

In the bear market of 1973 and 1974 people thought the world was coming to an end. It didn't come to an end. The stocks (value stocks) that were been beaten down came back, and they came back a lot more than some of the growth stocks William Sharpe

Index:	31,357.24	-2.04%
Cap:	N6.936trn	-2.04%
Volume:	191.9 m	+10.43%
Value:	N1.29bn	-14.8%



Undervalued Stocks on the Nigerian Stock Exchange

...Continued from last week

The Insurance Sector

The recapitalization exercise in the insurance sector drastically changed the outlook of the industry since its completion in 2007. Before then, majority of the Nigerian public had lost confidence in the sector. Growth in the sector was hindered by inadequate capital, low capacity utilization among others.

Expectedly, many insurance companies in the country were going moribund and near liquidation while the few striving ones who had their shares quoted on the Nigerian Stock Exchange (NSE) were so lowly priced.

Overall, the sub-sector was performing below basic minimum in terms of standards and expectations.

Thus, the recapitalization exercise helped to reposition insurance companies in Nigeria to become dominant players in the African market where South African companies hold sway.

Aided by their increased capital base, insurance companies have been able to improve their operations a great deal and this has already begun to manifest in their performance indices.

The recapitalization exercise also increased public awareness and confidence in the sector, making shares of quoted companies much sought after than before. The new craze to acquire shares contributed very dramatic increase in the prices of insurance companies, some of which were well above their fair value.

However, with the meltdown, coupled with the continuing improvement in the performance of the companies, we now have insurance stocks priced at levels that can be considered undervalued.

When the markets are down and the mood is pessimistic, people tend to sell even if there is no specific reason to let go of an individual stock.

This common trading mistake costs investors dearly because many investors who dump their stocks in favor of cash or other "safe" investments during downturn often rush back to the market and buy stocks as soon as the crowd gets excited about the market again.

As smart investors continue their shopping spree for undervalued stocks, we are still using the three ratios namely, Price/Earnings (P/E Ratio); Price-to-Book (P/B Ratio) and Dividend Yield, to determine their current value compared to what it was before the downturn. Find some of them analysed below.

Niger Insurance

	2007	2006
Net Asset	:N6.4bn	N54bn
Gross premium	:N3.9 bn	N3.1 bn
Profit after tax:	N640 m	N576 m
Earnings per share:	16 k	18 k
Dividend per share:	15k	
Stock Price as at March 5, 2009:	N1.9	
Stock Price before the crash:	N9.25	

Fundamental Analysis

P/B ratio at current price	= 1.2
P/B Ratio before the crash	= 5.36
Current P/E Ratio	= 10

“ The future of insurance business is bright in Nigeria. As insurance companies continue to increase their participation in the government's implementation of local content policy in the oil and gas sector it will contribute significantly to boosting their income. ”

Annual Reports for year-ended	Niger		Prestige		Staco	
	2007	2006	2007	2006	2007	2006
December 31						
Net Asset (N'bn)	6.4	5.54	4.68	3.62	4.37	3.32
Gross premium income: (N'bn)	3.9	3.1	2.26	1.54	2.8	1.68
Profit after tax:	640m	576m	638.08m	407.4m	758m	491.46m
Earnings per share	16 k	18 k	39k	41k	10k	12 k
Dividend per share:	15k	15k	20 k	15k	12 k	3k
Stock Price as at March 5, 2009	N1.9		N5.37		N4.26	
Stock Price before the crash:	N9.25		N14.28		N6.64	

Annual Reports for year-ended	NEM		Linkage	
	2007	2006	2007	2006
December 31				
Net Asset (N'bn)	3.95	369.7m	4.52	2.31
Gross premium income: (N'bn)	2.6	853.6m	1.8	716m
Profit after tax:	399	8.77m	274m	71.5
Earnings per share	8k	18k	5k	2k
Dividend per share	5k	N/A	N/A	N/A
Stock Price as at March 5, 2009	N0.80		N0.51	
Stock Price before the crash	N5.7		N5.38	

Comparative Fundamental Analyses

	Niger	Prestige	Staco	N. E. M	Linkage
P/B ratio at current price	1.2	1.98	4.7	1.0	0.78
P/B Ratio before the crash	5.36	6.3	9.5	6.33	9.6
Current P/E Ratio	10	13.10	19.36	5.71	6.38
P/E Ratio before the crash	52.2	36.6	42.6	31.6	107.6
Current dividend yield	7.8	3.7	2.6	6.25	N/A
DY before the crash	1.6	1.05	0.45	N/A	N/A

P/E Ratio before the crash = 52.2
Current dividend yield = 7.8
DY before the crash = 1.6

Prestige Assurance

	2007	2006
Net Asset:	N 4.68 bn	N3.62 bn
Gross premium:	N2.26 bn	N1.54 bn
Profit after tax:	N638.08 m	N 4 0 7 . 4 m
Earnings P/S:	39k	41k
Dividend P/S:	20 k	15k
Stock Price as at March 5, 2009:	N5.37	
Stock Price before the crash:	N14.28	

Fundamental Analysis

P/B ratio at current price	= 1.98
P/B Ratio before the crash	= 6.3
Current P/E Ratio	= 13.10
P/E Ratio before the crash	= 36.6
Current dividend yield	= 3.7
DY before the crash	= 1.05

Staco Insurance

	2007	2006
Net Asset:	N4.37 bn	N3.32 bn
Gross premium :	N 2.8 bn	N1.68 bn
Profit after tax:	N758 m	N491.46m
Earnings P/S:	10k	12 k
Dividend P/S:	12 k	3k
Stock Price as at March 4, 2009:	N4.26	
Stock Price before the crash:	N6.64	

Fundamental Analysis

P/B ratio at current price	= 4.7
P/B Ratio before the crash	= 9.5
Current P/E Ratio	= 19.36
P/E Ratio before the crash	= 42.6
Current dividend yield	= 2.6
DY before the crash	=0.45

NEM Insurance

	2007	2006
Net Asset:	N3.95 bn	N369.7 m
Gross premium:	N2.6 bn	N854 m
Profit after tax:	N399 m	
Earnings P/S:	8k	18 k
Dividend P/S:	5k	N/A
Stock Price as at March 5, 2009:	N0.80	
Stock Price before the crash:	N5.7	

Earnings P/S: 8 k
Dividend P/S: 5k
Stock Price as at March 4, 2009: N0.80
Stock Price before the crash: N5.7

Fundamental Analysis

P/B ratio at current price	= 1
P/B Ratio before the crash	= 6.33
Current P/E Ratio	= 5.71
P/E Ratio before the crash	= 31.6
Current dividend yield:	= 6.25
DY before the crash	= N/A

Linkage Assurance

	2007	2006
Net Asset:	N4.52 bn	N2.31 bn
Gross premium:	N1.8 bn	N716 m
Profit after tax:	N 274 m	N71.5 m
Earnings P/S:	5 k	2k
Dividend per share:	N/A	N/A
Stock Price as at March 5, 2009:	N0.51	
Stock Price before the crash:	N5.38	

Fundamental Analysis

P/B ratio at current price	= 0.78
P/B Ratio before the crash	= 9.6
Current P/E Ratio	= 6.38
P/E Ratio before the crash	= 107.6
Current dividend yield =	
DY before the crash =	

The future of insurance business is bright in Nigeria, especially, with government's implementation of 45 per cent local content policy in the oil and gas sector which will significantly boost insurance income.