

NIGERIA

2008FY Results

Our Initial Reaction

NIGERIA EQUITY MARKETPLACE

Presco Plc (NSE Ticker: PRESCO)

Presco, a member of SIAT Group, Belgium (60% ownership), is a fully-integrated agro-industrial corporation with a well diversified portfolio of products and assets, which includes oil palm plantations, palm oil mill, palm kernel crushing plant as well as vegetable oil refining and fractionation plant. The Company is the first of its kind in West Africa with **specialisation in the cultivation of oil palm and in the extraction, refining and fractionation of crude palm oil into finished products. Presco also supplies specialty fats and oils.** A noticeable strategic thrust is the Company's balanced vertical integration process which encompasses all stages (upstream and downstream segments) from palm plantation up to finish products delivery.

Presco top line remains puffy; yet our fear remains...

Condensed results of the Company released to the floors of the Exchange on Wednesday prior to the closing bells show supernormal growth in top line, an element of impressive cost management and stimulating bottom-line. Turnover grew by 74.9% to N3.964m while pre-tax profit and after tax profit (excluding extraordinary items) ballooned by whooping 3-digit ~316% and 4-digit ~1710% respectively and extraordinary Item (net) swelled by 381% to N155m. These translate to momentous leap in net profit margin from 1.64% in 2007FY to 17%. However, Presco's posted a 7.4% marginal increase in Fixed Assets, a repeat of historical trend while Net Assets also rose by near 31% to N2.553bn. This exceptional feat was last recorded by Presco in early 2000s.

...sustainability of impetus amidst regulations plus other value 'inhibitors'

Our growth expectations for the 2008FY performance are in tandem with actual results released by Presco. **However, we missed out in payout forecast.** We earlier projected a 52 percent turnover growth (against actual of 74 percent), an EPS of N1.08k and a cash dividend of 50%, translating to 50k/share. Prior to the release of the FYE 2008 results, we did maintain bullish growth forecasts in performance for 2008FY but expressed concern on the Company's ability to sustain the tempo in 2009 and beyond. In our latest **Equity Strategy Note** (April 17,2009) "...While we adequately capture the Company's astonishing growth in the 2008 FY, we see such level of growth as a bounce to normalcy and hence expect growth to be modest in 2009FY and 2010FY.

Our key area of strong concern as regard potential drag on earnings growth lies in the current **liberalization stance** of the Federal Government on palm oil importation. In our opinion, this will likely **strip off industry players of their protective garments, stifle industry competition and encumber the Company's ability** to reap substantial return on its huge investment in palm plantation".

Investors' reactions to dividend proposition

Potential for 'mild' price runs in days ahead may not be ruled out with investors reacting to the Company's 30k cash dividend which translates to 5.61% yield. However, Presco has maintained a consistent dividend payment culture year-on-year with a conservative payout of N300m in cash distribution to investors annually.

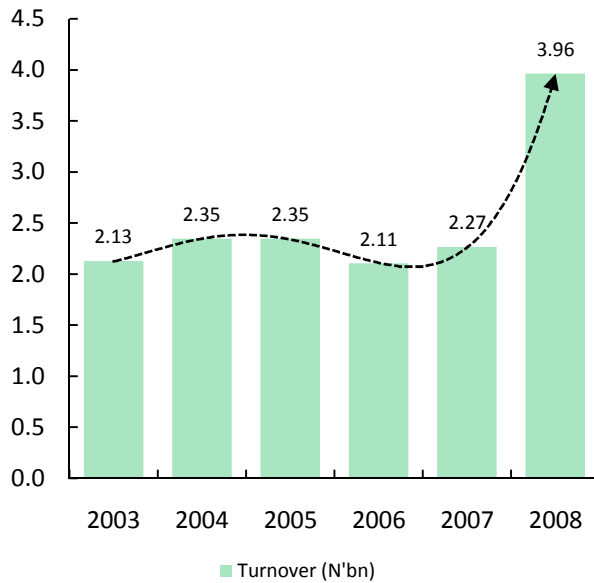
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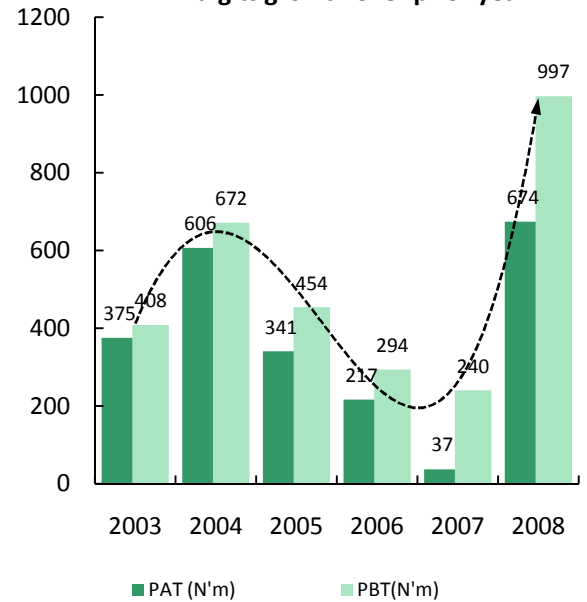
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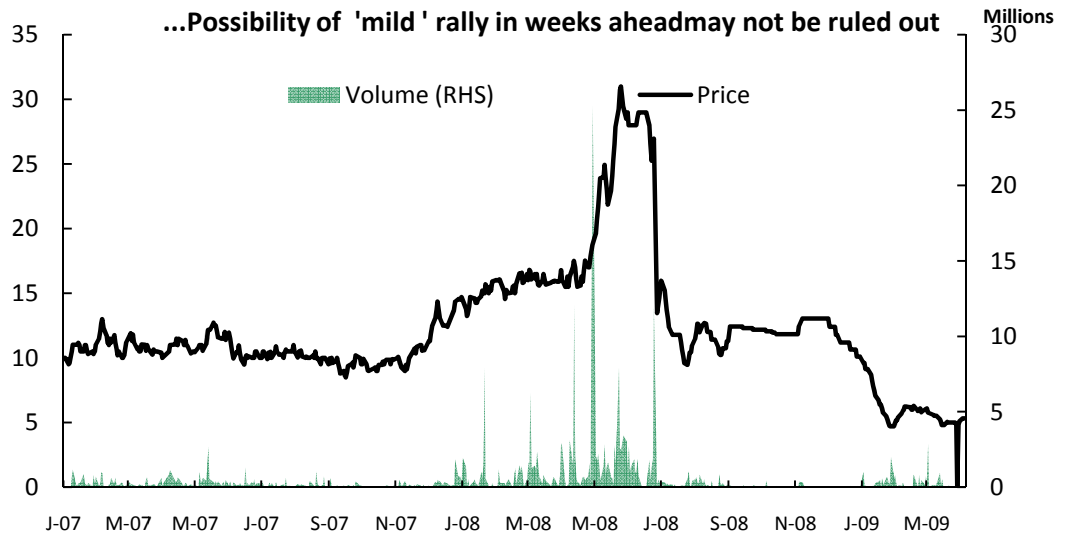
... Presco's activity stands tall again with ~75% leap in sales revenue



...Ballooning bottom lines by triple digits growth over prior year



...Possibility of 'mild' rally in weeks ahead may not be ruled out



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AUDITED ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

INCOME STATEMENT

| PERIOD | 2008 | 2007 | Absolute CHG | Growth |
|------------------------------|---------------|--------------|--------------|---------|
| TURNOVER (N'b) | 3.964 | 2.266 | 1.698 | 74.9% |
| PBT & EXCEPTIONAL ITEM (N'b) | 0.997 | 0.240 | 0.758 | 315.7% |
| TAX (N'b) | -0.323 | -0.203 | -0.121 | 59.6% |
| PAT (N'b) | 0.674 | 0.037 | 0.637 | 1709.5% |
| EXECPTIONAL ITEM (N'b) | 0.155 | 0.032 | 0.123 | 381.0% |
| Net Profit Margin | 17.00% | 1.64% | | |

BALANCE SHEET EXTRACT

| PERIOD | 2008 | 2007 | Absolute CHG | Growth |
|------------------------------|----------|----------|--------------|--------|
| FIXED ASSET (N'b) | 4.204 | 3.900 | 0.304 | 7.8% |
| STOCK (N'm) | 746.824 | 418.081 | 328.743 | 78.6% |
| CASH AND BANK BALANCES (N'm) | 307.116 | 107.354 | 199.762 | 186.1% |
| TRADE DEBTORS (N'm) | 275.393 | 84.196 | 191.197 | 227.1% |
| OTHER DEBIT BALANCES (N'm) | 142.227 | 151.360 | -9.133 | -6.0% |
| SHORT TERM BORROWING (N'm) | 462.315 | 391.451 | 70.864 | 18.1% |
| TRADE CREDITS (N'm) | 504.263 | 106.703 | 397.560 | 372.6% |
| OTHER CREDIT BALANCES (N'b) | 2.155 | 2.206 | -0.051 | -2.3% |
| WORKING CAPITAL (N'm) | -421.812 | -512.458 | 90.646 | -17.7% |
| NET ASSET (N'b) | 2.553 | 1.956 | 0.597 | 30.5% |

KEY PERFORMANCE METRICS

| KEY PERFORMANCE METRICS | | Valuation Metrics | |
|---------------------------------|-------------|------------------------|-------|
| Industry | Agriculture | Share outstanding (bn) | 1.000 |
| Year end | Dec-31 | Market Cap (NGN'bn) | 5.61 |
| Current Price (NGN) | 5.61 | EPS (NGN) | 0.67 |
| 52-week hi (NGN) | 31.00 | SPS (NGN) | 3.96 |
| 52-week lo (NGN) | 4.70 | P/E (x) | 8.32 |
| Beta β (Volatility Index) | 0.44 | P/S (x) | 1.415 |

Proposed Dividend: N0.30k

Dividend Yield: 5.35%

Closure Date: July 13, 2009

Payment Date: Aug 10, 2009

AGM: July 22, 2009

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