

CSCS Nigeria Plc.



Security Performance as at Q3, 2016

Company Review
NASDAQ RESEARCH
September, 2016

The Central Securities Clearing System (CSCS) Plc. is licensed by the Securities and Exchange Commission to act as an agent for Central Depository, Clearing and Settlement of transactions in the Nigerian Capital Market.

The Company facilitates the transfer of securities from seller to buyer, and ensures settlement of securities transacted on the approved Nigerian Exchanges. It enables securities to be processed in an electronic book-entry form thereby substantially reducing the period it takes a transaction to commence and end.

For the year 2015, the Company generated a total operating revenue of ₦7.60 billion, compared to ₦8.24 billion recorded in the previous year.

Income was disadvantaged as a result of a decline in clearing and settlement services provided to capital market participants. This is a reflection of a slowdown of activities in the equity markets of the NSE and NASD Exchanges.

Gbeminiyi Onikute

Research Analyst.

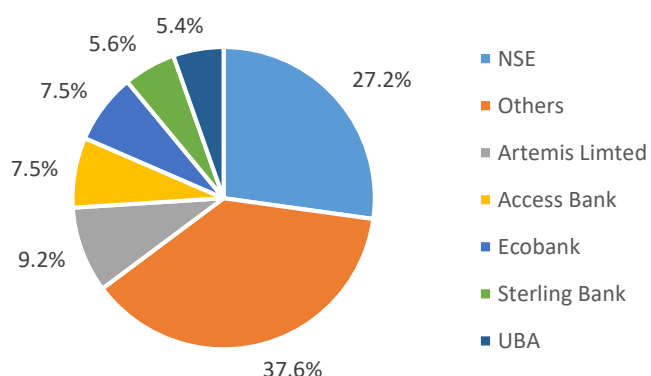
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Security	SDCSCSPCLC
Admission Date	12-May-14
Last AGM	19-May-16
Shares Outstanding	5,000,000
% Dematerialized	20.39%
Current Price	₦5.87
EPS	0.89
DPS	0.27
NAVPS	4.76
P/E	6.58
P/B	1.23
P/CF	66.54
ROE	19%
ROCE	13%
52 Week High	₦7.50
52 Week Low	₦4.50
Average Price	₦5.61

Introduced By: **Greenwich Securities Ltd.**

Shareholding Structure FY-15



Company Profile

The Central Securities Clearing System (CSCS) Plc was incorporated on July 29, 1992 as a Financial Market Infrastructure (FMI) for the Nigerian Capital Market. Commissioned in 1997, CSCS commenced operations on 14 April, 1997, providing a central depository for share certificates of companies quoted on The Nigerian Stock Exchange.

On the 16th of May 2012, CSCS became a Public Liability Company (PLC) by a special resolution.

The Securities and Exchange Commission issued its license as an Agent for Central Depository, Clearing and Settlement of transactions in the Nigerian Capital Market. It operates a computerized depository, clearing, settlement and delivery system for transactions in securities in the Nigerian Capital Market.

CSCS facilitates the delivery (transfer of securities from seller to buyer) and settlement (payment of bought shares) of securities transacted on the approved Nigerian Exchanges. It enables securities to be processed in an electronic book-entry form thereby substantially reducing the period it takes a transaction to commence and end.

In 2013, CSCS began the provision of its services to the NASD OTC Securities Exchange, acting as the clearing house for the exchange of unlisted securities that were admitted to trade on the NASD Market.

CSCS Plc was admitted to trade on the NASD OTC Market by Greenwich Securities Limited in May 2014.

Functions

1. Central depository for share certificates of companies quoted on the NSE and NASD Exchanges
2. Sub-registry for all quote securities
3. Issuer of central securities identification number to shareholders; and
4. Custodian for local and foreign instruments

Board and Management

Board

Mr. Oscar Onyema, OON chairs the eleven-member Board of Directors of CSCS Nigeria Plc. He was appointed to the Board in 2011. He also serves as the Chief Executive Officer of the Nigerian Stock Exchange (“NSE”) and President of the African Securities Exchanges Association (“ASEA”), amongst other leadership positions.

Current Directors as at 31 December, 2015

Mr. Oscar Onyema, OON	Chairman
Mr. Kyari Bukar	Managing Director/CEO
Mrs. Ifueko Okauru MFR	Director
Mr. Sola Adeeyo	Director
Mr. Haruna Jalo- Waziri	Director
Mr. Bayo Olugbemi	Director
Mr. Kennedey Uzoka	Director
Mr. Obinna Nwosu	Director
Mr. Akintola Lawal	Director
Mr. Emeka Madubuike	Director
Mr. Ariyo Olushekun	Director

Management

The management team is led by Mr. Kyari Bukar who serves as the Managing Director/Chief Executive Officer. Prior to this, he held the position of Managing Director, Valucard Nigeria Limited (now Unified Payments Limited) where he was instrumental in leading the company to a highly profitable entity.

He holds a B.Sc. degree in Physics from Ahmadu Bello University, Nigeria, M.Sc. in Nuclear Engineering from Oregon State University, USA. He is also an alumnus of Lagos Business School (LBS), Wharton Business School and Harvard Business School.

Senior Management Team as at 31 December, 2015

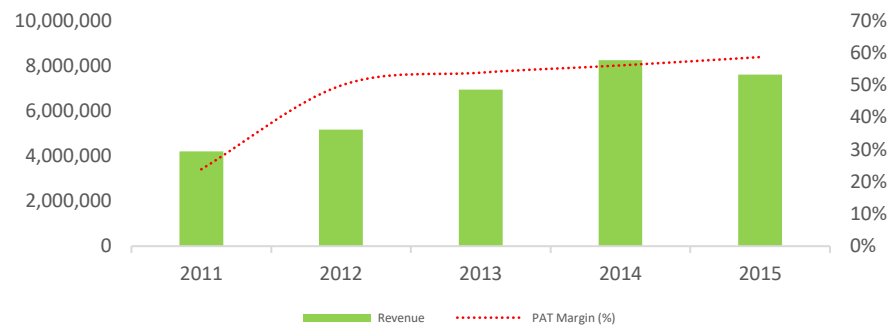
Mr. Kyari Bukar	Managing Director/CEO
Mr. Joseph Mekiliuwa	General Manager, IT & Operations
Mr. Taiwo Otte	General Manager, Business Development
Mrs. Ukoh Vincent	DGM/Chief Financial Officer
Mrs. Ayokunle Adaralegbe	Chief Risk Officer
Mr. Taranta Gupta	Marketing Director
Mr. Tominiyi Oni	Human Resources Director

Financial Condition

Over the reporting period, CSCS Plc. has improved profitability by maintaining an efficient operating cost structure.

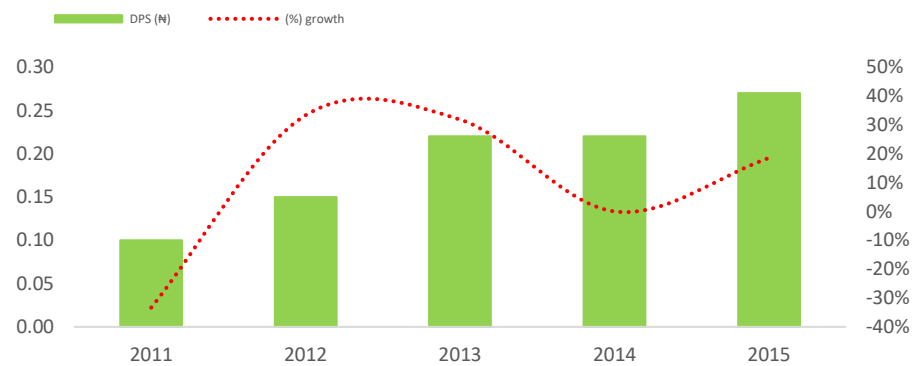
Profit after Tax (PAT) has grown at a CAGR of 35%.

Exhibit 1: Profitability Indicators



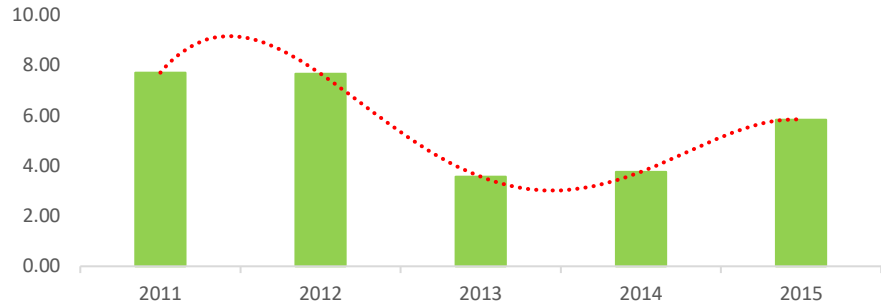
(Source: Company Data, NASD Research)

Exhibit 2- CSCS Plc. Dividend Trend



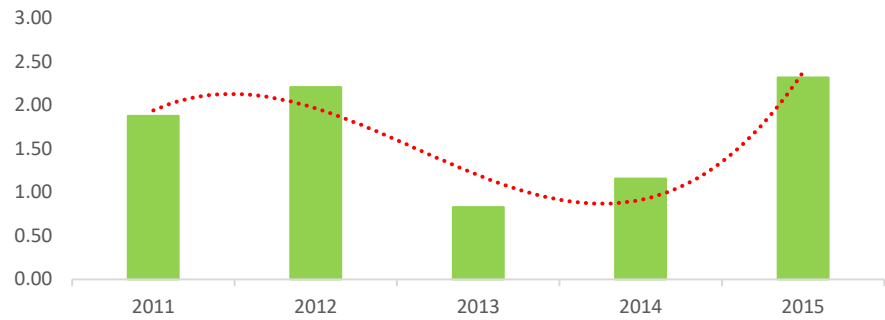
(Source: Company Data, NASD Research)

Exhibit 3: CSCS Plc. Current Ratio Trend



(Source: Company Data, NASD Research)

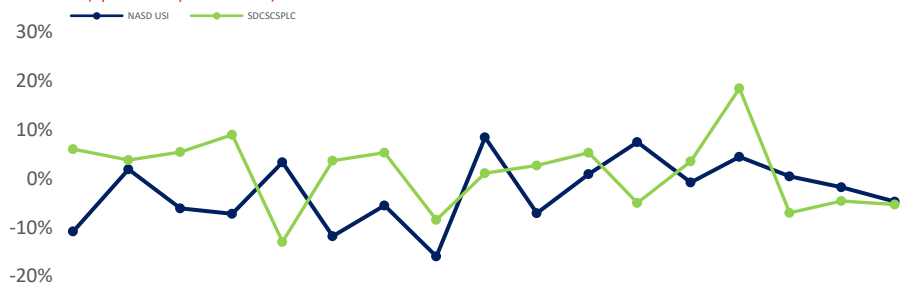
Exhibit 4: CSCS Plc. Quick Ratio Trend



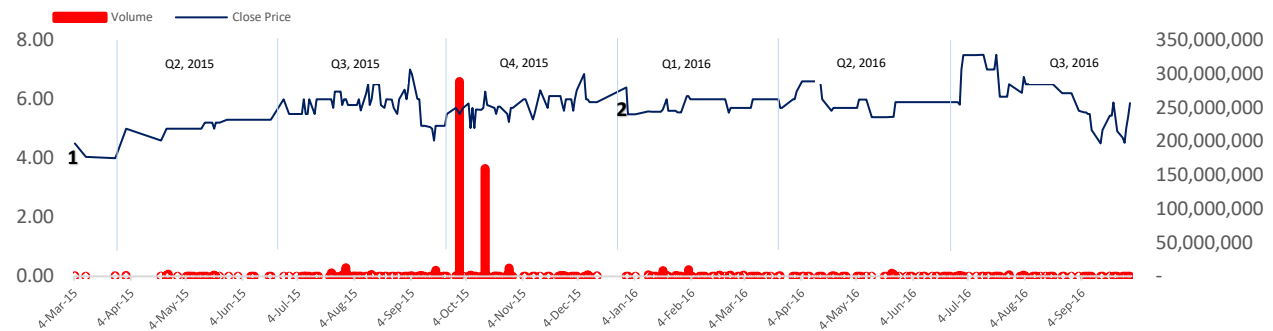
(Source: Company Data, NASD Research)

Exhibit 5: SDCSCSPLC vs. NASD USI

(April 2015-September 2016)



(Source: NASD Research)

Exhibit 6: SDCSCSPLC- Market Activity


(Source: NASD Research)

<p>1 2015 Open Price- ₦4.50, Close Price - ₦5.49</p> <p>2 2016 Open Price- ₦5.48, Current Price (7/10/16) - ₦5.87</p>

Outlook

The Company aims to strengthen its position and value in the market, and as a result it has reviewed its 5 year Strategic Plan to develop key objectives that will drive its operations in 2016 and 2017. These objectives include:

1. Expand Revenue Base - Amongst other initiatives, CSCS hopes to expand its revenue base through the establishment of a Central Counterparty Clearing House (CCP) that would act as the clearing infrastructure for the sale and purchase of derivative securities in the Nigerian capital market.
2. Increase Efficiency in Depository, Clearing and Settlement Services – CSCS hopes to achieve this by leveraging on technology to improve the delivery of its services. The Company began full implementation of a new clearing and settlement software, TCS BaNCS, and hopes to complete this process in 2017
3. Develop Strategic Alliances across Businesses and Regions – CSCS is currently involved in the West African Capital Market Integration (WACMI) initiative, and Africlear Limited to foster stronger relationship and provide best in-class securities market infrastructure, practices and protocols across the African continent

Analyst Certification

The research analyst principally responsible for the preparation and content of this report is named in bold text in the author block at the front of this report. Material in this report are gotten and interpreted from Company Data and were prepared in an independent manner. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to information provided in this report.

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Exhibit 7: Statement of Profit/Loss

	2015		2014		2013		2012		2011
	₦'000	Growth	₦'000	Growth	₦'000	Growth	₦'000	Growth	₦'000
Operating Income	7,601,777	-7.77%	8,241,938	18.69%	6,943,922	34.25%	5,172,244	23.33%	4,193,971
Operating Expenses	(2,586,060)	4.19%	(2,481,987)	17.09%	(2,119,639)	2.00%	(2,078,070)	-15.65%	(2,463,594)
PBT	5,015,717	-12.92%	5,759,951	19.39%	4,824,283	55.92%	3,094,174	#REF!	1,730,377
Income Tax	(555,417)		(1,137,906)		(1,085,986)		(516,327)		(729,477)
Profit For The Year	4,460,300	-3.50%	4,622,045	23.64%	3,738,297	45.02%	2,577,847	157.55%	1,000,900

Exhibit 8: Statement of Financial Position

	2015		2014		2013		2012		2011
	₦'000	Growth	₦'000	Growth	₦'000	Growth	₦'000	Growth	₦'000
Assets									
<i>Non-Current Assets</i>									
PP&E	326,080		245,577		189,514		395,002		546,614
Intangible Assets	233,098		84,941		56,181		10,258		25,955
Deferred Tax (Assets)/Liabilities	6,377		-		-		-		-
Defined Benefit Plan Asset (Net)	203,286		-		-		-		-
Financial Assets	15,397,399		13,548,150		11,123,954		5,905,757		1,303,486
	16,166,240	16.48%	13,878,668	22.07%	11,369,649	80%	6,311,017	236%	1,876,055
<i>Current Assets</i>									
Trade And Other Receivables	1,625		100,713		291,430		602,946		1,108,511
Financial Assets	5,328,894		6,188,507		6,059,906		6,487,168		8,887,224
Sundry Stock	-		9,939		6,956		-		-
Other Assets	231,678		148,432		103,751		8,268		11,107
Cash And Equivalents	3,673,144		2,747,044		1,594,397		2,023,515		1,759,730
	9,235,341	0.44%	9,194,635	14.13%	8,056,440	-11.68%	9,121,897	22%	11,766,572
Total Assets	25,401,581	10.09%	23,073,303	18.77%	19,426,089	25.87%	15,432,914	13%	13,642,627

Liabilities									
<i>Non-Current Liabilities</i>									
Employee Benefit Liabilities	-		-		70,406		82,013		-
Deferred Tax Liabilities	-		46,781		32,839		89,221		122,321
	-		46,781	-54.69%	103,245	-39.71%	171,234	40%	122,321
<i>Current Liabilities</i>									
Current Tax Liabilities	663,550		1,108,442		1,079,811		481,218		520,681
Trade And Other Payables	532,182		1,327,332		1,175,098		701,508		999,179
Other Liabilities	387,659		9,720		8,952		8,268		7,607
	1,583,391	-35.25%	2,445,494	8.02%	2,263,861	90.08%	1,190,994	22%	1,527,467
Equity									
Share Capital	5,000,000		5,000,000		5,000,000		5,000,000		5,000,000
Retained Earnings	18,691,328		15,581,028		12,058,983		9,070,686		6,992,839
Other Components Of Equity	126,862		-		-		-		-
	23,818,190	15.73%	20,581,028	20.65%	17,058,983	21.24%	14,070,686	17%	11,992,839
Total Equity & Liabilities	25,401,581	10.09%	23,073,303	18.77%	19,426,089	25.87%	15,432,914	13%	13,642,627

Exhibit 9: Key Valuations

Profitability									
PBT Margin	66%		70%		69%		60%		41%
Operating ROA	12%		14%		14%		12%		7%
Return on Capital Employed	13%		16%		15%		13%		8%
Return on Equity	19%		22%		22%		18%		8%
<i>Per Share Data</i>									
EPS	0.89		0.92		0.75		0.52		0.20
DPS	0.27		0.22		0.22		0.15		0.10
NAVPS	4.76		4.13		3.43		2.85		2.42
<i>Price Multiples</i>									
P/E	6.58		6.00		-		-		-
P/B	1.23		1.35		-		-		-