

FY:09- Update

Nigerian Breweries Plc

12-M TP: N64
 Implied Upside: 12%
 Rating: NEUTRAL

Final dividend declaration (Today)

Nigerian Breweries Plc (NB) declared a final dividend of 89kobo for the year ended December 2009, translating to a cumulative dividend of N3.69 for the financial year.

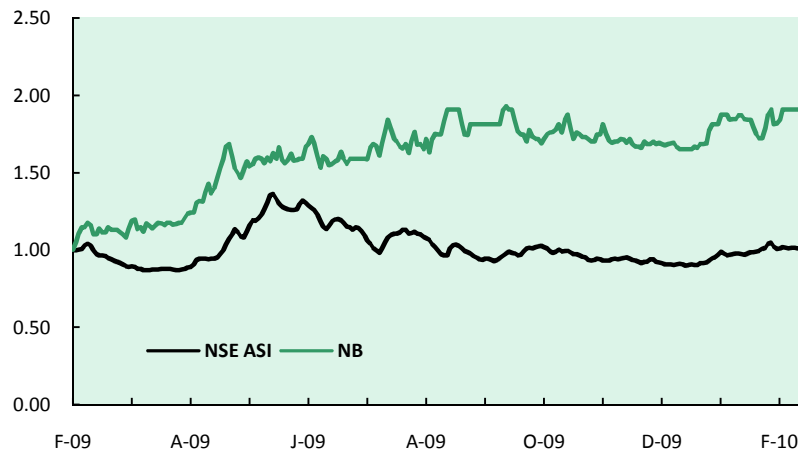
- Cumulative dividend in line with expectation; grew by 8.5%:** Though the Management is yet to make public the details of performance scorecards for the last quarter of 2009 financial year, we retain our **NEUTRAL** rating on Nigerian Breweries Plc's shares given that the dividend declared, if we are to use that as a proxy of the company's performance, is much in line with our expectation of N3.69 cumulative dividend for the year (**90% of N4.33 2009 EPS forecast**) and represents an 8.5% growth over N3.40 cumulative dividend declared in 2008.

Period	Cash Dividend (N)	Declaration Date	Closure of register	Payment Date
Q2:09 Interim	1.30	21-May-09	22-Jun-09	02-Jul-09
Q3: 09 Interim	1.50	15-Jan-10	27-Jan-10	08-Feb-10
FYE:09 Final	0.89	22-Feb-10	12-Mar-10	20-May-10
Cumulative Dividend	3.69			
Meristem Forecast	3.68			
Variance	0.27%			

- Annualized dividend yield stands at 6.15%:** The final dividend, using the open price of N60 as at February 22 as a basis for evaluation, implies a dividend yield of 6.15% which is still competitive when benchmarked against the current dividend yield of 5.8% on the shares of Guinness Nigeria Plc.

- **Market reaction is surprisingly negative:** Market reaction to the final dividend declaration by NB was broadly negative as reflected in the 5% one-day fall in the share price following the announcement. While the final dividend might have fallen short of a **bullish expectation**, we view the implied dividend yield of +6% as consistent with our base case expectation and attractive enough to justify the current market price.
- **It is worth mentioning that the shares of NB had performed very strongly in the last 52 weeks** having returned 81%, outperforming the NSE ASI by 80%. The close price of N57 on February 22, 2010 represents just 6% discount to 52-week high (N60.7: September 23, 2009) and 81% premium over the 52-week low of 31.5 (February 19, 2009).
- **While we see the current price as justified from fundamental standpoint, the stock stands the risk of market acting contrary in the mean time.**

NB had performed strongly in the past 52-weeks (81% return)



Source: Meristem Research

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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

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

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