

## NIGERIA

## 2008FY Results

## Our Initial Reaction

# NIGERIA EQUITY MARKETPLACE

### Presco Plc (NSE Ticker: PRESCO)

**Presco, a member of SIAT Group, Belgium (60% ownership)**, is a fully-integrated agro-industrial corporation with a well diversified portfolio of products and assets, which includes oil palm plantations, palm oil mill, palm kernel crushing plant as well as vegetable oil refining and fractionation plant. The Company is the first of its kind in West Africa with **specialisation in the cultivation of oil palm and in the extraction, refining and fractionation of crude palm oil into finished products. Presco also supplies specialty fats and oils.** A noticeable strategic thrust is the Company's balanced vertical integration process which encompasses all stages (upstream and downstream segments) from palm plantation up to finish products delivery.

#### Presco top line remains puffy; yet our fear remains...

Condensed results of the Company released to the floors of the Exchange on Wednesday prior to the closing bells show supernormal growth in top line, an element of impressive cost management and stimulating bottom-line. Turnover grew by 74.9% to N3.964m while pre-tax profit and after tax profit (excluding extraordinary items) ballooned by whopping 3-digit ~316% and 4-digit ~1710% respectively and extraordinary Item (net) swelled by 381% to N155m. These translate to momentous leap in net profit margin from 1.64% in 2007FY to 17%. However, Presco's posted a 7.4% marginal increase in Fixed Assets, a repeat of historical trend while Net Assets also rose by near 31% to N2.553bn. This exceptional feat was last recorded by Presco in early 2000s.

#### ...sustainability of impetus amidst regulations plus other value 'inhibitors'

Our growth expectations for the 2008FY performance are in tandem with actual results released by Presco. **However, we missed out in payout forecast.** We earlier projected a 52 percent turnover growth (against actual of 74 percent), an EPS of N1.08k and a cash dividend of 50%, translating to 50k/share. Prior to the release of the FYE 2008 results, we did maintain bullish growth forecasts in performance for 2008FY but expressed concern on the Company's ability to sustain the tempo in 2009 and beyond. In our latest **Equity Strategy Note** (April 17,2009) "...While we adequately capture the Company's astonishing growth in the 2008 FY, we see such level of growth as a bounce to normalcy and hence expect growth to be modest in 2009FY and 2010FY.

Our key area of strong concern as regard potential drag on earnings growth lies in the current **liberalization stance** of the Federal Government on palm oil importation. In our opinion, this will likely **strip off industry players of their protective garments, stifle industry competition and encumber the Company's ability** to reap substantial return on its huge investment in palm plantation".

#### Investors' reactions to dividend proposition

Potential for 'mild' price runs in days ahead may not be ruled out with investors reacting to the Company's 30k cash dividend which translates to 5.61% yield. However, Presco has maintained a consistent dividend payment culture year-on-year with a conservative payout of N300m in cash distribution to investors annually.

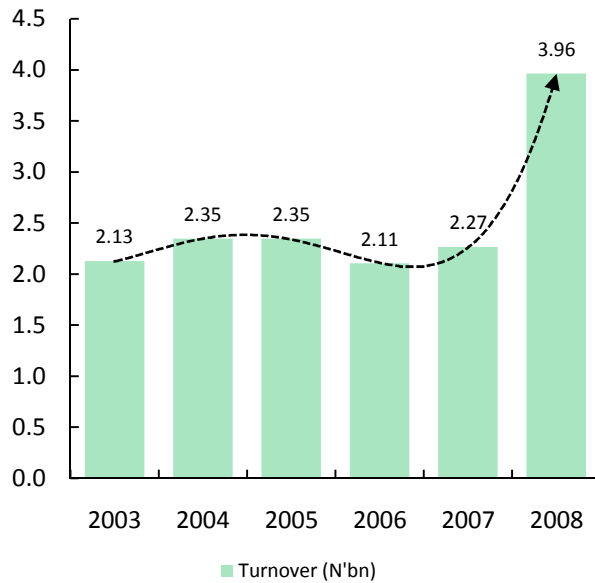
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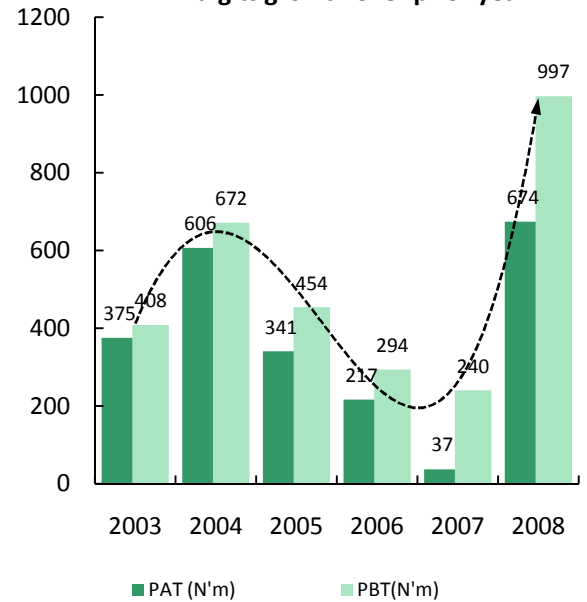
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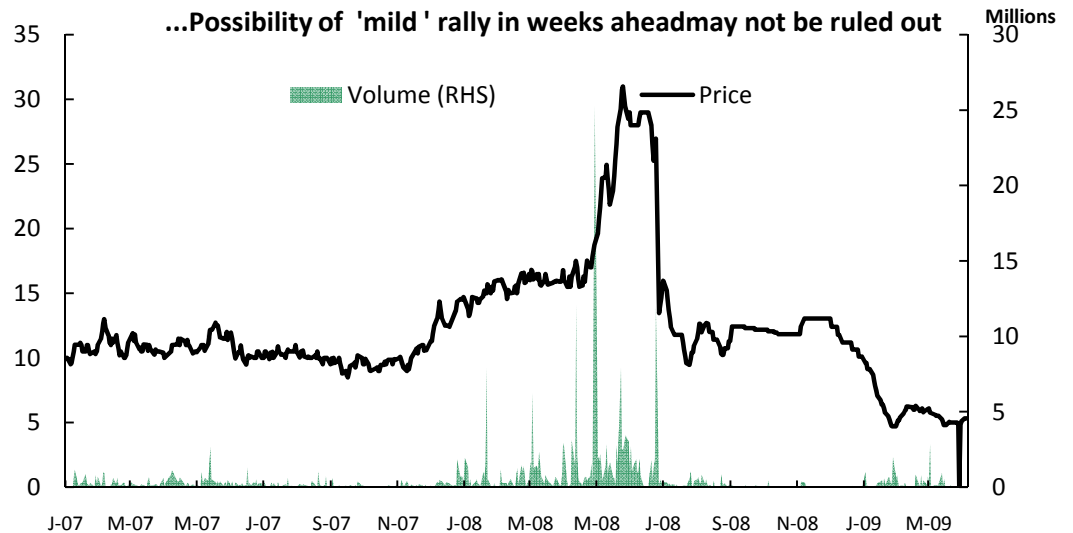
... Presco's activity stands tall again with ~75% leap in sales revenue



...Ballooning bottom lines by triple digits growth over prior year



...Possibility of 'mild' rally in weeks ahead may not be ruled out



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### AUDITED ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

#### INCOME STATEMENT

PERIOD	2008	2007	Absolute CHG	Growth
TURNOVER (N'b)	3.964	2.266	1.698	74.9%
PBT & EXCEPTIONAL ITEM (N'b)	0.997	0.240	0.758	315.7%
TAX (N'b)	-0.323	-0.203	-0.121	59.6%
PAT (N'b)	0.674	0.037	0.637	1709.5%
EXECPTIONAL ITEM (N'b)	0.155	0.032	0.123	381.0%
<b>Net Profit Margin</b>	<b>17.00%</b>	<b>1.64%</b>		

#### BALANCE SHEET EXTRACT

PERIOD	2008	2007	Absolute CHG	Growth
FIXED ASSET (N'b)	4.204	3.900	0.304	7.8%
STOCK (N'm)	746.824	418.081	328.743	78.6%
CASH AND BANK BALANCES (N'm)	307.116	107.354	199.762	186.1%
TRADE DEBTORS (N'm)	275.393	84.196	191.197	227.1%
OTHER DEBIT BALANCES (N'm)	142.227	151.360	-9.133	-6.0%
SHORT TERM BORROWING (N'm)	462.315	391.451	70.864	18.1%
TRADE CREDITS (N'm)	504.263	106.703	397.560	372.6%
OTHER CREDIT BALANCES (N'b)	2.155	2.206	-0.051	-2.3%
WORKING CAPITAL (N'm)	-421.812	-512.458	90.646	-17.7%
NET ASSET (N'b)	2.553	1.956	0.597	30.5%

#### KEY PERFORMANCE METRICS

KEY PERFORMANCE METRICS		Valuation Metrics	
Industry	Agriculture	Share outstanding (bn)	1.000
Year end	Dec-31	Market Cap (NGN'bn)	5.61
Current Price (NGN)	5.61	EPS (NGN)	0.67
52-week hi (NGN)	31.00	SPS (NGN)	3.96
52-week lo (NGN)	4.70	P/E (x)	8.32
Beta $\beta$ (Volatility Index)	0.44	P/S (x)	1.415

**Proposed Dividend: N0.30k**

Dividend Yield: 5.35%

Closure Date: July 13, 2009

Payment Date: Aug 10, 2009

AGM: July 22, 2009

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