information purposes and should not be construed as an offer to buy or sell or a solicitation of an offer to buy or sell securities or any financial instruments. The value of any investment is subject to fluctuations, i.e. may fall and rise. Past performance is no guide to the future. The rate of exchange between currencies may cause the value of investment to increase or diminish. Hence investors may not get back the full value of their original investment.

Meristem Securities is registered with the Nigerian Securities and Exchange Commission (SEC) and is a member of the Nigerian Stock Exchange (NSE). Meristem Securities' registered office is at 124, Norman Williams Street, South West, Ikoyi, Lagos, Nigeria. Website: www.meristemng.com, email: research@meristemng.com.

© Meristem Securities Limited 2009.