

Investment Case

Flight to Value

The following stocks are recommended for investment consideration based on our **5 selected investment screens** that have been designed to **ensure optimal return** in the medium to long term investment horizon.

The selection screens include:

- **Track record of consistent quarterly, half yearly or annual dividend payment** (with a minimum of 3 years). Our benchmark for current dividend yield is a minimum of: (91-day T-bill Yield = 5 %) + 100 basis points
- **Improved profitability performance:** Our benchmark is set at-improved current Net Profit Margin over the last FYE's Margin
- **Positive economic profit :** Benchmarked as a higher Return on Average Equity (ROaE) than the estimated Cost of Equity (COE)
- **Appreciable expected earnings growth momentum:** Benchmarked as lower forward P/E ratio than the trailing P/E
- **Attractive price multiples** compared to peers and significantly **oversold beyond fundamental level.**

NOTE: While our **5 selected investment screens** are not mutually exclusive, we set our selection criteria to meeting a minimum of 4 out of the above.

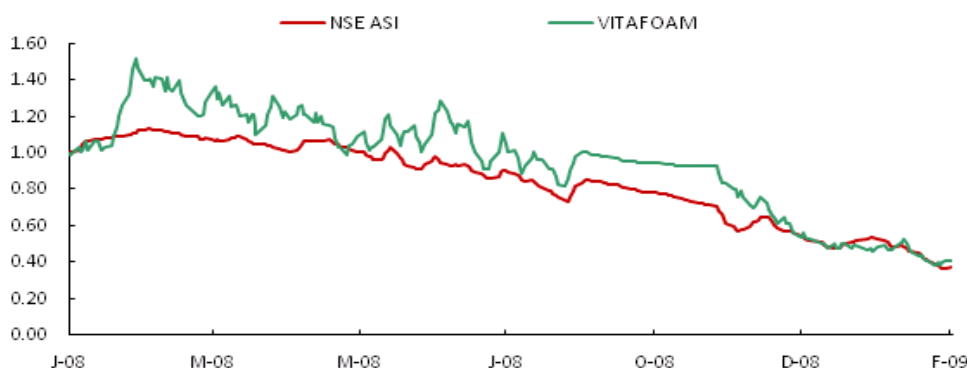
VITAFOAM

Metrics	2007	2008e
ROaE	42.40%	37.50%
Cost of Equity	14.50%	16.50%
Economic Profit (bn' N)	0.19	0.15
Net Profit Margin	8.54%	8.50%

Per Share Data (Naira)	Stock	Peer average
Price	4.07	7.18
Trailing EPS	0.85	0.57
BVPS	2.31	1.41
Forward EPS	0.94	0.63
Expected BVPS	2.69	1.64

Price Multiples	Stock	Stock behaviour	
Trailing P/E (x)	4.77 x	Beta (2-Year)	0.674
Forward P/E (x)	4.34 x	2008 return	-57.02%
P/BV (x) (PFYE)	1.76 x	YTD return	-13.98%
Forward P/BV (x)	1.51 x	52-Week hi	N15.00 (March 3, 2008)
Current Earnings Yield	20.9%	52-Week lo	N3.78 (Jan 30, 2009)
Forward Earnings Yield	23.0%	Estimated share float	0.53 b units (64.94%)
Current Dividend Yield	7.37%	6-month Avg. daily volume	2.26m units

13-Month Relative Price Performance (Feb 2008-Feb 2009)



Investment Attractions:

- Business model is strong thriving on the production and distribution of **polyurethane products** serving **wide array of market ends**: domestic users, oil & gas, building & construction, food processing and pharmaceuticals, agriculture and industrial applications.
- Dominant focus on the huge domestic market with wide geographic presence. **The current business expansion within West Africa is an added source of top line driver**
- Growth has largely been spurred organically, reinforcing sustainable and cash generative business model.
- Impressive ROaE; 42.40% during the last FYE though expected to ease at 37.50% in 2009FY.
- **3 decades of consistent dividend payment culture; attractive yields**: current dividend yield of 7.37% looks superb compared to T-bill yield of 5%.

SKYEBANK

Metrics	2007/08	2008/09e
ROaE	25.80%	23.10%
Cost of Equity	17.60%	19.60%
Economic Profit	1.32	0.55
Profit Margin	20.46%	21.10%

Per Share Data (Naira)	Stock	Peer average
Price	3.97	7.82
Trailing EPS	1.64	1.25
BVPS	8.18	6.05
Forward EPS	2.03	1.86
Expected BVPS	9.39	6.90

Price Multiples	Stock	Stock behaviour	
Trailing P/E (x)	2.42 x	Beta (2-Year)	1.262
Forward P/E (x)	1.96 x	2008 return	-50.03%
P/BV (x) (PFYE)	0.49 x	YTD return	-55.88%
Forward P/BV (x)	0.42 x	52-Week hi	N19.85 (April 14, 2008)
Current Earnings Yield	41.4%	52-Week lo	N3.44 (Jan 30, 2009)
Forward Earnings Yield	51.0%	Estimated share float	2.40b units (20.8%)
Current Dividend Yield	15.11%	6-month Avg. daily volume	6.44m units

13-Month Relative Price Performance (Feb 2008-Feb 2009)



Investment Attractions:

- Skyebank is a conspicuous player in the **catch-up game** in the Nigerian financial landscape with a giant match in key size indicators: Shareholders fund leapt inorganically by 233%, deposit surged by 87%, with **Capital Adequacy Ratio (CAR) improving from 10% in 2007 to 14% in 2008.**
- Profitability looks attractive compared to industry average, though we expect a 2009 ROaE to ease at 23.10% from 25.8% in 2008.
- **Current price is severely overbeaten trading at ballpark of 50% of its 2008 book value.** Even at 40% impairment rate, considering estimated banking industry stock market exposure of **33% and Skyebank's** record of 126% growth in loans and advances, the current price still presents substantial upside potential.
- **Current yields are fabulous: earning yield of 41.4% stands tall in the Nigerian banking universe, and 15.11% dividend yield remains a key investment pull factor.**

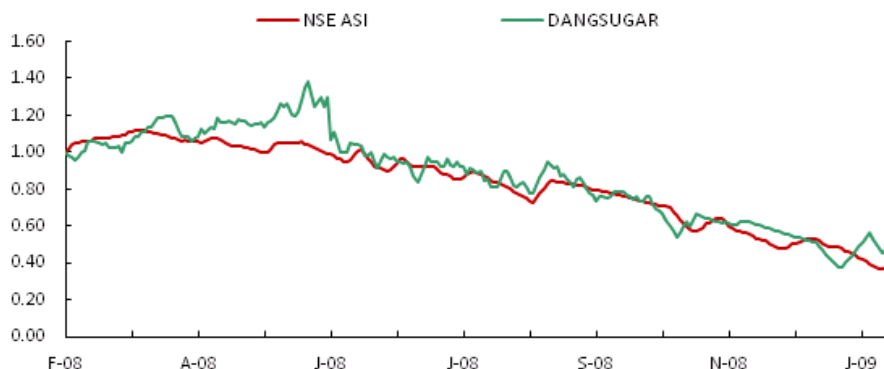
DANGSUGAR

Metrics	2007	2008e
ROaE	81.20%	87.00%
Cost of Equity	18.30%	20.30%
Economic Profit (bn' N)	13.50	14.33
Profit Margin	26.63%	28.80%

Per Share Data (Naira)	Stock	Peer average
Price	11.65	19.90
Trailing EPS	1.85	2.08
BVPS	2.16	8.05
Forward EPS	2.06	3.19
Expected BVPS	2.58	11.66

Price Multiples	Stock	Stock behaviour	
Trailing P/E (x)	6.30 x	Beta (2-Year)	1.394
Forward P/E (x)	5.65 x	2008 return	-60.21%
P/BV (x) (PFYE)	5.39 x	YTD return	-28.39%
Forward P/BV (x)	4.52 x	52-Week hi	N51.00 (March 14, 2008)
Current Earnings Yield	15.9%	52-Week lo	N9.60 (Jan 29, 2009)
Forward Earnings Yield	17.7%	Estimated share float	1.40b units (12.00%)
Current Dividend Yield	14.59%	Avg. monthly volume	5.19m units

13-Month Relative Price Performance (Feb 2008-Feb 2009)



Investment Attractions:

- Business model thrives strongly on composite demand for refined sugar (domestic and industrial) and is **highly cash generative**.
- Industry is relatively insulated to waning economic cycle and enjoys a stable inelastic demand.
- Current installed **sugar refining capacity stands at 1.4 million metric tones p.a. with additional 1.1 million metric tones** capacity refinery under construction at Apapa, Nigeria. At completion, Dangsugar dares the **candidacy of the largest sugar refiner in the world!**
- **Aggressive market expansion into West Africa and North Africa** sub-regions are key growth drivers in the medium to long term.
- Sterling growth has delivered impressive operational performance across key performance metrics.
- Capital structure is largely debt neutral, providing enormous room for improved performance through leverage.

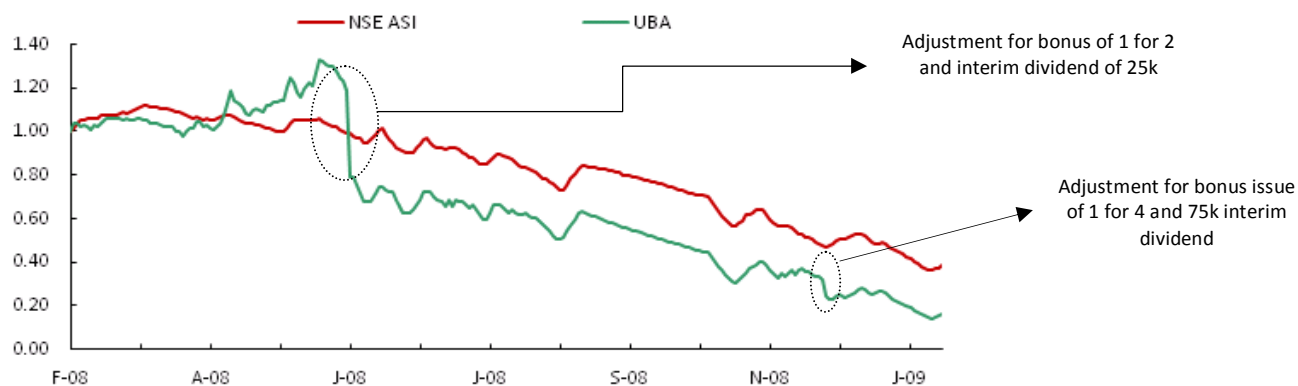
UBA

Metrics	2007/08	2008/09e
ROaE	22.60%	22.20%
Cost of Equity	17.70%	19.70%
Economic Profit	2.00	1.02
Profit Margin	24.07%	24.10%

Per Share Data (Naira)	Stock	Peer average
Price	7.71	7.82
Trailing EPS	1.89	1.25
BVPS	8.96	6.05
Forward EPS	2.08	1.86
Expected BVPS	9.79	6.90

Price Multiples	Stock	Stock behaviour	
Trailing P/E (x)	4.07 x	Beta (2-Year)	1.290
Forward P/E (x)	3.70 x	2008 return	-73.43%
P/BV (x) (PFYE)	0.86 x	YTD return	-44.11%
Forward P/BV (x)	0.79 x	52-Week hi	N63.94 (May 19, 2008)
Current Earnings Yield	24.60%	52-Week lo	N6.67 (Jan 30, 2009)
Forward Earnings Yield	27.00%	Estimated share float	5.99b units (27.8%)
Current Dividend Yield	12.97%	Avg. monthly volume	9.39m units

13-Month Relative Price Performance (Feb 2008-Feb 2009)



Investment Attractions:

- UBA Plc is an established financial supermarket with geographic presence in 3 continents and 9 countries.
- The Bank offers over **200 banking, bancassurance and wealth management products with strong and sustainable** service delivery channels: 668 branch footprints (613 in Nigeria and 55 abroad), 1332 ATMs (1256 in Nigeria and 76 abroad), and 3296 POS machines (estimate as at September 2008). This provides viable vantage point for retail-end penetration and deposit mobilization.
- UBA was last accorded **“B” short-term and “B+” long term ratings with “stable”** outlook by Fitch Ratings in May 2008.
- Sturdy capital base with Capital Adequacy Ratio (CAR) of 22.2% in 2008 (2007: 21.9%) far above the regulatory minimum of 10%.
- UBA is managed by experienced and highly innovative management team with rich and diverse tint.

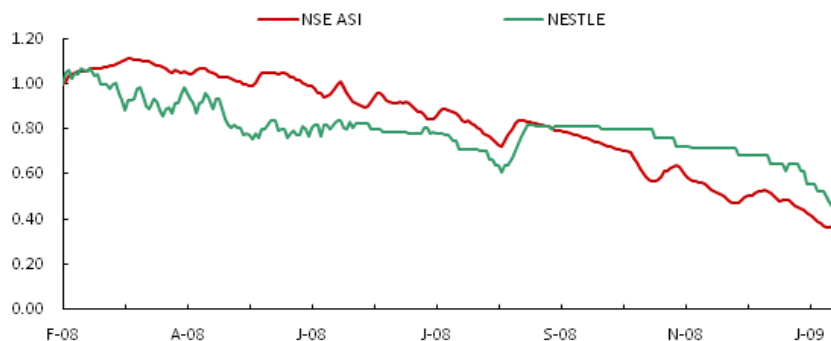
NESTLE

Metrics	2007	2008e
ROaE	86.4%	105.10%
Cost of Equity	12.8%	14.80%
Economic Profit (bn' N)	4.00	4.91
Profit Margin	12.36%	14.6%

Per Share Data (Naira)	Stock	Peer average
Price	115.05	19.90
Trailing EPS	9.17	2.08
BVPS	9.44	8.05
Forward EPS	11.09	3.19
Expected BVPS	11.66	11.66

Price Multiples	Stock	Stock behaviour	
Trailing P/E (x)	12.55 x	Beta (2-Year)	0.347
Forward P/E (x)	10.37 x	2008 return	-30.82%
P/BV (x) (PFYE)	12.19 x	YTD return	-36.95%
Forward P/BV (x)	9.87 x	52-Week hi	N300 (Feb 12, 2008)
Current Earnings Yield	8.0%	52-Week lo	N115.05 (Feb 4, 2009)
Forward Earnings Yield	9.6%	Estimated share float	0.167b units (25.08%)
Current Dividend Yield	7.13%	6-month Avg. daily volume	69,500 units

13-Month Relative Price Performance (Feb 2008-Feb 2009)



Investment Attractions:

- Nestlé Nigeria is a part of the Nestlé Group, a global brand, whose strategic operations span through **Nutrition, Health and Wellness**. Demand for its products is relatively inelastic.
- The Company operates in a defensive sector, hence less vulnerable to impact of the global meltdown and shrinking growth in the sub-Sahara Africa and other emerging markets.
- Nestlé Group (locally and internationally) has maintained a consistent growth momentum in sales throughout 3 quarters in 2008 despite the global financial and economic turmoil. This is driven majorly by organic growth.
- Nestlé has paid dividend (interim and final) consistently for more than a decade. It is one of the few quoted Companies on The NSE with high dividend pay-out. **This makes it a good pick for Pension Fund Administrators (PFAs) and investors with regular income stream objective.** Nestlé has an outstanding shorter-term operational performance which, in turn, ensures the longer-term delivery of its operational model: a good level of organic growth, coupled with a constant currency EBIT margin improvement, year-on- year.

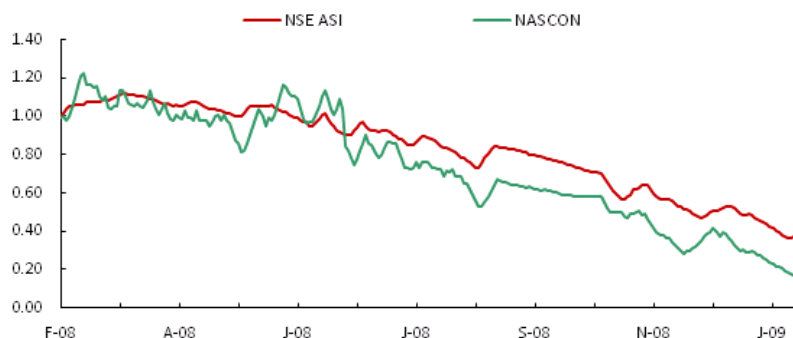
NASCON

Metrics	2007	2008e
ROaE	36.3%	39.2%
Cost of Equity	22.2%	24.2%
Economic Profit (bn' N)	0.18	0.19
Profit Margin	20.15%	18.9%

Per Share Data (Naira)	Stock	Peer average
Price	3.10	19.90
Trailing EPS	0.54	2.08
BVPS	1.31	8.05
Forward EPS	0.54	3.19
Expected BVPS	1.46	11.66

Price Multiples	Stock	Stock behaviour	
Trailing P/E (x)	5.69 x	Beta (2-Year)	1.956
Forward P/E (x)	5.71 x	2008 return	-64.87%
P/BV (x) (PFYE)	2.37 x	YTD return	-50.58%
Forward P/BV (x)	2.13 x	52-Week hi	N20.00 (Feb 14, 2008)
Current Earnings Yield	17.6%	52-Week lo	N2.82 (Feb 2, 2009)
Forward Earnings Yield	17.5%	Estimated share float	0.401b units(15.12%)
Current Dividend Yield	12.90%	6-month Avg. daily volume	314,155 units

13-Month Relative Price Performance (Feb 2008-Feb 2009)



Investment Attractions:

- This is a defensive Company whose principal activities are **refinery of raw salt into edible salt as well as importation of Petti Tomato Paste. The Company's clientele base cuts across domestic and industrial groups.**
- Food-based Companies shown strong resistance to recession and perform moderately well during economic growth slow-down.
- NASCON has performed excellently well after its reverse-acquisition by Dangote Group in 2007. **As at Q2-2008, turnover grew by 54.5 percent to N3.6bn while PAT rose by 24.6 percent to approximately N634m. Net Margin stands at 17.8 percent while trailing EPS is N0.52k.**

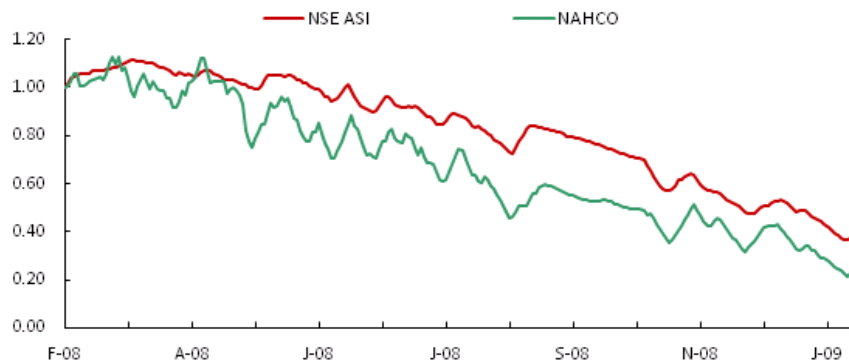
NAHCO

Metrics	2007	2008e
ROaE	40.7%	42.9%
Cost of Equity	17.9%	19.9%
Economic Profit (bn' N)	0.13	0.14
Profit Margin	16.12%	19.3%

Per Share Data (Naira)	Stock	Peer average
Price	6.88	10.30
Trailing EPS	0.82	0.61
BVPS	1.73	1.83
Forward EPS	0.83	0.68
Expected BVPS	2.14	2.27

Price Multiples	Stock	Stock behaviour	
Trailing P/E (x)	8.40 x	Beta (2-Year)	1.320
Forward P/E (x)	8.29 x	2008 return	-57.85%
P/BV (x) (PFYE)	3.98 x	YTD return	-43.40%
Forward P/BV (x)	3.21 x	52-Week hi	N32.00 (Feb 25, 2008)
Current Earnings Yield	11.9%	52-Week lo	N5.96 (Jan 30, 2008)
Forward Earnings Yield	12.1%	Estimated share float	0.422b units (42.9%)
Current Dividend Yield	4.36%	6-month Avg. daily volume	502,700 units

13-Month Relative Price Performance (Feb 2008-Feb 2009)



Investment Attractions:

- NAHCO currently handles about 70 per cent of airlines in the country while, SAHCOL, its existing local competitor has been less active operationally due to its privatisation process that has allegedly weakened its output. **However, the recent licensing of a formidable player, Swissport Nigeria, a subsidiary of Swissport International Limited may pose serious challenges.**
- Turnover has averaged 42 percent in the first 2 quarters of 2008 while average PAT stands at 67 percent during same period. Trailing EPS is N0.82k compared to N0.92k forecasted for FY 2008.
- NAHCo has consistently paid dividend in the last five financial years (2003-2007).
- Despite consistent and strong growths in the Company's top and bottom-lines, the stock lost close to 60 percent in price in 2008 while year-till-date loss is put at 45 percent.

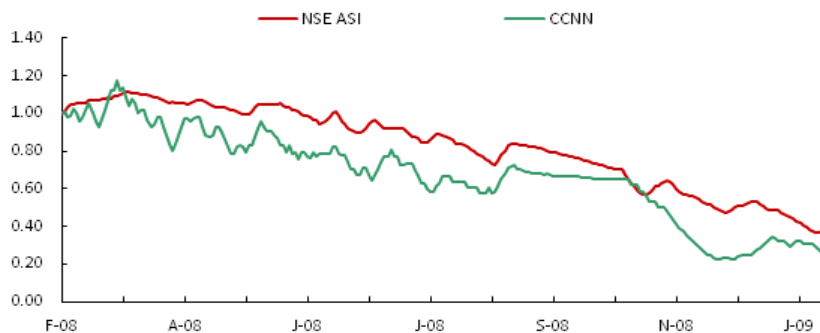
CCNN

Metrics	2007	2008e
ROaE	4.4%	36.5%
Cost of Equity	13.2%	15.2%
Economic Profit (bn' N)	-0.01	0.03
Profit Margin	1.72%	12.5%

Per Share Data (Naira)	Stock	Peer average
Price	5.5	10.70
Trailing EPS	0.77	1.32
BVPS	2.51	5.58
Forward EPS	1.01	1.45
Expected BVPS	3.01	6.70

Price Multiples	Stock	Stock behaviour	
Trailing P/E (x)	7.12 x	Beta (2-Year)	0.453
Forward P/E (x)	5.46 x	2008 return	-76.83%
P/BV (x) (PFYE)	2.20 x	YTD return	1.13%
Forward P/BV (x)	1.83 x	52-Week hi	N24.00 (Feb 28, 2008)
Current Earnings Yield	14.0%	52-Week lo	N4.59 (Dec 11, 2008)
Forward Earnings Yield	18.3%	Estimated share float	0.238b (18.2%)
Current Dividend Yield	1.82%	6-month Avg. daily volume	315,756 units

13-Month Relative Price Performance (Feb 2008-Feb 2009)



Investment Attractions:

- After a successful replacement of its Kiln shell during the first quarter of 2008 and the resolution of its energy problems, CCNN has eventually launched itself back to path of profitability.
- The Company's period results for the first 3 consecutive quarters in 2008 confirm spectacular operational cost savings and efficiency.
- Q3-2008 turnover was N7.6bn, compared with N6.9bn in the corresponding period of 2007 while Profit Before Tax (PBT) and Profit After Tax (PAT) soared by 492.1percent and 713.6 percent over the feat recorded in corresponding quarter of 2007.
- PAT in Q3-2008 stood at N1bn compared to N365m projected in its Rights Issue concluded in March 2007.
- Our projected Net margin based on current operational realities for FY 2008 is 12.5 percent up 1.75 percent in FY 2007. The stock now sells far below its Rights price of N9.

Appendix

Analyst's Certification and Disclaimer

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Investment Ratings

Fair Value Estimate

We estimate stock's fair value by computing a weighted average of projected prices derived from intrinsic and relative valuation methodologies. The choice of relative valuation methodology (ies) usually depends on the firm's peculiar business model and what in the opinion of our analyst is considered as a key driver of the stock's value from a firm specific as well as an industry perspective. However, we attach the most weight to discounted cash flow valuation methodology.

Ratings Specification

- BUY:** Fair value of the stock is above the current market price by at least **20 percent**
- HOLD:** Fair value of the stock ranges between **-20 percent and 20 percent** from the current market price.
- SELL:** Fair value of the stock is more than 20 percent below the current market price.

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