



February. This is one of the peculiarly dangerous months to speculate in stocks. The others are January, September, April, November, May, October, March, June, December, August, and July

- Adapted from Mark Twain

NSE at a glance  
(For week ended February 23rd, 2009)

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 NSE

... Continued from last week

### Petroleum Marketing Sector

The petroleum marketing stocks are considered stocks for big investors in view of their high prices, which make them highly capital intensive for investors. As a result, only investors who have the huge capital outlay required to buy a reasonable quantity of these stocks often consider investing in them.

However, petroleum companies are known to pay very high dividends. But because they are less prone to issuing bonuses their prices often get too high for the average investor to afford.

Nonetheless, the stocks command very high activity on the Nigerian Stock Exchange and often constitute top price movers in the market. This makes them capable of appreciating or depreciating in price very rapidly.

From March 2008 to date the stock market has declined by over 60% meaning that on average all stock prices lost same level.

The meltdown in the capital market has also taken its toll on their prices bringing them down to more affordable levels than before.

More importantly, fundamental analysis on some of the stocks as listed below shows them to be stronger at their current prices compared to what they were before the meltdown began.

#### African Petroleum 2007

Current Asset less liabilities:	N4.8 billion
Turnover:	N103.02 billion
Profit after tax:	N5.7 billion
Earnings per share (basic):	570 k
Dividend per share:	723k
Stock Price as at Feb 19, 2009:	N150.96

#### Fundamental Analysis

P/B ratio at current price	= 13.55
P/B Ratio before the crash	= 46.7
Current P/E Ratio	= 15.01
P/E Ratio before the crash	= 52.8
Dividend yield	=4.7
DY before the crash	= 0.9

#### Chevron 2007

Current Asset less liabilities:	N 5.4 billion
Turnover:	N72.6 billion
Profit after tax:	N1.96 billion
Earnings per share (basic):	771k
Earnings per share (adjusted):	771k
Dividend per share:	750k
Stock Price as at Feb 19, 2009:	N86

#### Fundamental Analysis

P/B ratio at current price	= 4.04
P/B Ratio before the crash	= 22.2
Current P/E Ratio	= 11.15
P/E Ratio before the crash	= 50.7
Dividend yield	=8.7
DY before the crash	= 5.07

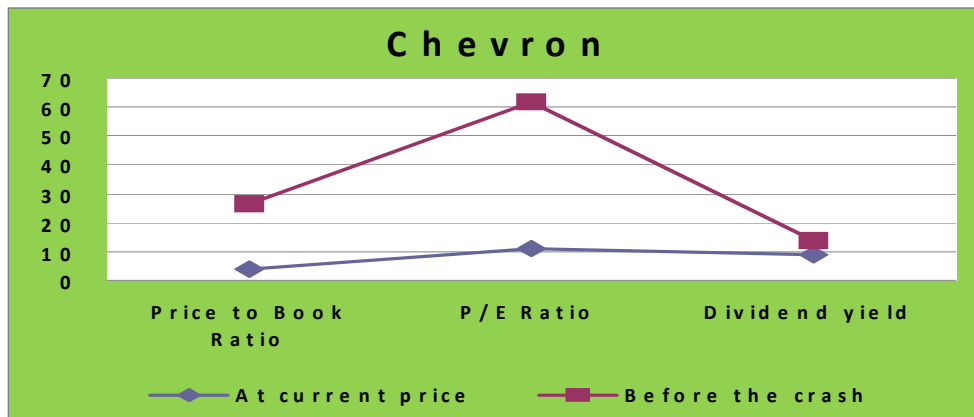
#### Conoil 2007

Current Asset less liabilities:	N15.13 bn
Turnover:	N86.8 bn
Profit after tax:	N2.6 bn
Earnings per share (basic):	374 k
Earnings per share (adjusted):	374 k
Dividend per share:	275k
Stock Price as at Feb 19, 2009:	N70.76

#### Fundamental Analysis

P/B ratio at current price	= 3.2
P/B Ratio before the crash	= 8.35
Current P/E Ratio	= 18.9
P/E Ratio before the crash	=42.2
Dividend yield	= 3.8
DY before the crash	= 1.6

Petroleum marketing companies all have December as a common year end. Hence their audited results for December 2007 was



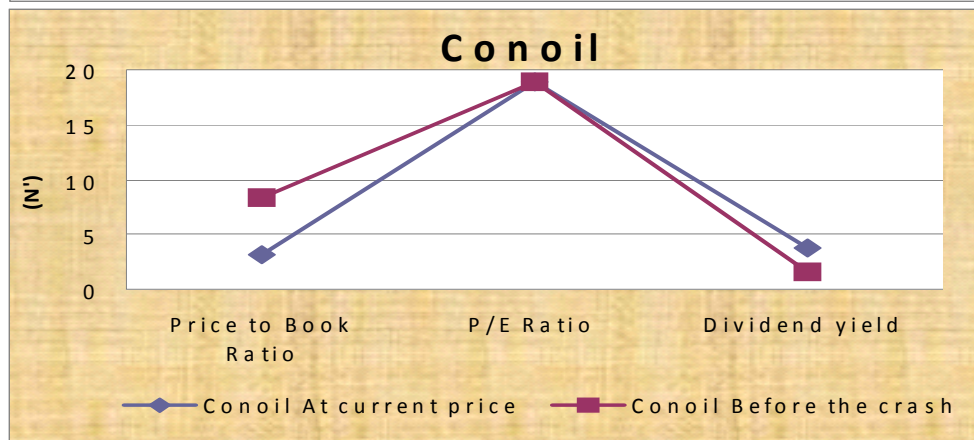
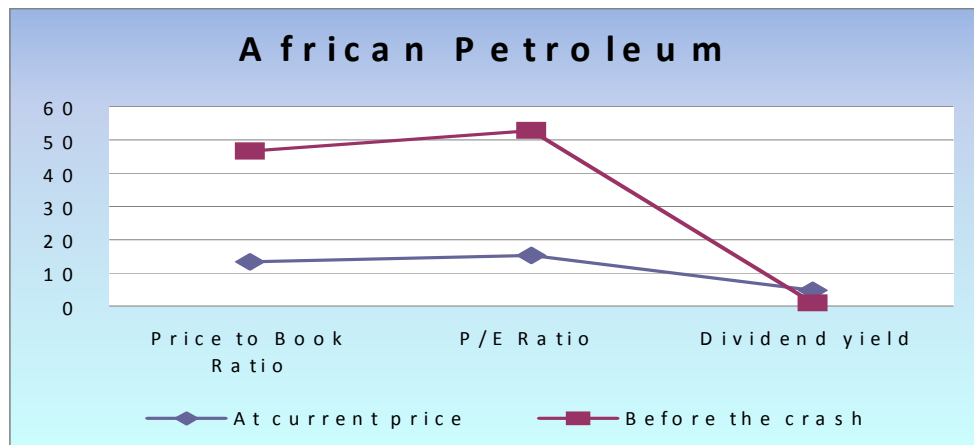
“ The recent downward slide in the prices of crude oil in the international market is expected to improve their volume turnover if it persists in the next 6 to 12 months, while the recent naira exchange rate deterioration which is impacting negatively on the landing costs is expected to be evened out for a stable stockholding costs within the second quarter of this financial year.”

used as the basis of the analysis since that of December 2008 is not yet accessible. However, quarterly results already accessed indicates major improvement in their performances particularly earnings and profitability.

For example, Conoil's unaudited six-month results for June 2008 showed an increase of 128.64% increase in turnover and 206.35% rise in profit after tax.

Invariably, investors can look forward to enhanced improvements in indices like the P/E ratio and dividend yield. Their current prices, are therefore good entry points for an above average return in the near future. The recent downward slide in the prices of crude oil in the international market is expected to improve their volume turnover if it persists in the next 6 to 12 months, while the recent naira exchange rate deterioration which is impacting negatively on the landing costs is expected to be evened out for a stable stockholding costs within the second quarter of this financial year.

Inclusion of the best two performing stocks of about 30 stocks for the market as a whole would be a very important decision given the above stated fundamentals of the companies of the sector.



## Difference between saving and investing

On the face of it saving and investing are the same thing. They are both things that we do with our spare money. But deeper thought suggests that there is a difference between them. Saving is almost an unconscious act where we put money into deposit accounts, or even an old jam jar on the mantelpiece, so that we have something for that proverbial rainy day. It is a way of giving our ordinary life a bit of security so that we don't find ourselves strapped for cash at some point. Investing is more of a conscious decision. It is about making plans for the future so that we know we can cope with expensive events like retirement or weddings.

When you save money your capital is secure. You are guaranteed to get back the sum you put in, plus interest. When you invest you have no such guarantee. Your capital is at risk. In return for this you expect to get more back than you put in, plus a little income on the side as well. So when you consider any investment you need to ask yourself two basic questions. How much more can I expect, and with how much probability?

But before you invest...

You need to be prepared. First of all, you need to get out of debt. The reason is quite simple. It is unlikely you will make more from your investments than you will need to pay for your debts. So pay off your debts first. We can safely say it is the best investment you will ever make.

Secondly, you need to have cash put aside for the aforementioned rainy day. How much cash is appropriate will depend on your circumstances. If you have dependents or if you are uncertain about your job prospects then you might want to put some more aside. One rule of thumb is that you should have enough cash set aside for at least three months' living expenses.

Last of all you need to be prepared to invest your money for a minimum of five years and preferably a lot longer. Although you can expect to get more by investing than saving, the value of your capital will fluctuate all the time. If you need to get it out in hurry then you may not get a good price. If you want to use your money to put down a deposit on a house or buy a new car then investing is not the best way to do it. If you need a guaranteed amount of money within less than five years a high interest savings account is the most sensible option.

Savings can be deferred consumption; while Investments relate to deferred income...

The end game for any savings... is to deploy it towards investments by making it work for you; and not the bank.

#### Different ways of Investment

- Shares
- Bonds
- Property/Real Estate
- Mutual Funds
- Own Business

#### Benefits of Investing

- High growth potential/High risk
- Long term, say 5 years
- Which investment is right for me?
  - attitude to risk, how much access to your money you want to have, the length of time you want to invest over etc.
  - Short-term investment in the hope of making big gains quickly is risky. You should be thinking in terms of an investment period of at least five years. And the longer you leave your investment, the more likely you are to see a return, but the downside is that you may not get back what you invested.