



VETIVA
CAPITAL MANAGEMENT



Dear Client,

National Salt Company of Nigeria Plc (NASCON) recently released its H1'10 results for the period ended 30th June 2010.

Please find below details of the results (as released on the floor of the Nigerian Stock Exchange):

N'Millions	June 2010	June 2009	% Change
Turnover	4,069	4,276	(4.84)
Profit Before Taxation	801	1,125	(28.80)
Taxation	(230)	(362)	(36.46)
Profit After Taxation	541	763	(29.10)

BALANCE SHEET EXTRACTS	June 2010	December 2009	% Change
Fixed Asset	2,956	2,907	1.69
Stock	749	883	(15.18)
Trade Debtors	1,088	1,285	(15.33)
Cash & Bank Balances	1,550	760	103.95
Other Debit Balances	2,613	2,318	12.73
Trade Creditors	157	180	(12.78)
Short Term Borrowings	6	9	(33.33)
Other Credit Balances	2,878	2,612	10.18
Working Capital	(2,961)	(2,446)	(21.05)
Net Assets	5,172	4,631	11.68

Analyst Note

- NASCON's H1'10 results came in lower than expected, top line figures declined marginally by 4.84% to N4.07billion while bottom line declined steeply by 29.10% to N4.07 billion and N541 million respectively. Compared to the half year guidance previously provided by the Company, the actual numbers released fell short of expectations for Turnover and After Tax Earnings by -11.48% and -34.06% of N4.59 billion and N820 million respectively.
- In our opinion, this performance can be adduced to slower consumer demand, coupled with increasing competition in the industry in the 2010 financial year. NASCON is the largest indigenous manufacturer of salt (in terms of market share), and has diversified into other areas such as the importation and distribution of tomato paste "Petti".
- NASCON's profitability margins declined YoY, to 19.67% (PBT) and 13.30% (PAT) from 26.31% and 16.26% respectively as at H1'09. Margins also dipped on a QoQ basis, from 22.31% and 23.92% respectively as at Q1'10.
- NASCON's Trailing EPS dipped by 8.00% to N0.61 down from N0.67 as at Q1'10, implying a P/E multiple of 9.01x (using today's closing price of N5.51), relative to a Sector PE of 11.13x and Market PE of 16.27x. The Company has a Net Asset Per Share of N1.95 and P/Book multiple of 2.82x.
- We retain our previous "Accumulate" recommendation on the stock pending the release of our update.