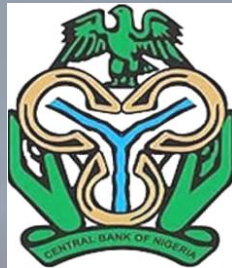


Economic Reform by Coincidence- Does it really matter?

CBN, the Born Again Reformer

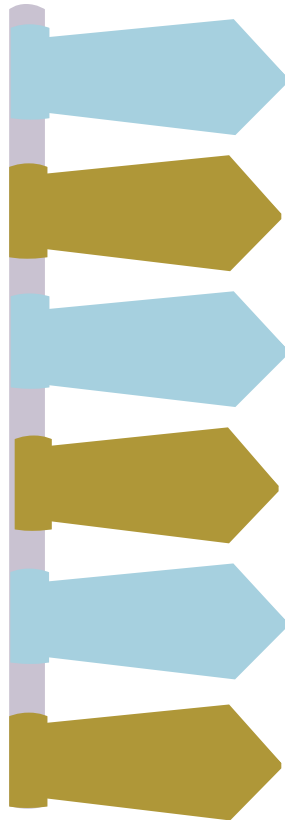


By Bismarck Rewane

Financial Derivatives Company Ltd.

March 1, 2017

OUTLINE

- 
- A Unique February**
 - Global & Regional Markets**
 - Domestic Economy & Policies**
 - Commodities & Business Proxies**
 - Equity Markets**
 - Summary and Risks**



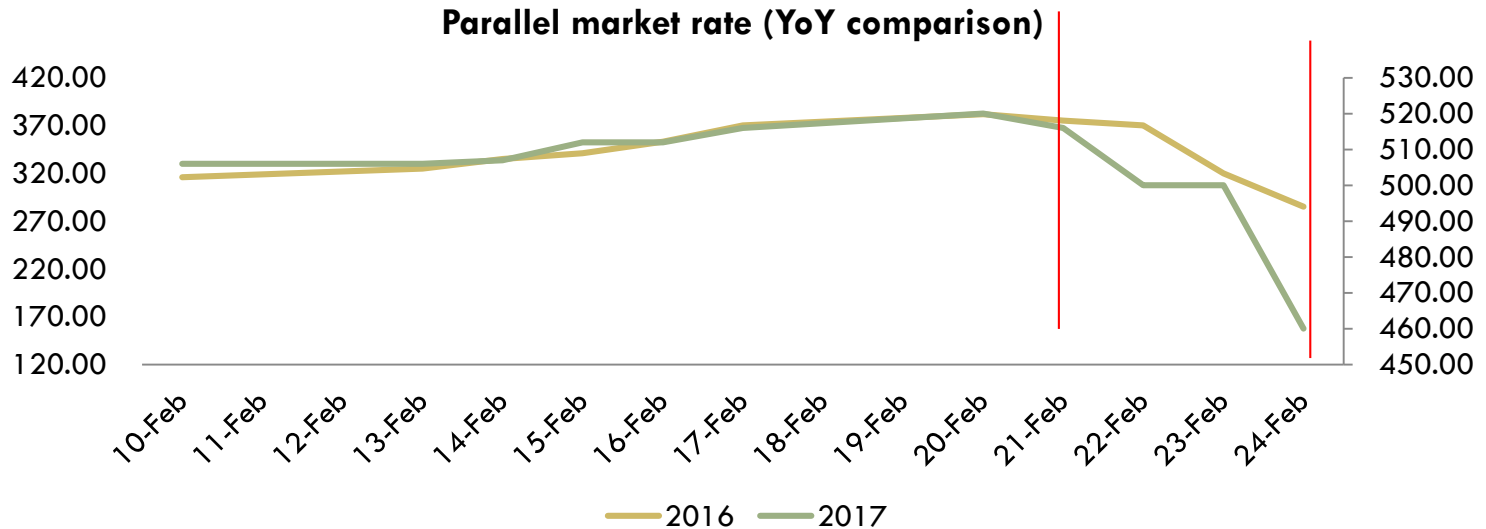
A Unique February

WHY IS THIS FEBRUARY UNIQUE?

- February 2016 was the beginning of the economic decay curve
- February 11 saw the contrived and theatrical debate on devaluation
- February 14 was the St. Valentine's day massacre of the naira
- It went from 305 to 325 per dollar in a matter of hours
- 12 months later a born again CBN has embraced limited market reform
- What a difference one year makes

WHY IS THIS FEBRUARY UNIQUE?

- Naira has gained 15% in 7 days
- \$600m intervention in the spot market did the trick

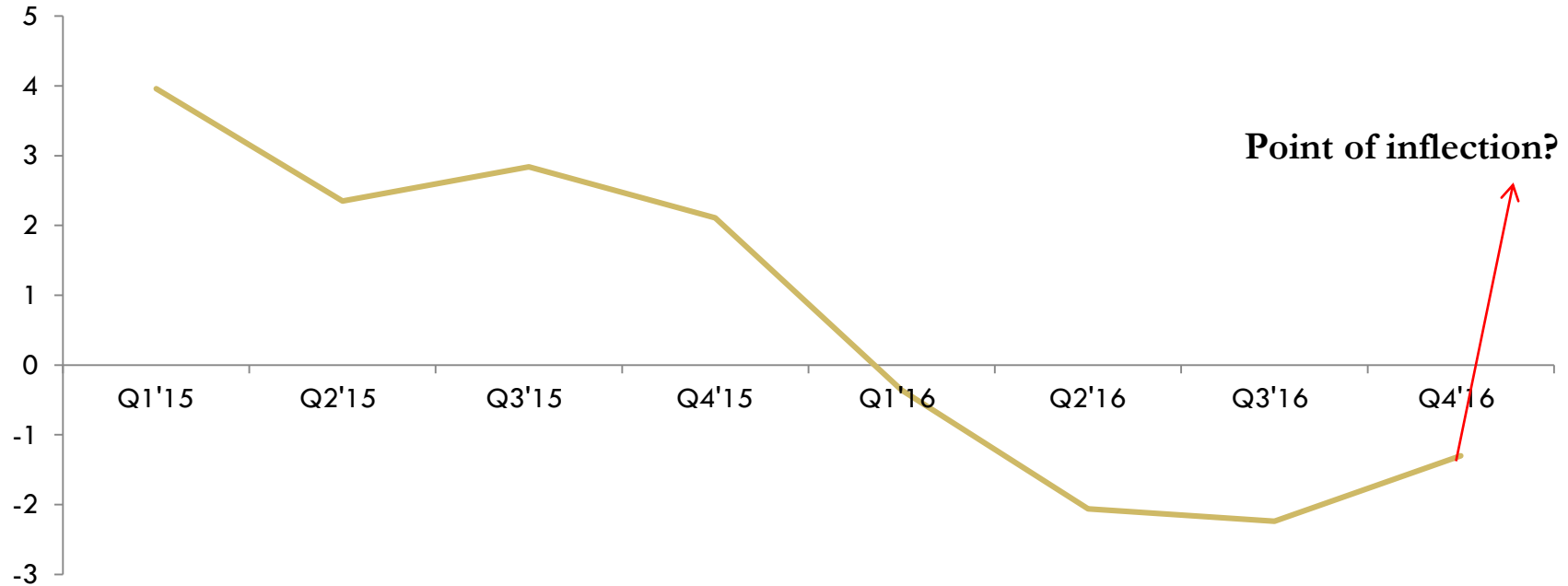


WHY IS THIS FEBRUARY UNIQUE?

- Q4 GDP growth contracts by 1.3% (-1.51 full year)
- Growth has shrunk at a slower pace
- Indicating that we are at a point of inflection
- We should see positive growth in Q1'17

WHY IS THIS FEBRUARY UNIQUE?

Real GDP Growth (%)



WHY IS THIS FEBRUARY UNIQUE?

- FBN PMI for February 2017 up to 50 from 48.6 in January
- CBN PMI down to 44.6 in February compared to 48.2 in January
- Fastest sector growth in GDP was from oil & gas: from -22% to -12%, 10% sharp improvement
- Agric also expanded but at a slower pace
- Average power output from the grid increased to 4000MW

WHY IS THIS FEBRUARY UNIQUE?

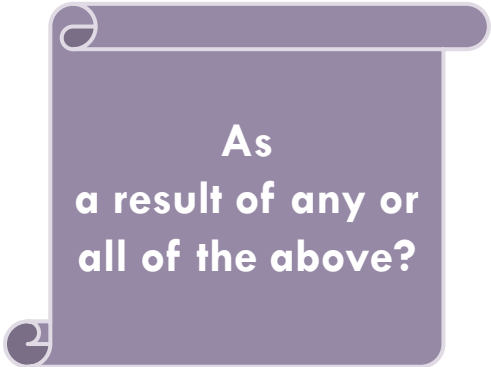
- Privatized power entities still grappling with excruciating debt burden
- Average opening position of the money in banks declined from N152.86bn long to a short position of N74.88bn
- M2 growth was 19.02% to N23.84trn
- Effective average yield on 90 and 180 day bills was 15.42% pa at the primary market
- With an after tax yield of 22.21% pa

WHY IS THIS FEBRUARY UNIQUE?

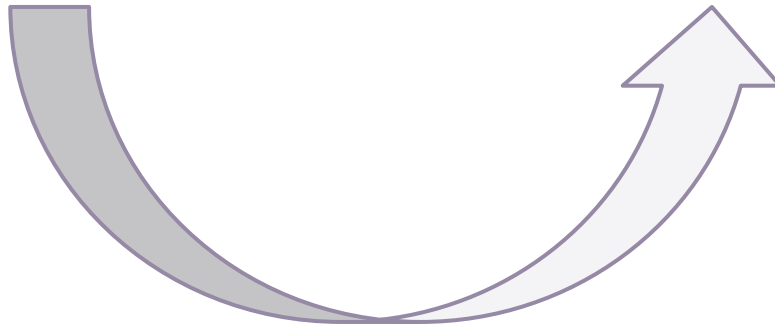
- Headline inflation in January spiked to 18.72%
- Month-on-month inflation slipped to 1.01% (12.8% annualized)
- Inflation projections for February set to decline marginally to 18.5%
- Eurobond issue of \$1bn was successful, oversubscribed 8.5x
- Investors' perception of Nigeria improving marginally
- FGN plans to borrow \$2.3bn from World Bank and China Ex-Im bank
- Anti-IMF sentiment still high within Abuja circles
- Finance Minister expressed views based on economic patriotism

WHY IS THIS FEBRUARY UNIQUE?

- *Policy reforms*
- *Recovery in oil prices and production*
- *Newly found momentum*



As
a result of any or
all of the above?



Normalizing the Global Economic Disorder



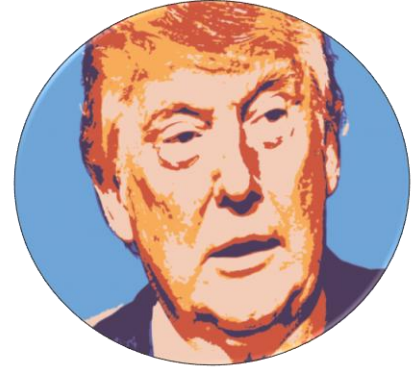
GLOBAL ECONOMIC DISORDER NORMALISING

- High debt levels make global growth very interest rate sensitive
- U.S. business investment unlikely to take off in 2017
- U.S growth relies exclusively on household consumption
- This has been contracting amid falling oil price, dollar strength & inventory reduction



GLOBAL ECONOMIC DISORDER NORMALISING

- Donald Trump intends to increase defence expenditure by 10% to \$603bn
- Also promises to cut effective corporate and income taxes
- Ballooning the national debt to levels in excess of \$19.57trn
- A strong start to U.S growth is expected
- Confidence surveys among households and businesses are strong



GLOBAL ECONOMIC DISORDER NORMALISING

- Annualised GDP growth estimates are for approx 2.5%
- Above current potential growth rate of 1.7%
- Household spending remains supported by strong employment
- But real purchasing power growth is slowing down
- As oil price driven inflation is not compensated by nominal wage growth
- We expect an interest rate hike of 0.25% on March 15
- This will help cool the economy ahead of the Trump spending spike



US – FED TO RAISE RATES “FAIRLY SOON”

- Fed forecast is for 3 rate hikes in 2017
- This has so far been reinforced by robust readings on the economy
 - January inflation up to 2.5% - highest since March 2012
 - Unemployment down to 4.8%
- Global stocks faded from record highs and the US\$ sank following the Fed's release



EUROPEAN UNION

- Spectacular but short-lived inflation spike to 1.8%
- Inflation up in Germany +2%, +3% in Spain
- Thanks to oil prices up 2.06% in 2017
- Core inflation excluding oil & energy is stable at below 1%
- Expect GDP growth of 0.6%
- PMI up 1.6 points to 56, highest level since April 2016
- No rate hike expected



CHINA

- Slowest growth rate since 1990
- The EIU forecasts 6.2% growth in 2017
- Could slow even further as the property market slows down
- The potential damage to US-China trade ties under Trump could potentially dampen Chinese exports
- China GDP growth has stabilised below 6.7%, supported by an accommodative mix of loose monetary and fiscal policy
- Currency has depreciated 6% since 2016



SUB-SAHARAN AFRICA – KEY ECONOMIC TRENDS TO WATCH

- Hopes for faster growth hinge on the prospects of the 2 largest economies –
Nigeria & South Africa
- 2017 is likely to bring a cyclical recovery to Sub-Saharan African economies
- But previously robust growth rates will not be restored
- Unlikely to be the direct target of any Trump-induced protectionism by the US
- A slowdown in global trade would be negative for trade-dependent emerging markets and will affect global demand for SSA commodities

SSA – KEY ECONOMIC TRENDS TO WATCH

- SSA would need to boost intra-regional trade to counter this
- Rising US interest rates likely to complicate debt refinancing – investors to demand higher returns
- Signing up for IMF & World Bank reforms will boost investor confidence and access to cheaper financing



IVORY COAST- COCOA CRISIS THREATENS SUCCESS STORY

- Ivory Coast is reportedly Africa's fastest growing economy (8% in 2016)
- Growth expected to average 7.4% between 2017 and 2020
- It is the world's largest cocoa exporter – over 40% of world output
- Growth in other sectors especially the energy sector has improved significantly
- Cocoa still remains its economic driver – accounts for about 15% of GDP and over 50% of export earnings



IVORY COAST-

COCOA CRISIS THREATENS SUCCESS STORY

- Consistent supply and ample cocoa stockpiles in Ivory Coast have triggered a decline in global prices
- Plunged from its peak of \$3390/mt in September 2016 to about \$1982/mt currently
- Has significantly limited the government's revenue generation capacity
- Revenue constraints mean it may have to resort to the debt market
- A number of local exporters have defaulted on contracts
- Banking system stability now under threat as a significant portion of loans are to cocoa farmers



SOUTH AFRICA

- The growth rate is estimated to be 0.3%, one of the lowest in the region
- The recent xenophobic attacks targeting Somalis and Nigerians to affect tourism and foreign investment
- The 2017 budget includes an increase to 45% in the marginal tax rate on income above R1.5 million which is said to affect about 100,000 taxpayers
- A dozen banks including Barclays Africa (Absa) and Standard Bank colluded to coordinate trading in the South African and US currencies



SOUTH AFRICA: ECONOMIC PROBLEMS & XENOPHOBIC PROBLEMS

Cousins at War

- Commodity price slump
- Economic downturn
- Currency depreciation
- Fiscal constraints
- Stock market decline
- Rising unemployment
- Adjustments

What is at Stake ?

- South African Brands in Nigeria:

- ✓ MTN
- ✓ Multichoice
- ✓ Sasol
- ✓ Shoprite
- ✓ GAME

- Nigerians Brands in South Africa: ??

Trade and Investment Mismatch

XENOPHOBIA

- The NASS has condemned attacks on Nigerians in South Africa
- Has threatened reprisals if attacks continue – tit-for-tat
- 97 Nigerians so far deported from South Africa for committing various offences
- Hon. Femi Gbajabiamila to lead a delegation to South Africa to engage their fellow parliamentarians on the matter
- FG accused of not engaging the South African Govt seriously over attacks on Nigerians

A hand is shown from the bottom, cupping a glowing, intricate network of lines and nodes. The network is composed of many small, interconnected points, with some points highlighted in yellow and green, suggesting activity or data flow. The overall color palette is cool, with blues, greens, and purples. The background is a soft, light blue gradient.

The Economic Reality

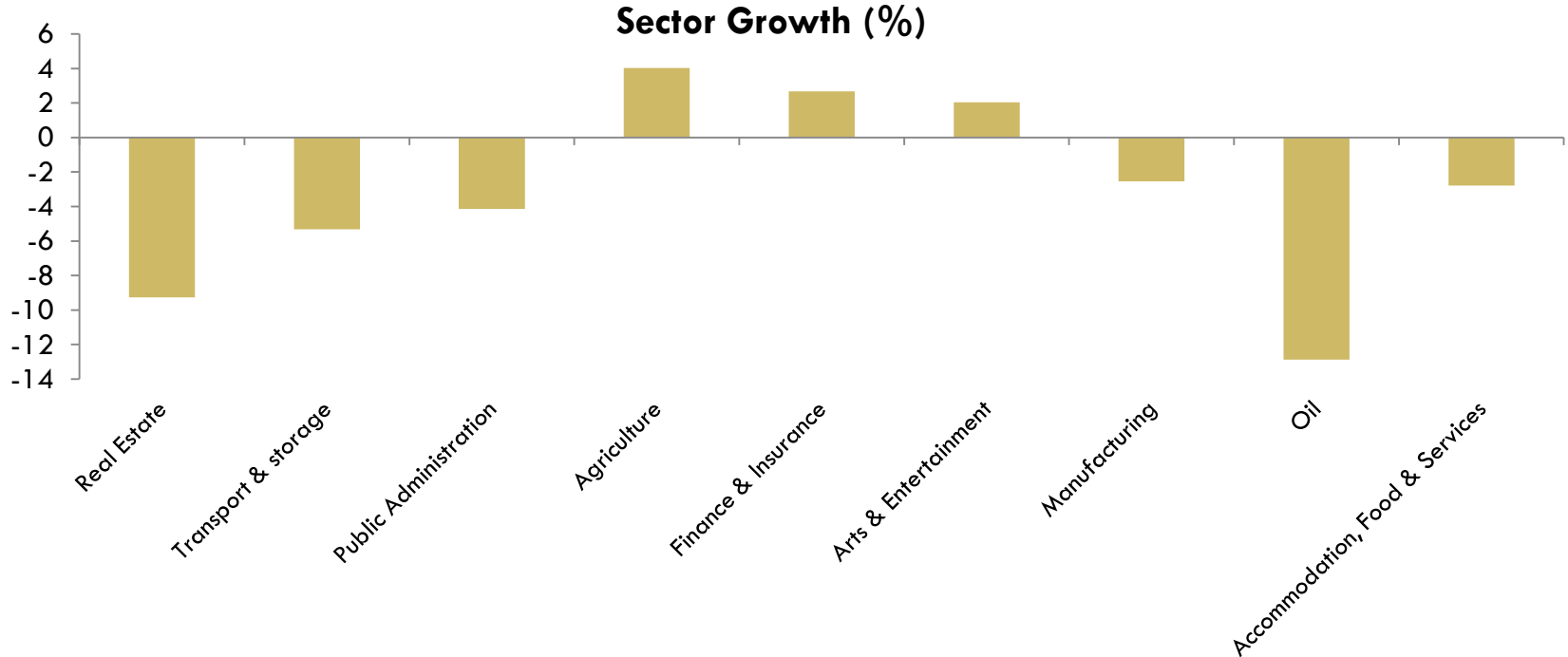
LEADING ECONOMIC INDICATORS

LEI	January	February	% Change
GDP growth (%)	-2.24	-1.3	0.94
Oil Price (\$pb; avg)	55.45	56.5	1.89
Oil Production (mbpd)	1.57	2.0	27.39
Power (MW)	3223	4302	33.5
PMI	FBN: 48.6 CBN: 48.2	FBN: 50 CBN: 44.6	1.4 -7.47
Inflation (%)	18.55 (Dec)	18.72 (Jan)	0.17
T Bills (91 days)	13.43	14.09	66bps
Average NIBOR (%) (OBB,ON, 30 days)	11.35	22.71	1136bps
Average Opening Position(N'bn)	152.86	(83.58)	-154.68
External Reserves (\$'bn)	28.17	29.61	5.11
Exchange rate (N/\$; year-end)	IFEM: 305.75 Parallel: 498	IFEM: 306 Parallel: 435	IFEM: - 0.08 Parallel: 14.48
Stock Market Cap (N'trn)	8.97	8.77	-2.23
Vacancy Factor Index	74.5	74.5	

Source: CBN,NBS, EIU, FDC Think Tank

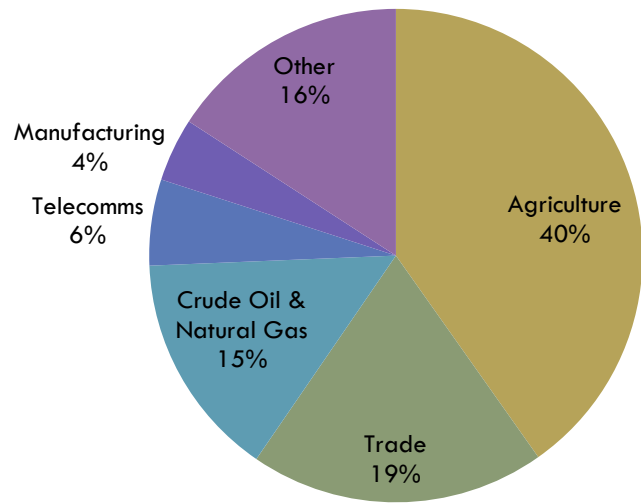
GDP GROWTH

- Q4'16 GDP growth came in at -1.3% from -2.24% in Q3'16

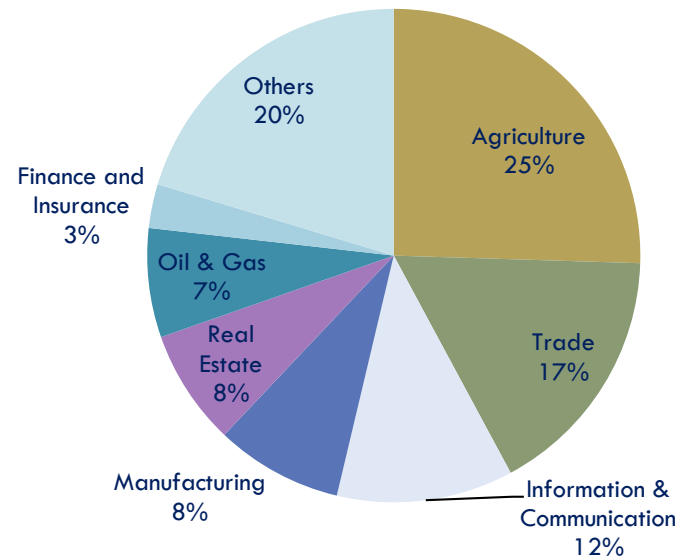


ACTIVITY DIVERSIFICATION- REVENUE CONCENTRATION

Sector Contribution to GDP (2011)

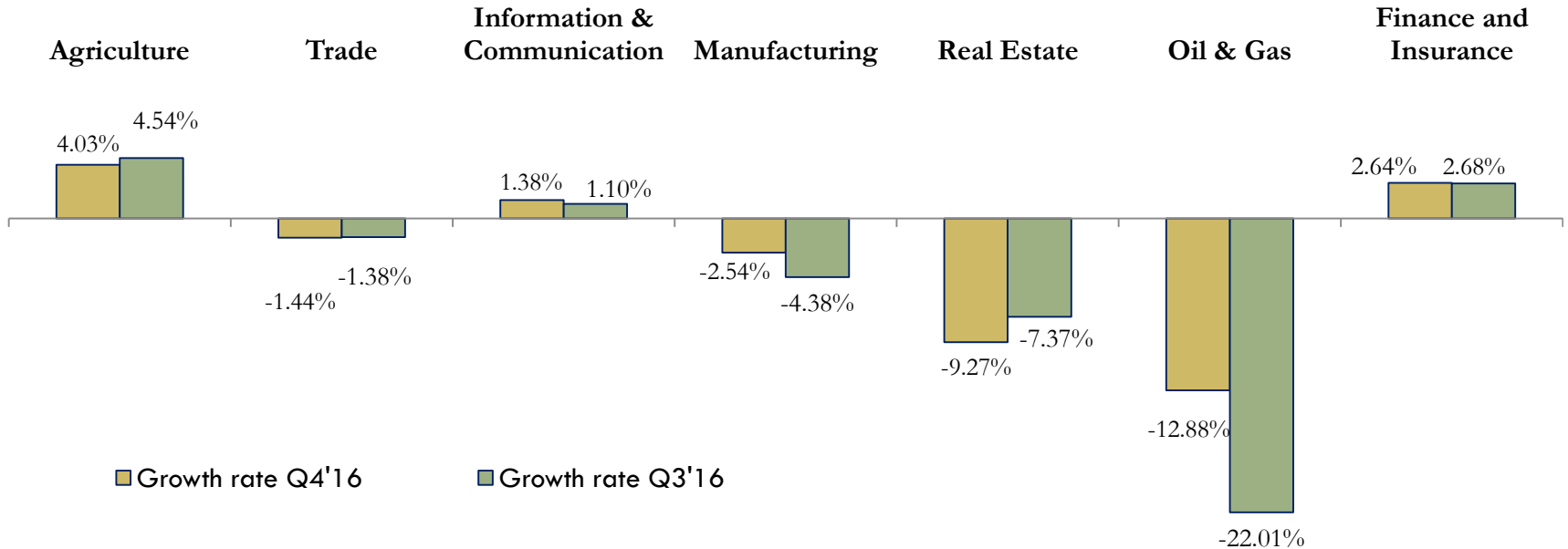


Sector contribution to GDP Q4'16



- Agric and non-oil larger than oil
- Revenue still concentrated in oil & gas
- Export earnings of oil still 90%

MAJOR SECTORS

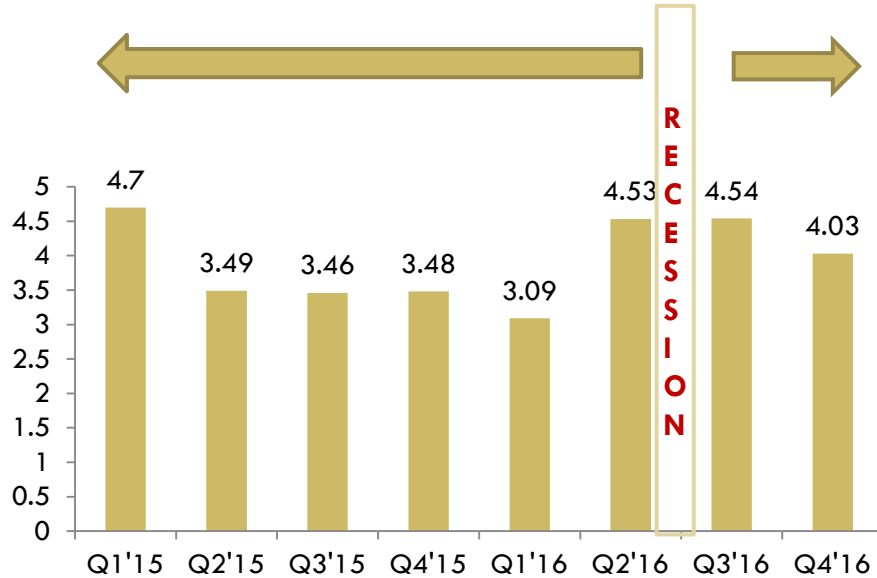


- Oil & Gas and manufacturing sectors recorded significant improvement, though still within the negative territory
- Real Estate and Trade maintain downward trend, agriculture slows on seasonal factors
- Information and Communication, Finance and Insurance maintain upward trajectory, though marginal

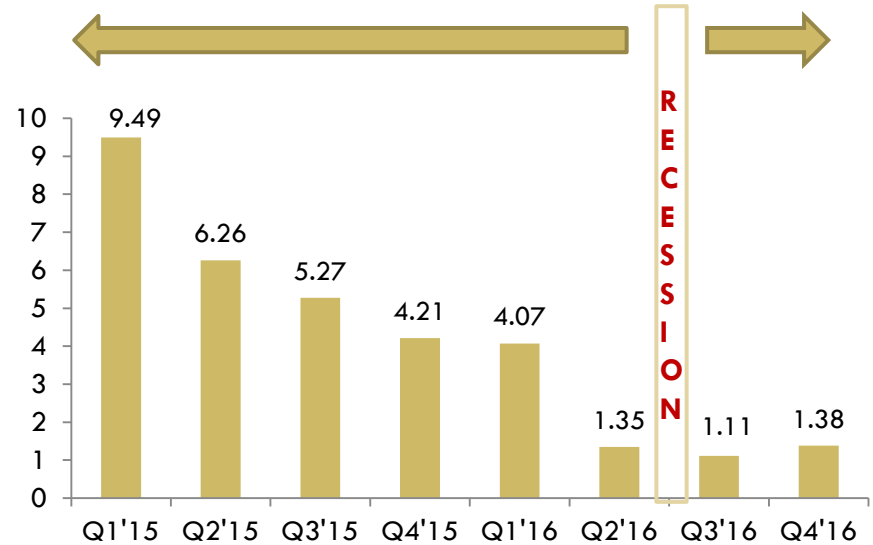
GROWING SECTORS - WINNERS



Agriculture (%)



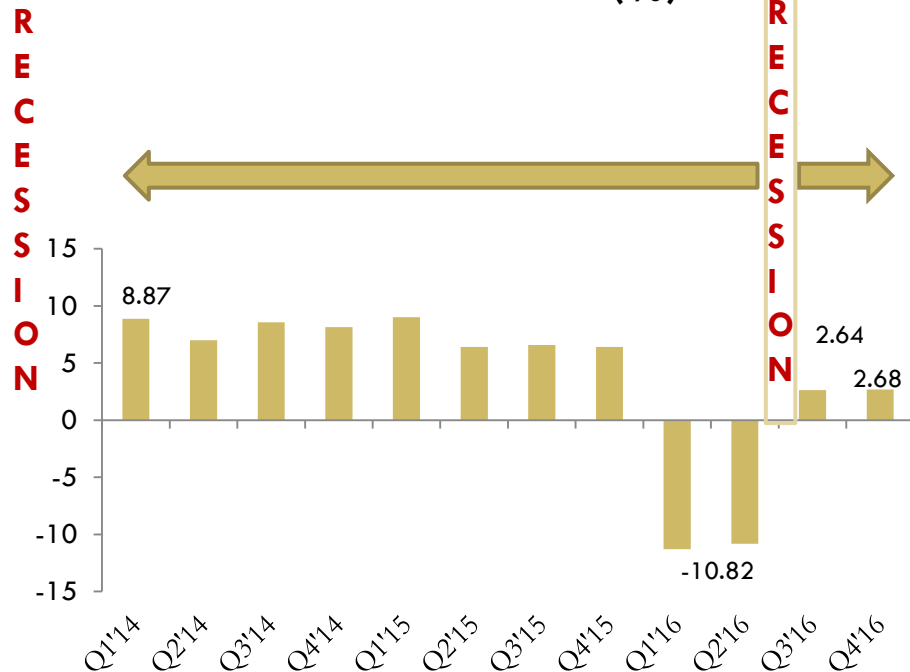
Information and Communication (%)



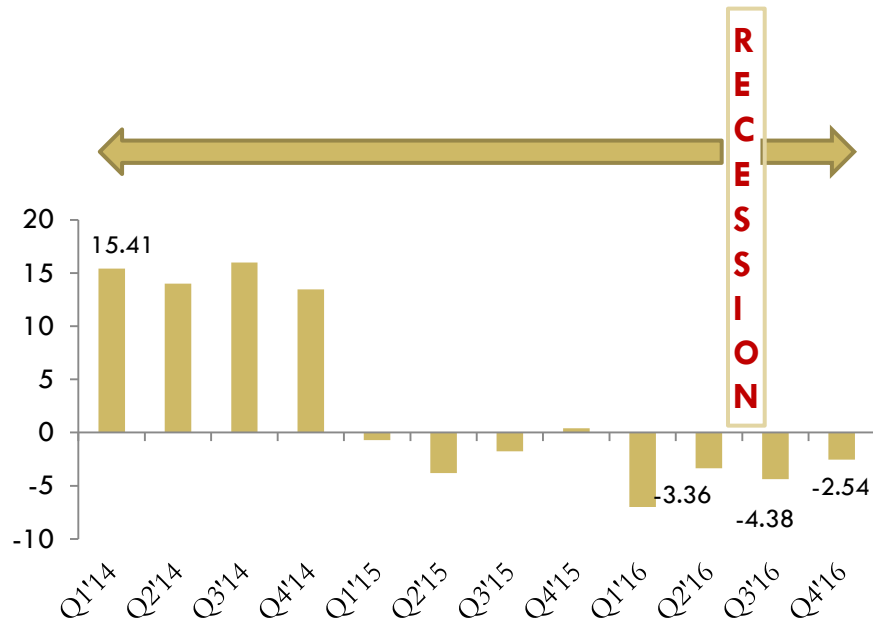
RECOVERING SECTORS – HOPE RISING



Finance and Insurance (%)



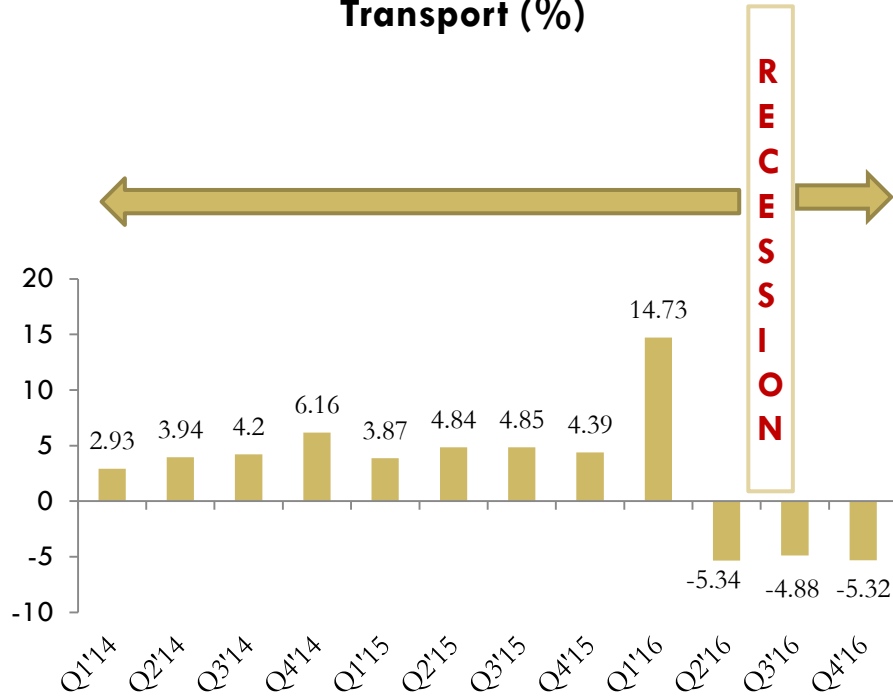
Manufacturing (%)



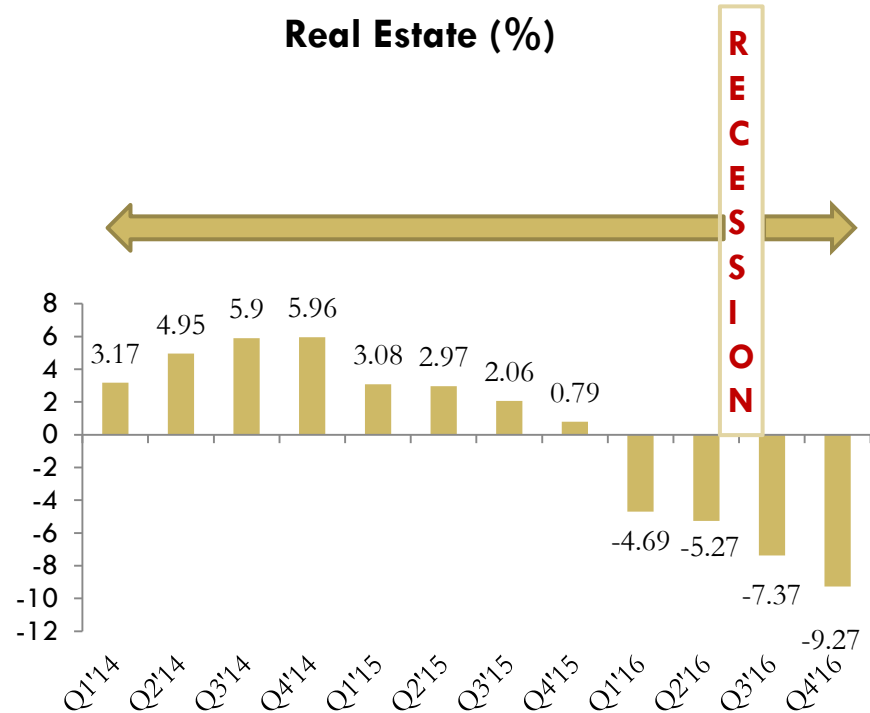
CONTRACTING SECTOR - LOSER



Transport (%)

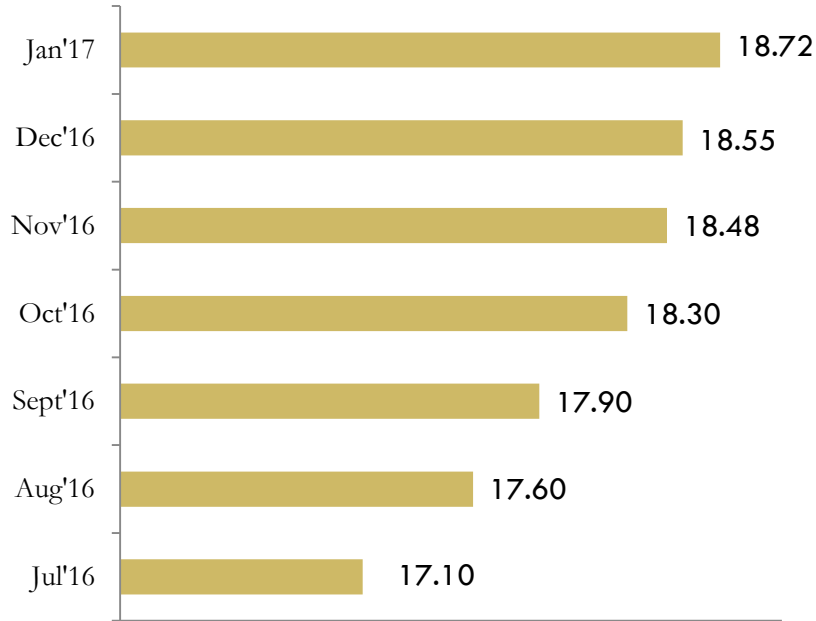


Real Estate (%)

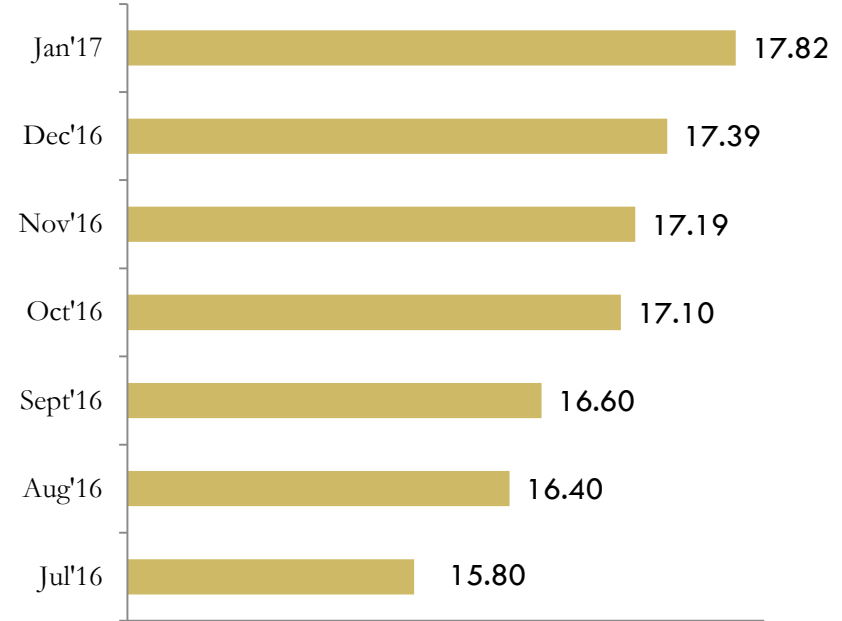


INFLATION RATE

Y-o-Y (%)



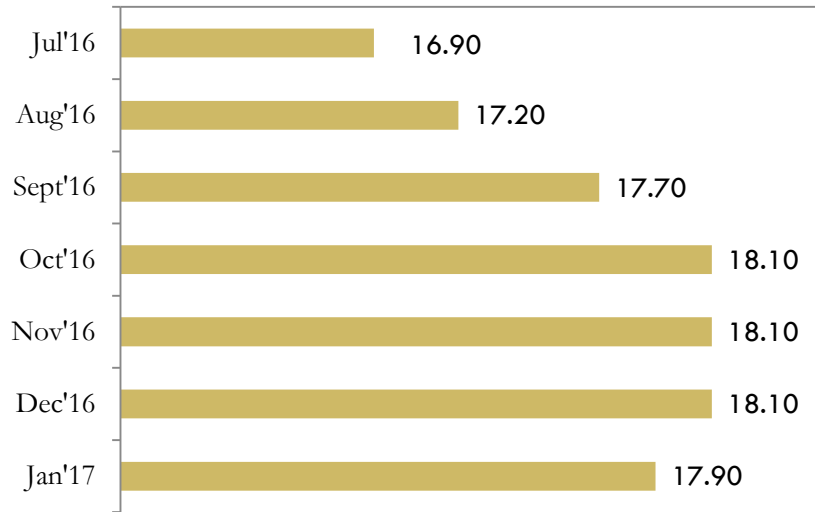
Food Inflation (%)



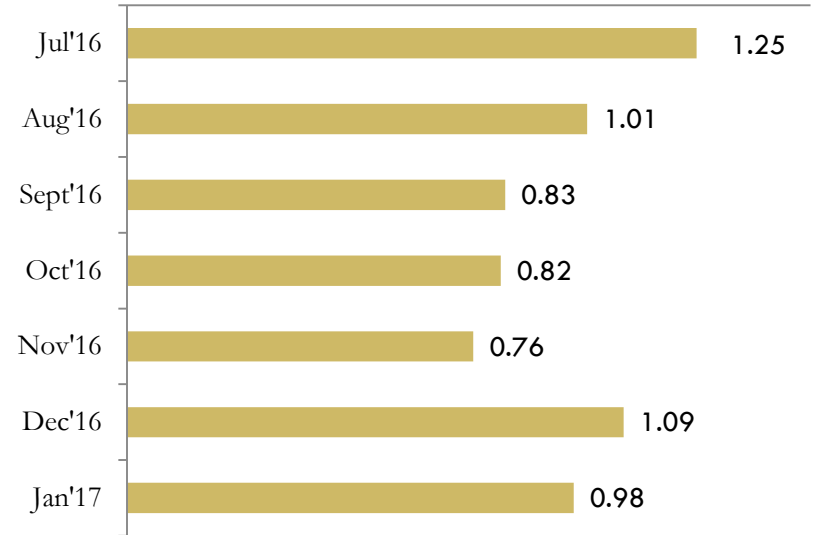
- Y-o-Y and food inflation inched up in January; base year effect still impacting price level
- Task force has been organized to address structural factors contributing to food price inflation

INFLATION RATE

Core Inflation



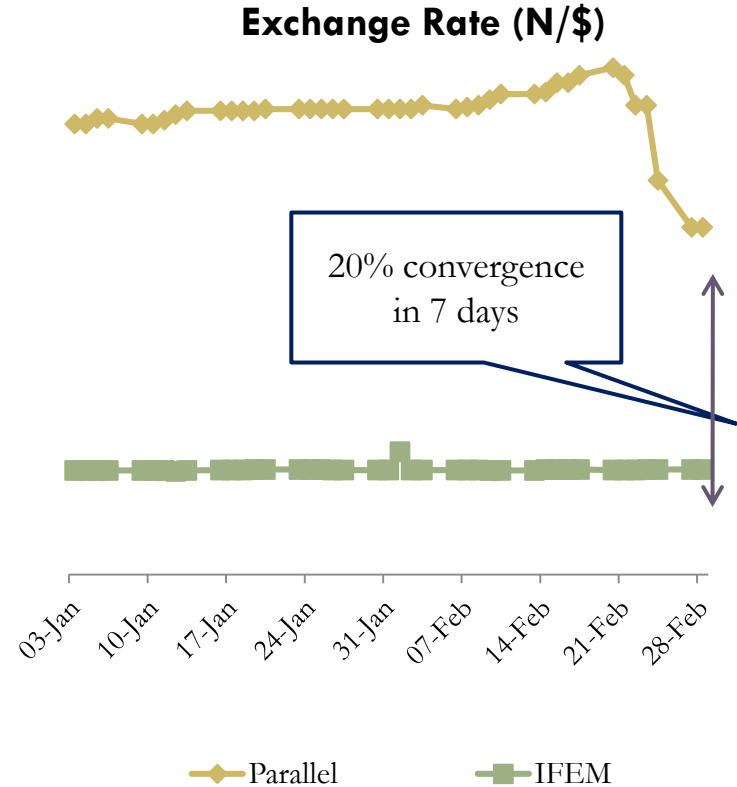
M-o-M (%)



- Core and M-o-M inflation tapered downwards in line with consensus expectations
- Fine-tuning of the foreign exchange market has improved forex liquidity in the market which eliminates some inflationary concerns

EXCHANGE RATE

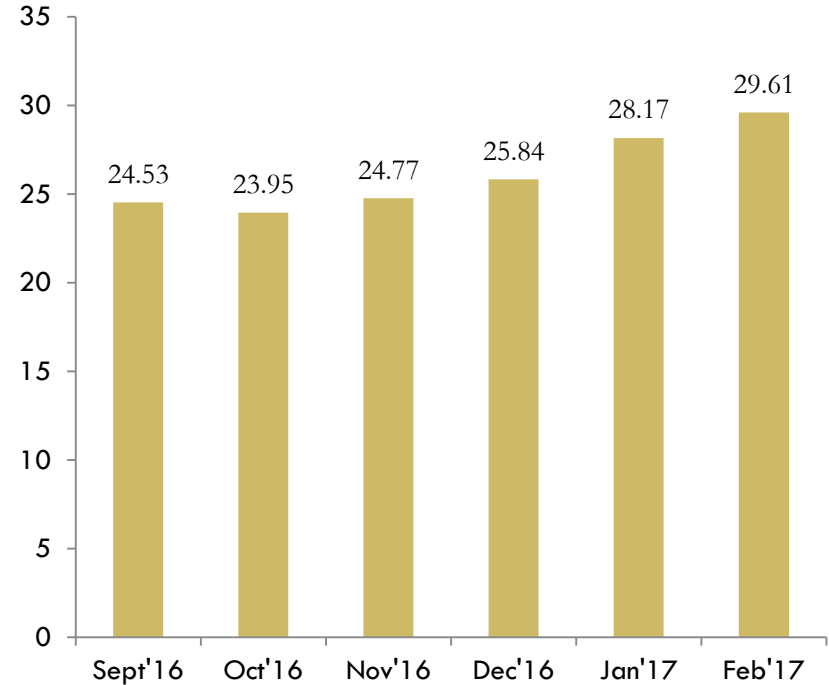
- Convergence between the parallel and official rate has begun
- Preferential treatment towards the allocation of forex has been eliminated
- The market remains segmented with multiple rates attached to each segment of the market
- 41 items restricted from accessing forex at the official segment yet to be addressed
- Consistency in delivering weekly forex supplies could see the parallel market appreciate towards the BDC rate of N400



EXTERNAL RESERVES

- Increased borrowing and rising oil prices have seen reserves building up to \$29bn
- Recent forex initiative by the CBN will slow reserve accretion
- Plans to build up reserves to \$40bn seem farfetched with the new forex policy initiative
- Increased foreign borrowing and higher oil prices will support the CBN with the ammunition needed to ensure the forex market remains liquid

External Reserves (\$'bn)



Africa... United by One Bank



We know our way around finance in Africa

United Bank for Africa Plc is one of Africa's leading financial Institutions, offering banking services to more than 11 million customers through diverse global channels. With presence in 19 African countries and 3 global financial centres; London, New York and Paris, UBA is connecting people and businesses through retail and corporate banking, innovative cross-border payments and trade finance.

■ Africa

• New York

• London

• Paris

Policy Imperatives

POLICY REFORM: WHAT'S NEW?

Power sector

- Analysis of the issues have taken centre stage
- Power generation has improved to over 4000 MW from 1500MW

Forex policy

- Direct funding to commercial banks and Travelex by apex bank

Aviation

- AMCON takes over Arik operations
- 70% of flag carrier's operations has been cut down

FOCUS ON FOREX POLICY



8-9 different rates

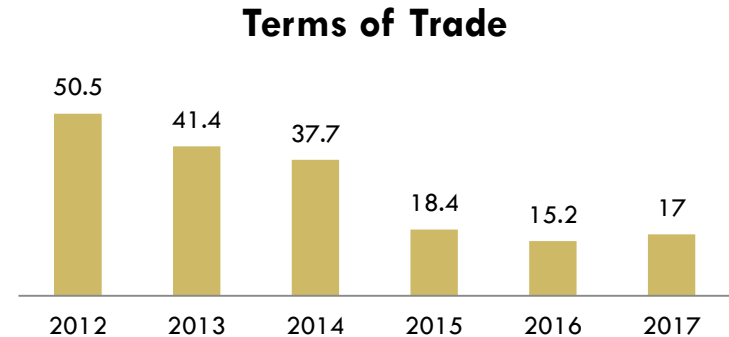
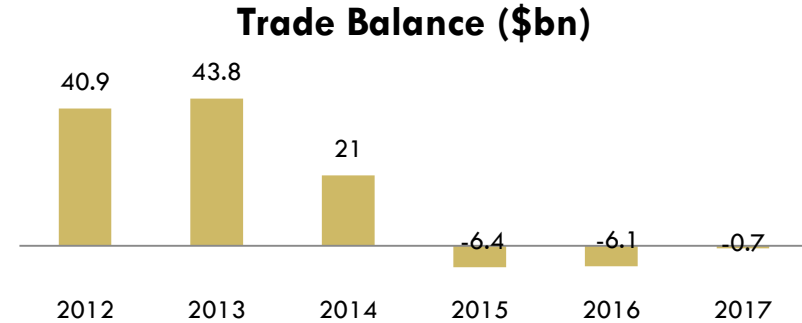


Range: N305- N520

- Spot Market: N305
- Export proceeds
- Invisible transaction rates
- BDC rates
- Cash transfer
- Forward contracts: 60-180 days
- Non-deliverable Forwards
- Futures Contracts

CURRENCY MISALIGNMENT

- Currency misalignment is part of the structural defects of the economy
- The exchange rate has been and continues to be a major subsidy of the elite and the working class in Nigeria
- Approx value of subsidy is \$8.75bn per annum



CURRENCY MISALIGNMENT

- In addition to the fuel subsidy and other subsidies like fertilizers etc, successive governments have attempted to reform the forex market, policy and pricing
- There has been huge resistance and pushback
- Multiple exchange rate regime benefits the well connected and rent seekers
- President Buhari and his populist economic patriotic rhetoric had been adamant about a rigid and overvalued exchange rate

PPP ANALYSIS

	Feb-17		
	=N=	US \$	PPP ('=N=/US\$)
Bottle of Coke (50cl)	120	2.65	45.28
Heineken	500	2.82	177.30
Hamburger (Johnny Rockets)	2,900	4.59	631.81
Uncle Ben's rice (S. Pkt)	1,600	3.65	438.36
Toyota Corolla	19,000,000	21,980	864.42
Bottled Water (1.5ltr)	150	1.31	114.50
Big Loaf Bread	350	2.39	146.44
Irish Spring Soap (1 cake)	250	0.86	290.70
Chicken Drumsticks (1 kilo)	1,680	4.15	404.82
Eggs (One dozen)	600	4.47	134.23
Average PPP			324.79
Naira Price at IFEM			305.50
PPP (%)			
Decision: Naira is		Over valued	6.31%
Spot Rate (Parallel)			445
Outcome: Compared to IFEM rate of N305.5/\$1, the Naira is overvalued by 6.31%			

FOCUS ON FOREX POLICY

- \$1 million weekly allocations to Deposit Money Banks (DMB)
- \$4 million weekly allocations to Travelex
- For sale to customers for
 - Personal expenses
 - Basic travel
 - Medical needs
 - School fees



- Banks are expected to sell at 20% mark up (max) of the IFEM rate

IMPACT OF POLICY

- Policy partially addresses liquidity problem (\$104m pm)
- Does not resolve the confidence crisis in the market
- CBN's aggregate supply to the market
 - Invisibles= \$104m
 - Tradables=\$800m
 - $\Sigma = \$904m$



IMPACT OF POLICY, *ACCORDING TO RENCAP*

Upside

- An improvement in FX availability
- A relatively more flexible FX rate

Downside

- FX policy remains interventionist
- No change in the policy of IOCs selling FX to the CBN
- CBN remains the biggest FX supplier on the IFEM
- FX market remains fragmented
- No mention of restoring the two-way quote system
- CBN continues operating fixed FX rate, and simply moves to a new peg

IMPACT ON PETROL SUBSIDY...RENCAP

- The pump price for a litre of petrol is currently NGN145/l
- Given that the petroleum marketers are currently getting dollars at an FX rate of NGN305/\$1
- This means NNPC is paying a subsidy of NGN27 per litre
- The N145/l petrol price was set assuming the FX rate will not increase beyond N297/\$1

IMPACT ON ECONOMIC AGGREGATES

GDP	Inflation
Import of raw materials is cheaper boosting output levels	Provides some respite with regards to the soaring influence of imported inflation on consumer prices
Exports are more expensive, therefore likelihood of lower patronage of domestic goods such as cocoa	An appreciating currency (conditional on more policy reform) will make Nigerian exports more expensive. This in turn discourages domestic producers from smuggling goods out of the country thereby mitigating prospects of food scarcity

MARSHALL – LERNER CONDITION

Currency adjustments (depreciations and devaluation) only exact improvements if the absolute sum of their export and import demand elasticity is greater than unity

MARSHALL – LERNER CONDITION

- What does this mean for Nigeria?
 - Major exports (Oil, LNG) are denominated in dollars
 - Therefore focus is on imports
 - Reduce import demand to benefit from currency depreciation
 - Therefore policies targeted towards raising demand for domestic commodities is key

ROAD TO MPC MEETING MARCH 21-22

- Considerations:
 - February inflation numbers – forecast to decline to 18.5%
 - Q4'16 GDP numbers – (1.3%), improvement from (2.24%)
 - External reserves level – gross level above \$29bn
- These are to ignite considerations for gradual or speedy interest rate policy reform
- Likelihood of a downward review in interest rates in March

ROAD TO MPC MEETING MARCH 21-22

- 1% reduction in MPR: trickles down to other interest rates in the market
- 2% reduction in CRR: more resources freed up for spending
- 2% reduction in NTB to 16%: reduction government debt service obligations

FISCAL POLICY

- \$2.3bn loan from World Bank and China EXIM
- Presidency seeking additional \$500 million Eurobond issue
- To finance N4.03 trn deficit budget for 2016 2017 fiscal years
- Oil and gas revenue accrued to be generated through:
 - Collection of outstanding royalties
 - Renewal of leases expiring in 2017
- Regulatory agencies to attract investors, implement MoUs and road shows

FISCAL POLICY

- Other oil and gas revenue generation efforts:

- Oil block allocations

- Marginal field awards

- Track gas flare commercialization

- Develop gas infrastructure and investments



Prevent revenue loss from leakages

A collection of various commodities including a barrel of oil, copper pipes, gold bars, coffee beans, corn, and stacks of paper.

Commodities




OIL

- Oil remained above \$55 despite rising US crude inventories and rig count
- Over 90% compliance on oil output deal sustained the rally in oil prices in Feb.
- Investors remain doubtful about the high level of compliance in the coming months
- Discussions about an extension of the output deal will sustain the rally in March
- Regardless, Nigeria benchmark oil price is 50% below the spot price of \$57pb

AGRIC COMMODITIES

- The market for grains (Wheat and Corn) is bearish with supply exceeding demand
- Trade routes for grains are however being threatened by US trade barriers
- Cocoa remains within bearish territory as traders and investors watch closely for signs of political instability in top grower, Ivory Coast
- Defaults from Ivorian traders on the rise as farmers smuggle cocoa to neighbouring countries
 - In response to the sharp drop in prices

DOMESTIC COMMODITIES

	Jan'17 (N)	Feb'17 (N)	% Change
Cement (50kg)	2300	2300	-
Garri (50kg)	15000	15000	-
Rice (50kg)	18000	17000	 5.56
Flour (50kg)	11000	10500	 4.54
Semolina (10kg)	3100	3100	-
Semovita (10kg)	3700	3700	-
Maize (50kg)	13250	13250	-
Beans(50kg)	18000	18000	-
Tomatoes (basket)	9000	9000	-
Pepper (Basket)	5000	5000	 -
Palm Oil (25L)	17000	24,500	44.12
Sugar (50kg)	19000	19000	-

○ Most commodities remained flat while rice and flour decreased due to supply side factors

○ Palm oil, which is among the 41 items banned for accessing forex at the IFEM increased substantially

THE 3 KEY EXPORT COMMODITIES FOR NIGERIA – EIU OUTLOOK

Exports

1. Oil - Year end price for Brent crude estimated at \$56.5pb

Oil consumption to moderate by 1.3%

Chinese demand will slow while other emerging markets will pick up Chinese stock

2. LNG - Accounts for 14% of exports, to increase to \$7.31/mmBtu by year end

3. Cocoa - Expected to close lower this year at \$2,011/mt

Imports

1. Wheat – Expected to decline to \$197/tonne

2. Sugar - To reverse previous gains and close the year at \$18.5(US cents/pound)

3. Rice – To decline to \$381.3/tonne by year end



Every meal starts with us



• Salt (Refined and Iodized) • Seasoning (Cubes and Tablets) • Tomato Paste • Vegetable Oil

www.nasconplc.com

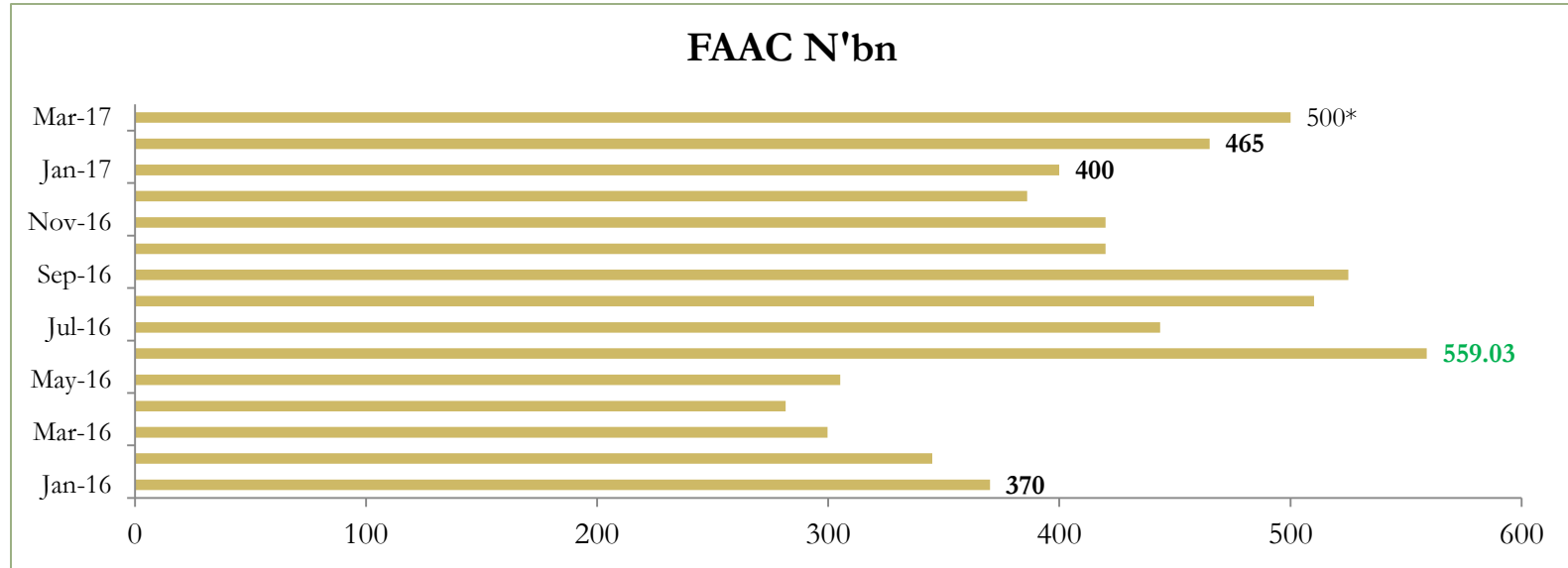


Available nationwide.

Business Proxies

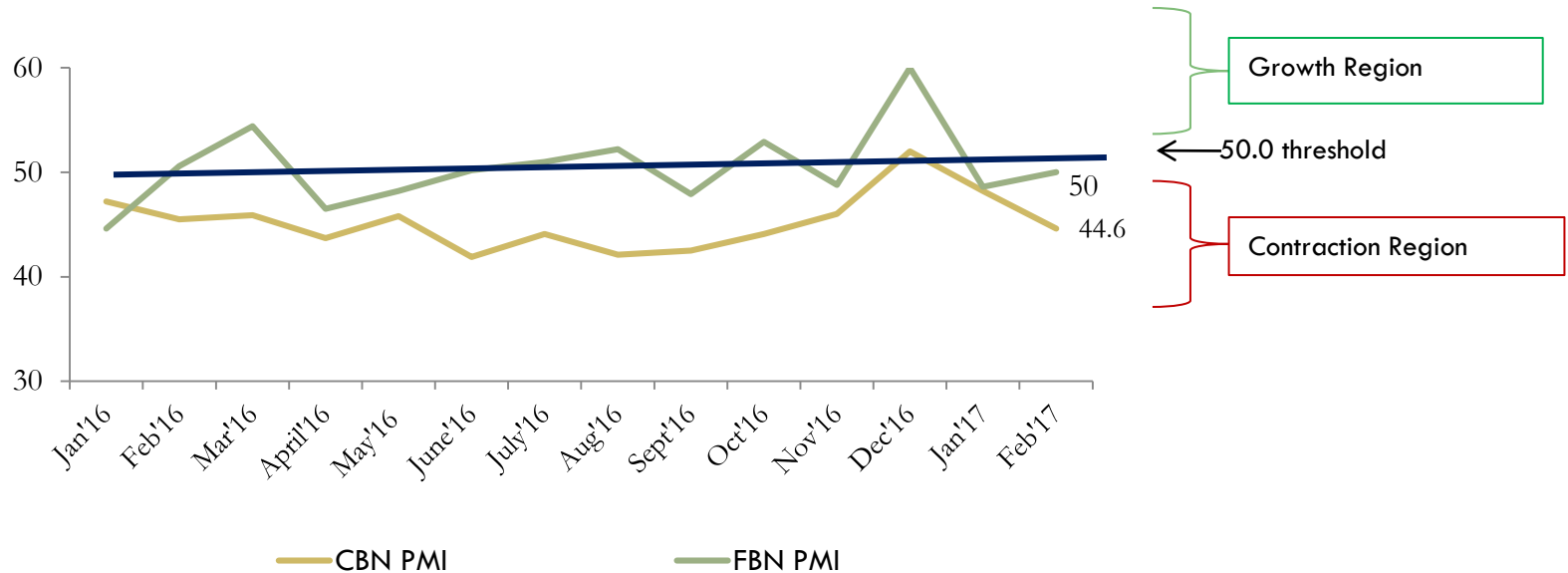


FAAC TO INCREASE IN 2017



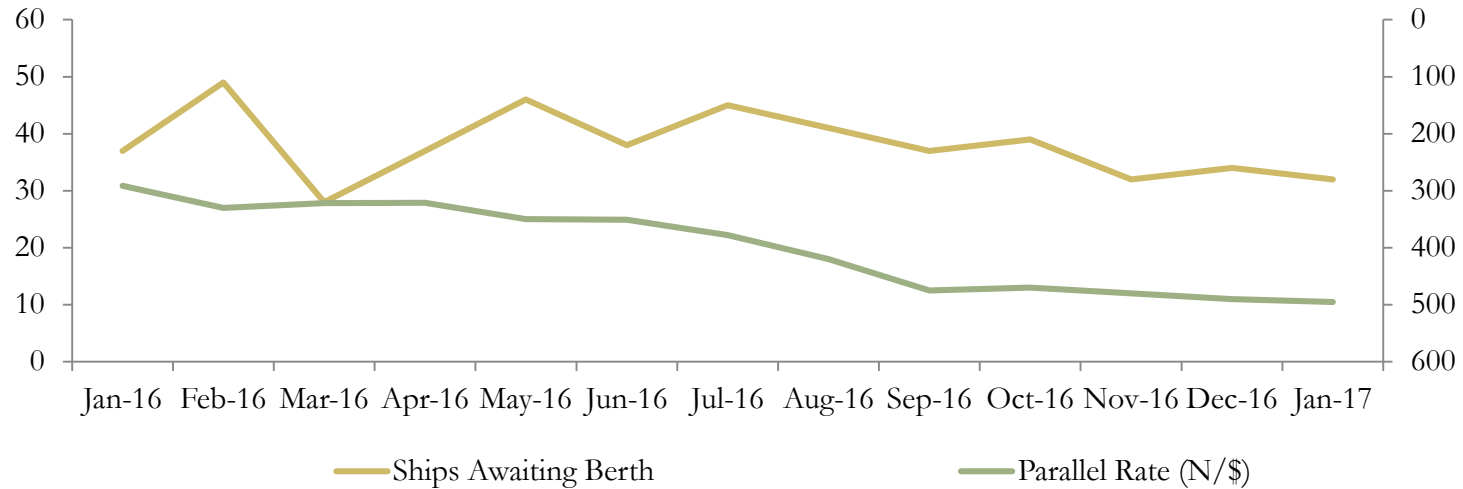
- Oil prices have doubled relative to this time last year
- Production has reportedly recovered to 2.2mbpd
- This implies state governments should be able to settle salary arrears
- Neutral to FX volatility as official rate remains fixed at N305.75/\$

MANUFACTURING ON THE RECOVERY PATH



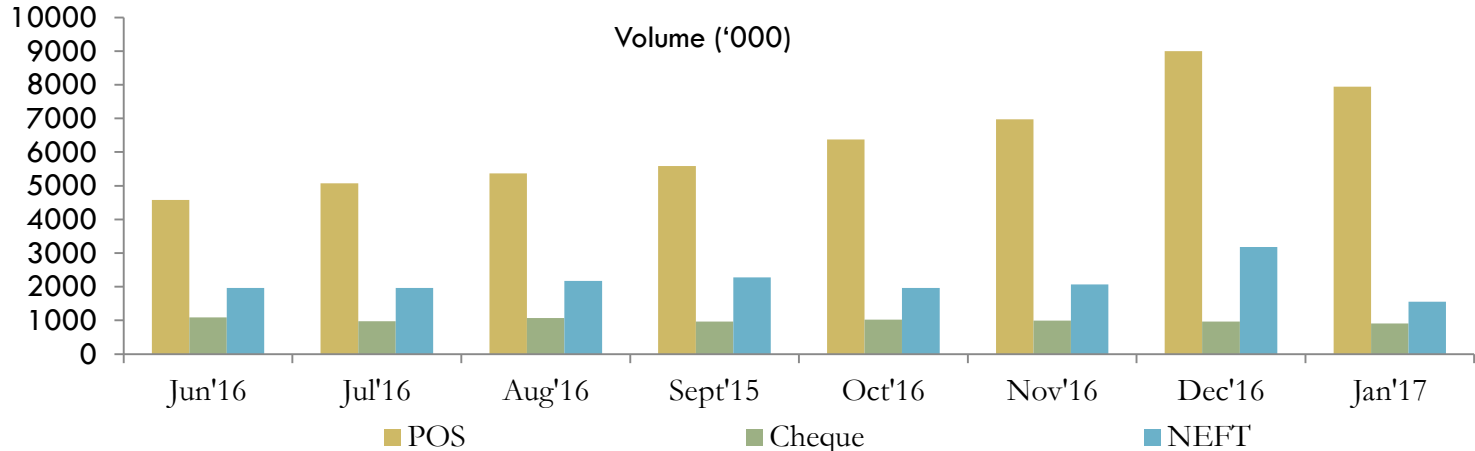
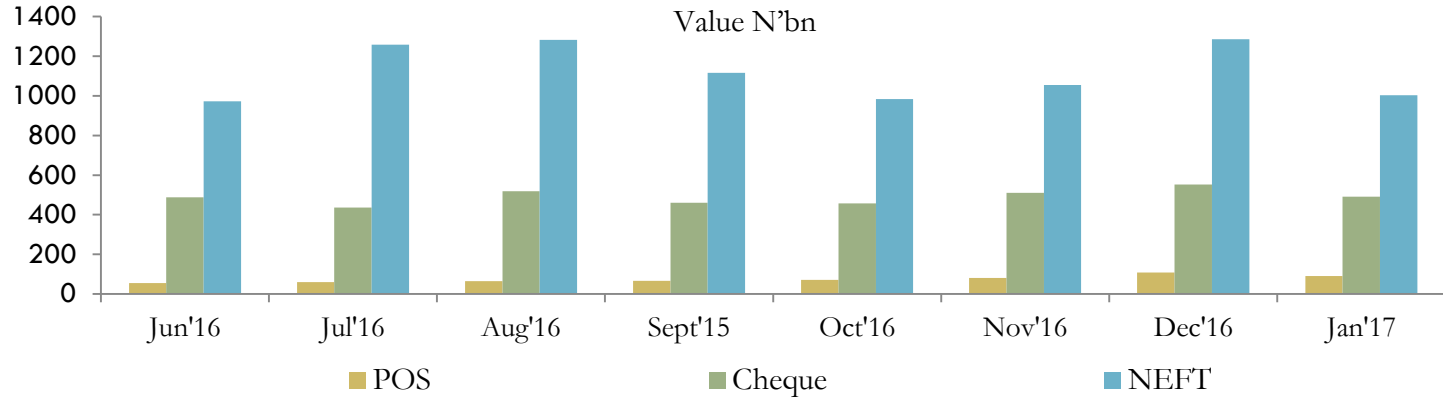
- FBN PMI recovered marginally to 50 in Feb'16 following the sharp decline in January
- Conversely, the CBN PMI contracted further to 44.6 in Feb'16 from 48.2 in Jan'16
- Upward trajectory expected as dollar liquidity improves and naira appreciates
- Manufacturers still have to grapple with rising inventory costs and the weak consumer confidence

SHIPS AWAITING BERTH TO TREND HIGHER



- Recent adjustment to the foreign exchange market may provide the liquidity needed to support imports
- Segmented foreign exchange market remains an impediment to full recovery in shipping positions

PAYMENTS AND SETTLEMENTS





Real Estate Industry

RECENT DEVELOPMENTS

- Real estate contribution to GDP in Q4'16 stood at 7.59% compared to 8.26% in Q4'15
- 5.8% higher than in Q3'16- Slight improvement
- Economic uncertainties continue to filter into house prices
- House prices falling slowly, higher for better quality properties
- Several uncompleted projects linger
- Many developers cannot afford to pay for the finishing of their properties

○ Finishing cost is very high due to high import content of finishing material

REAL ESTATE SECTOR CONTRACTS IN Q4'16



Source: NBS

COST OF BUILDING MATERIALS REMAIN PROBLEMATIC

- Price of building materials soar
- Cement (50kg) price up 40% to N2300 since August 2016
- Iron Rod (per ton) rises by 150% from N170,000 to N300,000
- 80% of raw materials for construction are still imported at the expensive parallel market rate



IMPACT OF FOREX REFORM ON THE SECTOR

- Parallel market rate used to import building materials
- The reform appreciated the parallel market to N460/\$
- Therefore, cost of building properties is likely to fall
- Real estate market will pick up gradually if the economy follows a recovery path
- Positive but lagging correlation between economic recovery and real estate market upturn

REAL ESTATE MARKET OPPORTUNITIES

- N20bn REIT expected to lift the Nigerian retail industry
- Return is guaranteed for investors
- Suitable hedge against inflation
- Occupancy levels always guaranteed - Retail space still growing especially for domestic retailers
- REIT indirectly boosts employment levels



Aviation Update



GLOBAL AVIATION UPDATE

- Global airline share price rose 1.5% in Jan 2017 starting 2017 on a positive note
- Premium traffic supports overall airport performance
- Industry-wide available seat kilometres increased by 6.6% in Dec 2016 and 6.2% full year 2016
- Number of available seats surges in December on strong aircraft deliveries
- Global load factor stood at 80.5% in 2016

GLOBAL AVIATION UPDATE

Air passenger market detail - December 2016

	World share ¹	December 2016 (% year-on-year)			
		RPK	ASK	PLF (%-pt) ²	PLF (level) ³
TOTAL MARKET	100.0%	8.8%	6.6%	1.6%	80.6%
Africa	2.2%	5.8%	5.3%	0.3%	71.6%
Asia Pacific	32.9%	11.2%	8.0%	2.3%	80.8%
Europe	26.4%	10.7%	7.2%	2.5%	80.6%
Latin America	5.2%	5.0%	2.8%	1.7%	81.2%
Middle East	9.6%	12.9%	11.6%	0.9%	77.4%
North America	23.6%	3.1%	3.0%	0.1%	83.0%

Load Factor

Source- IATA

¹% of industry RPKs in 2016

²Year-on-year change in load factor

³Load factor level

⁴Note: the seven domestic passenger markets for which broken-down data are available account for 30% of global total RPKs and approximately 82% of total domestic RPKs

DOMESTIC AVIATION IN TURMOIL

- Sector economics is negative
- Attractiveness is deteriorating
- Serious illiquidity, fiscal insolvency and crippling infrastructure
- 3 carriers with over 70% market share in distress
- Arik, Aero and OAS in receivership
- Apart from Medview and Air Peace, all others are limping
- Charter carriers, Bristow and Calverton, are eating into the scheduled carrier space

DOMESTIC AVIATION IN TURMOIL

- Regulatory bodies being overhauled, 12 directors fired
- 3 rehired, leaving the sector in confusion
- National carrier project is another dead on arrival initiative
- Closure of Abuja airport is symptomatic of a sector drifting
- Most international network carriers are boycotting Kaduna on security concerns

DOMESTIC AVIATION IN TURMOIL

- Abuja will be in virtual isolation for 8 weeks
- Forex reform makes the Nigerian aviation market more attractive to international operators
- With the new forex supply for invisibles, medical, education & travels
- Airline passenger traffic is bound to grow
- Most carriers have opened up their discount windows and low costs fares again

DOMESTIC AVIATION IN TURMOIL

- Load factors are up again to 65 -70%
- Though with 30% less capacity into the market
- Lufthansa is back to 7 flights a week to Lagos
- 3 flights to Malabo & 4 to Port Harcourt
- Abuja is now off the timetable



DOMESTIC AVIATION SECTOR PERFORMANCE

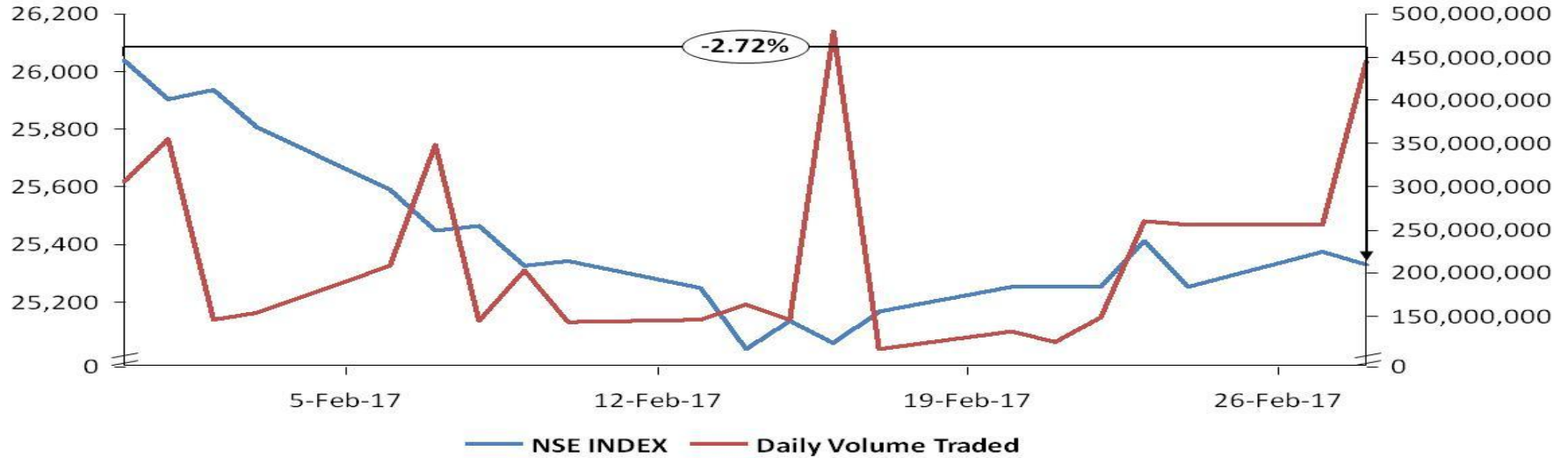
- Weak performance of the aviation sector is highly correlated with the performance of the domestic economy





Stock Market

MARKET IN FEBRUARY... FURTHER RETRACTION



- The Nigerian equities market closed the month negative of 2.72%

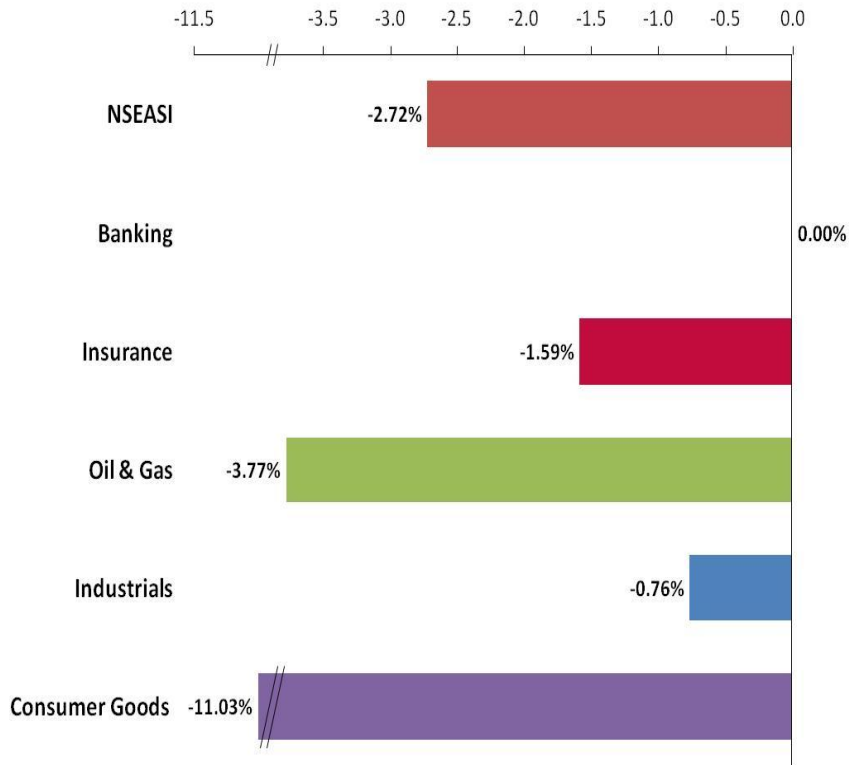
- The YTD return on the index remained negative at 5.75%

Total market capitalization was N8.76trn having lost 207.1bn for the month

MARKET IN FEBRUARY...FURTHER RETRACTION

- Average daily turnover decreased by 17.8% to N1.85bn from N2.25bn
- The average daily volume traded (ADVT) decreased by 39.9% to 219.7bn
- Market PE ratio now 14x
- Medview Plc's share price remains unchanged at N1.50 since listing in January
- New listing on the NSE index
 - By way of introduction, 29.46 billion ordinary shares at N1.25 per share of Jaiz Bank Plc were listed
 - Listing added N36.83bn to market value

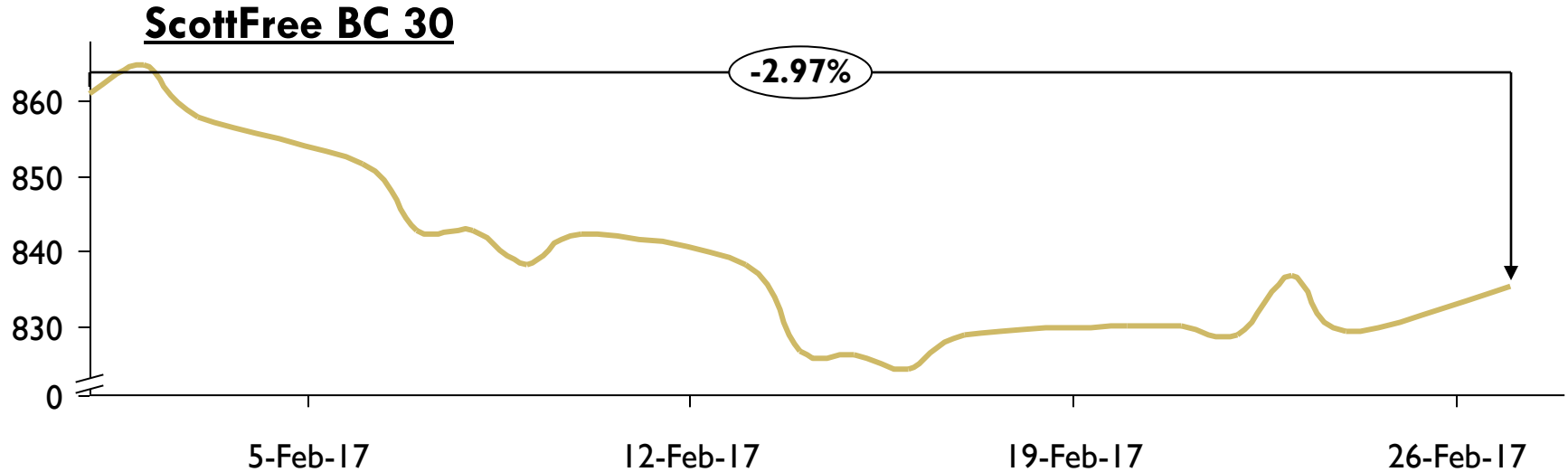
SECTORAL PERFORMANCE ... NO GAINERS AMONG THE SUB-INDICES



Source: NSE, FDC Think Tank

- Banking index remained unchanged
- GTBank (+3.88%), UBA (+2.7%) Access (1.82%) sector contribution gains were offset by Fidelity (-11.7%) FBNH (-10%)
- FMCG's affected by forex and consumer resistance
- Led by Nestle (-21.6%), Unilever (-18.3%) 7-UP (-10.7%) Cadbury (-9.43%)

MARKET IN FEBRUARY – SCOTT FREE INDEX



Source: Solactive, FDC Think Tank

- BC30 index fell by 2.97% in February
- The SFNG Blue-Chip 30 Index (USD) was down 4.03% while the SFNG Blue-Chip Index (EUR) was down 3.06%
- 1 year return of 10.7%

CORPORATE EARNINGS - ZENITH

- Zenith bank's gross earnings were strong at N507.9bn (+17.4% y-o-y)
 - Reflecting the impact of monetary policy on interest and exchange rate
- Loan loss provision rose double folds to N32.3bn from N15.6bn
 - Jump reflects FX issues and prevailing macroeconomic headwinds
 - Asset quality deteriorated with NPL ratio climbed 80bps y-o-y to 3%
 - Oil & Gas, Power and General Commerce accounts for 76.6% of non-performing loans
- Booked forex trading income of N20 billion (vs. a N2 billion loss in 2015)
- Revaluation gain up eightfold y-o-y to N25.5bn

CORPORATE EARNINGS - ZENITH

- Revaluation gain up eightfold y-o-y to N25.5bn
- The revaluation gains largely stemmed from net long dollar positions
- Bank's capital adequacy ratio up 200bps to 23%
- PBT up by 24.8% to N156.7bn from N125.6bn



CORPORATE EARNINGS - NB

- Nigerian Brewery FY'16 revenue was N313.7bn (up +6.7% y-o-y)
 - Consumers are under strain thus, leading to down-trading
- Profit margin pressured by elevated raw materials, transport and finance costs
 - Currency weakness impacted on CoGS significantly
 - Foreign exchange loss of N7.55bn from a gain of N752mn in prior period
 - Transport costs up by 14.5% to N24.1bn driven by PMS upward price adjustment by ~67% to N145
- PBT fell by 27.3% to N39.6bn from N54.5bn

CORPORATE EARNINGS - DANGCEM

- DangCem posted record high sales of N615.1bn in FY'16 (up +25.1% y-o-y)
 - Driven by strong cement sales volume of 23.5mn tons and 43.7% price increase
 - Nigeria's contribution to revenue dips to 69.2% from 79.2%
- PBT decline of 3.9% to N180.9bn resulted from a sales growth of 25.1% being offset by a gross margin contraction of 11.6%
 - Significant rise in fuel and power expenses by N45.8bn to N112.3bn
 - Net foreign exchange gains amounted to N41.2bn from N12.3bn
 - Driven by currency depreciation
- Tax credit of N5.69bn sees a modest 2.92% rise in PAT to N186.6bn

OUTLOOK

- Mixed sentiments as investors await results
- Look for average to tepid banking results
- Conservative dividend payout ratios
- New forex policy is market friendly
- Expecting a reduction in interest rates at the MPC
- Equities are relatively cheap



Who We Are

Avant-garde Academia Limited (AAL) is an education advisory and counseling service organization that was incorporated in July of 2013. AAL was incorporated as an educational aggregator in grooming candidates to be potential global citizens who will reinvest their acquired skills in Nigeria in future. It is positioned to provide support, assistance and guidance to potential candidates and entrants to Ivy League, Elite and premium academic institutions in America. Our target market comprises parents of children in identified elite Nigerian secondary schools and/or top executives in the business community, who have a strong need for our services. The market also extends to Nigerians resident in Diaspora, and expatriates resident in Nigeria. In Partnership with Ascent Education Advisors, a reputable Education Advisory Services firm, we have designed a range of admissions solutions to cater for children in different stages of secondary school education.

OUR STRATEGIC PARTNER – ASCENT EDUCATION ADVISORS

A reputable education advisory service firm, the lead consultant Ms. Peggy Hanefors has over 10 years experience in admissions; including a position as the Assistant Director of International and Transfer Admissions at the University of Pennsylvania. She was first reader and evaluator of about 3,000 applications for students from across the globe.

What We Offer

- Information and advice about the American University System and its application process.
- Evaluation of student's record prior to application.
- Assistance in selecting curriculum and summer activities that will match the student's desired course of study and also highlight his/her personality and interests.
- Development of personal application timeline, that includes standardized testing, college visits, application deadlines, etc.
- Help in selecting teachers for recommendations
- Guidance in presenting extracurricular record
- Guidance in putting together an overall great college application that highlights the unique attributes of the applicant
 - Essay topic brainstorming
 - Editing
 - Proof-reading
- Guidance in choosing the most suitable college among acceptances.
- Interview preparation

Our Packages

Package 1: 8th to 10th Grade (Final 3-5 Years)
This package is a program designed for candidates from as early as the 8th grade (Junior Secondary School - JSS 2) of high school. This is a full package with the benefits of all the services we offer in addition to education and assistance with entire college admission process, including an unlimited number of applications.

Package 2: 11th and 12th Grade (Final 1-2 Years)
This package is similar to Package 1 but is designed for students in the final two years of high school.

Package 3: (Per Application)
Unlike packages 1 and 2, package 3 only provides unlimited assistance with applications to pre-determined universities.

We host a Parents Admission Support Forum in Lagos bi-annually with the aim of giving parents the information they need to ensure their child(ren)/wards gain admission into reputable universities in United States of America.

To attend one of our events, kindly contact or visit us at
9a Idejo Street, Victoria Island Lagos.

A hand is shown moving a white chess piece, specifically a knight, on a chessboard. The background is a soft-focus image of a chessboard with various pieces. The overall tone is light and professional.

Political Update & Risks

POLITICAL UPDATE

- The shifting sands of Nigerian policies
- APC hawks scheme for power
- Hoping for a realignment of forces in a succession battle
- The problem is that you must finish 2017 before you fight for 2019
- The new economic recovery and momentum is positive for the APC

POLITICAL UPDATE

- Balance of Trade surplus, Eurobond oversubscription & stronger naira shows new direction & dynamism
- Osinbajo's success is Buhari's win
- Ideologies are aligned but pace is different
- Fiscal policy is positive but needs to be more impactful
- Monetary policy is now equally aligned

POLITICAL UPDATE

- S. East defections to APC a certainty
- South/South now in play after the military deals
- If inflation declines and GDP growth is positive in Q1, APC will gain politically
- Bye elections in Rivers & Gombe show the macro-economic vulnerability of incumbency
- The born-again CBN needs to fund the tradable & invisibles transparently
- Must allow oil companies to sell directly to the market

Outlook

MARCH OUTLOOK

- February inflation likely to dip slightly
- MPC likely to allow T/Bill rates slide by 100 basis points
- Might consider a reduction in the CRR from 22.5% to 20%
- CBN will allow a different rate for State Govt. & FGN dollars
converted approx. at N340
- Increasing FAAC by 20%

MARCH OUTLOOK

- FAAC in March will exceed N500bn
- The Eurobond tap of \$0.5bn will be drawn down
- Together with initial draw down will increase External Reserves to above \$30bn
- IFEM likely to move to N320, invisibles at N370 & BDCs N400
- Naira will trade between N450 – N460 in the parallel market

7 STEPS ON HOW TO FIX THE NIGERIAN ECONOMY ACCORDING TO A PROFESSOR OF ECONOMICS

- Current account must be floated- in other words the currency should be convertible for trade items (tradeables)
- A sharp increase in tariffs for luxury goods will help reduce fiscal deficit
- Capital account controls to stabilize forex inflows for debt instruments for at least 24 months, will insulate economy from hot money volatility
- Target to increase tax mobilization and compliance to push the low tax revenue to GDP ratio

7 STEPS ON HOW TO FIX THE NIGERIAN ECONOMY ACCORDING TO A PROFESSOR OF ECONOMICS

- Swap domestic debt with foreign debt to help reduce fiscal debt service burden
- A more focused and impactful investment in power strategy
- A comprehensive social safety net with minimum abuse and leakages
- When the demand for good governance comes and grows then good government will come and follow
- The current protest is a ground swell for a demand for good governance

CORPORATE HUMOUR



Every woman should have four pets in
her life

- a mink in her closet
 - a Jaguar in her garage
 - a tiger in her bed
 - a Jackass who pays for everything
- Paris Hilton

Other people's babies, that's my life,
mother to dozens, and nobody's wife

- A. P. Herbert



CORPORATE HUMOUR



Democracy must be something more than wolves and a sheep voting on what to have for dinner
– James Bovard

The average girl would rather have beauty than brains because she knows that the average man can see much better than he can think – Anonymous



CORPORATE HUMOUR



If you have never been hated by your child, you have never been a good parent – Bette Davis

When a man retires his wife gets twice the husband but only half the income - Anonymous



CORPORATE HUMOUR



Charity degrades those who receive it
and hardens those who dispense it
- *George Sand*

The trouble with the rat race is
that even if you win you are still a
rat – *Lily Tomlin*



CORPORATE HUMOUR



A friend in power is a friend lost
– Anonymous

I would rather be a beggar
and single than a queen and
married – Elizabeth 1st



CORPORATE HUMOUR



Nothing is impossible for the man
who doesn't have to do it himself
– A. H. Weiler

The reason why worry kills more
people than work is that more
people worry than work
- Anonymous





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*Thank
you*

