

EQUITY RESEARCH REPORT

Company: Oceanic Bank Int'l Plc
Sector: Banking
Review Date: May 05, 2008

Valuation Per Share: N38.58
Discount to Valuation: 41%
Price (May 05, 2008): Ngn 25.99

BUY



Stock Type: Mid-value Stock
Ticker: Oceanic
Sector: Banking
Auditor: PriceWaterHouseCoopers
Registrar: Oceanic Registrars Ltd
Year-end: September 30
Website: www.oceanicbanknigeria.com

BUSINESS SUMMARY

Incorporated in 1990 and quoted on the floor of the NSE on June 25, 2004, Oceanic Bank Int'l Plc has grown to be one of the 7 top tier banks in Nigeria. The bank prides itself with a well diversified banking products and services and broad based subsidiaries cutting across several financial sub-sectors. Oceanic Bank's continuous growth has accorded it an enviable position among the top tier banks in Nigeria.

KEY INVESTMENT STATISTICS

INCOME STATEMENT	2008E	2007	2006	2005
Gross Earnings (Nbn)	132.00	73.75	44.67	24.31
Gross Earnings per share (N)	5.25	6.33	4.8	2.61
Operating Income (Nbn)	89.10	57.16	32.09	19.61
PAT (Nbn)	42.00	17.54	9.3	5.9

BALANCE SHEET

Share holders Fund (Nbn)	-	491.99	441.35	370.97
Total Assets (Nbn)	-	1038.43	372.04	217.8
Total Debt/ Total Equity	-	3.66	890%	601%
Book Value Per Share	-	19.14	4.03	3.34

PROFITABILITY

Operating Margin	67.50%	77.50%	71.84%	80.67
After-tax Margin	32.50%	23.78%	20.82%	24.26%
Return on Equity (ROE)	-	7.87%	24.75%	18.97%
Return on Asset (ROA)	-	1.69%	2.50%	2.71%

YEAR-ON-YEAR GROWTH PERFORMANCE

Gross Earnings	78.99%	65.10%	83.80%	92.60%
PAT	144.62%	88.60%	57.70%	79.40%
EPS	13.33%	50.90%	57.70%	15.60%

EARNINGS, DIVIDEND AND BONUS HISTORY

Year	2007	2006	2005	2004
EPS (k)	150.6	99.9	63.3	54.8
Earnings Yield (%)	5.00	8.20	10.00	8.70
DPS (k)	102	42	32	25
Dividend Yield (%)	4.00	3.4	5.10	4.00
Bonus	-	1 for 4	-	-
Payout ratio (%)	79.66	42.06	50.54	45.63

STOCK PERFORMANCE

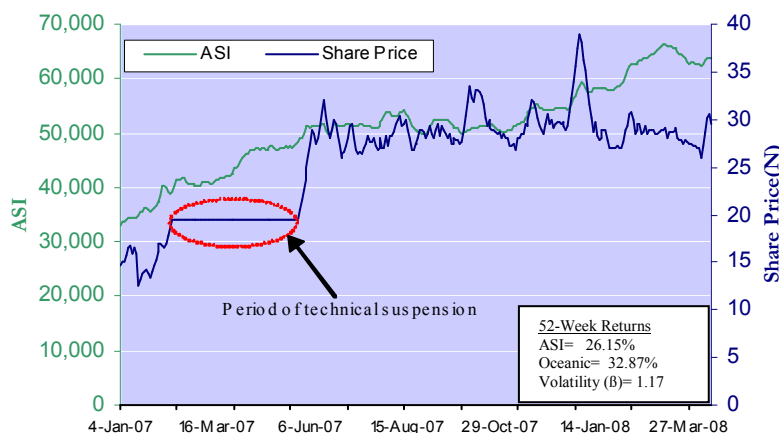
Volatility (β)	Oceanic			1.17
52-Week Change (%)	Oceanic			41.94
52-Week High and Low (N)	Oceanic			39.05 — 19.53

VALUATION METRICS

	Oceanic	Top Tier Banks Average
Market Cap (bn) (Ngn) (April, 2008)	624	681
Trailing EPS (Ngn)	1.18	1.83
Trailing P/E (X)	23.21	24.92
Trailing P/GE (X)	6.00	5.65

Note: E — Meristem Research forecast

16-MONTH SHARE PRICE-ASI CHART



INVESTMENT RATIONALE/ RISK ANALYSIS

- Oceanic Bank's recent second quarter results revealed a superlative industry-record performance. The company grew its gross earnings to N66.47bn in Q2 2008 from N29.08bn in corresponding period in 2007. This translates to a 3-digit growth of 128.6%. The Bank's profitability measures are the most impressive in the sector as profit-after-tax ballooned by 145.2% to stand at N20.3bn in Q2 '08 and net-profit-margin rose to 30.5%.
- Our modest forecasts for the Bank's financial year ending 30th September 2008 give N132bn and N42bn for gross earnings and profit-after-tax respectively. These correspond to projected growth rates of 78.99% and 144.62% for gross earnings and profit-after-tax respectively.
- The Bank's recent strategic partnership with renowned global consultant, McKinsey & Co to buff up service delivery is expected to ease capturing of more market share. Besides, its strategic venturing into oil & gas and the telecommunications sectors is expected to translate into big ticket transactions and boost top and bottom lines.
- However, Oceanic Bank seems contented at present with the level of transactions domestically generated as it disposes a tacit stance as regards the exploration of global financial market opportunities. With increasing diversifications to West African markets by its peers, we foresee a redirection and broadening of market focus by the bank to capture a portion of the growing West African financial market.
- Aside intense competition in the banking sector which portends exposure to interest income risk, our valuation of Oceanic Bank Plc has a regulatory risk attached to it as CBN's policies impact significantly on credit spread of operators in the sector, the bank and hence its profitability.

OCEANIC BANK PLC VALUATION SUMMARY

In valuing OCEANIC BANK PLC, a number of valuation methodologies, such as PBV method, P/GE method, P/E method, and Discounted Cash Flow valuation method (with a discount rate of 17.79%), were used. After applying appropriate weights with a bias for Discounted Cash Flow valuation method, we arrived at a fair value of N38.58. We place a **BUY** recommendation on the stock especially at the current price for short/medium term investors. It is also attractive for long term investors.