

Make Hay in May...

whilst the Sun still shines

ECONOMICS, POLITICS & MARKETS

Presented by Bismarck Rewane, CEO Financial Derivates Company

May 2nd, 2018

Outline

- April in review
- Economics, Markets & Policy
- Stock Market & Business Proxies
- Political Update & Risks
- Outlook for May



Buhari's Economic Diplomacy



April Review – High oil price & buffers

- Oil price crosses a 3-year high of \$75pb
- Nigeria's production remains solid at 1.8mbpd, its OPEC quota
- OPEC cartel in solidarity dance with Russia to the consternation of Trump
- Geopolitical tension in Iran is creating oil jitters
- LNG price also inched up to \$2.76/mmbtu
- Nigeria's other major export is at an 18 month high of \$2,890/mt
- In all, external accounts are looking good with \$3.85bn per month of oil revenue
 - Reinforced by \$5.14bn inflow into the IE window

April Review – CBN Forex sales lower

- CBN sales in the forex markets was \$420mn, 69% lower than March sales of \$1.3bn
- Naira traded flat in the parallel market at N362/\$
- External reserves accretion has built up to \$47.93bn
 - Providing 13.16 months cover for imports and payments
 - And could shield the economy from any sharp outflows of hot money

April Review – PMI down sharply

- PMI crashes 9% to 51, the lowest point in 13 months
 - Just above the expansion point of 50
 - It reinforces the sharp drop in consumer confidence to -6.4
- All 5 sub indices declined in April
 - Especially employment which is now in negative territory
- Investor optimism is now soured by consumer skepticism
 - Output, employment and new orders all fell
 - Q2 GDP growth may be hit by this trend

April Review

- Bad news for the incumbent government whose credentials depend on the economy
- Dwindling purchasing power, high interest rates, budget delays and squabbles are now taking their toll
- Latest released M2 growth is 1.25% to N24.30trn

April Review – Excess liquidity in Banks

- Average opening position of the banks was positive, swinging between N384bn and N837bn
- FAAC allocation spiked in March and fell 3.12% in April to N626.8bn
- All deposit rates dropped sharply by an average of 1142bps
- T/bill (91-day tenor) fell below 10% pa at the secondary market
- DMO issued more instruments than it retired in the ratio of 2.3:1.1

April Review – Airlines & shops are booming

- International airline load factors into and from Nigeria increased above 90%
- Retail customer traffic increased in the neighborhood malls
 - Weekend traffic double the weekday patronage
- Nigeria has now signed the concession contract for the narrow gauge rail with GE
 - Could have been done two years ago
 - A perverse sense of urgency prompted by election politics
- John Deere (the tractor maker) and the TATA Group are partnering with Allevial to make 300 tractors available to farmers in the Niger Delta

April Review – Beer market slumps

- The Nigerian beer market is still in decline, losing 20% this year
 - Squeezed consumers continue to down trade, with cheaper brands growing at the expense of mainstream
 - Premium beer and stout brands are beginning to see growth recover
- Malt market lost over 28%, with the same trend of squeezing the middle market
- The new excise duty effective June 4 is going to push up prices of the total beverage and alcohol products
 - Beer to increase by 6%-10%, spirits up N52 per litre

April Review – SEC in musical chairs

- Musical chairs at SEC as finance minister shows her teeth
- Average corporate earnings jumped by 8%
 - Oando shares rise 53% in three weeks
 - Guinness wowed the market with 295% spike in PAT
- Investors remained lukewarm as the market appeared overpriced

April Review – MTN profits up & IPO on

- MTN reported a 9% surge in its profits and its stock has surged on the Johannesburg Stock Exchange
- MTN IPO now approved by SEC
 - Pricing, timing and modalities not disclosed yet
 - Likely to be distributed through a mobile retail platform
 - Will lift market capitalization by over 13% to N17trn
- Buhari makes two important trips for economic diplomacy- UK and US
 - After Nigeria fumbled out of the African Free Trade Summit in Kigali



Trade Wars & Denuclearization

Global- World Growth Positive

- IMF restates its projections in the world economic outlook
- Minor revisions across regions
- Most notable is the impetus of the US tax cuts and positive market sentiment
- Risks of rising global debt in emerging countries like Nigeria

Buhari Visits US & UK in April

- President Buhari is the first leader from SSA to visit Trump in the White House
- At a time when the US and China are looking to strengthen relations with Africa
- Top agenda items: security, trade and governance
 - Seeking ways to deepen economic co-operation between the two countries
- Have opened talks to lower barriers on US agric exports to Nigeria

Buhari Visits US & UK in April

- The US concluded its first sale of military equipment to Nigeria
 - Sold 12 military helicopters at \$496mn to Nigeria for its fight against Boko Haram
- Nigeria receives \$1bn in aid from the US annually – Trump has pledged to do more
- He attended the Commonwealth Meeting and called for more trade & investments
- Met with the CEO of Royal Dutch Shell, the oldest E & P company in Nigeria

US – *Gasoline Price Crosses \$3.00*

- GDP growth slowed to 2.3% in Q1
- Gasoline price crosses \$3.00/gallon
- Highest level in 15 months
- Prompting Trump to tweet his anger with Saudi Arabia
- Inflation is expected to rise to 2% Fed target
- The Fed likely to hold rates this week

US – *Apple Reports Stellar Profits*

- Apple earnings beat market estimates rising 14%, with a 3% increase in iPhone sales
 - It wooed investors with \$100bn stock buy back
- T-mobile and Sprint in \$146bn merger
 - To invest \$40bn in 5G technology that improves internet speed dramatically
- The UK in a slowdown of growth to 0.1% in Q1'18
 - Slowest rate since 2012
 - The British pound fell to lowest point in 2 months

Impact on the Economy

- Nigerian Trade with the UK has grown to reach \$3.7bn in 2017
- The UK sees Nigeria as a strategic trading partner in the reviving the Commonwealth
- The US is Nigeria's number two trading partner both as importer and exporter
- It is in the strategic interest of the US to block China – the leading trade partner
- In addition, the Chinese have become the highest lender and investor in infrastructure
 - \$500mn in airports and \$6.1bn in railroads and wagons
- The US and UK are playing catch up after Brexit and US tendency towards bilateralism

Impact on the Economy

- For Nigeria it is win – win. China as a stalking horse and/or partner
- Risk of high dollar loans and leverage is at the amber level for Nigeria
- Total external debt is \$47.6bn according to the EIU and interest expense high
- External reserves to external debt ratio is 0.99 as against 0.82 in 2016
- The improved rail services will increase aggregate output (GDP) by at least by 1% - approximately \$4-5bn
 - Reduce the road depreciation and maintenance costs of FGN and states

Impact on Corporates

- Trump's insistence on increased US exports to Nigeria means
 - More wheat supplies and lower price of flour
 - Increased sale of GE turbines to the power GENCOs
 - World Bank support for power sector reform and overhaul of DISCOs
 - Likely power sector loan forbearance DISCOs
 - Stranded power to be recaptured over a 12 – 18 month period
 - On grid power will exceed 6000MW in 2019/20
 - Logistics and power costs will fall substantially

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Sub-Saharan Africa

African regional growth to increase by 3.4%

SSA – Growth Improves as debt chokes

- Many SSA countries are reporting stronger growth in Q1
- Taking advantage of booms in some key commodities
- The IMF is forecasting growth of 3.4% in 2018 in SSA, up from 2.8% in 2017

Countries	Interest rates (%)	Inflation rate (%)	Unemployment rate (%)	GDP Growth rates (%) (2017)	Income per capita (\$)	Minimum wage (\$/per month)
Ghana	18	10.3	5.77	8.5	1707.70	57
Kenya	9.5	4.18	11	4.4 (Q3'17)	1143.10	69
South Africa	6.5	4.00	26.7	1.5 (Q4'17)	7504.30	206
Angola	18	21.47	6.2	0.94	3606.60	68.43
Nigeria	14	13.34	18.8	0.83	2457.80	50

SSA Outlook- IMF

- Expected to grow by 3.4% in 2018, from 2.8% in 2017, supported primarily by improved commodities market
- Ethiopia will record the fastest growth in SSA in 2018, at 8.5%, followed by Ivory Coast (7.4%), Senegal (7%), Tanzania (6.4%)
- Most regional economic giants saw upward revisions to their 2018 GDP growth projections
- Inflation across the region will be moderate, but remains high, stemming from the residual effects of exchange rate depreciations in 2017
- Per capita GDP growth across the region is projected to fall sharply

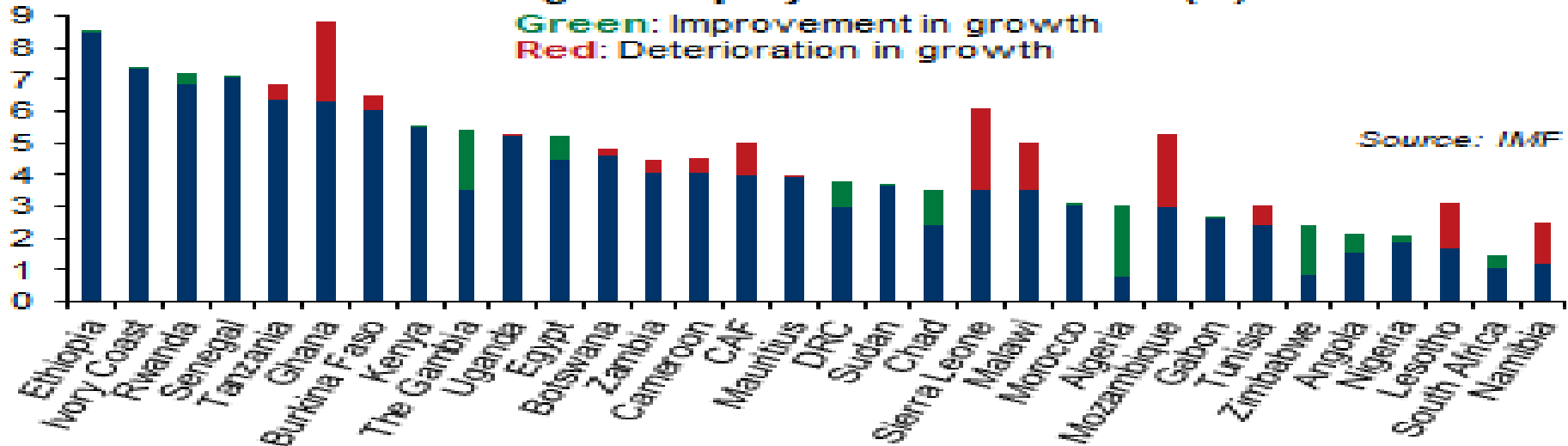
	October forecast	April forecast	Growth driver
Angola	1.6%	2.2%	higher oil prices
South Africa	1.1%	1.5%	Improved business confidence following change in political leadership

SSA Outlook- IMF

- Notable downward revision for Ghana's 2018 growth projection – by 2.6ppts to 6.3%
- Due to maintenance at the Jubilee oil field which has led to a slowdown in industrial output
- In addition to indications of a smaller cocoa crop this season

Real GDP growth projections for 2018 (%)

Green: Improvement in growth
Red: Deterioration in growth



Source: IMF

The background of the slide is a light blue gradient. It features a faint, semi-transparent bar chart on the left side and a line graph on the right side. A silver pen nib is positioned in the upper right corner, pointing towards the line graph. The overall aesthetic is professional and financial.

Domestic Economic Performance

Economic Indicators

Leading Economic Indicator	Mar'18	Apr'18	% Change	May'18* Outlook
GDP Growth (%)	2.1(Q1'2018)	2.4-2.5 (Q2'2018)	0.3-0.4	2.4-2.5 (Q2'2018)
Oil Price (\$pb; avg)	66.51	71.88	8.07	70-75
Oil Production (mbpd)	1.79(Feb'18)	1.81	1.11	1.80
Natural Gas (\$/MMBtu; end)	2.74	2.76	0.73	2.70-2.75
Power (MW; avg)	4,029	3,985	-1.3	4,000
Inflation (%)	14.33(Feb'18)	13.34 (Mar'18)	-0.99	12.70% (April)
PMI	FBN:59.4 CBN:56.7	51 56.9	-14.4 0.35	- 57-59
FAAC (N'bn)	647.39	626.8	-3.12	650
Consumer Confidence	CBN: 16.6	CBN: -6.4	-138.5	5-10

Economic Indicators

Leading Economic Indicator	Mar'18	Apr'18	% Change	May'18 Outlook
T Bills (91 days) – Primary	11.95	10.90	1.05	10.25
T Bills (182 days) – Primary	13.00	12.00	1.00	11.00
Average NIBOR (%) (O/N, OBB)	14.61	3.19	-11.42	2.00-3.00
Average Lending Rate (pa)	25	25	-	25
Average Opening Position(N'bn)	238.30	541.62	127.28	500.00-550.00
Money Supply (N'bn)	24.02 (Feb)	24.30 (Mar)	1.25	24.50-25.00
External Reserves (\$bn) (end)	46.26	47.93	3.61	48.00-48.50
Exchange rate (N/\$; month-end)	Parallel Market: 362 IFEM:305.65 IEFX:360.20	362 305.70 360.42	- 0.01 0.06	362-363 306 360
Stock Market Cap (N'trn)	14.99	14.95	-0.27	15.10

Leading Economic Indicators

- Most leading indicators maintained positive trend

- 10 positive
- 5 negative
- 2 amber

- Market liquidity was high in April

- Keeping NIBOR at record low
- Despite dip in FAAC allocation

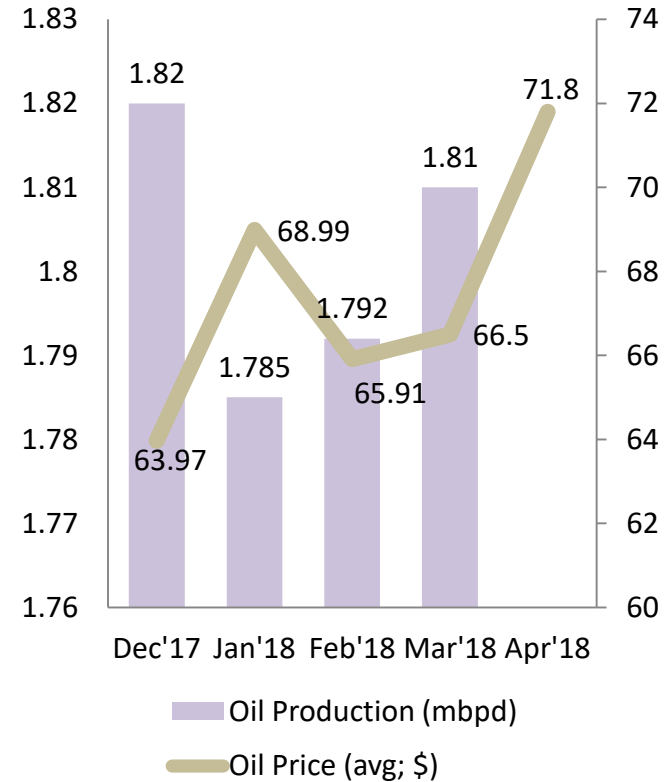
- Growth in PMI has stalled in the last two months

- Indicative of sub-optimal manufacturing expansion and high carrying costs

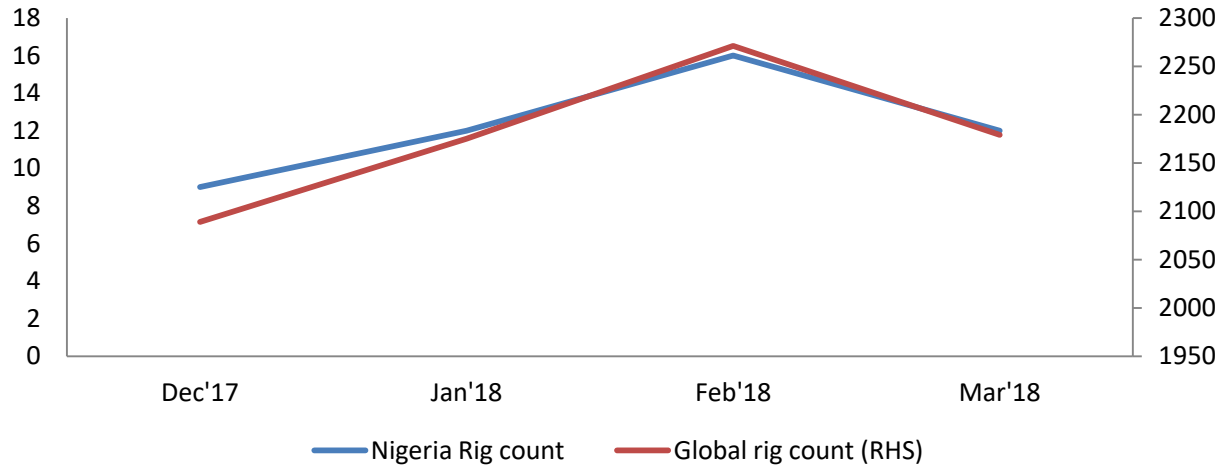
Variable	Trend	Impact
Oil price	Positive	High
Inflation	Positive	Minimum
T/Bills rates	Positive	High
External Reserves	Positive	High
Consumer Confidence	Negative	High

Oil Markets

- Brent oil price crossed \$75pb thanks to Iran vs. Israel
- Driven by geopolitical tensions
- Pending US verdict on Iran nuclear deal
- Nigeria's oil production to stay around 1.8mbpd in May
- Buhari's visit to the US and meeting with Shell
- PIGB passed, could impact rig count if incentives are effected



Nigeria's Oil Rig Count



- The number of operational rigs dipped 25% to 12 in March from 16 in February
- In tandem with global trend
- Global rig count fell 4.05% to 2,179
- Reflective of low investor sentiment despite higher prices

Inflation Outlook

- April: 12.7%

- Food inflation likely to reach point of inflection soon

 - Planting season, Ramadan fast

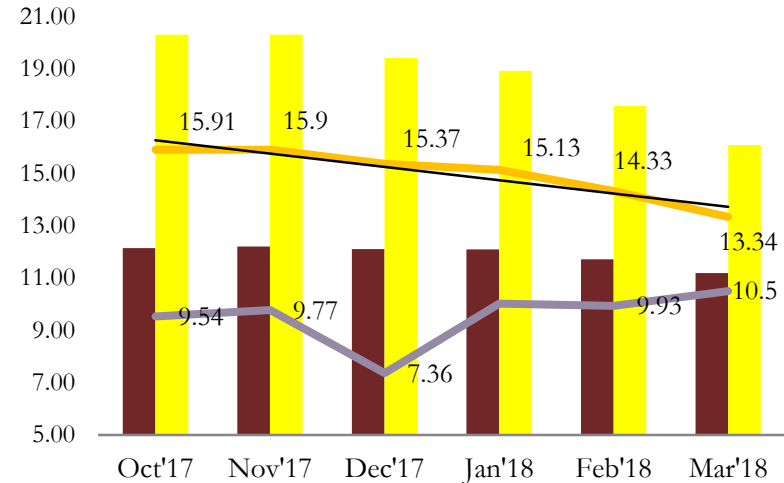
- Likely risks to inflation:

 - Passage of 2018 budget

 - Increased election spending

 - M2 growth

Headline Inflation (%)



■ Core Inflation

■ Food Inflation

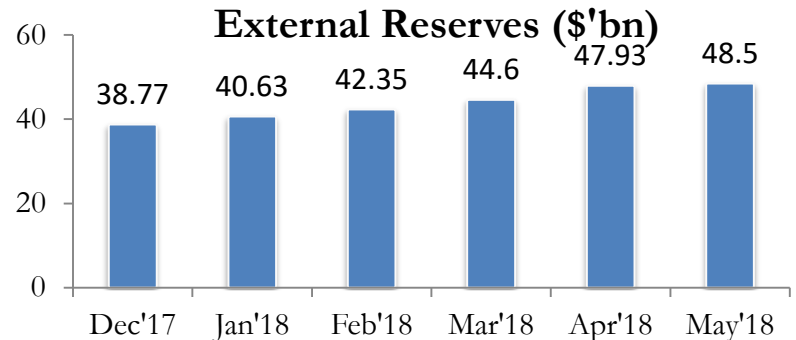
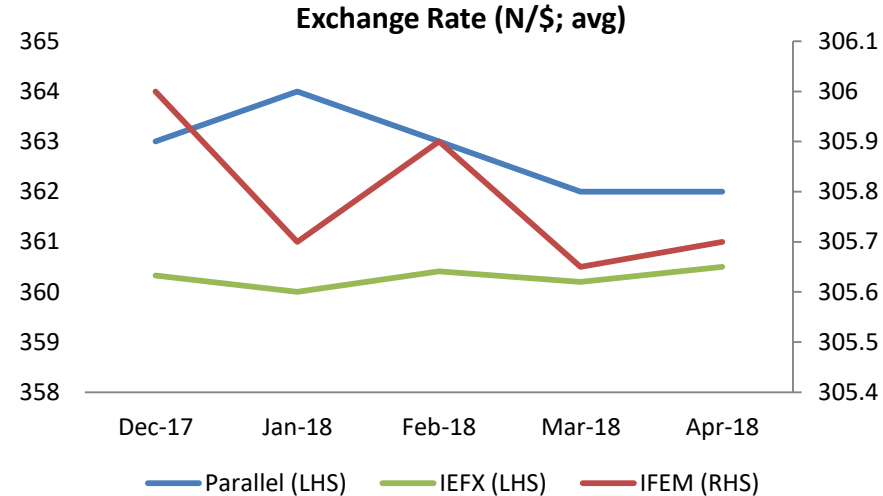
— YoY Inflation

— MoM inflation

— Linear (YoY Inflation)

Forex Market Outlook

- Expect increased forex demand pressure due to heightened liquidity
 - Budget passage and election spending
- External reserves to continue upward, albeit at a slower pace as demand pressure builds up
- Supported by strong oil proceeds
- Projected to reach \$48.5bn by May end
- New weighted average: N344.5/\$

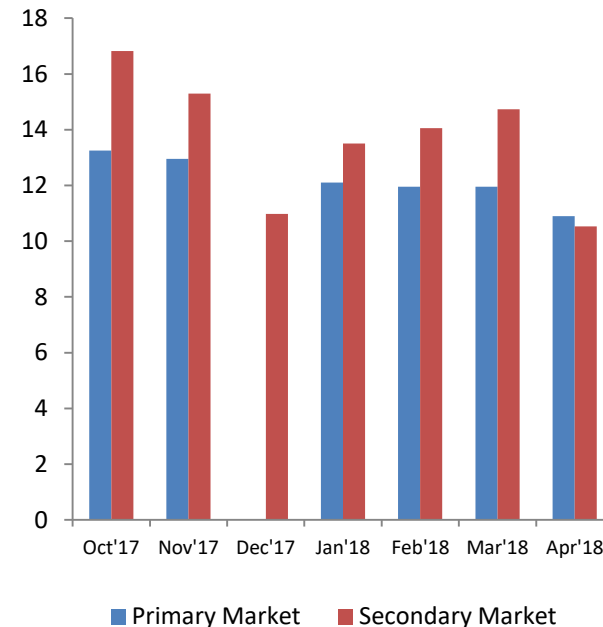


T-Bills Rates- continued fall expected

- 91-day T/Bills ↓ 105bps
- 184-day ↓ 100bps; 364-day ↓ 107bps
- Declining interest rate environment to continue
- Would ease government debt burden

Tenor (Primary market auction)	Stop rates as at March 21 st , 2018 (%)	Stop rates as at April 18, 2018 (%)
91-day	11.95	10.90
182-day	13.00	12.00
364-day	13.15	12.078

91-Days Treasury Bills Rates (%)

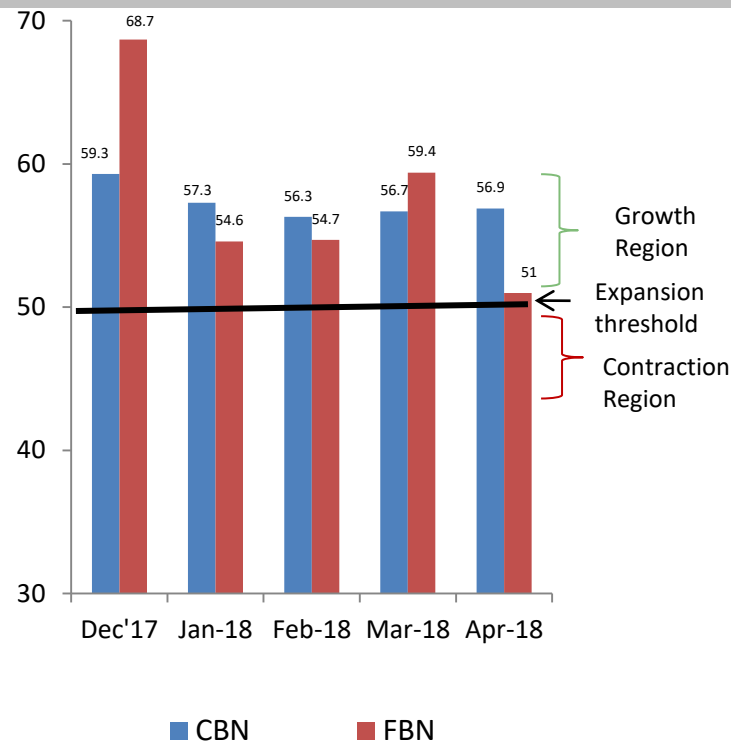


Business Proxies



April PMI

- FBN PMI declined sharply to 51 from 59.4 in March
- Driven by uncertain future demand and negative producer sentiment
- Surprisingly, the CBN published PMI up to 56.9 in April from 56.7 in March
- PMI expected to improve in May
- Driven by budget passage, robust trading activity, consumer demand, and improved FX liquidity



Power Update - April Energy Summary



5090.4 MW

Peak Energy
Generated



3985 MWH/H

Average Energy
Generated



746 MMSCF/D

Average Gas
Delivered to Plants



1

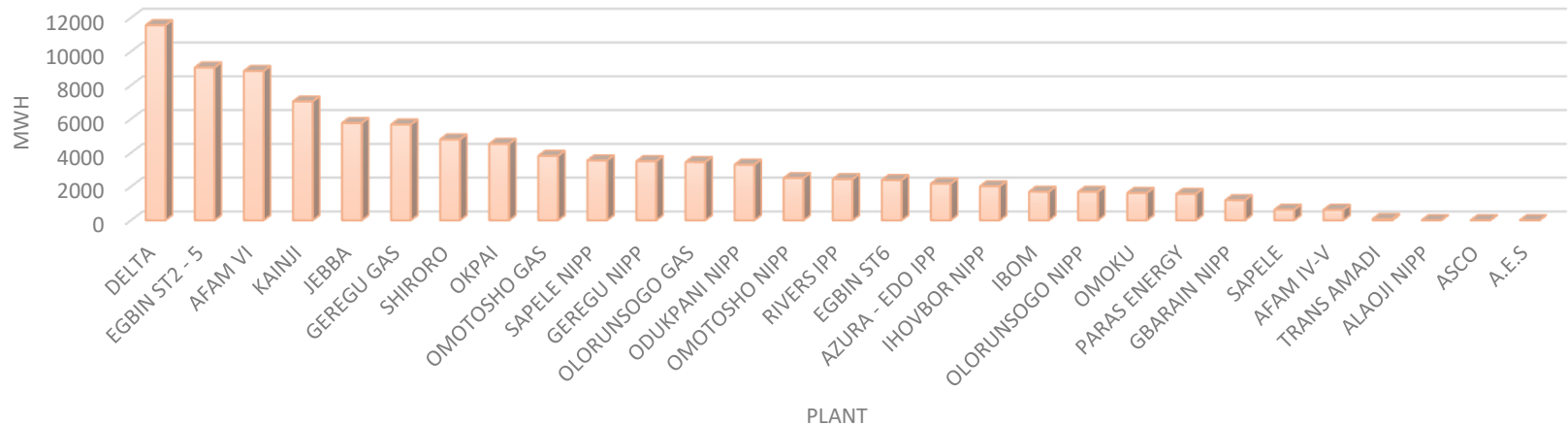
Partial Grid
Collapse



2290 MW

Average
constrained energy

Average Daily Generation per plant



Source: Lavayo Advisers

Power Sector News- stranded power increases

- Power grid partially collapses twice in one week (April 12th and 14th) due to instability
- Nigeria cuts gas supply to Ghana by over 50% due to mounting debt.
- Gas producers ask to be paid at NAFEX rate (N363/\$1) vs at CBN rate (N305/\$1)
- Legislative bill to prevent “Estimated” billing by Discos, passes 1st reading in Senate
- NERC states 8 million customers are billed monthly in Nigeria, while only 3.36m have meters
- Rates national metering plan by the Discos at 42% completed

Power Sector News





- Senate confirms Prof. James Momoh (from Howard Univ. USA) as new NERC chairman
- Preferred investors for 7 NIPP power assets asked to rework their bids 3 years after exercise
- AfDB clashes with World Bank and IMF over support for coal power plants in Africa

Source: Lavayo Advisors

Sharp Increase in E-payments





Volume of transactions in Mar'18

relative to Feb'18

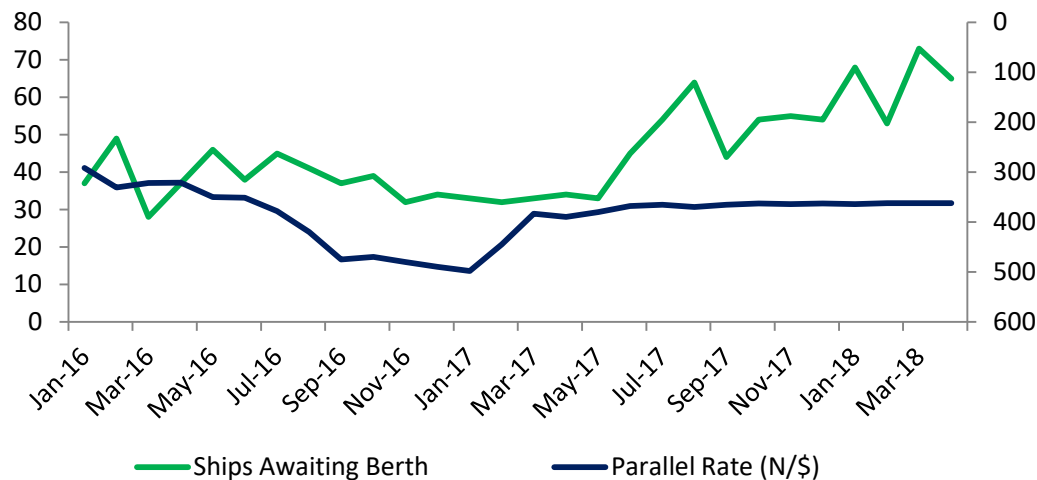
- Cheques  2.83%
- PoS  23.88%
- NEFT  18.48%
- NIP  25.17%

Value of transactions in Mar'18

relative to Feb'18

- Cheques  3.28%
- PoS  22.66%
- NEFT  9.34%
- NIP  15.16%

Ships Awaiting Berth- surprising sharp fall

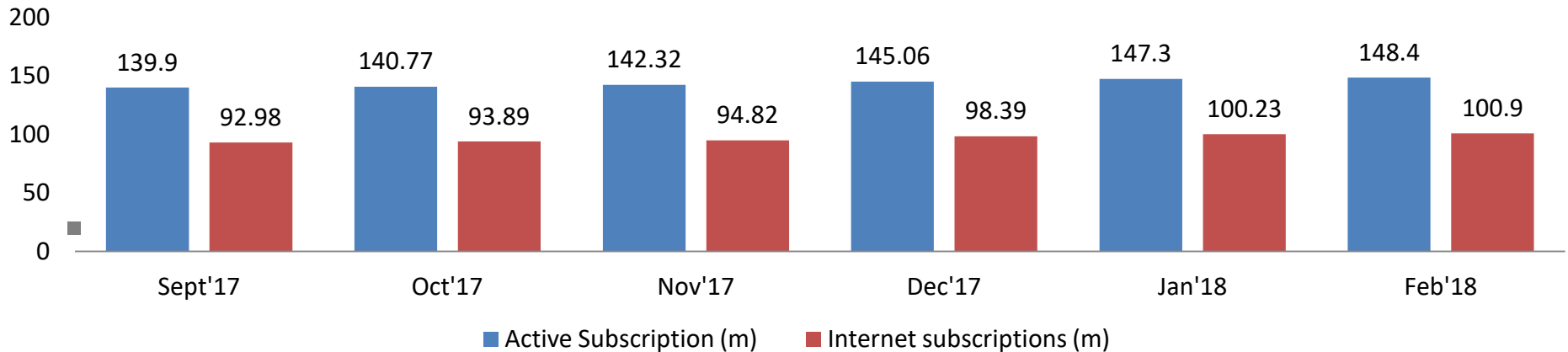


- Ships awaiting berth ↓ 10.96% to 65 in April from 73 in March
- Forex liquidity increased but orders decline
- Carrying cost of inventory and high interest rates affecting business

Teledensity & Broadband up again

- Active lines increased by 0.7% to 148.4mn in February from 147.30mn in January
- Number of internet subscriptions up 0.67% to 100.9mn
- Teledensity rose to 106 in February from 105.21 in January
- Portability may have increased because of migration away from weaker carriers

Subscriber Data





Every meal starts with us



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

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Available nationwide.



Commodities

Prices move in favor Nigeria

Commodity Outlook & Nigeria

Export Commodities	April	%Change (Mar-Apr)	Import Commodities	April	%Change (Mar-Apr)
Oil (\$/b) (avg) 	71.58	7.29% ↑	Wheat (\$/bushel) 	4.83	1.40% ↑
Liquefied Natural Gas (\$/mmbtu) 	2.72	0.92% ↑	Sugar (\$/pounds) 	11.97	-6.65% ↓
Cocoa (\$/mt) 	2,651	6.07% ↑	Rice (\$/cwt) 	12.87	3.92% ↑

Export Commodities

oil

- Oil futures trading at \$74.66pb
- Oil demand projected to expand by 1.8% to 99.53mbpd in 2018
- Oil production reviewed upwards by 60bps to 99.7mbpd in 2018

LNG

- Futures currently trading at \$2.75/MMBtu
- Production and consumption projected to grow by 8% to 313.4mn tonnes in 2018
- Prices to rise marginally by 0.2% to \$8.06mmBtu in 2018


Export Commodities- all up in again

Cocoa


- Futures trading at \$2,749/MT
- Demand to increase marginally by 1.3% to 4.06mn tonnes in 2018
- Production to plunge by 10.1% to 4.22mn tonnes
- Nigeria's production expected to fall by 3% to 238,000
- Prices projected to expand by 9.9% to \$2,231/tonne

Import Commodities

Wheat

- Average price  1.40%
- Global demand to grow marginally by 0.3% to 739.5mbpd in 2018, supply up by 0.4%

Sugar

- Average price  6.65%
- Consumption to expand by 1.1% to 173.5mn tonnes in 2018, supply up by 9.7%
 - Nigeria to remain SSA's largest importer

Rice







- Prices projected to surge by 7.3%
- Demand to rise by 1.6% to 492mn tonnes
- Global rice production to increase marginally by 0.4% to 490.1mn tonnes in 2018

A collection of peanuts is scattered on a white, textured surface. The peanuts are in various stages: some are whole, unshelled, showing their characteristic bumpy, light-brown outer skin; others are shelled, revealing smooth, reddish-brown kernels. One peanut in the upper right is split open, showing two kernels inside. The lighting is bright and even, highlighting the textures of both the shells and the kernels.

Commodity in Focus:
Peanuts (Groundnuts)

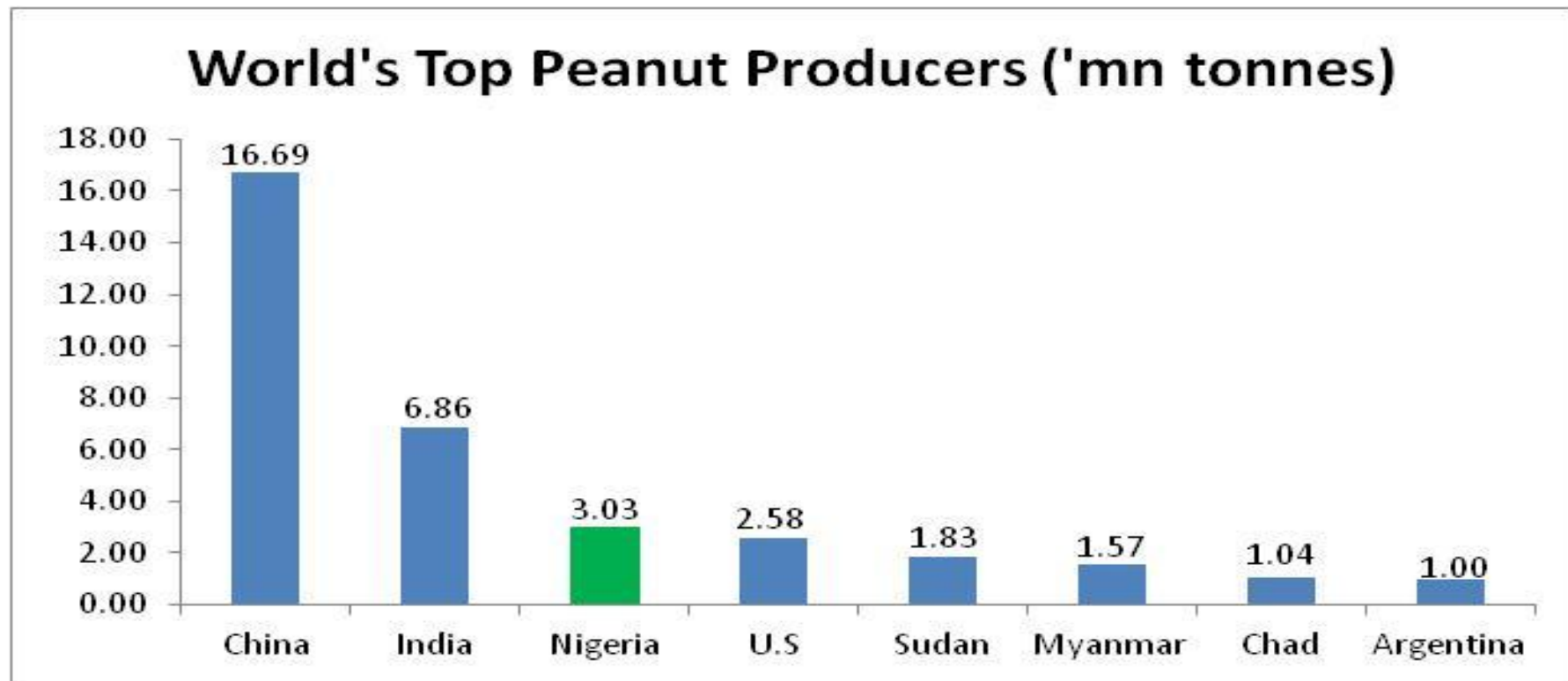
Facts about Peanuts



- Planting season: Spring (March-May)
- Planting/harvesting lag: 4-5 months
- Total global production (2016): 43.74mn tonnes (\$53.58bn)
- World's top producers:  China,  India,  Nigeria,  U.S
- World's top consumers:  China,  EU
- Uses: snacks (boiled and cooked), cooking oil, groundnut cake, groundnut soup, animal feed

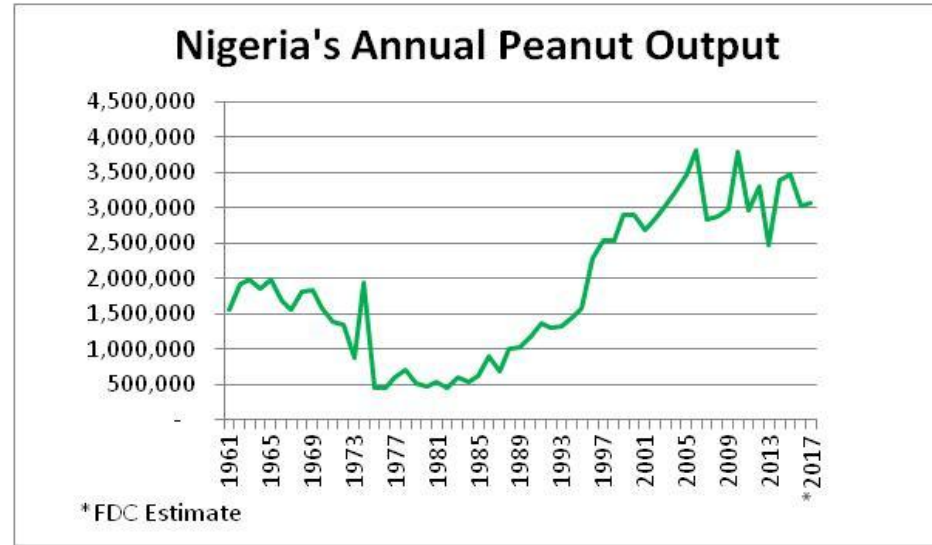


Top peanut producers



Peanuts Production In Nigeria

- Total production (2016): 3.03mn tonnes (6.9% of global), valued at \$3.71bn
- Nigeria's peanut output slid 13% in 2016
- Rank: Global- 3rd, SSA- 1st
- Major producing states: Kano, Kaduna, Taraba, Bauchi, Borno, Adamawa
- Potential Output: 6mn tonnes
- Listed FMCG users: UACN, Livestock feeds



Performance Of Firms That Use Peanuts



- Revenue (FY'17): N89.18bn (+8%)
- FY'17 profit: N962.82mn (-83%)
- Dividend: 65kobo
- Dividend yield: 3.71%
- Share price: N16.90






- Revenue (FY'17): N10.19bn (+7.95%)
- FY'17 loss: N725.8mn (-424%)
- Dividend: 10kobo (2015)
- Dividend yield: 4.57%
- Share price: N0.77



Stock Market

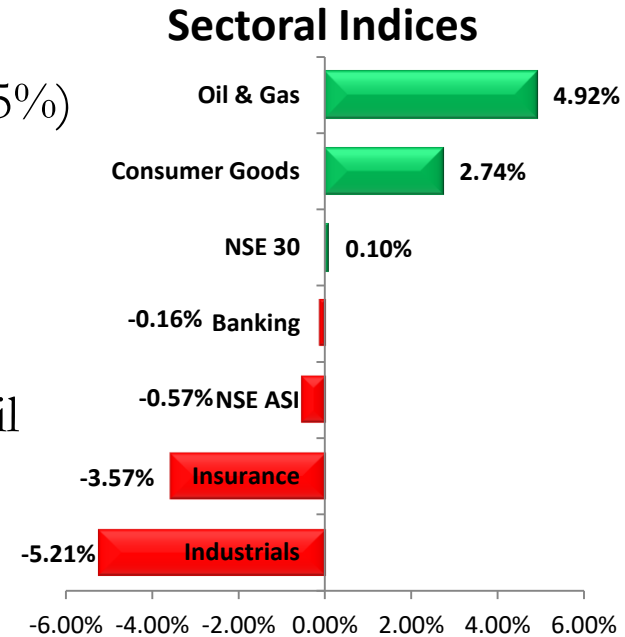
NSE on a See-Saw

Stock Market Bottomed out

- NSE downward momentum slowed
- Market cap  0.30% (N44.45bn) to N14.95trn
- NSE ASI  0.57% to 41,268.01 points
 - YTD cumulative gain of 7.91%
- 9 days positive, 10 days negative
- Average P/E  to 11.79x [Mar: 11.01x]
- 32 stocks gained, 68 stocks lost and 69 stocks remained unchanged
- Profit taking continues to undermine performance

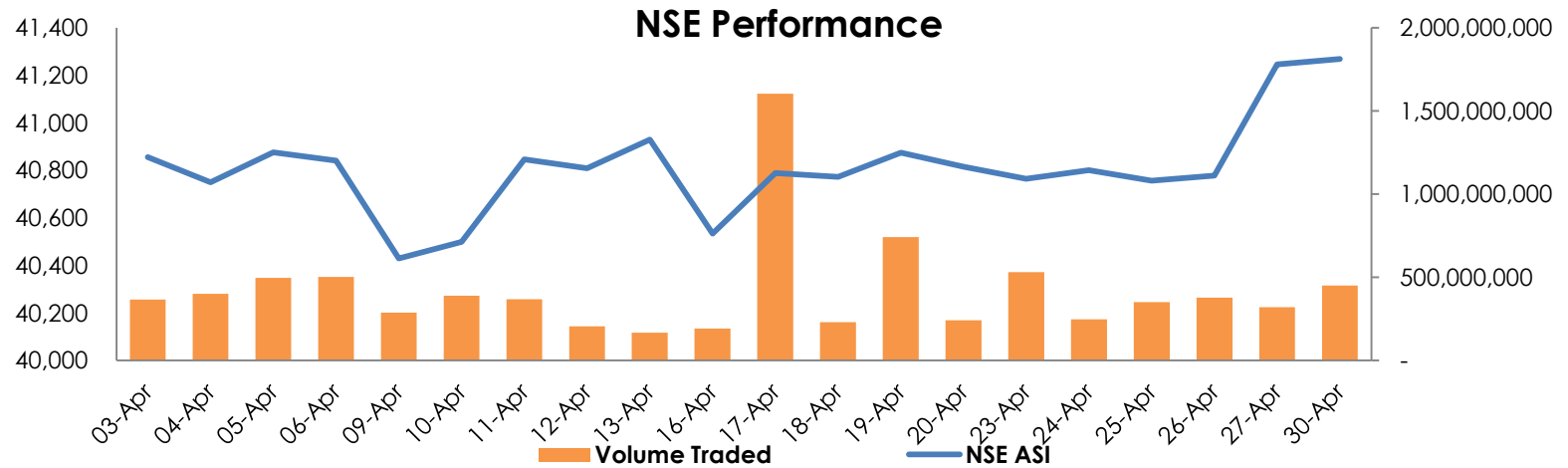
Oando lifts Oil and Gas Index

- Oil and gas index led with a gain of 4.92%
- Driven by the gains recorded by Oando (53%), Seplat (15%) and Forte Oil (8%)
- Oando resumed full trading after 175 days
- Bullish oil price also improved investors' sentiments (as oil price surged by 7% to \$75.17pd)
- Industrial index performed the least – lost 5.21%
- Lafarge (-7%) and Dangote Cement (-5%)
- Lafarge's financial performance has been largely unimpressive



Source: NSE, FDC Think Tank

Trading volumes daily turnover slumps



- Trading activities also slowed
- Average volume declined by 11.51% to 423 million units
- Average value of transaction moved in tandem with volume— declined by 15.55% to

N5.5bn

Market Activity on the NSE

- MTN aims to list on the NSE in 2018
- After listing in Ghana this month and higher group profits
- This might be a game changer for the NSE
- Positive investor sentiment trails development
- NSE market cap will increase by approx. N2trn
- Making MTN the 2nd most capitalized stock on the NSE
- Accounting for about 13% of NSE market cap.
- Deepening transaction volumes and value on the bourse
- Injection will increase investment in telco infrastructure
 - Help MTN consolidate its market position as industry leader

Outlook – May '18

- FY'17 & Q1'18 corporate earnings season wind down
 - Subsequent corporate releases for the above period will be subject to fines
- NSE performance will be driven by economic developments
 - Minimum wage review
 - Increased oil revenue
 - Higher output – positive GDP growth
- Improvements in leading economic indicators to improve investor sentiments
- Downward drift in t/bills rates to further bolster domestic transaction on the bourse

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.

Corporate Earnings & Actions

Q1'18

Banking Sector

- Banking sector stocks accounts for 32% of the NSE market cap
- Implementation of IFRS 9 expected to weigh on profits by at least 8%
 - Banks are expected to use Expected Credit Loss (ECL) model
 - As against the Incurred Credit Loss (ICL) model currently in use
 - This will increasing banks' impairment losses
 - As banks' ability to hide toxic assets is restricted
- Banks will have to improve on internal efficiency to maintain profitability trend
- Banks with robust internal structures will be less exposed
- Placing them in a better position to improve capital buffers

Dividend Restriction policy

- CBN restricts dividend payments
- Continues to weigh on banks' dividend payout
- Banks stay within the limit of policy to maintain capital adequacy
- Tier 1 banks remain resilient
- Most tier 2 banks remain constrained

Bank	FY'16	FY'17	
Access	26%	30%	↑
UBA	37%	39%	↑
FCMB	14%	21%	↑
GTB	45%	45%	↔
ETI	0%	0%	↔
Wema	0%	0%	↔
Jaiz	0%	0%	↔
Zenith	49%	48%	↓
SIBTC	26%	11%	↓

Corporate Earnings – Q1'18



Cost-to-income ratio remains industry best at 38%

Gross Earnings	↑	4.65% - N108.97bn
Net Interest Income	↓	9.74% - N59.69bn
Profit Before Tax	↑	4.43% - N52.62bn
Impairments	↓	51.96% - N1.64bn
Non-performing Loans	↓	6.15%
Dividend Yield		6.21%
P/E Ratio		7.36x

Share price has gained 6.63% in 2018

Corporate Earnings – Q1'18



Cost-to-income ratio rose by 210bps to 54.2%

Gross Earnings	↑	14.52% - N169.19bn
Net Interest Income	↑	35.84% - N95.9bn
Profit Before Tax	↑	22.17% - N54bn
Impairments	↓	42.01% - N4.57bn
Non-performing Loans	↑	4.3%
Dividend Yield		9.68%
P/E Ratio		4.67x

Slight improvement
over **FY'17** (4.7%)

Share price has gained 8.81% in 2018

Downstream oil Sector



- Sector accounts for 5% of the bourse
- Fragmented industry – with dominant players
- Accounts for about 23% of banking credit at N3.6trn
- Revenues have declined by 4% - downstream sector challenges
- Profitability up 13%
- Increased calls for full deregulation and efficient pricing

Corporate Earnings – Q1'18



Some investors remain cautious despite impressive earnings

Revenue	↑	8.77% - N150.55bn
Gross Profit	↑	108.35% - N27.94bn
Profit Before Tax	↑	1115.38% - N6.6bn
Profit After Tax	↑	635.09% - N4.19bn
Free Cash Flow	↑	-6754%
Dividend Yield		NA
P/E Ratio		4.11x

Exploration & Production revenue surged 85% to N42bn

Share price has gained 52.75% in 2018

Corporate Earnings – Q1'18



Nigerian
Breweries

Net finance cost up 36.93% despite slowdown in activities

Revenue	↓	9.12% - N83bn
Gross Profit	↓	6.54% - N38.02bn
Profit Before Tax	↓	12.64% - N15.25bn
Profit After Tax	↓	10.88% - N10.2bn
Free Cash Flow	↓	270%
Dividend Yield		3.2%
P/E Ratio		31.43x

Increased credit to customers – owing to stiff competition

Share price has lost 3.71% in 2018

Corporate Earnings – 9M'18



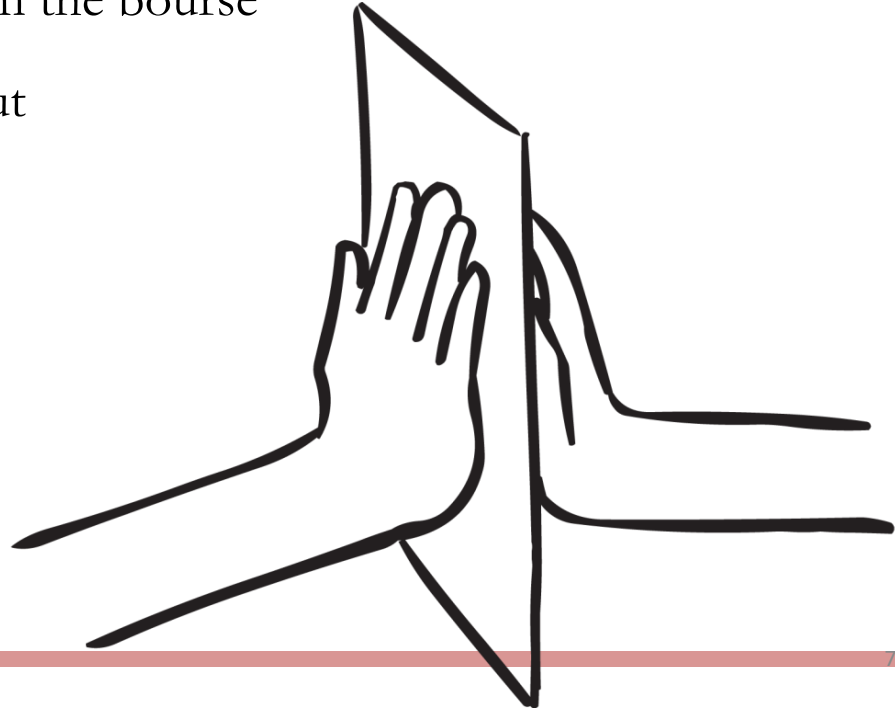
Earnings growth is largely driven by the pick up in its premium brand segment

Revenue	↑	17% - N105.48bn
Gross Profit	↑	13.88% - N35.59bn
Profit Before Tax	↑	420% - N7.89bn
Profit After Tax	↑	298% - N5.19bn
Free Cash Flow	↓	528%
Dividend Yield		0.6%
P/E Ratio		19.7x

Share price has gained 9.57% in 2018

May Outlook

- Bargain hunting on stocks will drive market performance
- With Q1'18 results having little impact on the bourse
- Stock market performance will flatten out



Africa... United by One Bank



We know our way around finance in Africa

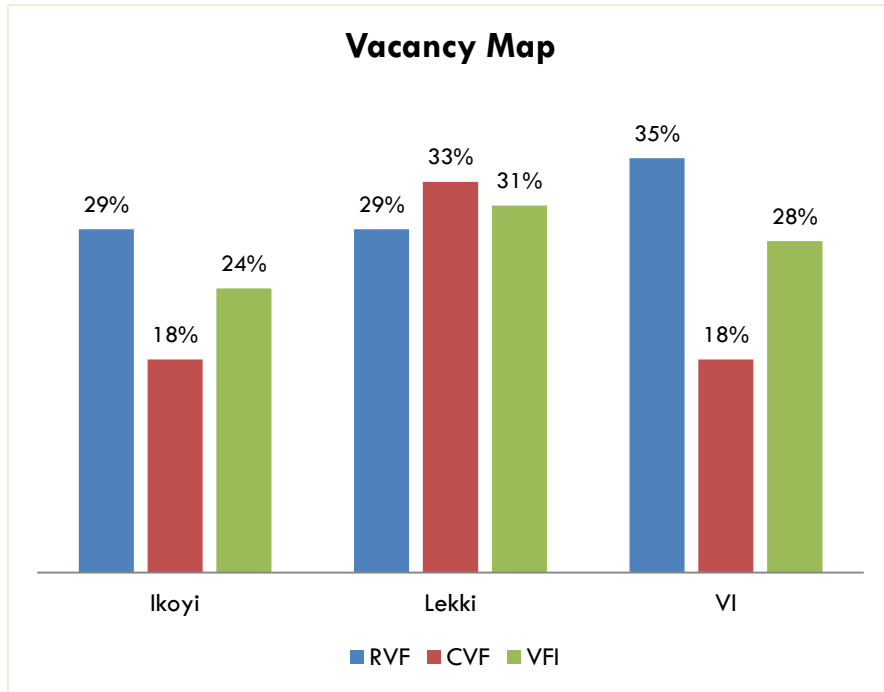
United Bank for Africa Plc is one of Africa's leading financial Institutions, offering banking services to more than 11 million customers through diverse global channels. With presence in 19 African countries and 3 global financial centres; London, New York and Paris, UBA is connecting people and businesses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

Real Estate Market



General Vacancy Factor

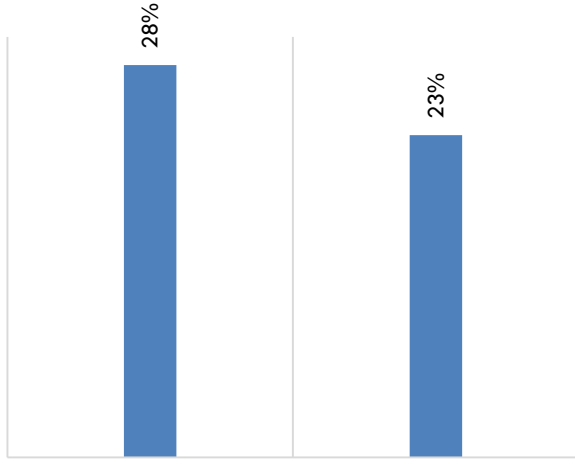
- Total GVF = 22%
- Total CVF = 21%
- Total RVF = 23%



- General vacancy factor index flat at 22%
- Ikoyi real estate getting restructured
 - More houses are being renovated
- Rental costs still high in Lekki
 - Driven by high-end luxury buildings

General Vacancy Factor

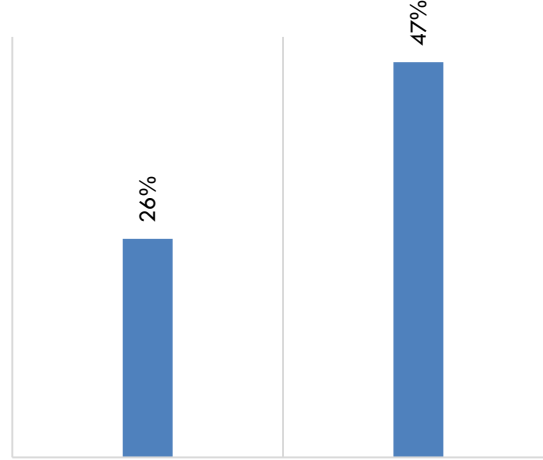
IKOYI



Glover road

Alfred Rewane

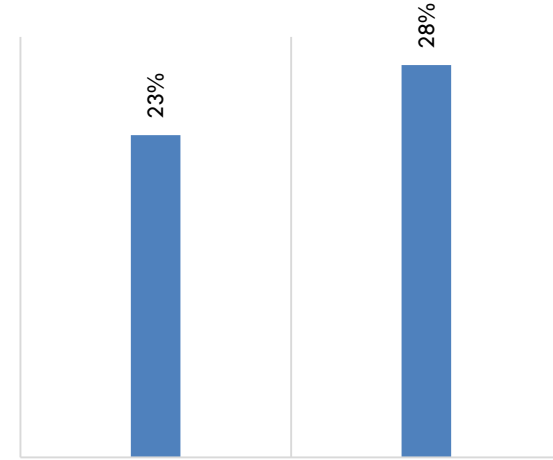
LEKKI



Havillah Yusuf

Water Corporation

VI



Femi Pearse

Ologun Agbaje

- High-end residential properties
- Mix of old and ultra modern buildings
- More vacant residential buildings
 - Mostly blocks of flats

- Modern properties
- Traffic congestion and increase in toll rate continue to affect occupancy

- Commercial hub
- GVF up 1700bps to 28%
- Driven by a rise in vacant residential buildings

Factors That Affect Vacancy Rate

Cost

- Replacement cost > the market value
 - Rental cost very high
 - Vacancy rate high

Location

- Proximity, accessibility, road networks, drainage system
- Vacancy rate high in areas with bad roads

Commercial Demand

- Commercial activity now on the rise in Lekki
- Shared office spaces are gaining attraction

Security

- Secured areas attract more residents
 - Higher rents in such areas

Real Estate Market Outlook

- Real estate market remains driven by
 - Affordability
 - Access to suitable mortgage financing
- Occupancy rate in Victoria Island will likely increase
 - Rents expected to pick up
- Demand for high-end luxury residential properties will remain low
- Expect growing demand for grade-A office spaces

A stylized illustration of a diverse group of people walking in a shopping mall. The background features tall, colorful columns in shades of pink, orange, yellow, and green. The people are depicted in various colors and are carrying shopping bags. The text "Retail Sector" is overlaid in a dark red, serif font on the left side of the image.

Retail Sector

Global Retail: The Best of Both Worlds

- Growing integration of online and offline retailing
- Amazon acquired Whole Foods and recently opened its 15th physical bookstore
- Alibaba has invested over \$8 billion in physical retail stores across China in the last two years
- Nigeria is mirroring global trend: Yudala merges with local e-commerce giant Konga
- This model works well for the Nigerian market
- Consumers can touch and experience products
- Access to knowledgeable staff

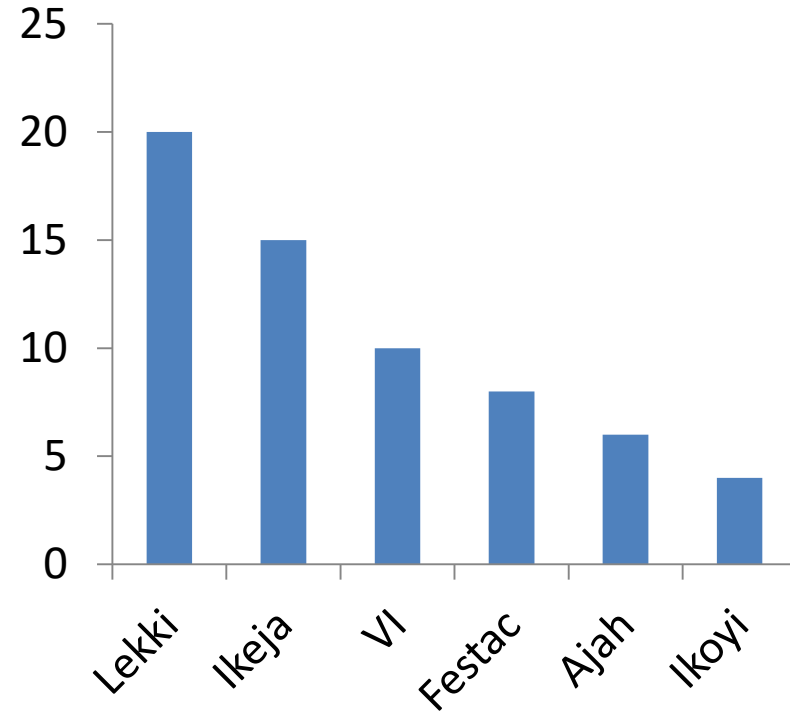
Domestic Retail: Shoppers prefer Lekki to Ikoyi

- Average weekend traffic is double weekday
- Number of supermarkets is highest in Lekki

Phase I in April

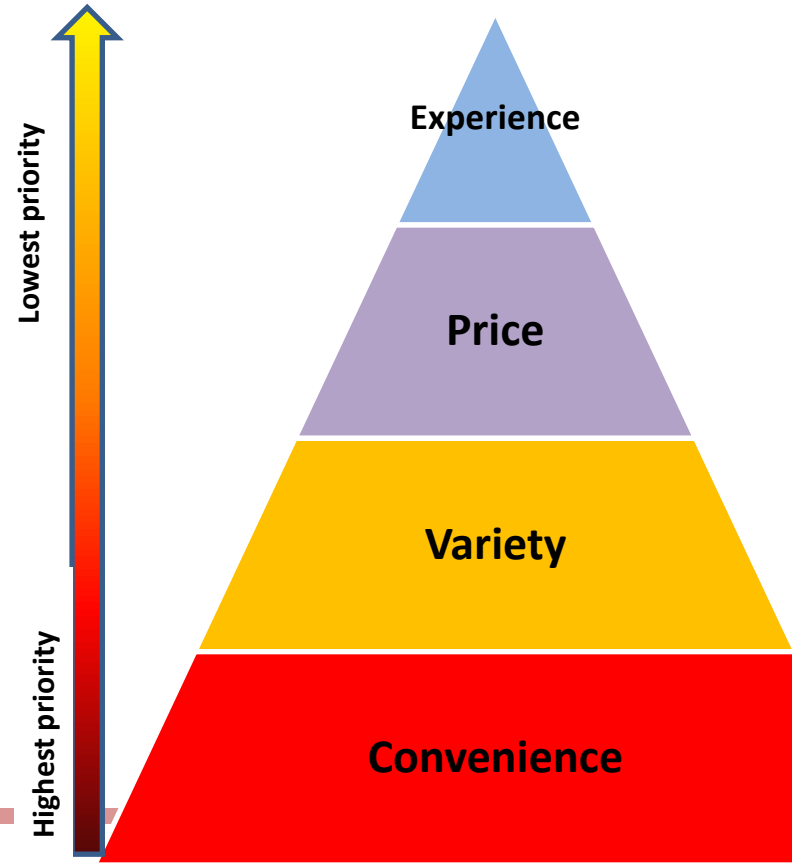
- The area is characterized by creeping commercialization and a high concentration of neighbourhood stores
- Retail activity in Ikeja is concentrated on High Streets

No of Supermarkets



Also bigger car parks & wider aisles

- Convenience is the most important consideration for shoppers
- Choice of shopping is also influenced by: car parking, wide aisles, multiple check out points and variety and size of stock
- Increased road traffic in key areas has increased the attractiveness of neighbourhood stores
- Negligible price differential between stores



Aviation Update

Market is growing again



Greater Yield in Premium Cabin

- Aviation fuel prices largely unchanged in March and April
 - Despite sharp increase in oil prices to above \$70pb
- The oil price futures curve continues to suggest that financial markets expect a modest decline in oil prices
- Year-on-year growth in air passenger volumes were up in February and March
- Premium class traffic remains vital to airline finances
 - Accounts for 5.3% of total O-D traffic and 29% of revenue
 - If there are 100 passengers in a long haul flight, only 5 of them may be in first and business class but their tickets are 29% of all the sales

Discount & promo fares in May

- Virgin Atlantic adopting forward sales strategy
- British Airways aggressive on fares offering
 - Steep discounts on premium traffic
 - Class upgrade at the airport
- **Middle East**
 - Traffic: traders, professionals, ethnic groups
 - Main players: Emirates, Eithad, Qatar, ET

Open Skies in SSA

- Nigeria's population good for airlines:
 - Air Namibia to commence flights in May
 - Cameroon airline to restart operations upon acquisition of new airlines
 - Rwanda Air to start operating from Abuja
- Air Cote d'Ivoire enters new agreement with ET
 - Begins Lagos – Abidjan – Newark route from May 2018
- ET, South African Airways, Kenya Airways and Air Rwanda are cannibalizing regional traffic

Domestic Aviation: Air Peace grows bigger

- Air Peace brings in Boeing 777, yet to be approved by NCAA
- MedView down to 1 functional aircraft
 - Also planning to bring in 777 on lease
 - Expecting 2 CRJs in May 2018
- Airline fares up across board on local routes
 - Return tickets now around N50,000-N70,000
- Stable forex supply to airlines; no backlog
 - IATA BSP working
 - Network carriers now able to offer discounts

Aviation Outlook

- Summer season to boost load factor and yields of several airlines
 - Students coming back for holidays (May-Jul)
 - Students going for graduation (Jun-Jul)
 - Families off for vacation (Jun-Aug)
 - Students resuming a new school year (Aug-Sept)
- Discounts likely to reduce during the peak season



Buhari the only game in town

Political Update

Opponent is-

“unknown soldier”

- Buhari fast tracks his declaration of intent and assembles an attack team
- Strategy of scaring away potential opponents
- Picks Oshiomole over Oyegun as APC Chairman
- To placate Tinubu and sway the South West
- Time for kid gloves is over for Buhari campaign team
- Chooses Keyamo as spokesperson for rapid response

Politics

- His campaign organisation of 2014 in opposition is to be revamped & sharpened
- They hope to use the shock and awe strategy
- Appears paranoid of retired Generals
- He has unwittingly built a huge negative political residual
- A slide from the impeccable man of integrity to an exhausted leader is a challenge
 - The young voters across the southern states and urban areas see him as yesterdays news

Buhari has major political problems

- The opposition have painted him wrongfully and unfairly as a champion of herdsmen
 - Response has been weak, late and unimpactful
- His economic message is drowned by lack of coherence
 - Some of the messengers are tarnished and don't understand how to contextualize economic impact
- The attack dogs cannot understand, articulate nor communicate a credible economic message
- The good news for Buhari is that he is responding even though belatedly

Key actions to aid Buhari

- The GE concession and reaching out to US corporates will help
- He needs to fast track and implement the PIGB
- Concessioning the airports must be implemented immediately
- The power sector forbearance to help integrate stranded power back into the grid

There are huge political risks for Buhari's candidature

- The inevitable splintering of the APC after the congresses and conventions
- The evaporation of the PDP into a credible alliance
- The possible deal between Atiku's machine and others to present a young Northern candidate
 - Seen as energetic, young, charismatic and intelligent
 - This potential candidate will have a huge problem when choosing a running mate
 - What zone and how can he match Osinbajo's harmless charm

Politics

- Look out for the state congresses and acrimonious battles
- A swing by the disgruntled to the SDP and coalition party
- NASS assembly members, ex-governors and retired generals will try to coagulate
- Extremely difficult to stitch this alliance together with big egos and thin wallets
- As of today, Buhari is the odds-on favorite but the race could be opened up with a young charismatic candidate with unpredictable outcomes



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Outlook for May

Outlook for May

- GDP numbers to be released on May 22 likely to be positive but below expectations: 1-1.25%
- Inflation data for April will be below 13%
- Lower PMI, weak GDP will force MPC to blink
- Candidate Buhari needs lower interest rates to energise his base and win corporate support
- There is a temptation to appreciate the naira for political expediency

Outlook for May

- Minimum wage review will be fast tracked
- The MTN IPO listing modalities will be disclosed
- Investors will switch huge liquidity to the MTN issue – will be at least 3 times oversubscribed
- 9 mobile deals will be fast tracked as the franchise value is badly eroded
- The new investor has their work cut out for them
- Corporate earnings will not push the stock market above current levels

Outlook for May

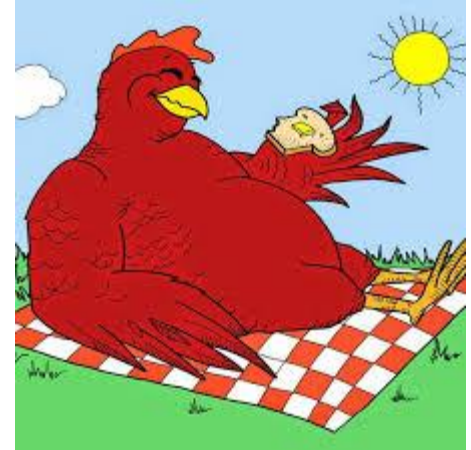
- Lower interest rates will boost demand for collective investor schemes with strong investment skills
- The APC convention is going to be rancorous and followed by malicious obedience
- In the end, the politics of 2019 will be determined by economic impacts
- Unemployment, inflation, misery index and inflation and GDP growth will be crucial to the politics
- *But like Zik said “this is the long awaited dance but some chickens will certainly break their legs before the real music begins” in 2019*

CORPORATE HUMOUR



As long as people will accept crap, it will be financially profitable to dispense it – Dick Cavett

The only thing that ever sat its way to success was a hen
- Sarah Brown



CORPORATE HUMOUR

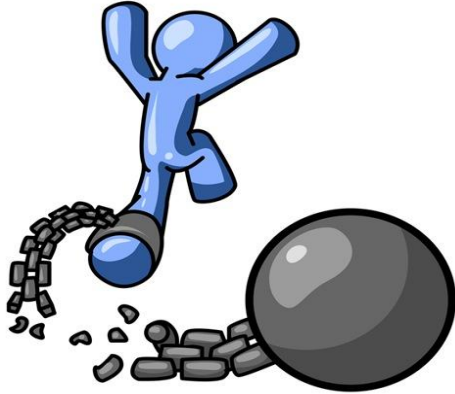


The brain is a wonderful organ,
it starts working the moment
you get up in the morning and
does not stop until you get into
the office - Robert Frost

If A equals success, then the
formula is A equals X plus Y and Z
with X being work, Y Play, and Z
keeping your mouth shut
- Albert Einstein



CORPORATE HUMOUR



Nearly all men can stand adversity, but if you want to test a man's character, give him power - Abraham Lincoln

Adversity makes men and prosperity makes monsters
- *Victor Hugo*



CORPORATE HUMOUR



A committee is a group of the unwilling, picked from the unfit to do the unnecessary
- *Richard Harkness*

Americans have different way of saying things. They say elevator we say lift The say President we say stupid psychopath
- *Alexia Sayle*



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*Thank
you*

