

LBS Breakfast Session



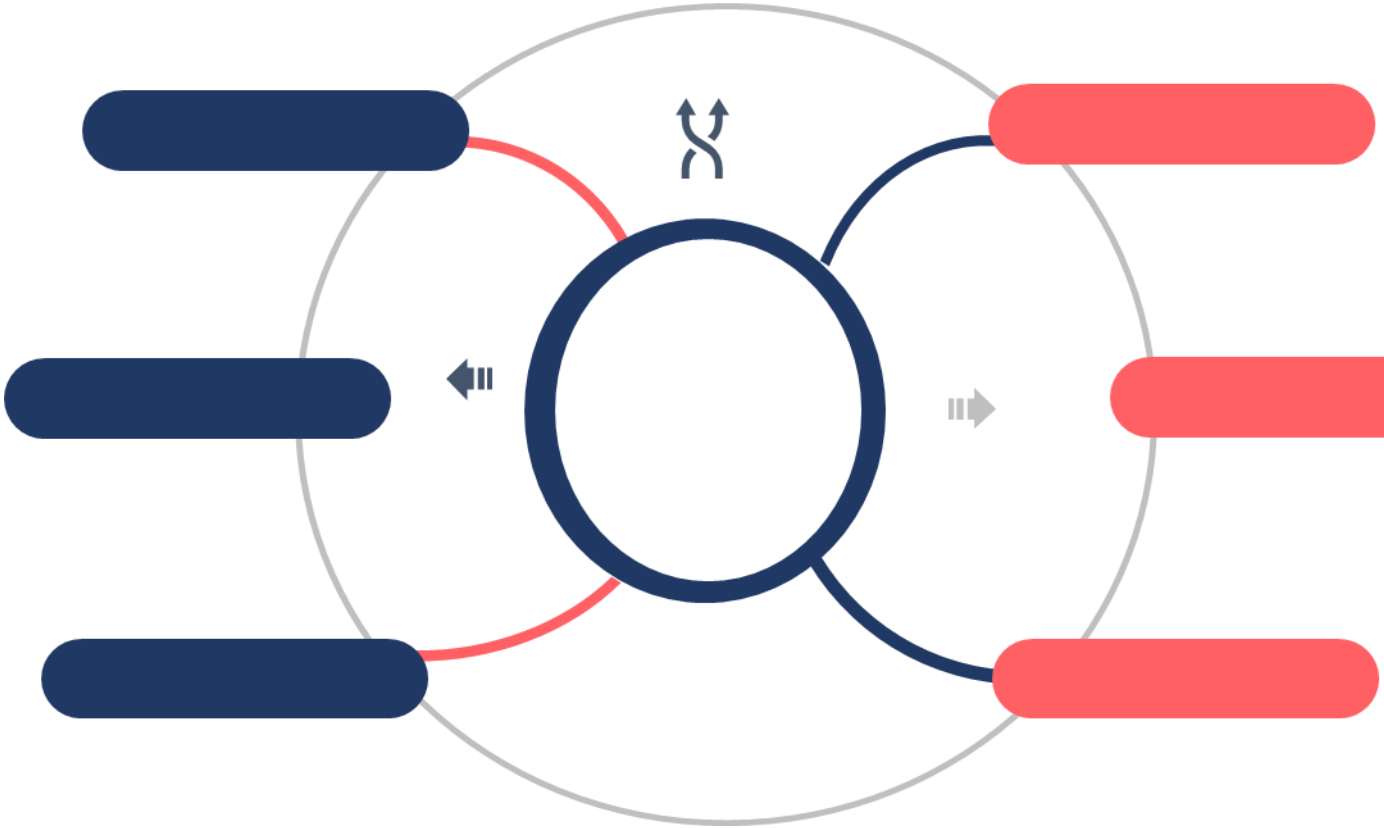
The Tipping Point

Outline

August Highlights

Global Picture

Domestic Overview



Stock Market Review

Political Update

September Outlook

August Highlights



Moment of Truth

The Global Tipping Point & Nigeria's Moment of Truth

- ❑ Q2 GDP declines to 1.94%, well below expectations
 - ❑ Making the attainment of the annual projection of 2.2% a tall order
- ❑ GDP decline validates the PMI as a trend proxy of growth
- ❑ Most interest rate sensitive sectors contracted and job elastic sectors languished on the slow lane
- ❑ August PMI is marginally higher at 50.9pts
 - ❑ Not strong enough to ignite investor optimism
- ❑ Money supply expanded as CBN OMO activities intensified

The Global Tipping Point & Nigeria's Moment of Truth

- ❑ Matured T/Bills of N431.83bn and new issues of N446.86bn
- ❑ FGN bond auctions heavily undersubscribed by 35%
- ❑ Banks saving their cash to meet the L/D ratio (60%)
- ❑ The average opening position of banking system was N88.72bn
- ❑ Interbank interest rates swung between 2.5% pa to 30.29% pa
- ❑ The stock market failed to respond to lower interest rates
- ❑ Losing 0.69% to 27,525.81 points and N13.39trn market cap
- ❑ Corporate earnings were disappointing and free cash flow was negative

Corporate Humour (A)



If people were forced to eat what
they kill, there would be no more
war.
- *Abbie Hoffman*

Time is a dressmaker specializing in
alterations
- *Faith Baldwin*



The Global Tipping Point & Nigeria's Moment of Truth

- ❑ CBN reduced forex sold by 35.04% to \$787.96mn
- ❑ Forex traded higher at the I&E window by 57.04% to \$6.80bn
- ❑ Many FPIs rushed out the door as fears of forex restrictions send jitters down their spines
- ❑ In the parallel market the naira was flat at N360/\$
 - ❑ Partly due to a shallow market and indirect interventions by policy makers
- ❑ Buhari orders partial border closure to control smuggling
- ❑ Prices of turkey up 38.46% to N1800 per kg and rice up 12.5% to N18,000 (50kg)

The Global Tipping Point & Nigeria's Moment of Truth

- ❑ Conversely blocked export smuggling of refined products

- ❑ Nationwide retail price of PMS now N144 per liter

 - ❑ Diesel prices also crashed to N210 per liter



- ❑ Makes it transparently evident that Nigeria does not use 60 million liters of PMS daily

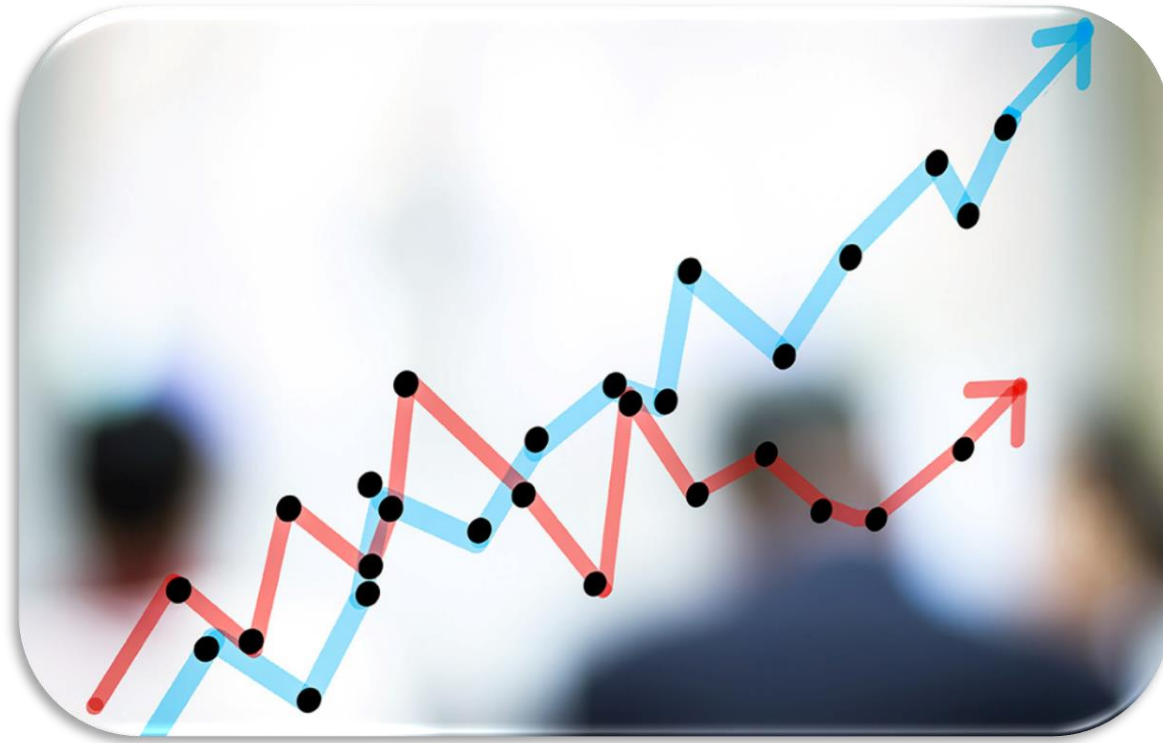
- ❑ UK court rules against Nigeria in an arbitration award of \$9bn

- ❑ Nigeria vows to fight back vigorously

- ❑ Inflation declines for 2 months in a row to 11.08% in July

- ❑ Will remain flat in August

Domestic Overview



Leading Economic Indicators- Output

| LEI | Jul'19 | Aug'19 | % Change | Sept' 19* |
|-----------------------|------------------------|--------------|--------------|-------------|
| GDP Growth (%) | 2.10 (Q1'19) | 1.94(Q2'19) | -0.16 | 2.10(Q3'19) |
| Oil Production (mbpd) | 1.79 | 1.7* | -5.03 | 1.75 |
| Oil Price (\$pb; avg) | 64.19 | 59.53 | -7.26 | 61 |
| Power (MW; avg) | 3,676 | 3,524 | -4.13 | 3700 |
| PMI | FBN: 49.5 CBN: 57.6 | 50.9 57.9 | 2.82 0.52 | 52 58 |



Source: CBN,NBS, EIU, FDC Think Tank

Leading Economic Indicators- Markets

Source: CBN,NBS, EIU, *: FDC's forecast

| LEI | Jul'19 | Aug'19 | % Change | Sept'19* |
|---------------------------------|---------------|--------|----------|----------|
| Primary T Bills (%): | | | | |
| 91 days | 9.75 | 11.10 | 1.35 | 10-11 |
| 181 days | 10.60 | 11.59 | 0.99 | |
| Average Lending Rate (%) | 21-22 | 20 | -2.00 | 21-22 |
| Average Opening Position (N'bn) | 310.35 | 88.72 | -71.41 | 35-40 |
| External Reserves (\$bn) | 44.90 | 43.61 | -2.87 | 43.00 |
| Exchange rate (N/\$; month-end) | IFEM: 306.85 | 306.95 | -0.03 | 307 |
| | Parallel: 360 | 360 | - | 361 |
| | IEFX: 361.68 | 362.93 | -0.35 | 364 |
| Inflation (%) | 11.08 | 11.15* | 0.63 | 11.17 |
| Stock Market (N'trn) | 13.51 | 13.39 | -0.89 | 13.25 |

Corporate Humour (B)

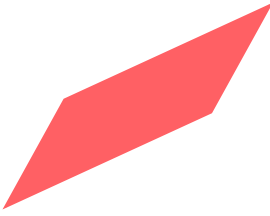


People are born ignorant, not stupid.
They are made stupid by education.
- *Bertrand Russell*

Misquotations are the only quotations
that are never misquoted
- *Hesketh Pearson*

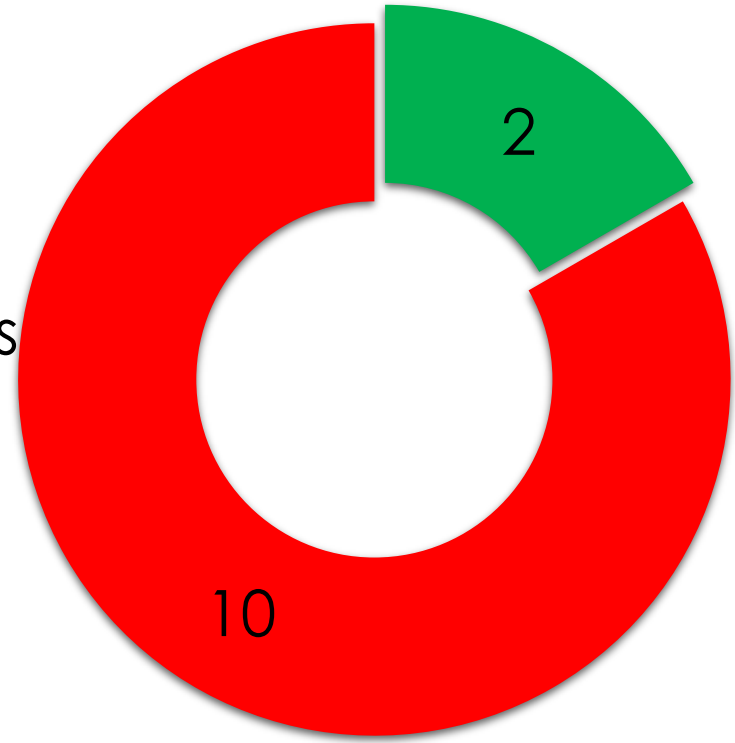


How Did the LEIs Perform?



2 positive indicators

10 negative indicators



□ Indicates lull in economic activities

■ Positive ■ Negative

Q2'19 GDP - Noteworthy Trends

□ Growth slows to 1.94%

□ Below population growth of 2.6%

□ Highest second quarter growth since 2015

□ Q1 + Q2 (2019 average) = 2.02% } ↑ 0.32%

□ Q1 + Q2 (2018 average) = 1.70%

□ To achieve projected 2019 average of 2.2%:

□ Q1: 2.10%

□ Q2: 1.94%

□ Q3: 2.10%

□ Q4: 2.66%

2.2%- the probability of this happening is 1 in 3, a long shot

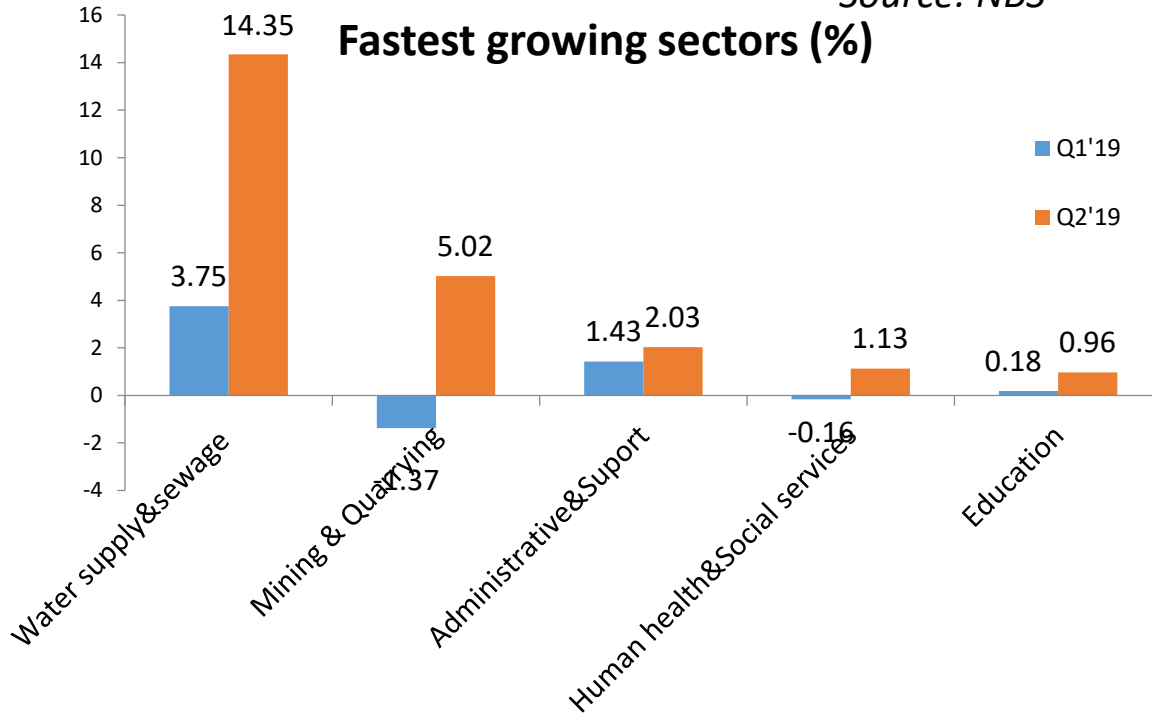


| | FBN PMI |
|-------|---------|
| April | 56.80 ↓ |
| May | 50.90 ↓ |
| June | 49.90 ↓ |

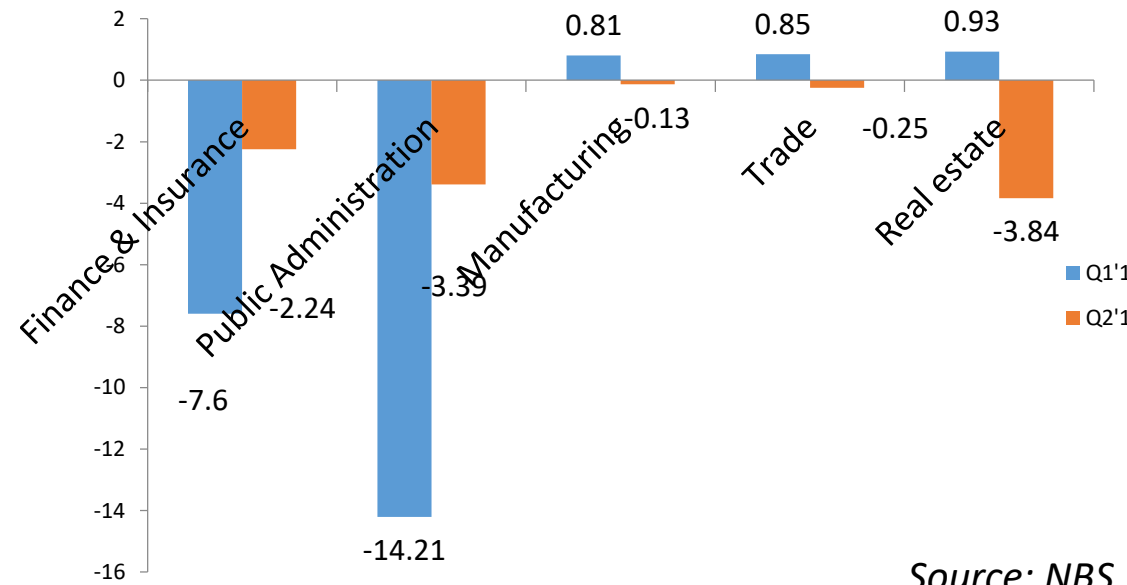
GDP: Sector Breakdown - Q2'19

Source: NBS

Fastest growing sectors (%)

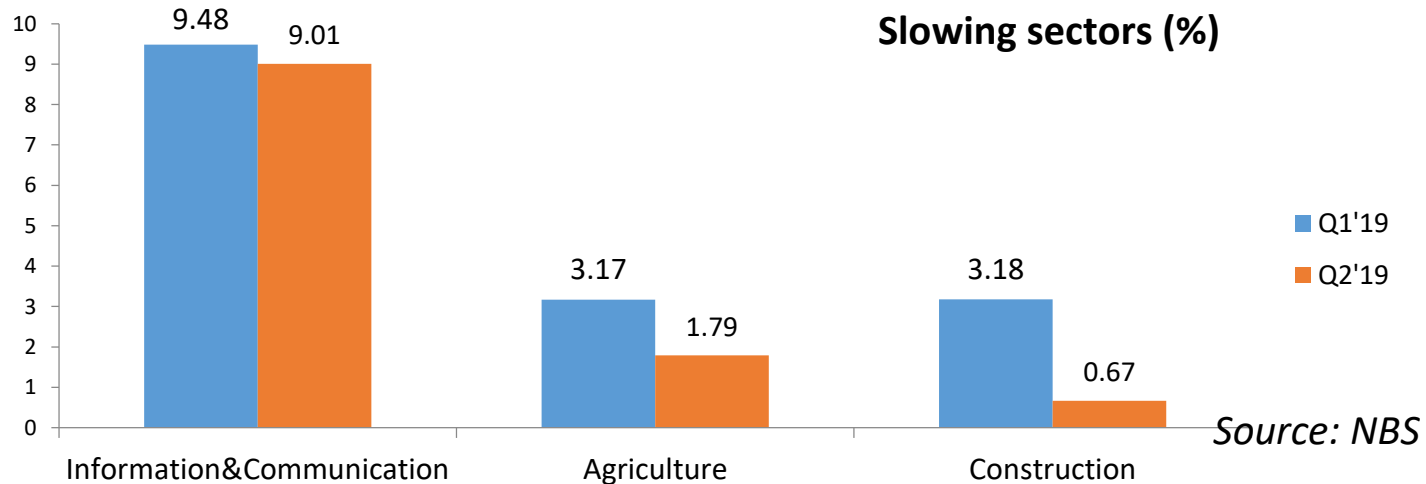


Contracting sectors (%)

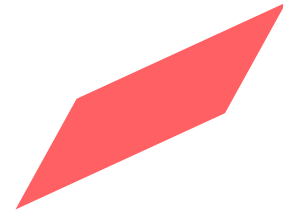


Source: NBS

Slowing sectors (%)



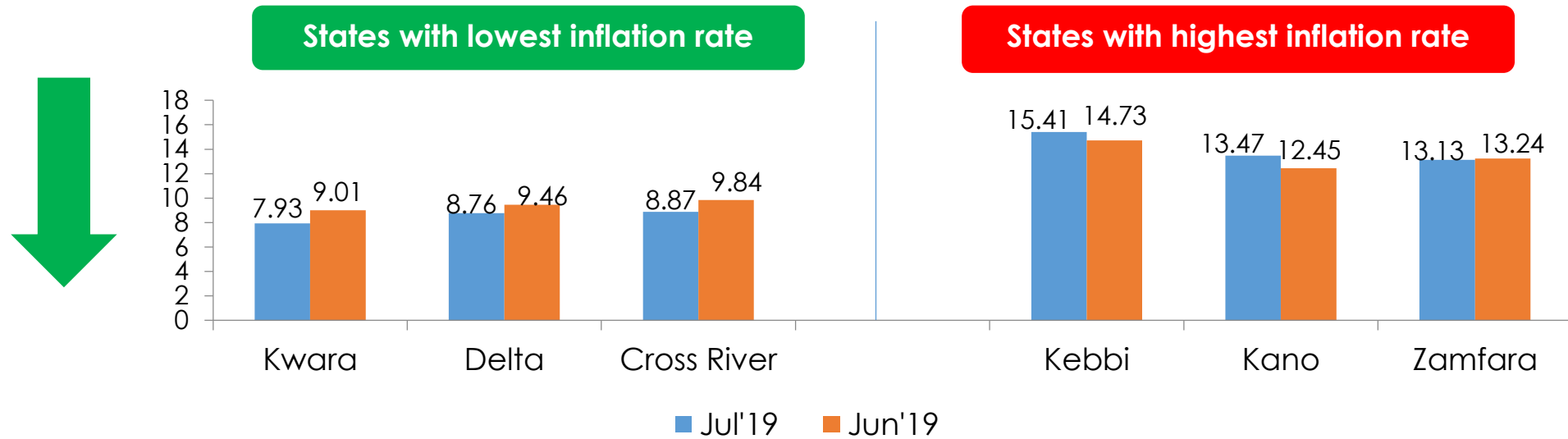
Source: NBS



State Inflation (Wide Variation btw States)

Source: NBS

State by State Analysis (%)



- ❑ Wide variation btw states with low (7.93%) and high (15.41%) inflation
- ❑ States with high inflation are mainly prone to internal violence
- ❑ Two low inflation states are in the Niger Delta & oil producers

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Global Recession



Are the Fears Overblown?

The World is already in Recession ~ Rana Foroohar

Is Nigeria Ready?

Then (2008)

□ The world is experiencing the longest expansion since 2008

□ In 2008, US and OECD interests were aligned

 □ US was able to lead and coordinate a global stimulus and fiscal plan

□ The Fed was empowered and focused

Now (2019)

- ❑ Today the situation is totally different
- ❑ The US is the trigger of trading and financial instability
- ❑ Manufacturing index is down in every major country except



India

- ❑ The US consumer is worried about stagnant wages
- ❑ Consumer confidence is down
- ❑ The inverted yield curve has preceded the last 7 recessions
- ❑ 10 year yields are lower than short term rates

Corporate Humour (C)



Money isn't everything, according to those who have it.
- *Malcolm Forbes*

Politicians are the hardest to cure of all insane people.
- *Robert E. Lee*

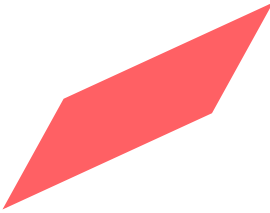


Now (2019)

- ❑ Interest rates are already too low, there is limited room to go lower
- ❑ The US & Germany may join Japan in negative yields
- ❑ You get less than principal in 10 year investments
- ❑ Global stock markets are in turmoil
 - ❑ Up today, down tomorrow
 - ❑ In the last 30 days, the Dow Jones has been up 16 days and down 14 days

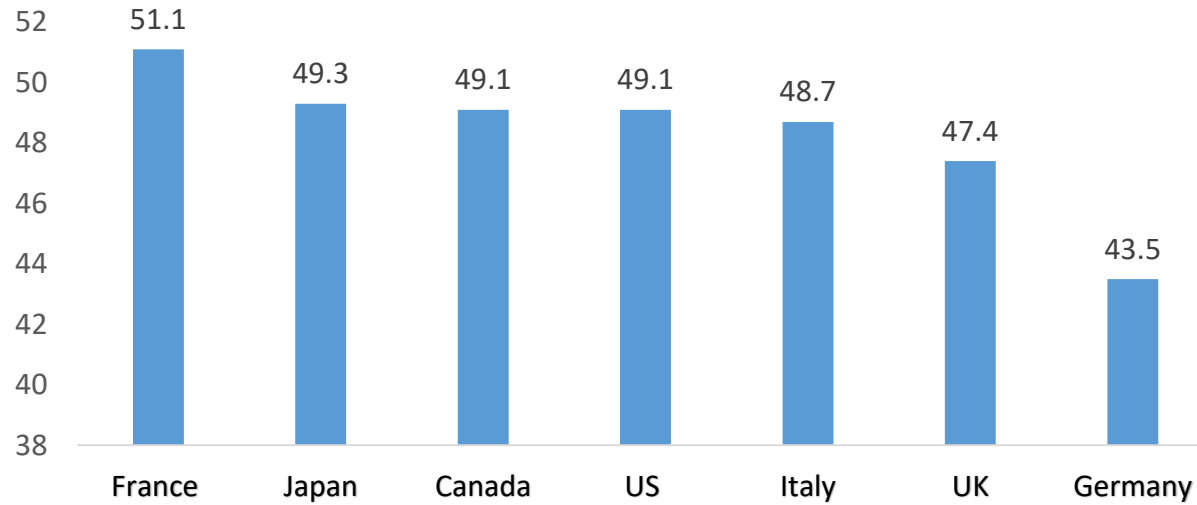


Now (2019)



Weak Purchasing Managers Indices

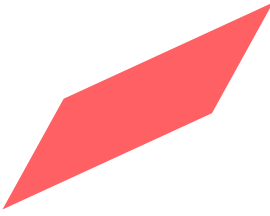
August PMI in G7



Corporate bankruptcies are up and lay offs are inching up

China is playing currency mind games

Recession Fears Exacerbated



- Key economies at the verge of a recession

| Countries | Q2 GDP Growth (%) | Q1 GDP Growth (%) |
|-----------|-------------------|-------------------|
| UK | -0.2 | 0.5 |
| Germany | -0.1 | 0.4 |
| Turkey | -1.5 | -2.4 |
| Singapore | -3.3 | 3.8 |



- US yield curve inverts – pointing to a possible global downturn
- US economic growth lower than expected – (Q2'19: 2.0%)
 - Down from 3.1% in Q1'19

Recession Fears Exacerbated

- ❑ US consumer confidence index fell slightly by 0.52% to 135.1 points in August
- ❑ Germany's business confidence index fell to 94.3 points in August from 95.8 in July
 - ❑ Lowest reading since November 2012
- ❑ China's renminbi down to an 11-year low (¥7.1487/\$)

Fed Under Attack from Trump

'The Federal Reserve acted far too quickly, and now is very, very late'

– President Trump (Aug 14)

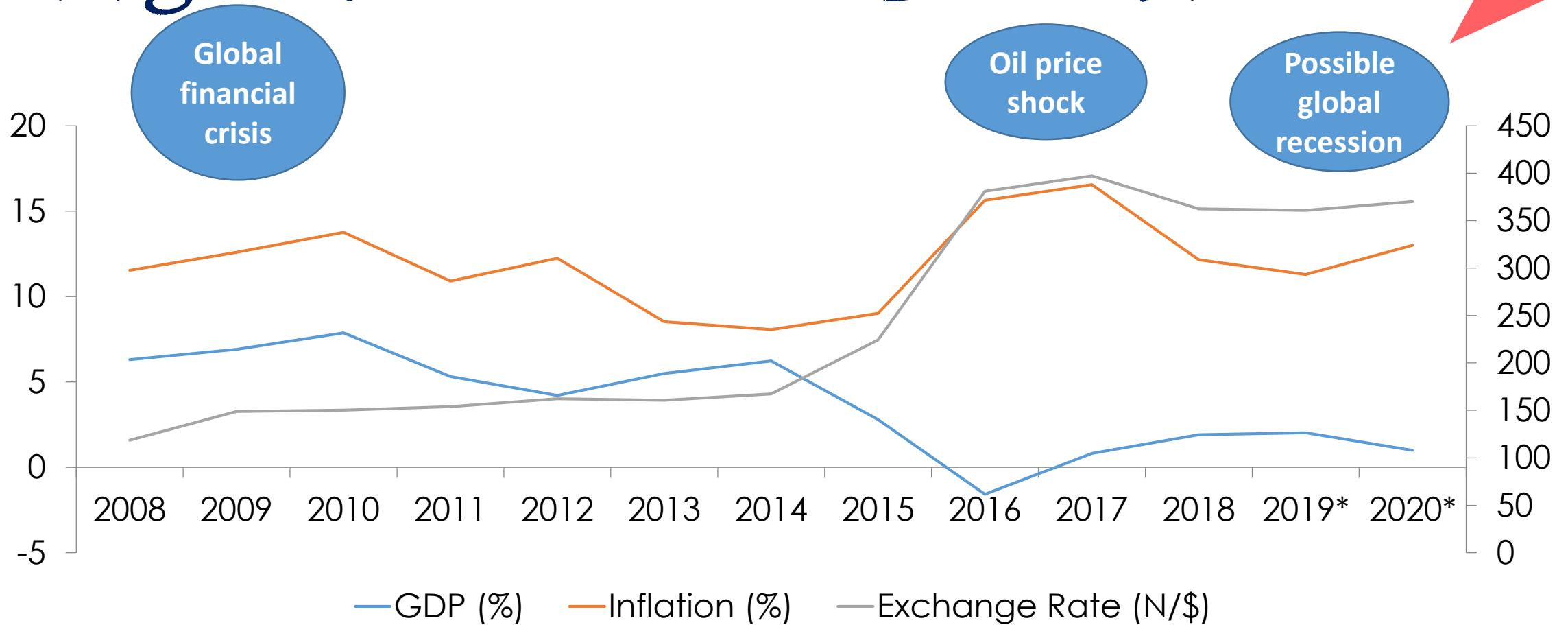
'My only question is, who is our bigger enemy, Jerome Powell or Chairman Xi?'

– President Trump (Aug 23)

Next meeting scheduled for September 17/18

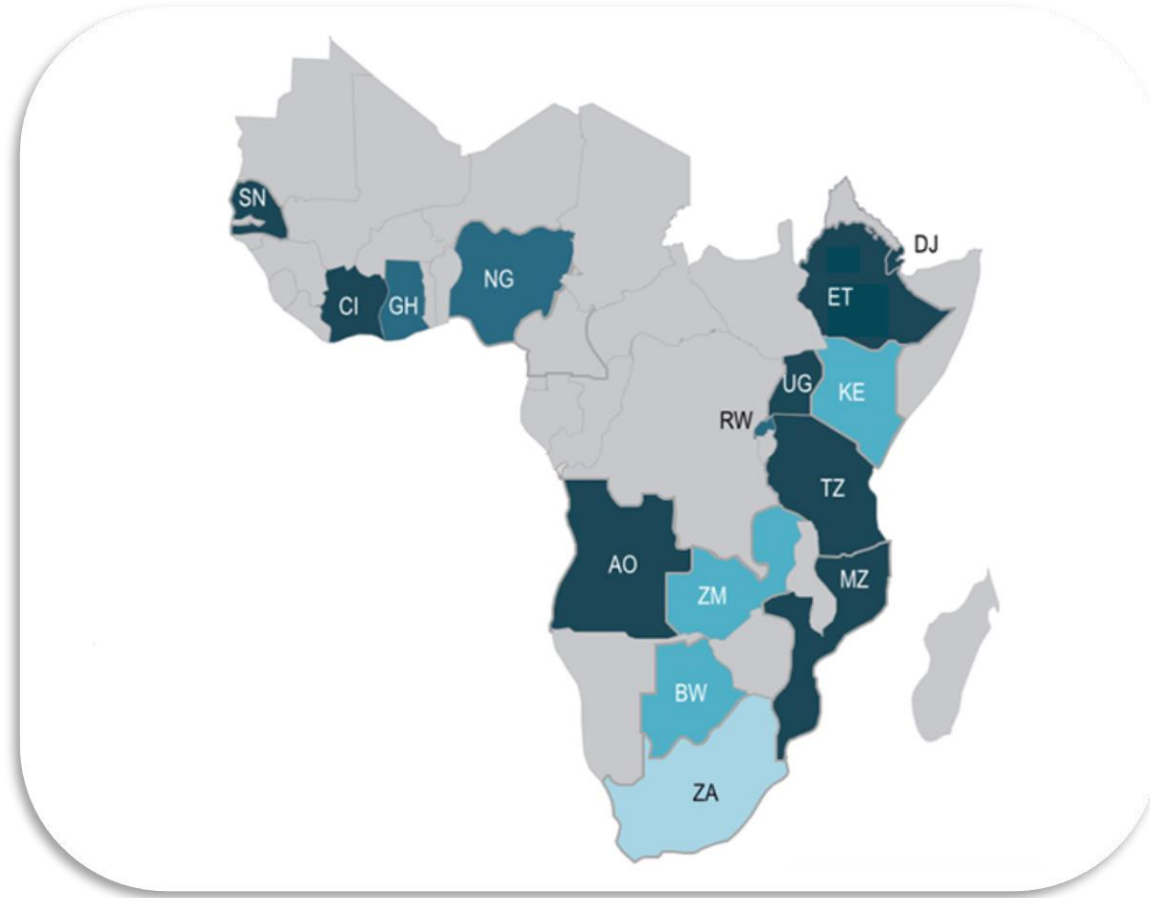
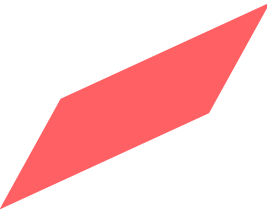
- Recession fears could put pressure on the Fed to cut rates further
- A 50bps interest rate cut now more probable
- Markets already expect a 25bps cut in September

Is Nigeria Immune from a Global Recession?



- Recession is cyclical
- Nigeria used to be insulated from global developments
- Now more integrated with the global markets – FPIs, FDIs and trade flows
- Making it more vulnerable to downturns

Sub Saharan Africa



South Africa and Nigeria ~ Tale of 2 Countries

- ❑ Xenophobia is the fall out of economic hardship
- ❑ Blame it on foreigners
- ❑ It happened in Nazi- Germany, Mussolini- Italy (fascism) etc
- ❑ Nigeria in the Ghana must go saga

Nigeria

- ❑ Slow and tepid growth
- ❑ Recessionary gap
- ❑ Inflation at 11.08%
- ❑ Power shortages: 3,872mwh/h
- ❑ Income per capita = \$2,154

South Africa

- ❑ Back from recession
- ❑ Diversified economy
- ❑ Income per capita: \$6,509.04

Corporate Humour (D)



The memory is like a crazy old woman who loads coloured rags and throws away food.
- *Austin O. Malley*

A friend said that in the next life she would like to come back as a porcupine. She does not like crowds.
- *Brian Andreas*



South African Companies & Investments in Nigeria



SHOPRITE



SOUTH AFRICAN AIRWAYS



Nigerian Investments in South Africa



Informal Traders

South Africa Vs Nigeria

South Africa

Nigeria

Growth

Economic growth expanded to 3.1% in Q2

Economy slowed to 1.94% in Q2

Economic structure

Diversified economy

Commodity dependent

AfCFTA

Major initial beneficiary

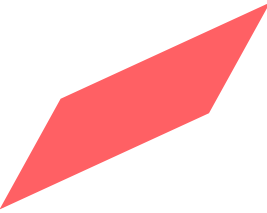
Delayed beneficiary



South Africa's GDP Beats Expectations

- ❑ Growth up to 3.1% in Q2 following contraction of 3.1% in Q1'19
 - ❑ Beating analysts' projection of 2.4%
 - ❑ Highest growth since Q4'17
- ❑ Recovery was driven by growth in mining and manufacturing sectors
- ❑ Sectors that contracted include:
 - ❑ Agriculture (-4.2%)
 - ❑ Construction (-1.6%)
 - ❑ Transport (-0.3%)

South Africa Seeks Budget Cut



- ❑ South Africa seeks budget cuts as debt climbs
 - ❑ Approaching rating agencies' red line of 60% of GDP
 - ❑ Reaching an uncomfortable level - **IMF says**
- ❑ After pledging additional bailouts (R59bn) to rescue its power utility
- ❑ Amid a sharp fall in revenue collection due to weak economic growth and poor administration
 - ❑ Tax collection in 2018/19: R1.29trn
 - ❑ 1.16% (R15bn) below target
 - ❑ GDP contracted by 3.2% in Q1'19



Ghana Shutdown 2nd-Tier Lenders

- ❑ Ghana cleans up its finance industry
- ❑ Revoked the licenses of 23 savings and loans companies
- ❑ Appoints a receiver to manage their affairs
- ❑ Risks losing 4000 jobs

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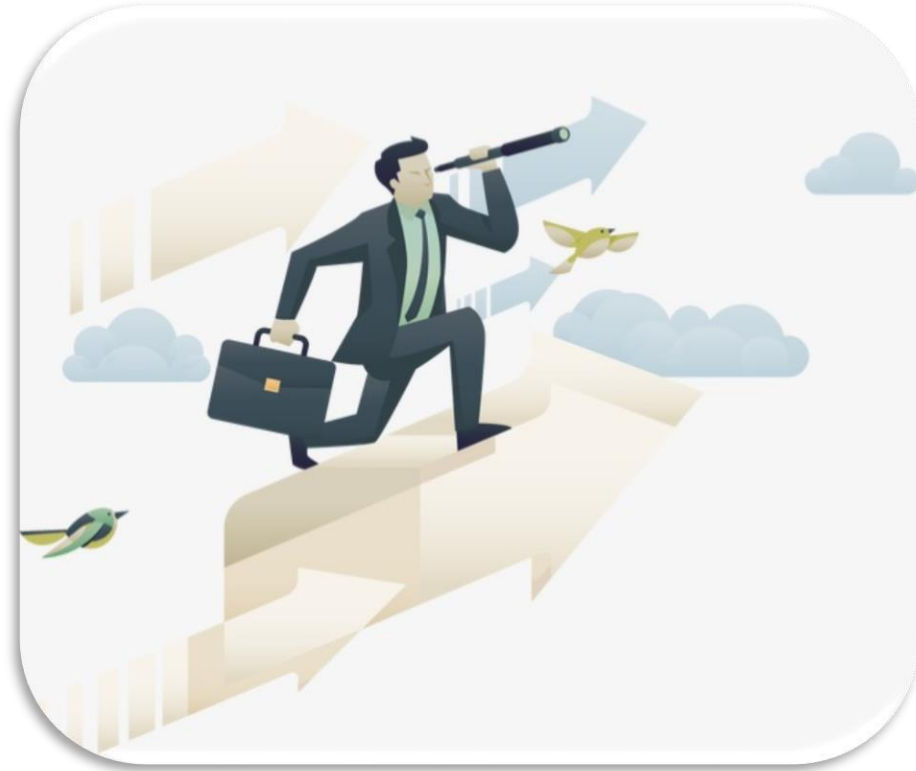


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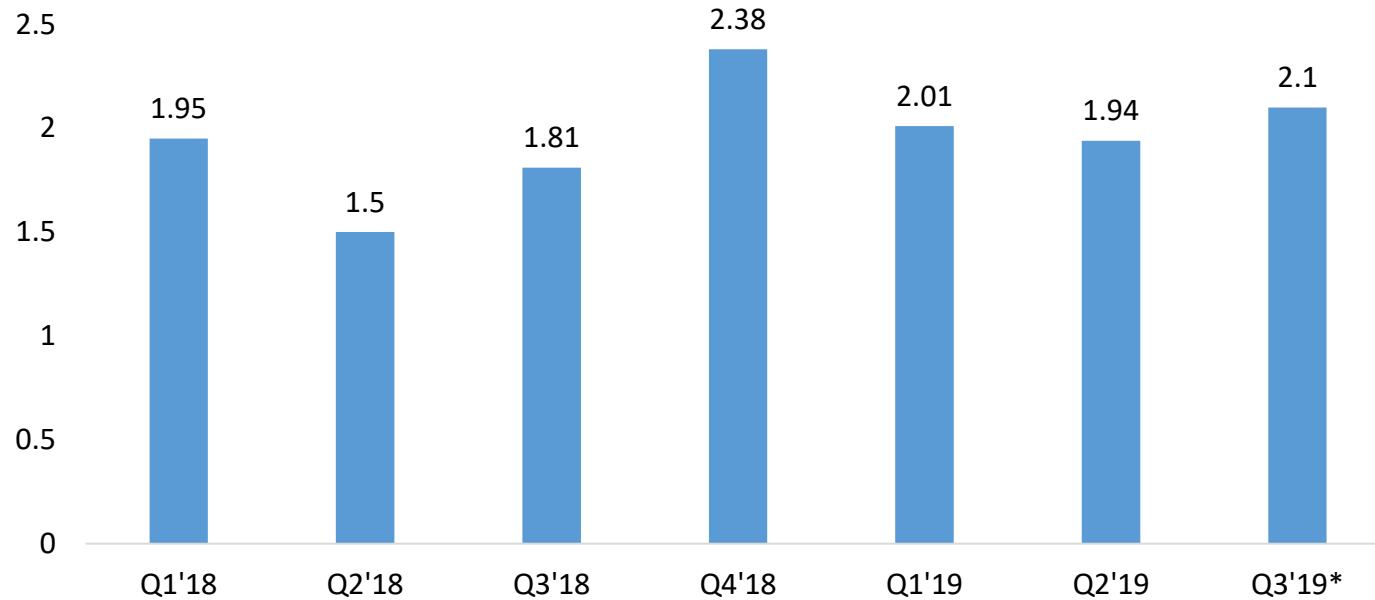
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Economic Outlook



Q3'19 GDP: Growth still Slow but Fragile



Source: NBS, FDC Think Tank

Q3'19 GDP growth projection to inch up to 2.10%

- ❑ Growth to remain lacklustre
- ❑ Expansion in PMI to positively affect growth in the manufacturing sector

Inflation Outlook

- ❑ Possible drivers of inflation include:
 - ❑ *Prohibition of food imports to forex access:* resulting in higher imported food inflation
 - ❑ *Consequential costs of minimum wage:* payment has commenced for workers in grade levels 1-4
 - ❑ Upward exchange rate adjustment for import duties (N326/\$)
 - ❑ Possible increase in fuel prices (Upward exchange rate adjustment for NNPC (N358/\$)
 - ❑ Closure of the road border (Seme border)

Impact of Food Imports Ban on Inflation

- ❑ Import prohibitions likely to result in spike in imported inflation
- ❑ Imported inflation currently at 16.39%
- ❑ Could spike to 17% after food imports ban
- ❑ Pushing headline inflation to 11.5-13% in Q4
- ❑ Factors that could taper inflation include:
 - ❑ Harvest season effect
 - ❑ Delay in implementing the 2019 budget

Corporate Humour (E)






Politics consists of choosing between
the disastrous and the unpalatable -
Unknown

There is nothing worse than a “now” look
with a “then” face
– *Dave Falk*



Nigeria's Current Unemployment Rate

| | Q3'18 | Q3'19* |
|-----------------------------|-------|--|
| Unemployment rate (%) | 23.1 | 25  |
| Underemployment rate (%) | 20.1 | 20.5  |
| Youth unemployment rate (%) | 29.72 | 30  |

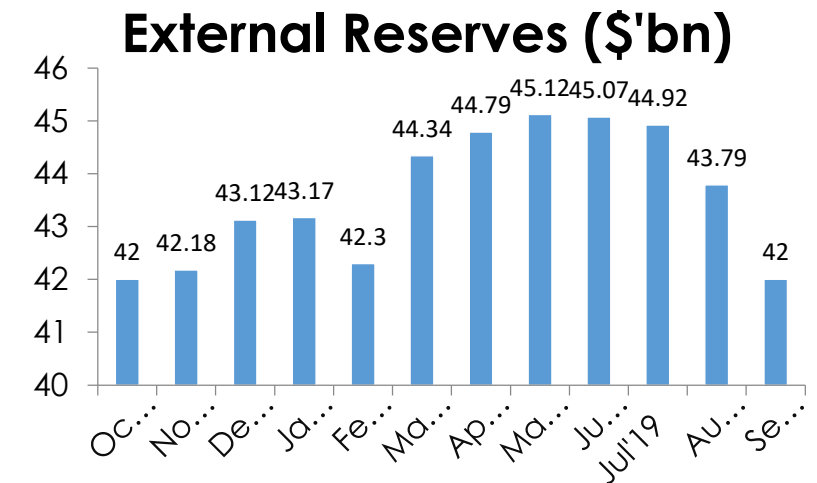
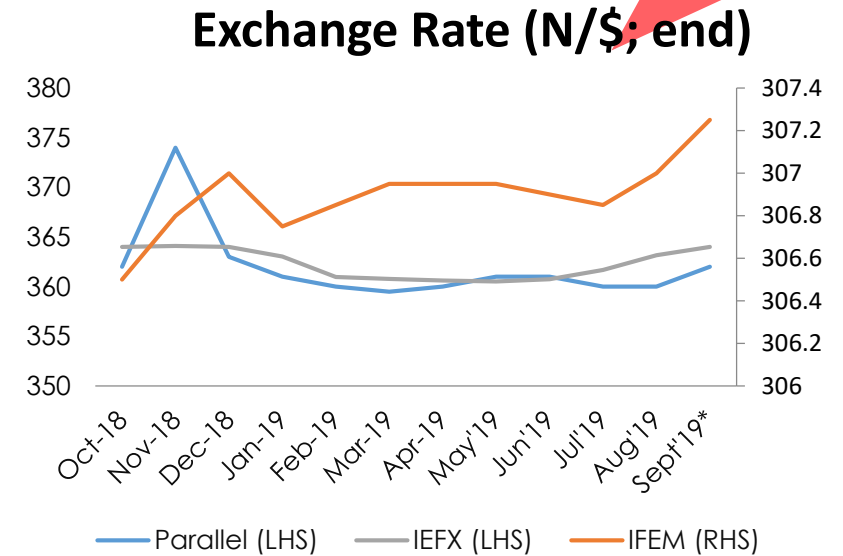
**FDC's forecast*



- No date in sight for the release of the next unemployment report
- Higher unemployment rate could translate to higher misery index
- A rise in misery index encourages criminal activities among the youth

Forex Market: External Reserves Slides, Naira Stable

- ❑ Gross external reserves projected to fall to \$42bn in Sept'19
 - ❑ Owing to lower oil prices
 - ❑ Increased activities at the IE window
- ❑ British commercial court imposes \$9bn fine against FGN (not unusual)
 - ❑ Accounts for 20.55% of reserves
 - ❑ Likely to depress external reserves further
- ❑ Naira projected to depreciate to N362-N363/\$

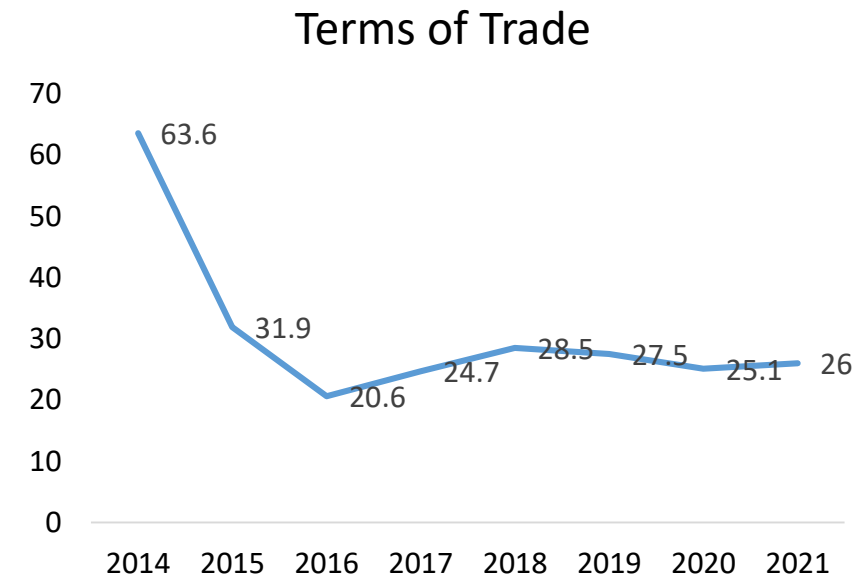


Terms of Trade

- ❑ Calculated as: $\text{Index of export prices} / \text{index of import prices} * 100$
- ❑ Projected to decline to 27.5 in 2019

Drivers:

- ❑ Rising import prices: 23.1% of Nigeria's imports from China; Yuan has fallen by 2.45% in 2019
- ❑ Falling export prices: Avg oil price in August is down 7.6% to \$59.53pb



Source: EIU

T/Bills Rates

| Tenor | Primary market rates July 31 st (%) | Primary market rates August 28 th (%) | Secondary market rates July 31 st (%) | Secondary market rates August 28 th (%) |
|---------|--|--|--|--|
| 91-day | 9.75 | 11.1 ↑ | 9.61 | 11.00 ↑ |
| 182-day | 10.60 | 11.59 ↑ | 10.62 | 13.17 ↑ |
| 364-day | 11.18 | 12.89 ↑ | 10.67 | 12.52 ↑ |

| | NITTY rates July 31 st (%) | NITTY rates August 27 th (%) |
|---------|---------------------------------------|---|
| 30- day | 9.66 | 13.89 ↑ |
| 90-day | 9.99 | 12.67 ↑ |
| 180-day | 11.16 | 14.28 ↑ |

Source: FMDQ, FDC Think Tank



T/Bills rates up across tenors at both the primary and secondary markets

- ❑ OMO maturities increased by 77.37% to N487.59bn in August from N274.90bn in July
- ❑ August: Net inflow of N395.27bn
- ❑ July: Net outflow of N200.1bn

- ❑ Despite the net inflow, opening position within the banking sector was negative for five consecutive days
 - ❑ CBN regulatory measures deadline of September 30

Corporate Humour (F)



Single (adjective) – A man who makes jokes about women in the kitchen - *Unknown*

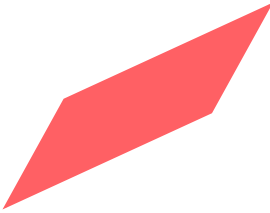
It's hard to lose weight when you have an over-active knife and fork - *Unknown*



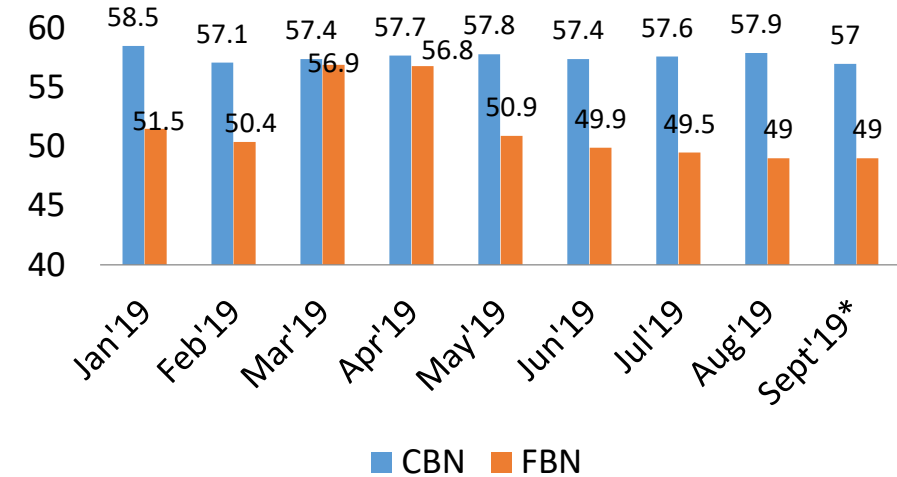
Market Proxies



PMI to Expand Further



| | July'19 | August'19 | September'19 Forecast |
|----------|---------|-----------|-----------------------|
| FBNQuest | 49.5 | 50.9 | 52 |



Source: CBN, FBNQuest



- PMI remains in the negative territory
- Out of the 5 sub-indices
 - 3 declined, 2 increased
- Expected to increase in subsequent months

FAAC Maxes Out

FAAC up 0.91% (N6.9bn) to N769.52 billion

Driven by:

Higher gross statutory revenue



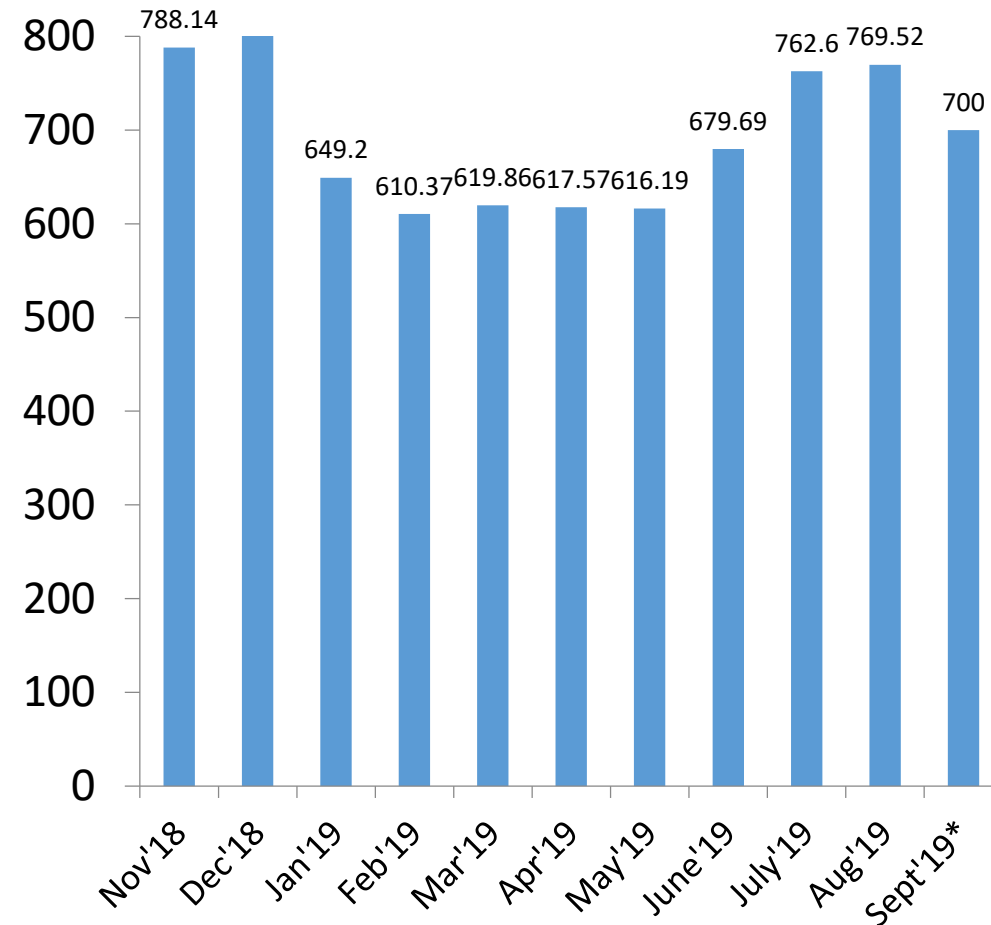
Excess crude account now at \$274.41 million

Projected to decline in subsequent months

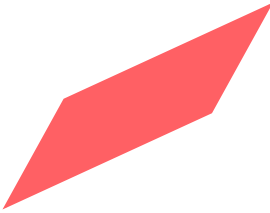
Lower oil revenue

FGN sets up committee to recover the N614bn bailout funds given to states

FAAC (N'bn)



Average Power Output below the 4,000MW Threshold



4998MW

Peak Energy Generated



3526MWH/H

Average Energy Generated

631.9MMSCF/D



Average Gas Delivered to Plants



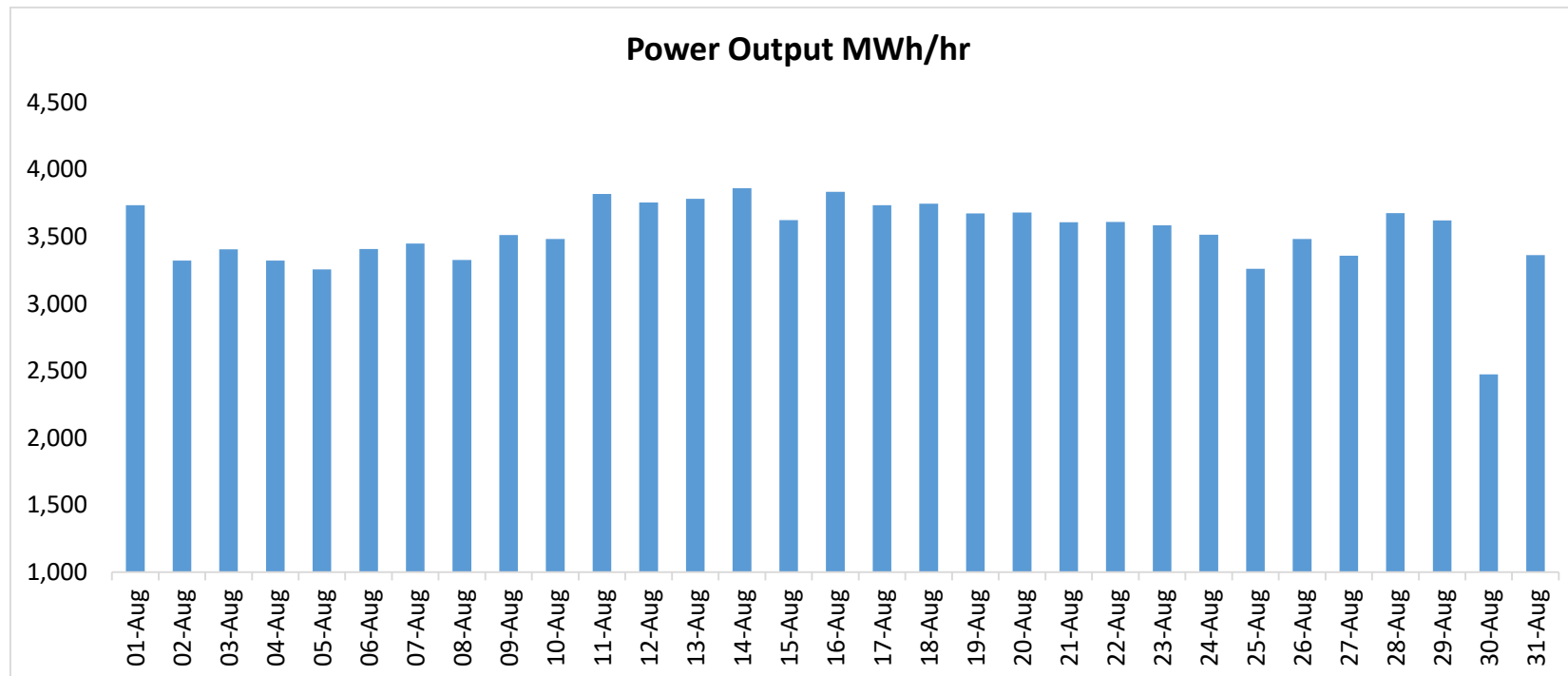
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Total Grid Collapses



4020MW

Average constrained energy



Source: Lavayo Advisors



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Power Sector News

- ❑ Government approves 5 electricity tariff reviews as customers groan
- ❑ Buhari signs N600bn intervention fund for power sector
- ❑ Banks suffer: N100bn bad loans in power sector
- ❑ MAP, SIEMENS pact- positive interventions in power sector
- ❑ Senate backs sale of FG's 40% stakes in Discos



Source: Lavayo Advisors

Policy Update



Hard Road to Travel and Rough, Rough Way to Go

Cabinet Inaugurated - Impact on Policy

- ❑ Alignment between monetary and fiscal teams
- ❑ More forex restrictions & economic patriotism
- ❑ FGN will not raise new Eurobonds in 2019- Finance Minister
- ❑ Emphasis on infrastructure investment

What Next?

- Execution of budget 2019
- Full implementation of new minimum wage
- Further guidelines and clarification on forex restrictions
- Preparation of budget 2020
- MPC in September: status quo
- Nigeria will attend World Bank meetings and lay out the new MTEF



Before the Next MPC Meeting

- Key data points & meetings
 - **Q2 GDP** declines
 - **August inflation**: will headline inflation reverse its downward trend?
 - **US Fed meeting**: anticipating another US Fed rate cut

Corporate Humour (G)

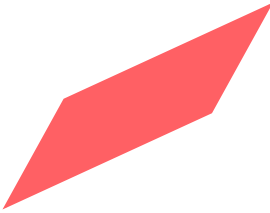


What's my favourite childhood
memory? Not paying bills
- *Unknown*

Nothing makes a man so
adventurous as an empty pocket
- *Victor Hugo*



MPC Meeting - Considerations



MPC's penultimate meeting of 2019 scheduled for Sep 23/24

Risks to inflation from restricted forex for food importers, consequential costs of new minimum wage



Naira depreciation at the IEFX window (down 0.34% to N362.93/\$)

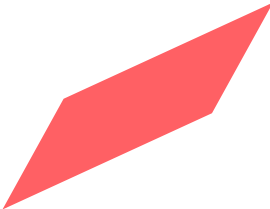
Depleting external reserves; now below \$45bn (\$43.61bn)

Slowdown in Q2 GDP driven by lull in PMI

Cut in interest rates of other global Central Banks



What will the MPC Do?



45%

Hold rates

Rationale: to observe market fundamentals

Impact: market remains relatively unperturbed

10%

Tighten

Rationale: not optimal

Impact: likely to put pressure on growth prospects

45%

Loosen

Rationale: not optimal

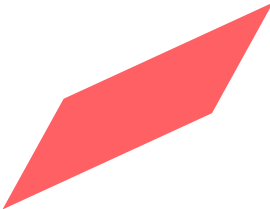
Impact: likely to stoke inflationary pressures





Stock Market Review

Nigerian Stock Market in August



- Market cap ↓ 0.86% to N13.39trn
- NSE ASI ↓ 0.69% to 27,525.81
- 9 days positive, 11 days negative
- Average volume traded ↑ 28% to 262,701,985

- Negative market breadth of 0.38x
- 23 stocks gained
- 82 stocks remained neutral
- 61 stocks lost

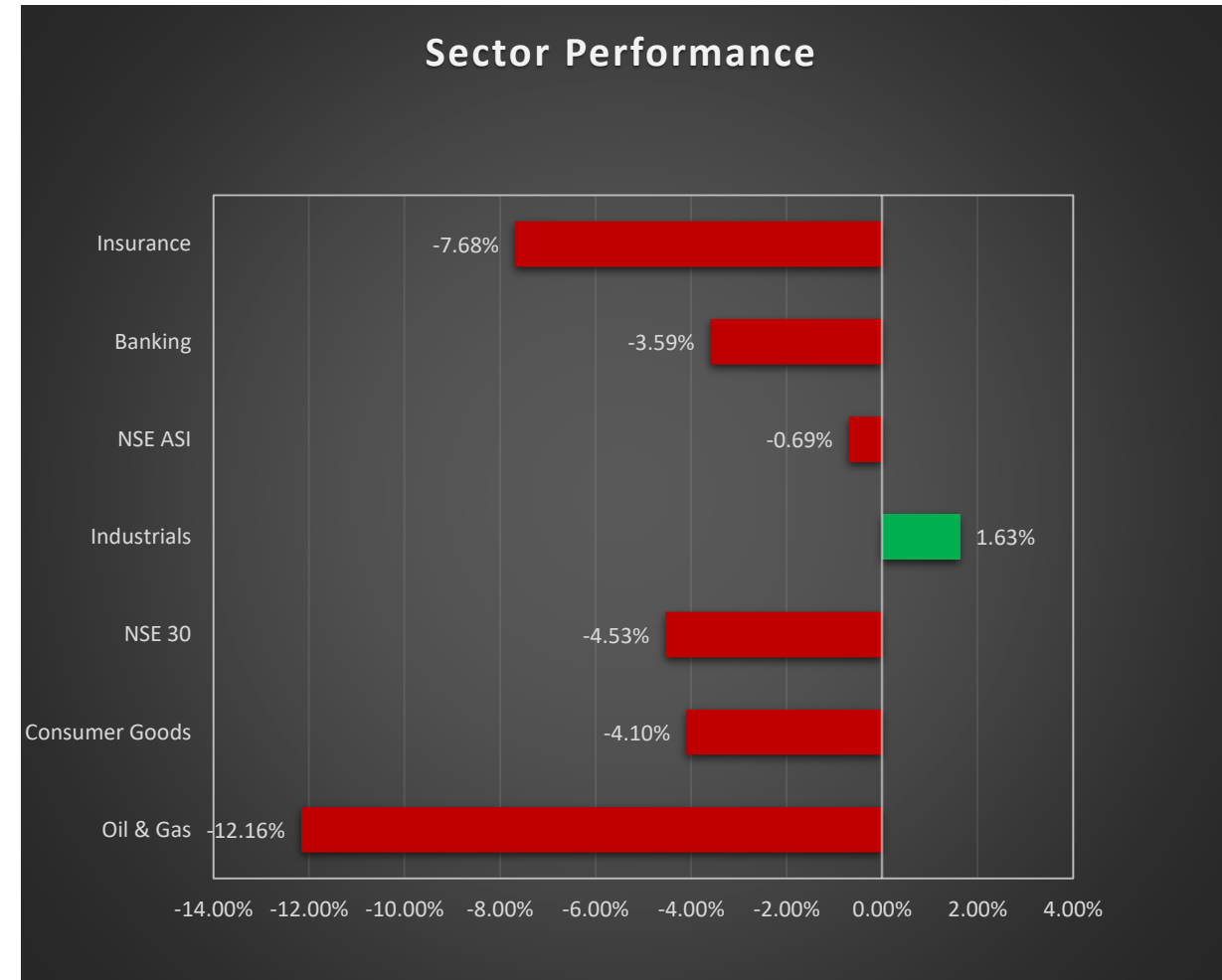


Peer Comparison

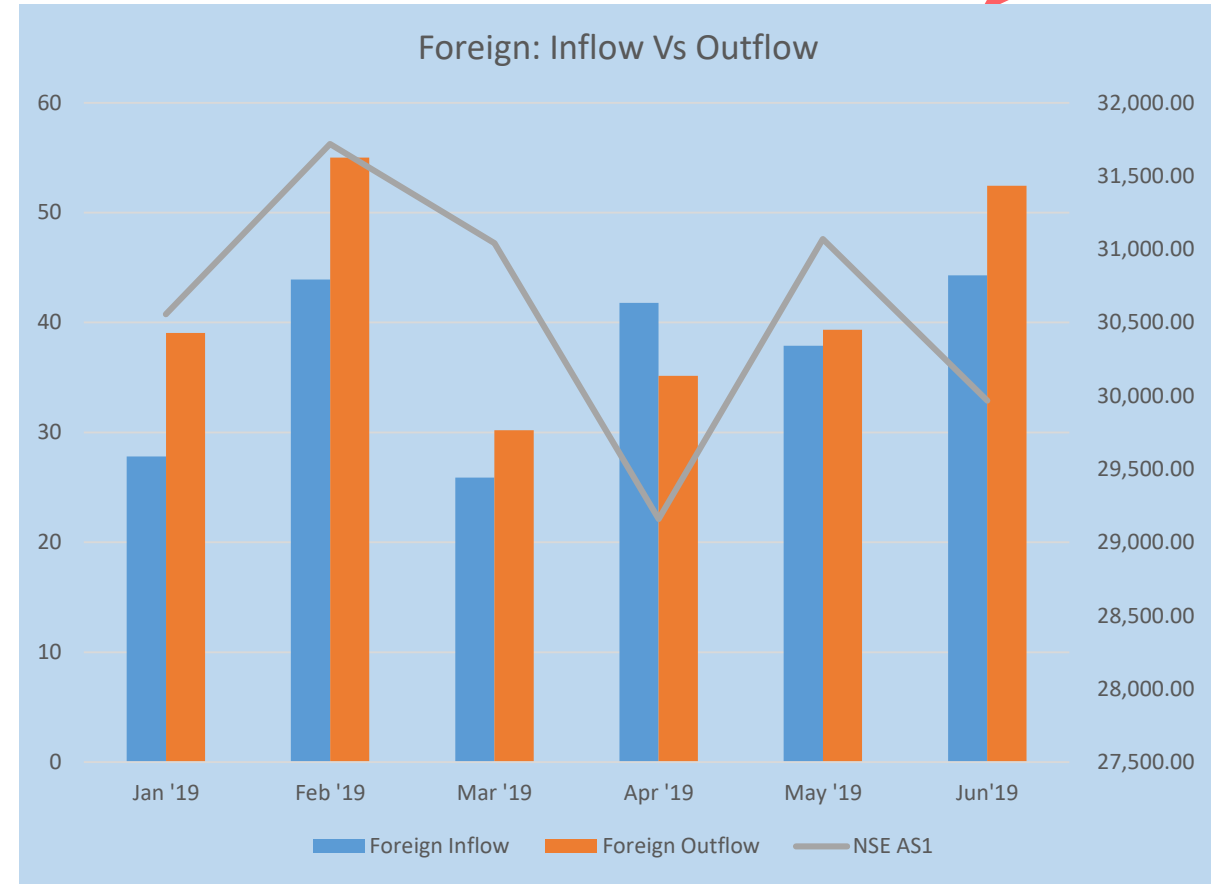
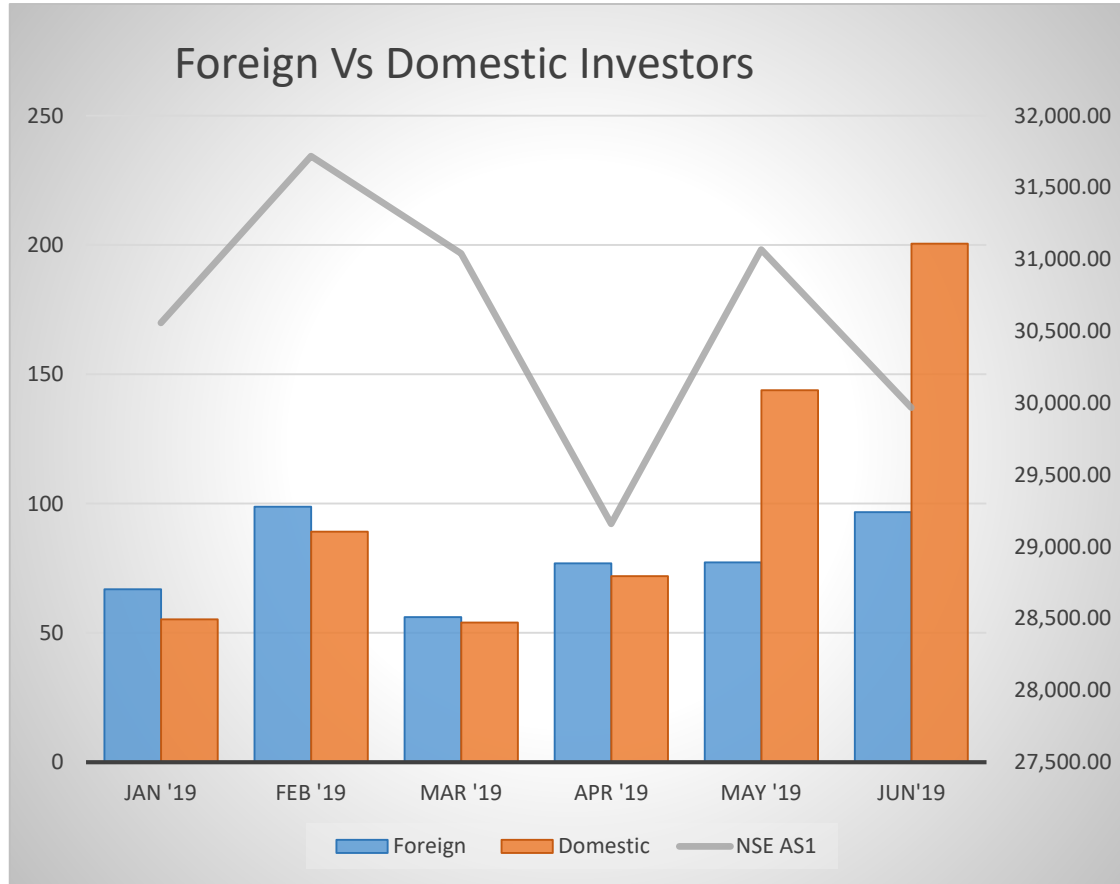
| Exchange | YTD Return | Driver |
|----------|------------|---|
| NSE ASI | ↓ 0.69% | <ul style="list-style-type: none"> • Tepid investor confidence • Slow economic growth |
| JSE ASI | ↓ 4.4% | <ul style="list-style-type: none"> • Continued trade hostilities • Net outflow from international investors • Economic uncertainties |
| GSE ASI | ↓ 1.6% | <ul style="list-style-type: none"> • Increase in FPI outflows • Negative sentiment driven by lingering banking concerns |

Sub-Index Performance in August

- ❑ All sectors closed negative except the banking sector
 - ❑ Due to positive reaction to earnings released by UBA, GTB and Zenith
- ❑ Oil & Gas recorded worst performance
 - ❑ Due to unimpressive earnings released by players



International Vs Domestic Investors



- ❑ MTN Listing drove market capitalization in May and spurred domestic participation
- ❑ International outflow peaked in the month of election (February)

Domestic Retail Vs Domestic Institutional Investors

□ Significant decline in transactions executed by domestic institutional investors driven by

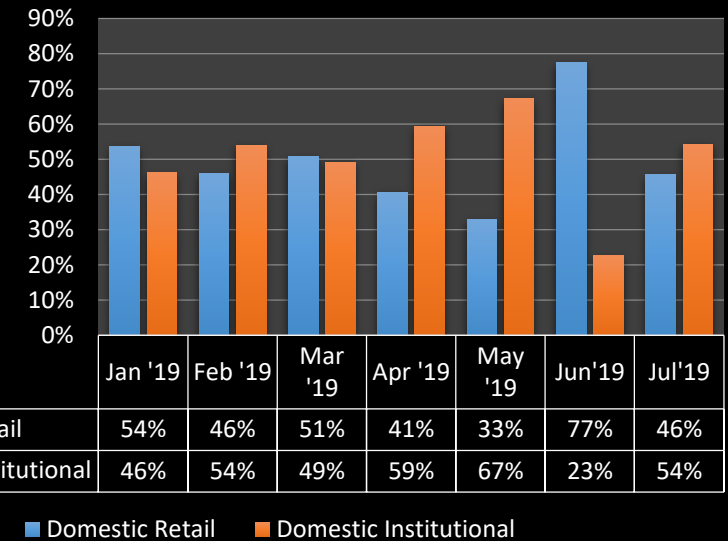
□ Withdrawal from RSA by individuals due to increase in unemployment

□ Private sector made up 95.4% of withdrawals of 25% of RSA balances in Q1'19

□ Nationals opted out of contributory pension scheme



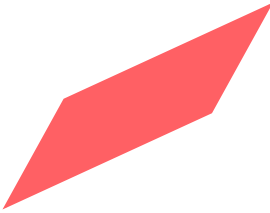
Retail Vs Institutional Investors



Corporate Actions

- ❑ Two companies delisted from the NSE
- ❑ NSE launched investors relations data pack
 - ❑ To enhance issuers' stakeholders engagement
- ❑ Listing of FGN Sukuk and Savings bonds
- ❑ Continuous intervention from authorities can demote Nigeria to be a stand-alone market on the MSCI index market
- ❑ H1 '2019 earnings result
 - ❑ Underwhelming performance – especially downstream oil and gas
 - ❑ Interim dividend declaration

Corporate Humour (H)



Running is an unnatural act, except
from enemies and to the toilet -
Unknown

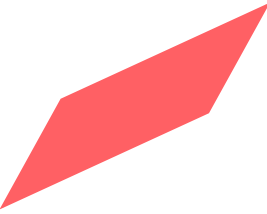
Voters want a fraud they can
believe in – *Will Durst*



Corporate Actions

- MTN Nigeria included on the MSCI frontier market small cap index
 - Result in share price increase – as funds benchmarked against it seek to include MTN in their portfolios
 - Positive for the Nigerian stock market as MTN is the 2nd most capitalized stock on the NSE
- Resumption of VAT charges on capital market transactions
 - The effectiveness of the exception order is in question
 - As average daily value traded declined to N3.99bn from N5.01bn in 2014
 - The likely impacts on the capital market include:
 - Retail & institutional investors bare the brunt of the increased charges
 - Possible redirection of investments from capital market to money market instruments

Outlook for September



- ❑ Apex banks around the world adopting expansionary policies to stimulate growth
- ❑ Investors faced with investment dilemma
 - ❑ Due to positive correlation between yields and equity market
- ❑ Sustained weak investor sentiment
- ❑ ECM investors to prefer stocks with
 - ❑ Strong fundamentals
 - ❑ Competitive dividend yields



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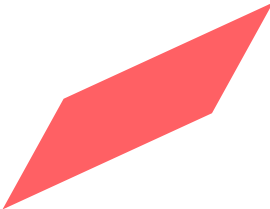
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Corporate Earnings

Banking Industry - H1'19



| | GTB | Zenith | Stanbic IBTC |
|------------------|--------------------|--------------------|---------------------|
| Gross Earnings | ↓ 2.1% to N221.9bn | ↑ 2.9% to N331.6bn | ↑ 2.8% to N117.37bn |
| Interest Income | ↓ 8% to N149bn | ↓ 6.2% to N214.6bn | ↑ 1.4% to N60.8bn |
| Profit After Tax | ↑ 3.7% to N99.1bn | ↑ 8.7% to N88.9bn | ↓ 15.9% to N36.24bn |
| Impairment | ↑ 7.9% to N2.19bn | ↑ 41% to N13.7bn | ↓ 90% to N557mn |
| EPS | ↑ 3.5% to N3.5 | ↑ 7.7% to N2.83 | ↓ 17.8% to N3.42 |
| Dividend Yield | 10.42% | 16.09% | 7.14% |
| P/E Ratio | 4.13x | 2.72x | 5.3x |
| YTD Change | -23.37% | -24.51% | 27.01% |

- ❑ Mixed earnings result
 - ❑ Waning attractiveness of the banking industry
 - ❑ High regulatory risk
- ❑ Increasing financial disintermediation
- ❑ Expanding sources of revenue a significant determinant for future performance

Oil & Gas Industry - H1'19

| | TOTAL | Oando | Forte Oil | 11PLC (Mobil) | Seplat |
|----------------|-------------------|--------------------|-------------------|-------------------|-------------------|
| Revenue | ↓ 3% to N150.8bn | ↑ 6.1% to N315.4bn | ↑ 34% to N82.8bn | ↑ 8% to N92.80bn | ↑ 4% to N109bn |
| PAT | ↓ 98% to N130mn | ↓ 5.7% to N7.2bn | ↑ 387% to N5.4bn | ↓ 23% to N4.17bn | ↑ 153% to N37.5bn |
| Free cash flow | ↓ 68% to -N11.8bn | ↓ 92.5% N1.3bn | ↑ 701% to N13.2bn | ↑ 43% to N11.06bn | ↑ 4% to N77.7mn |
| PE | 14.86x | 1.70x | 1.50x | 7.07x | 4.27x |
| DY | 16.07% | 26.67% | 29.97% | 5.06% | 6.25% |
| YTD Change | -47.88% | -25.00% | -46.52% | -14.82% | -23.44% |



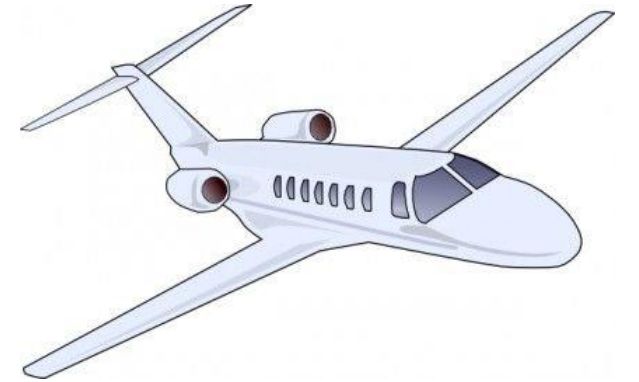
- Most players in the downstream reported decline in PAT
- Margins are contracting and profitability thinning
- Local players trading at a discount to global players
- Downstream in dire need of deregulation
- Most players are divesting into gas



Aviation Update

Aviation Update - IATA

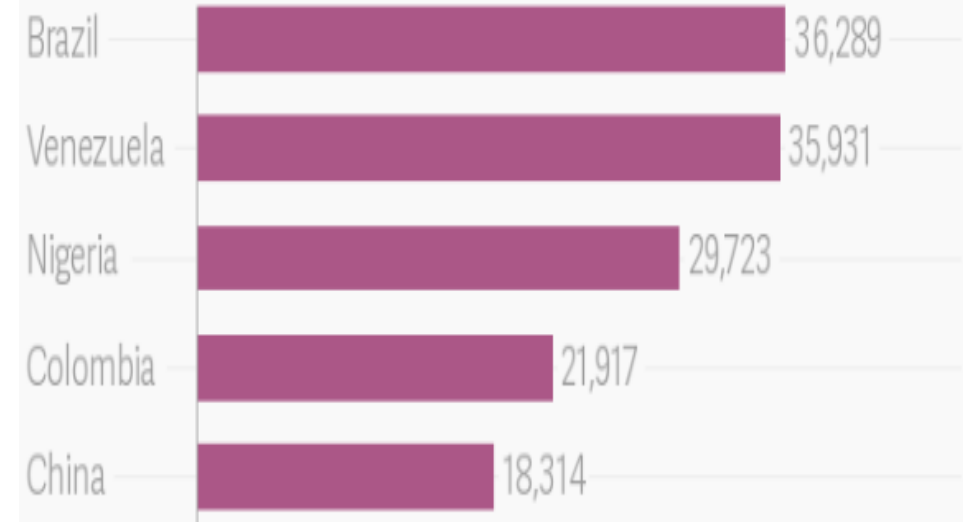
- Global airline share prices up 1.1% in July
 - Led by North American airlines
- Brent oil and jet fuel prices declined further in July
- Passenger yields appear to be stabilizing
- Air passenger demand improves while freight volumes soften



Aviation Update ~ Visa Restriction Effect

- ❑ High Nigerian visa overstay rates in the US have resulted in:
 - ❑ Suspension of drop box process for visa renewals
 - ❑ Overbooked visa appointments
 - ❑ Delays in visa decisions by the US consulate
- ❑ Effect on passenger traffic and load factor:
 - ❑ 25% downturn in US traffic

US visa overstays for non-immigrants, full year 2018



ATLAS

| Data: US department of homeland security.

Corporate Humour (I)

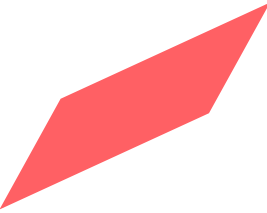


Never get into fights with ugly people, because they have nothing to lose - *Unknown*

Familiarity breeds children
– *Mark Twain*

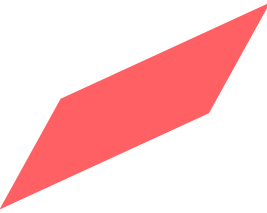


Aviation Update ~ International



- ❑ Strong summer sales to Europe across board
- ❑ **Delta Airlines** direct flight to the US remains a monopoly:
 - ❑ 3 flights per week to JFK (New York)
 - ❑ 4 to Atlanta
 - ❑ Plans to add 3 extra flights to ATL during the festive season
- ❑ **British Airways:** discounting premium fares
 - ❑ British Airline Pilots' Association gives notice of impending strike on September 9, 10 and 27

Aviation Update ~ Regional



- ❑ **Emirates** now the preferred carrier to the UK & US
- ❑ **South African Airways:** low load factor driven by insecurity challenges (xenophobia)
 - ❑ Increased business visa to SA and reduced tourist visa
- ❑ Other regional carriers and their frequency out of Nigeria:
 - ❑ **Etihad:** daily
 - ❑ **Qatar:** daily



Aviation Update ~ Domestic

Med-view: removed from the trading list on the NSE

IOSA certified airlines:

Arik

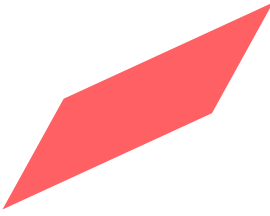
Aero

Airpeace

Bristow: only 2 routes (Lag- Abj & Lag-PH)

Air Peace: incident of collapsed landing gear

Aviation Outlook



- ❑ *September*: stable naira, available dollars
- ❑ *October – December*:
 - ❑ Delays on airline remittances
 - ❑ Could result in a depreciation of the naira



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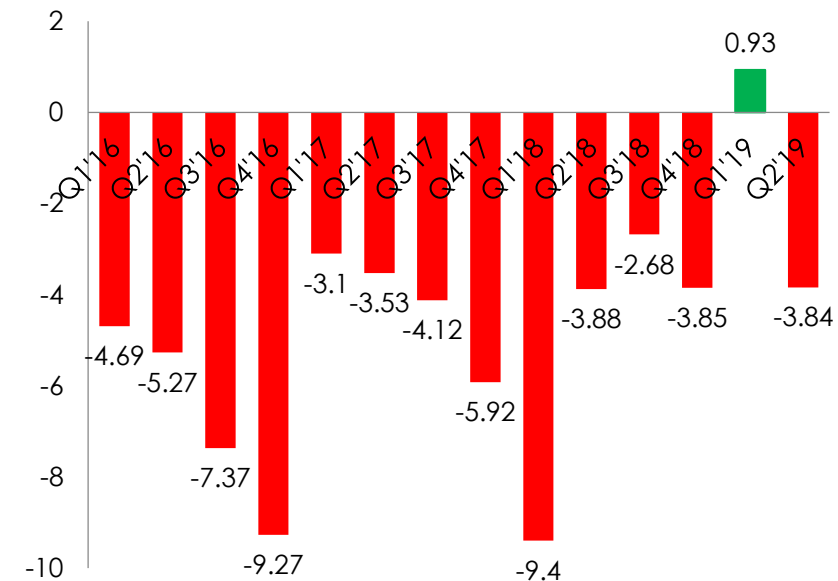
Real Estate Update

Real Estate Back in Contraction Region

- ❑ Sector growth slides back to -3.84% from 0.93%
- ❑ In line with increased vacancy factor recorded in Lagos
- ❑ Activities within the sector declined post-election
- ❑ Increased government spending needed as a stimulus



Real Estate Growth Rate (%)



Source: NBS

Property Trends-Retail & Industrial



Increased demand for entertainment and leisure features in malls

Car park payments now a major source of income for mall owners

Relocation of manufacturers to more business friendly states- Ogun, Oyo

In response to tax incentives and ease of doing business

Increased development of commercially available warehouses

In response to demand from the manufacturing, oil & gas and technology industries

Outlook

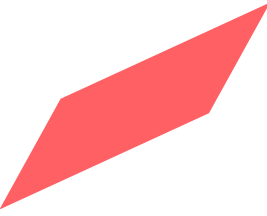
- ❑ Vacancy factor to increase in subsequent quarters:
 - ❑ Dwindling disposable income
 - ❑ High rents
- ❑ Could increase from 26% in Q2'19 to 28% in Q3'19





Political Update

Cabinet Inaugurated – No surprises



- ❑ Buhari keeps petroleum ministry for himself
- ❑ Some of the new ministers are APC stalwarts
- ❑ Appear to have been rewarded for their roles in the February election
- ❑ Others are strategic appointments to key ministries
- ❑ In a bid to solidify the party's base in some parts of the country ahead of 2023

Team Structure

Fiscal Team

- ✓ Budget, national planning & finance: Zainab Ahmed
- ✓ Trade, investment & industry: Niyi Adebayo
- ✓ Petroleum: Muhammadu Buhari

Infrastructure Team

- ✓ Transport: Rotimi Amaechi
- ✓ Works & Housing: Babatunde Fashola
- ✓ Power: Sale Mamman
- ✓ Niger Delta: Godswill Akpabio

Controls Team

- ✓ Attorney General: Abubakar Malami
- ✓ Interior: Rauf Aregbesola
- ✓ Defence: Gen. Bashir Magashi (rtd)
- ✓ Police Affairs: Mohammed Maigari Dangyadi

Services Team

- ✓ Health: Dr. Osagie Ehanire
- ✓ Education: Adamu Adamu
- ✓ Aviation: Hadi Sirika
- ✓ Environment: Dr. Mohammad Mahmoud

Corporate Humour (J)



If I die I forgive you; If I live, we'll
see
- *Spanish Proverb*

From birth to 18 a girl needs good parents
From 18 to 35, she needs good looks
From 35 to 55, she needs a good personality
And from 55 on she needs cash
- Sophie Tucker



Assessment of Capacity & Competence

- ❑ Fiscal team would appear to be less prepared than predecessors
- ❑ Infrastructure requirements growing as Buhari's legacy mode kicks in
- ❑ Aviation now a full ministry – decoupled from Transportation
- ❑ Controls and enforcement team must tackle rising insecurity and be intelligence driven



Assessment of Capacity & Competence

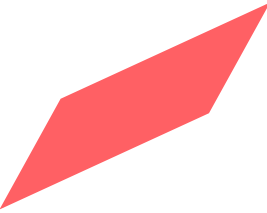


- ❑ President given more than proportionate power to the Chief of Staff
- ❑ Span of control of COS and SGF too wide and creating bottlenecks
- ❑ Ministers appear eager to make impact but constrained by budget
- ❑ President has maintained his aloof posture

Political Update

- ❑ Bayelsa elections crucial for the 2 leading parties
- ❑ PDP wants to maintain its dominance in the South-South
- ❑ APC wants to capture the oil-rich state
- ❑ Seeking to gain a foothold in the region with an eye on 2023
- ❑ Timipre Sylva out of race – due to ministerial appointment
- ❑ Squabble in the PDP as the incumbent, Dickson, accused of wanting to hand-pick his successor
- ❑ After primaries, disgruntled aspirants in the PDP could form an alliance with the APC

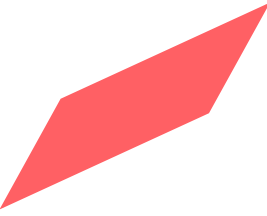
Political Update - Kogi Guber



- ❑ Dino Melaye's election to the senate nullified
- ❑ Fresh elections to be conducted
- ❑ He is also a front runner for PDP guber ticket in INSERT STATE NAME State
- ❑ Will be up against bitter rival and incumbent governor, Yahaya Bello, if he emerges the PDP candidate
- ❑ He is also being prosecuted for allegedly attempting to commit suicide while being taken to Kogi by the police

Political Update - P&ID Judgment

- ❑ Nigeria reacts legally and emotionally to P&ID judgment
- ❑ Arrests signatories to the contract
- ❑ Claims no negligence in allowing liabilities to crystallize
- ❑ P&ID blames the AG for dereliction and procrastination
- ❑ The liability is needed as much as a bullet in the head
- ❑ It could erode the reserves and trigger a run
- ❑ Reserves are still robust
- ❑ Chances of P&ID winning an appeal are very slim
- ❑ But could be highly disruptive in the short run





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Overview

To gain a competitive advantage in today's talent-driven economy, organisations must build a sustainable talent pipeline. They need to develop their early-career high potential talent into tomorrow's leaders.

| | | |
|-------|--|---------|
| LAGOS | April 23 - June 14, 2019 August 5 - October 11 2019 | 995,000 |
|-------|--|---------|

OWNER-MANAGER PROGRAMME

Overview

The Owner-Manager Programme (OMP) is designed for owners/managing directors of small and medium scale organisations

6 MONTHS
5 DAYS PER MONTH
₦2,500,000

| | | |
|-------|---|-----------|
| LAGOS | March 4 - August 9, 2019 Sept. 2, 2019 - Feb. 14, 2020 | 2,500,000 |
|-------|---|-----------|

6 MONTHS
5 DAYS PER MONTH
LAGOS: ₦2,550,000
ABUJA: ₦2,675,000

SENIOR MANAGEMENT PROGRAMME

Overview

The Senior Management Programme is designed to help senior executives build personal skills that will help them contribute significantly to their organisations.

| | | |
|-------|---|-----------|
| LAGOS | MARCH 11 - AUGUST 23, 2019 JULY 1 - December 6, 2019 September 16, 2019 - February 21, 2020 | 2,550,000 |
| ABUJA | May 27 - September 26, 2020 | 2,675,000 |

AGRIBUSINESS MANAGEMENT PROGRAMME

Overview

This intensive programme is for agribusiness managers and players in the agriculture value chain who seek practical skills and solutions to challenges in their organisations/businesses.

3 MODULE
5 DAYS EACH
5 MONTH
LAGOS: ₦1,100,000
ABUJA: ₦1,200,000

| | | | |
|-------|-----------------------------|-----------|------------------------------|
| LAGOS | March 18 - July 26, 2019 | 1,100,000 | APPLY FOR 50% DISCOUNT |
| ABUJA | August 6 - December 7, 2019 | 1,200,000 | |

Modules are delivered over one week, in each month, for these programmes at LBS



Lagos Business School is ranked with the world's top business schools in open enrolment executive education (2017-2018) and custom executive education (2016-2018). Financial Times, London.

Contact Details: Efosa Ajogbor: 07019900758; Vivian Akere: 07086095194; excedsales@lbs.edu.ng



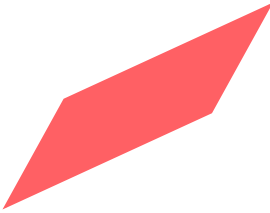
September Outlook

Key Dates to Watch

- August inflation – Sept 15
- US Fed meeting – Sept 17/18
- MPC meeting – Sept 23/24
- Domestic & Foreign debt – Sept 19



September Outlook



- ❑ Inflation will be flat
- ❑ Lower PMS & diesel price to offset higher prices due to border closure
- ❑ Stock market will dip again
- ❑ MPC will maintain status quo
- ❑ OMO rates will be forced lower to 10% pa
- ❑ External reserves will go below \$43bn
- ❑ Nigeria will seek for a stay of execution on P&ID
- ❑ The South African/Nigerian crisis will force a visit from Ramaphosa to Abuja
- ❑ Economic management team will kick off



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THANK YOU