

Equity Snapshot

SOVRENINS

14-Nov-08

BUY

Business summary: General Insurance, Life and Pensions Businesses.
Sector: Insurance
Year End: 31st December
Website: www.sti.com.ng
e-mail: info@sti.com.ng

Intrinsic Value: NGN 2.19 12-Month Target Price: NGN 3.20

Technical			
Current Price	1.38		
Price as at selected date	1.38		
52-week high	6.51	on	18-Feb-08
52-week low	1.32	on	13-Nov-08
Beta β (Volatility Index)	0.85		
Current RSI (14)	15.21		Oversold

Returns Profile	SOVRENINS	NSE ASI
1-Week Returns	-13.75%	10.26%
1-Month Returns	-31.00%	-12.34%
6-Month Returns	-70.00%	-39.36%
52 Week Returns	-48.89%	-27.10%
Sharpe Ratio	-15.32	-0.38
Stand. Dev. of Returns	3.89%	1.05%

Quarterly Updates	2008Q2	Prev Yr	Growth
Gross Premium (Nb)	2.15	1.39	54%
PBT (Nb)	0.50	0.25	98%
Tax (Nb)	0.05	0.03	71%
PAT (Nb)	0.45	0.22	102%
			<u>Ind. Avg</u>
Pre-Tax Margin	23.47%		34.61%
Net Margin	20.93%		28.27%
Earnings Yield	12.57%		6.25%

Valuation Metrics	SOVRENINS	Ind. Avg.
Shares Outstanding (bn)	3.37	6.34
Market Cap (Nbn)	4.65	13.68
Trailing GPPS	0.96	0.62
Trailing EPS (N)	0.17	0.15
BVPS (N)	1.03	1.04
P/E ratio (x)	7.96	23.62
PBV ratio (x)	1.34	6.79
PGP (x)	1.43	6.36

Analyst's Comment and Recommendation

SOVRENINS remains an undiscovered value in the Insurance sector. With a forward PE of 5.18x based on 2008e EPS of 27k, the stock remains relatively cheap premised on all relative valuation metrics. Hence, our 12-month target price, based on the current fundamental market metrics, which in our opinion are fair, **stands at N3.21k**. This presents a 12-month upside potential of 157%. We therefore **place a BUY recommendation** on the stock for short to medium term investment horizon.

DuPont Analysis (Prev FYE)	SOVRENINS	Ind. Avg.
Asset Turnover (x)	0.63	0.38
Equity Multiplier	1.14	1.46
Profit Margin	14.37%	32.16%
ROE	10.29%	19.50%
ROA	9.04%	12.31%

52-Week Relative Price Performance Chart



Relative Strength Index (RSI)



Disclosures

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