UBA Plc: Analysis of Q1 results to December 2007

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Price: N48.79

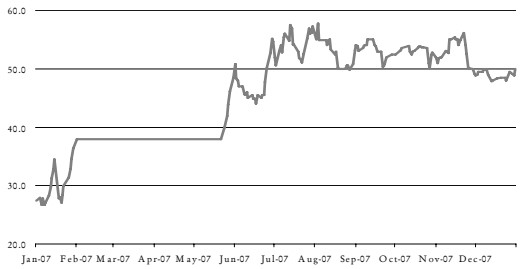
Price target: N65.90

FYE	2007	2008e
EPS, N	1.87	4.15
DPS	1.20	1.80
NAPS, N	14.59	16.1
RoE, %	19.8	24.5
P/E, x	26.1	11.7
P/B, x	3.3	2.8
Div. Yield, %	2.5	3.7

Financial data	
FYE	September
Gross earnings, N'm	109,512
PBT, N'm	29,525
PAT, N'm	21,441
Net assets, N'b	167,719
Market cap., N'm	550,872
Issued shares, m	11,496

Stock data	
NSE	UBA
Sector	Banking
Yr. high/low, N	57.75/26.56
3-mth av. daily t/over, N'm	758.7

UBA: 52-price movement



HIGHLIGHTS

UBA increases Q1 gross earnings and PAT by 76% and 104% respectively... In its Q1 results to December '07, UBA Plc reported a 76.2% (YoY) growth in gross earnings to N38.98bn. Similarly, profit before tax (PBT) increased by 100.6% to N10.6bn while profit after tax (PAT) increased by 103.6% to N9.2bn. Consequently, earnings per share for the period increased to N0.81 from N0.40 (adjusted) in December '06. The improved performance is a result of the bank's strong market positioning and favourable corporate strategies.

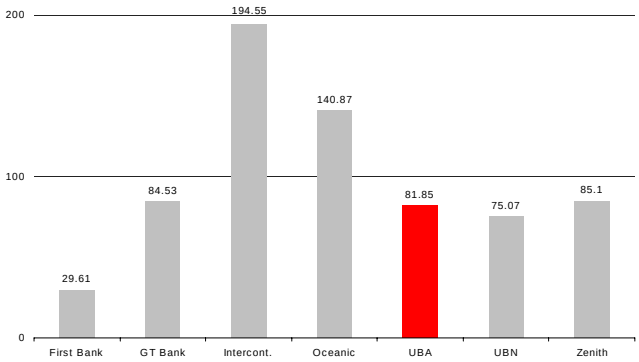
... as YoY profit margins and cost/income ratio improves despite growth in total cost. The bank's total cost for the period increased by 68.4% to N28.3bn compared with N16.8bn in Dec. '06. However, cost/income ratio improved to 72.7% from 76.0% in Dec '06 as growth in revenues outpaced growth in costs. Consequently, pre-tax and post-tax profit margins improved to 27.3% and 23.5% respectively from 24.0% and 20.3% in Dec. '06. We believe management's constant oversight on costs and economies of scale accounted for enhanced efficiency.

Substantial growth also recorded in deposits and risk assets. During the quarter, UBA's deposits grew by 25.4% (YoY) to N787.5bn while risk assets grew by 185.5% to N500.7bn.

In our assessment of UBA's performance, we estimate the bank's full years gross earnings, PAT and EPS to be N192.9bn, N47.7bn and N4.15 respectively.

Valuations remain favourable. In view of these latest results, UBA remains attractive at current price of N48.79/share. The stock currently trades at 11.7x 2008 earnings and 3.3x 2007 book value. Meanwhile, on the average, the top 7 Nigerian banks are trading at an average P/E of 21.3x 2008 earnings and 3.6x 2007 book value.

52-week price movement (%), top 7 Nigerian banks



Source: UBAGM Research

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