

EQUITY RESEARCH REPORT

Company: University Press Plc
Sector: Publishing
Review Date: May 05, 2008

Valuation Per Price: N15.56
Discount to valuation: 33%
Price (as at May 05, '08): Ngn 11.66

Medium/Long term

BUY



Stock Type: Growth stock
Ticker: UPL
Sector: Printing and Publishing
Auditor: BDO Oyediran Faleye Oke & Co
Registrar: Wema Registrars Ltd
Year-end: March 31
Website: www.universitypressplc.com

BUSINESS SUMMARY

University Press Plc was founded in 1949 under the name Oxford University Press Nigeria, and has grown to become one of the oldest, and the nation's foremost Publishers of materials for educational and general reading. The company also prides itself as a World Bank's distributor of educational materials in Sub-Saharan Africa.

KEY INVESTMENT STATISTICS

INCOME STATEMENT	2008E	2007	2006	2005
Turnover (Nm)	747.00	691.75	548.16	365.83
Turnover per share (Ngn)	3.32	4.62	3.66	2.93
Operating profit (Nm)	184.30	168.04	104.68	52.90
PAT (Nm)	127.40	109.43	70.38	34.40

BALANCE SHEET

Share holders Fund (Nm)	-	491.99	441.35	370.97
Total Assets (Nm)	-	795.30	651.55	537.93
Total Debt/ Total Equity	-	0.62	0.48	0.45
Book Value Per Share	-	3.28	2.95	2.97

PROFITABILITY

Gross Margin	25%	24%	19%	14%
After-tax Margin	17%	16%	13%	9%
Return on Equity (ROE)	-	22%	16%	9%
Return on Asset (ROA)	-	14%	11%	6%

YEAR-ON-YEAR GROWTH PERFORMANCE

Turnover	31%	26%	50%	3%
PAT	44%	55%	105%	-18%
EPS	-22.2%	55%	70%	-18%

EARNINGS, DIVIDEND AND BONUS HISTORY

Year	2007	2006	2005	2004
EPS (k)	73.05	46.98	27.57	33.53
Earnings Yield	23%	-	19%	18%
DPS (k)	25	25	10	20
Dividend Yield	7.81%	-	7%	11%
Bonus	-	3 for 7	1 for 5	-
Payout ratio	34.22%	53.21%	36.27%	59.65%

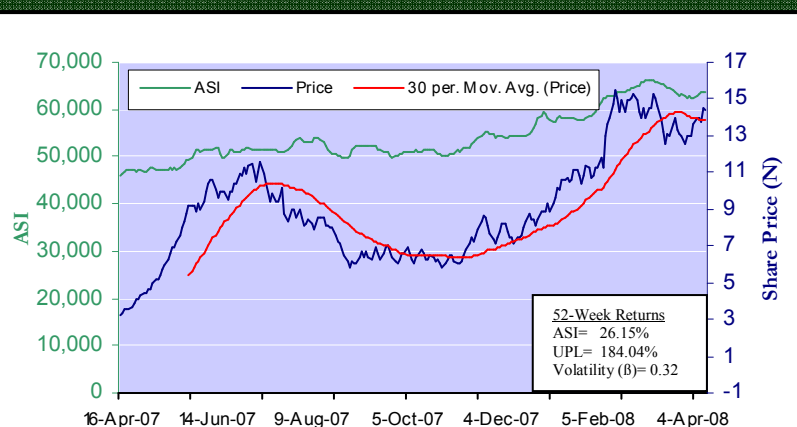
STOCK PERFORMANCE

	UPL	INDUSTRY AVG
Volatility (β)		0.320
52-Week Change (%)		184.04%
52-Week High and Low (Ngn)		15.43—4.47

VALUATION METRICS

	UPL	INDUSTRY AVG
Market Cap (bn) (Ngn) (April, 2008)	3.89	3.85
Trailing EPS (Ngn)	0.49	0.32
Trailing P/E (X)	29.05	60.20
Trailing P/S (X)	2.93	2.46

16-MONTH SHARE PRICE-ASI CHART



INVESTMENT RATIONALE/ RISK ANALYSIS

- Propped up by additional fund raised from the Right Issue of 150 thousand shares valued at N270 million in March 2007, UPL's PAT and Turnover grew by 31% and 44% to stand at 747m and 127m respectively as at Q3 2008. This growth figures post no significant deviations from historical growth pattern and this signaled sub-optimal resource utilization resulting in a slide in EPS growth of 22% in Q3 2008.

- A peer review of industry growth and profitability revealed UPL's relative strength as net profit margin drifted uptrend from 9% in 2005 to 17%, a substantial premium over the average industry net profit margin of 9%, as at Q3 2008. We expect this performance to leap into the near term as the company optimizes fund utilization.

- Robust outlook in domestic market for educational materials and educational indices as the Federal Budget allocation to education sector inched up by 12% are expected to further impact on growth and profitability in the short term.

- Besides 100% dependence on imported paper for raw materials which creates exposure to forex risk, the advent of technology and the prominence of free on-line resource libraries create an industry risk tightening competitive landscape as domestic players grapple with shrinking market share consequent upon competitive forces from global publishing houses.

- With little or insignificant successes recorded in the big fight against piracy by the Nigeria Publishers Associations, this phenomenon that has taken an international dimension still remains the most single threat to Publishing houses in Nigeria.

UPL PLC VALUATION SUMMARY

In valuing UPL, a number of valuation metrics, such as Price-to-Book value method, Price-to-sales method, Price-to-Earnings method, and Discounted Cash Flow valuation method (with a discount rate of 12.51%), were used. After applying appropriate weights with a bias for Discounted Cash Flow valuation method, we arrived at a fair value of N15.56. We recommend the stock as a good pick for medium to long term investors.

Note: E — Meristem Research forecast