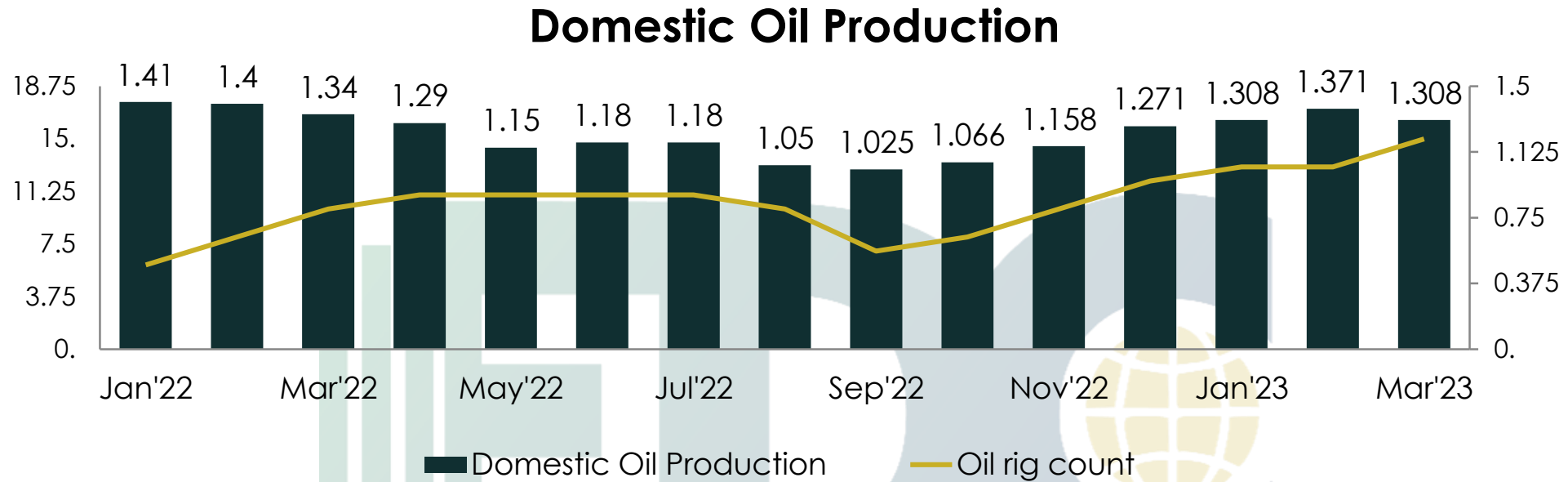


BEGINNING OF PART B

MARKET PROXIES



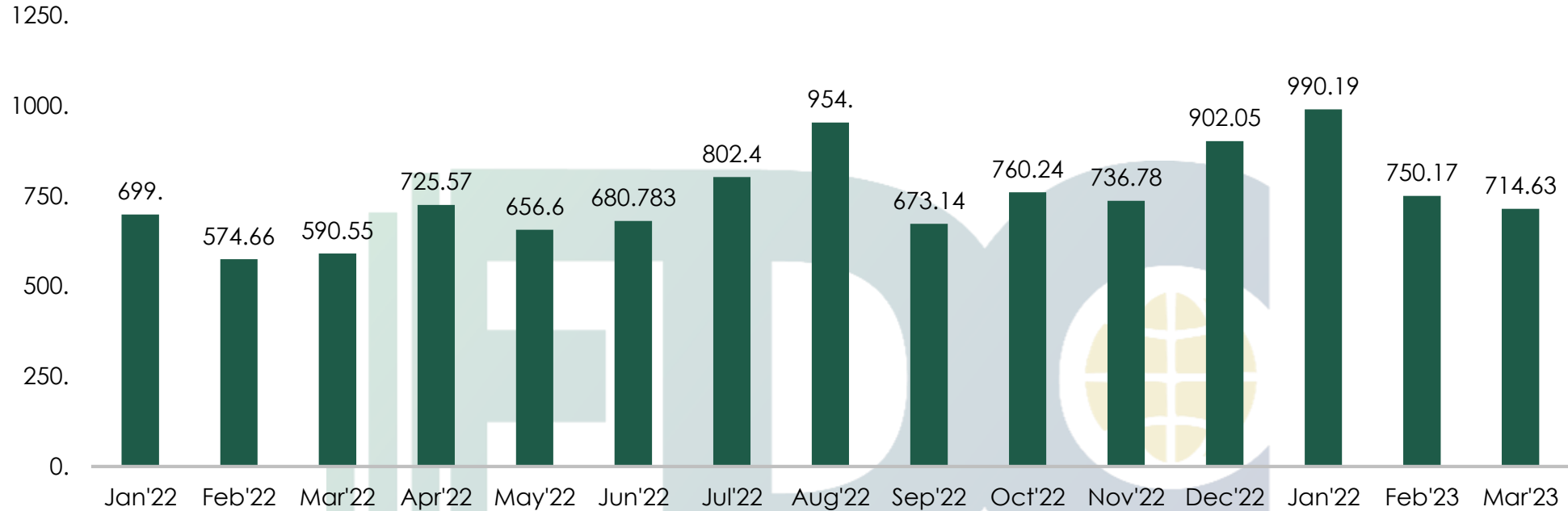
DOMESTIC OIL PRODUCTION



- Domestic oil production bucked its rising trend on March 2
- Falling by 1.24% to 1.354mbpd from a revised figure of 1.371mbpd in February
- Due to increase in oil theft, bunkering activities, production shut-ins and pipeline vandalism
- Oil production is expected to recover in April
- But remains below OPEC's quota (1.8mbpd) and 2023 budget benchmark of 1.69mbpd

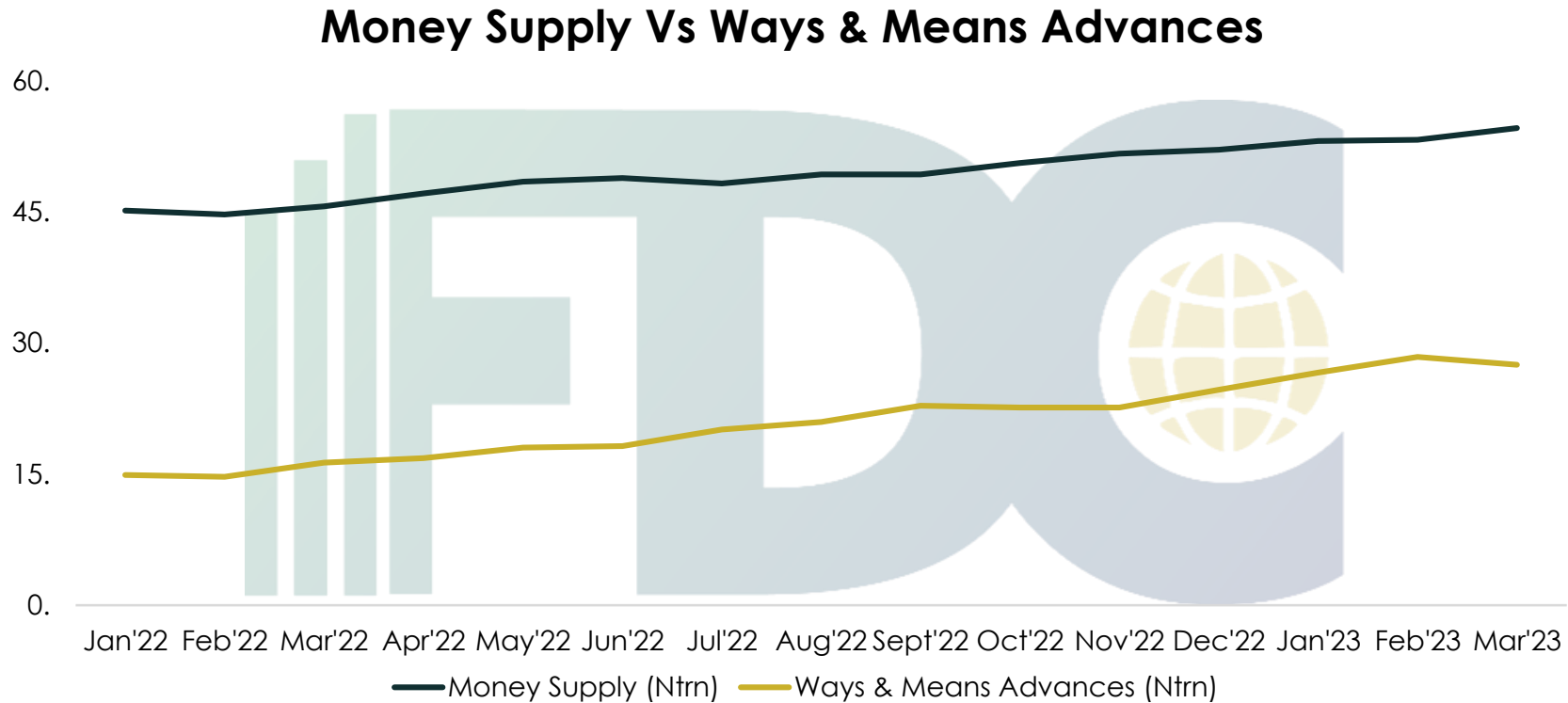
FAAC DISBURSEMENTS SLUMPS TO N714.63BN

FAAC Allocation (Nbn)



- FAAC disbursements fell by 1.11% to N714.63bn in April
 - From N722.68bn in March
- Partly attributable to decline (9.62%) in VAT and lower oil prices
- Excess crude account balance stood at \$473,755
- FAAC allocation to fall further in May on lower oil receipts

MONEY SUPPLY Vs CBN WAYS & MEANS ADVANCES



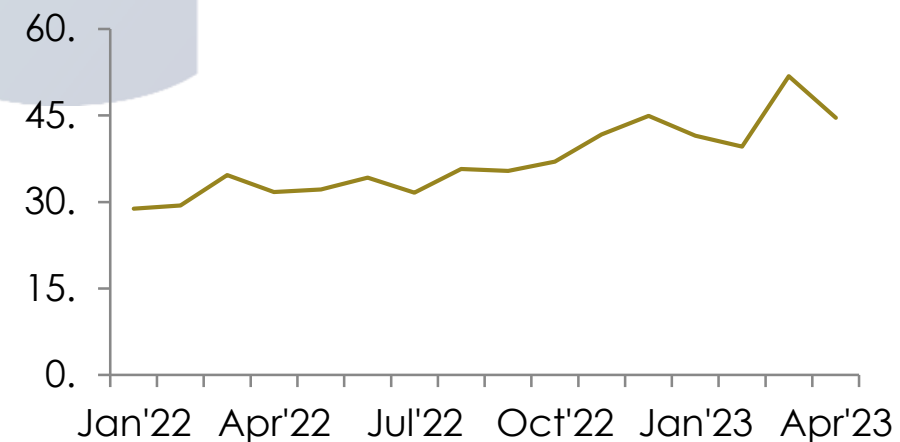
- CBN ways and means advances is a major contributor to money supply growth
- Accounts for about 50% of total money supply

VALUE OF TRANSACTIONS (MV = PT)

- Total volume and value of e-payment transactions declined in April
 - Volume down 30.29% to 945.90mn
 - Value down 13.95% to N44.61trn
- Indicating that the transactions are now returning to the pre-cash crunch level
- Due to extension of the validity of the old naira notes
- The availability of over-the-counter cash has contributed to the decline in web-based transactions such as POS and NIP
- Expected to continue in May as cash crunch completely fades out and online banking inefficiencies persist

Channels	Mar'23 (N'bn)	Apr'23 (N'bn)	% Change
Cheques	283.38	224.74	-20.69 ↓
POS	1,152.12	1,044.06	-9.38 ↓
NIP	48,326.65	41,253.47	-14.64 ↓
NEFT	2,080.23	2,069.83	-0.50 ↓
Total	51,842.37	44,612.09	-13.95 ↓

Value of Transactions (N'trn)



SHIPS AWAITING BERTH

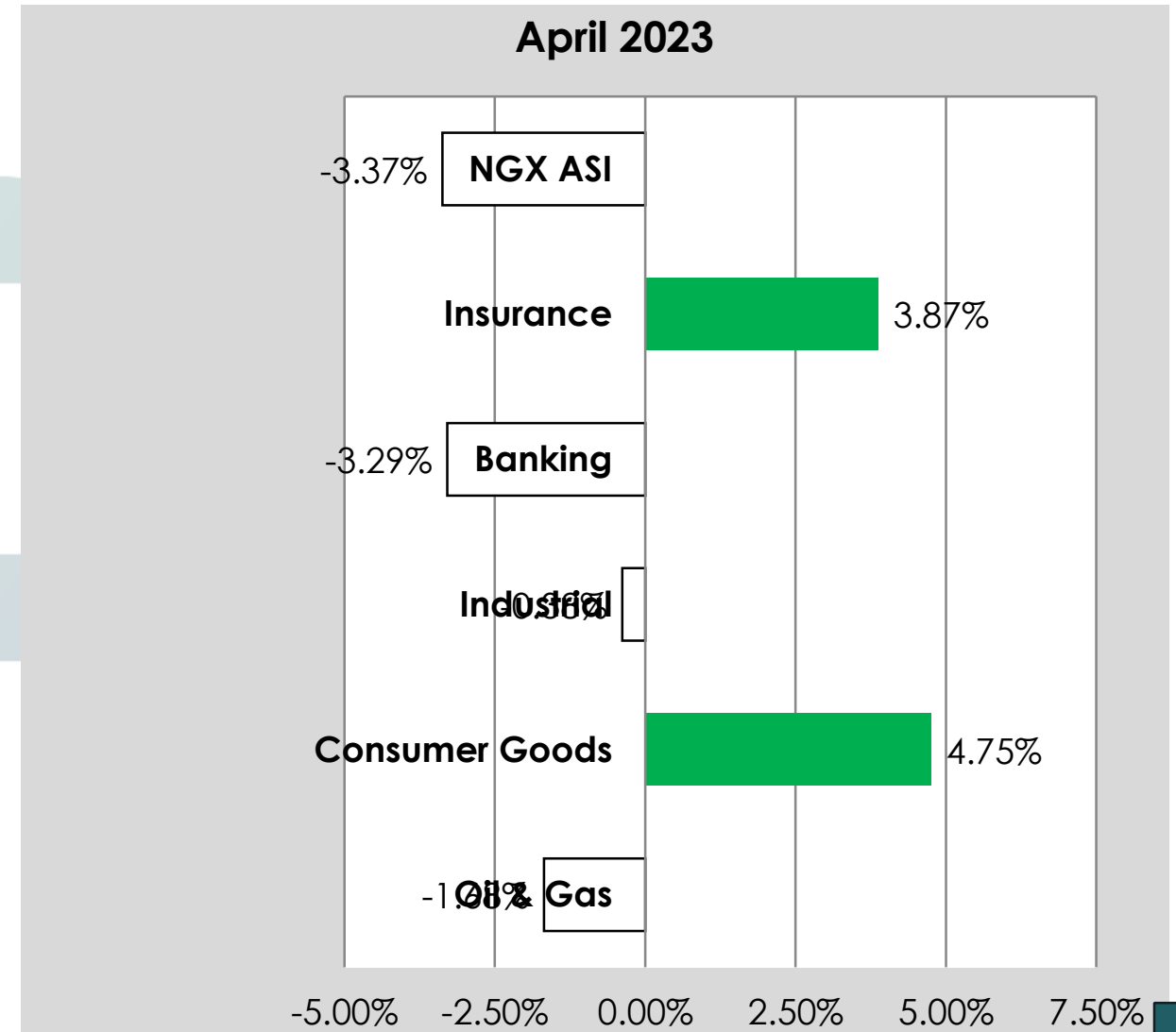
Source: NPA

- Ships awaiting berth fell from 19 vessels in Mar'23 to 8 vessels in Apr'23
- Vessels have since began avoiding the ports in Nigeria especially Tincan and Apapa ports
 - Over the collapse of quay aprons and other infrastructure decayed
 - Worsened by rising insecurity and poor government policies
- Causing a major setback in trading activities in the country

Ships Awaiting Berth	Feb'23	Mar'23	Apr'23
Apapa	2	7	2
Tincan	3	0	1
Rivers	0	3	2
Calabar	0	3	0
Warri	3	6	3
Onne	0	0	0
Total	8	19	8

NGX PERFORMANCE

- NGX lost 3.37% in April 2023
- YTD return slows to 3.37% from 5.82% in March
- 15.5% decline in Airtel Africa
- Hike in policy rates drives investors to attractive asset classes
- Profit taking activities as stocks get marked down for dividends





POLITICAL REFORMS AND NIGERIAN EQUITIES

Possible Reforms	Likely Impact on Equities Market
Removal of petrol subsidy	<ul style="list-style-type: none"> • Increased energy costs for companies • Contraction in consumers disposal income and purchasing power • High operating cost will weigh on bottom line growth • Squeezed margins and unattractive valuations
Possible hike in electricity tariff	<ul style="list-style-type: none"> • Increased energy cost • High operating cost will weigh on bottom line growth • But stable electricity will enhance productivity
Exchange rate adjustment	<ul style="list-style-type: none"> • Higher sales volume • Low cost of production • Surge in operating income
Debt restructuring	<ul style="list-style-type: none"> • High finance cost will weigh on net income and share price valuation
Institutional reforms	<ul style="list-style-type: none"> • Will attract foreign investor participation • Liquidity in the Nigerian equities market

QUALITY OF EARNINGS

- Corporate vulnerability to cash shortages and reduced sales in Q1'2023
- The impact of cashless policy will remain a threat to consumers' purchasing power
- Will likely weigh on Q2'2023 performance
- But will be offset by improved digital services and increased availability of cash





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Q1'2023 QUALITY OF EARNINGS

Company



Financial Performance

- Revenue  20.6% to N568bn
- PAT  4.6% to N101bn

- Revenue  10.5% to N123bn
- PAT  21% to (N17.4bn)

Earnings Highlights

- Mobile subscriber base rose 9.4% to 76.7 million
- Double digit growth in data, digital and fintech operations



- Double digit volume decline exacerbated by cash crunch, squeezed purchasing power
- Finance income declined by 45.8% while finance costs increased significantly to N4.7 billion in 1Q23, due to higher interest expense on leases



Q1'2023 QUALITY OF EARNINGS

Company



Financial Performance

- Revenue  16% to N128bn
- PAT  9.8% to N16.2bn

- Revenue  1.6% to N406bn
- PAT  3.4% to N109.5bn

Earnings Highlights

- Increase in finance cost due to a rise in interest expense paid on financial liability
- Group sales volumes down 13.5% to 6.3Mt
- Impacted by election uncertainty and cash unavailability from Nigeria







Q1'2023 QUALITY OF EARNINGS

Company



Financial Performance

- Revenue  32% to N158bn
- PAT  35% to N58bn

- Revenue  18% to N24.2bn
- PAT  7.27% to N10bn

Earnings Highlights

- Net interest income up 44% to N82bn due to increased interest on loan
- Non interest income supported by increased digital services
- 20.7% YoY increase in local sales
- 11.5% decline in exports
- Net finance cost increased 92.9% YoY to N253 million due to increased interest on long-term loan



**POST REFORM, BUSINESS
& MARKET
OPPORTUNITIES**



OPPORTUNITIES ABOUND- TELECOMMUNICATIONS

Global Trend

- 5G effect
- Telco infrastructure
- Boosting mobile broadband access
- Submarine cables
- Voice and digital data

Opportunities

- High capital barriers to entry
- Telco infrastructure
- Telco players are dominant players in the mobile payment system
- Provider of savings and credits (mobile wallet system)
- Bargaining power of telcos in the financial tech space
- Shift from voice to data
- Bundle pricing
- High revenue from roaming services

Telecommunications is a global industry- at its maturity cycle stage

OPPORTUNITIES ABOUND-TELECOMMUNICATIONS

Impact of Possible Reforms- Robust Profitability

- Reduction in the price of diesel will reduce operating cost
- An adjustment in exchange rate will reduce production cost and high cost of capex
- Electricity tariff will enhance the use of power for mobile phones and data services
- Will enhance top line performance
- One year target price of N252 and N1,500 for MTN and Airtel Africa respectively

OPPORTUNITIES ABOUND-BREWERY SECTOR

Global Trend

- Increased consolidation between the brewing and the distilling business
- Nigerian breweries' Heineken recently acquired the largest South African multinational brewing and beverage company (Distell group limited)

Opportunities

- Growing Demography
- Increased Innovations and launch of new products to meet changing taste and preferences
- Growing hospitality and entertainment industry
- One year target price for Nigerian Breweries and Guinness Nigeria is N45 and N73 respectively

Impact of Possible Reforms

- Road concessioning will foster easy logistics
- Moderation in interest rate environment will regulate high finance cost and enhance profitability
- Reduction in the price of diesel will reduce operating cost

OPPORTUNITIES ABOUND- AGRICULTURE & FOOD PRODUCTS

Global Trend

- Globalisation of food supply chains
- Technological and scientific breakthroughs
- Improved innovations to meet changing food demand

Opportunities

- Growing population
- Increased consolidation among players
- Increasing need for government revenue diversification
- Access to free trade zone
- Backward integration strategies enhancing increased local production

Impact of Possible Reforms

- Road concessioning will foster easy logistics
- Moderation in interest rate environment will regulate high finance cost and enhance profitability
- Reduction in the price of diesel will reduce operating cost
- One year target price for Flourmills is N32

||| NIGERIAN FINANCIAL SYSTEM STABILITY–POST REFORM

- Debt restructuring could weigh on Nigerian banks' credit rating
- Nigerian banking sector could take a hit should the global financial crisis escalate
- Slow down in global economic growth would have negative impacts on African export trade and inflows of foreign investment
- Increased spread for financial service players from heightened monetary policy tightening
- Expected to benefit from increased government spending and weighty exposure to the oil and gas industry

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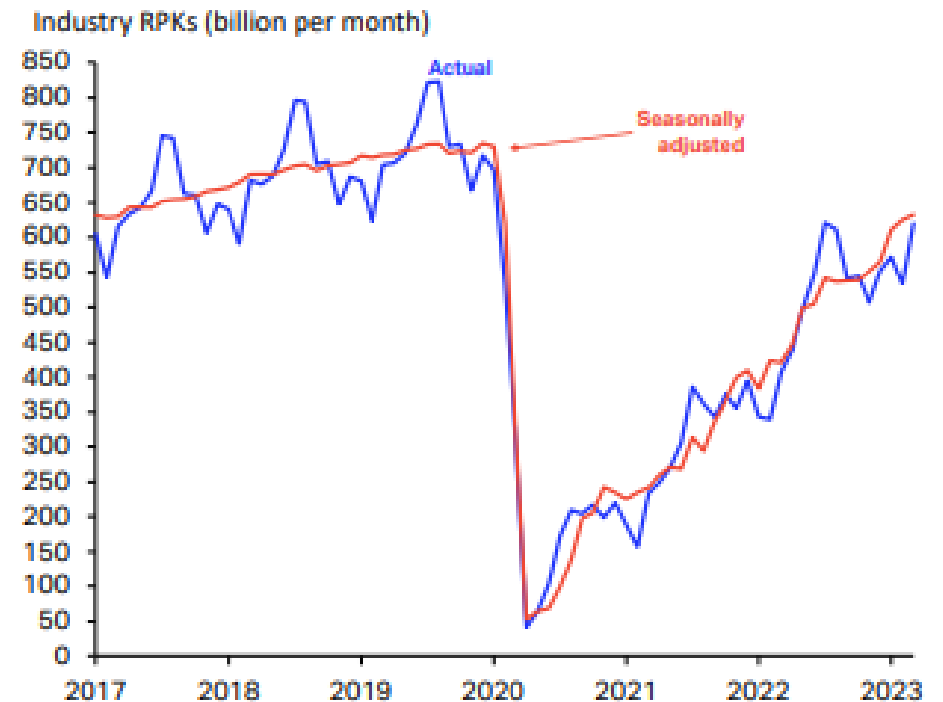


GLOBAL UPDATE - IATA



- The strong recovery in global passenger traffic has been sustained
- Industry-wide revenue passenger kilometers (RPKs) grew by 52.4% (YoY)
 - Global passenger demand now at 88% of pre-pandemic level
- China reopening and ease in travel restrictions has accelerated recovery in domestic and international traffic

Chart 1 – Global air passengers, revenue-passenger kilometers (RPKs), billions



Sources: IATA Economics, IATA Monthly Statistics

- Air cargo demand continues to remain weak
 - The year-on-year contraction of CTKs narrowed further from -9.4% in February to -7.7% in March
- The air cargo industry has experienced volatility in recent months
 - Due to economic and operational challenges that have hindered global trade

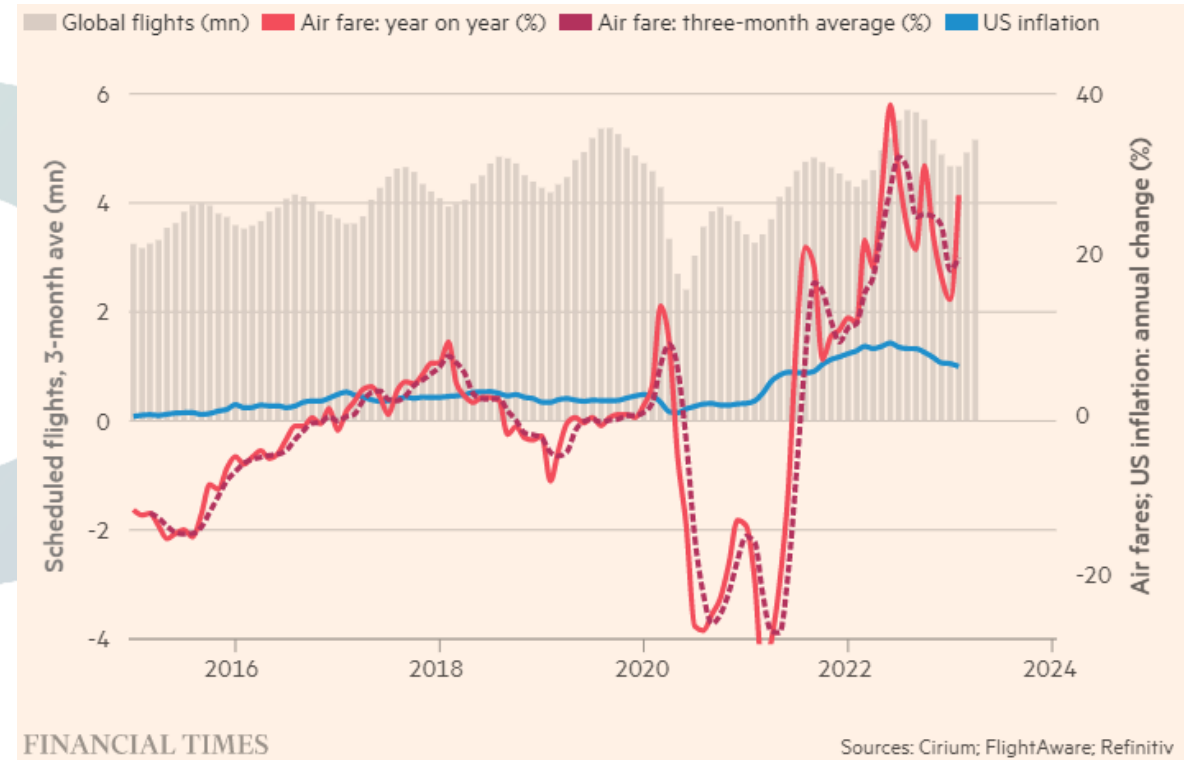
Chart 1 Global Industry CTKs (billions per month)



Sources: IATA Economics, IATA Monthly Statistics

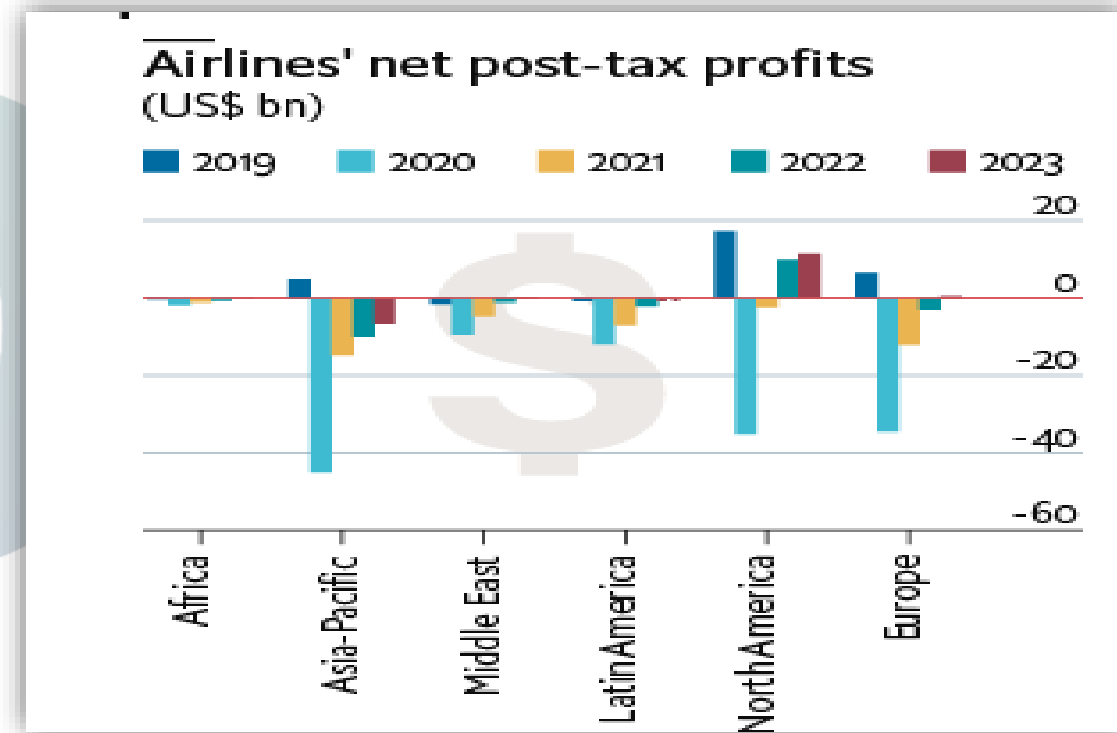
GLOBAL AIRFARES SOAR ON HIGH DEMAND – FINANCIAL TIMES

- Air fares are rising at more than twice the rate of inflation
- Carriers are taking advantage of soaring demand for travel that has defied broader economic headwinds
- Passengers' willingness to pay high fares underlines the furious rebound in demand for flying



AFRICAN AIRLINES ARE RECOVERING FROM PANDEMIC

- COVID-19 and fuel price surges had negative impacts on African airlines
- However, the sector has been recuperating since early 2022
- In February, African airlines recorded 93.4% growth in passenger traffic
- Ethiopia Airlines, which is the largest airline in Africa, made a profit of \$937mn in 2022



TOURISM



GLOBAL TOURISM UPDATE

- The tourism sector has continued to recover at a strong pace globally
- Destinations now welcome approximately three times as many international arrivals with Europe and America leading the sector's rebound



TOURISM INITIATIVES IN NIGERIA

EDO STATE

- Edo State has created a tourism agency and launched the state's tourism masterplan, targeting about N2 trillion from the sector in the next 10 years
- The rich cultural heritage and repatriation of artifacts from international museums has created an opportunity for tourism to be a **game changer** in the state
- EMOWAA Trust is embarking on an endeavor to create a world-class arts, culture, and heritage complex to celebrate, research, and conserve West African art from antiquity to the modern day



ONGOING TOURISM INITIATIVES

CROSS RIVER STATE

- Cross River moves to become Nigeria's medical tourism hub
- The state is one of the south-south states in Nigeria with huge tourism potential
- It has attractions that are capable of attracting both local and international tourists

LAGOS STATE

- The city of excellence is currently the most visited city in Nigeria
- Lagos has lots of attractions to offer tourists
- The state has launched a tourism master plan and policy to lay the foundation for developing a comprehensive and sustainable tourism strategy for the state

RISK FOOTPRINTS



RISKS

- Handover is in 19 days

**Nullify the
Election**

**Re-run
election in
certain areas**

**Disqualify
Candidates**

RISKS

- **Sequencing:** Sequencing of reform is more important than reform itself
 - Spend the proceeds of subsidies before removal
- **Institutional & policy reform:** Possible pushback in reform





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STUCK IN THE MUD
POLITICAL UPDATE

‘Damned if you do and damned if you don’t’



POLITICAL UPDATE

- President-elect must hit the road running
- With one leg in a cast and one hand tied behind his back
- The judicial overhang makes the task more daunting
- The judicial process is cumbersome
- The Supreme Court is widely disrespected





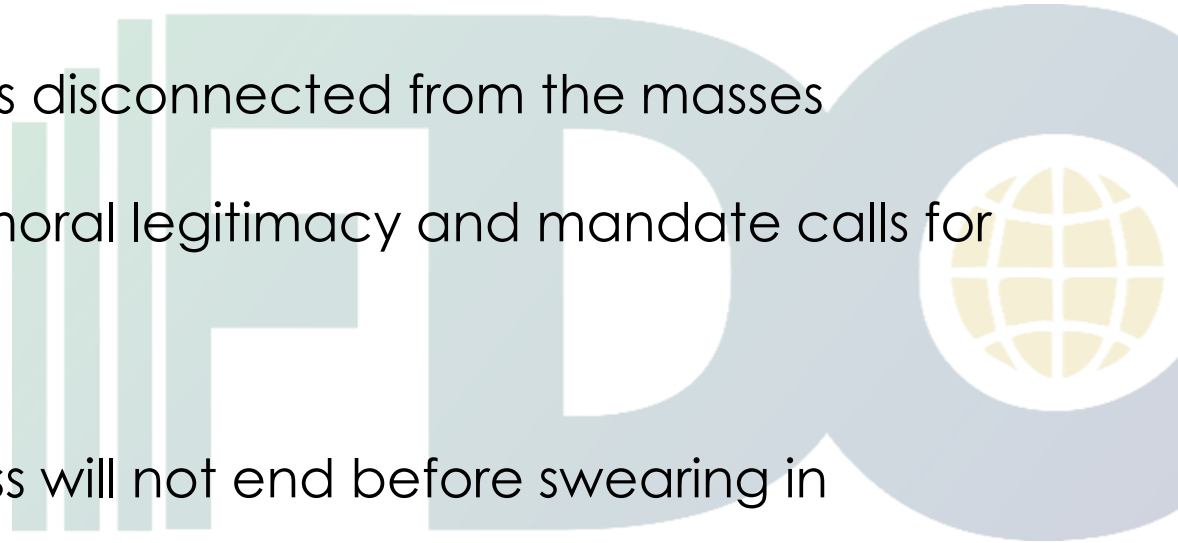
POLITICAL UPDATE

- There are only 4 judicial verdicts
- None of them will be protest-free
 - Process infractions were not substantial enough to alter outcome
 - INEC did not allow process to finish before announcing outcome
 - The 25% of Abuja (FCT) lacuna where no candidate qualifies, therefore a run-off
 - The voting process was widely abused and infractions massive, therefore annul the election



POLITICAL UPDATE

- The electorate is frustrated and fatigued
- The political class is disconnected from the masses
- The political and moral legitimacy and mandate calls for consensus
- The judicial process will not end before swearing in
- The APC will be hoping that the public will accept the outcome as the least of all evils





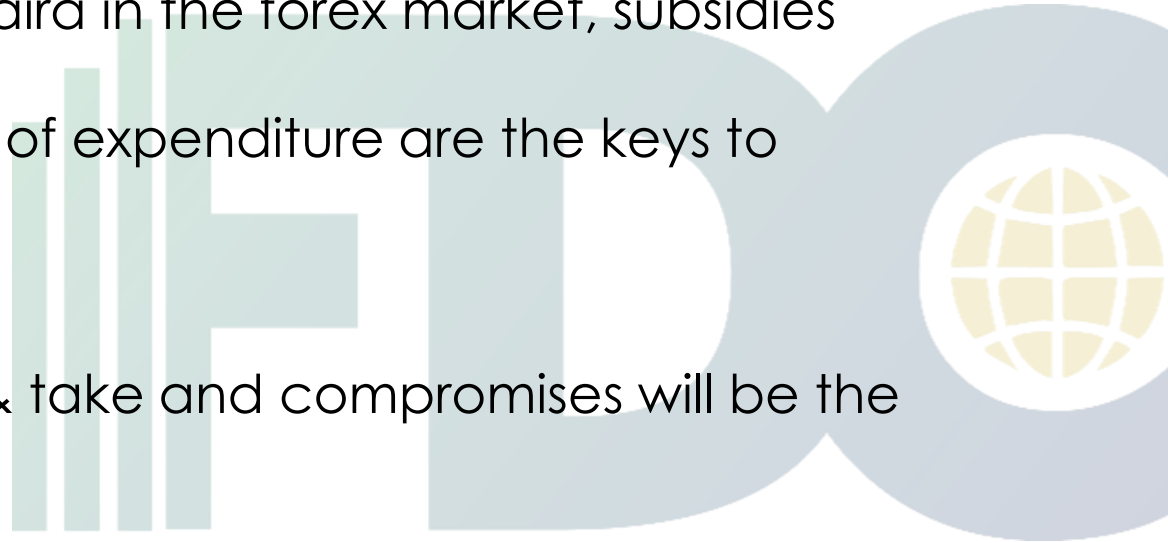
POLITICAL UPDATE

- The APC will attempt to put together a credible and professional team
- The public will not believe the promises
- The sacrifices and reforms will be hard to sell
- The creditors will insist on reforms and transparency
- There must be evidence of penalties for abuse



POLITICAL UPDATE

- The value of the naira in the forex market, subsidies reduction, and shift of expenditure are the keys to stability
- The political give & take and compromises will be the true test of stability
- All eyes will be on the integrity of the team rather than their capacity



SUMMARY & OUTLOOK





OUTLOOK FOR MAY/JUNE

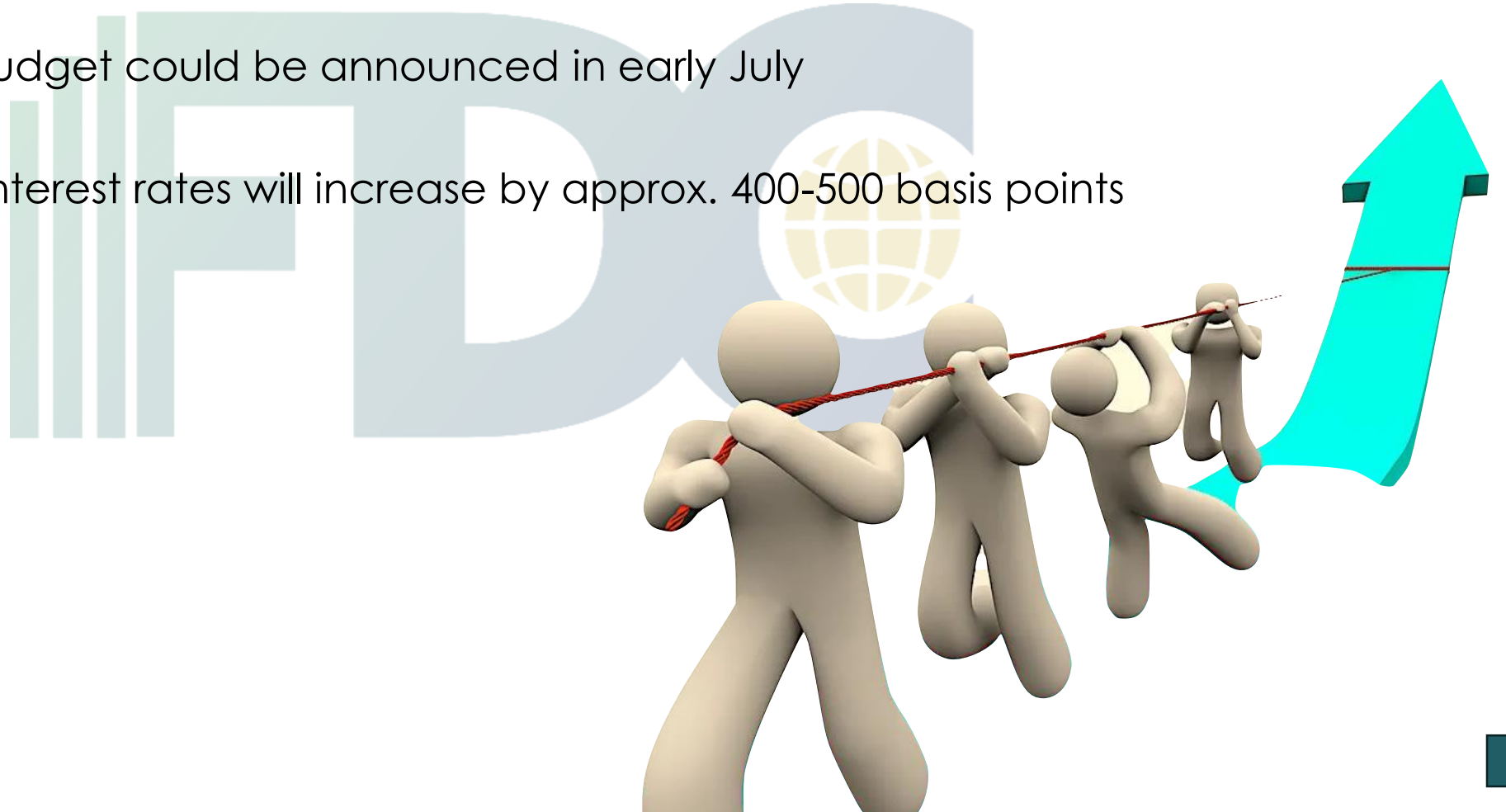
- Inflation will spike again to 22.6%
- MPC will increase the MPR by 25bps to 18.25% p.a
- Q1 GDP will shrink significantly to about 1.5% because of cash squeeze
- The naira will trade between N750/\$-N760/\$ in the parallel market
- The Dangote refinery will be commissioned
 - Will produce kerosene and diesel only for now
 - No PMS till end 2023/ early 2024





OUTLOOK FOR MAY/JUNE

- Ministers will be appointed in June
- Supplementary budget could be announced in early July
- General level of interest rates will increase by approx. 400-500 basis points





“The lesson of all these is that changing faces and rotating political positions is not enough. Nigeria needs systemic reforms that only its intellectuals and policymakers can drive – but that’s another story” –

Financial Times (May 10, 2023)

CORPORATE HUMOUR

Everybody was saying we must have more leisure. Now they are complaining they are unemployed

– *Prince Phillip*

For the first half of your life, people tell you what to do, for the second half, they tell you what you should have done.

– *Richard Needham*

They say life begins at forty, but I think it takes forty years to realise its already started.

– *Jeremy Hardy*

CORPORATE HUMOUR

The quickest way to make a million? Marry it.

– *Zsa Zsa Gabor*

Life is like a sewer. What you get out of it depends upon what you put in.

– *Tom Lehrer*

A male gynaecologist is like an auto mechanic who has never owned a car.

– *Carrie Snow*

CORPORATE HUMOUR

Today is the tomorrow you worried about yesterday.

– *Mark Twain*

Change is hardest at the beginning, messiest in the middle and best at the end.

– *Robin Sharma*

Great minds discuss ideas; average minds discuss event; small minds discuss people.

– *Eleanor Roosevelt*

CORPORATE HUMOUR

Challenges are what make life interesting and overcoming them is what makes it meaningful.

– *Joshua Marine*

Do not go where the path may lead; go instead where there is no path and leave a trail.

– *Ralph Emerson*



**THANK
YOU**

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