

**MACROECONOMIC INDICES**

INDICATOR	PERCENTAGE/VALUE
INFLATION RATE DEC (YOY)	12%
MPR (%)	6.00
OPEC OIL BASKET (\$/barrel)	72.73(04-02-10)
90 DAY T- BILL RATE	2.66 (05-02-10)
INTERBANK CALL RATE	2.36 (05-02-10)

**MARKET SNAPSHOT**

		% $\Delta$ WEEKLY	% $\Delta$ YTD
NSE ASI	23,226.28	2.79	11.50
CAP(Nbn)	5,593.65	2.79	12.09
VOL('bn)	2.73	17.67	
VAL('Nbn)	18.94	33.85	
DEALS	36,457	-49.10	
GAINERS	52		
LOSERS	50		

**WEEKLY TOP GAINERS**

Company	Price (N)	% $\Delta$
CAPITAL HOTEL	2.49	25.76
SPRINGBANK	1.40	25.00
COSTAIN (W A)	5.95	21.93
FTN COCOA PROCESSORS	0.86	19.44
DAAR COMMUNICATIONS	0.69	18.97

**WEEKLY TOP LOSERS**

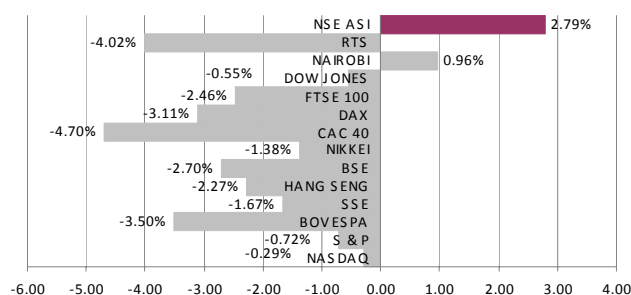
Company	Price (N)	% $\Delta$
ECOBANK	6.72	-18.45
NIGER INSURANCE	0.78	-15.22
ALUMACO	18.42	-14.21
HONEYWELL FLOURMILL	6.68	-14.03
UNITY KAPITAL ASSUR.	1.47	-13.53

**WEEKLY MOST TRADED**

Company	Price (N)	Volume
IHS	4.03	488,685,575
FINBANK	0.80	297,781,192
U B A	13.68	113,799,202
DIAMOND BANK	9.27	107,402,068
FIRST BANK	15.17	103,529,972

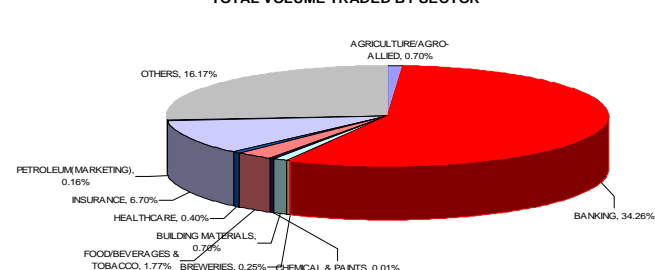
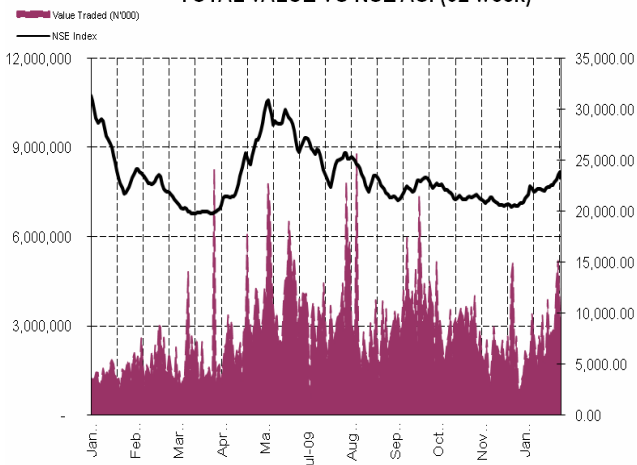
**NSE ASI SUSTAINS ITS NORTHWARDS SOJOURN**

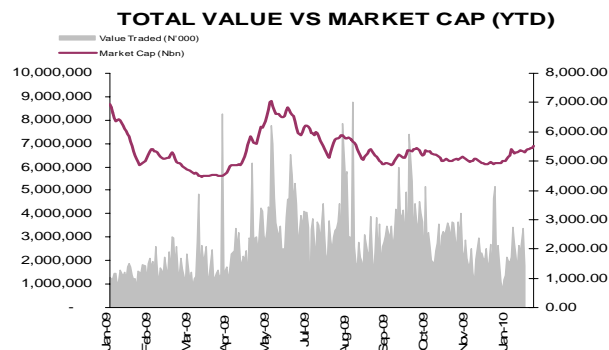
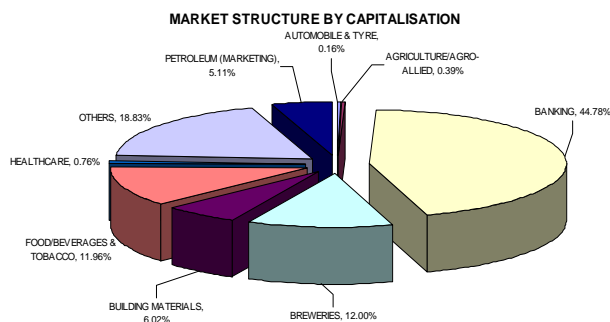
Major equity markets around the globe closed in the negative territory for the second consecutive week. Our universe of sample equity markets saw the Dow Jones, NASDAQ and the S & P 500 all drop 0.55%, 0.29% and 0.72% respectively. In Europe, the bears were also agog with major indices dancing to the downbeat market mood. The FTSE 100, German Dax and France's CAC 40 all lost 2.46%, 3.11% and 4.70% respectively. In the Asia/Pacific region, the bulls were also confined to the woods as the bears held sway for our review period. The SSE Composite Index, Hang Seng, BSE Sensex and the Nikkei 225 all succumbed to the bearish shivers dropping 1.67%, 2.27, 2.70% and 1.38% respectively at the end of the week. On the local scene, the NSE ASI index defied world trend to garner 2.79% at the end of the week's proceedings closing at 23,226.28.

**SELECTED INDICES (WEEKLY PERFORMANCE %)**


A turnover of 2.73 billion shares worth N18.94 billion in 36,457 deals was recorded this week, in contrast to a total of 2.32 billion shares valued at N14.15 billion exchanged last week in 71,619 deals. The Banking subsector was the most active during the week (measured by turnover volume), with 1.4 billion shares worth N10.52 billion exchanged by investors in 19,851 deals. Volume in the Banking subsector was largely driven by activity in the shares of FinBank Plc, UBA Plc, Diamond Bank Plc, First Bank of Nigeria Plc and Fidelity Bank Plc. Trading in the shares of the five Banks accounted for 725.3 million shares, representing 52.04% of the subsector's turnover. The Information Communication and Telecommunication subsector, boosted by activity in the shares of IHS Plc, followed on the week's activity chart with a turnover of 518.5 million shares valued at N2.01 billion in 380 deals. Last week, the Banking subsector led on the activity chart and was followed by the Insurance subsector.

Conflicting sentiments recorded on the floor of the Nigerian stock exchange saw 52 stocks recording price hikes and 50 moving southwards. Capital Hotel chalked up 25.76% to lead the gainers' pack while Ecobank suffered the most hits plunging 18.45% at the end of proceedings.

**TOTAL VOLUME TRADED BY SECTOR**

**TOTAL VALUE VS NSE ASI (52 week)**




## DEBT FACTORING

### INTRODUCTION

Debt factoring involves selling a company's invoices to a third party. In return they will process the invoices and allow the company to draw loans against the money owed to it. Essentially, these companies provide a debt collection and ledger management service. It is commonly used by businesses to improve cashflow but can also be used to reduce administration overheads. Businesses that supply this service are called factors or debt factoring companies. Invoice discounting is an alternative way of drawing money against a company's invoices. However, the business retains control over the administration of its sales ledger. As well as providing finance, which is probably the main attraction, it offers valuable support services and credit insurance.

### DEBT FACTORING AND INVOICE DISCOUNTING: THE BASICS

#### How Debt Factoring Works

Factoring provides a fast prepayment against a company's sales ledger. It allows the company, at a cost, to flexibly increase your working capital and improve cashflow.

Factoring is offered to businesses trading with other businesses on credit terms. It is not normally available to retailers or to cash traders.

#### When Factoring Starts

Factors can be independent, or subsidiaries of major banks and financial institutions. Usually, credit limits might be required - if so, you a company must agree on how they will operate. After signing the agreement, the factor will typically agree to advance up to 85% of approved invoices. Payment is usually made within 24 hours. Usually all sales go through the factor.

#### When an Invoice Is Raised

- The company would raise an invoice, which has instructions to pay the factor directly and send it to the customer
- The factor pays an agreed percentage of the invoice to the company
- The factor issues statements to the customer on the company's behalf

#### When an Invoice Is Paid By the Customer

- The customer should pay 100% of the invoice directly to the factor
- The factor pays the balance of the invoice to the company
- Fees and interest will be deducted from the payment

### Advantages

Factoring provides a large and quick boost to cashflow. This may be very valuable for businesses that are short of working capital. A business that is owed N500, 000 may be able to get N400, 000 or more in just a few days. Other advantages are:

- If there are many factoring companies, prices are usually competitive
- It can be a cost-effective way of outsourcing the sales ledger while freeing up your time to manage the business
- It assists smoother cashflow and financial planning
- Some customers may respect factors and pay more quickly
- You may be given useful information about the credit standing of your customers and they can help you to negotiate better terms with your suppliers
- Factors can prove an excellent strategic as well as financial resource when planning business growth

### Disadvantages

Queries and disputes may have to be referred on. For this reason, factoring works best when a business is efficient and there are few disputes and queries. Other disadvantages:

- The cost will mean a reduction in your profit margin on each order or service fulfillment
- It may reduce the scope for borrowing - book debts will not be available as security
- It may be difficult to end an arrangement with a factor as you will have to pay off any money they have advanced you on invoices if the customer has not paid them yet
- Some customers may prefer to deal directly with the company
- Make sure you use a reputable company that will not damage your company's reputation
- Additional payment may be required to remove your liability for bad debtors

### Recourse factoring and non-recourse factoring

In recourse factoring, the factor does not risk bad debts. Put another way, the factor will be able to reclaim their money from the company if the customer does not pay. The factoring agreement will specify how many days after the due date for payment you must refund the advance.

Whether the company refunds the advance or not, they will still have to pay the fee and interest. For example:

- The factoring agreement requires payment to be made in three months. It also states that 80% of each invoice will be advanced
- On 30 April an invoice for N10,000 is issued and the factor advances N8,000
- It is down to the company to pursue the customer for payment after the three-month period as they have taken on responsibility for the debt
- The factor will, as part of their sales ledger management, chase the outstanding payment until the due date for repayment
- The factor will not have a claim against the customer and it will be up to the company to take measures to recoup the outstanding debt
- On 31 July, regardless of whether you have received payment from the customer or not, N8, 000 must be repaid to the factor and you must also pay the fee and interest.

In non-recourse factoring, the factor takes on the bad debt risk. It accepts specified risks such as total disappearance, but it does not insure against

slow payment. Because of this, non-recourse factoring tends to be more expensive than recourse factoring. The company would never have to refund the advance to the factor, but must pay interest to the factor for the period specified by the factoring agreement. The factor takes over all the company's rights to pursue the customer for payment. This includes the right to take legal action

#### **Invoice Discounting**

Invoice discounting is an alternative way a company can draw money against their invoices. However, the business retains control over the administration of your sales ledger. It can provide a cost-effective way for profitable businesses to improve their cashflow. Invoice discounting is only available to businesses that sell products or services on credit to other businesses.

#### **How Invoice Discounting Works**

The invoice discounter will first check the business, its systems and its customers. They may then agree to advance a certain percentage of the total outstanding sales ledger. The company will pay a monthly fee to the invoice discounter and also pay interest on the net amount advanced. This is in addition to advances received or money repaid. Each month, more money is advanced by the discounter or repaid by the company. This will depend on whether the total amount owing has gone up or down. For example, if the invoice discounter agrees to advance 80% of the total owing and the total of outstanding invoices is steadily changing, then so will the amount the company receive. If the outstanding debt drops month on month, the company must repay 80% cent of the fall in debt. If the debt rises month on month, the company will receive 80% of the increase.

#### **Supplier Finance**

Supplier finance is when a business provides low-cost finance to its suppliers, as part of a flexible settlement system. It is particularly used in manufacturing production, and improves cashflow for both buyer and supplier. Sometimes called 'reverse factoring', supplier finance can be an option for businesses that regularly supply a large organization that has an appropriate arrangement in place.

Early payment is provided - either by a bank or by a factoring company - to a supplier, based on invoices that have been qualified by the buyer. Once the buyer approves the invoice, the payment - less a fee - is made immediately (and ahead of terms) by the financier. This allows the supplier to receive quick payment and allows the buyer to repay the financier according to the original contract terms. There are a number of benefits to the supplier

- All of the invoice value (less the fee) is advanced immediately
- The cost of borrowing is lower than with other methods
- Risk is reduced
- Cashflow is improved

The buyer effectively uses its stability and financial strength to support suppliers, which keeps the supply chain running. There may be financial benefits to the buyer such as sharing revenue with the bank or from the supplier's improved margins.

#### **COMPANY NEWS**

**Afromedia Plc** was adjusted for dividend of N0.05 per share as recommended by the Board of Directors.

Change of Name Chevron Oil Nigeria Plc notified The Exchange of the change of name to MRS Oil Nigeria Plc, as approved by the shareholders at the Company's 40th Annual General Meeting on September 29, 2009. The change was effected on the Daily Official List on Thursday, February 4, 2010.

**VITAFoAM NIGERIA PLC:** Audited result for the year ended 30th September 2009 shows Turnover of N9.76 billion as against N8.17 billion in 2008. Profit after tax and exceptional income stood at N510.8 million compared with N698.3 million in 2008. Exceptional income represented profit on disposal of plant and equipment considered surplus to requirement. The Board of Directors had earlier recommended a dividend of N0.25 per share. The date of closure of register of members is 15th February 2010 while payment date is 19th March 2010. The Annual General Meeting is scheduled to hold at Sheraton Hotels & Towers, 30 Mobolaji Bank-Anthony Way, Ikeja, Lagos on Thursday, March 4, 2010 by 10.00a.m.

**AFROMEDIA PLC:** Audited result for the year ended 30th September 2009. The Board of Directors had earlier recommended a dividend of N0.05 per share. The date of closure of register of members was 5th February 2010 while payment date is 1st April 2010. The Annual General Meeting is scheduled to hold at Banquet Hall, Sheraton Hotels & Towers, 30 Mobolaji Bank-Anthony Way, Ikeja, Lagos on Wednesday, March 3, 2010 by 11.00a.m.

**GUINNESS NIGERIA PLC:** Unaudited result for the half year ended 31st December 2009 shows Turnover of N53.84 billion, as against N43.48 billion in the comparable period of 2008. Profit after tax stood at N7.18 billion compared with N8.06 billion in 2008. The Company explained it had invested significantly behind the brand portfolio to drive growth. In addition, there has been continued investment in capacity expansion. These investments, combined with cost pressures resulted in a year on year decline in profit after tax for the half year.

**NORTHERN NIGERIA FLOUR MILLS PLC:** Unaudited result for the third quarter ended 31st December 2009 shows Turnover of N7.92 billion, as against N6.59 billion in the comparable period of 2008. Profit after tax stood at N388.31 million compared with N99.4 million in 2008.

**NIGERIAN BAG MANUFACTURING CO. PLC:** Unaudited result for the third quarter ended 31st December 2009 shows Turnover of N7.55 billion, as against N7.39 billion in the comparable period of 2008. Profit after tax stood at N371.2 million compared with N79.21 million in 2008.

**JULIUS BERGER NIGERIA PLC:** Unaudited result for the third quarter ended 30th September 2009 shows Turnover of N97.50 billion, as against N84.35 billion in the comparable period of 2008. Profit after tax stood at N2.30 billion compared with N1.97 billion in 2008.

**CHELLARAMS PLC:** Unaudited result for the half year ended 30th September 2009 shows Turnover of N9.06 billion, as against N7.74 billion in the comparable period of 2008. Profit after tax stood at N247.8 million compared with N199.72 million in 2008.

**ASO SAVINGS & LOANS PLC:** Unaudited result for the third quarter ended 31st December 2009 shows Gross Earnings of N7.91 billion, as against N8.02 billion in the comparable period of 2008. Profit after tax stood at N552 million compared with N1.21 billion in 2008. The Company made a loan loss provision of N235.4 million in 2009 compared to N475.64 million in 2008.

**RESORT SAVINGS & LOANS PLC:** Unaudited result for the third quarter ended 30th September 2009 shows Gross Income of N854.72 million, as against N423.23 million in the comparable period of 2008. Profit after tax stood at N231.4 million compared with N79.9 million in 2008.

**NESTLE NIGERIA PLC:** Notice of Board of Directors Meeting on Friday, February 19, 2010 had been communicated to The Exchange. The meeting is expected to consider among other issues the recommendation to shareholders the payment of final dividend for the year ended December 31, 2009. The share price had on November 30, 2009 been adjusted for an interim dividend of N1.95 per share.

**GT ASSURANCE PLC:** Notice of Board of Directors Meeting on Friday, February 12, 2010 had been communicated to The Exchange. The meeting is expected to consider among other issues the recommendation to shareholders the payment of final dividend for the year ended December 31, 2009. The share price had on December 7, 2009 been adjusted for an interim dividend of N0.05 per share.

#### **COMPANY FORECASTS**

**ASO SAVINGS & LOANS PLC:** The Company forecasts Turnover of N3.88 billion and profit after tax of N506.4 million during the fourth quarter ending March 31, 2010.

**PRESCO PLC:** The Company forecasts Turnover of N900.0 million and profit after tax of N124.6 million during the first quarter ending March 31, 2010.

**JULIUS BERGER NIGERIA PLC:** The Company forecasts Turnover of N36.40 billion and profit after tax of N920.0 million during the first quarter ending March 31, 2010.

**NIGERIAN BAG MANUFACTURING CO. PLC:** The Company forecasts Turnover of N10.45 billion and profit after tax of N557.6 million during the year ending March 31, 2010.

**LIVESTOCK FEEDS PLC:** The Company forecasts Turnover of N801.5 million and profit after tax of N32.42 million during the first quarter ending March 31, 2010.

**NEIMETH INTERNATIONAL PHARMACEUTICALS PLC:** The Company forecasts Turnover of N1.90 billion and profit after tax of N65.5 million during the twelve months ending March 31, 2010.

**SOVEREIGN TRUST INSURANCE PLC:** The Company forecasts Gross Premium of N1.46 billion and profit before tax of N342.2 million during the first quarter ending March 31, 2010.

**CORNERSTONE INSURANCE PLC:** The Company forecasts Gross Premium of N1.98 billion and profit after tax of N297.0 million during the first quarter ending March 31, 2010.



## Disclaimer

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