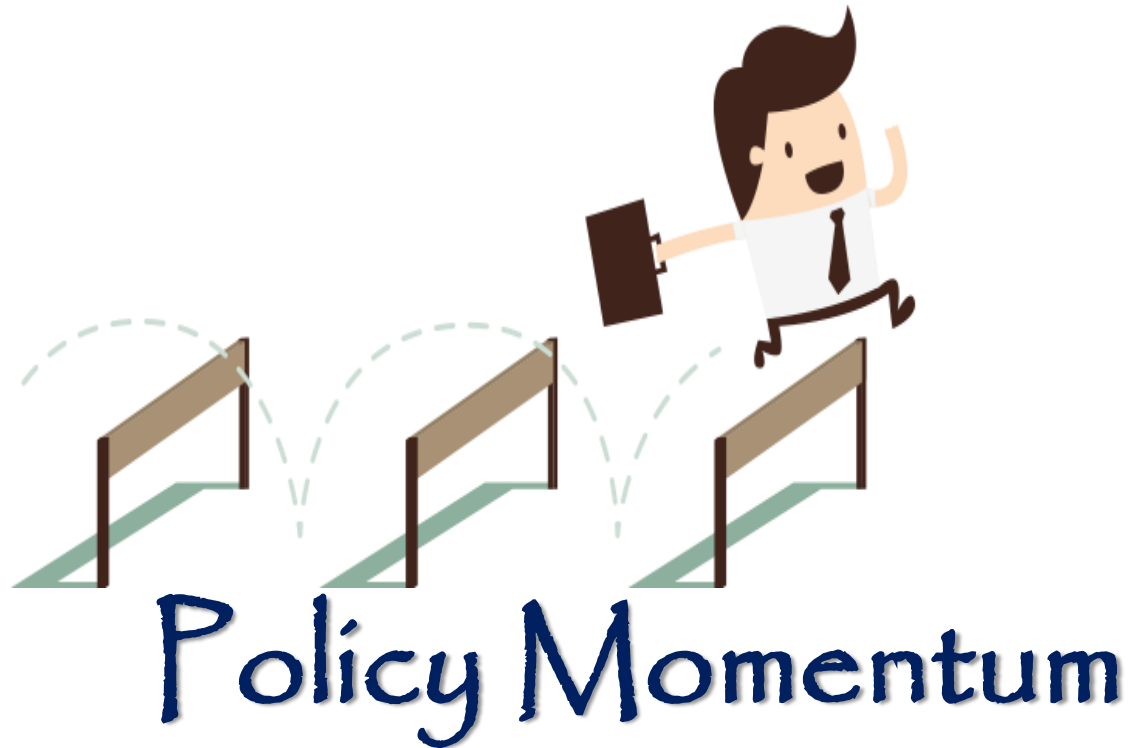


Nigeria 2019



Management Inertia

Outline

Highlights

01

04

Stock Market
Review

Global
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Political Update

Domestic Economic
Performance

03

06

April Outlook



Economic Highlights in March

March Highlights

- Headline inflation falls to 11.31% in February
- Expected to slide again in March
- Food inflation is bucking the seasonal trend
- The CBN cut the anchor rate to 13.5%
- Signaling an easing trend but keeping a lid on liquidity
- Maturing bills lower than new issues by N2.04trn
- CBN's aggressive OMO activity reduces system wide liquidity



March Highlights

- Average opening position of banks is N201.98bn
- FAAC inches up 1.55% to N619bn
- No post-election rally at the stock market
- Corporate earnings much weaker across most sectors
- PMI sharply higher by 12.9% to 56.9
- Pointing towards a strong GDP growth in Q2
- Total forex intervention by CBN fell sharply to \$565.6mn



March Highlights

6

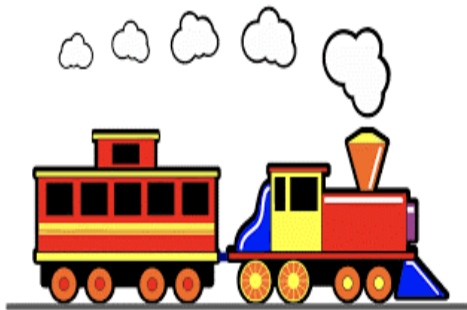
- Naira traded horizontally at N360/\$ in spite of short supply
- Election dollarization shored up the naira
- Gross external reserves up 5.04% to \$44.4bn
- NNPC now behind 3 months (backlog) on dollar cash calls with JV oil companies
- President signs minimum wage bill into law at N30k
- 2019 budget increased by approximately N1.5trn to N10trn
- To cover pension & the new minimum wage projections



March Highlights

7

- FGN to review downwards excise duty on spirits, alcohol and brewed drinks
- Nigeria climbs 6 steps on the happiness index to 85th position
- Lagos now 6th cheapest city to live in, in dollar terms
- Lagos-Ibadan standard gauge rail to commence in May/June
- With profound impact on productivity and logistics costs
- Nigeria mulls another rebasing less than 5 years after last exercise
- With very limited macro-economic impact
- Average price of diesel in February is N225.6/liter and PMS N145.3/liter



Delicate Fiscal Position



Delicate Fiscal Position (After the Minimum Wage)

9

- Expenditures much higher than sustainable revenues
- Salaries +overheads+ debt service > independent revenues
- If no significant fiscal adjustments situation will deteriorate with new minimum wage
- The fiscal gap will widen beyond tolerable levels
- Head count bloated and unproductive
- Oil revenues declined and other revenues flat lining since 2014

Delicate Fiscal Position

10

- 67% wage increase with no productivity gains
- A recipe for inflation and fiscal slippage
- Total wage impact approximately 3.5% of GDP and 18% of M2



- A cocktail of adjustments that will
 - Increase tax-to-GDP ratio to 10% in the short run
 - Emphasize indirect and benefit taxes
 - Simplify the tax administration and widen the tax net
- Optimization of revenue and bridging the fiscal gap is phase 1
- Phase 2 is about structural changes and fiscal sustainability

Delicate Fiscal Position

11

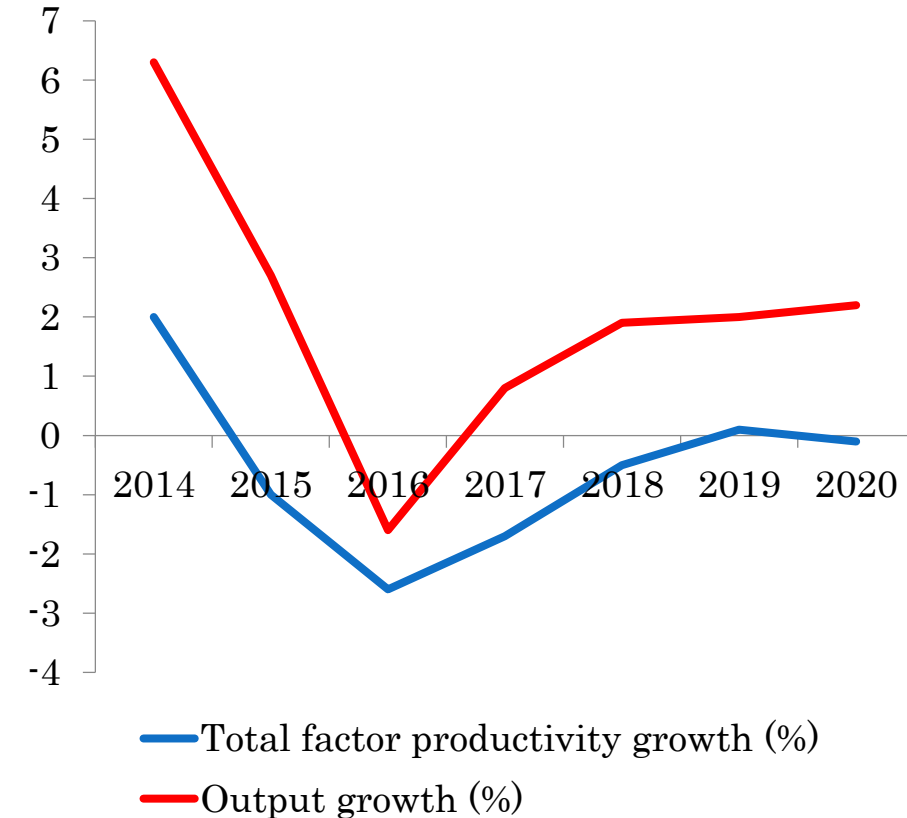
- Supported by monetary policy stability and exchange rate alignment
- Reinforced by multiple scenario adjustment mechanism (exogenous shocks)
- Selling, concessioning and sweating FGN assets
- Changing goals of economic output



Total Factor Productivity (TFP) vs. Growth

12

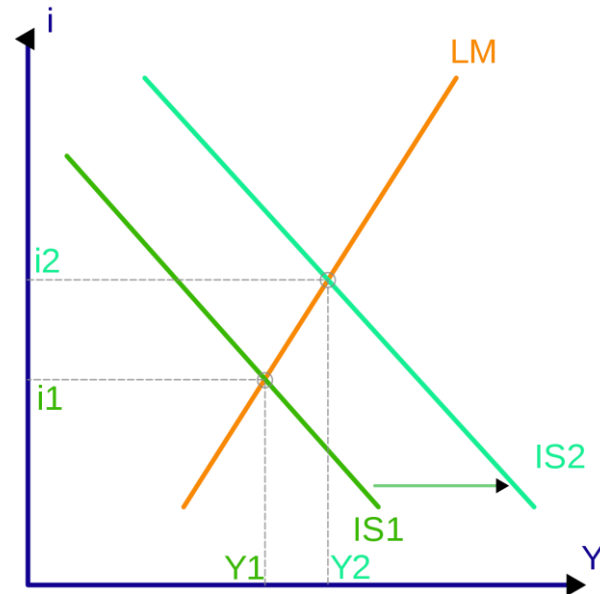
- Growth is the single most important gauge of economic health- Sangato Datta
- Labor productivity growth is an inefficient measure
- TFP measures the efficiency of the use of capital and labor
- It is the main source of future economic growth
- Nigeria has recorded negative TFP in the last 5 years



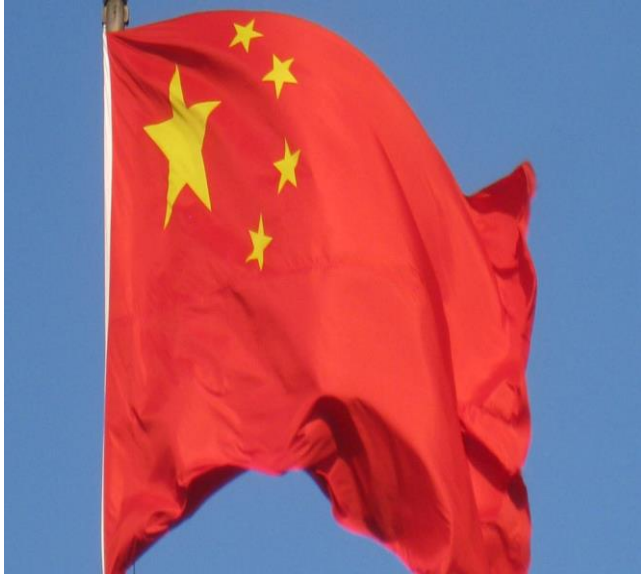
Monetary Tools Do Not Fix Fiscal Problems

13

- Nigeria must stop current policy mismatching
- Using monetary policy tools to solve fiscal snags
- Cutting MPR will ease rates (price of money)
- Loosening or accommodative stance means increasing money supply



TFP: An engine of growth – A Case Study of China 14



- Total factor productivity (TFP) growth played a crucial role in China's economic growth in the last 3 decades
- TFP grew at an average of 3.5%, accounting for approximately 40% of GDP growth
- Driven by
 - Institutional reforms and technological progress
 - Reallocation of resources – labor
 - Economic structural changes

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Global Developments



Brexit, the Unending Saga

17

- May approaches Corbyn for rescue mission
 - Hopes to achieve wider support for her Brexit proposal
- House of Commons fails in bid for alternative BREXIT options
 - Second round of votes on indicative BREXIT proposals
 - Possibility of a second referendum
 - Renegotiate the deal with the EU – Most likely an extension
 - General election & no Brexit is worst of all outcomes for current administration

No Brexit has its Good Sides

18

- Extension of deal implies that UK will have to partake in the EU's election in May
- BREXIT stockpiling has boosted UK factory activities
- As manufacturing PMI touched a 13-month high of 55.1 in March
 - From 52.0 in February



Impact on Nigeria

- Higher unemployment in the UK will affect Nigeria
- 30% of Nigerians abroad are in the UK
- Diaspora remittances from the UK are approximately \$8bn per year
- Every 1% fall in the value of the pound will shave \$100,000 off the diaspora flows

Trump says “I am Stuck with Jerome Powell”

20

- Steve Moore (Trump’s attack dog) to join the board of the US Fed Reserve
- Moore supports low taxes and small government and is a critic of Jerome Powell
- Kudlow, economic adviser to Trump, is calling for rate cut – by 50bps
- Deutsche Bank to raise \$10bn in new capital ahead of merger talks
- Lyft shares fell 4% below stock’s IPO price of \$72



Sub-Saharan
Africa

South Africa – Policy Rate Unchanged at 6.75%

- South African elections to be held next month
- ANC likely to win with a slimmer margin
- SARB held the MPR steady at 6.75% in March on concerns over downside risks to growth
- Power cuts and load shedding now a way of life
- Inflationary pressures could force the SARB to hike rates subsequently

Kenya – Not desperate to Strike New Deal with IMF

23

- Court rules against interest rate cap
- Kenya is seeking to raise \$2.5bn Eurobond
- IMF renewal is necessary but not sufficient to secure the Eurobond
- Kenya reported 6.1% growth in 2018
 - Driven by agriculture, services and industrial sector
 - Concerns over global economic slowdown constitute a major downside risk

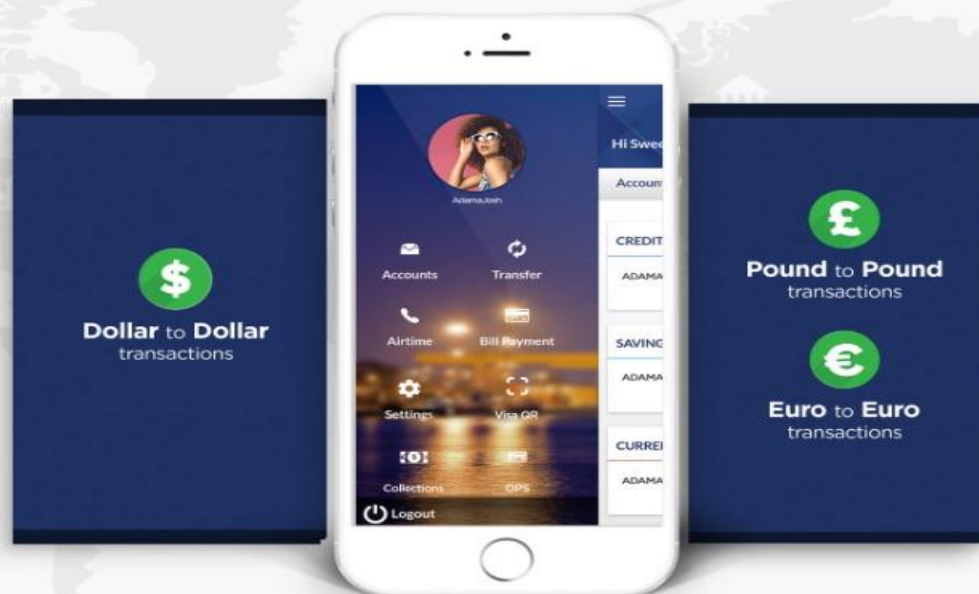
Ghana Completes the IMF's ECF

24

- Ghana successfully completed the extended credit facility of the IMF on March 28
 - The 16th bailout of the IMF since independence in 1957
- Forced into signing a three-year agreement in April 2015
 - Ghanaian cedi plunged over 31% against the US dollar along with double inflation (17%)
- Total expected inflows for the three-year period stood at \$914 million
- Program was not called off as scheduled in April 2018
- Successful completion guaranteed inflows of \$185.2 million
 - This brings the cumulative disbursement under the ECF to a total of \$934.4 million
- After the program higher growth rates and moderating inflation followed
- GDP growth for Q3'18 stood at 6.1% and inflation fell to 9.2% (Feb'2019)

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Domestic Economic Performance



Economic Indicators - Output

27

| Leading Economic Indicator | February | March | % Change | Comments | April's Forecast* |
|------------------------------------|------------------------|------------------------|---------------|--|-------------------|
| GDP Growth Rate (%) | 2.38 (Q4'18) | 1.8-2 (Q1'19)* | 0.38 | <ul style="list-style-type: none"> Projected to decline to 2% Remains below population growth of 2.6% Negative for investor sentiment | 1.8-2. (Q2'19) |
| Oil Production (mbpd) | 1.73 (Jan) | 1.74 (Feb) | 2.87 | <ul style="list-style-type: none"> Higher export revenue, positive for fiscal and external buffers | 1.68-1.70 |
| Power (MW; avg) | 4,148 | 4,178 | 0.72 | Will reduce operating expenses of companies | 4,200-4,400 |
| PMI | CBN: 57.1 FBN: 50.4 | CBN: 57.4 FBN: 56.9 | 0.53 12.90 | Likely to improve in March driven by inventory build up by manufacturers ahead of Easter celebrations | 58-60 52-55 |
| Inflation (%) | 11.31 | 11.20 | 0.11 | <ul style="list-style-type: none"> Impetus for further interest cut | 11.25 |
| Oil Price (\$pb; avg) | 64.43 | 67.01 | 4.00 | <ul style="list-style-type: none"> Extension of output cut till bi-annual meeting in June to keep prices within a tight band of \$67-68pb | 67-69 |
| Natural Gas (\$/MMBtu; avg) | 2.68 | 2.80 | 4.48 | <ul style="list-style-type: none"> Second highest contributor to export earnings Positive for revenue and external accretion | 2.8-3.0 |

Economic Indicators - Market

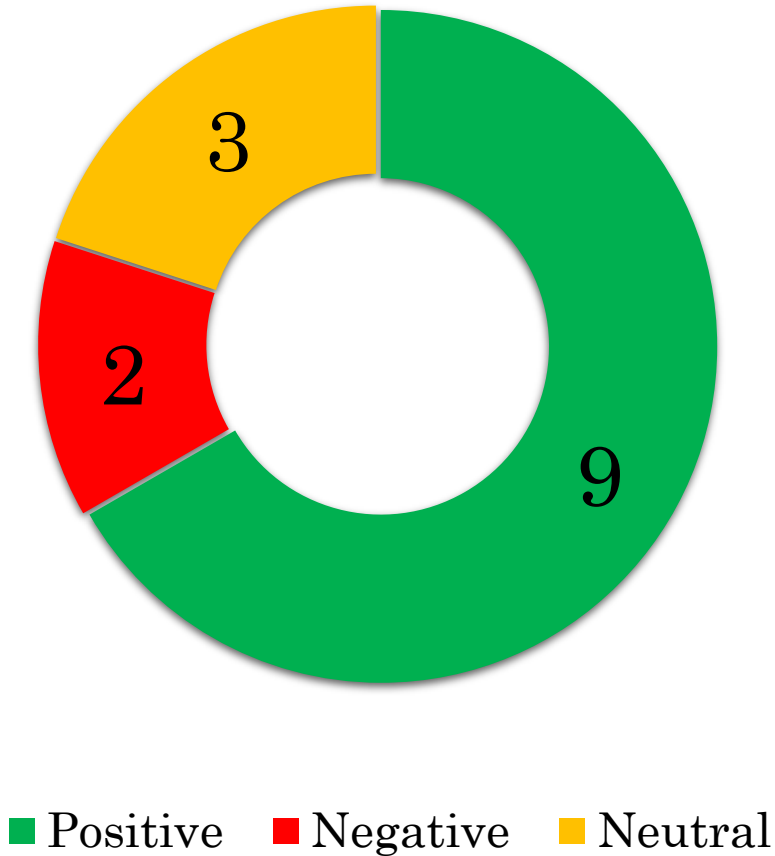
28

| Leading Economic Indicator | February | March | % Change | Comments | April's Forecast* |
|---|---|--|--------------------|--|---|
| Average Opening Position (N'bn) | 43.38 | 201.98 | 365.61 | Evidence of increased naira liquidity | 200-250 |
| T Bills (91 days) (%) – Primary T Bills (182 days) (%) – Primary | 10.9 13.01 | 10.30 12.20 | -0.60 -0.81 | Will reduce government debt service burden | 10.5-10.9 12-12.25 |
| Average NIBOR (%) (OBB, O/N) | 18.87 | 12.58 | 6.29 | Driven by increased naira liquidity | 18-20 |
| Average Lending Rate (%) (pa) | 22.00 | 22.00 | - | Positive for activities within the real sector | 22-23 |
| External Reserves (\$bn) (end) | 42.30 | 44.43 | 5.04 | Lower CBN forex intervention | 43-45 |
| Exchange Rate (N/\$; month-end) | Parallel: 360 IFEM:306.85 IEFX:363.99 | Parallel : 360 IFEM: 306.95 IEFX: 360.68 | - -0.03 0.92 | CBN to continue with its intervention to keep the exchange rate within a band | Parallel: 361 IFEM: 306-307 IEFX: 360-361 |
| Stock Market Cap (N'trn) | 11.83 | 11.67 | 1.35 | <ul style="list-style-type: none"> The CBN's shift to an accommodative policy stance would boost demand for equities and lead to an increase in stock prices in the near term | 12-12.2 |

*: FDC's Forecast

Mixed Bag of Economic Indicators

29



Impact

- Muted impact of the interest rate cut on the economy:
 - Exchange rate stable within the range of N359.5-N360/\$
 - Market cap declined by 1.35% to close at N11.67trn
 - Lending rate still at 22% pa

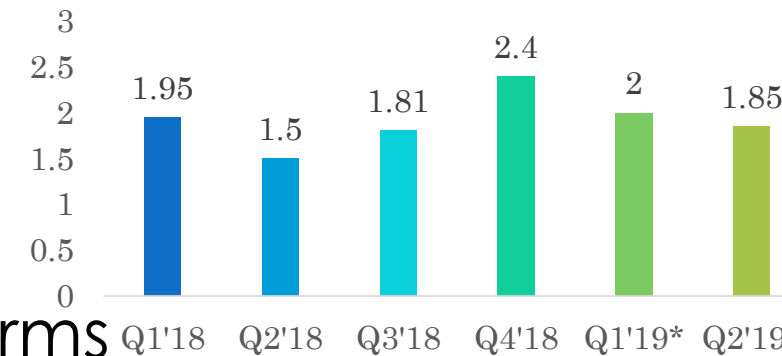
GDP Outlook: 2.74% (FY'19; CBN)

Source: NBS, FDC Think Tank

30

- Populism vs reform
- **Populist policies:**
 - 'Man of the people' approach
 - Social intervention programs (Trader Moni, N-Power)
 - Growth rate would remain suboptimal at 2%-3%
- **Reform policies:**
 - Pro-growth strategy
 - Privatization and pro-market investment reforms
 - Could result in growth rate of 8%-10%

GDP Growth rate (%)

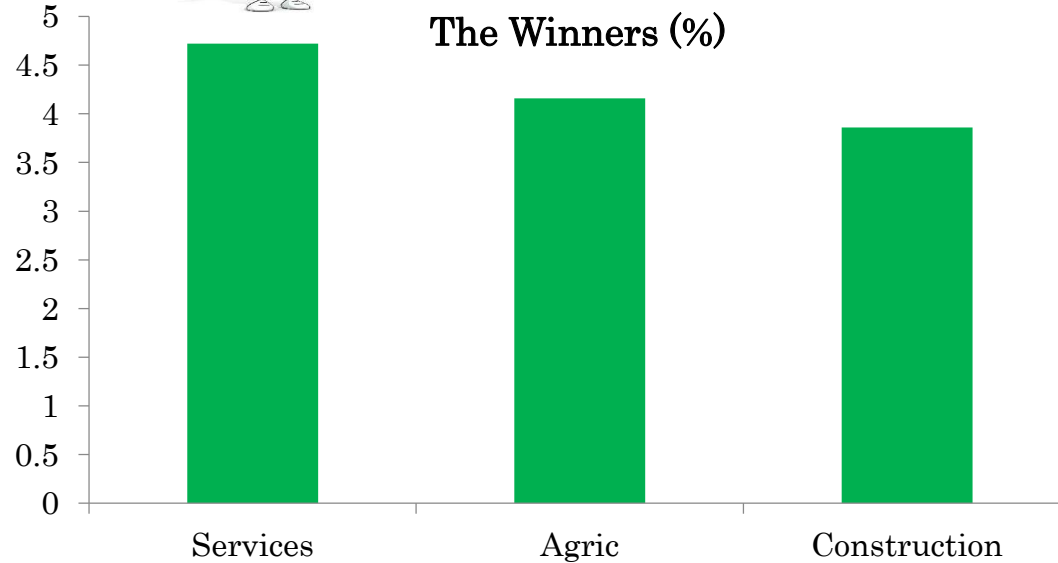


Q1'19 GDP Outlook

Release date: May 20

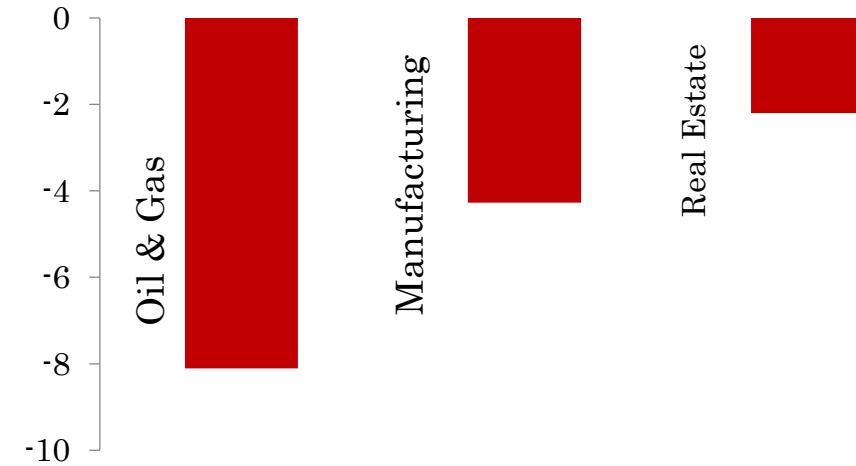


The Winners (%)



- Import substitution strategies of FGN to drive agriculture sector growth
- Electioneering spend to foster growth in the construction sector

The Losers (%)



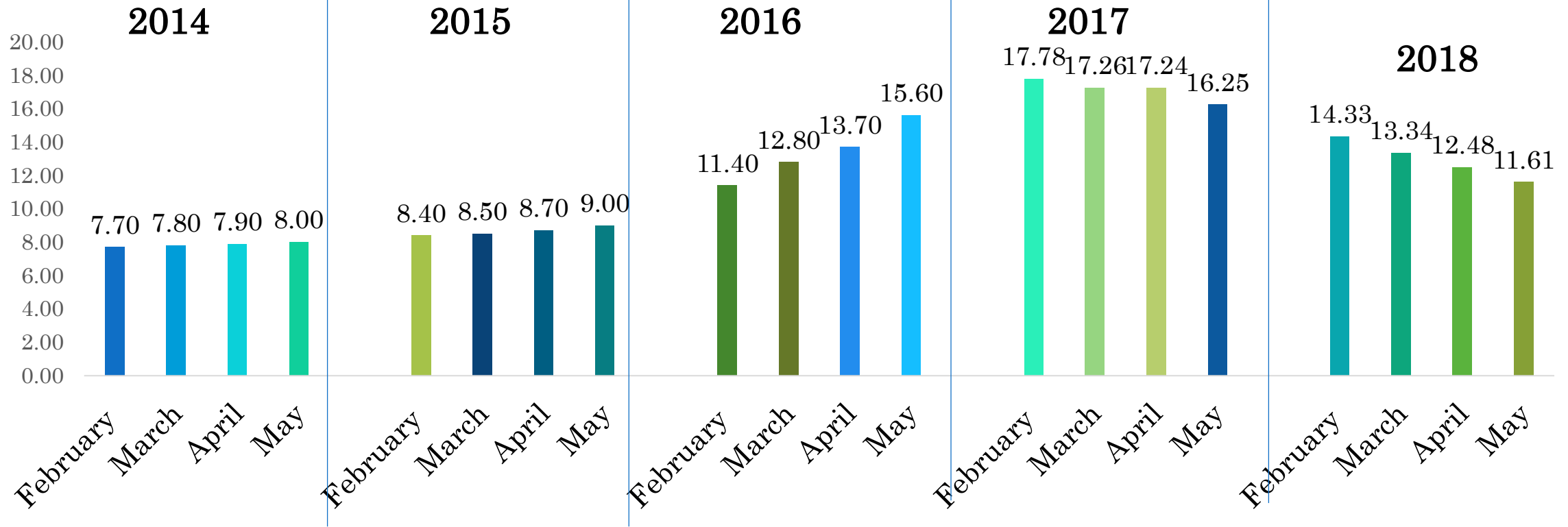
- Nigeria's commitment to output quota to drag growth in the oil and gas sector
- Slowdown in PMI to negatively affect growth in the manufacturing sector



Inflation Trend in April/May (2014-2018)

Source: NBS, FDC Think Tank

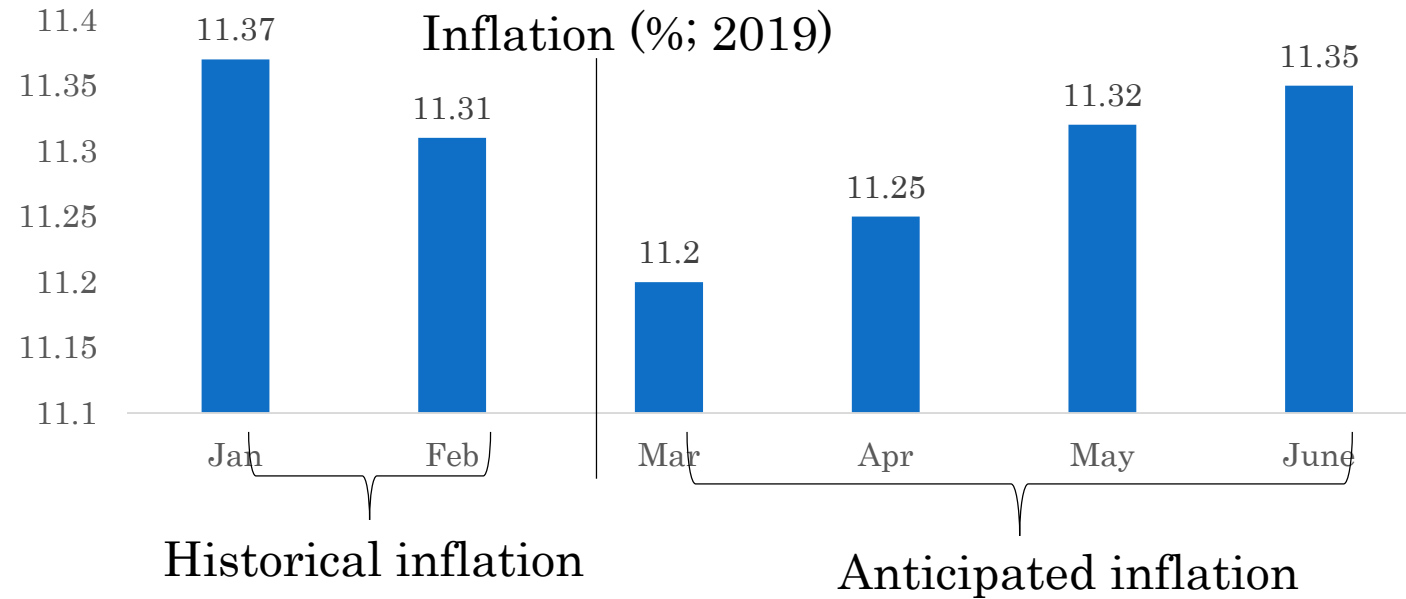
32



- Typically, inflation increases in April/May
- 2015 (the last election year): inflation increased to 9% post-election
- Will 2019 follow the same trend?

Price Stability Mandate

33



Source: NBS, FDC Think Tank

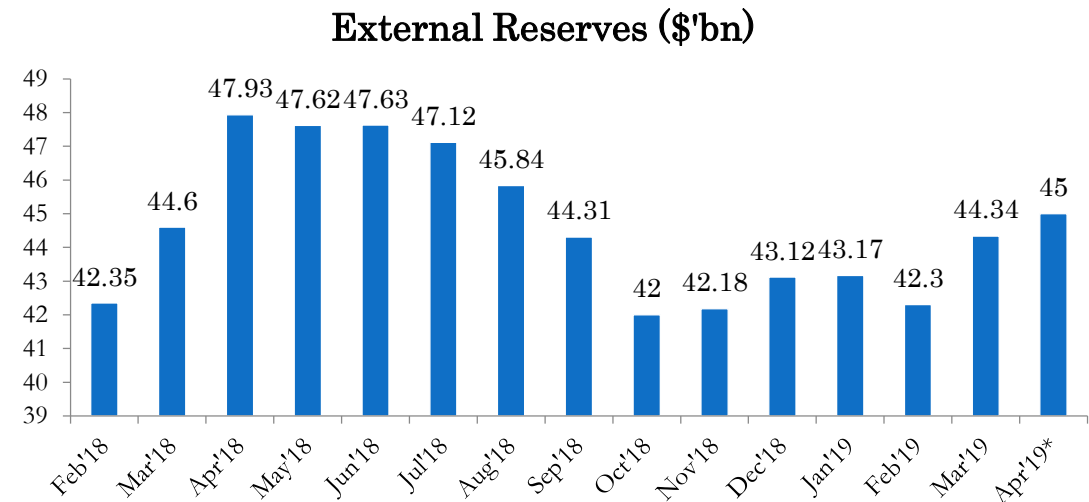
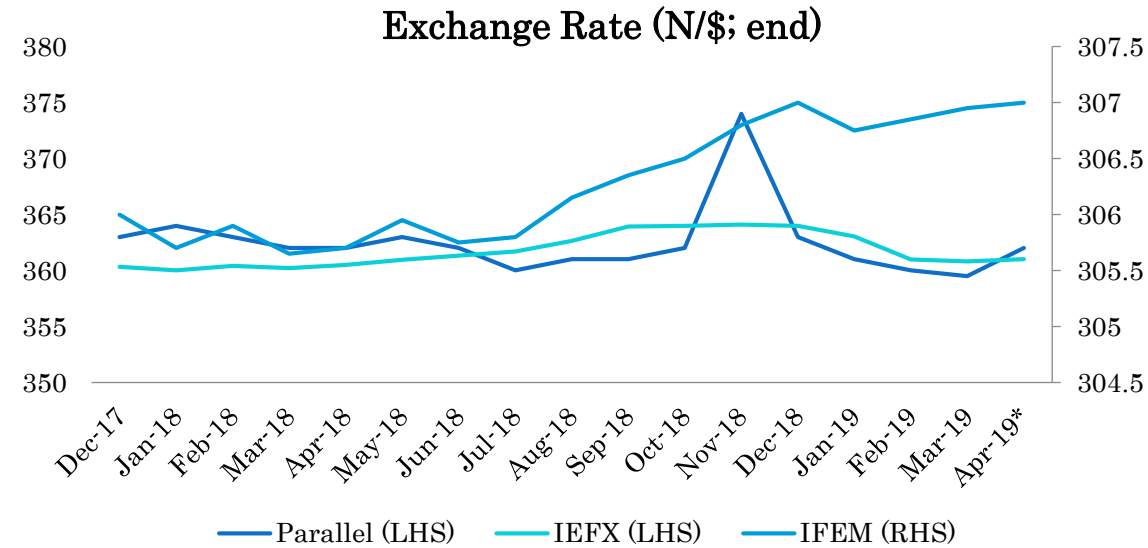
- Drivers of inflation in the next three months:
 - **Monetary Policy Rate**
 - **Minimum wage:** Implementation expected in Q2'19
 - **Exchange rate:** projected to trade within N360-N363/\$
 - **Planting season:** commencement due in Q2'19

Forex Market Outlook

34

Source: FMDQ, CBN, FDC Think Tank

- Sources of demand pressure (Apr-June)
 - Manufacturers
 - Summer tourists
- Would mount pressure on external reserves (could fall to \$42-\$44bn)
- Would still cover imports for 10.46-10.95 months



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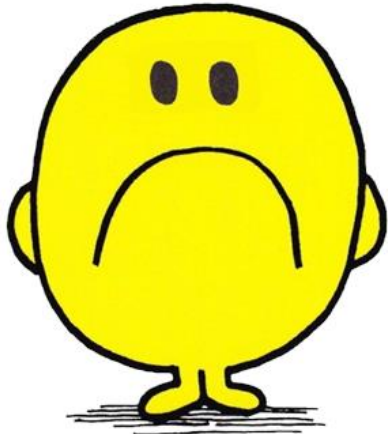


Annual Misery Index 2018

37

Misery index= *Unemployment + underemployment + inflation*

Hanke's Misery index= *Unemployment + inflation + bank lending rates - % change in real GDP per capita*



Lending rates: Steep borrowing costs slows activities in interest rate sensitive sectors.

Unemployment: Unemployment leaves citizens idle and depressed. Increases the crime rate.

Consumer prices: Commodity prices determine purchasing power. Without disposable income, citizens are miserable.

Annual Misery Index 2018

38

- Most miserable countries are victims of:
 - Political conflict
 - Economic mismanagement

Miserable countries

| Rank | Countries | Misery Index | Major contributing factor |
|------|-----------|--------------|---------------------------|
| 1 | Venezuela | 1,746,439.1 | Consumer prices |
| 2 | Argentina | 105.6 | Consumer prices |
| 3 | Iran | 75.7 | Consumer prices |
| 4 | Brazil | 53.6 | Lending rates |
| 5 | Turkey | 53.3 | Lending rates |
| 6 | Nigeria | 43.0 | Unemployment |

Source: Hanke's Annual Misery Index- 2018



Nigeria is the only African country in the bottom six

- Unemployment a leading cause of misery index
- High unemployment + rising consumer prices = miserable Nigerians

Cost of Living Survey- EIU

39

Least expensive cities to live

| Rank | Countries |
|------|----------------------|
| 1 | Caracas, Venezuela |
| 2 | Damascus, Syria |
| 3 | Tashkent, Uzbekistan |
| 4 | Almaty, Kazakhstan |
| 5 | Bangalore, India |
| 6 | Lagos, Nigeria |

Source: EIU

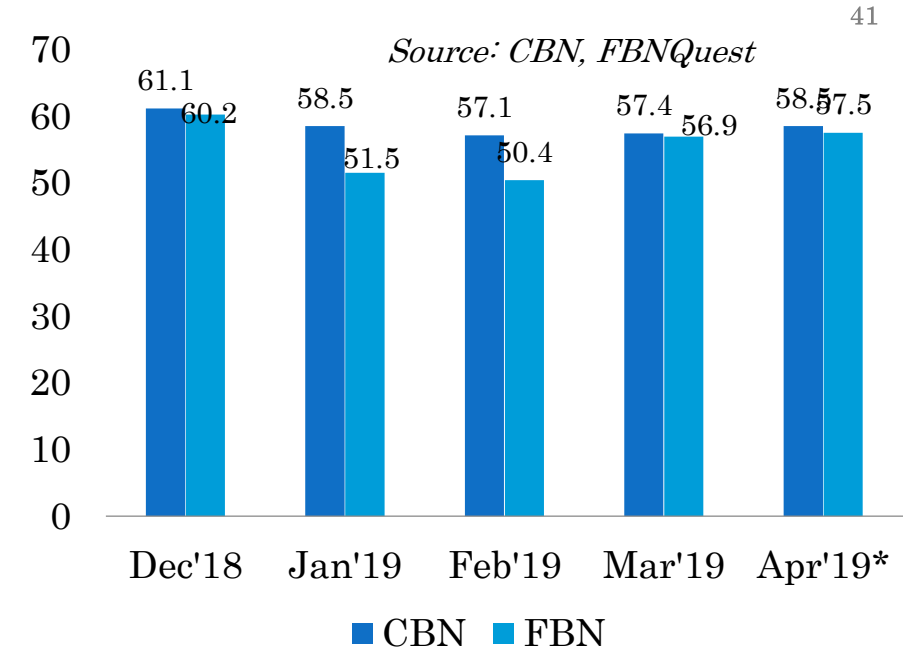
- Singapore is world's most expensive city for the sixth consecutive year
- Caracas, Venezuela claims title of least expensive city
- Due to hyperinflation and currency depreciation
- Weaker dollar pushed US cities (New York and Los Angeles) up
- Lagos ranked the 6th cheapest city from its previous rank of 4th cheapest



Market Proxies

PMI Bounces Back, Post-Election

- FBN PMI up sharply to 56.9 in March from 50.4 in February
- CBN PMI up to 57.4 in March from 57.1 in February
- Upward trend to continue in April
- Driven by robust trading activity, boost in consumer demand, and stable forex liquidity



| | Feb'19 | Mar'19 | Apr'19 Forecast |
|----------|--------|--------|--------------------|
| CBN | 57.1 | 57.4 | 58.5 |
| FBNQuest | 50.4 | 56.9 | 57.5 |

Manufacturers Wish List from Buhari 3.0

42

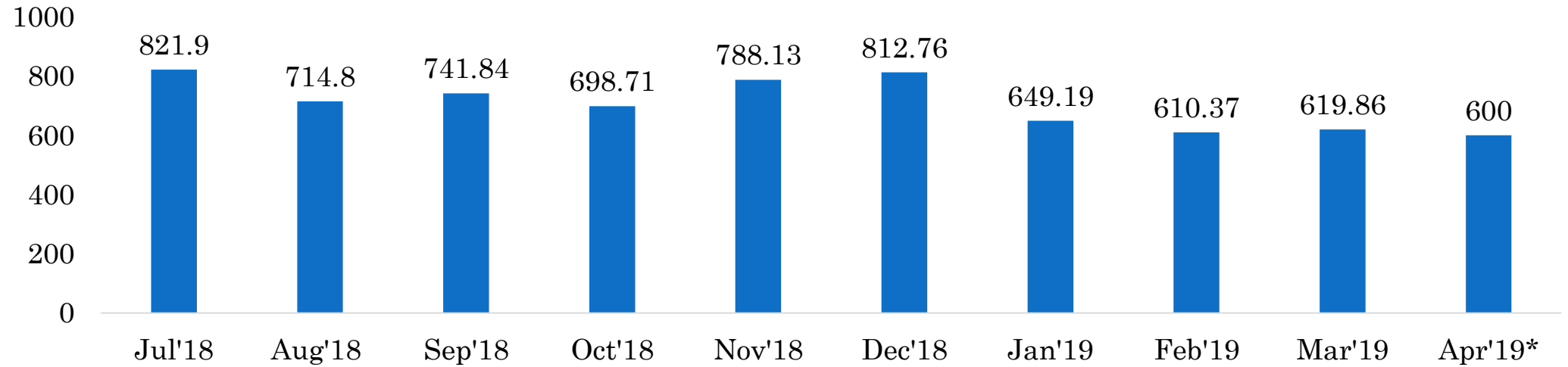
Action points for the FGN

- Power supply
- Smuggling
- Gridlocks at ports
- Private consumption



FAAC up 1.55% in March

43



- March disbursement 1.55% higher at N619.86bn
 - Due to higher Federation Crude Export Sales
- Expected to fall in April to N600bn
 - Nigeria's compliance with output quota

Ships Awaiting Berth – Apapa Gridlock Remains a Menace ⁴⁴

- Economic impact of the Apapa gridlock:
 - Commodities e.g. cashew nuts stuck at the ports
 - Most import-dependent commodity traders recorded a decline in earnings

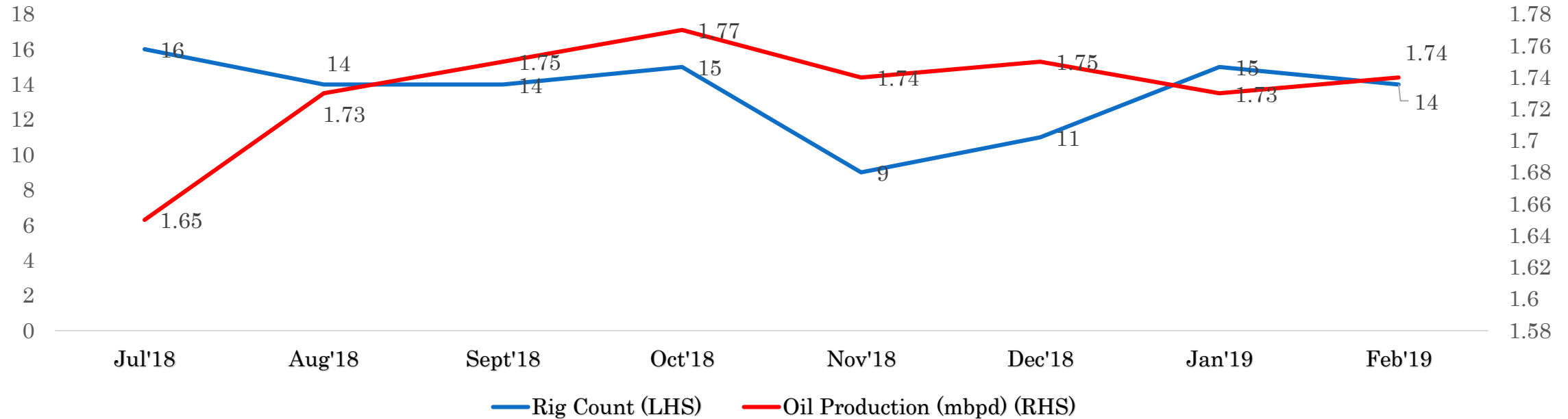


Rig Count Down, Oil Production Up

Source: OPEC, Baker Hughes

45

Nigeria Oil Production vs Rig Count



- The number of operational rigs down by 6.67% to 14 in February
- Despite increased oil production (up 0.58% to 1.74mbpd in February)
- Oil production expected to decline in near term on compliance with output cut

Average Power Output Up 0.72%

46



5243MW

Peak Energy
Generated



4178MWH/H

Average Energy
Generated



726.8MMSCF/D

Average Gas
Delivered to Plants



0

Total Grid
Collapses

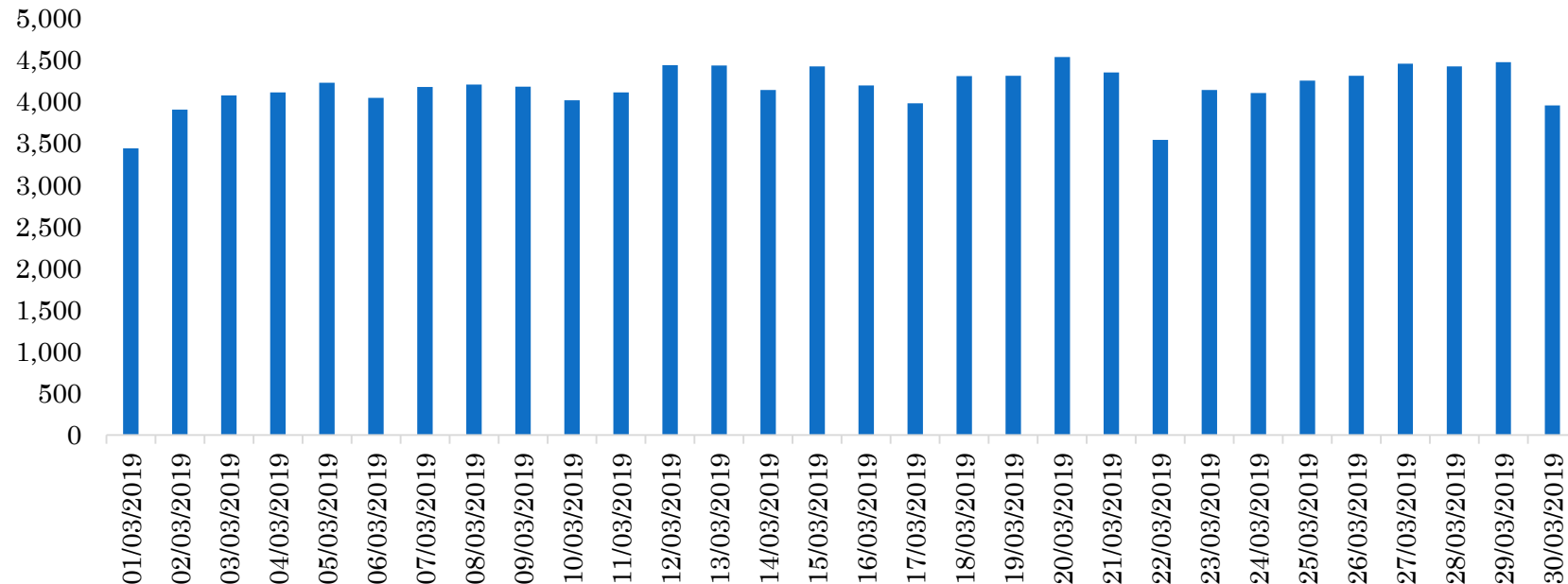


3310MW

Average
Constrained
Energy



Power Output MWh/hour



Source: Lavayo Advisors

Power Sector News

47

- FGN committed to building coal-fired electricity by 2020- Minister
- TCN targets 8,000MW of power with expanded Disco network
- Discos relinquish metering responsibility
- Morocco firm plans \$600mn gas-fired power plant in Ondo state












Source: Lavayo Advisors



Commodities

Commodities Outlook and Nigeria

| Export Commodities | March | April* | Import Commodities | % Change (March/April) |
|--|-------|--|---|------------------------|
| Oil (\$/b)  | 67.01 | 69  | Wheat (\$/bushel)  | -6 |
| Liquefied Natural Gas (\$/mmbtu)  | 2.80 | 2.9  | Sugar (\$/pounds)  | -4 |
| Cocoa (\$/mt)  | 2,203 | 2,132  | Rice (\$/cwt)  | -5.3 |

- Compliance with the crude quota could threaten oil revenue
- Negative for FAAC allocation, state government investment



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Stock Market Review

Nigerian Stock Market in February

52

- Market cap  1.3% to N11.67trn
- NSE ASI  2.1% to 31,041.42
- 7 days positive, 14 days negative
- P/E ratio  0.25% to 7.74x
- Negative market breadth of 0.3x
- 21 stocks gained
- 79 stocks remained neutral
- 68 stocks lost

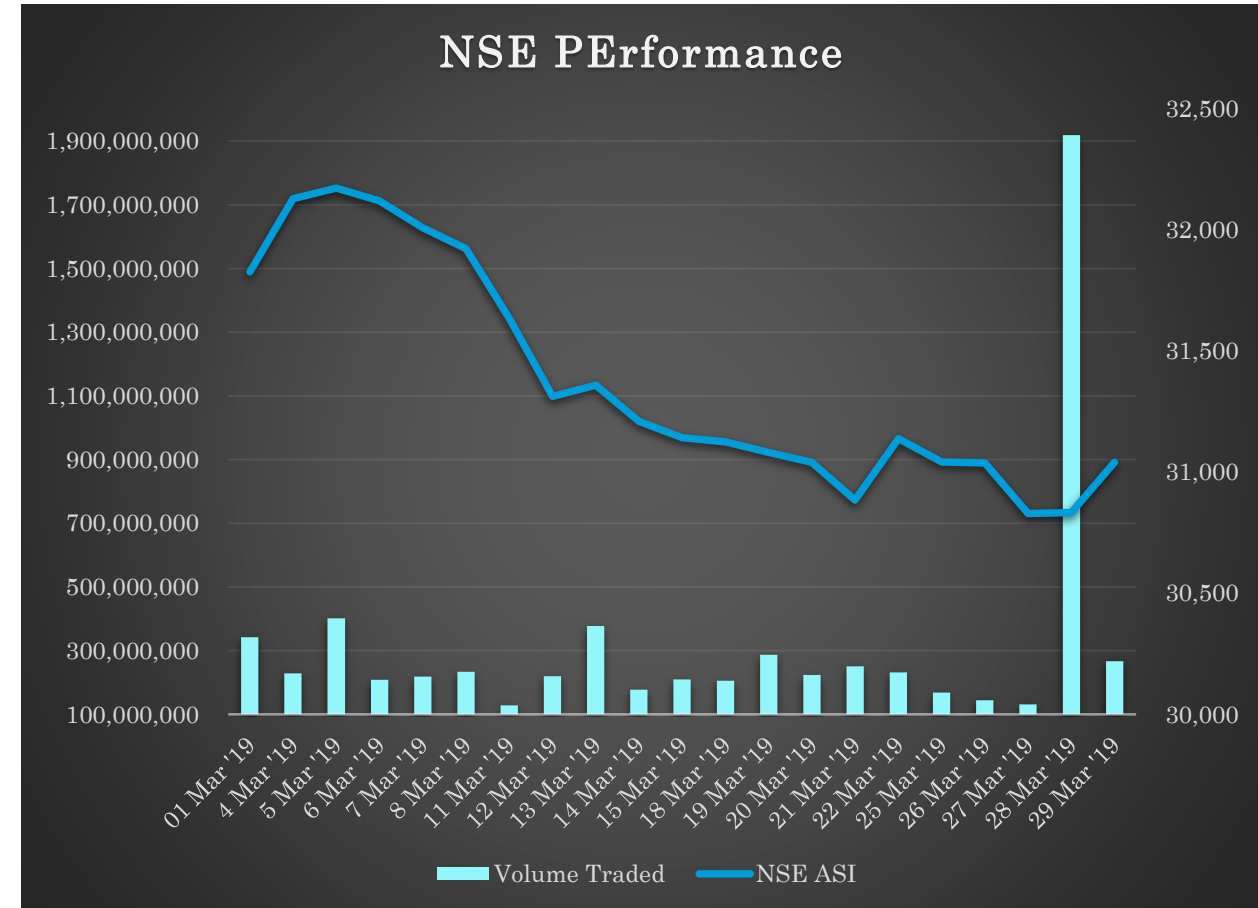
Peer Comparison

| Exchange | YTD Return | Driver |
|----------|---|---|
| NSE ASI |  1.24% | <ul style="list-style-type: none">• Lack of investors' confidence |
| JSE ASI |  7.06% | <ul style="list-style-type: none">• New listings• Corporate earning• Rising gold and palladium prices• Improving investors' confidence |
| GSE ASI |  4.58% | <ul style="list-style-type: none">• Increase in FPI outflows• Currency depreciation |

Nigerian Stock Market in February

53

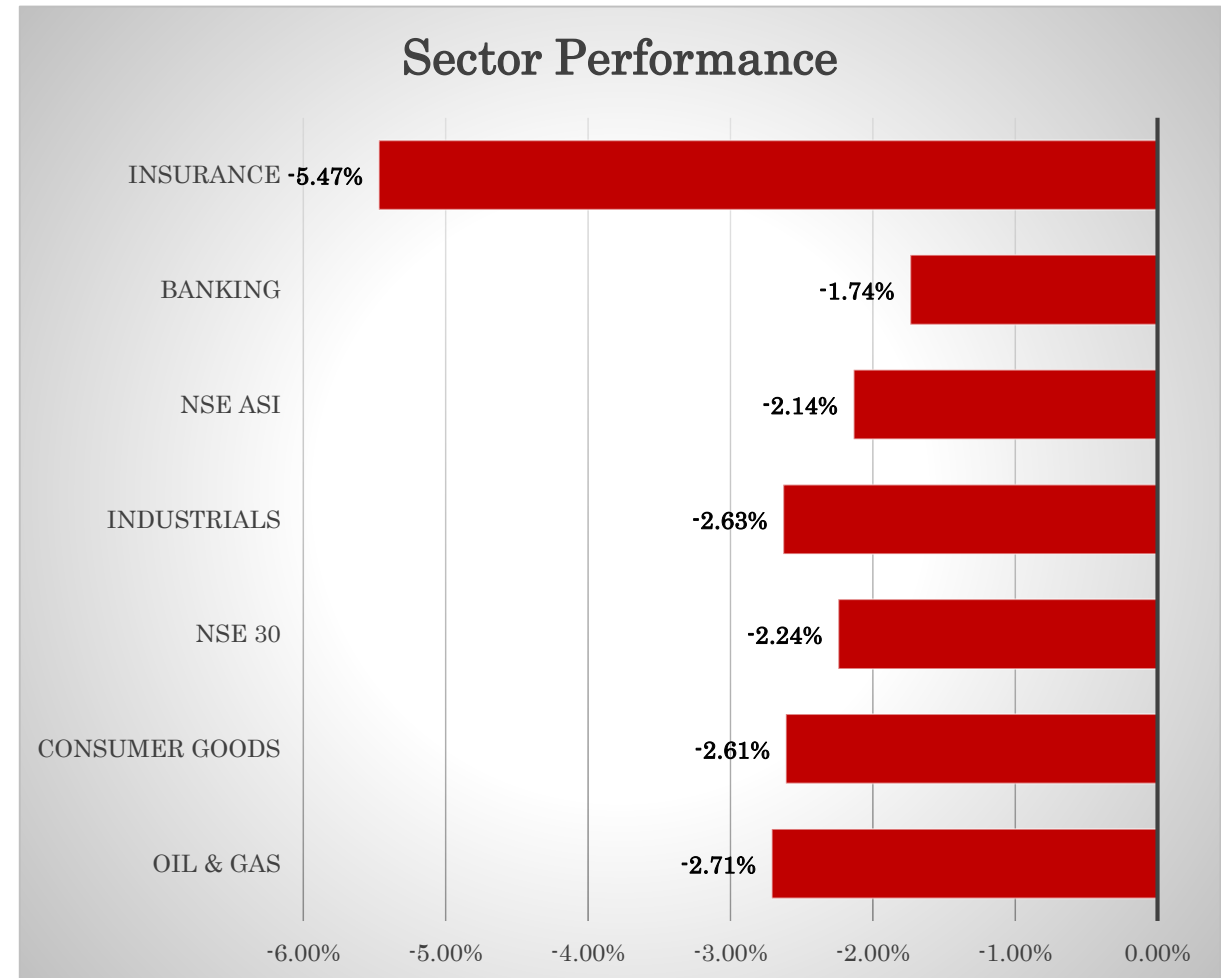
- Average volume traded ↓ 21% to 312.9mn units
- Average value of transaction ↓ 42% to N2.72bn
- Investors not responsive to earnings
- Spike in volume traded on March 28
 - WEMA bank represented 80% of the days' trade



Sectoral Indices - Results or Sentiments

54

- All sectors closed negative
- Banking stocks recorded the highest volume traded
 - 85% of total volume traded
- Negative market sentiment outweighs other market drivers
 - Lack of positive catalyst
- Investors not responsive to earnings



Corporate Actions

55

- NSE suspends trading on the shares Diamond Bank Plc
- FY 2018 earnings release
 - FMCG - affected by waning consumer demand
 - Oil & Gas - upstream performance driven by higher oil prices, downstream weighed down by operating expenses
 - Insurance – larger companies to outperform smaller ones
 - Banking – general increase in profit across board
- Listing of Access bank N15bn, 5-yr 15.5% green bond
- Moody places Access bank under review for downgrade

MTN Listing

MTN is the market leader in the Nigerian telecom industry (65.2 million subscribers at 40.7% market share)

- Listing to increase market cap by approximately N2trn
- Representing about 13.3% of market capitalization
 - Making MTN the 2nd most capitalized stock
- Improve wider sector diversity
 - Currently 4 sectors (banking, consumer goods, industrial and oil & gas)
80% of market cap
- Made history with the mobile money-based IPO in Ghana



Outlook for April

57

- Investors to remain conservative due to
 - Weak earnings across most sectors
 - Lack of liquidity
- Mixed signals for foreign inflows
- Decline in rate indicates possible depreciation in naira
- External reserve accretion
- Fed less likely to increase rates in 2019
- Upgrade of Argentina to the MSCI EM from FM
- Increases Nigeria's weighting in the index and results in potential inflows



Corporate Earnings

Banking Industry – Full Year 2018

59

| | Sterling | ETI | Fidelity | WEMA |
|-------------------------|-------------------|------------------|------------------|-----------------|
| Gross Earnings | ↑ 14% to N152.2bn | ↑ 1% to N773.3bn | ↑ 5% to N188.9bn | ↑ 9% to N71.5bn |
| Interest Income | ↑ 13% to N125.2bn | ↓ 1% to N475.1bn | ↑ 4% to N153.7bn | ↑ 8% to N57.6bn |
| Profit After Tax | ↑ 14.7% to N9.2bn | ↑ 46% to 102.2bn | ↑ 29% to N22.9bn | ↑ 50% to N3.3bn |
| Cost to Income | 81.4% | 61.5% | 71.10% | 80% |
| NPL | 8.69% | 9.6% | 5.70% | 4.98% |
| EPS | ↑ 14% to N0.32 | ↑ 50% to N3.3 | ↑ 29% to N0.79 | ↑ 48% to N8.6 |
| Dividend Yield | 0.83% | - | 5.8% | 4.29% |
| P/E Ratio | 7.5x | 2.3x | 2.4x | 8.12x |

- Most banks reported increase in PAT and Earnings
- IFRS 9 helped drive down impairment across board
- Cost structure a major threat to earnings sustainability
 - Tier 2 banks have higher cost-to-income ratio

Oil & Gas Downstream Industry – Full Year 2018

60

| | Mobil (11 Plc) | OANDO | TOTAL | ETERNA |
|----------------|----------------------|-------------------|--------------------|----------------------|
| Revenue | ↑ 31% to N164.61bn | ↑ 37% to N679.5bn | ↑ 7% to N307.99bn | ↑ 45.57% to N251.9bn |
| PBT | ↑ 2% to N13.7bn | ↓ 46% to N11.2bn | ↑ 3% to N12.10bn | ↓ 29.18% to N1.99bn |
| FCF | ↑ 51.47% to -404.1mn | ↓ 20.9% to N31.45 | ↓ 1380% to -N11.78 | ↓ 403.91% to N3.89BN |
| PE | 5.84X | 3.05x | 6.84x | 5.98x |
| DY | 4.71% | 17.70 | 8.67 | 7.55 |
| YTD | -8.36% | 13.00% | -3.45% | 12.77% |

- Consolidation within the downstream
- Proposed PIB expected to be a game changer
 - Empower institutions
 - Eliminate inefficiencies
- Completion of Dangote refinery later in 2019
 - Significantly reduce import of petroleum products
 - Aid availability to distributors
 - Attract new investment in the downstream value chain

FMCG - Full Year 2018

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| | NASCON | Nigeria Breweries | Cadbury | Nestle |
|----------------|--------------------|-------------------|---------------------|-------------------|
| Revenue | ↓ 4.77% to N25.8bn | ↓ 6% to N324.4bn | ↑ 9% to N35.9bn | ↑ 9% to N266.3bn |
| PBT | ↓ 18.46% to N6.4bn | ↓ 37% to N29.4bn | ↑ 249% to N1.2bn | ↑ 28% to N59.8bn |
| FCF | ↓ 132.66% to -N2.9 | ↓ 99% to N0.7bn | ↑ 246.69% to N5.9bn | ↑ 488% to N61.9bn |
| PE | 10.91x | 30.8x | 24.76x | 27.3x |
| DY | 5.49 | 4.97% | 2.30% | 3.9% |
| YTD | 1.11% | -12.28% | 8.50% | -0.34% |

- Competitive operating environment
- Waning consumer demand
 - Increase in unemployment and underemployment
 - Declining purchasing power
- Growth driven by
 - Product diversity
 - Quasi-necessity nature of products
 - Increase ability to pass rising cost to consumers
- Breweries affected by excise duty

UACN Plc Result

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- Stiff operating environment
- Sector growth in negative territory for at least 12 consecutive quarters
- Infrastructure a primary driver
- Industry reactive to
 - Political changes
 - Safety & Sustainability issues

| | |
|----------------|--------------------|
| Revenue | ↓ 12% to N78.7bn |
| PBT | ↓ 270% to (N5.5bn) |
| Free Cash Flow | ↓ 73% to N4.09bn |
| PE | - |
| DY | 8.37% |
| YTD | -21.54% |

- Decline in FCF largely driven by decline in cash generated from operations



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Aviation Update

Aviation Update - IATA

65

- Airline profitability improving slowly
- Oil and jet fuel prices inched up for the second consecutive month (\$69.77pb)
- Premium class passengers accounted for 5.2% of total O-D passengers
- Capacity outpacing passenger and freight demand
- Airline shares up approximately 8% YTD
- Markets shrugged off the Boeing 737 max saga

Aviation Update - Long Haul & Regional

66

- High load factor on British Airways
 - Leveraging on frequent flier and loyalty programs
- Ethiopian Airlines has also shrugged off the Boeing saga
- Middle Eastern airlines are eating into the market share of others
 - Eithad (4 flights a week)
 - Qatar (daily)
 - Emirates
 - Turkish Airways (stable trade between Turkey & Nigeria)
 - Turkish (Istanbul) replaced Air France in PH to Europe (Paris)

Aviation Update -Long Haul & Regional

67

- Kenya Airways facing labor challenges
- New carriers:
 - **Air Angola:** Luanda-Lagos
 - **Cabo Verde Airlines:** Cape Verde- Lagos



Aviation Update - Domestic

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- Arik to commence flights to Warri- April 15
- Improved on-time performance for most domestic carriers
 - New penalty for late departure by NCAA
- Bristow cut morning departures to Abuja to 3 per week
 - Switched aircraft to Mobil-Eket operations



Real Estate Update

Market still awash but early positive signs



Nigeria's Real Estate Market

| | Property Prices | Vacancy Factor |
|---------------|---|--|
| North West | <ul style="list-style-type: none"> Kano and Kaduna have highest property prices Cultural preferences play a key role in leasing decisions | <ul style="list-style-type: none"> Kaduna: 4% |
| North East | <ul style="list-style-type: none"> Static property values in 2017/2018 | - |
| North Central | <ul style="list-style-type: none"> Pick up in private transaction volumes in Abuja | <ul style="list-style-type: none"> Abuja: 10% |
| South South | <ul style="list-style-type: none"> Slow residential transactions driven by insecurity | <ul style="list-style-type: none"> Cross river: 12% Rivers: 13% Edo: 9% |
| South East | <ul style="list-style-type: none"> Gradual improvement in lease and sale transactions | <ul style="list-style-type: none"> Abia: 13% Anambra: 8% Imo: 9% |
| South West | <ul style="list-style-type: none"> Strong demand for 1 and 2 bedroom apartments in Lagos | <ul style="list-style-type: none"> Lagos: 19% Ondo: 21% Osun: 11% |

Pricing (Ibeju-Lekki Axis)

71

| Type of property | Number of rooms | Price |
|------------------|-----------------|--|
| Duplex | 4 | Regular finish: N1.5mn-N2.5mn Luxury finish: N5mn |
| Office space | N/A | N20,000-N25,000 per square metre |



Minimum wage and real estate demand

- Increased purchasing power would boost leasing transactions
- Would boost investment in the sector

Declining interest rate environment and real estate

- Interest rate cut would boost activities within the real estate sector (increased supply and demand)



Political Update

Political Update/Zoning is Growing

74

- Re-run elections, supplementary and inconclusive polls now over
- INEC survived with reputation blemished
- More for management inadequacies rather than for connivance
- Osun state election verdict overturned
- Raising doubts about the doctrine of inconclusivity
- The results of the re-run elections were consistent with the earlier polls
- Buhari sentiment did not lead to a bandwagon effect

Political Update/Zoning is Growing

75

- The northern states of Adamawa, Sokoto, Benue, Taraba and Bauchi all broke ranks
- Showing a major resentment of bad managers as state governors



NASS Leadership Scramble

- Once bitten twice shy APC tries to close ranks
- Sharing of the spoils usually leads to internal conflict
- Most likely outcome is Lawan as Senate president & Gbajabiamila as Speaker

NASS Leadership Scramble

- Majority leader in both houses will be used as sweeteners
- The APC party leadership will be reorganized
- Current leadership perceived as disruptive and combative
- President is likely to separate the governor from the party structure
- The nominations for ministerial slots and board appointments are going to be contentious
- Compensation for election losers or reward for winners
- The voting pattern of APC presidential election will be a pointer to who gets what

Buhari's Votes

77

| States | Number of Votes | % of total votes |
|---------|-----------------|------------------|
| Kano | 1,464,768 | 77.45 |
| Katsina | 1,232,133 | 79.21 |
| Kaduna | 993,445 | 52.57 |
| Borno | 836,496 | 90.94 |
| Bauchi | 798,428 | 77.95 |

Buhari's Votes

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- This will pitch the South West against the Northern states
- The plum jobs will go to those areas where the President polled highest
- Constitution requires all states to have ministers
- Federal character requirement must be met
- Buhari says he wants technocratic government
- Square pegs in square holes
- Legacy government with no re-elections means he needs nobody

Buhari's Votes

- Buhari has rejected 8 bills by the Saraki led NASS
- He is in the drivers seat and intends to preserve his political capital
- The judiciary could be a fly in the ointment
- Judiciary is also in turmoil
- Election tribunals could be pivotal to stability
- New cabinet and key appointments likely by May ending



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April Outlook

April Outlook

- Budget will be passed in April
- Total amount above N10trn
- Pushing fiscal deficit above N3.5trn
- J.V Cash Call arrears of \$1.5bn-\$2bn will be paid
- Bringing down external reserves to \$42bn
- The CBN will increase its forex intervention as the naira comes under pressure
- Corporate earnings will continue to show weakness

April Outlook

83

- Depressing stock prices and the NSE will fall marginally
- Minimum wage will be paid with consequential and compliance costs gulping the bulk
- Oil price will trade at \$65-70pb
- Production will fall to 1.65mbpd
- CBN will continue with aggressive OMO and stabilization securities to defend the naira
- Interbank and T/bill rates will remain flat despite MPR cut
- Inflation will slide to 11.25%



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A collage of various colored envelopes (red, teal, blue, purple, and cream) overlapping each other. In the center, a cream-colored envelope is open, revealing a white card with the words "THANK YOU!" written in a dark, handwritten-style font. The edges of the envelopes are slightly torn, giving it a handmade feel.

THANK YOU!