

WAPCO

29-Jul-08

Business summary:

Manufacturing and Marketing of Cement

Sector:

Building Materials

Year End:

31st December

Website:

www.lafargewapco.com

e-mail:

na

Strong values set to outlive stinking earnings

Technicals			
Current Price	43.03		
Price as at selected date	44.95		
52-week high	85.46	on	3-Jan-08
52-week low	42.20	on	25-Jul-08
Beta β (Volatility Index)	1.24		
Current RSI (14)	35.95		Within band

Returns Profile	WAPCO	NSE ASI
1-Week Returns	-5.45%	5.01%
1-Month Returns	-24.31%	-7.24%
6-Month Returns	-36.72%	-8.51%
52 Week Returns	-29.46%	1.02%
Sharpe Ratio	-15.55	-0.10
Stand. Dev. of Returns	2.59%	0.91%

Quarterly Updates	2008Q2	Prev Yr	Growth
Tunover (Nb)	22.16	19.89	11%
PBT (Nb)	5.61	6.83	-18%
Tax (Nb)	0.87	1.01	-15%
PAT (Nb)	4.75	5.82	-18%
			Ind. Avg
Pre-Tax Margin	25.33%		16.81%
Net Margin	21.42%		12.63%
Earnings Yield	7.44%		2.71%

Valuation Metrics	WAPCO	Ind. Avg.
Shares Outstanding (bn)	3.00	1.20
Market Cap (Nbn)	134.92	75.48
Trailing Sales Per Share	13.64	6.57
Trailing EPS (N)	3.20	1.12
BVPS	10.93	6.94
P/E ratio (x)	14.04	95.14
PBV ratio (x)	4.11	8.77
P/S ratio (x)	3.30	10.23

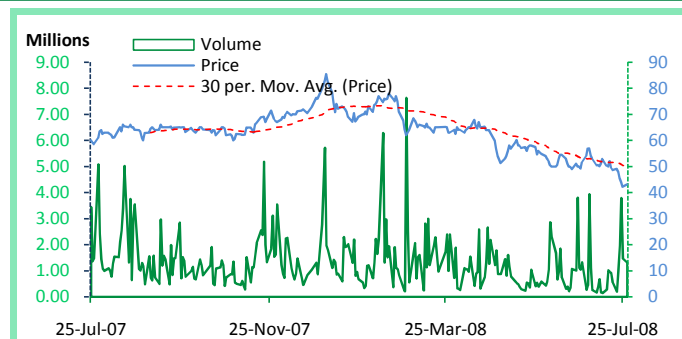
Analyst's Comment and Recommendation **BUY**

Although earnings appears to be stinking, WAPCO's fundamental and trading metrics reveal above-industry performance. Based on **projected Net Asset Value of N13.38k per share** and a **forward industry PBV of 4.38x**, we arrived at a **12-month target price of 17.55x 2008E earnings** which translates into **N58.60k (implying an upside potential of 30%)**. At these forward price multiples, WAPCO still appears cheap compared to its peers and the industry.

DuPont Analysis (Prev FYE)	WAPCO	Ind. Avg.
Asset Turnover (x)	0.76	0.61
Equity Multiplier	1.54	2.32
Profit Margin	27.62%	15.48%
ROE	32.55%	24.88%
ROA	21.11%	14.26%

Historical Price-Volume Chart

Relative Strenght Index (RSI)



Disclosures

Meristem Research equity analysis and its attendant recommendations are prepared based on publicly available information and are meant for general informative purposes. Meristem Research can neither guarantee the accuracy nor completeness of the information as they are expressions of our analysts' views and opinions