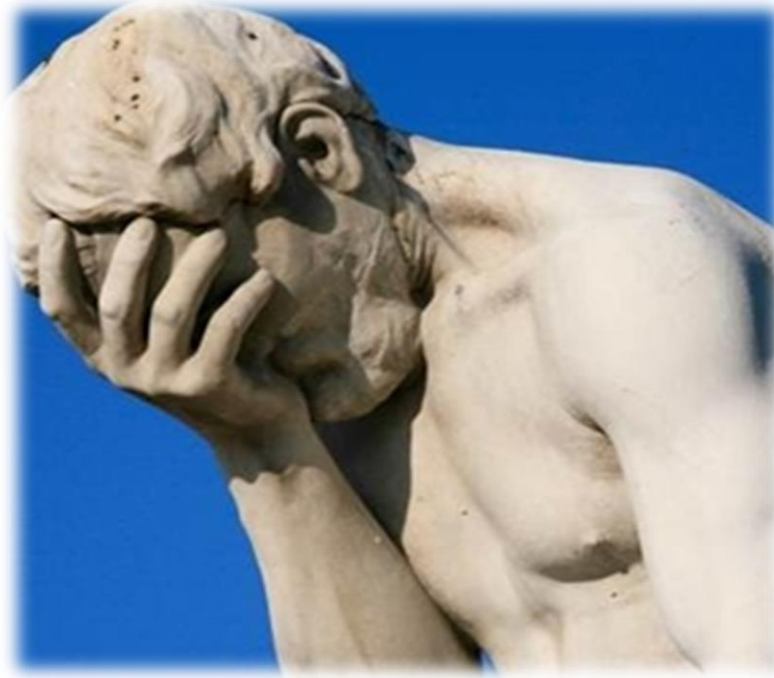


Election 2019



The Political Anti-Climax

Presented by Bismarck Rewane
CEO, Financial Derivatives Company Ltd.
February 6th, 2019



"Don't boo...just vote"



"Dummies can win if you don't vote"

"Turnout is everything"



Outline

Highlights



Stock Market Review

Global Developments



Policy and Politics

*Domestic Economic
Performance*



February Outlook



Highlights

So Far in February

5

Bright Side

- External reserves flat at \$43bn
- US Fed Reserve keeps interest rates unchanged
- Inflation to fall to 11.35%
- Stock market gains 1% in the last 5 days, after a correction



Dark Side

- Naira falls to N361/\$
- Revenue decline at FMCGs
- FPI falls by 25%
- Increased shale production is negative for oil prices



January Highlights – Post-Christmas blues

6

- PMI for January down 14% to 51.5 from 60.2 in December
- A forward indicator pointing towards weaker growth in Q1 2019
- IMF revises 2019 growth for Nigeria down to 2% from 2.3%
- On weaker oil prices and production challenges
- January oil production up marginally to 1.75mbpd
- In line with the reduced OPEC quota
- Total-Elf started producing at the Egina field peak at 200,000bpd
- Nigeria's score on the corruption index remains unchanged at 27/100 in 2014 and 2018

January Highlights – Post-Christmas Blues

7

- Average on grid output in January fell to 3,595MW from 4,092MW in December
- Unemployment in Q3 up to 23.1%
- Broad money supply M2 expanded at 6.08% (annualized) to N25.46trn
- Credit to the private sector grew by a tepid 3.54%
- The revenue shared by the states fell 20.1% to N649.2bn in January

January Highlights – Post-Christmas Blues

8

- CBN reverts to stabilization securities to reinforce M2 tightening again
- Inflation increased for the second month in December to 11.44%, reigniting fears of a trend of rising prices
- Banking system liquidity down in January to N32bn long
- CBN preemptively increased forex intervention by 15.8% to \$972mn
- External reserves were flat at \$43bn

January Highlights – Post-Christmas Blues

9

- The stock market traded flat at the 30,000 resistance level
- Supermarket traffic was much lower in January
- Retail inventory levels fell sharply to approx 5 weeks stock



The beer market showed the first sign of growth in December after many months of broad decline in all segments

- Carbonated soft drinks demand remained weak, aggregate volume down
- Beer prices have rolled back to pre-excise duty levels
- Malt market yet to recover as consumers reduce sugar-intense drinks

Global Developments



New World Bank President

11

- Trump to name David Malpass as new President of the IBRD (World Bank)
 - Currently serves as Under Secretary of State in Treasury Department
 - Ex Bear Stearns chief economist
 - Extremely critical of the World Bank
 - Likely to have an anti-globalization attitude

US Fed Leaves Rates Unchanged

12

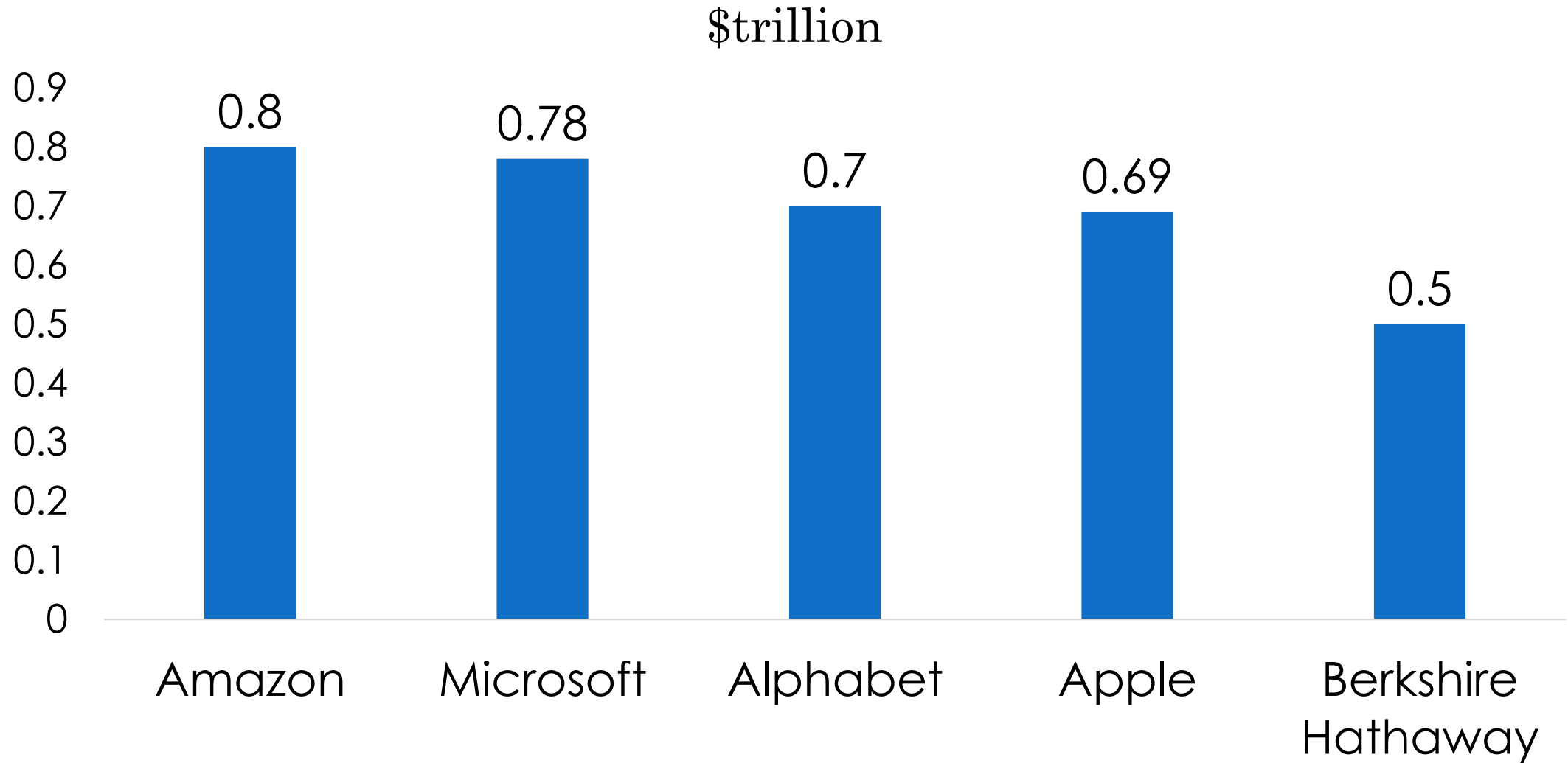
- Rates left unchanged at 2.25%-2.5% pa
- Signals slow down in pace of rate hikes in 2019
- Concerned about the implications of slowdown in global growth on the US
- Committee remains optimistic about the economy in 2019
 - Subdued inflation, low unemployment rate
- Two rate hikes expected in 2019
- Emerging markets can now breathe a sigh of relief, or can they?



“Case for raising rates has weakened somewhat”- Fed Chairman, Jerome Powell

World's Biggest Companies by Market Cap

13



World's Biggest Companies By Market Cap

14

- Fed FOMC to leave rates unchanged today
- The next hike in Q2 after inflation numbers are released
- Theresa May gets leeway to renegotiate Irish back stop
- Unlikely to be acceptable to Ireland and France
- March 29 deadline may be postponed

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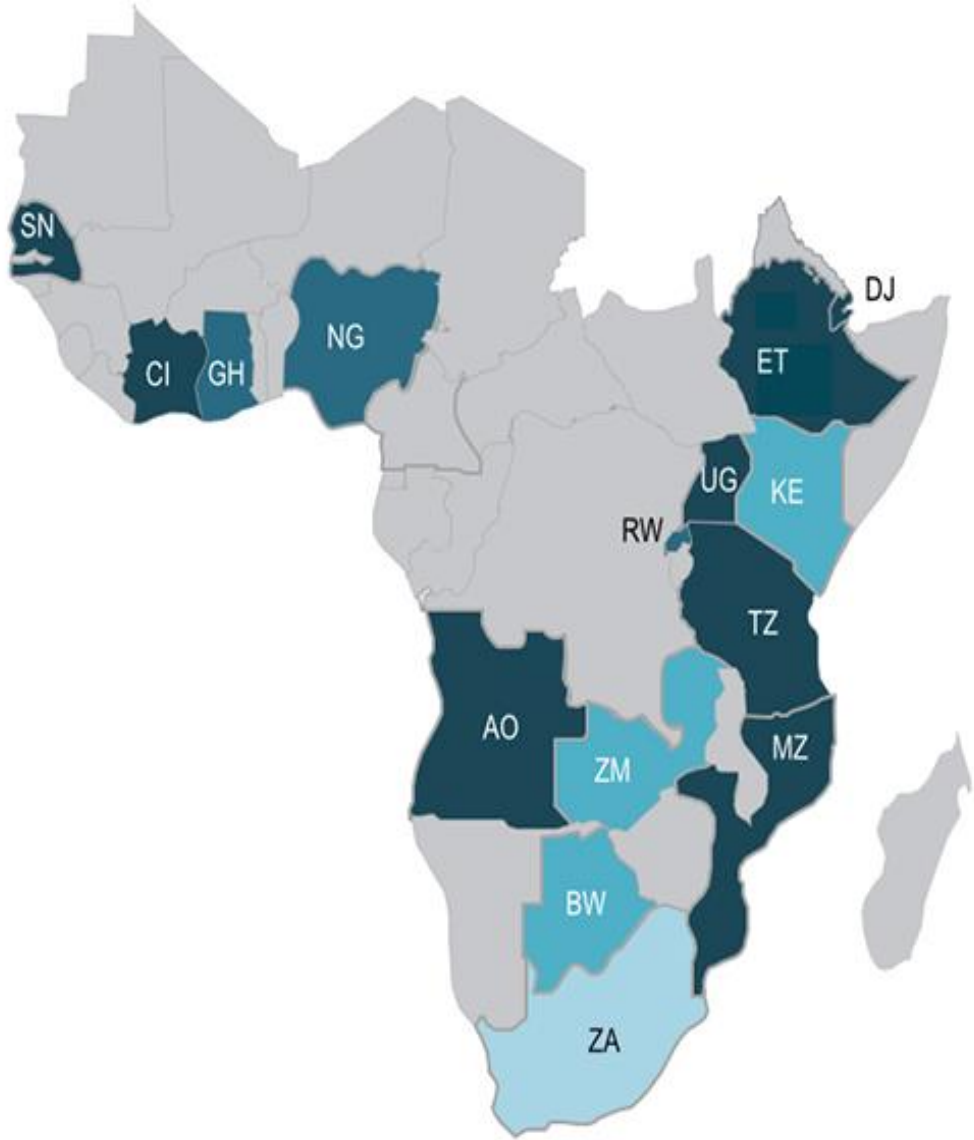
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Sub-Saharan Africa

*Stability before Democracy
The Credible Election Dilemma*

Elections in Africa- An Inconvenient Ritual

17

Do Elections Scuttle Economies? Yes & No

- Our research shows that elections help GDP, inflation and exchange rates
- When it is credible, transparent and power changes to the opposition
- Rancour free and seamless also - *Ghana and Senegal*

Senegal vs Ghana

18

Indicators	Senegal			Ghana		
	Pre-election (2011)	Election (2012)	Post-election (2013)	Pre-election (2015)	Election (2016)	Post-election (2017)
GDP (%)	1.46	5.12	2.82	3.8	3.7	8.5
Inflation (%)	3.40	1.42	0.71	17.2	17.5	12.4
Unemployment (%)	10.36	9.03	7.69	2.2	2.3	2.4
Misery Index	13.76	10.45	8.40	19.4	19.8	14.8
MPR (%)	4.25	4	3.75	26	25.5	20
External Reserves (\$'bn)	1.95	2.08	2.25	5.9	6.2	7.6
Exchange Rate (local currency/\$)	471.87	510.53	494.04	3.8	4.3	4.5
Ratings – Moody's (2017)	Ba3			B3		
Next Election	2019			2020		

- Exchange rate depreciates even if elections are peaceful
- Uncertainty premium eats into investment flows
- Investors do not return to a market for at least 3 months post election

Elections in Africa- An Inconvenient Ritual

19

- When a younger candidate with energy wins, economies also recover
- Expect elections in Senegal in 2019 to be rancour free
 - Likely to be a slam dunk for the incumbent
- If it is a bitter struggle with violence and near violence, economic performance declines even if opposition wins –

Ivory Coast

20



Indicators	Pre-Election (2014)	Election (2015)	Post-Election (2016)
GDP (%)	8.8	8.8	8.3
Inflation (%)	0.5	1.2	0.72
Unemployment (%)	2.7	2.7	2.6
MPR (%)	3.5	3.5	4.5
External Reserves (\$'bn)	4.5	4.8	4.3
Exchange Rate (XOF/\$)	541.8	613.9	628.9
Ratings – Moody's (2017)	Ba3		
Next Election	2020		

- Election fight was bitter
- Led to a civil war
- Gbagbo lost and arrested
- Released by ICC in the Hague
- Returning for another election battle

Angola vs Zimbabwe

21

Indicators	Angola			Zimbabwe		
	Pre-election (2016)	Last Election (2017)	Post-election (2018)	Pre-election (2017)	Election (2018)	Post-election (2019)
GDP (%)	-2.6	-2.5	0.7	3.4	3.5	4.2*
Inflation (%)	32.4	31.7	21.1	0.9	n/a	n/a
Unemployment (%)	7.72	8.17	20.0	5.16	n/a	n/a
MPR (%)	16.0	18.0	n/a	n/a	n/a	n/a
External Reserves (\$'bn)	24.4	18	n/a	0.4	0.43	0.45
Exchange Rate (/ \$)	165.9	165.8	n/a	n/a	n/a	n/a
Ratings – Moody's (2017)	B3					
Next Election	2022			2023		

- Both countries had forex liquidity crisis in 2017/18
- Both had elections in 2017/18

DRC vs Kenya

22

Indicators	DRC			Kenya		
	Pre-election (2016)	Election (2017)	Post-election (2018)	Pre-election (2016)	Election (2017)	Post-election (2018)
GDP (%)	3.7	4.0	4.5*	5.9	4.9	5.9
Inflation (%)	41.5	27.7	n/a	6.3	8.0	4.7
Unemployment (%)	10.95	n/a	n/a	11.52	11.47	n/a
MPR (%)	20.0	14.0	n/a	10	10	9.0
External Reserves (\$'bn)	0.8	n/a	n/a	7.6	7.3	8.5
Exchange Rate (XOF/\$)	1,592	n/a	n/a	102.5	103.2	n/a
Ratings – Moody's (2017)	Caa2			B2		
Next Election	2022			2021		

- Elections in both countries were contentious
- All indicators were sensitive to election



2019

The Political

Credibility Gap

*Process More Important than
Outcome*



Brinkmanship or Leadership

General Martin Dempsey

- Brinkmanship- the art of pushing a confrontation to the limit of safety to force a desired outcome
- Leadership- the art of motivating people to act toward achieving common goals
- One is persuasive, the other coercive
- One feels like success, the other like failure
- The most effective leaders use their influence much more than their authority
- The goal is to solve problems so they stay solved

Brinkmanship or Leadership

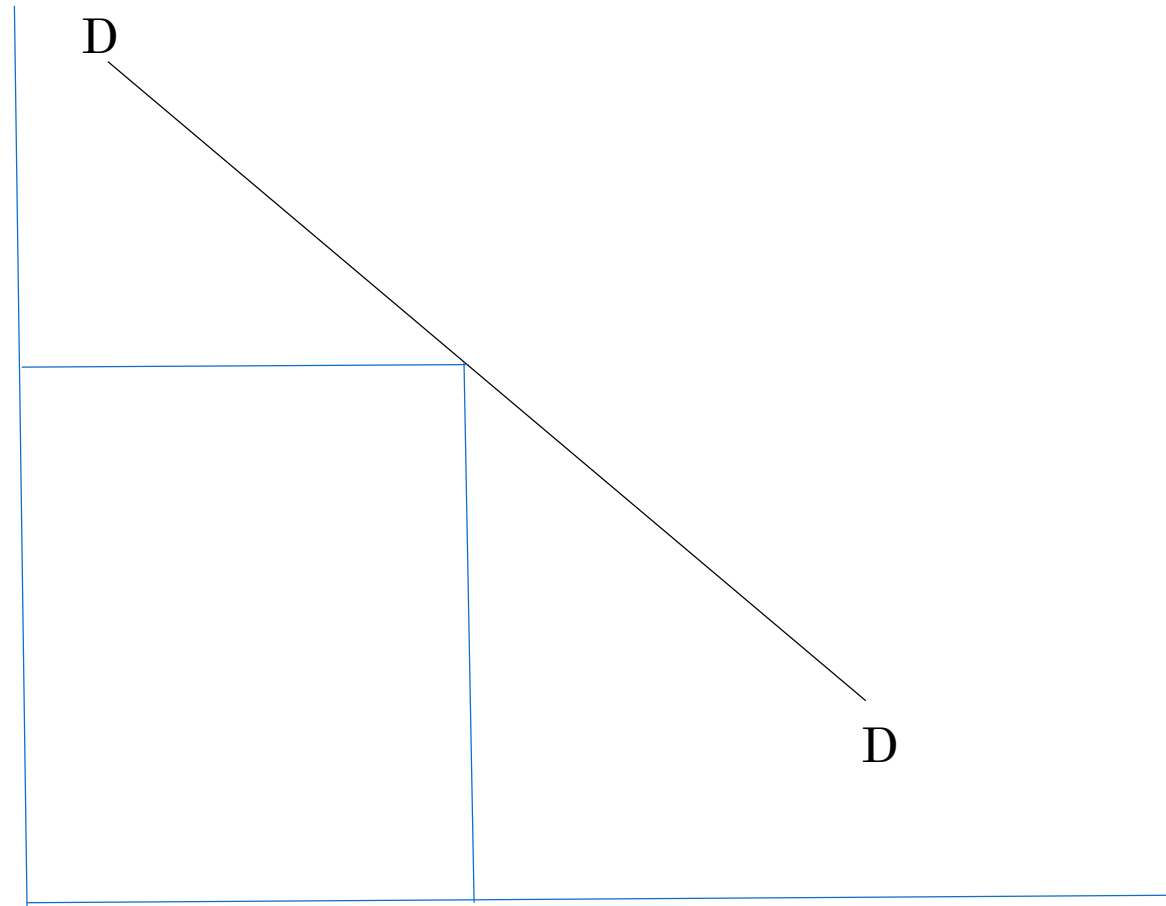
25

- Brinkmanship ends up in SAD
- Leadership results in MAD
- So in the election ahead you should differentiate between a leader and a brinkman
- Remember Fareed said
 - For Nigeria: stop doing the dumb things
 - Start doing the smart things
 - Then do the modern things

The Political Credibility Gap

26

Buhari

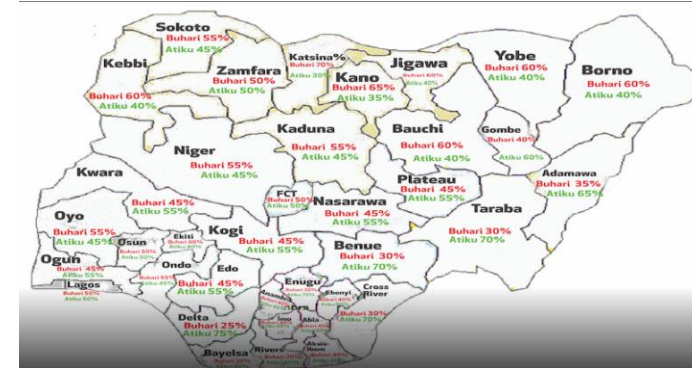


Atiku

Different Strokes for Different Folks

27

Eurasia: too close to call



How Nigerians are likely to vote

EIU: 'Atiku Abubakar will win the presidency'

ThisDay: tight and tough contest between PDP and APC

Williams Associates: Atiku Abubakar will win the election

Political-Domestic

- Recent developments have raised eyebrows of analysts
- Before the judicial distractions, the election was a close call
- The campaigns have been less than inspiring compared to 2015
- Voter response has not been enthusiastic
- Citizen apathy and very low turn-out expected
- Widespread poverty is being exploited by incumbent governments

leading to

PVC for sale or hire

Near Miss & Flash Points

29

- Nigeria escaped a slide into turmoil as VP survives helicopter crash in Kabba, Kogi state
- Eyebrows raised as to what happened
- Nigeria lucky for it could have been worse
- Conspiracy theory (motive + opportunity)
- 10 days to polls: anything is possible
- Be vigilant



Likely outcomes

- Battle for 2023 is muddying 2019
- Elections will not be violence free
- Contained and managed skirmishes or widespread breakdown
- Incident reports and PVC not part of the law
- Judiciary in turmoil
- If not well managed, could slide into a deadlock and anarchy
- Most voters have decided on candidate or not interested
- Not a binary choice
- Many believe it will not be fair

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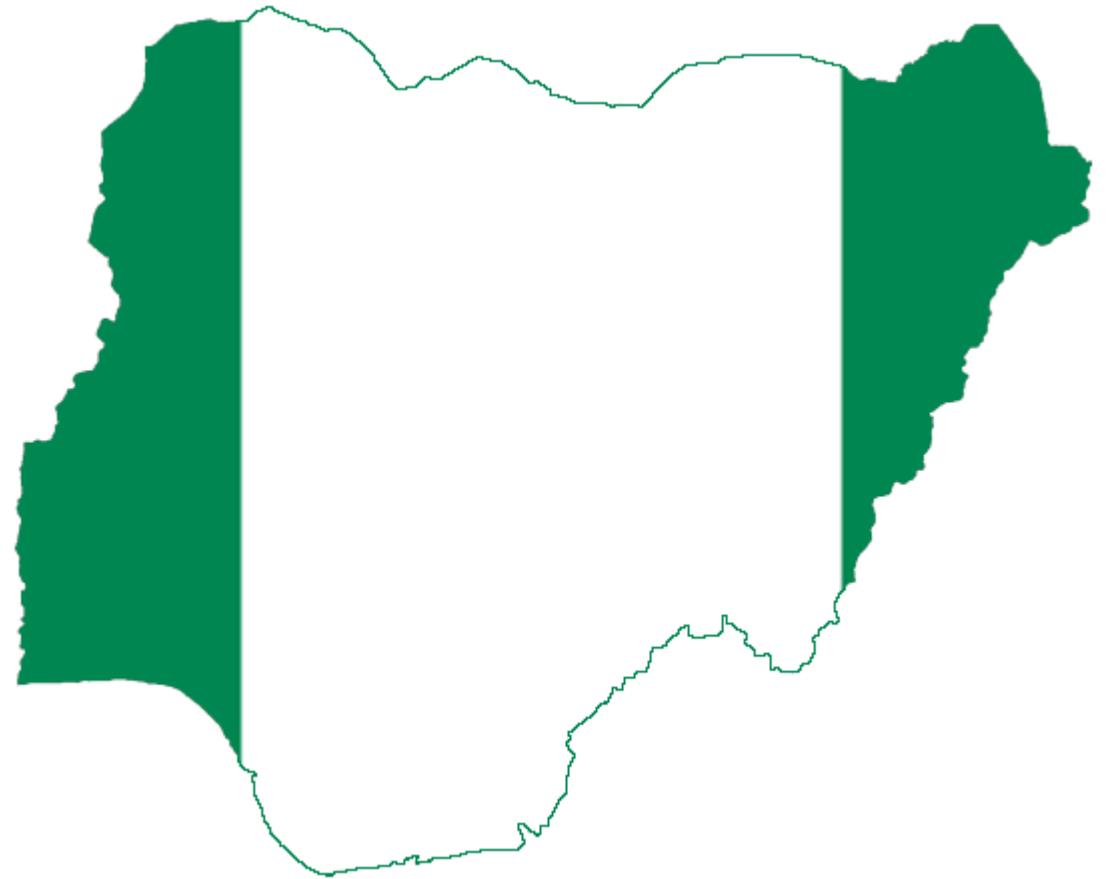


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*Domestic
Economic
Performance*



Economic Indicators- Output

Leading Economic Indicator	December	January	% Change	Comments	February's Forecast*
GDP Growth Rate (%)	1.5 (Q2'18)	1.81 (Q3'18)	0.31	<ul style="list-style-type: none"> Tepid and fragile growth Remains below population growth of 2.6% 	2.2-2.4 (Q4'18)
Oil Production (mbpd)	1.74 (Nov)	1.75 (Dec)	0.57	<ul style="list-style-type: none"> Nigeria to cut oil production by 53,000mbpd Negative for oil revenue 	1.65-1.70 (Jan)
Power (MW; avg)	4,089	3,953	-3.33	Will cripple activities across various sectors	3,900-4,000
PMI	FBN: 58.9 (Nov'18) CBN: 57.9	FBN: 60.2 (Dec'18) CBN: 61.1	2.21 5.53	Likely to fall in January owing to lull in economic activities	56-58 55-58
Inflation (%)	11.28 (November)	11.44 (December)	0.16	Minimum wage review could lead to a spike in headline inflation	11.35 (Jan)
Oil Price (\$pb; avg)	56.96	60.02	5.37	<ul style="list-style-type: none"> US sanctions on Venezuela's state owned oil output could push prices up in the near term Positive for fiscal and external revenue 	60-62
Natural Gas (\$/MMBtu; end)	2.94	2.93	0.34	<ul style="list-style-type: none"> Gas accounts for 12.6% of total exports Would reduce Nigeria's export revenue 	2.9-3.0

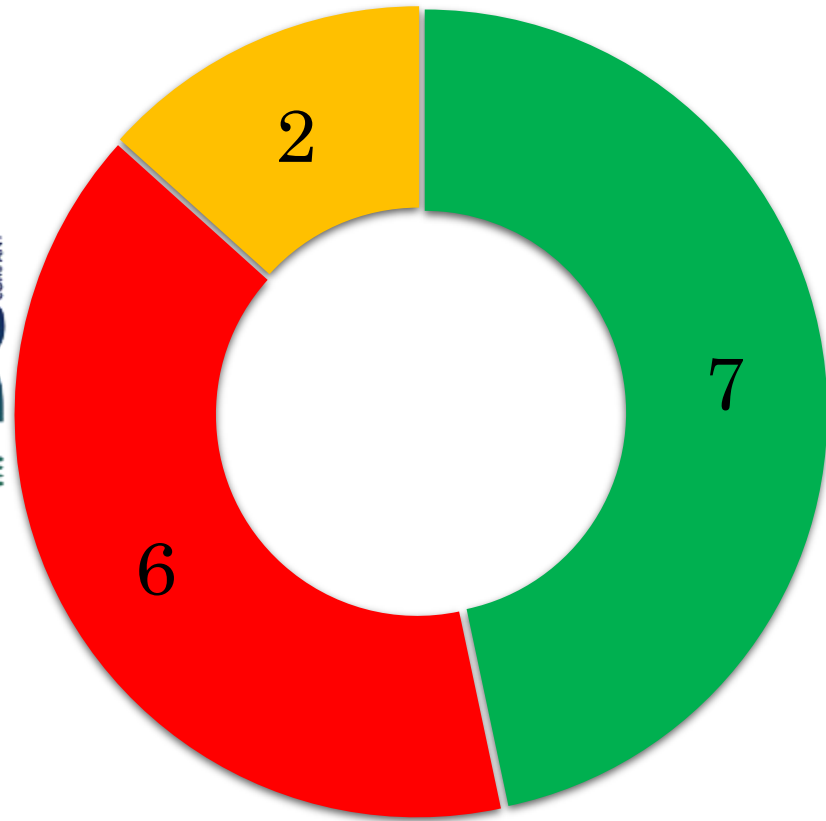
Economic Indicators- Market

34

Leading Economic Indicator	December	January	% Change	Comments	February's Forecast*
M2 growth (%)	6.08 (Nov.)	12.17 (Dec.)	0.67	0.31% lower than CBN's target of 12.48%	12.4
Average Opening Position (N'bn)	136.05	34.44	-74.69	Tight naira liquidity as CBN mitigates demand pressures on the naira through frequent OMO sales	25-30
T Bills (91 days) (%) – Primary	10.90	11.10	+0.20	Will increase government debt service	11.0-11.2
T Bills (182 days) (%) – Primary	13.10	13.10	-		13.1-13.2
Average NIBOR (%) (OBB, O/N)	24.15	19.85	-4.30	Despite the liquidity squeeze witnessed within the banking system	20-22
Average Lending Rate (%) (pa)	25.00	22.00	-3.00	Expected to increase if liquidity within the banking system remains tight	24-26
External Reserves (\$bn) (end)	43.12	43.16	0.09	Still under pressure as CBN fights to defend the naira	42-43
Exchange Rate (N/\$; month-end)	Parallel: 363 IFEM:307 IEFX:364	Parallel : 363 IFEM: 306.75 IEFX: 363.34	- 0.08 0.18	Investors would prefer to go long on the dollar until the elections are over	Parallel: 365-367 IFEM: 306-307 IEFX: 363-364
Stock Market Cap (N'trn)	11.72	11.62	-0.85	• Investors taking position in anticipation of FY'18 corporate earnings	11.5-11.8

Mixed Bag of Economic Indicators

35



■ Positive ■ Negative ■ Neutral




Impact

- Liquidity squeeze within the banking system
- As CBN mops up excess liquidity using OMO sales
- Vulnerabilities are rising
- Risks are elevated

GDP Outlook – Economic Argument

36

Theory

- Savings = Investment
 - *you invest what you save
- Increased investment leads to increased aggregate demand and GDP
- Investment  = Aggregate demand  = GDP 

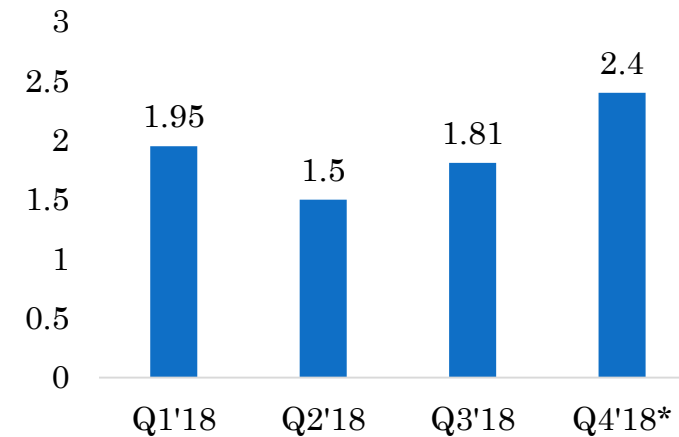
Facts

- Investment projected to increase by 5.98% to \$63.8bn in 2019

GDP Outlook – 2.2%-2.4% (Q4'18)

37

- Growth to remain below population growth rate
- Projection: 2.2%-2.4% in Q4
- Driven by improved performance in output indicators
- PMI remained in the expansion territory within the quarter
- Average power output up 10% to 3,959MWh/hour
- Sectors driving growth will remain:
 - Services
 - Agriculture



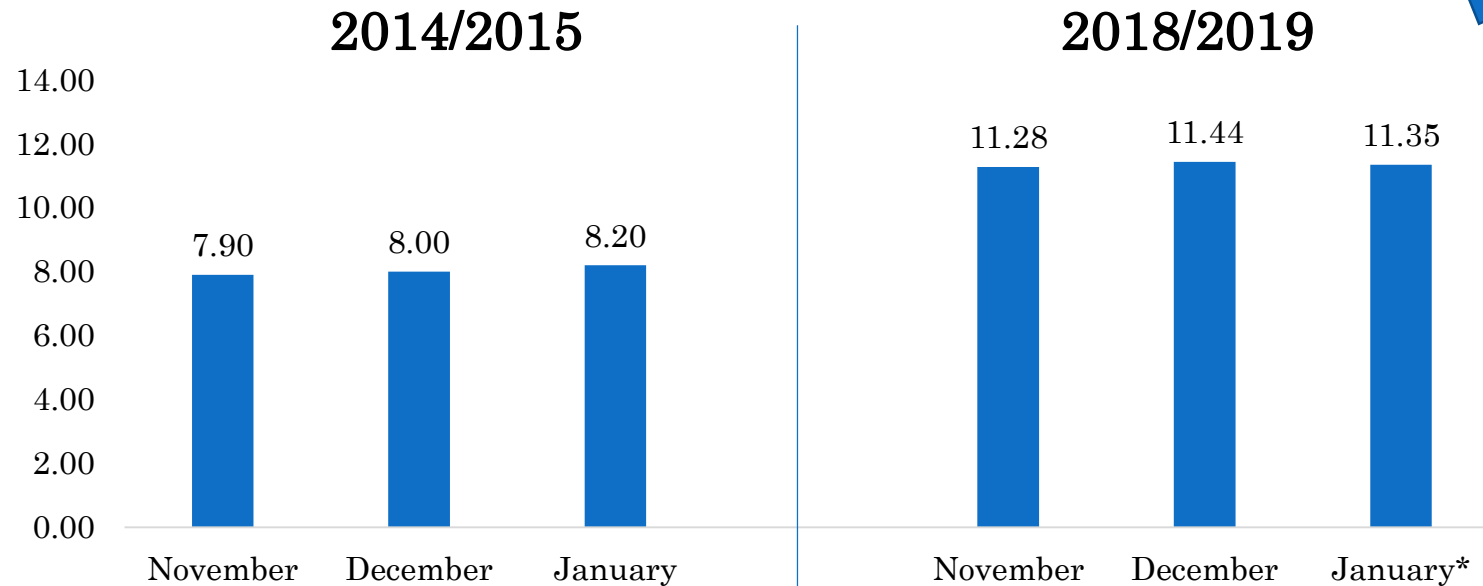
Source: NBS, FDC Think Tank

Is Inflation Election Sensitive?

38

Depends on level
of election
spending

Source: NBS, FDC Think Tank



- Free cash flow, high election spending

- First post-recession election
- Lull in election spending

Inflation to fall to 11.35%

39

- Inflation projected to decline to 11.35% in January
- Driven by slow-down in consumer spending



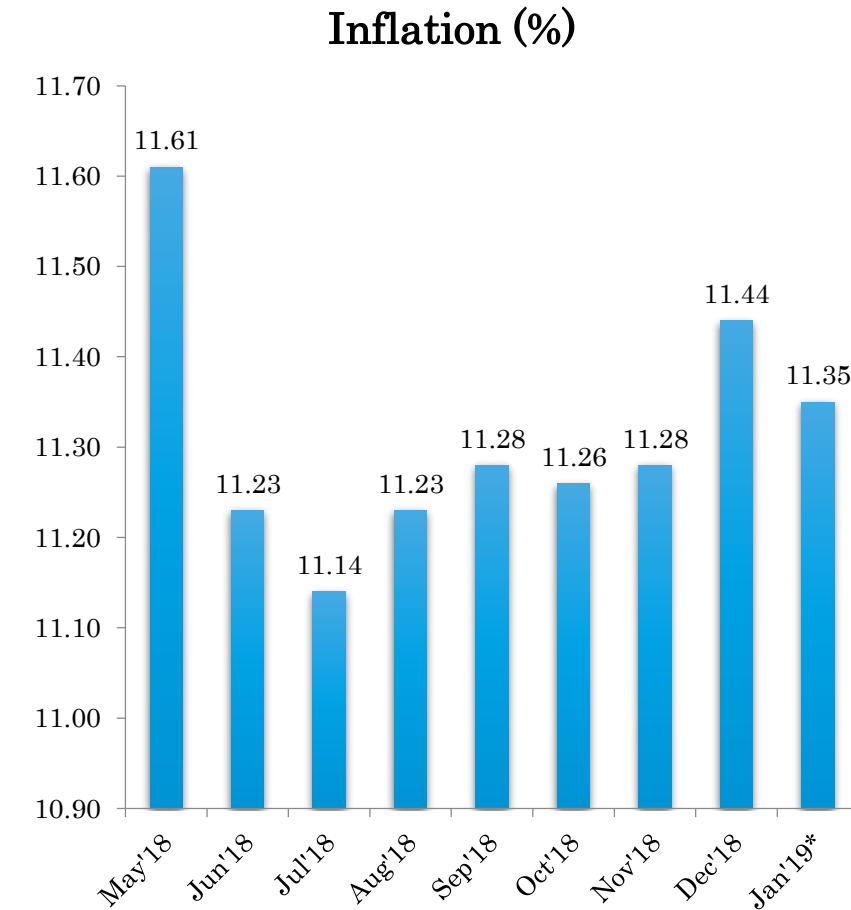
• Risks to forecast:

- Securitization of contractual debt and subsidies

• Likely strategy by CBN to curb inflation:

- Increased OMO and T/Bills sales
- Delay in minimum wage impact

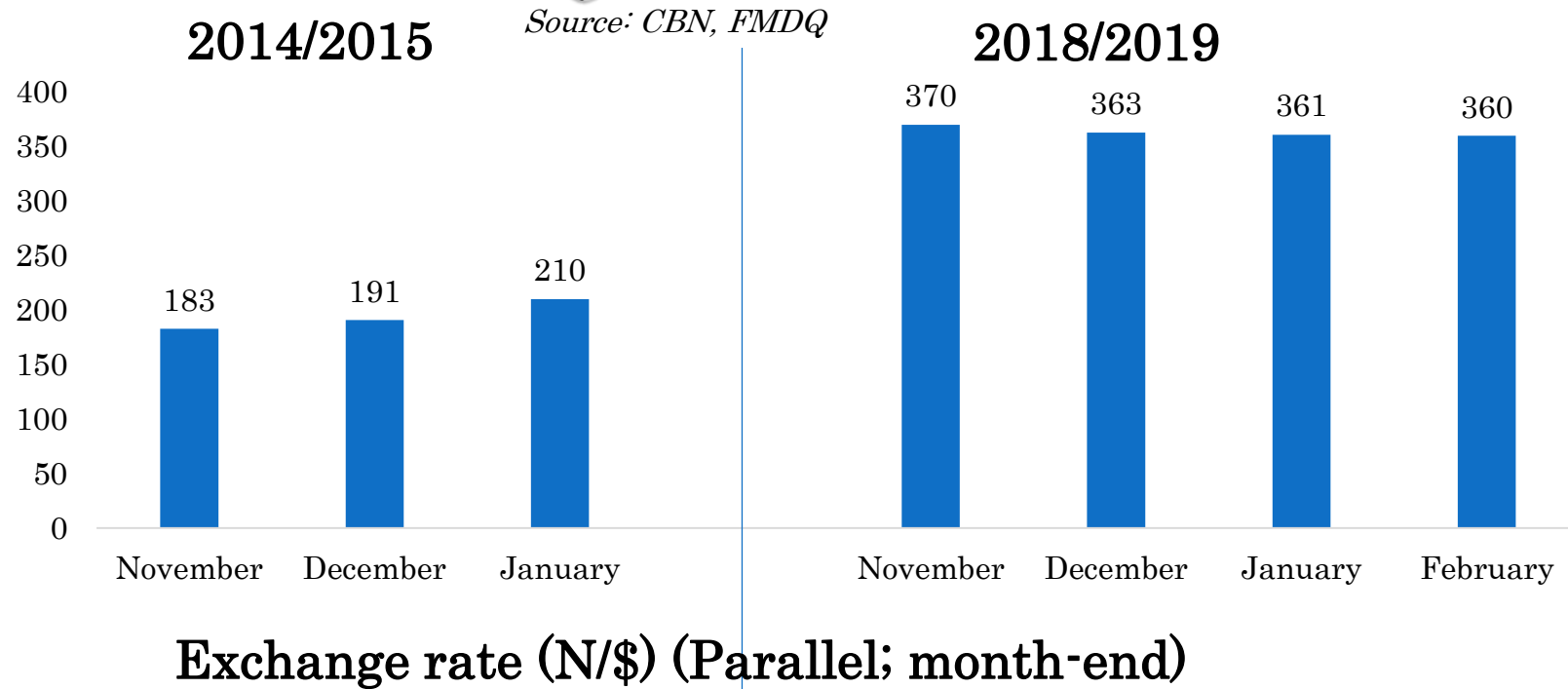
“Outlook for inflation in H1’19 is mixed”- CBN Governor, Godwin Emefiele



Source: NBS, FDC Think Tank

Naira Gains 1% in 7 Days-Contrived or for Real?

40



- No IEFX window
- No CBN intervention
- External reserves were approx. \$34bn

- IEFX window eases pressure on parallel market
- Regular CBN intervention
- External reserves now at \$43bn

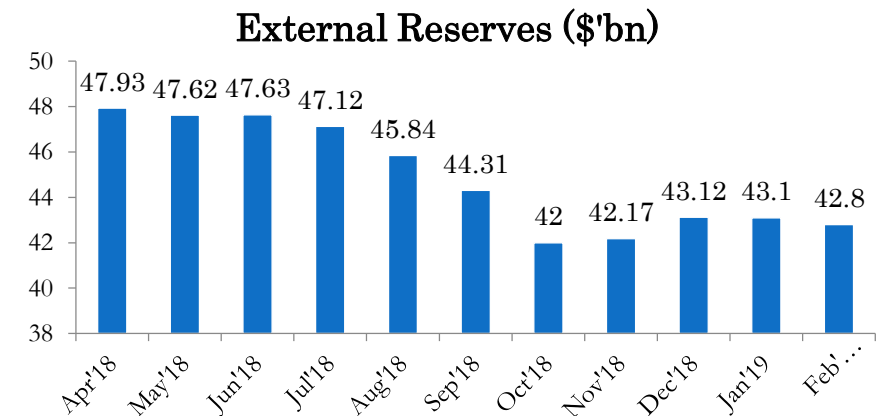
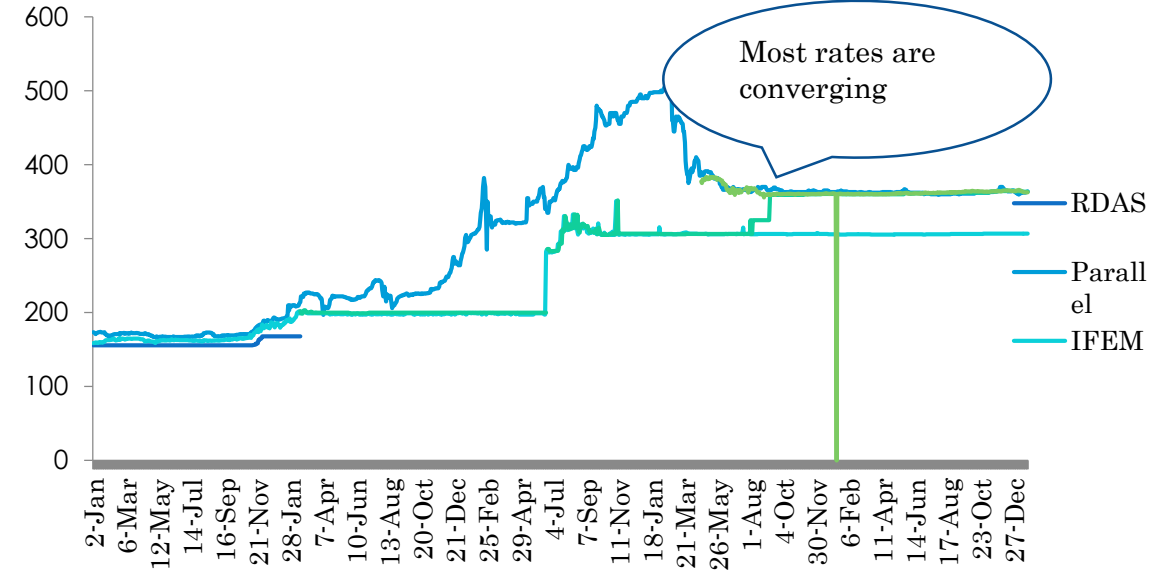
Exchange Rate Outlook

- Exchange rate to remain stable in February/ March despite political risk premium
- CBN supporting the currency
- Demand pressures to increase
- Projection: N365-N370/\$- March/ April
- PPP value of the naira is currently at N345.88/\$
- Effective exchange rate is N356- N358/\$
- REER is trending towards N390/\$
- Time to buy call option at N375/N380



Source: FMDQ, FDC Think Tank

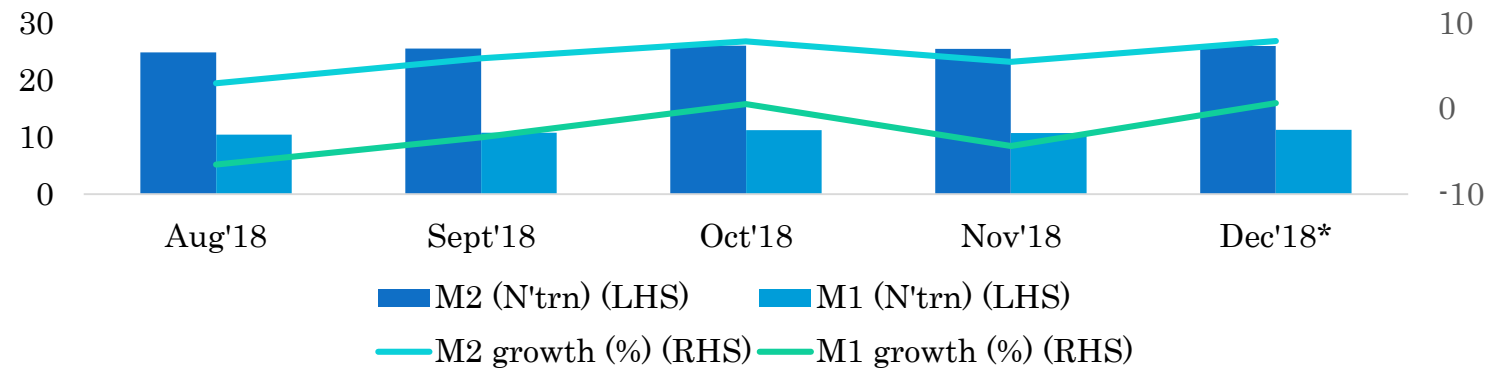
41



Money Supply: Minimum Wage Looms

42

Source: CBN, FDC Think Tank



- M2 up 6.08% (annualized) to N25.46trn in November
- Still below CBN's target of 10.48% in 2018
- Likely drivers of M2 growth: minimum wage review and election spending
- Implication: mounts inflationary pressures, consumers could come under increased pressure



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Market Proxies

Business Proxies: Scenarios

45



Smooth elections



Election deadlock



PMI

Activities within the manufacturing sector remains at current levels

Activities within the manufacturing sector is negatively affected; PMI could crash to 40

Rig count

Investor confidence boosted and increase number of operational rigs

Investment in oil sector drops sharply; militancy attacks in Niger Delta could reduce operational rigs

Vacancy factor

Expatriate demand for housing units could increase on increased investor confidence

Exchange rate falls sharply and affects demand for luxury properties

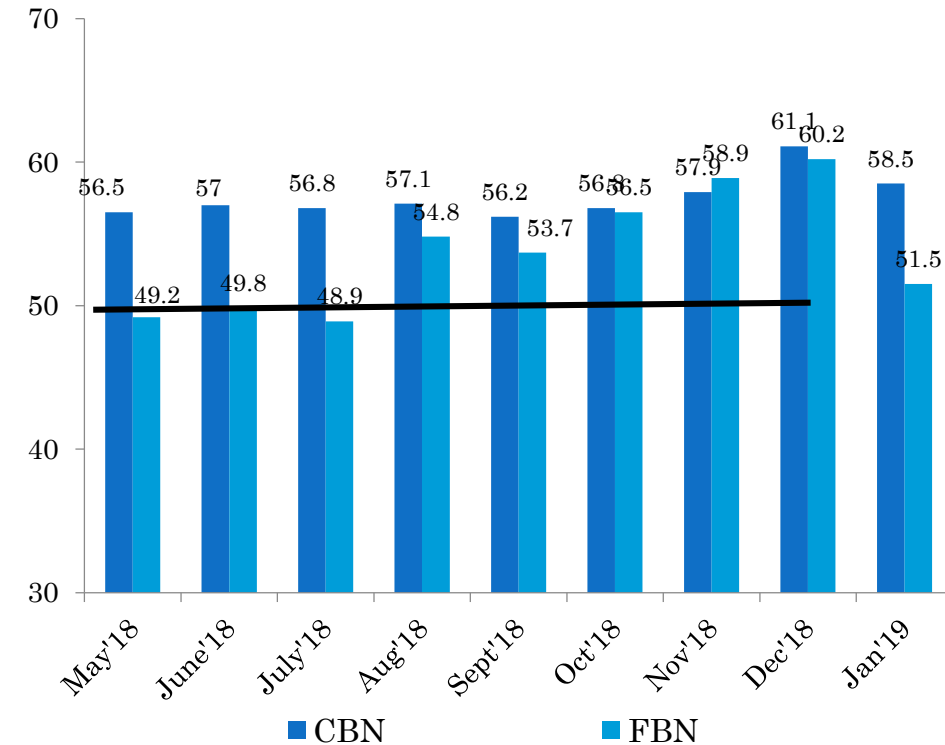
PMI Down- Seasonal or Fundamental?

46

- FBN: 60.2 \rightarrow 51.5 (-14.45%)
- CBN: 61.1 \rightarrow 58.5 (-4.26%)

January= lull in consumer spending

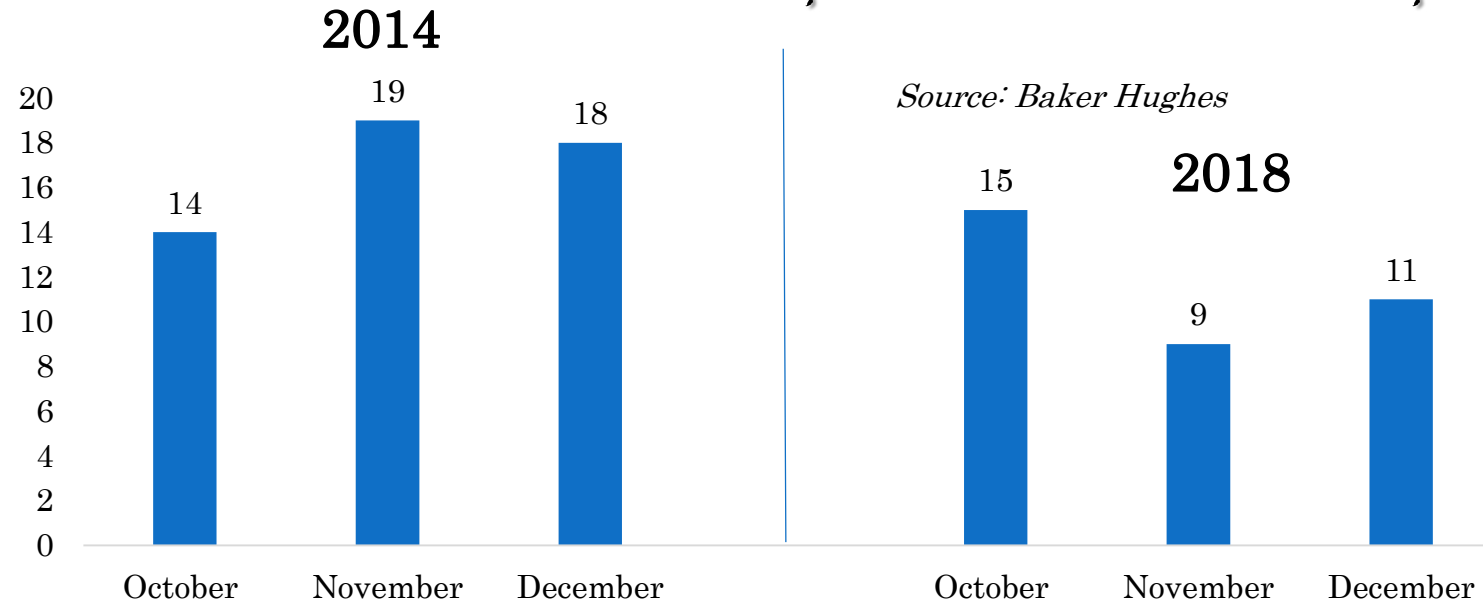
- Typically PMI climbs back in Feb/Mar
- Driven by increased trading activity, consumer confidence, and stable FX liquidity



Source: CBN, FBNQuest

Rig Count: Do Elections Spook Oil Companies?

47



- Rig count in 2018/19 is 50% of level in 2014
- No cash call arrears in 2018
- No PIB or fiscal incentives
- Oil majors are election agnostic

Ships Awaiting Berth: Is it Correlated to Forex Sold?

48

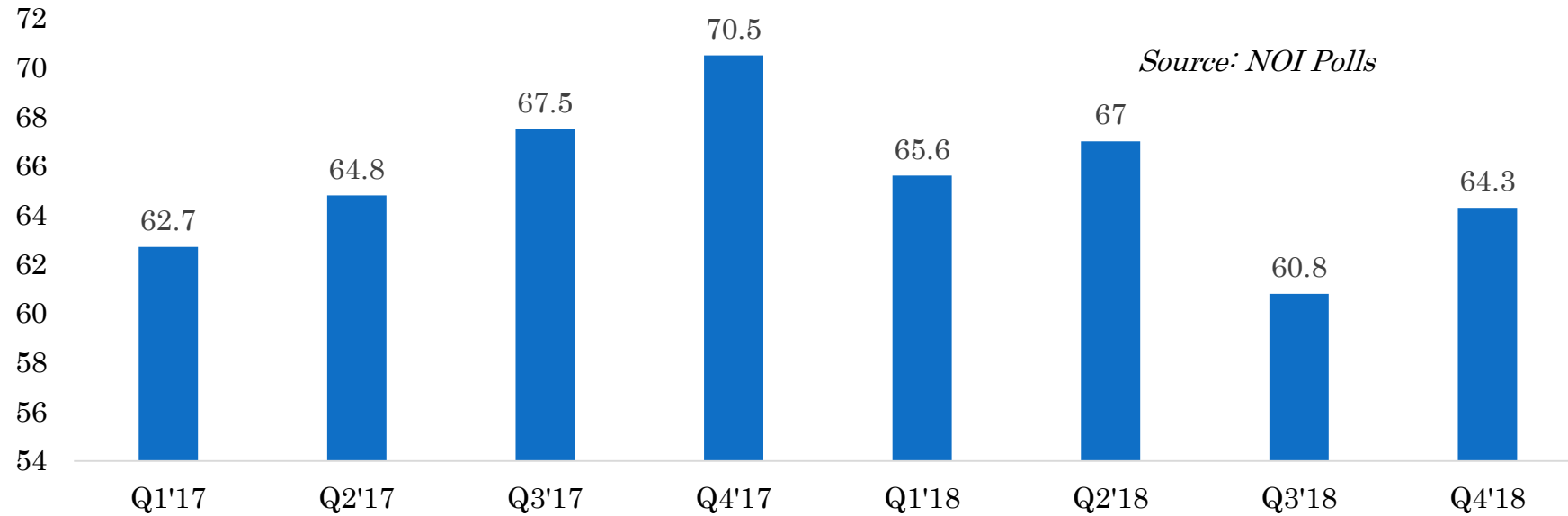
Ships awaiting berth (% change)	Total forex sold (% change)
18.52 (January) ↑	26.61 (October) ↓



- **Theory:** increased forex sold translates to increased letters of credit and ships awaiting berth
- **Evidence:** shows no correlation between forex sold and ships awaiting berth

Consumer Confidence Index Up

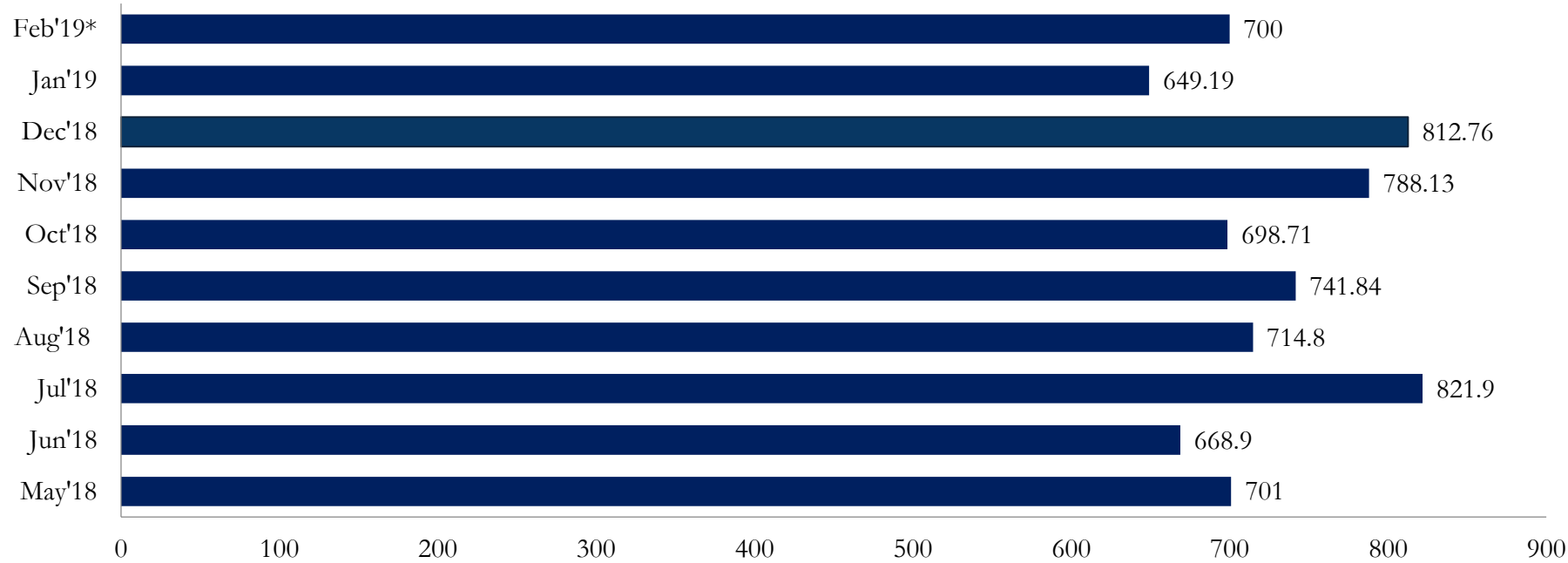
49



- Consumers are optimistic
- In a crisis of false expectations
- Increase in nominal wage but fall in real wage
- Labor productivity negative and wage increase will increase inflationary gap

FAAC Down on Lower Oil Prices

50







- Disbursements fall to N649.19bn in January, 20% lower than N812.76bn in December
 - In line with the sharp decline in Brent prices in December
- Expected to remain around current levels (N650-N700bn) in the coming months





E-payments Mostly Red in January- Brokitis

51

- **Volume of transactions** in Jan'19 relative to Dec'18

- Cheques  0.76%
- PoS  11.79%
- NIP  13.85%
- NEFT  42.66%

- **Value of transactions** in Jan'19 relative to Dec'18

- Cheques  37.38%
- PoS  18.03%
- NIP  3.34%
- NEFT  13.40%


Source: Nibss


- 2018 vs 2017:


- Total transaction volume  90%
- Total transaction value  32.6%


Average Power Output


52

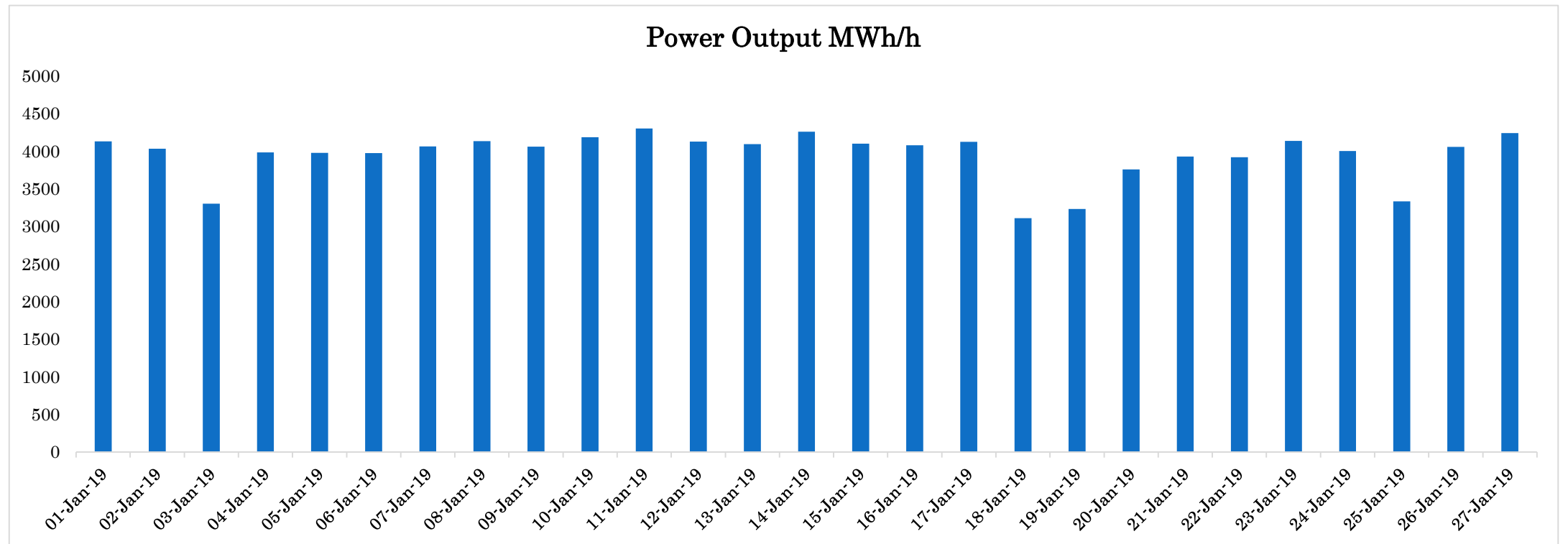
 **5104 MW**
Peak Energy
Generated

 **3939 MWh/h**
Average Energy
Generated

 **690.3 MMSCF/D**
Average Gas
Delivered to Plants

 **0**
Total Grid
Collapses

 **2778 MW**
Average
Constrained
Energy



Source: Lavayo Advisors

Power Sector News

53

- Discos' operations threatened as Tesla eyes Nigeria's power market
- Nigerian government approves 108 firms to supply meters
- FG bans Discos' connection of affluent Nigerians to 33kv power lines
- Shell, Total cut gas supply to GenCos over rising debts
- Consumers' debts hit N62.2bn in 3 months-NERC



Source: Lavayo Advisors

Impact Analysis

- Slowdown in performance of proxies in January
- Reflective of a lull in economic activities post-Christmas
- Expected to pick up after the election
- Supported by increased government spending



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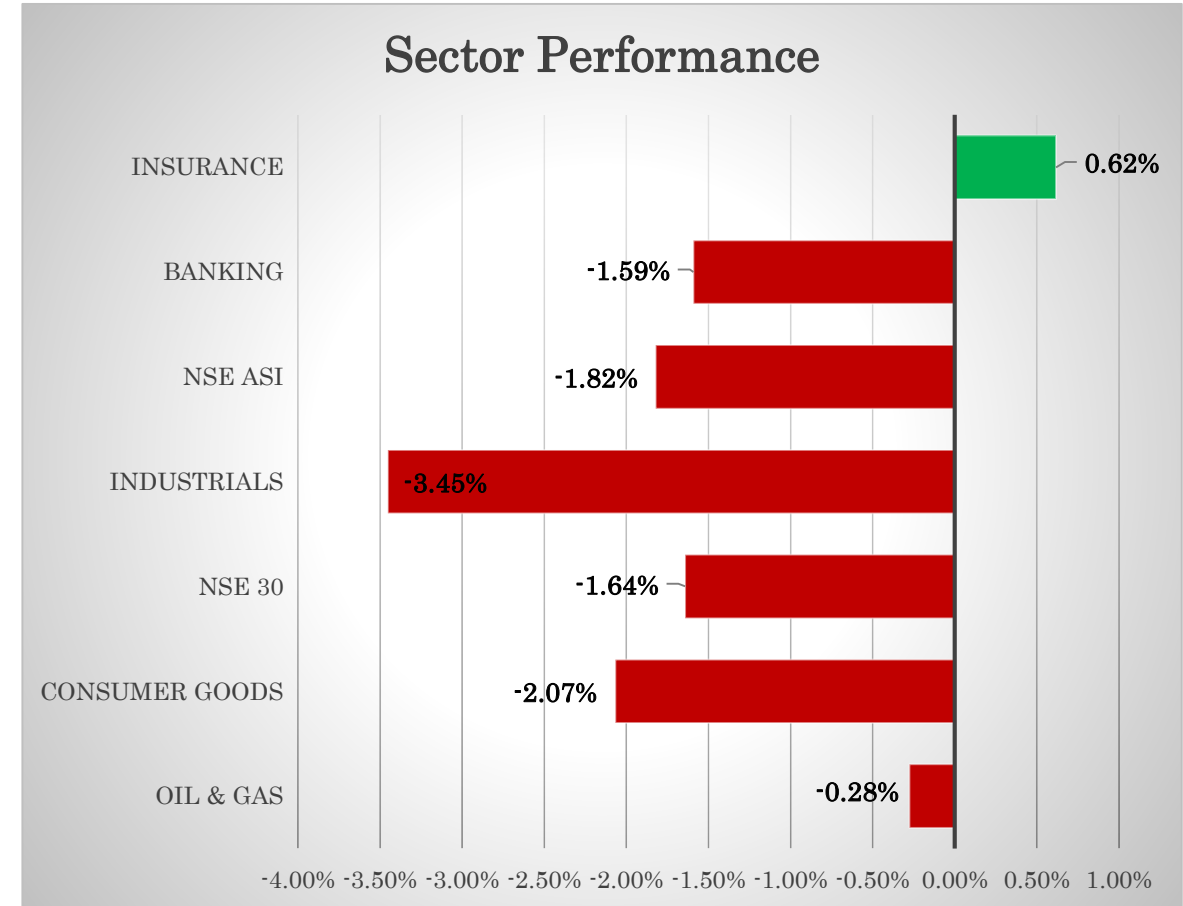


Stock Market Review

Market Review – in the Last Week


57

- Negative sentiment persists
- NSE ASI  1.82% to 30,773.57
- All sub-indices were negative except insurance
- Banking stocks recorded the highest volume traded
 - 65% of total volume traded





Market Review - January

58




- International investors withdrawal  48% to N642.65bn in 2018
 - Driven by political uncertainty
 - Increasing rates in developed markets
- 4 companies delisted and 1 company listed on the NSE in 2018
- Great Nigeria Insurance Plc (GNI) voluntarily delists from NSE in January 2019
- Launch of two new indices
 - NSE-Afrinvest Banking Value Index (NSE-Afr BVI)
 - NSE-Afrinvest High Dividend Yield Index (NSE-Afr HDYI)

Nigerian Stock Market in January

59

- Market cap  0.8% to N11.63trn
- NSE ASI  0.8% to 31,178.71
- 11 days positive, 9 days negative
- P/E ratio down 3.9% to 9.05x



Peer Comparison

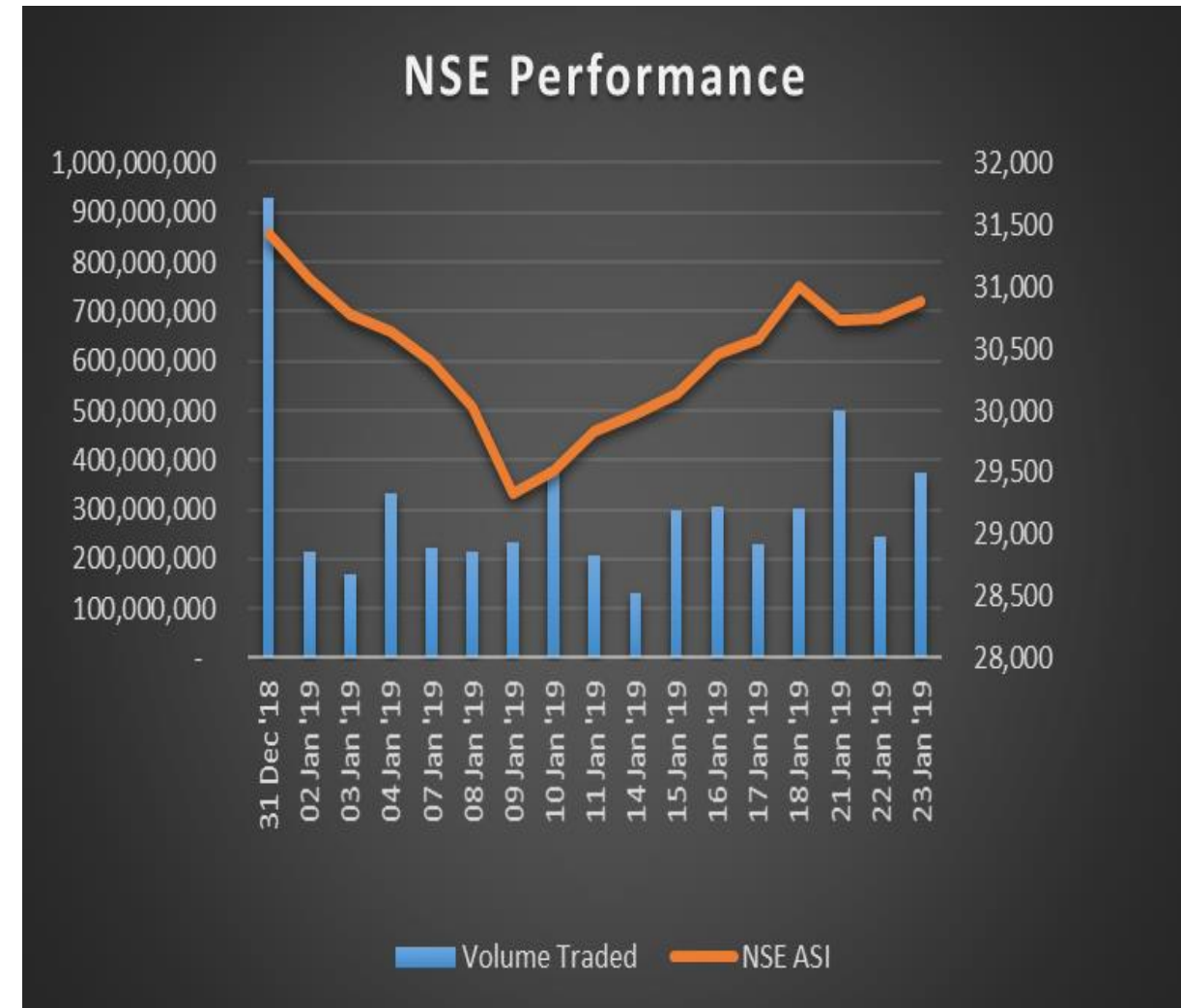
Exchange	September Return	Driver
NSE ASI	 0.8%	<ul style="list-style-type: none">• Heightened political uncertainty
JSE ASI	 1.95%	<ul style="list-style-type: none">• Bargain hunting as the market recover from tough 2018• Stronger rand• Improves business and investors confidence
GSE ASI	 2.93%	<ul style="list-style-type: none">• Preference for debt instruments<ul style="list-style-type: none">• Due to rising bond yields

Nigerian Stock Market in January

60



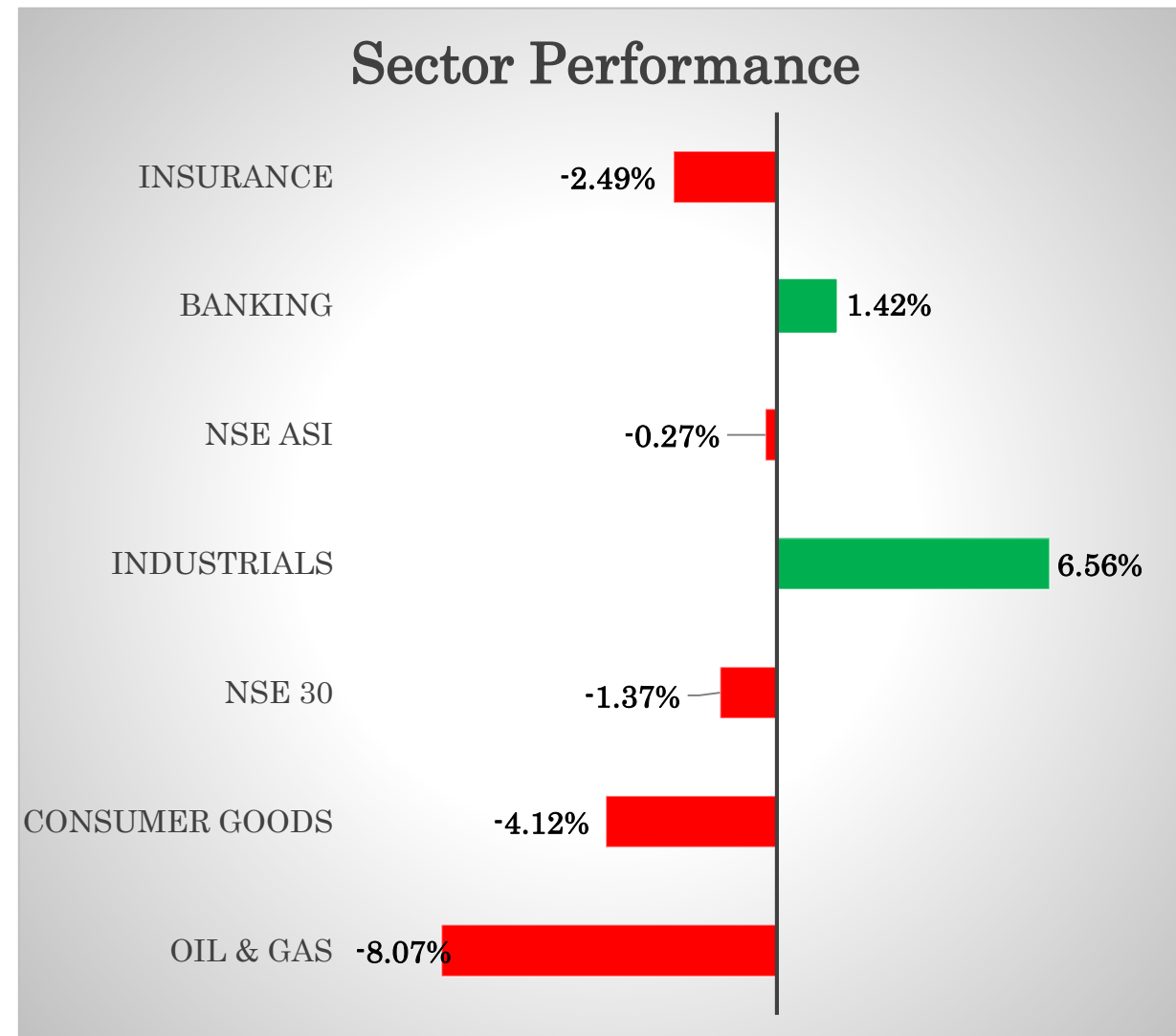
- Average volume traded  32% to 278mn units
- Average value of transaction  18.8% to N2.69bn
- Negative market breadth of 0.74x
 - 40 stocks gained
 - 74 stocks remained neutral
 - 54 stocks lost



Sectoral Indices

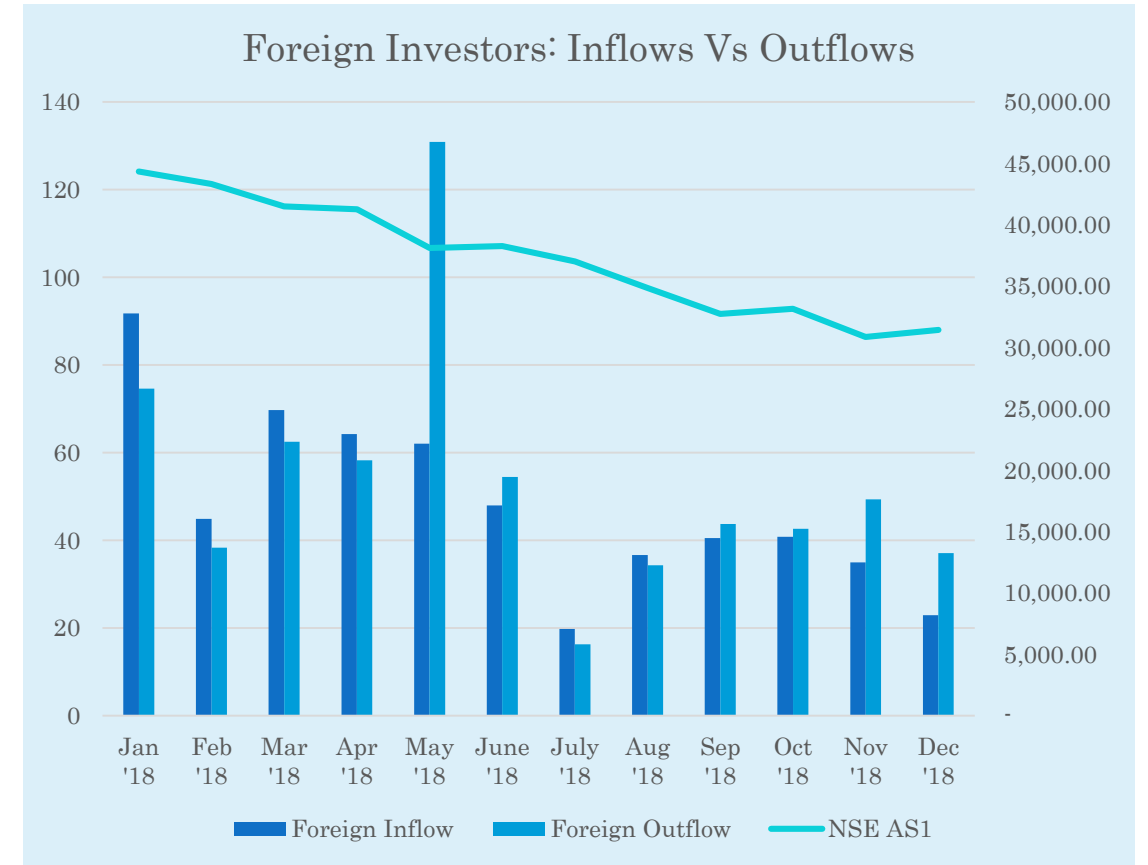
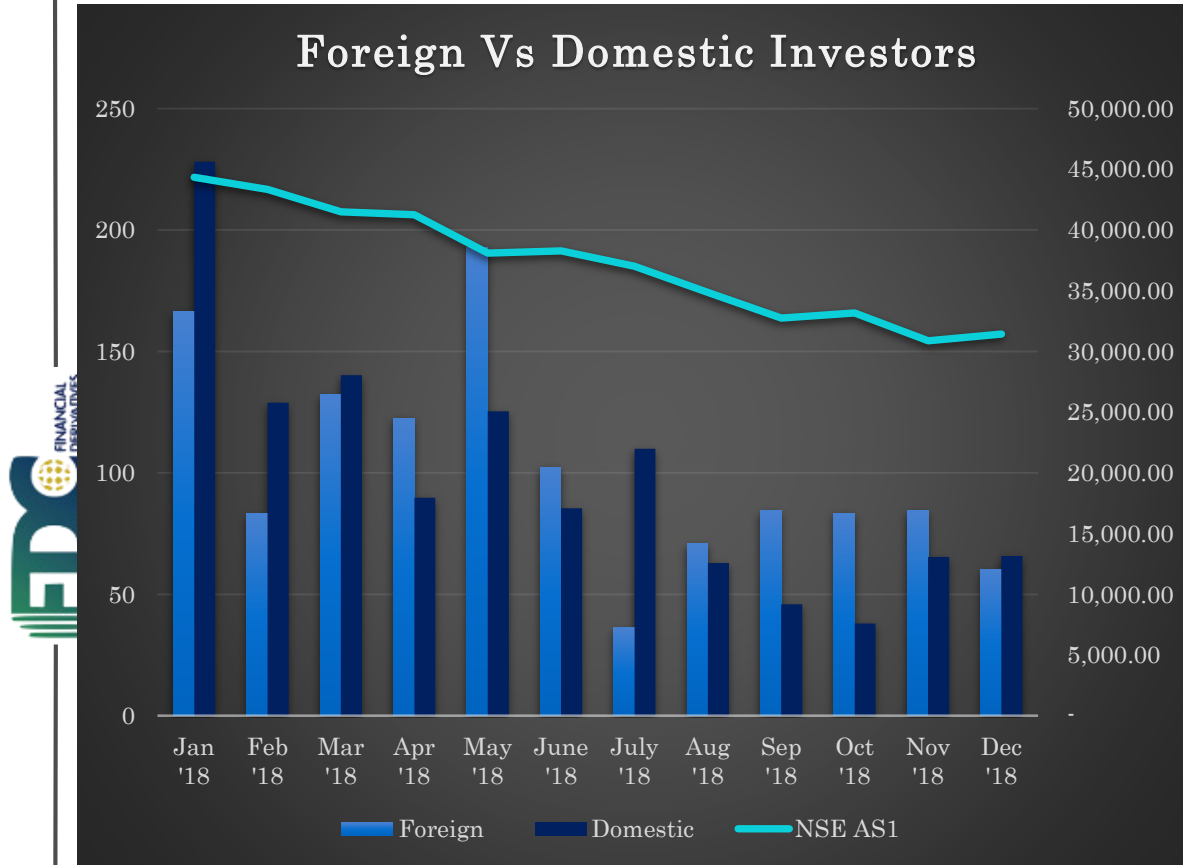
61

- All sectors closed negative except industrial
- Industrial performance driven by 2.27% gain in the most capitalized stock (Dangote Cement)
- Banking stocks recorded the highest volume traded
 - 65% of total volume traded



Foreign Vs Domestic Investors

62



- Market dominated by foreign investors
- Outflow increased relatively to inflows from May, 2018

Market in the Last Election Year (2015)

63

- Major withdrawal was in Jan '15
- Gradual increase from Feb '15 through election in March '15
 - Driven by bargain hunters
- Post election rally in April '15 as depicted by the steep slope

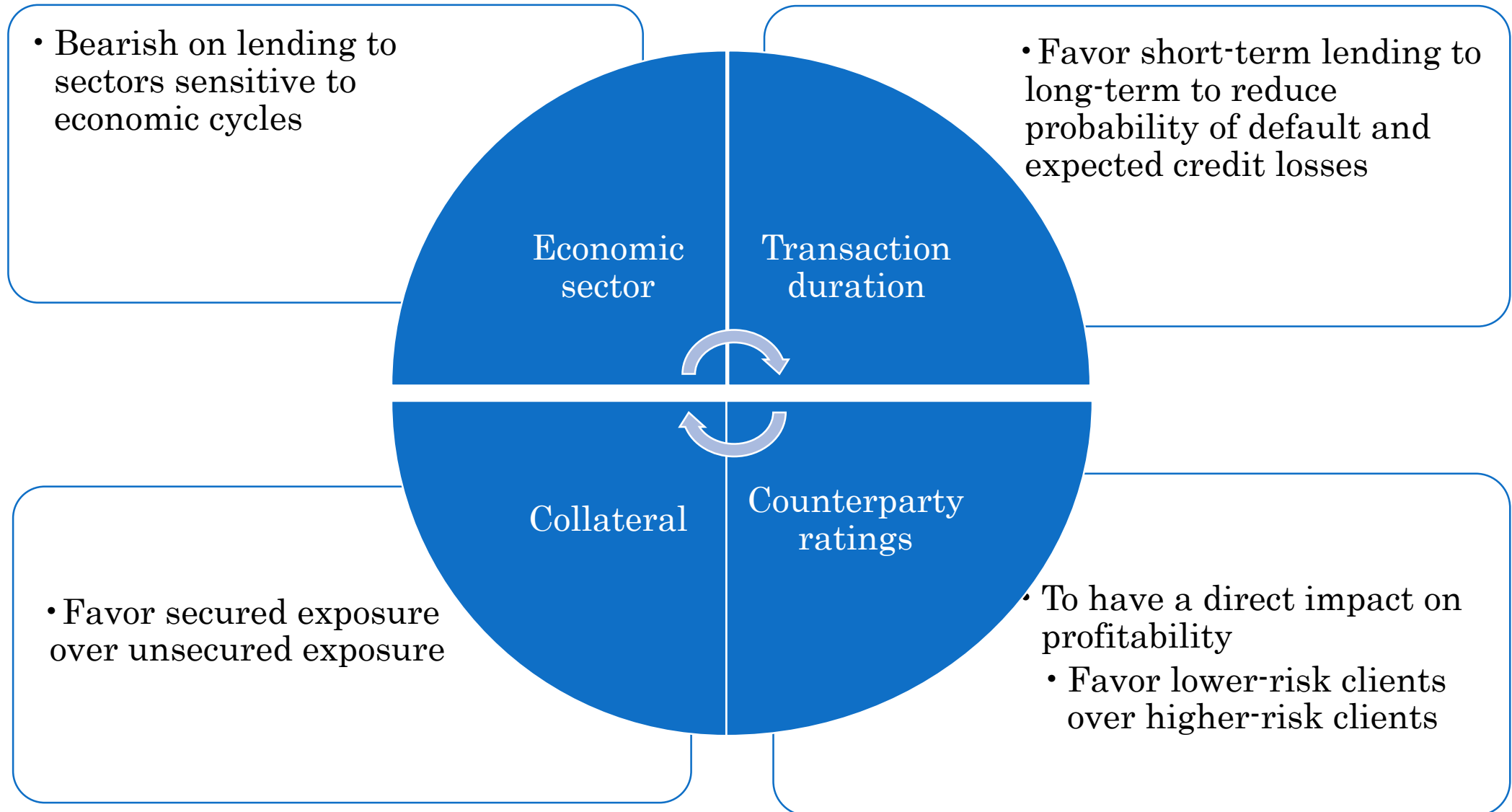


IFRS 9 – Implication for Banks

- Provision level to significantly increase
- Further equity issuance may be needed
 - Resulting from estimating and booking an upfront, forward-looking expected loss over the life of the financial facility
- Need to reclassify assets and reconcile with IAS
 - Cash flow and business model test
 - Identify products to be considered out of scope
- Stricter scrutiny on AML rules and PEPs
 - monitor for ongoing credit-quality deterioration

Bank Portfolio Strategy

65



Market Drivers

66



- New Listings
 - Drive interest and activity in the local bourse
 - Right issues – more than the 3 (May & Baker, Lafarge and Mutual Benefits) listed in 2018
 - IPO – more than 1 (Skyway Aviation Handling Company Plc) in 2018
- Corporate Earnings
 - Strong investor reaction to positive corporate earnings
- Post-election Stability
 - Increase foreign investors participation in the local bourse
- Sustained improvement in macroeconomic indicators

MTN Resolves Conflict with CBN

67

- Resolution likely result in listing on the local bourse
- Launch of mobile payment system
- Increase market capitalization by approximately N2.trn
 - Significant change in market structure
 - Improve wider sector diversity
 - Currently 4 sectors (banking, consumer goods, industrial and oil & gas) 80% of market cap
 - Making MTN the 2nd most capitalized stock at 13% after Dangote Cement
 - Reducing Dangote Cement market capitalization to 26% from 30%

Stock Performance from Mid Dec to Date

68

Top 5 Gainers

Company	Price	Price @ 13 - Dec '18	% Change
C & I Leasing Plc	9.04	1.78	407.9%
Diamond Bank Plc	2.29	0.87	163.2%
Cement Cc. of North.Nig. Plc	24.00	15.70	52.9%
Royal Exchange Plc	0.27	0.20	35.0%
Unity Bank Plc	0.93	0.69	34.8%

Top 5 Decliners

Company	Price	Price @ 13 - Dec '18	% Change
Resort Savings & Loans Plc	0.20	0.50	-60.0%
McNichols Plc	0.33	0.47	-29.8%
UPDC Real Estate Investment Trust	5.95	8.10	-26.5%
Glaxo Smithkline Consumer Nig. Plc	11.75	14.50	-19.0%
Access Bank Plc	6.05	7.45	-18.8%

Top 5 Stock Picks

69



GTB

- Healthy financials
- Strong fundamentals
- Customer centric strategy
- Strong management
- Considerable upside due to increase in NII

Flour Mills

- Product diversification
- Import substitution
- Backward integration
- Improving economies of scale
- Strong fundamentals

Nigerian Breweries

- Market leadership
- Strong financials
- Attractive fundamentals
- Cost saving approach to business execution
- Market leadership

Fidson Nigeria

- Strong fundamentals
- New product line
- WHO approved ultra modern plant
- Acquired capacity to double profitability

Okomu Oil

- Obtain value from out-grower scheme
- Strong financials
- To benefit from government policy on importation

Least Favourite Stocks

70

Lafarge

- Low operating efficiency
- Weak fundamentals
- Stiff Competition

Medview

- Not well positioned to take advantage of the open sky agreement
- Low up side potential
- Difficult operating environment

Conoil

- Difficult operating environment
- Weak fundamentals

Next 10 Days

71

- Bearish sentiment to continue till post election stability is established
- Investors to be meticulous in taking positions
 - Identify perceived undervalued stocks with sound fundamentals
- Corporate earnings release

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Corporate Earnings

FMCG - Performance

74

	Flour Mills of Nigeria	Honeywell
Revenue	 6% to N401bn	 1% to N55.07bn
PBT	 42% to N11.28bn	 95% to N173mn
Free Cashflow	 37% to N35.28bn	 94% to N242mn
EPS	N2.02	N0.23
PE	9.2x	5.54x
DY	5.39%	4.8%

- Competitive operating environment
- Waning consumer demand
 - Increase in unemployment and underemployment
 - Declining purchasing power

Brewery Industry

- The largest segment of the food & beverage industry
- 2nd largest beer market in Africa
- Evolved from a duopoly to an oligopolistic market structure with a strong multinational presence
- Competitive operating environment



Corporate Earnings – Guinness H1 2019 Result

76

- Represents 1.3% of total market cap
- Leading player controls about 27% of market share
- Decline in revenue driven by underperformance of lager
 - Offsetting the 5% and 9% increase in Guinness and IPS brands respectively
- Increase in PBT driven by reduction in interest cost and forex loss
 - Due to repayment of USD denominated loan from right issue proceeds

	GUINNESS	
Revenue	↓	3.91% N67.79bn
Gross profit	↓	14.59% N20.49bn
Profit before Tax	↑	7.06% N3.79bn
Dividend Yield		20.70
P/E Ratio		2.59





Aviation Update

Nigerians not Fleeing in 2019

Election Patterns in Passenger Traffic: 2015 Vs 2019 ⁷⁸

- Semi-strong booking in Feb'19 compared to Feb'15
- Rotational expatriate traffic is much lower in 2019
 - Supported by a decline in rig count: Dec'14=18 vs Dec'18=11
- Investor traffic has also slowed in tandem with FPI flows

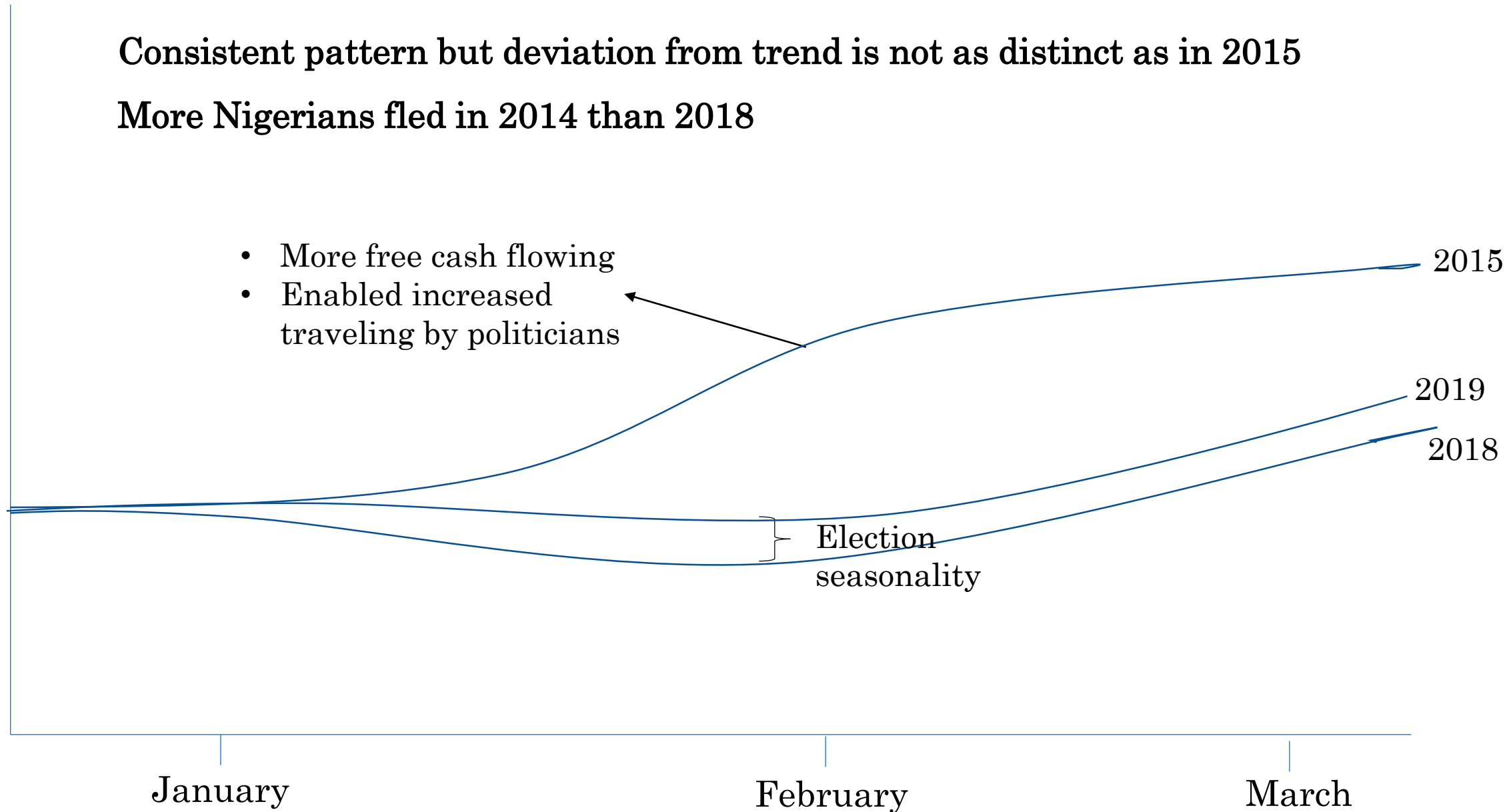


Election Patterns in Passenger Traffic: 2015 Vs 2019 ⁷⁹

Consistent pattern but deviation from trend is not as distinct as in 2015

More Nigerians fled in 2014 than 2018

- More free cash flowing
- Enabled increased traveling by politicians



Aviation Update- IATA

80

- Increased squeeze on airline profit margins
 - Owing to higher input costs
- Global airline share prices declined by 20% in 2018
 - Reflecting investor concerns about airline financial performance
- Premium class passengers accounted for 5.1% of total O-D traffic between Jan-Oct
- Yields in less price-sensitive premium cabins trended upwards

Aviation Update- International

81

- Air France to stop PH-LOS-Paris route from March 31st
- Will now operate LOS-Paris route 7 days a week
- Lufthansa load factor is full despite commencement of 'low season' on Jan 15th
- Promo fares are now available across different airlines
- Many airlines enjoying spillover from returnee students and pre-election outflow

Aviation Update- Regional

82

- Open Skies Agreement signed by many African countries but implementation remains staggered & fluid
- Beneficiaries of the agreement
 - Asky
 - Air Cote d'ivoire
 - Ethiopian Airlines
 - Africa World Airlines

Aviation Update- Domestic

83

- Kaduna out- ET
- Port Harcourt out- Air France
- **Who's next?**
- Bristow reduces daily flights to Abuja
- Boasts of impressive on-time performance



Real Estate Update

Real Estate Performance in Q4'18

85

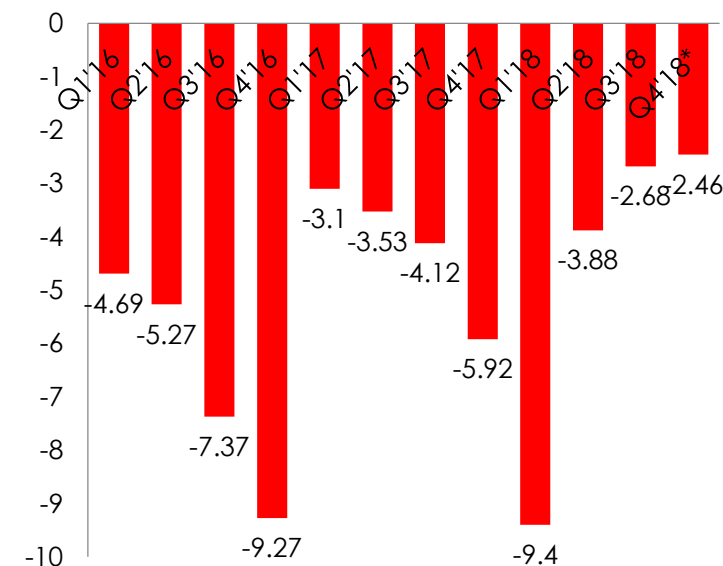
Outlook

- Sector performance improved marginally in 2018
 - From -9.4% in Q1 to -2.68% in Q3
- Projected to improve further in Q4'18 as sector catches up with economic growth trajectory

Trends

- Expatriate demand for housing units have fallen sharply owing to drop in rig count
- Exchange rate volatility weighing on demand for luxurious properties

Real Estate Growth Rate (%)



Source: NBS, FDC Think Tank

Real Estate in 2019

86

Residential

- Developers to shift focus to studio apartments
- Increased development in the student accommodation sub-sector

Retail

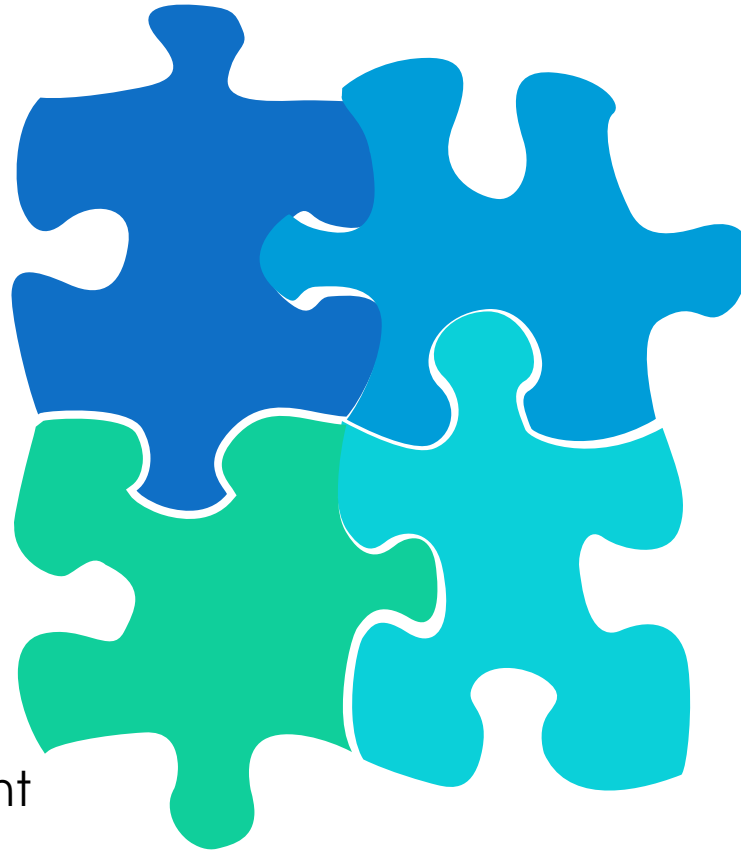
- Critical success factors:
 - Accessibility
 - Parking & entertainment facilities
- E-commerce would remain significant in the retail sub-sector

Commercial

- Increased saturation of office spaces
- High vacancy factors expected for Grade A offices

Infrastructure

- Infrastructure dearth would increase cost of development



Developments to Watch

87

Development	Location	Completion Date
Twins Lake Mall	Lekki, Lagos	2019
Bildiamo Mall	Sangotedo, Lagos	Q1'19
Sogenal Tower	Ikoyi, Lagos	Q1'19
Atlantic Resort	Oniru, Lagos	2019



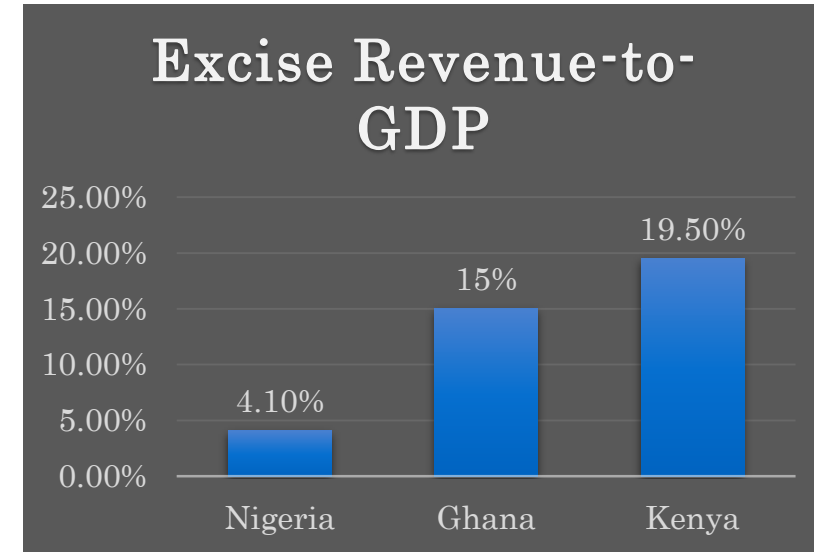


Policy Update

FGN Revenue Initiatives

89

- The revenue initiatives targeted at
 - Improving tax base and collection
 - Possible increase in VAT on selective items
 - Possible reduction in vehicle import duties – to reduce potential duty income lost to smugglers
- Ensuring there is big data to work with
- Deploy a single trade platform
 - 1.5mn VAT registered tax payers only 77,000 active tax payers
 - 1.03mn CIT registered tax payers but only 56,329 active tax payers



	Nigeria	ECOWAS
VAT Revenue-to-GDP	0.80%	3.40%

2019 Proposed Budget Assumptions



90

Indicators	2018	2019	Direction
GDP growth (%)	3.5	3.01	↓
Oil price (\$pb)	51	60	↑
Oil production (mbpd)	2.3	2.3	↔
Exchange rate (N/\$)	305	305	↔
Inflation (%)	12.4	9.98	↓



2019 Budget – Fiscal Consolidation Continues

91

- 2019 budget tied to objectives of the EGRP – inclusive growth, economic diversification & sustainable development
- 2019 budget is countercyclical
 - In an economy in dire need of a boost
 - Revenue estimate  4.45% to N6.97trn
 - Expenditure  3.18% to N8.83trn
- In dollar terms expenditure budget of N8.83trn (\$28.9bn) still lower than 2014 budget of \$30.26bn
- The greatest concern remains the level of implementation that will be achieved

Supplementary Budget is Inevitable

92

- Due in Q4'19 – N1.63trn

Justification for supplementary budget

- Minimum wage review – N450bn
- To cover shortfall in under-recovery – N582bn
- Revenue shortfall from lower oil prices and production – N600bn

Monetary Policy Outlook

93

- MPC likely to retain tightened stance at next meeting
- Near-term risks to inflation remain:
 - The residual impact of flooding on agricultural output
 - Insecurity in parts of the food producing belts of the country
 - Exchange rate pass-through to inflation due to weakening oil prices
- Uncertainty in the global economy – Brexit & US-China trade war
- Credit to the private sector rose 1.96% - far below its benchmark of 12.39%
- 3-year delay in IFRS9 implementation to boost lending as banks' appetite for credit rise
- Decision on CBN leadership will happen at the end of Q1'19



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February Outlook

Q1 Calendar

February

- 12th- Q4'18 & FY'18 GDP report
- 15th- January inflation
- 27th- Foreign Trade & Capital Importation

March

- 15th- February inflation
- 25th/26th- MPC meeting



Outlook for February

- Inflation will inch down to 11.35%
- Oil prices to stay within \$55-65pb in February
- Compliance to OPEC cuts will keep oil production at 1.69mbpd
- External reserves to remain under increased pressure as CBN prioritizes naira stability
- To fall below the \$42bn mark

Outlook for February

- Naira to trade between N365-N370/\$ at the parallel market
- Stock market likely to decline further
- Q4'18 GDP growth rate will come in at 2.2%-2.4%
- MPC will maintain tight monetary stance
- Likely reduction in auto duty and levy
- Prices of cars will fall by approximately 20-25%
- Aggressive tax collection effort by FIRS and state tax authorities

Things to Watch in Q1

- The mobile payment revolution and the cannibalization of transaction banking
- The African experience tells us some things
- The IFRS 9- 3 year compliance transition
- The reform of tax administration in Nigeria
 - 1.5 mn VAT registered tax payers only 77,000 active tax payers
 - 1.03mn CIT registered tax payers but only 56,329 active tax payers

A collage of various colored envelopes (red, blue, teal, yellow, and purple) with a central cream-colored envelope that has a handwritten note. The envelopes are layered and slightly overlapping, creating a vibrant, geometric pattern. The central envelope is tilted slightly to the right.

THANK YOU!

Bismarck J. Rewane, M.D. / CEO

01 – 7739889

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Lagos, Nigeria