

Equity Analysis

**LEASING COMPANY OF NIGERIA LIMITED PRIVATE
PLACEMENT OF 1,500,000,000
ORDINARY SHARES OF 50K AT 90K PER SHARE
& ₦600,000,000.00 CONVERTIBLE DEBENTURE STOCKS AT
₦1.10K**



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Offer Information

Authorized Shares: 4,000,000,000 Ord. Shares at 50k
Issued & Fully Paid (Current): 664,300,004 Ord. Shares
Issued & Fully Paid (Post Offer): 3,750,000,000 Ord. Shares
Offer for Subscription: 1,500,000,000 Ord. Shares of 50k each
=N=600 million Convertible Debenture Stock

Offer Price: 90k per share

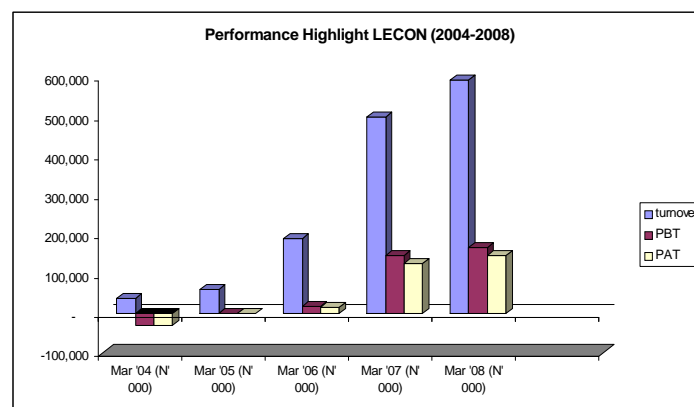
Financial Adviser: Maninvest Asset Management Plc.

Placement Agent: Mega Equities Limited & 8 others

Increased competition in the industry has however been created by the entry of various organizations from diverse sectors are involved in leasing. These organizations include banks, insurance companies, discount houses, manufactures/dealers; finance houses, oil service companies, independent leasing companies and government. LECON is positioned for this by her presence in some new markets locations as well as building strong alliance with offshore funding sources.

Table 1: Symbol		LECON		
Industry		Leasing		
Listed Status		Not Listed		
FY End		Dec. 31st		
	FY 2008	FY 2007	FY 2006	Change %
PBT	168.665m	146.91m	18.234m	706
PAT	146.483m	126.845m	15.322m	728

Source Data: Offer Prospectus



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Introduction

Leasing Company of Nigeria Limited (formerly Commonwealth Development Corporation Nigeria Limited) was established as a wholly owned subsidiary of Bank of Industry Limited (formerly Nigerian Industrial Development Bank Limited, (NIDB)). The Company is licensed by the central Bank of Nigeria to engage mainly in equipment leasing and financial services.

Since it commenced operations in 1989, LECON has provided support facilities through leasing to a number of projects. The lease portfolio rose from 2 projects valued ₦23.3million in 1989 to ₦1.65 billion in 2006.

As Nigeria's foremost leasing company, LECON enjoys several distinct competitive advantages which includes the technical capacity to structure and manage large ticket leases as well as access to foreign currency facilities at competitive pricing rate. The Company is currently repositioning to the significant advantage it has identified in the underserved leasing market segment such as Oil & Gas and Telecom. It is for this reason that adequate capitalization is required.

The Industry

According to the statistics of Equipment Leasing Association of Nigeria (ELAN) the volume of lease rose dramatically between 1999 and 2006 to over ₦185 billion with an average annual growth of about 66%. The Association agreed that the Total Leasing could well be over ₦250 billion taking into consideration the level of activities of non-ELAN members. With the on going privatization of government's major investments and the prospect for a more favourable socio-political environment, this trend is expected to be surpassed in the years ahead.

Table 2: Usage of the Offer Proceeds	N'm	%
Oil & Gas	783.8	40
Transport	381.9	20
SME/Consumer Finance	381.9	20
Information & Communication Technology (ICT)	286.4	15
Others	95.5	5
Total	1,909.5	100

Table 4: Projected Financial Performance (FY2009-FY2011)

FY End Dec 31	Dec.'09	Dec.'10	Dec.'11
Turnover	1.143b	2.375b	3.975b
PBT	536.082m	1.464b	2.609b
PAT	461.031m	1.259b	2.244b
EPS	40k	58k	104k
DPS	10k	15k	20k

Source: offer prospectus

The Debenture Stock

Type: Floating Convertible Debenture Stock

Issue Price: ₦1.10 each at par

Minimum Subscription: ₦1,110,000.00 and multiples of ₦110,000.00

Coupon: 9% PA

Interest Payment: Semi Annual Payment in Arrears

Redemption: Redeemable at Par after 3years if not converted to Ordinary Shares

Conversion: After 3 years at One Unit of Stock for One Ordinary Share

Board Restructuring

The pre Offer shareholding structure of the Company is largely held by the Bank of Industry controlling over 80% of the Company's 664,300,004 shares. Post Offer, the total holding of the existing shareholders would be reduced to only 30% of the post Offer shareholding hence providing huge opportunity for discerning investors to take control stake in the Company through this Offer.

Quotation

While no application has been made to the Council of the Nigerian Stock Exchange for the admission of the shares into the Official list of the Exchange, the Company intends to list its entire share in the first quarter of the next financial year.

Benefit to Investors

Investment in this Offer provides investors with

- Investment in the company promises a high return on investment in excess of 11% of Offer price starting from the year of investment
- The debenture option provides risk averse investors with opportunities to invest safely at a very competitive return on investment with a conversion option if and when the Company meets and surpasses her projections
- The post Offer Board restructuring provides opportunity for discerning investors to take directorship position in a Company with high potential

Conclusion

Given the huge potential of the leasing industry, the leading position and strategic partnership of the Leasing Company of Nigeria, we are of the opinion that investment in this Offer offers investors not only lucrative investment opportunity that will start paying off immediately but also a safe investment opportunity via the debenture at a competitive rate and term.

CAVEAT

This report is produced with the best of information available to the analysts. It is purely for advisory purposes and indemnifies Mega Equities from any loss sustained by any person or group from following the information contained in the report.

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Equipment Leasing Volume by Sector (2002-2006)

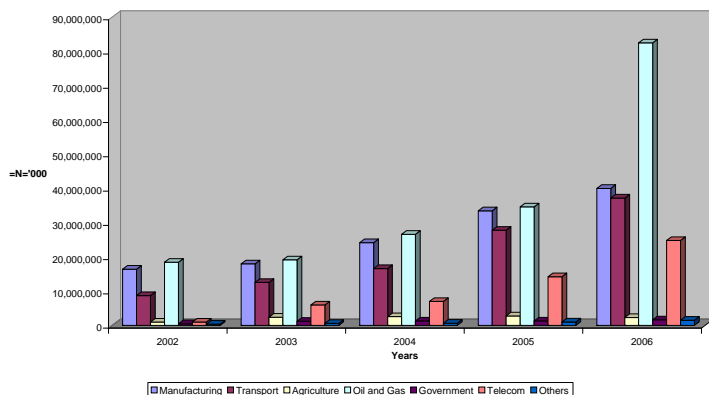


Chart 2

Strength

- Expanding market equipment leasing and increasing acceptance of credit finance by the populace as a finance option
- Reduced regulatory burden of the leasing industry provides a friendlier environment to operate
- Strategic leadership position in the industry places the Company ahead of competition
- Strong partnership and alliance; the BOI group, other international alliances
- Increased funding capability
- Experienced Management team with proven track record to deliver on the revenue projection

Weaknesses

- High operating costs. This is because the strategies are still in incubation stage and this problems are corrected in the projections
- Low ROA (1%, 2008, 2007), low ROE (2%, 2008, 9%, 2007)- the expanded product range and strategies have been set to address these issues in future

Threat

- Increased competition from organizations from diverse sectors with significant impact on market control. This threat is more potent from the banks with the financial muscle and diverse customer base and access they possess.
- The current global meltdown poses a threat to the sector and hence the company projected income