FDC Bi-Monthly Update

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Inside This Issue:

FGN seeks securitization and restructuring of debt backlog

As Nigeria attempts to prevent a further blemish to its credit rating, the finance ministry on the authority of the Federal Executive council (FEC) wants to securitize and restructure some long dated (1994) existing financial obligations of approximately N2.7trn ($8.8bn).

History of FGN unwillingness to settle financial obligations

Nigeria has a reputation of chronic indebtedness and financial delinquency dating as far back as the 1970s, when Nigerian debt was ruled as sub-standard by the London Club of Bankers. The cement armada and defaulting on confirmed irrevocable Letters of Credit was the first time the government of Nigeria became a documented defaulter in the international arena. The accumulation of arrears on trade finance resulted in a rescheduling of trade and payable debts in the 1980s. The cumulative effect of the piecemeal and unstructured approach to debt servicing (accounts for 66% of recurrent income) resulted in a choking debt trap. In the end, Nigeria's accumulated external debt reached a level of $36bn (HIPC – Heavily Indebted Poor Countries). A combination of deft negotiation and a payment of $18bn comprehensive debt forgiveness were achieved in 2005.

On the domestic front, delays and default in payment for Bona fide transactions such as the JV cash calls have strained the financial reputation of the FGN. The securitization of debt through promissory notes is a step taken by the government to address debt to 'helpless creditors' of the government such as FGN contractors and suppliers, pension and salary arrears and state governments. The arrears to be targeted date as far back as 1994.

Debt Profile[1]

Debt Category		Outstanding in USD ('000, 000)	Outstanding in NGN ('000, 000)
A	External Debt Stock (FGN + States)	13,807.59	4,229,955.20
	Domestic Debt Stock (FGN Only)	39,077.32	11,971,336.53
B	Domestic Debt of States	9,985.16	2,958,517.43

[1] Source: DMO for the period ending 31st of March 2017

Cost overrun and project inflation by contractors

Many multinational contractors blacklisted Nigeria because of its tarnished payments record. The others who had no choice had to inflate the contracts to reflect the additional default risks. The hedge against delays or possible defaults resulted in project cost inflation at the expense of the tax payers.

Banking system fragility in a recessionary environment

The Nigerian banking system has been vulnerable to commodity price and currency volatility shocks. However, one of the weaknesses of the sector has been the high default rate of debtors. Non-performing loans are now believed to be approximately 16% of total risk assets. Last year, Fitch Ratings reduced the Support Rating Floors of 10 Nigerian banks to "No Floor" on the backdrop of rising foreign debt and lack of institutions to cushion these banks in the event further shocks to the system. Major contributors to the asset quality problem of the sector are government contractors. The banks now shun more loan requests by government and public sector contractors. In the past two rounds of bank distress, government delinquency has been a major catalyst of bank failure.

Impact analysis

To put the proposed securitisation of N2.7trn in context, it is roughly $8.9bn and 29.3% of gross external reserves and 12.3% of money supply. The impact of this proposed debt scheme transcends through key variables such as interest rates, exchange rates, asset quality and monetary stability.

Banking system, sink or swim?

The banking system could gain a sense of respite through increased liquidity. Many of the loans obtained by contractors affected by FGN default had been written off as non-performing loans by these banks leading to many rating agencies questioning the strength of the banking system in withstanding further shocks. Most of the banks also sustained significant losses to their share values and as such increased liquidity is to facilitate a tapering in the speculation of a banking crisis.

Monetary stability and the inflation enigma

In regards to monetary stability, an inflow of liquidity is expected, regardless of how much discounting is imposed on notes. Currently M2 is approximately N22trn and the average opening position so far in July is N9.88bn short.[2] Hence, the expected increase in liquidity is welcomed especially by manufacturers and investors. However, price stability is threatened as an increase in money supply coincides with an increase in the price level. Currently inflation sits at 16.1%, well above the CBN's target of 11% by year end.

Interest rate policy and the singing doves

Inflationary conditions will factor into monetary policy as calls for a more accommodative interest rate environment might cease. This is because of the anticipated money supply impact of cashing in notes. Worst case scenario might lead to considerations of further tightening as the CBN's primary goal is price stability above all other objectives, such as economic growth.

Exchange rate; how bleak is the future?

The exchange rate is likely to be negatively impacted from this debt scheme. It makes rational sense to assume that many contractors who cash out their notes will go straight to the forex market. Increased demand of that

[2] Review period is from the 1st to 14th of July 2017

magnitude with little or no correspondence supply on the part of the CBN could undermine past interventions by the apex bank and force the value of the naira down. Therefore CBN policy in the FX market will have to be intensified in order to offset anticipated exchange rate losses.

Why now? In politics, timing is everything

Apart from the catalytic impact of the securitization on growth and its stimulus effect on the recovery from recession, the timing of the programme has raised eyebrows. Some analysts fear that the scheme could be abused for political purposes. In the past, the judicial process had been abused to create fictitious debts that had no genuine transactions. As we slowly go into the electoral cycle, it is feared that political favours could be extended to friends and supporters to fund political campaigns. With both leading political parties in dire need of funding, sceptics fear that the temptation of fiscal abuse is high.

Going Forward

The Federal Government needs to exercise discipline in the execution of this proposed debt scheme. The crux of the current issue about default and delay in payment dates back to the culture of allowing arrears to build up in the first place. Brokerage abuse and unethical practices between banks and government, lead to the culture of using funds set aside for settling contractors and suppliers to trade for extra profit. Therefore, to break the cycle of bad governance and negligence, which has brought the nation to this point, ethical execution from screening contractors to issuing the notes and payment at maturity, is required.

THE NIGERIAN FINANCIAL SERVICES LANDSCAPE AND THE EMERGENCE OF FINTECH

The emergence of FinTech has caught the attention of industry leaders in the financial services industry. FinTech is the application of technology to the delivery of financial services. It is led by technology focused start-ups and other new market entrants that are disrupting how the industry operates.[3] PwC Nigeria's recent release of its Nigeria FinTech Survey 2017 provides insight into the impact. According to the report, FinTechs function by innovating traditional financial service products and services. Innovation is achieved by introducing technology-driven applications. These transform customer expectations and create opportunities in underserved markets, thereby disrupting the traditional financial services value chain.

FinTech investments in Africa increased by a compound annual growth rate (CAGR) of over 58% between 2014 and 2016 to $800mn, and are projected to reach $3bn by 2020.[4] Nigeria and South Africa receive the majority of these funds. The impact of FinTechs in Nigeria can be seen through the growth of mobile money operations. Their CAGR increased by 95.5% between 2011 and 2016.[5] Nigeria's demography demands that financial services companies take FinTech seriously. Over 50% of Nigeria's population will be under 25 years by 2020. According to the survey report, millennials (born between 1980 and 2000) represent the next generation of investors. Their preference for technology, state-of-the-art customer experience, speed and convenience will expedite the adoption of FinTech solutions.[6] Customer digital experiences from technology giants, such as Google, Facebook, Amazon and Apple, have generated expectations of improved quality of service across industries. FinTech can provide these answers for the Nigerian financial services sectors.

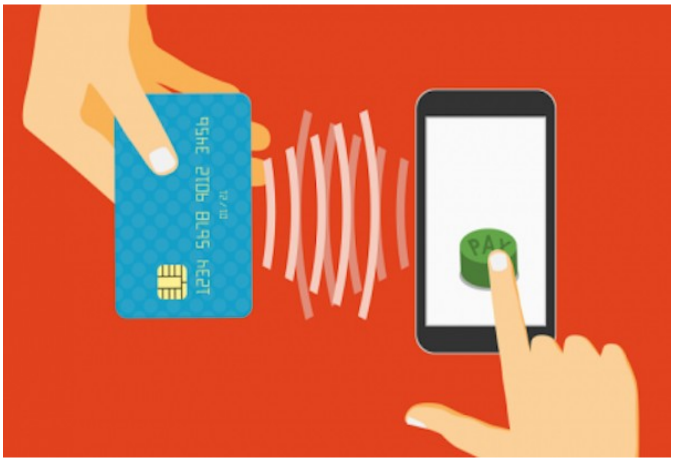
The sectors most likely to be disrupted by FinTech over the next five years are banking, fund transfer/payments and the insurance sector. Survey respondents identified life insurance, auto insurance and intermediaries(brokers/

[3] Nigeria FinTech Survey 2017, PwC Nigeria
[4] Ibid
[5] http://kpmgfintechsummit.com/wp-content/uploads/FinTech-in-Nigeria.pdf
[6] Nigeria FinTech Survey 2017, PwC Nigeria

agents) as the services and products most likely to be disrupted. The emergence of mobile applications designed for easy access to transactions, insurance quotes, claims support or even roadside assistance[7] has changed the insurance landscape. The adoption of usage-based insurance models and new methods for capturing insurance-related data are key FinTech trends. Improved user experience through customer-centric design is also a focus of attention. Usage-based insurance, such as pay-as-you-drive auto insurance, can improve risk underwriting and meet customers' needs.

There are many ways to apply FinTech to the financial services sector. Banking continues moving to non-physical service and customer engagement channels in their operations. Credit underwriting and decision-making are accomplished by using granular data to accurately assess or price risk.[8] FinTech is used to streamline the loan application process. FinTechs pose a risk to the survival of incumbent financial services firms which ignore service delivery through technology. To meet customers' expectations, Nigeria's commercial banks will have to invest in omni-channel access for customer interaction. Omni-channel experience enables interactions across different channels while also providing the ability to move between them regardless of the transaction type. It effectively utilizes both physical human interactions and digital/ mobile solutions. [9]

Technology is driving an increase in the use of self-directed services, usage-based insurance and data analytics in the insurance sector.



In the financial management sector, Nigerian asset management firms need to consider using technology to aid the consumer's examination of new investment opportunities as well as the automation of asset allocation and wealth management processes.

The central and recurring theme concerning the revolutionary potential of FinTechs revolves around customer experience. Financial services firms that do not recognize the competitive pressure from FinTechs are doing so at their peril. Financial services firms in Nigeria have to figure out effective ways to enhance user experience embracing technology, innovation and digitization. Failure to do so sets the groundwork for obsolescence. Seizing the opportunity creates the probability for a successful future.

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[7] Ibid
[8] Ibid
[9] Ibid

Africa Defeats World's Biggest Mobile Carriers

Many cell phone companies are rethinking their headlong rush into the continent. Only Orange is staying the course.

Back when African countries were auctioning off mobile licenses by the boatload to serve the region's young, tech-savvy population, investing in the continent's fast-growing economies seemed like a no-brainer. Some of the world's biggest wireless carriers rushed in.

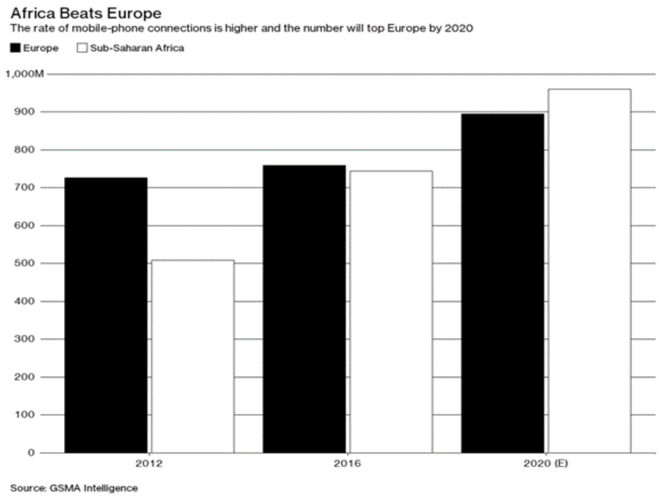
Now they're wondering if they made a mistake. Increasing government and regulatory scrutiny, as well as a lack of expansion opportunities in sub-Saharan Africa, are making it harder for operators such as Vodafone Group Plc, Orange SA and Bharti Airtel Ltd. to grow. Their choice: Pull back or double down.

Two companies beating at least a partial retreat are Millicom International Cellular SA, which disposed of its Senegal and Democratic Republic of Congo units, and India's Airtel, which sold businesses in Burkina Faso and Sierra Leone to Orange earlier this year. Reducing its exposure to Kenya, Vodafone transferred most of its $3.6bn stake in Nairobi-based Safaricom Ltd. to majority-owned South African unit Vodacom Group Ltd. in May, and may pare further. That leaves Vodafone Ghana as the U.K. company's sole own-branded African operation.

"At this point it is becoming clear who has a chance of making it in Africa and who does not, and it essentially boils down to scale, as well as government sway," said Baha Makarem, an analyst at Arqaam Capital. "It's just a question of who is ready to weather the storm."

The shift in sentiment comes as governments across sub-Saharan Africa are losing favor with investors.

The fall in commodity prices has reduced tax revenue in many countries, and average economic growth slumped to 1.4% last year from 3.4% in 2015, according to the International Monetary Fund. That's encouraged lawmakers in countries including

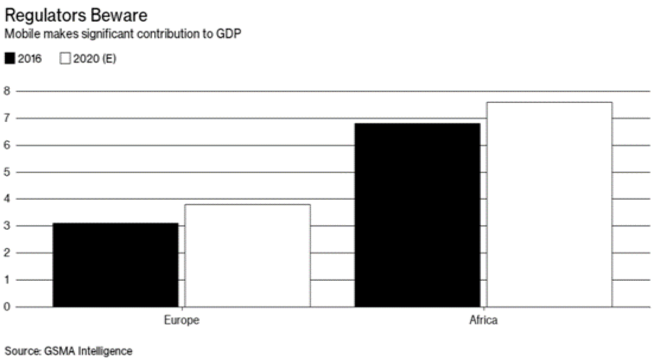


Tanzania and Ghana to look to international companies for revenue opportunities—both have ordered foreign wireless carriers to cede shares to local investors.

"The regulatory challenges are top of our mind at all times," MTN Group Ltd. Chairman Phuthuma Nhleko told shareholders at the annual meeting of Africa's biggest wireless carrier on May 25. "It's just part of the environment in which we operate."

Nhleko has firsthand experience with that. A Nigerian watchdog fined the carrier $5.2bn in 2015 for missing a deadline to disconnect unregistered subscribers, leading to a slump in the share price that's yet to turn around. The penalty was reduced to $1bn after months of negotiations and Nhleko has since overhauled management and corporate governance. Even so, MTN was fined $8.5m in Rwanda in May for non-compliance with its license obligations. The company, Africa's biggest carrier by sales, hasn't yet delivered on a promise to list its Nigerian unit in Lagos.

Vodacom, 70% owned by Vodafone, has complied with Tanzania's demand to sell shares on the Dar es



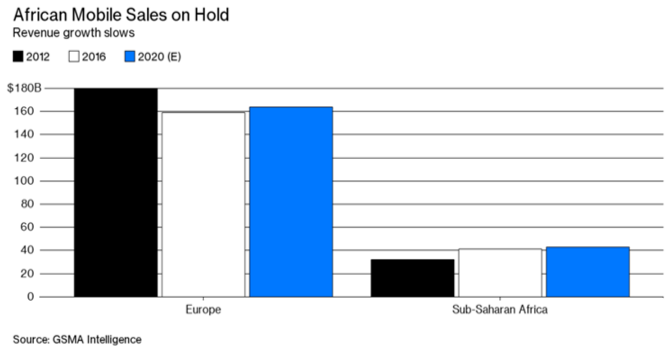
Salaam stock exchange. It had to delay the listing when a surge in demand from retail investors slowed the processing of applications from outside the country.

IPOs are the only way to force the wireless carriers to share their profits with local investors in the East African country, Tanzanian President John Magufuli said last month, adding that licenses could be withdrawn if they refuse the order.

"It is not enough to just subject the mobile-phone companies to fines and allow them to continue minting billions of money in profits," the local Daily News quoted him as saying.

Not everyone is down on Africa, where GSMA Intelligence expects mobile revenue will reach $43bn in 2020. Orange, France's market leader, in February called Africa a priority region and has focused most of its investment in French-speaking markets such as Cameroon and Ivory Coast. That's partly to offset stagnating growth in Europe and to take advantage of a younger population demanding faster and cheaper data, according to Bruno Mettling, the Paris-based company's head of operations on the continent. A lack of obsolete infrastructure that would need to be removed or upgraded is also underlying the business case, he said.

Some operators "are withdrawing from Africa in the face of the enormous investments to be made—3G,



4G, but also in the fiber to connect the antennas to each other," Mettling said. "At Orange, we invest an average of 1bn euros ($1.1bn) in Africa each year."

Areas of expansion for Orange include mobile banking, where Nairobi-based Safaricom blazed a trail with its M-Pesa product in Kenya. Orange Money reported a 74% increase in customers, to more than 30m, in the first quarter, and plans to extend the service into its home market this year. Orange's francophone markets have so far stopped short of ordering share sales to local investors.

Vodacom, Africa's biggest carrier by market capitalization, is another considering further expansion following the Safaricom deal. The tougher market and increasing willingness of some rivals to sell may have brought down prices, Chief Executive Officer Shameel Joosub said at the company's results presentation in May. "The days of you going in with a new greenfield license are gone," Joosub said. The price of potential acquisition targets is, however, "becoming more reasonable," and there "are not that many buyers."

The first wave of second-generation digital mobile licenses in Africa started in the late 1990s, with Nigeria being one of the last countries to issue its first permit in 2001. While those markets have since been growing—more than half the continent's population is seen owning a smartphone by 2020—the only country yet to auction licenses is Ethiopia. "Africa is a market of growth, but also a very difficult environment to operate," said Dobek Pater, Managing Director of Pretoria-based Africa Analysis. "Costs of operation are often high, disposable income levels of large segments of the society low, and the regulatory environment not always predictable. Only companies with "increasing economies of scale will succeed."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HEADLINE INFLATION DECLINES TO 16.1% IN JUNE

Headline inflation for June dipped marginally to 16.1% from 16.25% in May. This was the precise forecast of the FDC Think Tank. The direction of the inflation data was also in line with consensus opinion. It is also noteworthy that this is the fifth consecutive decline in inflation in 2017. The decline in inflation corroborates the view that base year effects have probably worn off and that the stable exchange rate is consistent with the expectations of economic agents.

The numbers show that core inflation declined by 0.5% to 12.5%. This is the eighth back-to-back slide in this sub-index. Core inflation is inflation less seasonality and is more relevant to policymaking decisions.

Breakdown Of The Inflation Data

Core sub-index

The core sub-index declined to 12.5% from 13% the previous month. Diesel prices were much lower in the review period, trading lower on average at N160/ltr from N170/ltr the previous month. The highest increases in the core index were recorded in clothing, energy, motor transport, air transport, wines and spirits.

Food basket – food price increases whist inflation declines

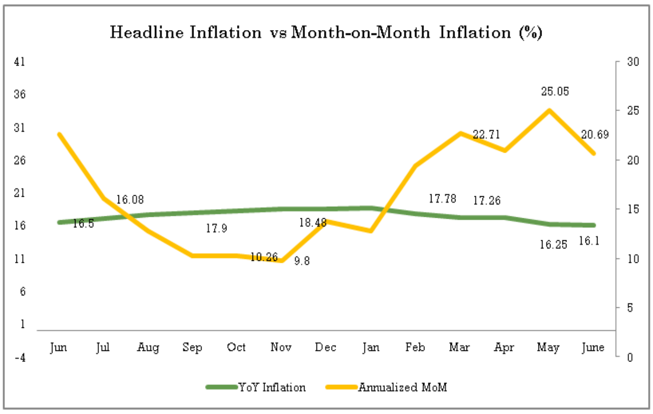
The food basket rose to 19.91% from 19.27% year-on-year in the month of May. Major contributors to the increase in price level of the food basket included meat, fish, bread and cereals, potatoes, yam and other tubers. Imported food inflation declined by 110bps in the month of June to 13.14% from 14.24% in the previous period; illustrating the impact of exchange rate gains in the market.

Rural, Urban sub-index

The urban and rural sub indexes had the same directional movement. The urban index slowed to 16.15% from 16.34% in the previous month while the rural index also declined to 16.01% from 16.02% in May.

Month-on-month inflation

MoM inflation declined to 1.58% (20.69% annualized) relative to 1.88% recorded in the previous month. This illustrates the relative stability in the retail market and increased activity in the manufacturing sector. Here, increased output is encouraging relative stability in prices.



[10]

Outlook

We expect further weakness in the influence of base year effect on inflation dynamics in the coming months. Therefore structural factors are likely to drive inflation. These structural factors include the interest rate environment, investment appetite in the country, energy prices etc. Exchange rate gains are to remain a dousing factor in the extent to which

[10] NBS, FDC Think Tank

The monetary policy committee is to meet this month and it is widely expected that the committee will maintain the status quo. However, with five months of inflationary decline, there might be a case for the doves to seek a token gesture from the hawks in the committee in the form of a slight reduction in the CRR to 22.5%pa.

That said, it is important to note the inflation and exchange rate risks attendant to the N2.7trn promissory issuance scheme of FGN. The risks may crystallize if and when holders discount the instrument ahead of maturity.

Nigerian equities market retreats on MSCI actions

Following Nigeria's increased weighting on the Morgan Stanley Capital International (MSCI) Frontier index from 6.5% to 7.9% in May 2017, the Nigerian stock market (NSEASI) increased substantially by 35.5%. The increased weighting of Nigeria on the MSCI Frontier Index was due to a reclassification of Pakistan from the MSCI frontier index to the MSCI Emerging Market. Expectations were that cheap assets (equities), low valuations, and a reduced exchange rate risk - due to the Central Bank's creation of the Investors and Exporters Foreign Exchange (IEFX) window in April - would lure foreign portfolio investors to the Nigerian market. These actions paid off, as the NSEASI moved from a negative position of 6.27% on April 21st 2017 to a YTD peak of 27.91% on June 20th 2017.

Unfortunately, the flurry of activities on the NSEASI was cut short due to the MSCI's decision on June 21st 2017 to reclassify Nigeria from the MSCI Frontier Index to a standalone status until November 2017. This was done to allow more time for international institutional investors to better assess the effectiveness of the CBN's new IEFX window. The window could earn Nigeria reprieve from being demoted from the MSCI's Frontier Index if it remains efficient and functional, as the free flow of capital remains the most vibrant element for stock markets. Nigeria's forex illiquidity has already resulted in the country's removal from the US investment bank JP Morgan & Chase's Government Bond Index for Emerging Markets (removed in September 2015) and from Barclays' government bond benchmark (removed in late 2016).

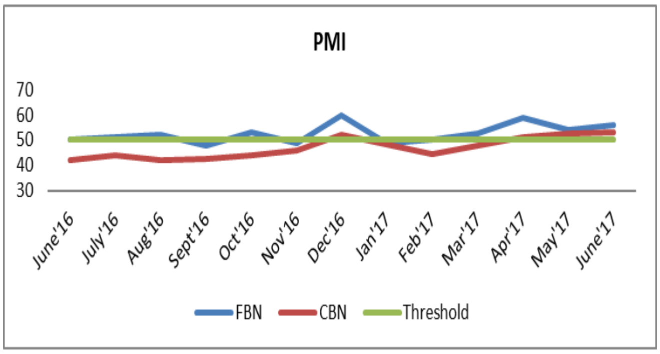
These demotions had negative impacts on the Nigerian equities market and the new decision by MSCI has seen the NSEASI retreat from a 5-week bull run to below the psychological threshold of 33,000 points.

Implications

The demotion of Nigeria to standalone status will discourage foreign investors from investing in the country, leading prices to fall drastically. However, an inclusion of Nigeria in the MSCI Frontier Index will have "multiple effects" on the Nigerian equities market as inflows from foreign portfolio investors' are expected to substantially affect market trend. For Nigeria to avoid been left out from the MSCI Frontier inclusion, the CBN might have to consider unification of exchange rates.

Purchasing Managers Index (PMI)

The purchasing managers' index computed by both the CBN and FBN Quest maintained the same direction. The CBN PMI maintained its upward trajectory with an uptick to 52.9 from 52.5 in May. The FBN Quest PMI increased to 55.9 in June from 54 in the previous month. This is a change from the decline recorded in May and is attributed to sustained FX market policy amongst other policy shifts in the manufacturing sector (executive orders for the Nigerian Ports Authority and Ease of Doing Business initiative). However, bottlenecks that are likely to deter the improvements in the manufacturing sector include naira illiquidity, high costs of debt servicing and higher distribution and logistics costs from increased rainfall and damage to roads.



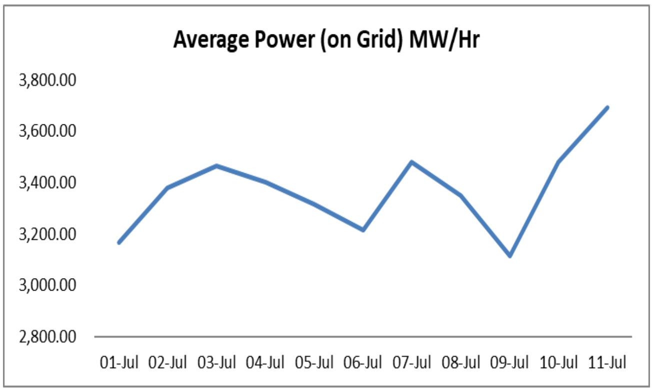
[11]

Outlook

We anticipate further improvements in the manufacturing sector conditioned mainly on FX market policy. However, cautious optimism has to be exercised given bottlenecks such as high borrowing costs, distribution and logistics costs which could offset gains in the sector.

Power Sector

Average power output from the national grid was 3,369MWh/h between July 1st – 11th, 6.23% lower than 3,593MWh/h recorded in the first half of June. Power output has not been stable despite increased rainfall which should support hydro power generation. In the month of July, line constraints in key power stations such as Olorunsogo I, Okpai, Transcorp Ughelli and Ibom weighed on power output. However improvements in power generation were recorded towards the end of the review period as seen in the chart below. Total loss within the review period was N13.64bn



[12]

Outlook

Improved oil and gas output in the Niger Delta is expected to contribute to thermal power generation in association with increased hydro generation from the rain. Therefore weak spells in the sector are expected to decline.

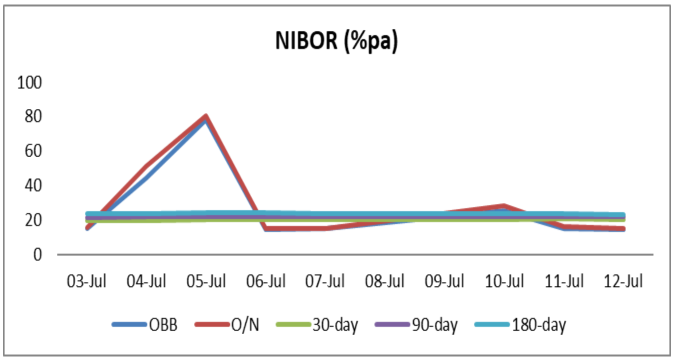
Money Market

Markets opened much higher in July at N130.69bn long relative to N41.82bn long in June. Average liquidity from the 3rd - 12th of July was N2.87bn short, which is higher than the June average position of N28.5bn short.

Average NIBOR (OBB, O/N and 30-day) was 25.8% pa from the 3rd – 12th of July relative to 26.99% pa in the first half of June. Currently, OBB and O/N rates are at 14.33% pa and 15.17% pa respectively (July 12th).

[11] FBN, CBN, FDC Think Tank
[12] Nigerian Electricity Supply Industry

treasury bills ranged from 13.5% - 23%pa for 91 to 365- day tenures. Lending rates have remained flat at an average of 25%.



13

Outlook

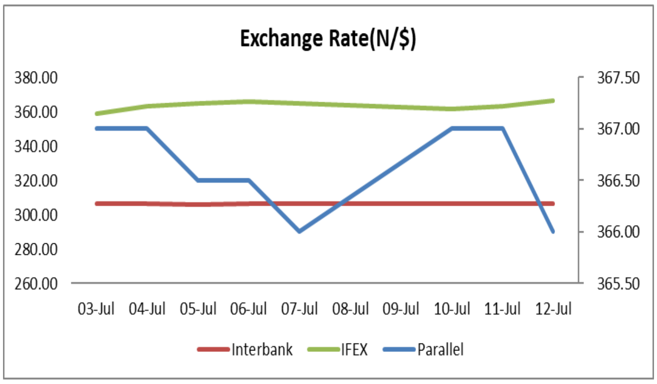
Short term interest rates are to remain at current levels pending further OMO maturities and FX injections, which will mop up liquidity and send interest rates shooting up. The monetary policy committee is meeting on July 24/25. The consensus opinion is that the committee will maintain status quo on key policy parameters to evaluate the effectiveness of the IEFX window, monitor the inflation trajectory and also observe the gradual improvement in economic fundamentals.

Forex Market

Exchange Rate

There was a general appreciation of the exchange rate with the exception of the interbank rate, which depreciated marginally by 0.23% to N306.45/$ as at the 12th of July. The naira appreciated in the parallel market to close at N366/$ on the 12th of July relative to N370/$ in the first half of June. The IFEX window has depreciated, trading 0.32% lower as at 12th of July at N366.25/$ from N365.07/$ on June 15th. This is attributable to a relative decline in activity in the IFEX window as illustrated by a decline in volume turnover to $407.40m as opposed to $462mn in June.

The spread between the parallel and interbank market rates currently stands at N60.5 (review period) relative to N61.7 in the previous period. Average volume traded so far in July sits at $81.87mn relative to June's average traded volume of $72bn.



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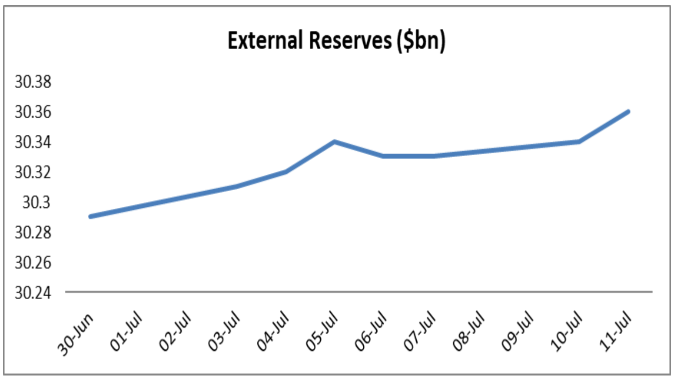
Outlook

The Naira is to maintain current appreciation trend on consistent CBN forex market injections. The global oil price environment poses a major threat to the CBN's capacity to support the naira through forex sales. Another threat to further appreciation gains is the ongoing and expected uptick in forex demand from summer travels and obligations.

External Reserves

The gross external reserves level has increased marginally so far in the review period in July. According to the CBN, the reserves level has increased to $30.36bn as at the 11th of July, relative to $30.29bn at the end of June. The import and payment cover is now 6.73 months relative to 6.71 months in June.



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[13] CBN, FMDQ OTC, FDC Think Tank
[14] FDC Think Tank
[15] CBN, FDC Think Tank

Outlook

The accretion in the external reserves level is likely to slow as the forwards mature. Also, lower oil proceeds as a result of softer oil prices will impact on the reserves level. The summer period characterized by international travel is here and the demand for dollars will heighten the pressure on the reserves. The CBN may not be able to intervene as frequently as before due to the anticipated demand and if oil proceeds dwindle.

Who We Are

Avant-garde Academia Limited

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 at 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.

For more information about Avant- Garde Academia Limited please go to our website: www.avant-gardeacademia.com

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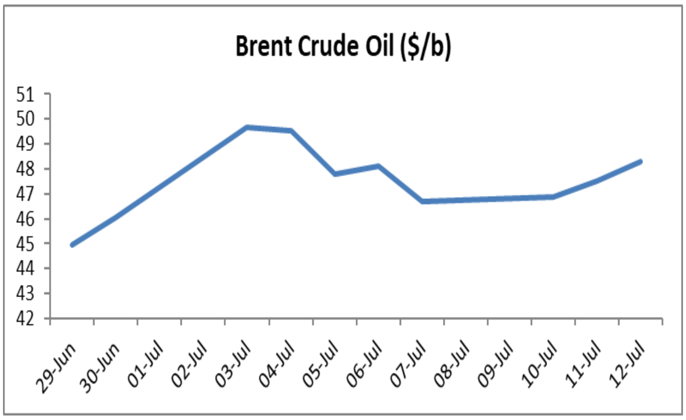
Oil Price

Brent crude traded relatively bearish at an average of $48.07pb from the 3rd – 12th July relative to the average price of $48.65pb in the first half of June. Prices however have recovered from record bearish levels of $42.53pb on the 21st of June, its lowest YTD. In the review period, US drilling activity has decreased marginally, for the first time since January. The Energy Information Administration (EIA) also reported an inventory draw of 6.3mb. These developments have helped oil prices in July outperform the second half of June.

The oil market is still casting doubt on forecasts of $50 - $60pb by year end due to supply fundamentals. Russia is currently resisting a deepening of output cuts, while Nigeria and Libya have been invited to participate in an oil producers' meeting holding in Russia on July 24. Nigeria's minister of state for petroleum has expressed that Nigeria will voluntarily take part in OPEC cut deals if imposed. As production is pushing 1.8mbpd, the probability of Nigeria joining cut deals is high. Nigeria and Libya recorded increases in their production levels which ramped up OPEC's total production by 56.8% to 223, 000 bpd in June.



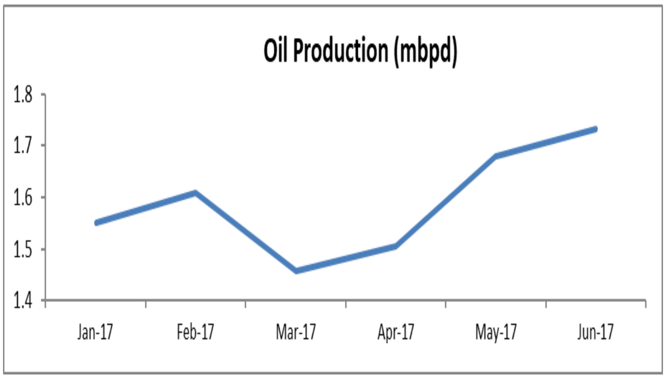
[16]

Outlook

There is uncertainty about the possibility of deeper cuts by OPEC. Declining shale costs imply that shale producers will remain dedicated to producing more oil as it is relatively cost efficient. What could reverse this trend is the possibility of rising geopolitical tensions between North Korea and the Middle East spurring an increased demand for oil.

Oil Production

Once again Nigeria's oil production levels are up in the month of June as reported by the OPEC monthly report for July. A sharp increase of 3.15% to 1.733mbpd in June from 1.6mbpd the previous month was recorded. Production has been on a consistent rise due to relative peace in the Niger Delta and the opening of key oil fields such as the Bonga and Forcados oil fields.



[17]

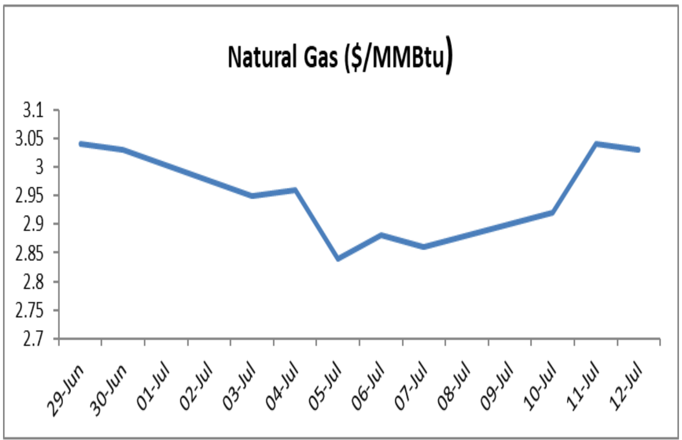
Outlook

There is speculation that production caps could be imposed on Nigeria and Libya's oil production as increased supply is undermining OPEC's objective of rebalancing the market. Shale producers are unrelenting in their production levels and as such OPEC is likely to curtail production where they have the power to do so.

[16] Bloomberg, FDC Think Tank
[17] OPEC, FDC Think Tank

LIQUIFIED NATURAL GAS (LNG)

LNG prices have remained relatively flat so far in July relative to the first half of June. Average gas price between the 3rd – 12th of July was $2.935/MMBtu, marginally lower than $2.997/MMbtu in the first half of June. Investors are unconvinced that hot weather conditions will help manage US shale gas supply glut. Typically, gas demand increases in the summer months as people power their air conditioners. A Bloomberg report shows that the spread between August and September deliveries for gas is slim to none. This highlights that demand is underperforming expectations of this season. Qatar recently voiced intentions of raising its production to 100 million tons of natural gas a year by 2024, further supporting the supply glut.



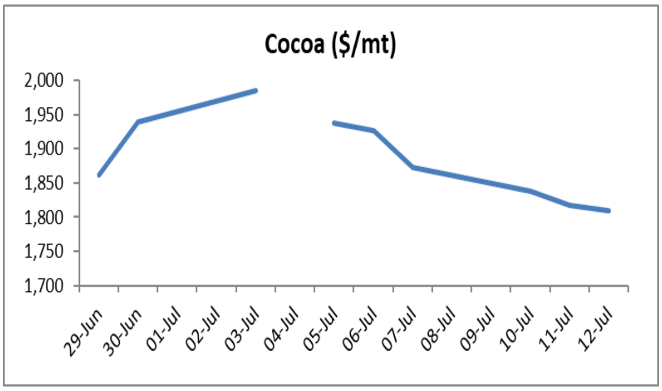
[18]

Outlook

Supply glut pressures in the gas market, as in the oil market, will fuel a bearish tone and as such prices are expected to remain relatively weak.

COCOA

Cocoa prices have been trading bearish so far in July with an average price of $1,884/mt, 7% lower than $2,025/mt in the first half of June. The supply glut is once again driving the bearish note in the cocoa market. This comes despite fears that the black pod diseases caused by heavy rainfall is potentially harmful to cocoa crops. Increased supply in West Africa and certain parts in South America are weighing on prices.



[19]

Outlook

We expect further bearish sentiment in the cocoa market as ICCO raised its forecast for the 2016/17 season, increasing excess output to 382,000 tons.

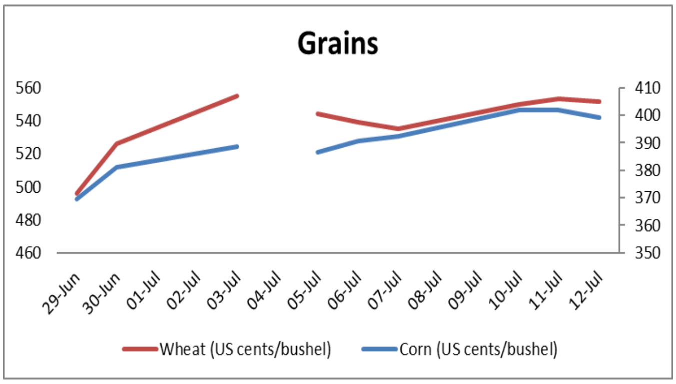
WHEAT

Wheat prices have recorded a strong bullish rally so far in July. Average price from the 3rd – 12th of July is 23.8% higher at $5.46/bushel relative to $4.41/bushel. This rally is attributable to planting data and increased import demand from Africa. Data on wheat planted was 45.66m acres, 400,000 acres below trade expectations and as such, the market is responding positively. It is also expected that Egypt's import demand will increase by 55 000 – 60 000 metric tons in 2017.

CORN

The corn market seems to be reaping the benefits of a bullish wheat market as corn prices outperformed by 4% to average $3.94/bushel from July 3rd – 12th relative to $3.79/bushel in the previous period. Informa also lowered its corn yield estimate to 169.7 bushels per acre from its mid-June figure of 170.0 bushels per acre, which helped support the price rally in the corn market.

[18] Bloomberg, FDC Think Tank
[19] Bloomberg, FDC Think Tank (Markets closed for 4th of July Celebrations)



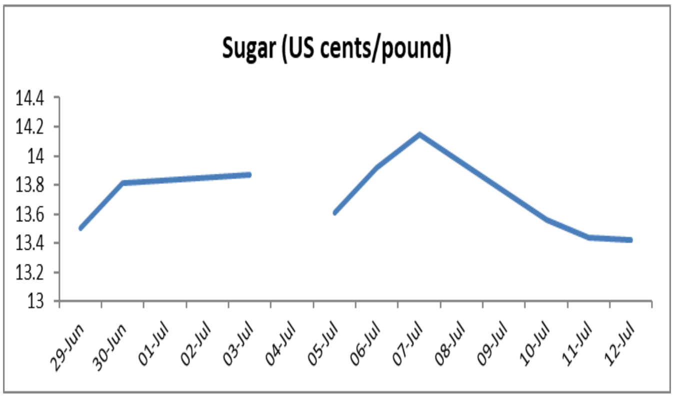
[20]

Outlook

Informa Economics raised its U.S. 2017 corn production forecast to 14.17bn bushels from 14.08bn and estimates a U.S. all-wheat production at 1.78bn bushels. Favourable weather conditions in the US plains are likely to cap gains in the grains market.

SUGAR

The sugar market has been trading relatively bearish between the period of 3rd – 12th of July, underperforming the average price in the first half of June by 2.28%. Sugar futures have averaged $0.1371/pound so far in July relative to $0.1403/pound in the previous period. Supply fundamentals continue to drive prices on the whole. However, sugar recorded slight gains within the review period, as a result of increased wholesale demand by mills and stockists in India.



[21]

Outlook

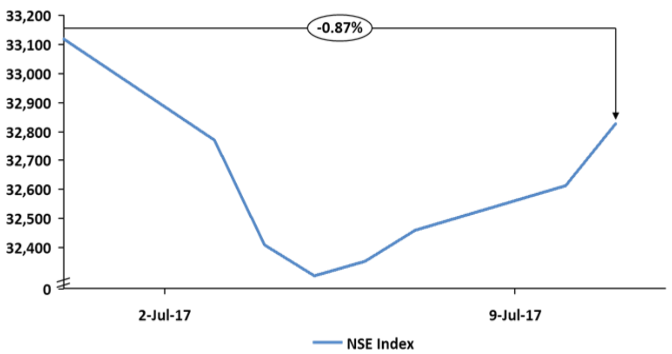
We expect sugar prices to ride on the gains from increased demand in the short run. However, rising supply levels are very likely to offset gains and the bearish note in the market will persist.

[20] Bloomberg, FDC Think Tank (Markets closed for 4th of July Celebrations)
[21] Bloomberg, FDC Think Tank (Markets closed for 4th of July Celebrations)

Profit taking in most banking stocks and FMCG heavyweights, saw the NSEASI lose 0.87% to close at 32,827.98 points in the review period. The YTD return on the index declined to 22.15%, while market capitalization closed at N11.31trn. Market PE ratio stood at 14.71x, and the liquidity weighted SFNG Blue Chip 30 Index showed that the market lost 0.05% in the period.

Negative investor sentiment saw the Nigerian equities market repeal 5 weeks' gains. The decision of the MSCI to reclassify Nigeria from the MSCI Frontier Index to a standalone status, which was delayed from June 21 2017 until November 2017, as well as ETISALAT's $1.2bn debt saga involving thirteen (13) banks led to the loss. This put bellwether stocks, especially those on the banking and consumer goods sectors, under increased sell pressure.

The market declined marginally by 0.87% during the first half of July to close at 32,827.98 from the 33,117.48 points recorded at end of June. The YTD return on the index declined to 21.36% while market capitalization closed at N11.31trn after it lost N142.12bn during the review period. The market is currently trading at a price to earnings ratio of 14.71x from 15.09x at the end of June, 2017. Daily changes, representing volatility on the ASI, ranged between -1.1% and 0.65% during the review period.

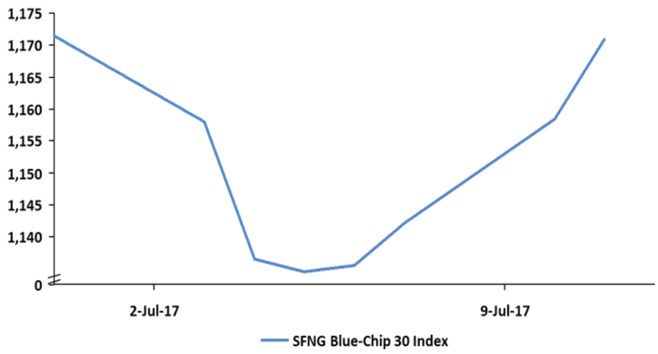


[22]

The Scott Free Nigeria (SFNG) Blue Chip 30 Index was down 0.05% in the review period, compared with a negative return of 3.71% recorded in prior period, closing at 1,170.89. The SFNG is a market capitalization weighted index adjusted for free-float. It reflects the performance of the largest and most-liquid 30 companies listed on the Nigerian equity market.

SCOTT FREE NIGERIA (SFNG) BLUE-CHIP 30 (BC30) INDEX

Inspite of the sell pressure on banking stocks, the sector led the sectoral chart with the most return, up 1.71% in the review period. The sector's return was mostly driven by the performance of Tier 1 banks:



[23]

ZENITH, ACCESS, UBA and GTBANK which returned 5.41%, 5.38%, 2.85% and 1.98% respectively. The proposed Private Asset Management Companies' of Nigeria (PAMCs) may offer a breather to banking stocks that have been weighed down by rising NPLs across all sectors. Banks have continued to leverage on high yields in the fixed income space and are expected to post impressive investment income in their H1 results.

The Oil & Gas sector declined by 1.19% in the first half of the month, inspite of Oando's 15.07% gain. The sector's performance was dragged down by

[22] NSE, FDC Think Tank
[23] Scott Free Index, FDC Think Tank

is fraught with challenges including appropriate product pricing, logistics and macroeconomic challenges, a continued decline in international crude oil prices may spur investor interest in the short term.

Consumer goods index lost the most by declining 3.9% driven by most companies' plan to raise capital through right issues. The biggest constituents of the index, GUINNESS NIGERIA, UNILEVER, FLOURMILL, 7-UP, and NIGERIAN BREWERIES reported a decline of -16.08%, -10.49%, -7.41%, -5.14% and -4.18% respectively. Sector is largely impacted by currency devaluation and high interest rate environment.

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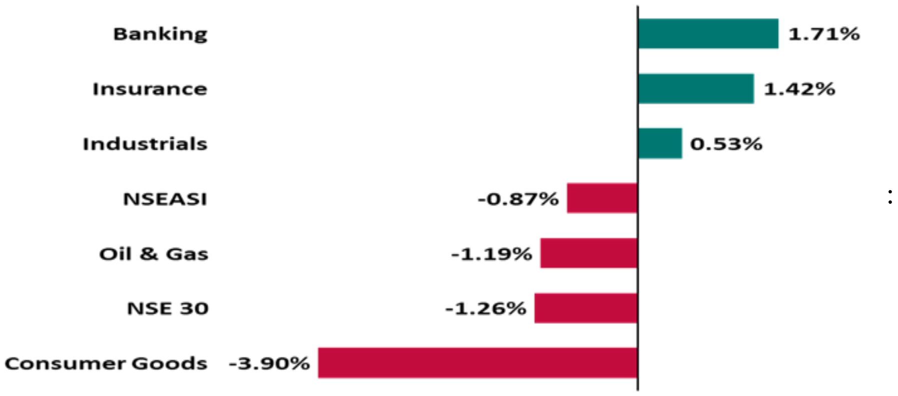
SECTOR PERFORMANCE



24

The best performing stocks were CONTINENTAL REINSURANCE 17.65%, OANDO 15.07%, CUTIX 10%, REDSTAR EXPRESS 9.73% and HONEYWELL FLOURMILL 8.52%.

TOP 5 GAINERS (N)				
Company	Jul 11'	Jun 30' 17	% Change	Absolute Change
CONTINENTAL REINSURANCE PLC	1.40	1.19	17.65%	0.21
OANDO PLC	8.40	7.30	15.07%	1.10
CUTIX PLC.	2.20	2.00	10.00%	0.20
RED STAR EXPRESS PLC	5.30	4.83	9.73%	0.47
HONEYWELL FLOUR MILL PLC	1.91	1.76	8.52%	0.15

[24] NSE, FDC Think Tank

Top price losers were MAY & BAKER (-26.8%), CONOIL (-25.47%), NEIMETH (-18.6%), CADBURY (-18.6%) and GUINNESS NIGERIA (-

TOP 5 LOSERS (N)				
Company	Jul 11'17	Jun 30'17	% Change	Absolute Change
MAY & BAKER NIGERIA PLC.	**2.84**	**3.88**	**-26.80%**	**-1.04**
CONOIL PLC	**33.21**	**44.56**	**-25.47%**	**-11.35**
NEIMETH INTERNATIONAL PHARMACEUTICALS PLC	**0.70**	**0.86**	**-18.60%**	**-0.16**
CADBURY NIGERIA PLC.	**11.40**	**14.00**	**-18.57%**	**-2.60**
GUINNESS NIG PLC	60.00	71.50	-16.08%	-11.50

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May 22 - Oct 20, 2017 (Abuja)
June 19 - Nov 24, 2017
Sept 18, 2017 - Feb 16, 2018

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May 3 - Aug 5, 2017 (Abuja)

Duration: 4 months

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June 5 - Nov 24, 2017 (Enugu)
Oct 16, 2017 - March 16, 2018 (Abuja)

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For Reservations/Additional Information:
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execedsales@lbs.edu.ng

LAFARGE AFRICA: Potential for more gains after headwinds dissipate

Sector: Cement and Aggregates
Ticker Symbols: NSE:WAPCO
BLOOMBERG: WAPCO:NL
REUTERS: WAPCO:LG
FT: WAPCO:LAG
Shares Outstanding: 5.48b
TP Downside: 20.6%
Target Price: N38.43
Market Cap: N284.9bn
2016 Annual Dividend: N1.05
2016 Annual Dividend Yield: 2.02%
Price: N52
Analyst Recommendation:

ANALYST'S NOTE

In 2016, Lafarge Africa Plc's (WAPCO) stock took a hit of 42.3%, falling to N40.95 from N96.8. The drop was largely driven by a pre-tax loss of N22.82bn due to operational challenges and weak macro-economic fundamentals- currency depreciation, high inflation environment, contraction in FY'16 growth of 1.5%.

Fortunately, the major economic headwinds that the country faced in 2016 have lessened. The introduction of the Investors' & Exporters' Foreign Exchange (IEFX) window in late April 2017, for invisible transactions, and an increase in Nigeria's weighting on the MSCI Frontier index to 7.9% from 6.5% has seen the stock market improve substantially by 35.5%. We believe this supported an upside of 17.8% for WAPCO, all other things being equal. Average oil price is up 19.1% in comparison to the budget's benchmark of $44.5pb and militancy activities in the Niger Delta have reduced. Thus oil production is up 14.3% to 1.68 million/bpd from 1.47 million/bpd in 2016. This bodes well for the economy as the government can finance its 2017 budget. However, there is still a significant dependency on borrowing. This has raised concerns about the country's rising debt profile and debt servicing ratio to revenue. Overall, Nigeria is expected to post a weak economic recovery of 0.8% according to the International Monetary Fund (IMF).

WAPCO posts strong revenue of 55.1% driven by price increase

WAPCO posted a strong revenue of N81.3bn in Q1'17, which represents a 55.1% increase of N28.9bn. A breakdown of revenue by geographic region sees Lafarge Nigeria's revenue grow by 51% year-over-year (YoY) to N59.5bn while Lafarge South Africa is up 68% YoY to N23bn. The cement segment increased by 61.4% to N67.4bn YoY. Aggregate and concrete saw an increase of 34.6% to N12.8bn, while other segments decreased by 3.2% to N1.1bn YoY. Sales growth was driven by a cement price increase in January and February by 7% and 11%, which offset cost inflation. Noticeably, the cement price hike has helped offset the decline in the cement volume (Nigeria -17.5% and South Africa -31%).

Operating expenses edged up by 29.3%

Merger and acquisition (M&A) synergies from the Ashaka and UniCem acquisition are yet to trickle down to cost savings of operational expenses. Operating expense grew by 29.3% to N8.4bn. This can be attributed to fuel price (diesel) increases. A breakdown of the operating expense component shows administrative expenses rose by 53.1% to N4.6bn while selling and distribution expenses increased by 35.7% to N1.2bn.

Lafarge's Achilles' heel is currency volatility

Finance income rose by nearly 2.3 times to N1.2bn while the finance cost grew by 101.2% to N2.6bn. Overall, the net finance cost increased by 93.9% to N3.9bn from N2.1bn in the previous quarter. The company's debt exposure to dollars and its relative high debt burden has necessitated management to convert UniCem's debt of $493m into equity. WAPCO's 'quasi-equity' instrument of N139bn will help facilitate balance sheet deleveraging. However, we estimate that the N139bn 'quasi-equity' instrument conversions will have a potential dilution impact on its stock price by approximately 28%.

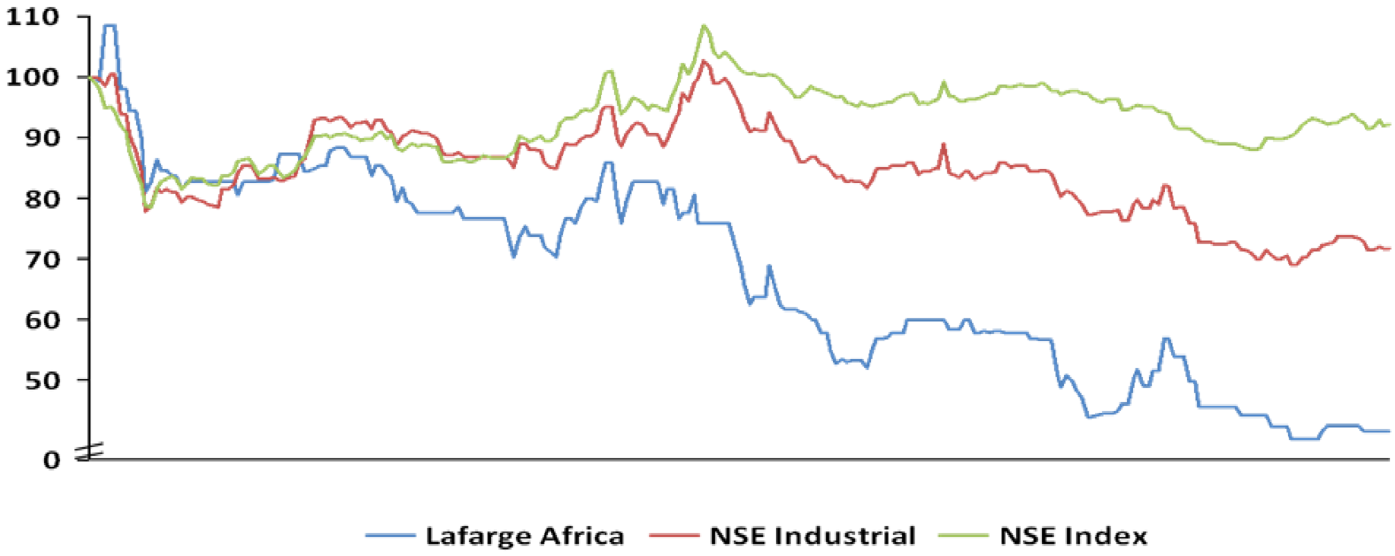
Downgraded to HOLD rating

WAPCO stands to benefit from an increase in government borrowing to finance capital expenditure. However, from 2016's actual figures, recurrent expenditure took the front burner due to low government revenue. While the price hike in cement will help to boost earnings by 55.1% to N81.3bn, synergy from the Lafarge acquisition is yet to translate to efficiency and is likely to neutralize any positive gains. With the planned right issue 'quasi-equity' of N140bn, this should reduce the company's debt obligation while boosting profit margin. WAPCO trades at a 12-month forward estimated P/BV and P/E multiples of 3.28x and 7.91x, and these will be impacted due to the impact of share dilution. Accordingly, we downgrade Lafarge Africa from BUY to HOLD and set a target price of N38.43.

COMPANY OVERVIEW

Lafarge Africa Plc (formerly Lafarge Cement WAPCO Nigeria Plc) was established in 1959 and is a subsidiary of LafargeHolcim headquartered in Jona, Switzerland. Within the past five decades, the company has grown to be one of the leading companies in building materials in Nigeria. The company's operating segments consist of cement, aggregates (e.g. crushed stone, gravel and sand), and other construction materials including ready-mix concrete, concrete products, asphalt, construction and paving.

As part of its consolidation plans to strengthen its stronghold in Nigeria, WAPCO has purchased controlling stakes in regional players in the industry such as Atlas Cement (100%), Ashaka Cement (85%), and UniCem (58.5%). It intends to fully control these companies to take advantage of the huge opportunities the country poses, as well as to compete favorably with other industry players. Combined business operations puts total production capacity at 14.1MT, employee strength at 4,500 staff, and a market share of around 25%.



LAFARGE AFRICA PLC (WAPCO NL) - Income Statement					
	Historicals		Forecasts		
In Millions of NGN except Per Share	2015A	2016A	2017E	2018E	2019E
Revenue	**267,234**	**219,714**	**301,557**	**352,846**	**395,713**
- Cost of Revenue	184,703	179,052	210,474	251,158	284,717
Gross Profit	**82,531**	**40,662**	**91,082**	**101,687**	**110,996**
+ Other Operating Income	-	3,841	4,397	5,144	3,691
- Operating Expenses	44,419	53,942	49,747	65,078	70,614
Operating Income or Losses	**38,112**	**(9,439)**	**45,732**	**41,754**	**44,073**
- Interest Expense	9,936	15,064	14,342	15,449	19,016
- Foreign Exchange Losses (Gains)	8,490	22,702	9,090	12,826	17,262
- Net Non-Operating Losses (Gains)	(9,589)	(24,386)	(17,453)	(24,531)	(23,860)
Pretax Income	**29,275**	**(22,819)**	**39,754**	**38,010**	**31,656**
- Income Tax Expense (Benefit)	2,277	(39,717)	11,926	11,403	9,497
Income Before XO Items	**26,998**	**16,899**	**27,828**	**26,607**	**22,159**

Source: Bloomberg, Company Data & FDC Analysis

LAFARGE AFRICA PLC (WAPCO NL) - Balance Sheet					
	Historicals		Forecasts		
In Millions of NGN except Per Share	2015A	2016A	2017E	2018E	2019E
Assets					
+ Cash & Near Cash Items	16,493	19,265	29,729	34,609	33,558
+ Short-Term Investments	—	6,236	6,236	6,236	6,236
+ Accounts & Notes Receivable	7,383	7,577	9,988	11,687	12,407
+ Inventories	33,027	44,531	41,852	48,184	56,695
+ Other Current Assets	16,973	20,735	20,016	23,420	26,925
Total Current Assets	**73,877**	**98,344**	**107,821**	**124,135**	**135,821**
+ LT Investments & LT Receivables	6	6	1,882	2,611	1,086
+ Net Fixed Assets	364,397	390,489	408,641	435,318	474,023
+ Other Long-Term Assets	14,733	13,653	42,441	42,244	29,999
Total Long-Term Assets	**379,136**	**404,147**	**452,964**	**480,172**	**505,107**
Total Assets	**453,012**	**502,491**	**560,785**	**604,307**	**640,929**
Liabilities & Shareholders' Equity					
+ Accounts Payable	56,350	50,471	54,327	65,372	78,016
+ Short-Term Borrowings	5,345	59,483	134	345	384
+ Other Short-Term Liabilities	27,692	66,033	43,556	53,168	61,103
Total Current Liabilities	**89,388**	**175,987**	**98,018**	**118,885**	**139,503**
+ Long-Term Borrowings	142,943	68,047	4,384	5,134	5,345
+ Other Long-Term Liabilities	44,531	9,504	51,278	56,337	58,978
Total Long-Term Liabilities	**187,473**	**77,551**	**55,662**	**61,471**	**64,324**
Total Liabilities	**276,861**	**253,538**	**153,680**	**180,356**	**203,827**
Total Equity	**176,152**	**248,953**	**407,105**	**423,951**	**437,102**
Total Liabilities & Equity	**453,012**	**502,491**	**560,785**	**604,307**	**640,929**

Source: Bloomberg, Company Data & FDC Analysis

Positive margin contribution expected from new capacity and energy substitution

A recent management meeting held with ARM and SBG Securities divulged that the company's management plans to grow revenue and increase margins by expanding operations to Ghana and Ivory Coast. Cement exports from the Mfamosing plant in Calabar, Nigeria and a 2.2MTPA cement grinding facility in Ghana will lead to volume and revenue growth.

In Q1'17, the company's energy mix stood at 66% gas, 10% low pour fuel oil (LPFO), 20% coal and 9% alternative fuel. The company intends to increase its alternative fuel contribution to its overall energy mix and has appointed an alternative fuel manager to facilitate the process. However, no timeline was given for project completion. Nonetheless, we believe that delivering energy flexibility and decorrelation from dollar is a plus.

This action shows management understands its operating environment and is taking necessary actions to negate its poor financial performance from reoccurring. Gains from the planned expansion and alternative fuel will probably have a positive impact by Q4'17.

ABOUT THE BOARD

WAPCO's Board of directors comprises of an outstanding team of individuals with broad experience ranging from finance, to manufacturing and accounting. In general, the company's corporate governance standard is high and in our opinion, the management team is credible. The merger between Lafarge South Africa and Nigeria saw a management reshuffle and the appointment of Alhaji Shamsuddeen Usman, CON, Mrs Elenda Osima-Dokubo, Mrs Adenike Ogunlesi, Anders Kristiansson and Alhaji Umaru Kwairanga as non –executive directors.

The company's board is chaired by Mobolaji Balogun Esq. He joined the Board in March 2005 and was appointed Chairman of the Board in May 2015. He is an Economics (Honours) graduate from London School of Economics, University of London. He worked in the mobile telecommunications and investment banking industry in various capacities. He was appointed to the Johannesburg Stock Exchange, Africa Board Advisory Committee in September 2009. He is presently the Chief Executive Officer of Chapel Hill Denham Group, a leading independent investment banking firm in Nigeria.

The resignation of CEO Mr. Peter Hoddinott in March 2016, saw the appointment of Mr. Michel Puchercos as the Group's Managing Director/CEO. His career at Lafarge started in 1982 at the French Ministry of Agriculture and he served as a Director of Orsan (a subsidiary of Lafarge from 1989). After a brief spell at Agro-Food and Chemical Industries in Europe and Cana Group, he returned to Lafarge in 1998. He headed the Gypsum division of Lafarge as the Director of Strategy and Information Systems. He then later served as the Director of Cement Strategy and the President of Lafarge South Korea Japan Operations. He is a graduate of the Ecole Polytechnique (1976) and the Ecole nationale du Genie Rural, des Eaux at des Forets (1981).

THE BULL SAYS	THE BEAR SAYS

THE BULL SAYS

- ⇒ Diverse regional presence in the country which lowers distribution cost, among other benefits
- ⇒ Consolidation of their business to create synergy which will lower overhead cost
- ⇒ Positive perception of its products
- ⇒ Improved regulatory oversight to reduce sharp practices and provide a level playing field for industry players
- ⇒ Elimination of foreign substitute lessens industry competition
- ⇒ Increased government infrastructure spend, especially in railway and road networks, will ease distribution of product
- ⇒ Forward integration strategy to help capture value in related housing sector

THE BEAR SAYS

- ⇒ Fierce rivalry from competition 'Dangote Cement'
- ⇒ At a disadvantage on cost basis in comparison to industry leader
- ⇒ Visibility is low in advertising relative to its peer Dangote Cement
- ⇒ Continued slowdown in economic activities in Nigeria and South Africa

Valuation

We derived our valuation for Lafarge Africa Nigeria Plc using the discounted free cash flow to equity (FCFE) method. Our fair value estimate for Lafarge Africa Nigeria Plc stood at N38.4, which is a 26.1% downside on its current share price of N52 as at 22 June, 2017. The discount rate used in the discounted FCFE is the cost of equity (21.2%), which is derived using the three year bond yield of 16.31% (FGN bond maturing in 2020), a market risk premium of 5% and an assumed Beta of 0.9821. The long-term cash flow growth rate to perpetuity calculated is 4.3%.

Lafarge Africa PLC (WAPCO NL) - Standardized

In Millions of NGN	2017E	2018E	2019E
Turnover/Revenue	**301,557**	**352,846**	**395,713**
EBITDA	64,344	62,086	65,920
EBIT	45,732	41,754	44,073
Less: Cash Taxes @ 30%	13,720	12,526	13,222
Tax-effected EBIT (NOPAT)	**59,452**	**54,280**	**57,295**
Plus: Depreciation & Amortization	18,611	20,332	21,847
Less: Capital Expenditures	(36,764)	(47,009)	(60,551)
Less: Change in Net Working Capital	(24,140)	(14,281)	(10,484)
Unlevered Free CashFlow	17,160	13,322	8,107
WACC @ 16.3%	**17.5%**		
NPV of Unlevered Free Cash Flow	**13,587**		

PERPETUITY GROWTH RATE

In Millions of NGN	Undiscounted	Discounted	EBITDA Multiple
Perpetuity Growth Rate @ 4%	476,908	299,045	7.23
DCF Range (Implied Enterprise Value)		312,632	
Equity Value		210,609	
Implied Price Per Share		**38.43**	

[25]

[25] FDC Think Tank, Bloomberg & Company's Data

Risks to Our Rating and Price Target

We believe the key risks that could keep our rating and target price from being achieved include the following:

- Material deterioration in trading conditions
- Weaker cement price due to heightened competition
- Adverse currency movements, which could affect margins
- Rise in energy costs (mainly coal and gas) and production challenges will have a considerable impact on the company's earnings

Upside risks

- A stronger-than-expected macro- economic growth in H2'17
- Stronger than expected demand (cement volume)