

**MACROECONOMIC INDICES**

INDICATOR	PERCENTAGE/VALUE
INFLATION RATE DEC (YOY)	12%
MPR (%)	6.00
OPEC OIL BASKET (\$/barrel)	71.40 (28-01-10)
90 DAY T- BILL RATE	2.69 (29-01-10)
INTERBANK CALL RATE	2.46 (29-01-10)

**MARKET SNAPSHOT**

		% $\Delta$ WEEKLY	% $\Delta$ YTD
NSE ASI	22,594.90	2.56	8.47
CAP(Nbn)	5,441.59	2.56	9.04
VOL('bn)	2.32	-1.28	
VAL('Nbn)	14.15	19.92	
DEALS	71,619	-55.46	
GAINERS	62		
LOSERS	33		

**WEEKLY TOP GAINERS**

Company	Price (N)	% $\Delta$
COSTAIN (W A)	4.88	26.10
GLAXO SMITHKLINE	26.74	21.49
CAPITAL HOTEL PLC	1.98	20.73
CHAMS PLC	0.77	20.31
SPRING BANK PLC	1.12	19.15

**WEEKLY TOP LOSERS**

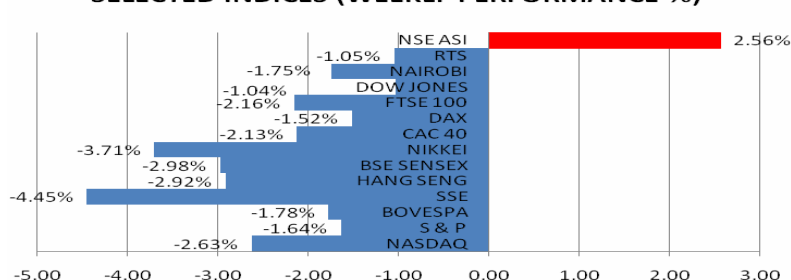
Company	Price (N)	% $\Delta$
PRESKO PLC	4.37	-13.64
CRUSADER (NIG.) PLC	1.05	-11.76
ALUMACO PLC	21.47	-9.68
ECOBANK NIG. PLC	8.24	-9.65
CUTIX PLC	3.28	-9.64

**WEEKLY MOST TRADED**

Company	Price (N)	Volume
CAPITAL OIL	0.50	254,9747,10
FINBANK	0.77	201,753,134
ZENITH BANK	15.31	193,294,841
FIRST BANK	14.72	122,544,945
DIAMOND BANK	8.40	101,245,030

**NSE ASI GARNERS 2.56%**

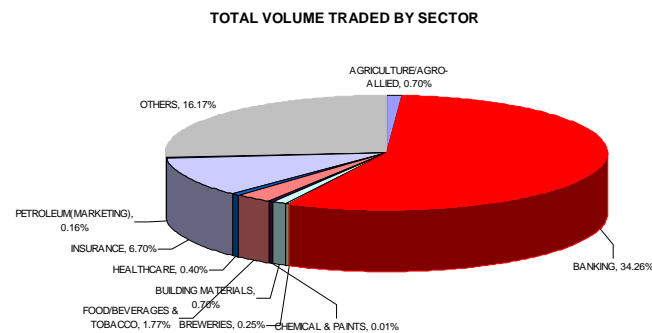
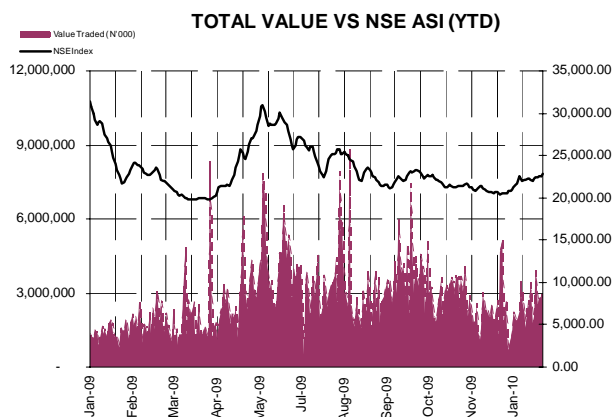
Major equity markets around the globe last week closed in the negative territory. Our universe of sample equity markets saw the Dow Jones, Nasdaq and the S & P 500 all drop 1.04%, 2.63% and 1.64% respectively. In Europe, the bears were also agog with major indices dancing to the downbeat market mood. The FTSE 100, German Dax and France's CAC 40 all lost 2.16%, 1.52% and 2.13% 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 4.45%, 2.92%, 2.98% and 3.71% respectively at the end of the week. On the local scene, the NSE ASI index defied world trend to garner 2.56% at the end of proceedings to close at 22,594.90

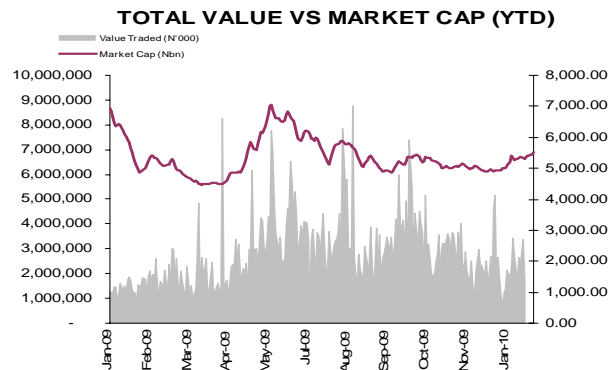
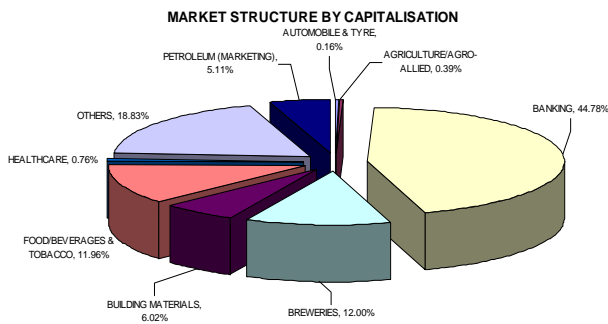
**SELECTED INDICES (WEEKLY PERFORMANCE %)**


A turnover of 2.32 billion shares worth N14.15 billion in 71,619 deals was recorded this week, in contrast to a total of 2.35 billion shares valued at N11.8 billion exchanged last week in 160,784 deals. The Banking subsector was the most active during the week (measured by turnover volume), with 1.3 billion shares worth N10.35 billion exchanged by investors in 17,691 deals. Volume in the Banking subsector was largely driven by activity in the shares of Finbank Plc, Zenith Bank Plc and First Bank of Nigeria Plc. Trading in the shares of the three Banks accounted for 517.6 million shares, representing 39.85% of the subsector's turnover. The Insurance subsector, boosted by activity in the shares of Goldlink Insurance Plc and International Energy Insurance Plc, followed on the week's activity chart with a turnover of 253.9 million shares valued at N242.74 million in 1,975 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 62 stocks recording price hikes and 33 moving southwards. Costain chalked up 26.10% to lead the gainers' pack while Presco suffered the most hits plunging 13.64% to close at N4.37.

Nigerian Breweries Plc was adjusted for an interim dividend of N1.50 per share as recommended by the Board of Directors





## CORPORATE RESTRUCTURING

### DEFINITION

Corporate restructuring is the process of redesigning one or more aspects of a company. The process of reorganizing a company may be implemented due to a number of different factors, such as positioning the company to be more competitive, survive a currently adverse economic climate, or poise the corporation to move in an entirely new direction. Here are some examples of why corporate restructuring may take place and what it can mean for the company.

### WHY RESTRUCTURE?

Restructuring a corporate entity is often a necessity when the company has grown to the point that the original structure can no longer efficiently manage the output and general interests of the company. For example, a corporate restructuring may call for spinning off some departments into subsidiaries as a means of creating a more effective management model as well as taking advantage of tax breaks that would allow the corporation to divert more revenue to the production process. In this scenario, the restructuring is seen as a positive sign of growth of the company and is often welcome by those who wish to see the corporation gain a larger market share.

However, financial restructuring may take place in response to a drop in sales, due to a sluggish economy or temporary concerns about the economy in general. When this happens, the corporation may need to reorder finances as a means of keeping the company operational through this rough time. Costs may be cut by combining divisions or departments, reassigning responsibilities and eliminating personnel, or scaling back production at various facilities owned by the company. With this type of corporate restructuring, the focus is on survival in a difficult market rather than on expanding the company to meet growing consumer demand.

Corporate restructuring may take place as a result of the acquisition of the company by new owners. The acquisition may be in the form of a leveraged buyout, a hostile takeover, or a merger of some type that keeps the company intact as a subsidiary of the controlling corporation. When the restructuring is due to a hostile takeover, corporate raiders often implement a dismantling of the company, selling off properties and other assets in order to make a profit from the buyout. What remains after this restructuring may be a smaller entity that can continue to function, albeit not at the level possible before the takeover took place.

### HOW IS THIS DONE?

Executives involved in restructuring often hire financial and legal advisors to assist in the transaction details and negotiation. It may also be done by a new CEO hired specifically to make the difficult and controversial decisions required to save or reposition the company. It generally involves financing debt, selling portions of the company to investors, and reorganizing or reducing operations.

The basic nature of restructuring is a zero sum game. Strategic restructuring reduces financial losses, simultaneously reducing tensions between debt and equity holders to facilitate a prompt resolution of a distressed situation. The following should be in place before restructuring can be achieved:

- Ensure the company has enough liquidity to operate during implementation of a complete restructuring
- Produce accurate working capital forecasts
- Provide open and clear lines of communication with creditors who mostly control the company's ability to raise financing
- Update detailed business plan and considerations

In corporate restructuring, valuations are used as negotiating tools and more than third-party reviews designed for litigation avoidance. This distinction between negotiation and process is a difference between financial restructuring and corporate finance.

#### **THE "LONDON APPROACH"**

Historically, European banks handled non-investment grade lending and capital structures that were fairly straightforward. Nicknamed the "London Approach" in the UK, restructurings focused on avoiding debt write-offs rather than providing distressed companies with an appropriately sized balance sheet. This approach became impractical in the 1990s with private equity increasing demand for highly leveraged capital structures that created the market in high-yield and mezzanine debt. Increased volume of distressed debt drew in hedge funds and credit derivatives deepened the market—trends outside the control of both the regulator and the leading commercial banks.

#### **Characteristics**

- Cash management and cash generation during crisis
- Impaired Loan Advisory Services (ILAS)
- Retention of corporate management sometimes "stay bonus" payments or equity grants Sale of underutilized assets, such as patents or brands
- Outsourcing of operations such as payroll and technical support to a more efficient third party
- Moving of operations such as manufacturing to lower-cost locations
- Reorganization of functions such as sales, marketing, and distribution
- Renegotiation of labor contracts to reduce overhead
- Refinancing of corporate debt to reduce interest payments
- A major public relations campaign to reposition the company with consumers
- Forfeiture of all or part of the ownership share by pre restructuring stock holders (if the remainder represents only a fraction of the original firm, it is termed a stub).

A company that has been restructured effectively will theoretically be leaner, more efficient, better organized, and better focused on its core business with a revised strategic and financial plan. If the restructured company was a leverage acquisition, the parent company will likely resell it at a profit if the restructuring has proven successful.

#### **RESTRUCTURING AND REDUNDANCIES**

Most restructuring cases involve businesses – public and private – changing their organizational arrangements and operational procedures in order to improve or maintain their financial viability usually at times of financial or market difficulty or when there is a change of ownership or a merger. In cases where companies are in financial difficulty and little or no support is available from government, there are clearly limits to the possibilities for them to minimize the effects of job losses on their workforce as well as on the local economy. However, this does not mean that companies do not in many cases make significant efforts to do so.

In the initial phase of the restructuring process, as soon as a reorganization potentially involving job losses is contemplated, the most important factor seems to

be the degree of cooperation and transparency in the relations between the company management, employee representatives, trade unions and public authorities. Advanced warning and provision of information is important for seeking alternative measures and planning for redundancies, but consultation is the key to facilitating the provision of efforts to minimize the effects of job losses on the workforce and the local economy. In the best case examples, cooperative consultation is built into the company's operating procedures and occurs on an ongoing basis even when restructuring is not an issue.

The amount of support provided to workers varies from case to case. In the best cases, a wide range of measures ensure internal and external redeployment of the workers affected through retraining and relocation, where necessary, and where comprehensive support is combined with high levels of cooperation and transfer of information between the company, employee representatives and public authorities.

For a company to be able to pay workers an amount of compensation above that legally required, it obviously needs to be in a suitable financial position to be able to do so. The company cases presented in this study include a range of different forms of compensation for workers affected by restructuring, the most effective seemingly being those that encourage voluntary redundancy. Other less common practices include compensation for workers taking up less well-paid jobs, the provision of social funds to provide support for workers who become unemployed and payment of loyalty bonuses.

State-owned companies have tended to receive specific financial support, although generally of a temporary nature pending restructuring. Financial support for private sector companies, although less frequent, has however helped to finance retraining and even, in some cases, assisted them to fund severance payments to prevent bankruptcy. This form of support is particularly relevant in the present downturn, and in recent months a number of crisis packages have been put together for companies affected by the global economic crisis.

#### **COMPANY NEWS**

**AIICO INSURANCE PLC:** Unaudited result for the third quarter ended 30th September 2009 shows Gross Premium of N7.72 billion, as against N5.53 billion in the comparable period of 2008. Profit after tax of N1.30 billion compared with N796.11 million in 2008.

**PZ CUSSONS NIGERIA PLC:** Unaudited result for the half year ended 30th November 2009 shows Turnover of N27.36 billion, as against N28.41 billion in the comparable period of 2008. Profit after tax stood at N1.77 billion compared with N1.63 billion in 2008.

**COMPANY FORECASTS CONSOLIDATED HALLMARK INSURANCE PLC:** The Company forecasts Gross Premium of N910.0 million and profit before tax of N107.05 million during the first quarter ending March 31, 2010.

**VONO PRODUCTS PLC:** The Company forecasts Turnover of N243.2 million and loss after tax of N17.64 million during the first quarter ending March 31, 2010.

#### **MEMORANDUM QUOTATIONS**

**ARM DISCOVERY FUND:** Unaudited result for the year ended 31st December 2008 shows Gross Income of N543.01 million as against N1.15 billion in the comparable period of 2007. Loss after tax stood at N284.13 million compared with profit after tax of N602.73 million in 2007. The Net Assets stood at N4.33 billion compared with N5.35 billion in 2007. The Fund Managers is recommending a Coupon of N2.00 per Note. The dates of closure of register of Note Holders and payment would be announced late.



#### Disclaimer

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