

Nigeria's Domestic Debt



A Ticking Time Bomb

By Bismarck Rewane

Financial Derivatives Company Ltd.

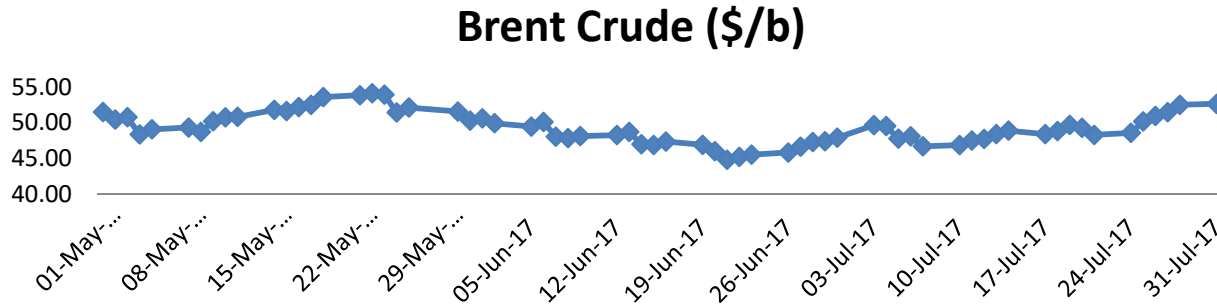
August 2nd, 2017

OUTLINE

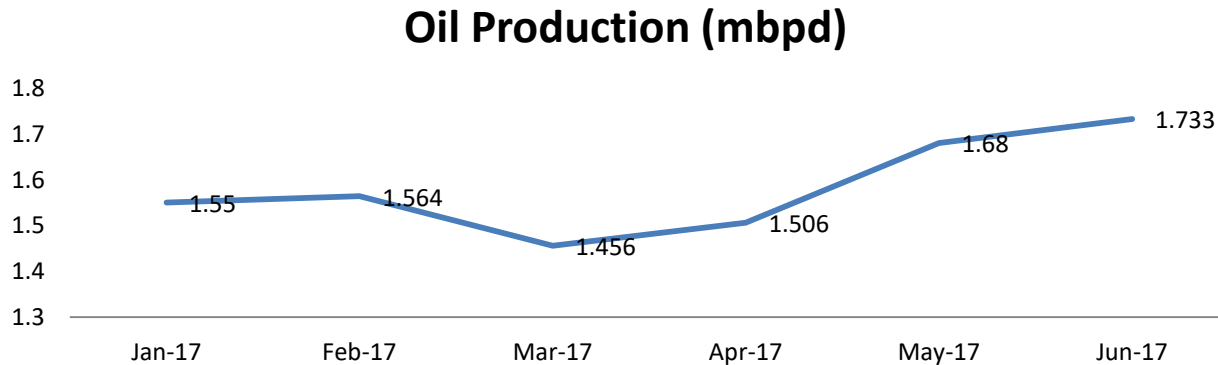
- July Highlights
- Global, Regional & Commodities Markets
- Impact On Market Proxies
- Impact On Sectors
- Political Risks & Outlook For August

HIGHLIGHTS- JULY WRAP UP

- Oil prices spike to \$52.8pb after a dreary month

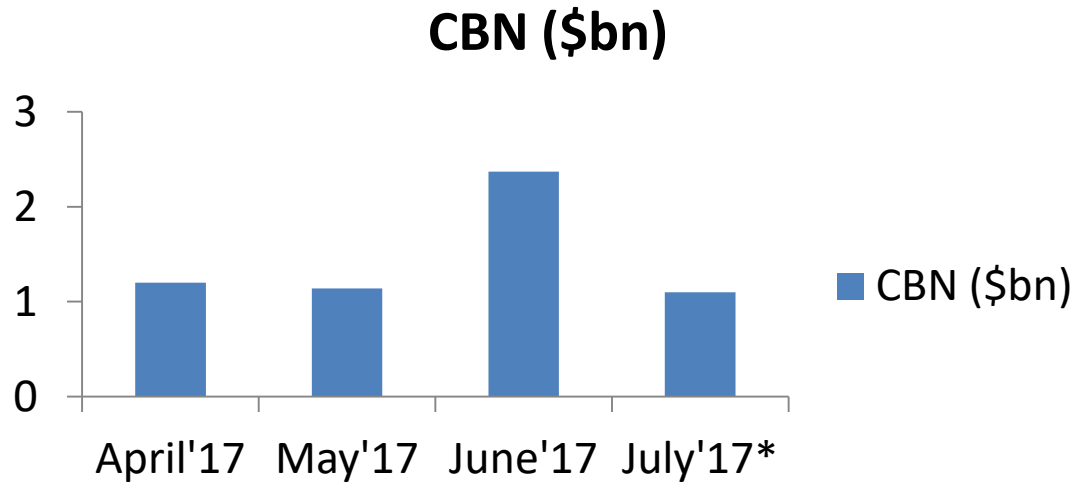


- Oil production stays above 1.7mbpd as OPEC frowns



HIGHLIGHTS- JULY WRAP UP

- The CBN sustains forex supply into the market



- Average weekly supply was \$379mn

HIGHLIGHTS- JULY WRAP UP

- The average tenor of the forwards was maintained at 60 days
- Airline exchange rate drops 6% to N325, raising international fares
- LOS-LHR return now N690,000
- The naira appreciated 0.8% and simultaneously converged at 19.24%
- FGN and state oil revenues shared in July spiked 41.12% to N652bn
- After 2 Paris club refunds to states totaling N522.74bn
- And a revenue of N135.6bn
- Total amount shared by the states since June comes to N523.9bn or 2.38% of

Money supply

HIGHLIGHTS- JULY WRAP UP

- The impact of increased govt shared revenue on banking system liquidity was significant
- The average opening long position in the banking system was N89.65bn
- The liquidity pendulum oscillated between N78.3bn – N343bn
- In spite of the liquidity surfeit, a handful of banks are in the CBN support window
- Inflation slips for the 5th consecutive month but still relatively high

HIGHLIGHTS- JULY WRAP UP

- Nigeria still the 7th highest inflation country in SSA
- Average power supply from grid dropped below 3000MW
- First time in 3 months
- Power and energy companies are calling for cost reflective tariffs
- Govt is beginning to be aligned with the request for higher charges

HIGHLIGHTS- JULY WRAP UP

- As banking system is groaning under power sector loan impairments
- The Nigerian stock market spiked by 8% in July
- At a time when GDP was flat at best
- Nestle becomes the first company again to have a 4-digit price (N1004)
- Record earnings by Nestle, Nigerian Breweries, Flourmills, turnover growth of 2.5% above GDP growth

HIGHLIGHTS- JULY WRAP UP

- The average daily turnover in July declined by 23% to N4.2bn
- Traffic to the supermarkets declined sharply especially on weekdays
- Mainly due to bad weather but partially for income constraints
- IMF projects 0.8% 2017 full year GDP growth
- Points at near term vulnerabilities and risks to economic recovery and financial stability

HIGHLIGHTS- JULY WRAP UP

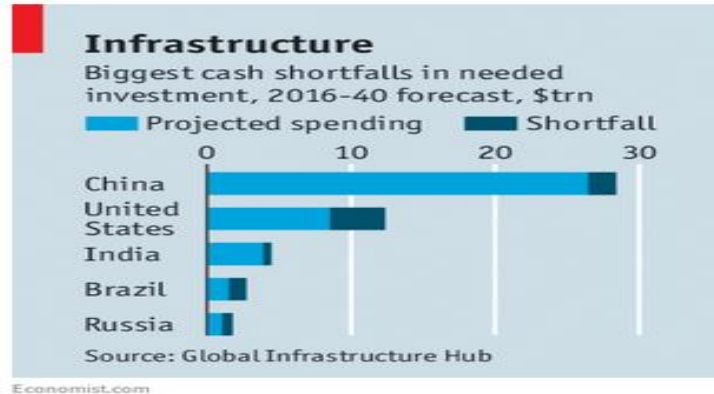
- Inventory levels in supermarkets and retail outlets jumped by 20% to 6 weeks
- International airline load factors are at seasons highs of 95%
- Network carriers are charging maximum airfares
- Airlines are increasing capacity to the Nigerian market
- BA to resume the use of B747 on September 7
- Most banks increased limit on naira cards to \$1000 from \$100

GLOBAL MARKETS & THE NIGERIAN ECONOMY

- Britain and France ban petrol and diesel powered vehicles from 2040
- India sets 2030 as its limit
- Google reported a 28% drop in Q2 profit
- After absorbing a \$2.9bn fine
- Google Inc CEO visits Nigeria and invests \$3mn for technology start ups
- OPEC and Russia agreed to keep output curb and cap on Nigeria at 1.8mbpd
- Global infrastructure gap is \$97trn till 2040

GLOBAL MARKETS & NIGERIAN ECONOMY

- There is an \$18trn shortfall between current projections and spending requirement



- Jimmy Choo, upscale shoemaker, is to be acquired by affordable luxury brand Michael Kors for \$1.2bn
- Rising interest rates made US banks more profitable in Q2

GLOBAL MARKETS & NIGERIAN ECONOMY

- JP Morgan Chase earned \$7bn; its highest quarterly profit

Bank	Profit (\$bn)
Bank of America	5.3
Morgan Stanley	1.8
Wells Fargo	5.8
Citigroup	3.9

- Goldman slipped 40% to \$1.8bn
- British inflation dropped slightly
- Apple revenue up 7% to \$45bn in Q2
- iPhone 8 expected to be a blast

Net income of \$7.8bn in Q2

A close-up photograph of a person's hands holding a small, realistic globe of the Earth. The hands are positioned at the bottom and sides of the globe, with fingers slightly curled as if supporting it. The globe shows the Americas, with North and South America visible in green and brown, surrounded by blue oceans and white clouds. The background is a soft, out-of-focus light color, possibly a person's torso in a white shirt.

The World Around Us

US- WEAKER DOLLAR & HIGHER INTEREST RATES

- IMF reduces US growth forecast to 2.1% from 2.3% earlier projected
- Sharply lower than Trump's target of 4%
- The US dollar has lost 6% against the currency basket in 2017
- Near-term fiscal policy likely to be less expansionary
- Policy uncertainty remains a major issue

US- WEAKER DOLLAR & HIGHER INTEREST RATES

- Largest US companies likely to post 2 consecutive quarters of stellar profits
- Earnings at S&P 500 companies are expected to rise 11% in Q2
- Q1 earnings grew by 15%
- Weaker US dollar made US exports cheaper
- Fed has hinted at a 3rd rate hike this year – but will keep rates low enough to accommodate growth
- Irrespective of overheating or not

FED will increase rates again in November

EU- LOOKING BRIGHTER THAN THE UK

- Unemployment down to 9.1% in June from 9.2% in May – lowest figure since February 2009
- Fell in 18 out of 19 EU countries
- Economic recovery may lead to QE tapering
- IMF has warned against a premature end to the QE

EU- LOOKING BRIGHTER THAN THE UK

- Inflation of 1.3% is well below ECB's target of 2%
- 2017 growth forecast upgraded to 1.9% from 1.4% in April (IMF)
- UK growth outlook downgraded to 1.7% from 2.0% based on tepid performance so far this year
- The ultimate impact of Brexit on UK still unclear

CHINA

- IMF revises the China's 2017 2017 GDP forecast upwards by 0.1% to 6.7% - expects Beijing to maintain high levels of public investment
- Growth was however affected by extreme weather conditions which hindered manufacturing activity

SSA



SSA- LACKLUSTRE RECOVERY IN 2017-2.1% (EIU)

- Supported by higher commodity prices and good weather
- Also increased public investment in infrastructure
- Modest inflow of FDI
- Dragged down by low growth expectations in South Africa
- Forex problems and exchange rate policy distortions to hinder FDI
- Risk of social unrest and terrorist attacks will remain high

SSA- A BLACK EYE FOR MACRON

- Emmanuel Macron's discourse on Africa's "civilization" challenge stirring anger in both France and Africa
- He listed failing states, democratic shortfalls and an exploding population as some of Africa's problems
- Macron is accused of sounding patronising – and even racist to some
- France is seeking stronger collaboration with its former colonies
- While establishing and strengthening economic ties with non-French speaking African countries

SSA – MACROECONOMIC HEALTH

Country	GDP	Inflation	Monetary Policy Rate	Real Rate of Return (%)
Nigeria	-0.52%	16.10%	14% pa	-2.1
Ghana	6.6%	12.10%	21% pa	8.9
Ivory Coast	8.3%	1.6%	4.5% pa	2.9
Kenya	4.7%	7.47%	10% pa	2.53
Angola	-4.3%	30.51%	16% pa	-14.51
South Africa	1%	5.1%	6.75% pa	1.65

SOUTH AFRICA

- Central bank cuts rates for the first time in 5 years – by 25bps to 6.75% as inflation eased to a 19-month low of 5.1%
- Moody's warns that the interest rate cut signals growing political pressure on economic policy – the rand slipped to a 2-week low of 13.115/\$ in response
- The rand remains vulnerable to political uncertainty and possibility of further credit rating downgrades
- The build-up to the elections in December will continue to constitute a drag on investment

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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.



Domestic Economic Performance

LEADING ECONOMIC INDICATORS- OUTPUT

LEI	Jun'17	Jul'17	% Change	Aug' 2017*
GDP Growth (%)	-0.52	0.5 - 1(Q2'17)*	1.52	1.00(Q3'17)
Oil Production (mbpd)	1.73	1.77*	2.72	1.8
Power (MW; avg)	3462.30	3379.71	-34.17	3300
PMI	FBN: 55.9 CBN: 52.9	56.3 54.1	FBN: 0.72 CBN: 2.27	FBN:58 CBN: 55.5
Consumer Confidence	62.7(Q1' 17)	64.8(Q2'17)	2.1	68(Q3'17)*
Business Confidence	-27.7 (Q1'17)	-1.5(Q2'17)	94.58	1.00 (Q3'17)*

Source: CBN,NBS, EIU, FDC Think Tank, FBN Capital, NOI
Polls

LEADING ECONOMIC INDICATORS- MARKETS

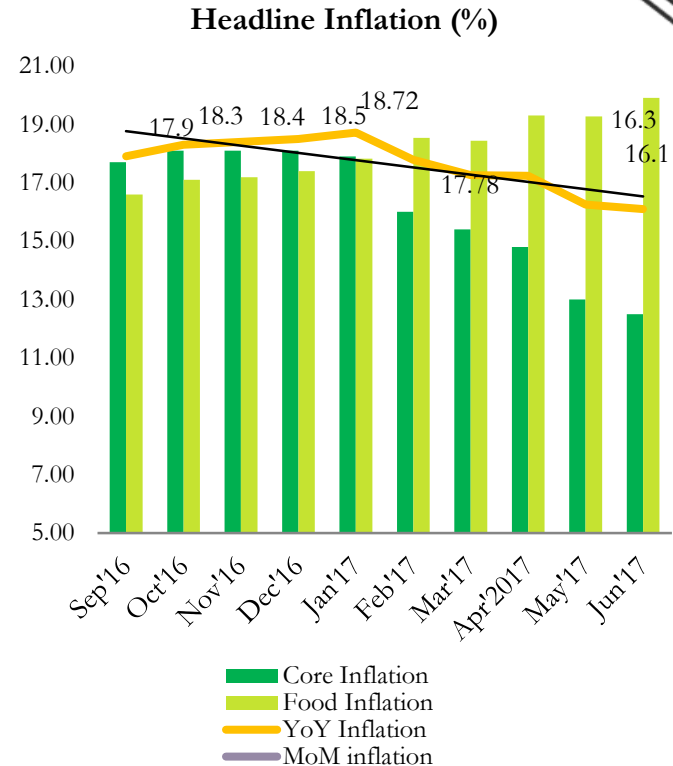
LEI	Jun'17	Jul'17	% Change	Aug'17
T Bills (91 days) – Primary	14.00	13.89	-11bps	13.5
T Bills (91 days) - Secondary	18.21	18.01	-20bps	18.00
Average NIBOR (%)	22.86	19.49	-337bps	20
Average Lending Rate	25-28	25-28	-	25-28
Average Opening Position (N'bn)	33.55	89.65	167.2	40-50
External Reserves (\$bn)	30.27	30.77	1.65	30.2
Exchange rate (N/\$; month-end)	IFEM: 306.4 Parallel: 368 IEFX: 366.41	306.15 365 367.88	0.08 0.82 -0.40	IFEM: 306 Parallel: 365 IEFX: 365
Inflation (%)	16.1	16	0.2	16.3
Stock Market (N'trn)	11.45	12.35	7.86	12.0
Vacancy Factor Index	69.3 (Q2'17)	66	3.3	65.2(Q3'17)

LEIS- MOSTLY GREEN IN JULY

- Most indicators recorded a positive trend in July
- Nigeria's oil production is up 2.98% to 1.73mbpd (June)
- Power output from the grid dropped to as low as 2,908MW despite heavy rains
- Oil prices recovered to trade above \$50pb
- Naira appreciated in the parallel market to YTD low of N364/\$
- IEFX and parallel market rates converged towards N364/\$- N365/\$
- External reserves level dropped to \$30.3bn before recovering to \$30.77bn

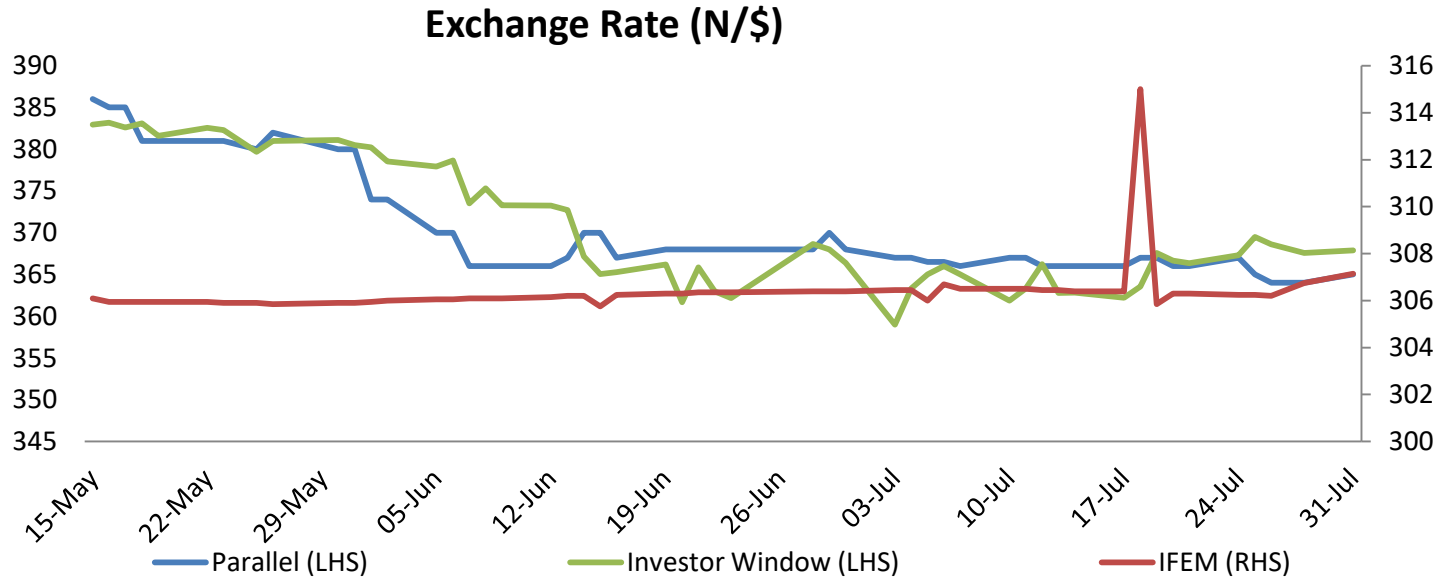
INFLATION APPROACHING ITS BOTTOM??

- Y-o-Y inflation declined for the 5th consecutive month to 16.1% in June
- Core inflation slowdown to 12.50%, from 13% in May
- Interest rates higher than core inflation
- Food inflation rose to 19.91% from 19.27%
- M-o-M inflation declined by 30bps to 1.58%



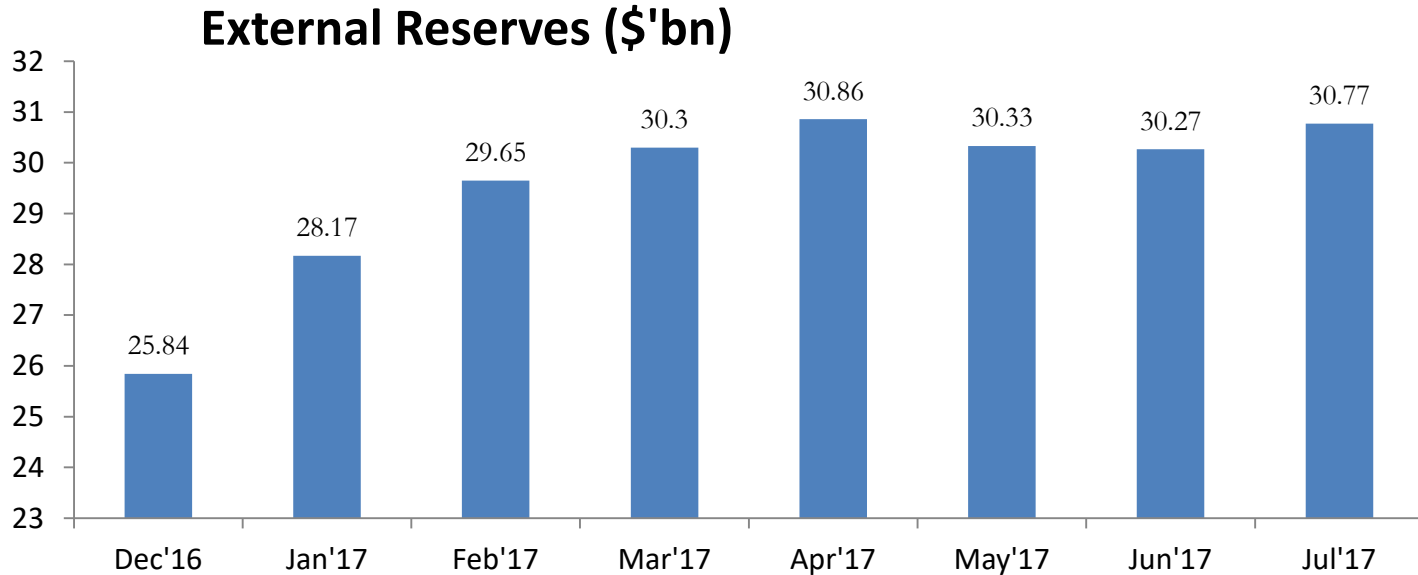
EXCHANGE RATE CONVERGING

- Now only 0.71%



EXTERNAL RESERVES UP 1.58% TO \$30.77BN

- But still fragile

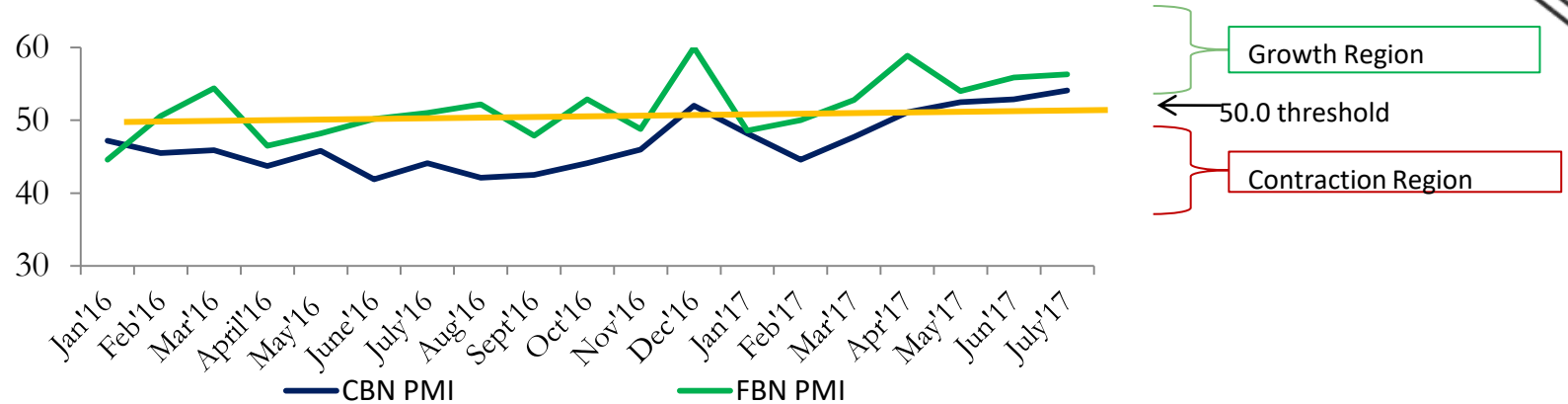




Market Proxies

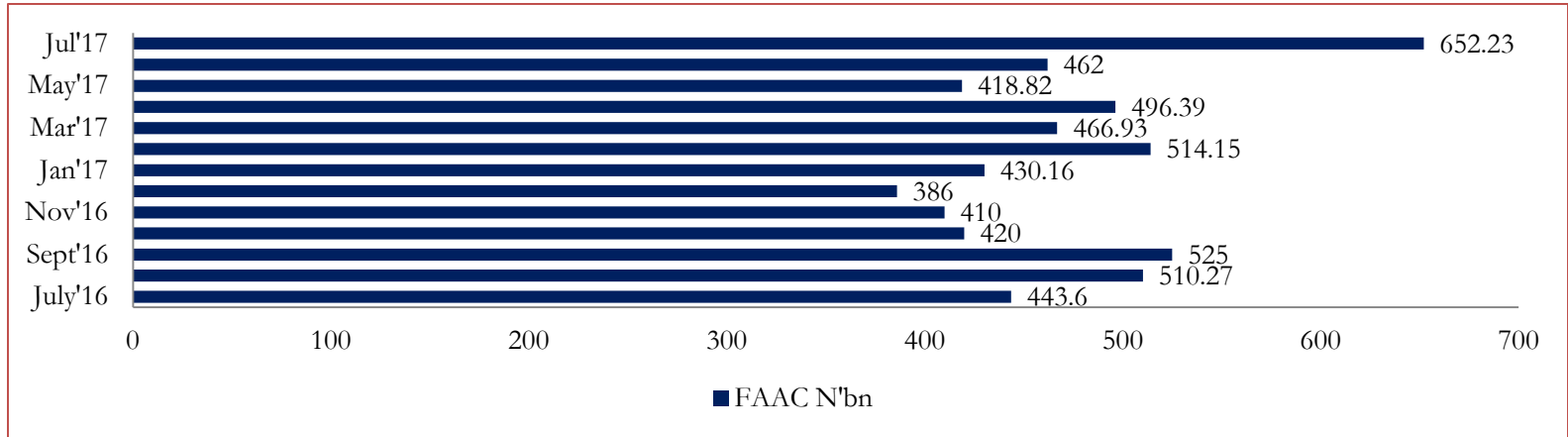
Data Strong but Spending Less

OPTIMISTIC MANUFACTURERS & RESISTANT CONSUMERS



- Both FBN and CBN PMI increased in July
- CBN up to 54.1 from 52.9
- FBN's index crosses the 56 threshold to 56.3 from 55.9
- Driven by increased access to imported raw materials due to higher forex liquidity

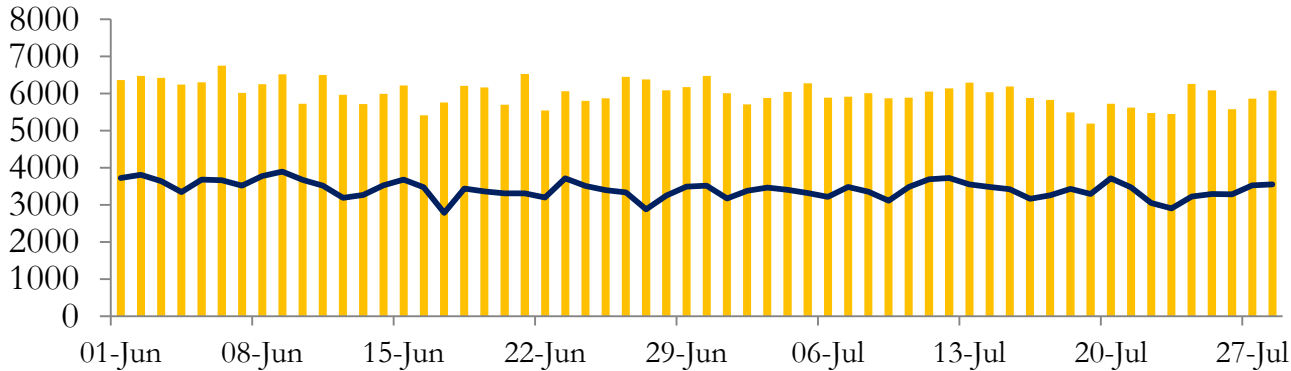
FAAC AT A 3-YEAR HIGH



- **N652.23bn** was disbursed in Jul'17
- 41.1% higher than June's disbursement
- Highest FAAC since July 2014, when oil prices were \$106-110pb
- Driven by significant increases in Corporate Income Tax (CIT) and Petroleum Profit Tax (PPT)

POWER UPDATE

- Power output reached a peak of 3,723MW/h and a low of 2,908 in July
- Average sent out: 3,379.77 MW/h. Total power generated: 5,889.65 MW/h
- Gas constraints responsible for 64.1% of total loss



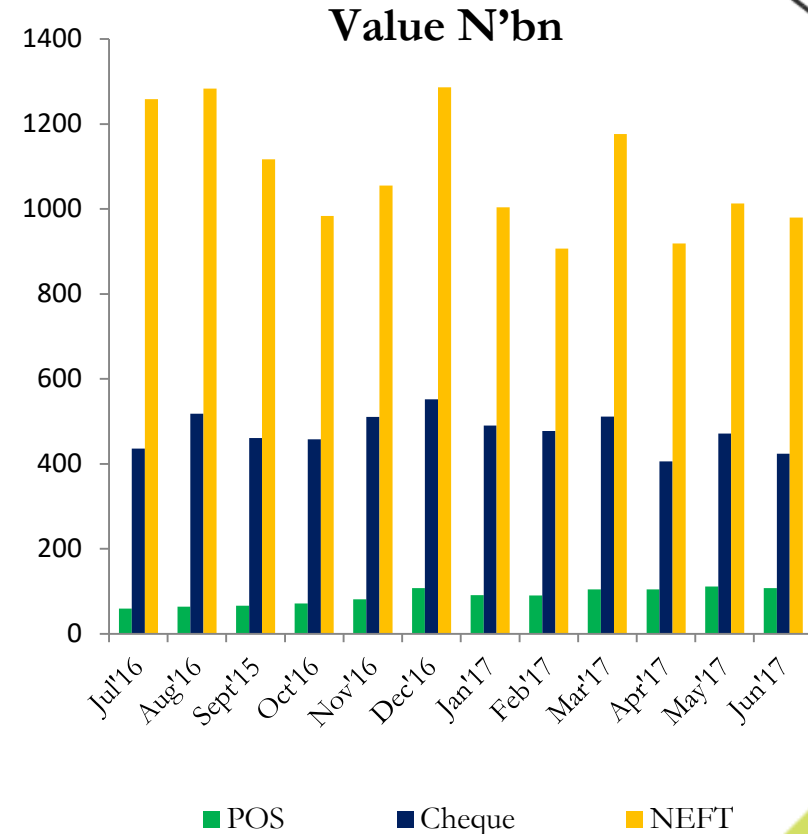
The area above the line graph represents power lost due to constraints. Daily power constraints averaged at 2,509.88 MW

■ Total power generated (MW/h)

— Average Power Sent Out (MWh/hour)

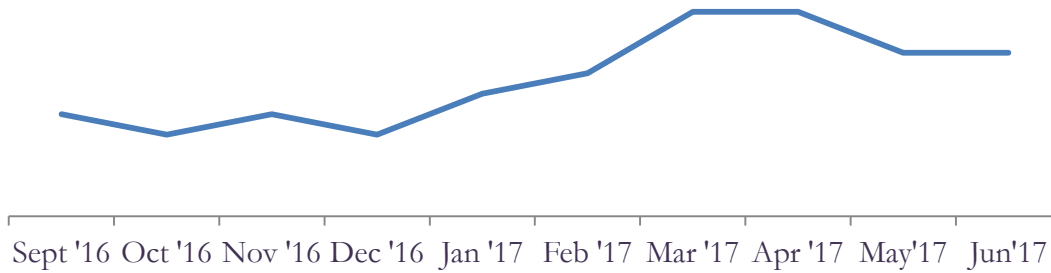
POS VOLUME UP, VALUE DOWN

- Value of transactions in Jun'17 relative to May'17:
 - POS ↓ 3.60% to N107.6bn
 - Cheques ↓ 9.97% to N424bn
 - NEFT ↓ 3.96% to N0.98trn
- Contradicts the positive sentiment in the economy

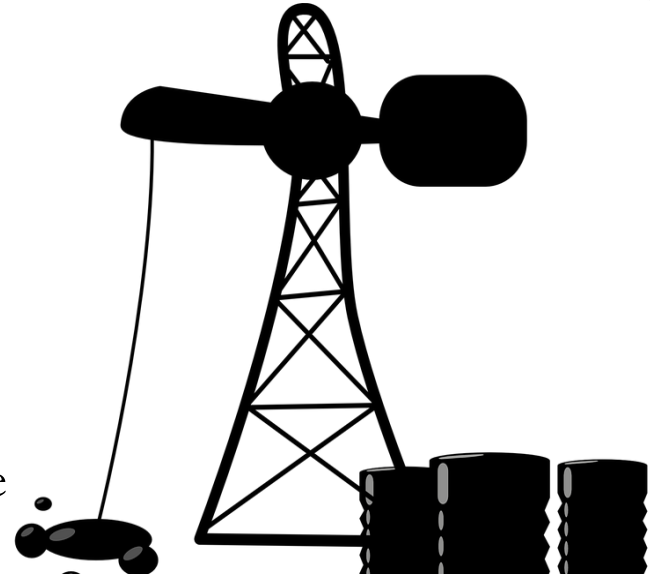


OIL RIGS- FLAT-LINING

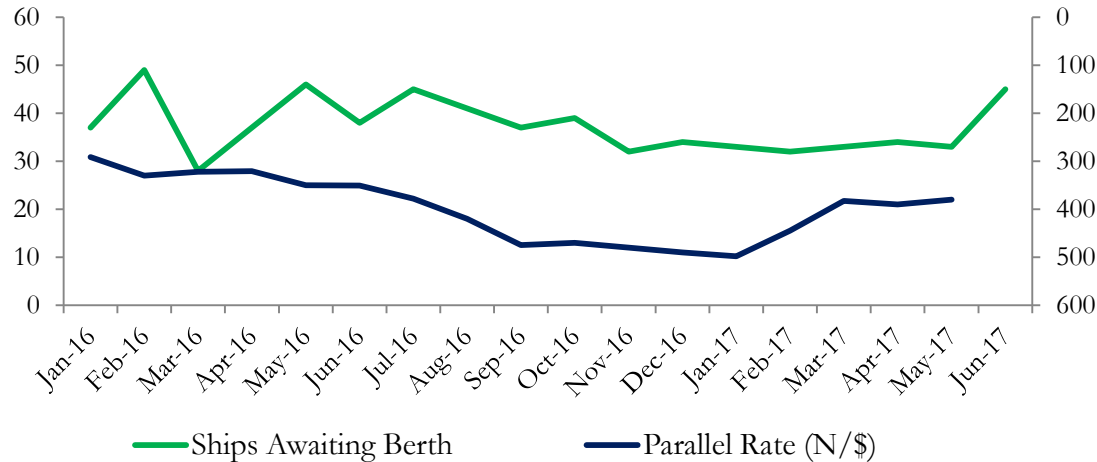
Nigerian Rig Count- 8



- The number of operational rigs remained flat at 8 in June
- Following 6 consecutive months of gain
- Algeria was the only OPEC country to record significant increase to 57 from 53
- Indicative of low investment in oil



SHIPS AWAITING BERTH-54



- Ships awaiting berth increased from 45 in June to 54 in July
- Driven by forex availability and delays in offloading ships




Consistent with PMI



Export Commodities

Forex Revenue Sensitive

COMMODITY OUTLOOK & NIGERIA

Export Commodities	(June – July 2017)	
Oil (\$/b)	49.16	3.38% 
Liquefied Natural Gas (\$/mmbtu)	2.96	-1.13% 
Cocoa (\$/mt)	1,923	-1.93% 

EXPORT COMMODITIES- FOREX REVENUE SENSITIVE

- **Brent crude** prices above \$50pb, at \$52.65pb
 - Saudi Arabia, Kuwait and the UAE pledge to cut exports
- **Natural gas** prices down as demand declines during the summer season
- **Cocoa** currently above \$2000/mt , first time since mid June
- Lower prices impacts government revenue negatively in August



Import Commodities

Inflation Sensitive

IMPORT COMMODITIES – INFLATION SENSITIVE

Import Commodities	(June – July 2017)		
Wheat (\$/bushel)	5.12	10.74%	↑
Sugar (\$/pounds)	14.07	2.90%	↑
Rice (\$/cwt)	12.02	5.16%	↑

IMPORT COMMODITIES – INFLATION SENSITIVE

- **Global wheat** production declined slightly to 740m tons
- **Sugar** supply anticipated to decline following fiscal policies in the world's largest supplier, Brazil
- China expected to import 5.3 million tons of **rice** following trade agreement with U.S

Policy Response

Choking Under High Interest Rates

CHOKING UNDER HIGH INTEREST RATES

- Institutionalized financial delinquency
- Volatile global oil markets
- Inefficient resource allocation



N2.5trn

Fiscal deficit
accumulated in H1
2017

Deficit keeps growing

- Rising fiscal obligations
- Pushing Nigeria to the brink
- The need for higher investment
- Oil production capped at 1.8mbpd
- Investors are in wait & see mode
- Increased borrowing requirements

NIGERIA'S RISING DEBT CRISIS

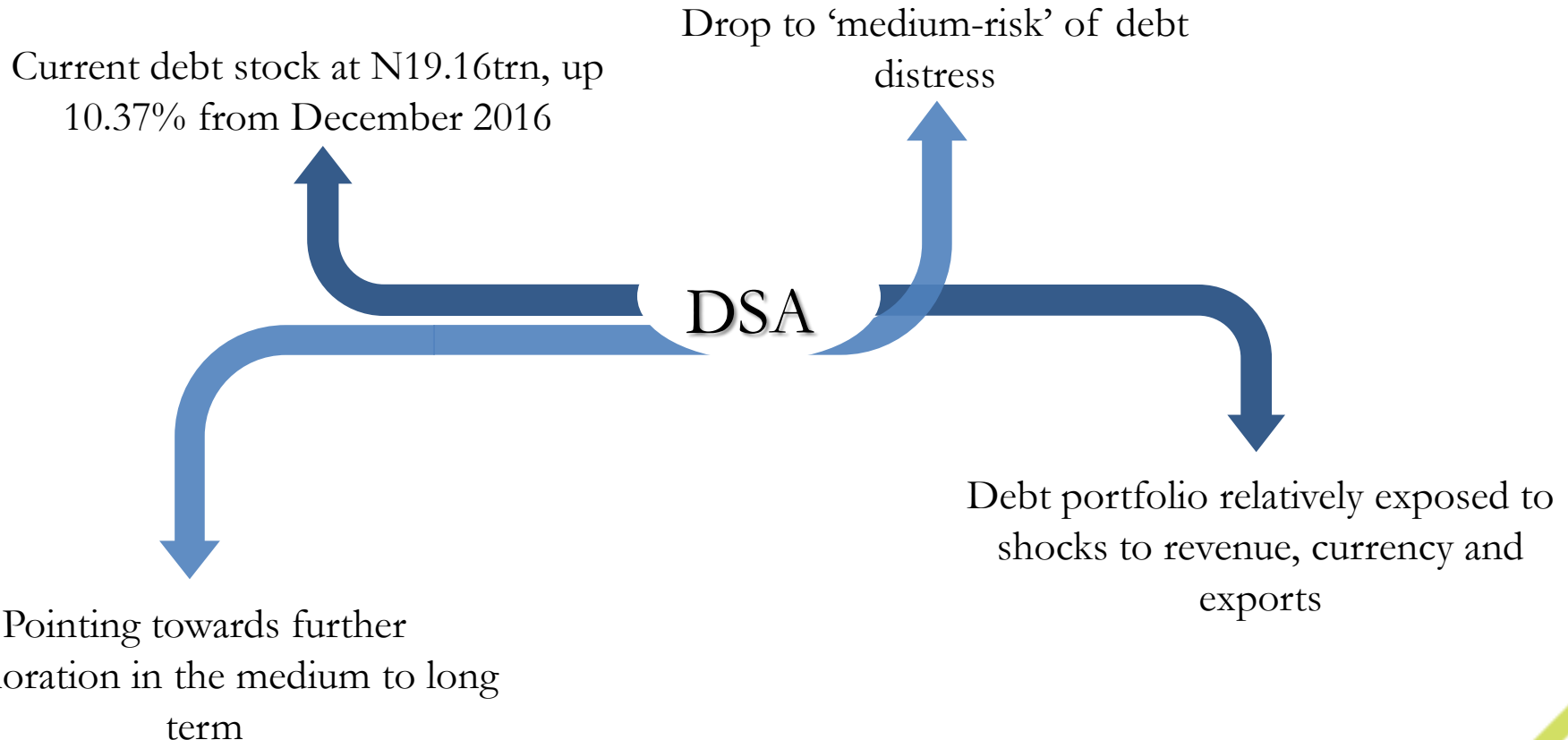
- According to the IMF, Nigeria's indebtedness is as follows:

Year	Indebtedness (as a % of GDP)
2015	12.1%
2016	18.6%
2017*	23.3%
2018*	24.1%

- These concerns kicked off the argument:

“to borrow or not?”

RISING DEBT-A GROWTH IMPEDIMENT



WHAT THIS MEANS FOR FISCAL CONSOLIDATION?

- Fiscal consolidation needed to reduce expenditure
- Debt service costs are rising – 70% of independent revenue, 25% of 2017 budget
- With anticipated indebtedness to rise, robust debt management is required
- Use of proceeds questioned
- Borrow for investment or consumption
- Borrowing for consumption is multiplier negative

MOST INDEBTED COUNTRIES IN AFRICA

- In spite of excruciating debt burden
- Nigeria fares much better than some of its African counterparts

Countries	Indebtedness as a % of GDP
Eritrea	126%
Cape Verde	122%
Gambia	97%

DEBT FOR CONSUMPTION OR INVESTMENT

- The Keynesians believe a country should spend out of a recession
- Nigerian Fiscalists have advocated this policy route
- Thereby pushing for increased borrowing
- However, a country has to be disciplined with newly acquired funds from borrowing

BORROWING FOR INVESTMENT IS MULTIPLIER POSITIVE

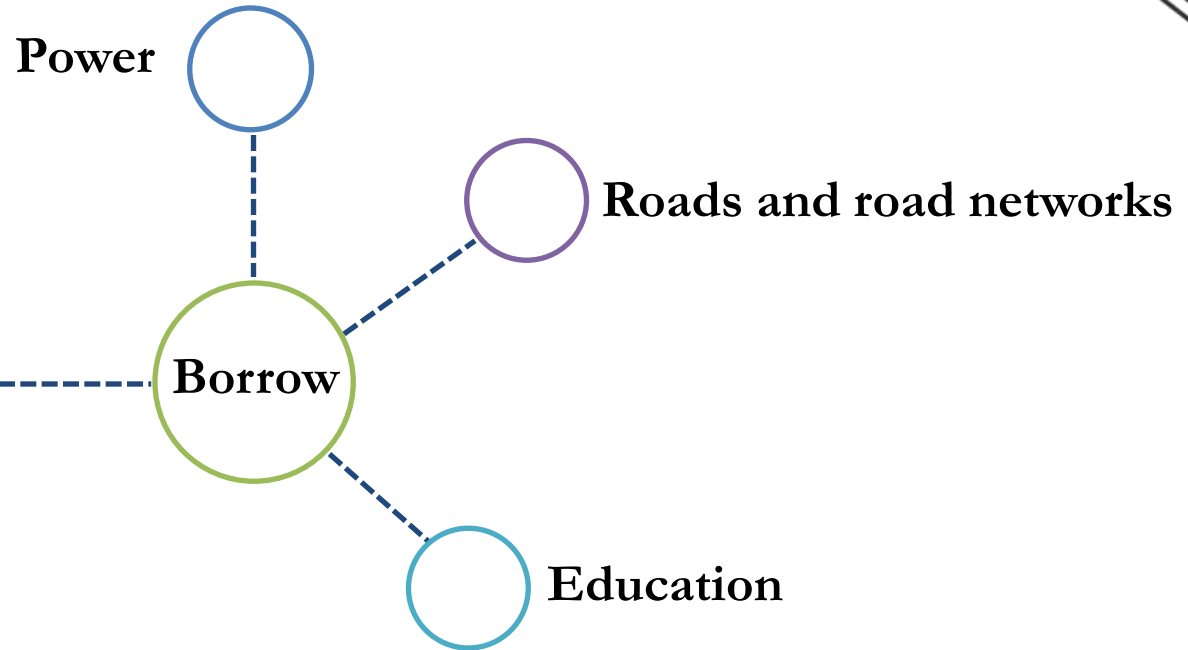
Medium to long run productivity
gains

Increased capacity to settle debt
by the future generation

DEBT FOR CONSUMPTION

- Borrowing for consumption facilitates:
 - Increased debt burden of the country
 - Puts the coming generation at risk of default
 - Leaves no room for growth and development enhancing policies
 - Reduces country's sovereign debt ratings
 - On account of risk of delay or default

DEBT FOR INVESTMENT





Every meal starts with us



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

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Monetary Policy

MPC HOLDS ON RATES

Doves

25%

Voted to lower
interest rates

Hawks

75%

Voted to hold
on policy rates

BORED ANALYSTS AND INDIFFERENT CONSUMERS

- MPC has maintained status quo in the last 12 months
- Factors that affect interest rates (i.e. T/bills) and exchange rates exist outside the MPC meetings
- Events that occurred between May and July MPC meetings include:
 - Exchange rate appreciation of 4.1% to N365/\$ at parallel market
 - Accretion in external revenues to \$30.77bn
 - Decline in headline inflation to 16.1%

WHAT NEXT?

MPC to meet in September

Pressure to cut rates mounts

Q2 GDP figures expected

Increased intervention – FX market

Almost certain to hold rates once more

Political pressure amidst rising debt service costs

Expected to recover to 0.05%

Risk – Volatility in the global oil markets
Dwindling external reserves

WHAT NEXT?

- In the time between now and the next MPC meeting in September, key events are to occur:
 - Q2 GDP figures will be released
 - July and August inflation numbers to be released
 - August PMI numbers will be released



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Nigeria Retail Market

RETAIL MARKET- JULY UPDATE

- Sharp drop in retail traffic in Lagos
 - Increased inventory from four weeks to six weeks
 - Attributable to high rainfall and drop in disposable income
- FMCGs report sloppy sales for June/July
- Consumers hold back demand as retailers still reluctant to reduce prices
- Decline in customer traffic to brick and mortar stores has led to increased online traffic

E-COMMERCE- NEXT BIG THING

- Nigeria is the most promising country in Africa in terms of potential market opportunity
- Ranked 1st in Africa for Business Environment Opportunity
- South Africa- 2nd
- E-commerce to benefit from urbanization and the burgeoning middle class
- Number of Lagos households earning more than US\$5,000 expected to grow by

96% (6.9m) by 2030

TECHNOLOGY- DRIVER OF RETAIL IN AFRICA

- Increased smartphone usage driving strong growth in Africa's e-commerce sector
- Sector is estimated to be worth over US\$75bn annually
- Fear of fraud, and poor transport and mobile infrastructure are some of the obstacles that beset the sector



Real Estate

*Supply Up, Rents Down & Floods
Everywhere*

RECENT DEVELOPMENTS

- New developments have increased supply in a saturated market
- Rents are dropping
- The floods in July led to forced relocations
- Demand for short leases spiked
- Substitution of roundabouts with traffic lights
- Improving traffic flow

RECENT DEVELOPMENTS

- Increased expatriate demand in Ikoyi
- Karimu Kotun office rents decline by 30%
- Vacancy factor in shopping malls up
- Rental period declines from 3/2 years to 1 year

OUTLOOK

- Exchange rate improvement expected to feed into cost of building
- Structural and fundamental changes to sector continuing
- Take up rates of properties expected to increase marginally as rents fall



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.



Aviation Update

AVIATION- SKYTEAM IS CONSOLIDATING

- International airline forex backlog building up again
- New rate of exchange for airline tickets now N325/\$, up 6%
- London-Lagos return economy now N690,000
- International load factors up 95% on seasonality
- Passengers taking advantage of N1000 increased limit & BDC rates
- KLM/Air France acquires 31% of Virgin Atlantic
- Delta to buy 10% of KLM/Air France

AVIATION- SKYTEAM IS CONSOLIDATING

- Is sky team alliance is consolidating into one carrier ???
- The alliance now controls approximately 30% of all traffic into Nigeria

Airline	Flights per week
Kenya Airways	10 flights to Lagos
Air France	12 flights (7 to Lagos, 5 Abuja/PH)
KLM	7 to Lagos
Delta Airline	7 to Lagos
Virgin Atlantic	7 to Lagos
Total	43 flights

- Qatar Airways, the naira stretcher is hurting

AVIATION- SKYTEAM IS CONSOLIDATING

- Airspace ban by Gulf countries makes flights 20% longer
- Higher fuel costs
- Time sensitive passengers have switched to Etihad & Emirates
- Ethiopian Airlines opens Kaduna/Addis Ababa route
- Now operates out of 5 airports: Kaduna, Abuja, Kano, Enugu & Lagos
- Target customer base: trader traffic
- BA to bring back Boeing 747 on September 7th

DOMESTIC AVIATION- ARIK FINDS ITS GROOVE AGAIN

- Arik once the largest domestic carrier, is back
- Under AMCON receivership Arik has greatly improved
- On time performance is 90%
- Customers are flocking back to once abandoned carrier
- Arik has rationalized its route network
- Its load factors are growing sharply

DOMESTIC AVIATION- ARIK FINDS ITS GROOVE AGAIN

- Especially in the golden triangle Abuja-Lagos-PH
- Arik's growth is at the expense of Air Peace & Medview
- Only Arik & Medview are IOSA certified in Nigeria
- IOSA (IATA Operational Safety Audit)
- Regional market is now cannibalized by African Airlines
- Ethiopian, ASKY, African World Airlines

The background of the slide features a semi-transparent overlay of various financial data visualizations. These include a candlestick chart with green and red bars, several line graphs in blue, green, and red, and numerical values such as '+0.21%', '+0.44%', and '+0.4%' scattered across the grid. The overall color palette is a mix of light blues, greens, and reds, creating a professional and data-driven aesthetic.

Stock Market

Irrational Exuberance again

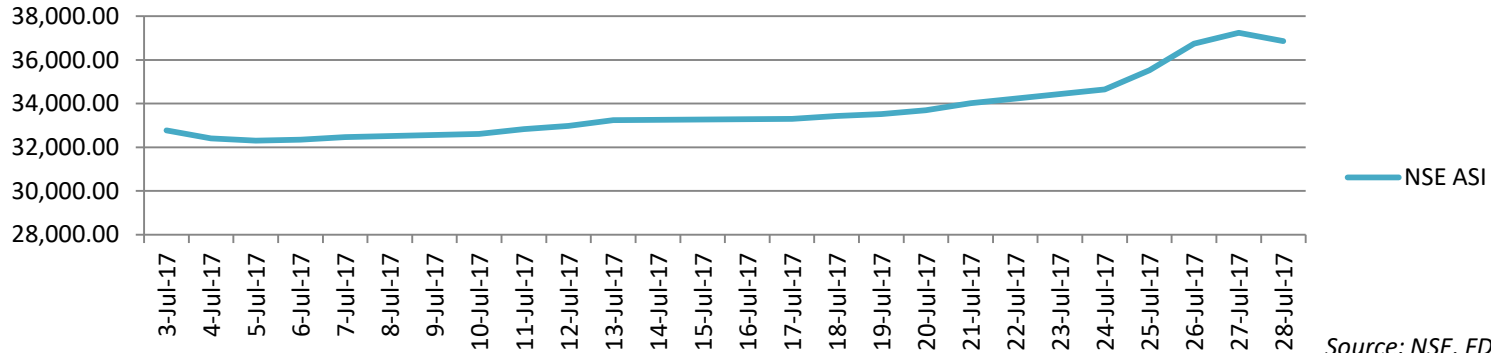
Earnings up Cash Flow Down!

MARKET IN JULY

- Stock prices up 14% in July
- Market capitalization reaches N13trn
- Corporate earnings impressive, far below stock price surge
- Plethora of new issues
- Investors still in T-bills and Bonds
- But slowly shifting to equities

NSE-ASI- JULY HIGHLIGHTS

NSE ASI



Source: NSE, FDC Think Tank

- Average daily turnover (ADTV) declined by 23% from N5.5bn to N4.5bn

JULY SECTOR PERFORMANCE

- Performance across the NSE sub-indices was largely positive
- All sectors closed positive, except the insurance index
- The banking sector sub-index performed the best, advancing by 11%

The background of the slide features a semi-transparent overlay of financial data. It includes a candlestick chart with green and red bars, and several line graphs in blue, green, and red. Faint percentage values like '+0.21%' and '+0.44%' are visible on the grid.

H1'2017 Corporate Earnings

The background of the slide features a semi-transparent, light blue overlay of financial data. It includes a candlestick chart with green and red bars, several line graphs in various colors (red, green, blue), and numerical values such as '+0.21%' and '+0.44%' scattered across the grid. The overall aesthetic is that of a digital financial dashboard.

Banking Industry

BANKING INDUSTRY HIGHLIGHTS

- Primary market activities (IPOs, private placement) taking place in the banking industry
- Impressive H1'17 for some banks
- However, loans to customers continue to decline
- As banks try to curb their current NPLs

UNION BANK OF NIGERIA- THE RESURRECTION STORY

- One of the big 4 in the Nigerian banking industry
- Faced fierce competition from new generation banks and regulatory pressures
- Executed a recapitalization plan which brought in about \$500m by a core group of investors
- Current business strategy is new school biased

UNION BANK- EARNINGS AT A GLANCE



○ Gross earnings	↑ 23% - N73bn	○ Profit before tax	↑ 6% - N10bn
○ Net interest income	↑ 2% - N32bn	○ Share price growth	↑ 32%- N5.50
○ Cost to income ratio	↑ 23% - N73bn	○ Loan to Deposit Ratio	↓ 14%
○ Total loans to customers	↓ 6% - N477bn	○ NPL Ratio	↑ 1.29%
○ Impairments	↓ 39% - N5.4bn		

INVESTORS CATCHING THE BUG

Total Pension Asset Allocation

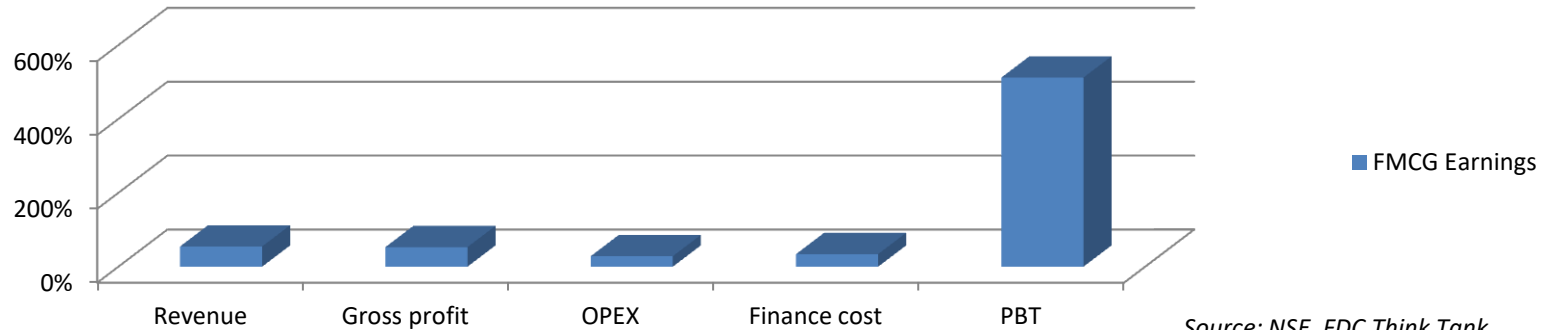
Asset Class	Weighting- Jun-17	Weighting April-17	%change
FGN securities	59.26%	59.77%	-0.5%
Equities	7.73%	6.54%	1.19%
Money Market	9.07%	8.74%	0.33%
Treasury bills	18.30%	18.75%	-0.45%
Mutual fund	0.44%	0.43%	0.01%
State bond	1.84%	2.18%	-0.34%
Supra-National Bond	0.08%	0.08%	0%
Corporate Bond	2.51%	2.76%	-0.25%
Real Estate	0.35%	0.37%	-0.02%
Cash	0.41%	0.34%	0.07%
Receivables	0.00%	0.04%	-0.04%
Total	100.0%	100.00%	

- Pension fund portfolio reveals that 59% of funds in portfolio are still invested in FGN securities
- Weighting in the equities portfolio picked up in the last quarter
 - As PFA's are tilting in favor of equities
 - Given the positive performance of some stocks in the market

FMCG Industry

FMCG'S IMPRESSIVE PERFORMANCE

FMCG Earnings



Source: NSE, FDC Think Tank

- FMCG's set for significant recovery in 2017
- Positive earnings have been supported by improved FX liquidity and increased prices
 - Average top line growth of released results stood at 55%
- Companies till battle with high finance cost

FMCG'S IMPRESSIVE PERFORMANCE



○ Revenue	↑	15%- N181bn
○ Gross Profit	↑	10%- N81bn
○ OPEX	↑	9%- N44bn
○ Finance Cost	↓	38%- N4bn
○ Profit Before Tax	↑	33%- N34bn
○ Share Price YTD	↑	16%- N165
○ Target Share Price		N179
○ Recommendation		HOLD
○ Free Cash Flow	↑	13%- N48bn





○ Revenue	↑	52%- N121bn
○ Gross Margin	↑	48%- N48bn
○ OPEX	↑	22%- N21bn
○ Finance Cost	↓	50%- N7bn
○ Profit Before Tax	↑	2628%- N24bn
○ Share Price YTD	↑	30%- N1,053
○ Target Share Price		N1,100
○ Recommendation		HOLD
○ Free Cash Flow	↑	20%- N18bn

The background of the slide features a blurred image of several black oil barrels on the left, each with the word 'OIL' printed in white. On the right side, there are several stacks of gold coins, with one coin in the foreground being larger and more prominent than the others. The overall scene suggests a connection between the oil industry and financial markets.

Oil & Gas Industry

OIL & GAS- TROUBLE BREWING?

- Not so impressive H1'17 results
- Decline in revenue of 30%
- Improved FX liquidity not reflected in earnings
- Bottom line growth affected by high operating costs
- Huge finance cost which crumpled earnings of:
 - Total Nigeria  3020%
 - Oando Plc  48%
- Negative market reaction on Oando stocks
- On the back of the recent investigation on Oando Plc by SEC on alleged malpractices

OIL & GAS- TROUBLE BREWING?



○ Revenue	↑	15%- N72bn	○ Share Price YTD	↓	9%- N270
○ Gross Profit	↑	47%- N7bn	○ Target Share Price		N35
○ Finance Cost	↑	3020%- N639m	○ Recommendation		HOLD
○ Profit Before Tax	↓	66%- N3bn			



2017 OPEN SEMINARS (March to October)



ACCOUNTING, FINANCE & ECONOMICS

Accounting & Finance for Non-Finance Executives	May 15 - 19
Financial Modeling	July 17 - 21



GENERAL MANAGEMENT

Managing Compliance and Legal Risk	May 22 - 24
Stepping up to Management	June 29 - 30
Managing People for Strategic Advantage	July 10 - 12



MARKETING AND SALES MANAGEMENT

Essentials of Sales and Marketing	July 3 - 5
Strategic Account Management	July 11 - 13
Digital Marketing	July 24 - 25
Outstanding Customer Relationship	August 29 - 30



OPERATIONS & MANAGEMENT INFORMATION SYSTEMS

Strategic Procurement/ Contract Management	May 3 - 5
Smart Business Decisions: The power of data analysis	May 22 - 26
Developing Analytical Competencies for Managing Operations	July 3 - 7



PERSONAL LEADERSHIP & HUMAN RESOURCES MANAGEMENT

Building & Leading the 21st Century Team	April 19 - 21
Legal Issues in HRM	April 19 - 27
Negotiation Skills & Tools	April 25 - 27
Advanced HRM	April 7 - May 12
Mastering Human Resource Management	June 5 - 9
Refining Your Interpersonal Skills	October 23 - 25



STRATEGY, INNOVATION & GOVERNANCE

Sustainability Workshop for NGOs	March 20 - 21
Mastering Competitive Strategy and Blue Ocean Strategy	May 15 - 18
Leading a Sustainable Business	June 1 - 2
Driving Strategic Innovation and Business Development	July 3 - 5
Executing Sustainable Strategy	October 9 - 10

GENERAL INFO

PROGRAMME VENUE:	TIME:
Km 22, Lekki-Epe Expressway, Ajah, Lagos	9.00 a.m. - 5.00 p.m.

PRIOR REGISTRATION is mandatory to secure a place on the seminar.

RESERVATIONS / ADDITIONAL INFORMATION	Reservations/Additional Information:
	Phone: Ajegbari: 07019407708 Ajah: Ikeja: 07082070552 esecedu@lbs.edu.ng

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Download detailed calendar from our website www.lbs.edu.ng

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Industrial Sector

INDUSTRIAL- DANGOTE CEMENT



Revenue



41%- N412bn



Gross Profit



54%- N235bn



Finance Cost



46%- N24bn



Profit Before Tax



25%- N155bn



Share price YTD



29%- N223.75



Recommendation

HOLD

EXPECTATIONS IN THE NEAREST FUTURE

- Positive earnings not a yardstick for increase in share price
- Stock market current a bubble waiting to burst
- Continued FX liquidity will further boost earnings for companies

Political Update



Now you see me now you don't

POLITICS- RETURN OF THE MACK

- Nigerian governors throng to see Buhari
- Return to Nigeria imminent, date uncertain
- Removes the uncertainty surrounding Fayose's imagination
- Reduces the blatant succession posturing
- But the political struggle now less visible
- Cabinet reshuffle speculation now lower than before
- Likely to reward loyalists & flush out those sitting on the fence

POLITICS- RETURN OF THE MACK

- New MDA appointments will be a carrot to political mercenaries
- APC now want to be in Government and in power
- Politics of patronage will commence in full
- The PDP judgement is positive for democracy
- It will need to overcome its negative residual image
- Trust & efficiency deficit still persist
- Making the emergence of a focused 3rd party inevitable

POLITICS- RETURN OF THE MACK

- A PDP convention will hold with fanfare and rally frustrated Nigerians
- The PDP will galvanise into a monolithic unit
- Will struggle with reputation risks as anti corruption trials commence
- Especially in the US and the UK
- The state chapters of the PDP and APC may not comply with their National Headquarters
- The restructuring slogan and chants will grow louder

POLITICS- RETURN OF THE MACK

- Will be drowned in the 2019 electoral struggle
- There are as many proponents of restructuring as there are interpretations
- The politically ignorant are more than the politically sophisticated
- The threat by the Niger Delta militants to return to the trenches is potent
- They want to be incentivised or motivated as previous tranches are now exhausted
- The National Convention of the APC will be flagged off by Buhari
- The party will look to him for guidance into the 2019 cycle



August Outlook

OUTLOOK FOR AUGUST

- Oil prices will trade between \$50-\$55pb
- Demand for Forex will increase as FAAC payments and virement transmission kicks in
- Q2 GDP will be announced on August 23
- Will be within positive range from 0.5% to 0.8%
- Headline inflation data will dip marginally to 16%
- Core inflation will also decline to 12%
- Corporate earnings will be positive but lower than expectations

OUTLOOK FOR AUGUST

- Forcing the stock market rally into a correction
- There will be more rights issues and no new listings
- Treasury bill rates will slide marginally
- The clamor for lower interest rates will grow louder
- The DFIs will publish lists of delinquent customers
- Money laundering trials in the US may tarnish some Nigerian institutions and individuals

CORPORATE HUMOUR



A lie can run round the world before
the truth has got its boots on
- The Truth

When women go wrong, men go
right after them – Mae West



CORPORATE HUMOUR



Becoming famous has taken the
place of going to heaven
- *Jarvis Cocker*

An economist is an expert who will
know tomorrow why the things he
predicted yesterday didn't happen
today – Henry Kissinger



CORPORATE HUMOUR



Morning comes whether you
set the alarm or not
- Ursula K. Le Guin

Power without abuse loses its
charm – Paul Valery



CORPORATE HUMOUR



The dumber people think you are the more surprised they are going to be when you kill them.
- *William Clayton*

A woman's intuition is the result of millions of years of not thinking - Unknown



CORPORATE HUMOUR



Can you imagine a world
without men?? No crime and
lots of fat women
- *Marion Smith*

I would rather be a beggar and
single than a queen and married
- *Elizabeth I.*



CORPORATE HUMOUR



Show me a good loser and I will
show you an idiot
- *Leo Durocher*

If you gonna be late, then be late
and not just two minutes – make it
an hour and enjoy your breakfast
- *David Brent*



CORPORATE HUMOUR



A lot of people quit looking for work as soon as they find a job.
- Zig Ziglar

*Thank
you*



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