

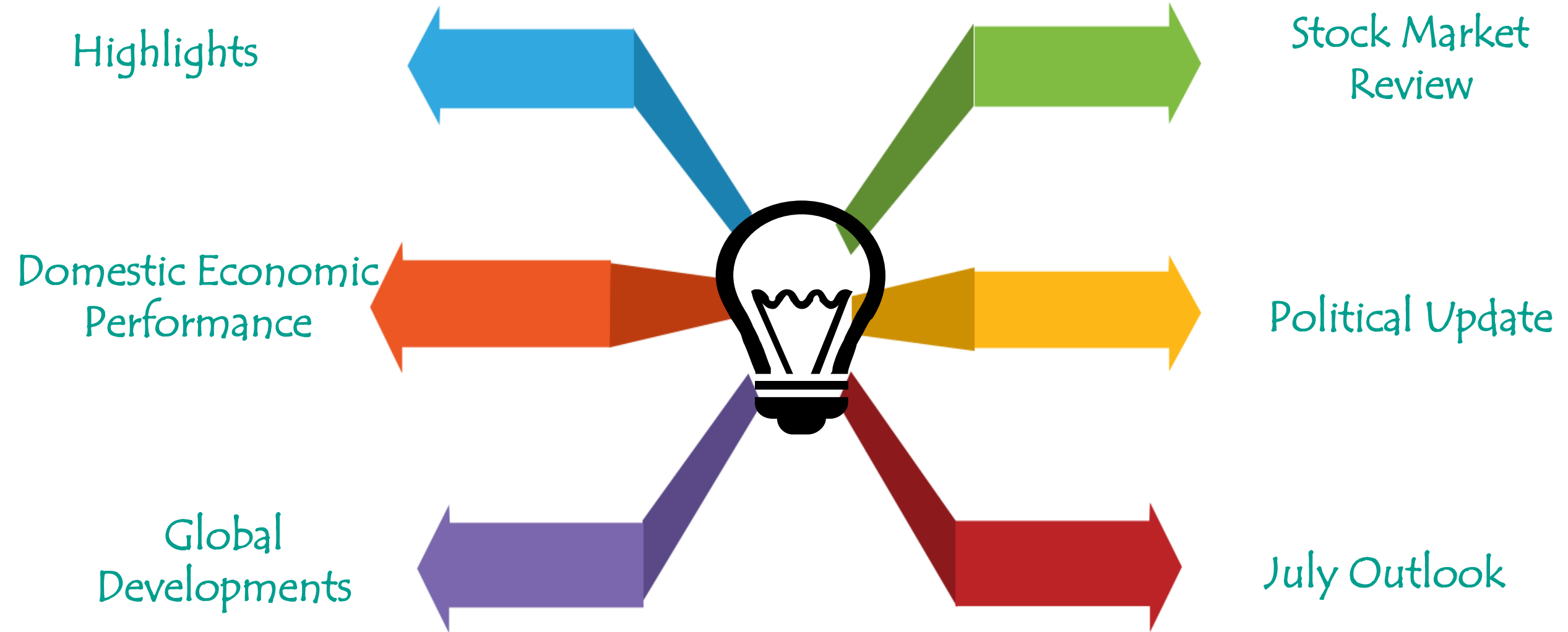


LBS Breakfast Session

Clouds Gathering as the Uncertainty Increases

Presented by Bismarck Rewane
CEO, Financial Derivatives Company Ltd.
July 3, 2019

Outline





June Highlights

An Excess Supply of Intellectual Dishonesty

June Highlights – Output and Markets

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- Christine Lagarde becomes ECB chief
- Nigeria finally agrees to sign the AfCFTA
- The African regional market has a population of 1.2bn
- Intra-African trade is at \$170bn
- Nigeria & South Africa account for 31.8% of regional GDP – \$2.37trn
- OPEC extends output ceiling till March 2020 after a 24-month production freeze
- The cartel is facing declining influence and price leadership
- Nigerian oil production fell 5.5% to 1.73 mbpd in June
- Rig count was also flat at 14



June Highlights – Output and Markets

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- No significant force majeure in the month
- Average price of Brent was \$63.03 per barrel
- Economic activity in June slowed sharply in the Lagos Metroplex
- Due to higher than usual rainfall and flooding Thus taking a massive toll on supermarket and mall traffic
- The “Fill the potholes” Lagos project succumbs to floods and poor drainage
- June PMI contracted to 49.9 – lowest point in 11 months
- Good news is that the output indicator increased
- Pointing towards a slide in Q2 GDP
- Average power output from grid falls to 3,697MWh/hour



June Highlights – Output and Markets

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- Average diesel price stayed flat at N230-N240/liter
- The naira traded flat between N360/\$-N362/\$ (parallel market)
- CBN directs DMB's to maintain a minimum Loan to deposit ratio of 60% - by the 30th of September, 2019
- CBN intervention in foreign exchange market jumped 27.37% to \$1.21bn
- Terms of trade declined to 27.1 down from 28.5
- External reserves slid to \$45.05 billion after many months of reserves accretion
- Nigerian customs uses N326/\$ for duty computation
 - Down from N305/\$
- To impact prices of imported goods by 8%



June Highlights – Output and Markets

- Money supply growth was up 2.81% annualized at 6.74%⁷ in May
- Average interbank interest rates swing between 4% per annum & 12.71% per annum
- Inflation inched up to 11.40% in the month of May
- FAAC allocation increased by 10% to N679.9 billion on higher oil revenues
- Tomato prices spiked to N20,000 (a 12-month high)
- Nigerian stock market loses 3.55% in June as Airtel shares to be listed this week on the NSE



June Highlights – Output and Markets

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- Airtel share price fell 16% on the London Stock Exchange
- Market sentiment is mainly negative
- Investors are bottom fishing with market P/E at 7.26x
- CBN governor outlines a 5-year blueprint
- Confirms that there will be new minimum capital requirements
- More likely to lead to further industry consolidation



Global and Regional

- The current US economic growth cycle is the longest in history
- More than 120 months at an average of 2.3% while GDP per head is growing at 1.5% with wages stagnating
- The US now has an inverted yield curve
 - A precursor to a recession
- Recessions are hard to predict
- The Fed announced that every US listed major bank passed its annual stress test

Global and Regional



- There was no requirement for the banks to revise their plans to return capital to shareholders
- The Fed demanded Credit Suisse fix weaknesses in its capital plan
- BMW to have 25 new fully electric cars on the market by 2023
- This is two years earlier than expected
- Cleaner vehicles are a major threat to the oil industry
- AB Inbev, maker of Budweiser and parent of SABMiller, to raise \$9.8 billion from listing in Asia

Global and Regional

- It will be the world's largest IPO this year
- The second largest IPO in the world is Uber Technologies
- Lee Iacocca who ran Chrysler in the 1970s died at 94
- His advert that "if you find a better car buy it" was Ford Mustang's trademark back in the day



Domestic Economic Performance

Leading Economic Indicators

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Leading Economic Indicators	May	June	% Change	July*
GDP Growth (%)	2.01 (Q1'19)	*1.9 (Q2'19)	-0.11	2.00 (Q3'19)
Oil Price (\$pb; avg)	70.22	63.03	-10.24	66-67
Oil Production (mbpd)	1.82(Apr)	1.73(May)	-4.95	1.70 (June)
Natural Gas (\$/MMBtu; end)	2.59	2.33	-10.04	2.40
Power (MW;avg)	3,754	3,697	-1.52	4,000-4,100
Inflation (%)	11.37(June)	11.40(May)	0.03	11.42(June)
PMI	FBN:50.9 CBN:57.8	FBN:49.9 CBN:57.4	FBN:-1.96 CBN: -0.69	FBN: 50 CBN: 57
FAAC (N'bn)	616.19	679.69	10.31	680-700

*: FDC's Forecast

Leading Economic Indicators

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Leading Economic Indicators	May	June	% Change	July*
Average NIBOR (%) (O/N, OBB)	8.61	7.79	-0.82	7-8
Average Opening Position(N'bn)	289.48	321.08	10.92	320-350
Money Supply (N'trn)	27.57 (April)	27.83 (May)	0.94	28
External Reserves - \$'bn (end)	45.12	45.07	-0.11	45
Exchange rate (N/\$; month-end)	Parallel: 361 IFEM:306.95 IEFX:360.74	Parallel: 361 IFEM: 306.90 IEFX: 360.88	- 0.02 -0.04	Parallel: 363 IFEM: 307 IEFX: 361
Stock Market Cap (N'trn)	13.68	13.21	-3.44	12.95

Leading Economic Indicators

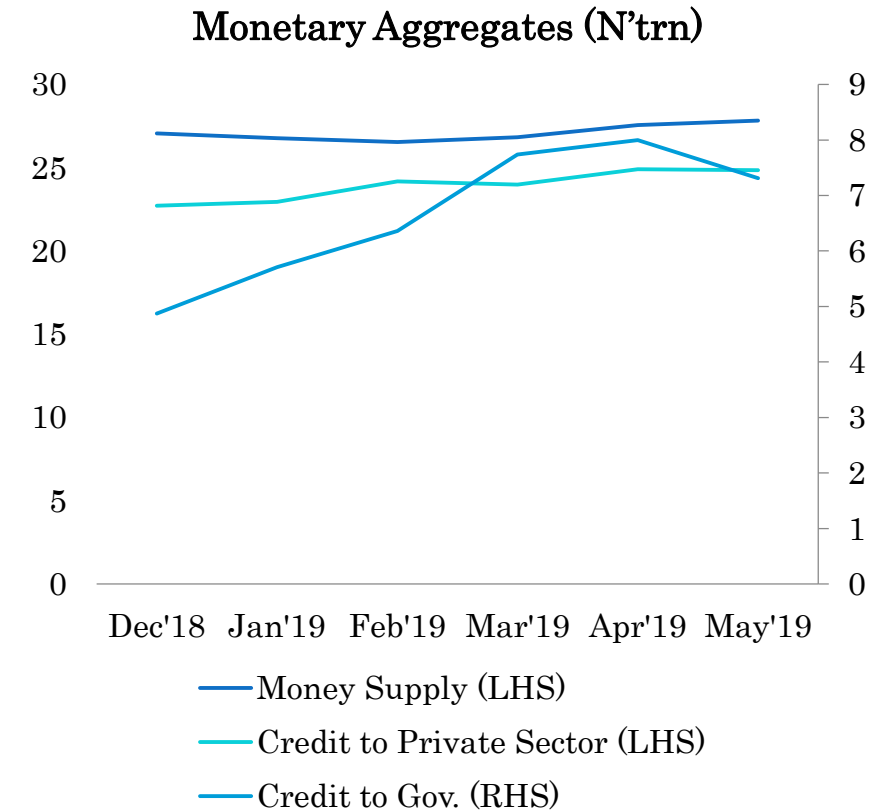
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- Mixed movement in leading economic indicators in May
 - Two green, one amber & four red
- Headline inflation inches up to 11.40%
- Power supply still below the 4,000MW/h
- PMI (FBN) contracted first time in 10 months (49.9 points)
- Naira remains stable within a 1% band of N360/\$ (N362/\$)
- External reserves slides to \$45.07 billion
- NSE lost 4.65% in June, recorded four positive days and 13 negative days

Monetary Aggregates


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- Money supply (M2) grew by 2.81% (annualized at 6.74%) to N27.83 trillion in May
- Net domestic credit up 16.72% to N32.18 trillion
- Private sector credit (up 9.47% to N24.86 trillion)
- Government credit (up 50.10% to N7.31 trillion)



Source: CBN

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Global Developments

Big link Between Global Politics and Economics

19



- Seeks to be re-elected in 2020
 - US-China trade truce
 - Interest rate cut
 - Lower oil prices



- Boris Johnson jostles for the position of prime minister



- Angela Merkel wants to anoint her successor



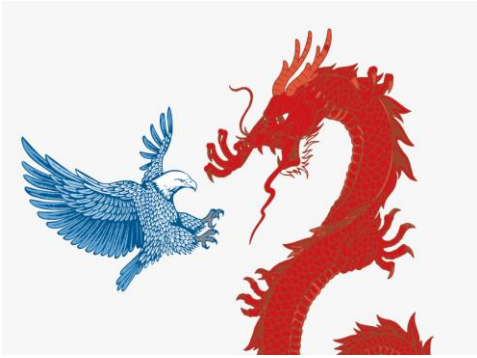
- Putin to tighten Russia's grip on OPEC
- Saudi Arabia and Russia control the oil markets



- China to dominate the 5G and technology world & African markets

Global Events to Watch in the Next Four Weeks

Events



US-China trade war



Oil price



AfCFTA



Brexit



US Fed



US-Iran tension



ECOWAS single currency

US-China Trade War: Impact on Trade Balance

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Global Impact

- Trade imbalance to narrow
- Net tax effects in favor of US
- China –US trade imbalance fell by 5.52% to \$419 billion in 2018
- World trade growth to fall to 3.3% in 2019, down from 4.4%

Regional Impact

- Trade surplus to decline
- Africa-US trade surplus down 14.1% to \$9.75 billion

Domestic Impact

- Trade Balance: neutral
- Imports from the US: 8.6%
- Exports to the US: 7.6%

US-China Trade War: Impact on Bilateral Trade

22

- Trade relations between the US and China skewed in favor of China

Global Impact

- Chinese to buy more from the US
- Use Huawei as a hostage
- Put pressure on China to compel Korea to negotiate changing the dynamics
- Good for red states in 2020 election

Regional Impact

- **Impact:** neutral
- No trade agreement in place

Top Economies	% of total exports
South Africa	31.2
Nigeria	28.1
Angola	21.0

Domestic Impact

- Trump likely to get Nigeria to buy more wheat or helicopters

Imports	Exports
Wheat	Oil
Used vehicles	Cashew nuts
Military hardware	Frozen shrimp & prawns
Spare parts & machinery	Light vessels & fire floats

Interest Rates Down

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Global Impact

- Mortgage cost ↓
- Stock Market ↑
- Debt ↑
- Good for 2020 campaign

Regional Impact

- Reversal of flows stemmed
- Cost of borrowing ↓
- Dollar weakens ↑
- Domestic currency ↓
- Oil price ↑


Domestic Impact

- External debt service ↓
- Oil price ↑
- Oil revenues ↑


Oil Price Down

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Global Impact

- Inflation 
- Average US inflation down to 2.2%

Regional Impact

- Inflation 
- Average inflation to remain at 9.5%

Domestic Impact

- Oil revenues 
- Landing costs 
- Nigeria's inflation above 11.4% - 12%

Global Impact

- Dollar strengthens
- US exports become more expensive
- Imports will be cheaper

Regional Impact

Impact: Indirect

- Remittances
- FDI



Domestic Impact

Impact: Indirect

- Remittances
- FDI



US-Iran Trade Tension

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Global Impact

- Oil price 

Regional Impact

- Oil price 

Domestic Impact

- Oil price 
- Oil revenues 
- Landing costs 

Sub-Saharan Africa



Regional Integration: AfCFTA

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- 1.2 billion consumers in Africa
- 90% of tariffs to be eliminated
- Nigerian and South African banks will make a killing
- Committee recommends signing of AfCFTA
- President to consult with stakeholders
- Plans to negotiate favorable conditions with the African Union
- Success of AfCFTA requires not only a '**trade policy**' but also a '**manufacturing agenda**'
 - Policies aimed at promoting production in Africa
- Upon signing, market opens automatically
 - Nigeria needs to be competitive



AfCFTA: Opportunity and Risks

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Opportunities

- Avail domestic industries the privilege to expand in Africa
- Reduce smuggling
- Create employment
- Promote made-in-Africa goods

Risks

- Goods made on other continents could be disguised as made-in-Africa to qualify for duty free treatment
- Reduction in government revenue
- Threatens the profitability and survival of infant industries

ECOWAS: Accelerate Introduction of a Single Currency

30

- ECOWAS to speed-up introduction of a single currency by 2020
 - After delays for over 2 decades
 - To adopt 'ECO' as the new currency
- Strengthen economic integration, lower transaction costs and facilitate payments
- Achieving a single currency requires overcoming constraints such as
 - Infrastructure
 - Communication
 - Finance among member countries

Eco vs Euro

- It took the European Union over 40 years to introduce the 'euro'
- Currently used by 19 out of the 28 European countries
- Target to adopt the ECO as a single currency by 2020 is another pie in the sky

Implications for Nigeria

- A single currency implies that member countries including Nigeria would lose monetary policy independence
- In the event of a recession, countries would lose the ability to use monetary policy as a tool
- Francophone countries have no central bank
- No domestic money markets, currencies tied to the euro

Zimbabwe: Bans the Use of Foreign Currencies

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- Zimbabwean government outlaws the use of the US dollar and other foreign currencies in local transactions
 - Declared the Zimbabwean dollar as the only legal tender after abandoning it for over a decade due to hyper-inflation
- Increased overnight lending rate to 50% per annum from 15% per annum
 - To support local currency and reduce inflationary pressures
- Inflation jumped to a 10-year high of 97.86% in May

Ghana: Economy shrinks in Q1'19

- Real GDP growth down 0.1% to 6.7% in Q1'19 despite a shift to an expansionary monetary policy stance
 - Cut monetary policy rate by 100 basis points to 16% per annum in January
- Moderation in growth was partly due to a fall in the growth of industrial sector to 8.4% from 8.9% in Q4'18
- Ghana closes 347 microfinance banks and pays off depositors
- The moral hazard haunts the Ghanaian market

Adieu Bob Collymore



- Safaricom CEO, Bob Collymore dies at age 61 in Nairobi
 - After a 2-year battle with cancer
- He led the multi-national telecommunications company through a period of innovative expansion
 - The company's subscriber base grew from 17 million to over 30 million
 - 6.5% of Kenya's total GDP
 - Market capitalization: \$10.96bn (49.34% of Nairobi's Exchange market cap)
- Was able to increase the level of financial inclusion in Kenya and Africa
- Helped East Africa pioneer cashless payments
- May his iconic soul rest in peace

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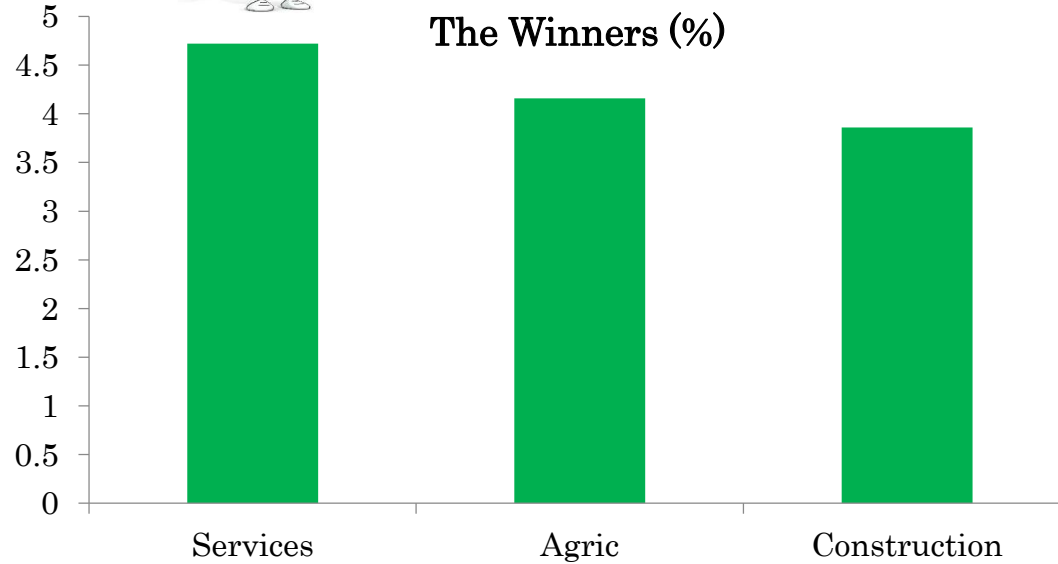


Rapidtransfer

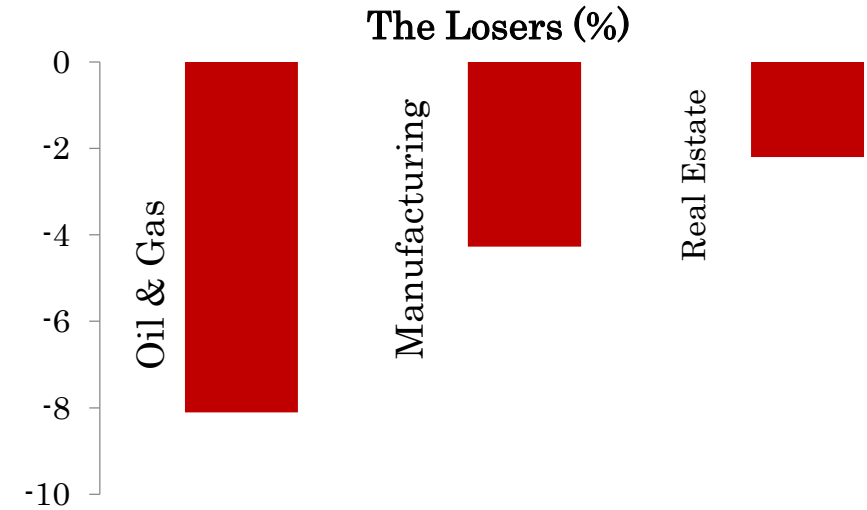
My money. My Africa.

Q2'19 GDP Outlook

Release date: August 23



- Import substitution strategies of FGN to drive agriculture sector growth
- Maintenance and repair of roads ahead of the rainy season to boost growth in the construction sector



- Slowdown in PMI to negatively affect growth in the manufacturing sector



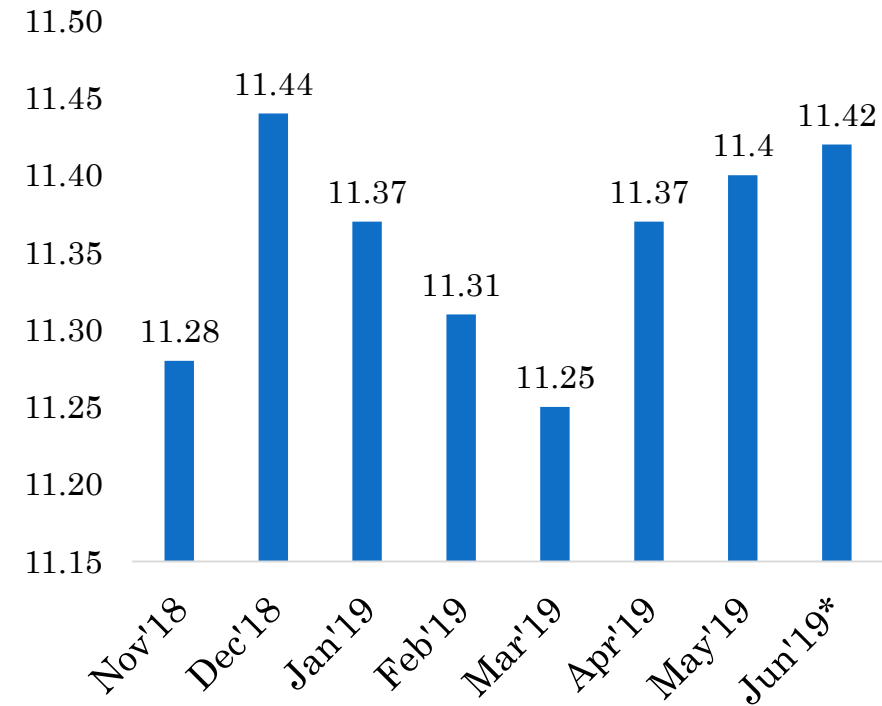
Inflationary Pressures to Persist (11.5% in Q3'19)

39

- May inflation climbs to highest level in 2019- 11.4%
 - Up 3 basis points

Drivers of inflation in the next two months

- Cost push factors:
 - Supply shortages (planting season effect)
- Demand pull factors:
 - Minimum wage effect
 - 2019 budget disbursements



Source: NBS, FDC Think Tank









Commodities

Commodities Update

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Export Commodities	June	%Change (May-June)	Outlook (July)	Import Commodities	June	%Change (May-June)
Oil (\$/b)	62.58	-10.93% 	60-65	Wheat (\$/bushel)	5.27	14.07% 
Liquefied Natural Gas (\$/mmbtu)	2.325	-10.2% 	2.5-3.00	Sugar (\$/pounds)	12.68	7.46% 
Cocoa (\$/mt)	2,476	4.47% 	2,500	Rice (\$/cwt)	11.70	5.12% 






Commodity Prices

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Price Elastic

Price Inelastic



Commodities	2014	2016	2019	Direction (2014/2019)
Palm Oil (25L) 	N9,000	N16,500	N9,000	↔
Tomatoes (50kg) 	N4,300	N8,000	N20,000	↑
Garri (50kg) (Yellow) 	N13,500	N15,000	N6,250	↓
Rice (50kg) 	N9,500	N24,000	N16,000	↑
Beans (Oloyin) (50kg) 	N14,000	N22,500	N17,000	↑

Of the 5 commodities, 1 declined, 3 increased & 1 unchanged



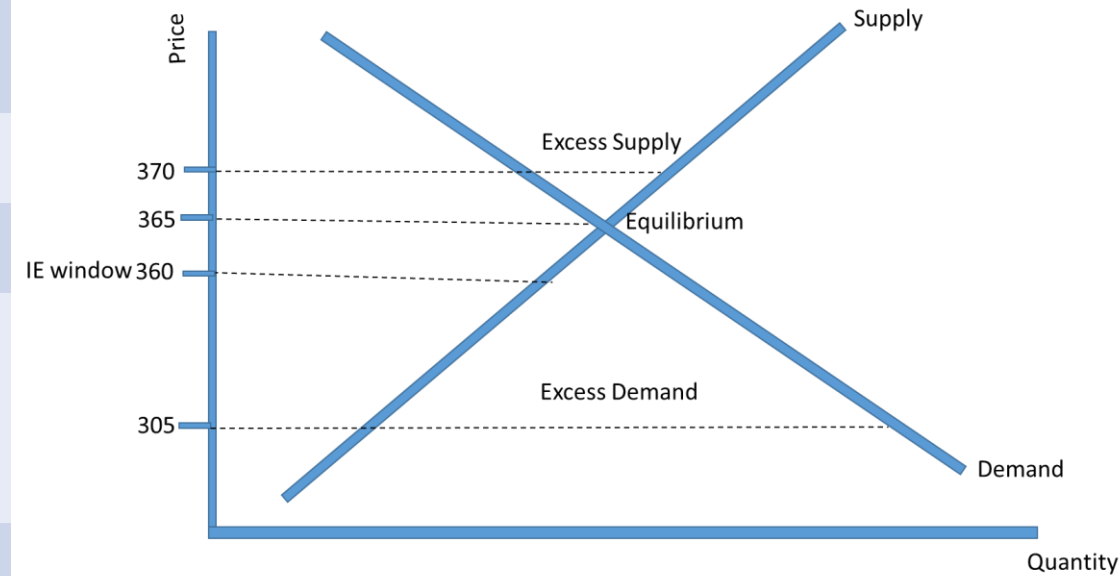
The External Picture

Forex Market: Market Determined in Theory, CBN Determined in Practice

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	Supply	Demand
	Oil companies	Corporates
	Investors	Individuals
	Central Bank	Students
Average PPP value as at July 2 nd	N345.88/\$	
Volume traded at IE window in Q1	\$20.29 billion	
Volume traded at IE window in Q2	\$12.92 billion	



Forex Market: Market Determined in Theory, CBN Determined in Practice

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Where we are

- Imperfect market
- Price discriminating monopoly
- Multiple exchange rates:
 - Official: N306/\$
 - I & E window: N360/\$
 - Parallel: N360/\$
 - Inter government: N325/\$



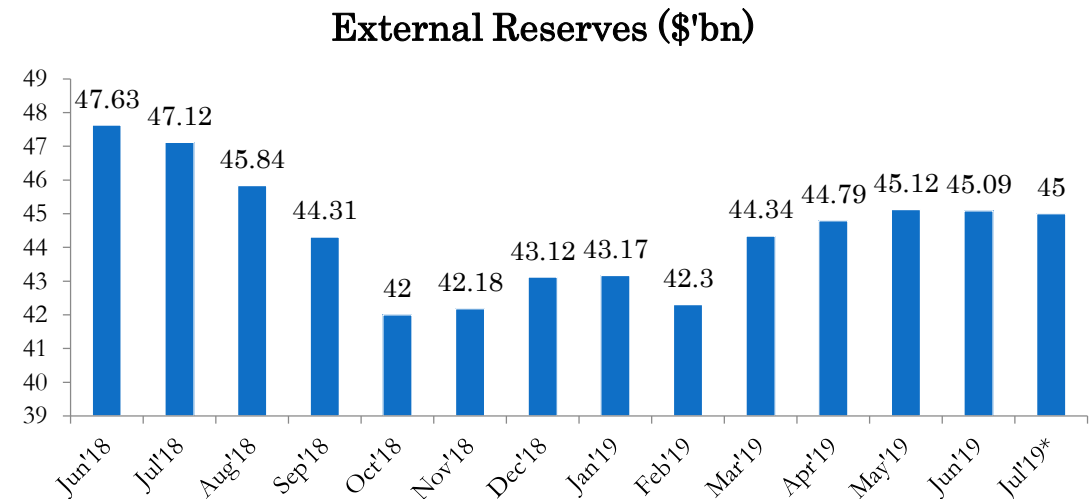
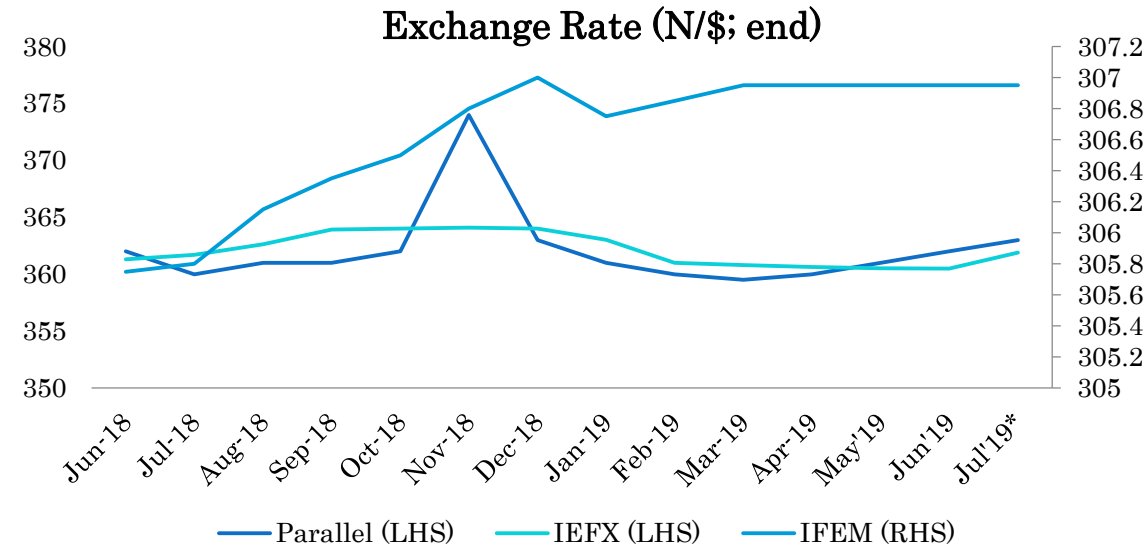
Where we want to be:

- Market determined exchange rate
- All sellers (oil companies, banks) allowed into the market
- CBN to sell and buy at market rate

Forex Market Outlook

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- Increased forex demand pressure
 - Summer tourists
 - High liquidity within the system
 - Parallel market could slide to N363/\$ (now at N360/\$)
- External reserves likely to continue its downward trend
 - To weigh on CBN's forex intervention



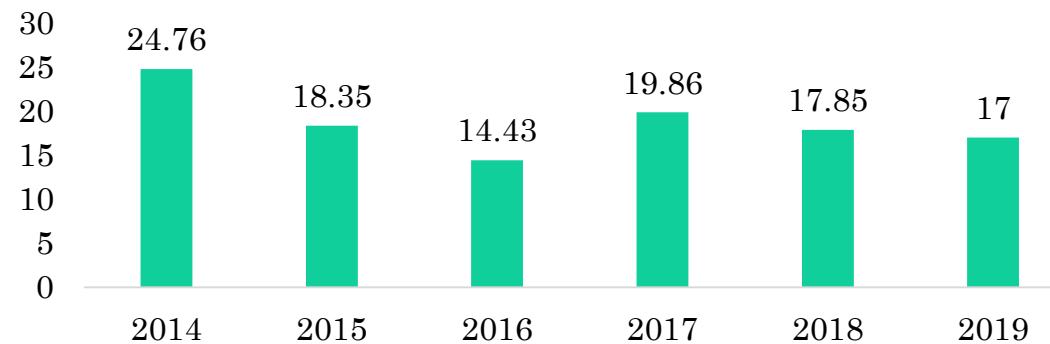
Increasing External Imbalance

47

External reserves – External debt = External buffers

	External reserves (\$'bn)	External debt (\$'bn)	External Buffers (\$'bn)
2014	34.47	9.71	24.76
2015	29.07	10.72	18.35
2016	25.84	11.41	14.43
2017	38.77	18.91	19.86
2018	43.12	25.27	17.85
2019	45	28	17

External buffers (\$'bn)



Source: CBN, DMO, FDC Think Tank

A golfer in a red shirt and white pants is crouching on a green, preparing to putt. A red flag is visible in the background on a hill. The scene is set on a lush green golf course under a clear blue sky.

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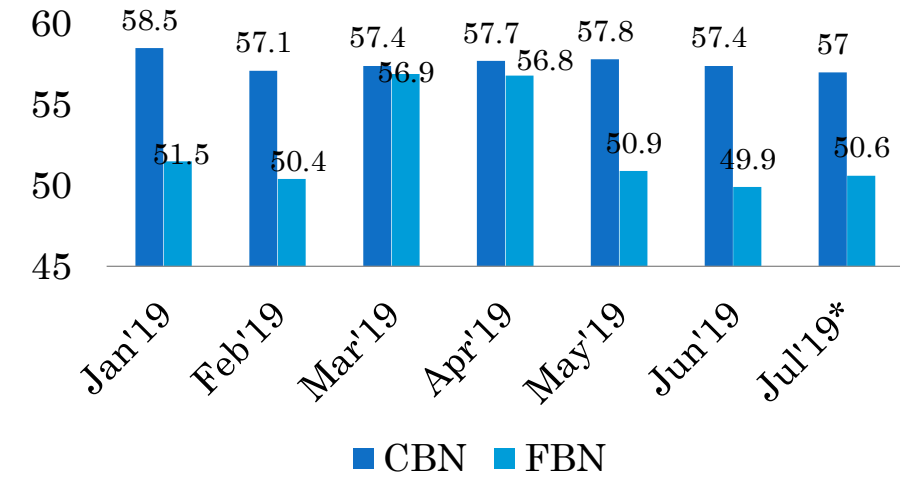
Market Proxies

PMI Down, Manufacturing Sector's Growth to Slow

50

Source: CBN, FBNQuest

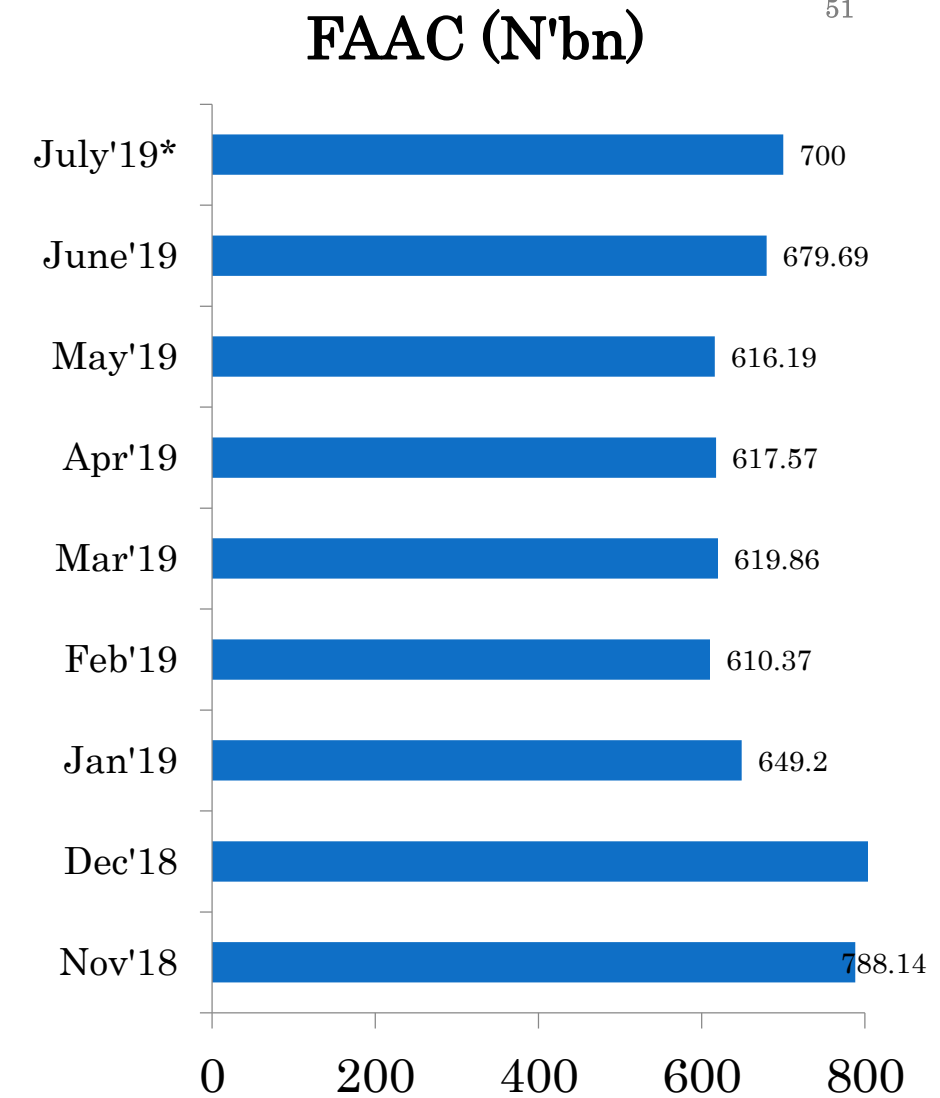
	May'19	June'19	July'19 Forecast
CBN	57.8	57.4	56.8
FBNQuest	50.9	49.9	50.6



- FBN PMI contracted first time in 10 months
- All indices (except output) fell
 - Seasonal factors (Ramadan fast)
 - Squeeze in consumer's purchasing power
- Projected to remain flat in July
- Impact on manufacturing sector's Q2'19 growth will be negative

FAAC at the highest level in 2019

- FAAC up 10.31% to N679.69 billion, 6-month high
- Driven by:
 - Increase in oil revenue
 - Excess crude account now at \$63 million
 - Projected to expand further in July
 - VAT adjustment
 - Review of inter-government and custom duty exchange rate



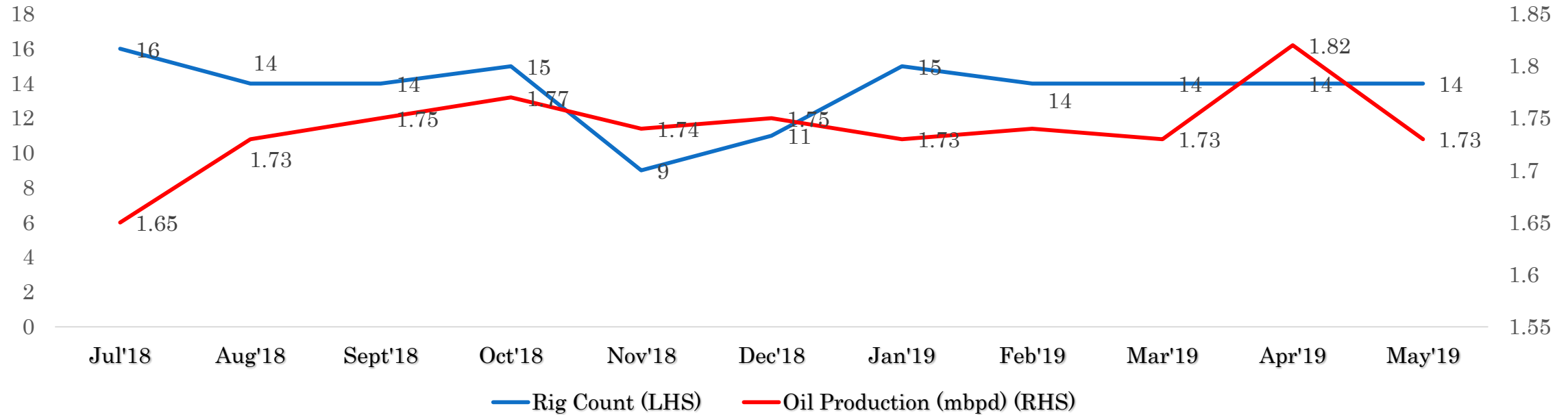
Source: NBS

Rig Count Flat, Oil Production Down

Source: OPEC, Baker Hughes

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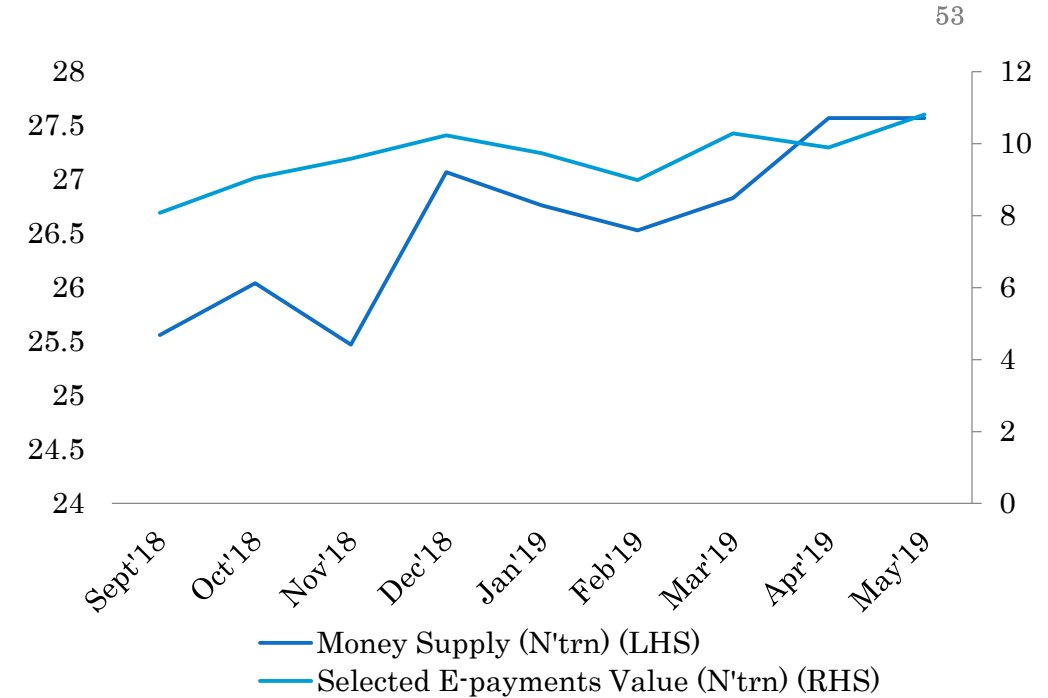
Nigeria Oil Production vs Rig Count



- Oil production down 4.95% to 1.73mbpd in May
- The number of operational rigs flat at 14 for the fourth consecutive month
- Oil production likely to decline in subsequent months
 - Extension of output quota till 2020
 - Negative for export earnings

E-payments Up

	Change in Volume (%; m-o-m)	Change in Value (%; m-o-m)
Cheques	12.52 ↑	5.78 ↑
POS	5.99 ↑	4.73 ↑
NIP	9.14 ↑	9.20 ↑
NEFT	8.84 ↑	13.40 ↑



- Value and volume of e-payments moved in the same direction in May

Outlook for July

- Increased volumes and value driven by boost in consumer purchasing power
- Minimum wage payment would serve as a stimulus

Ships Awaiting Berth- Flat at 20

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Major issues:

- Dilapidated roads
- Absence of parking bays for trucks

Impacts:

- Exports suffer delay of 2 – 3 weeks
- Payment of huge sums for goods haulage from the port
- The new Apapa–Oshodi highway construction is underway
To ease the congestion



Average Power Output below the 4,000MW Threshold

55



5150MW

Peak Energy
Generated



3646MWH/H

Average Energy
Generated

731.6MMSCF/D



Average Gas
Delivered to
Plants



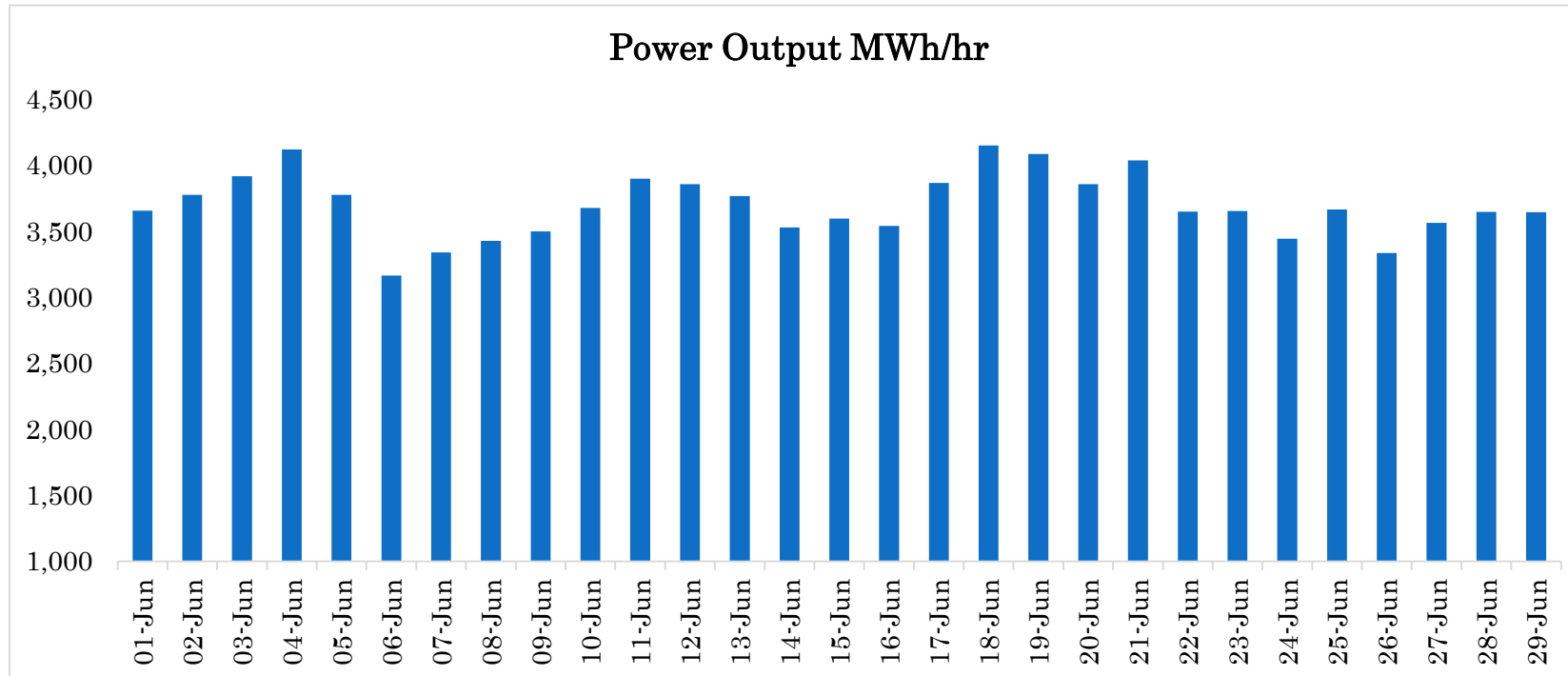
1

Total Grid
Collapses



3483MW

Average
constrained
energy



Source: Lavayo Advisors

Power Sector News

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- Average power output down by 2.04% to 3,697MW/h in June
 - Collapse of power distribution network due to rainfall
- EU invests N53.9 billion in Nigeria's power sector
- Schneider to create an Africa based mini-grid manufacturing industry in Nigeria
- Nigeria seeks China's support for Mambilla power project take-off



Source: Lavayo Advisors



*Policy
Update*

CBN Five-Year Road Map – Promises Made

58

- **Macroeconomic & financial stability** – single digit inflation rate & double digit growth rate
- **Boost financial inclusion** – through investment in payment system infrastructure (95% of Nigerians to have access to finance by 2024)
- **Mortgage facilities** – reduce high cost of obtaining mortgage loans
- **Boost external reserves** – currently at \$45.07 billion
- **Recapitalization of banks** – NPLs down to 9% in 2019

What Next?



- Monetary policy is positive and likely to remain positive in the near term
 - Policy continuity
 - Interaction with international financial community
- Structural changes necessary – fiscal mandate for fiscal team ONLY
- Foreign exchange market structure to remain a managed float regime
- Improved access to finance for farmers and the creative industry

CBN Directive: Minimum Loan to Deposit Ratio of 60%

60

- Banks to maintain minimum loan to deposit ratio (LDR) of 60% - effective 30th September 2019
- Aimed at driving SME, retail, mortgage and consumer lending
- Part of plans to get banks to buy less T-bills and lend more to the real sector
- Loans to these segment will be assigned a weight of 150% in computing the LDR for this purpose
- Penalty is levy of additional CRR of 50% on lending shortfall of the target LDR
- NPLs likely to rise as a result – some banks may prefer to pay the penalty

MPC Meeting - July 22/23

61

- MPC likely to maintain status quo – MPR (13.5%); CRR (22.5%)

Rationale



- Rising headline inflation
- Slow economic growth
- Lower oil price
- Import duty

Monetary Policy Dominance over Fiscal Dominance

62

- Nigeria is a fiscally dominant economy
- But cabinet yet to be appointed – no ministers
- CBN governor re-appointed – with a 5-year mandate
- Monetary policy beginning to encroach on fiscal space
- Should be complementary rather than driving the economy

Market is getting mighty cheap

Stock Market Review



Bottom fishing

Stock Market in June- Corporate Actions

64

- Airtel lists on the London Stock Exchange on June 28
 - Price falls 16% in two days
- Nigerian Stock Exchange secondary listing on July 5
- Oando and SEC with daggers drawn
- Forte Oil acquired
- Nigerian Breweries launches Series 3 and 4 commercial paper program
- FBN to redeem subordinated callable note ahead of maturity
- Increasing financial intermediaries as more companies issue debt instruments
 - FMN, MTN, NBC, Dangote etc

Nigerian Stock Market in June

- Market cap ↓ 3.50% to N13.21trn
- NSE ASI ↓ 3.55% to 29,966.87
- 4 days positive, 13 days negative
- P/E ratio ↓ 4.42% to 7.35x
- Negative market breadth of 0.55x
 - 27 stocks gained
 - 92 stocks remained neutral
 - 49 stocks lost



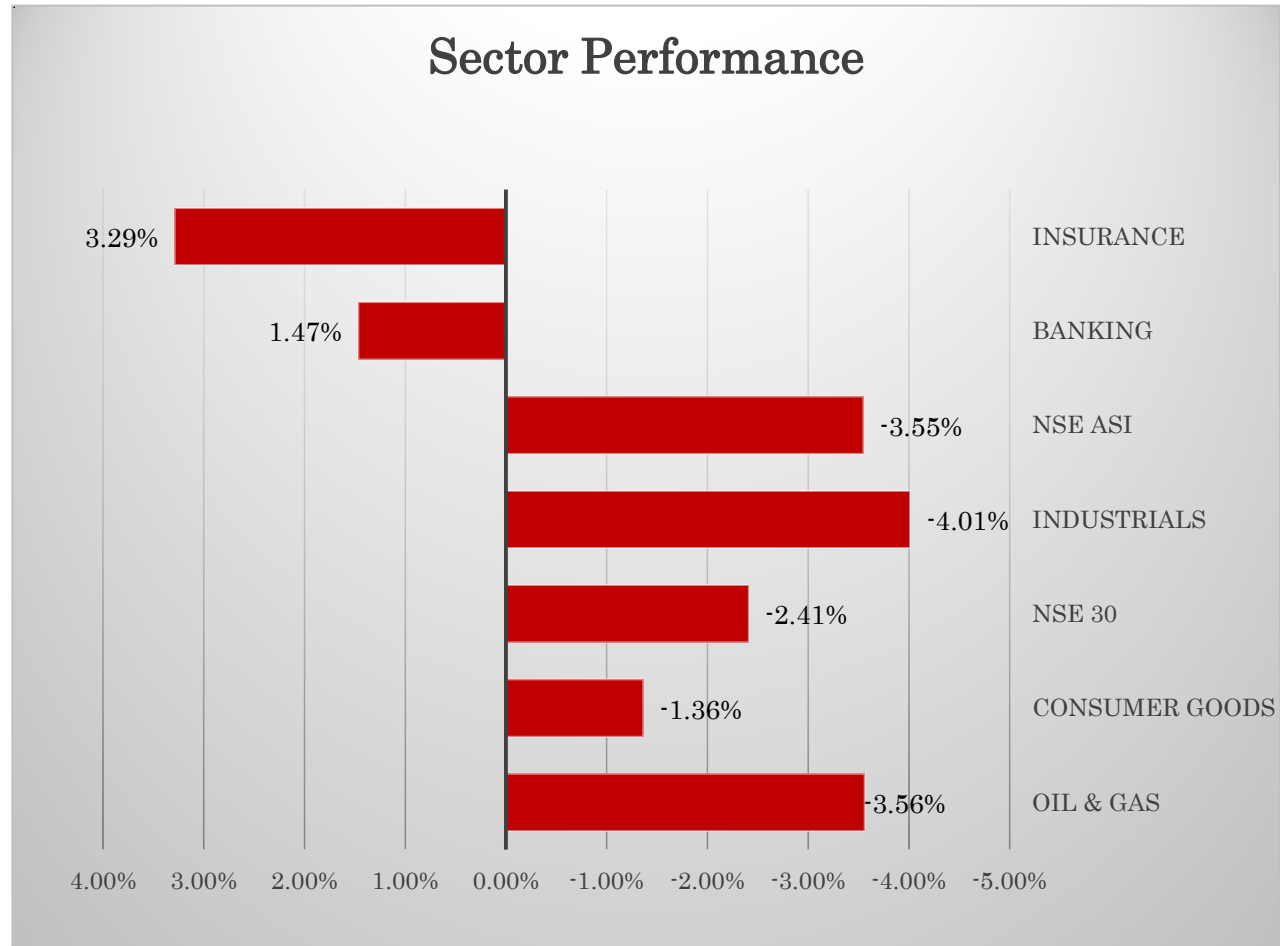
Peer Comparison

Exchange	Return in June	Driver
NSE ASI	↓ 3.55%	<ul style="list-style-type: none"> • Lack of investor confidence • Delay in appointment of executive council • Oando and SEC saga
JSE ASI	↑ 4.59%	<ul style="list-style-type: none"> • Early inauguration of cabinet members • Foreign direct investment inflows (R11.7bn)
GSE ASI	↓ 2.69%	<ul style="list-style-type: none"> • Financial sector clean-up by BoG



Sectoral Indices

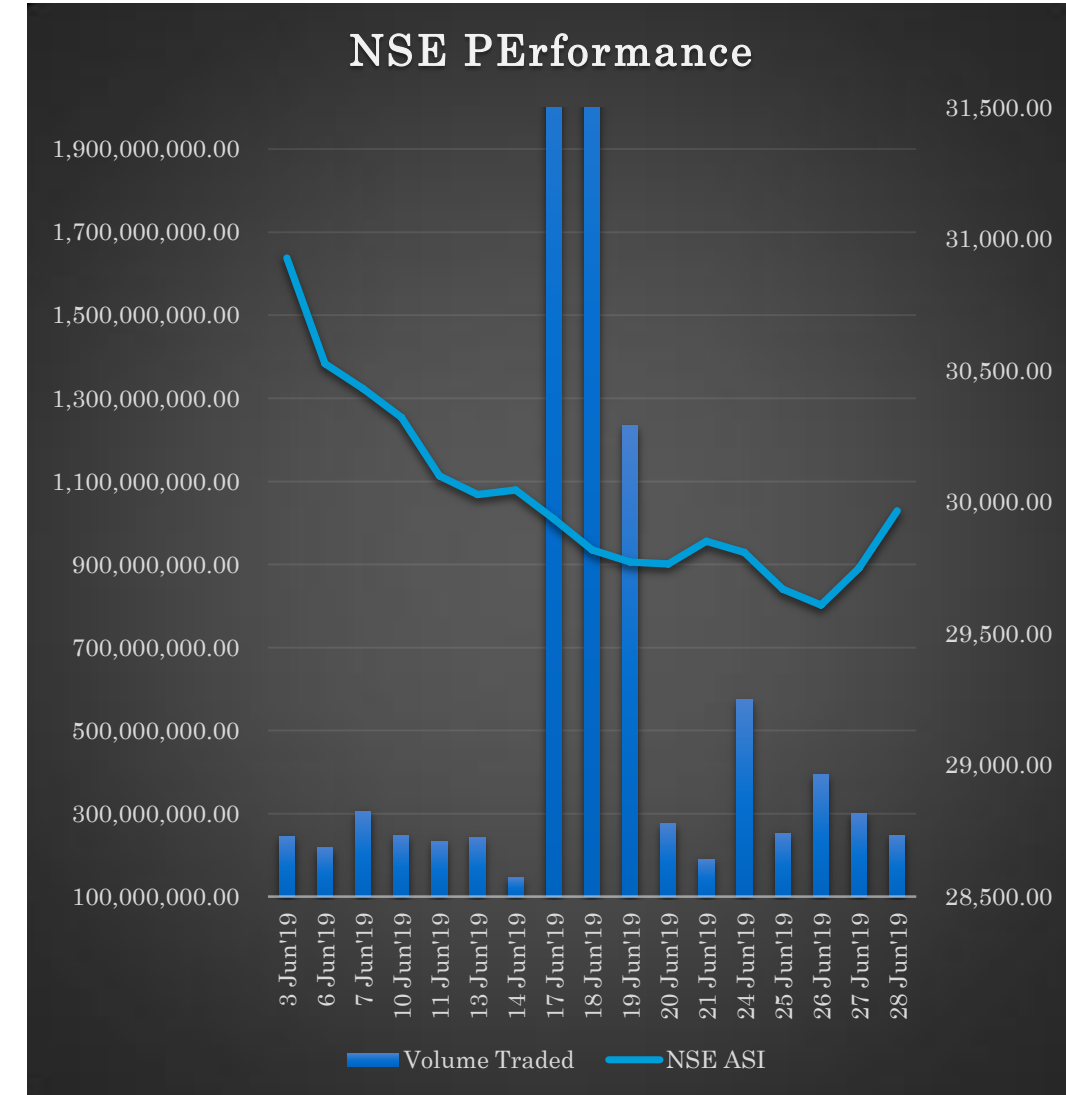
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- Three sectors closed negative
- Two sectors closed positive
- Insurance sector was boosted by expectation of consolidation
 - Due to new minimum paid-up capital requirement by NAICOM
- Industrials recorded the worst performance



Nigerian Stock Market in June

- Average volume traded  121.70% to 640.27million units
- Average value of transactions  65.77% to N8.68 billion
- Sell off pressure
- Spike in volume traded on June 17 and 18
 - WEMA bank constituted 88% of the trades
 - Indicating further interest in WEMA



Telecom Industry



- The telecom industry is the largest segment of the ICT sector
- Has an oligopolistic market structure
- Infrastructural backbone for digital development in Nigeria
- Nigeria has the largest telecom market in Africa
- MTN, Glo, Airtel and 9mobile are the major players in Nigeria
- MTN Nigeria is listed on the bourse
- Airtel Africa has listed on the London Stock Exchange
- Expectation date for its secondary listing on NSE is July 5th
 - To raise \$750 million to settle debts(\$5 billion) In Africa unit

Airtel Africa Listing

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- The second largest telecom company in Africa
- Operates in 14 countries with Nigeria as its largest market
- First telecom company to simultaneously list on London and Nigerian Stock Exchanges through an IPO
- The proceeds will be used to pay down bank debt
- Airtel Africa IPO on LSE at 80p/share- oversubscribed
 - Implying a market cap of N1.4 trillion (£3 billion) for its London listing
 - Strong interests from global investors
- Secondary listing on NSE at N363/share on July 05
- Could become the third largest company on the NSE



Airtel Africa listing - Impact

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NSE

- Visibility in the global market
- Enhance foreign portfolio inflows
- Increase market cap (currently at N13.21 trillion)
- Encourage further listing

OTHERS

- Threat to financial players
- Diversification for investors

AIRTEL AFRICA

- Expansion of 4G network coverage
- Customer acquisition
- Revenue increase currently at \$3.07 billion
- Possible increase in market share

Deposit Money Banks Recapitalization by CBN

71

- It was last implemented in 2005
 - The capital base was increased from N2 billion to N25 billion
 - The industry consolidated into fewer players
 - 2009 sector was distressed
- Regulatory induced consolidation followed
- Followed by strategic mergers
 - Access and Diamond Banks
 - Takeover of Skye Bank (now Polaris) by AMCON
- New banks being licensed leading to fragmentation when consolidation is desired

Deposit Money Banks Recapitalization by CBN

72

- The new recapitalization will:
 - Increase their footprints
 - Make Nigerian banks competitive in the new regional market
 - Increase their capacity to lend
 - Mitigate the impact of exogenous risks
 - Improve their liquidity and capital buffers

	ACCESS (Q1'19)	ZENITH (Q1'19)	UBA (Q1'19)	GTB (FY'18)
Total NPL	N298bn	N94bn	N91bn	N99bn
NPL ratio	10%	4.85%	5.3%	7.3%
NPL by sector	29.4% Oil & Gas Services	39.89% Oil & Gas	53% Oil & Gas	25% General Commerce
Net Asset	N577bn	N781bn	N502bn	N576bn
Liquidity Ratio	47.6%	66.7%	50%	41.44%

Corporate Earnings





Revenue: N5.51bn ↓ 16.39%

PBT: N2.58bn ↓ 24.78%

PAT: N2.14bn ↓ 17.69%

P/E: 13.59x


Dividend Yield: 3.85%

YTD: -18.75%

Share price: N52

- The company specializes in oil palm extraction and refining
- Dividend declaration: N2.00
- Performance affected by:
 - Low global crude palm oil price compared to previous year
 - Growing intensity of smuggled crude oil palm



Revenue: N78.51bn  2.64%

PBT: N122.82mn  104.17%

PAT: N3.14bn  257%

Dividend Yield: 12%

YTD: 0.40%

Share price: N12.50

- Africa is the next major growth market for cement
- Lafarge controls 30% in the industry
- Nigeria's second largest cement company
- Tax credit of N3.02bn

Outlook for June

76

- Negative sentiment will continue
- O & O exposure to the banking sector is a major systemic risk
- Recapitalization in the banking sector
 - Dilute shareholding and weigh on share price
 - Increase liquidity
 - Along with consolidation in the insurance space
 - Policy ambiguity on sale of foreign exchange will increase cross border risks
- Poor performance and lack of confidence could reverse on:
 - Expected Q2'2019 results from companies
 - Successful listing of Airtel Africa

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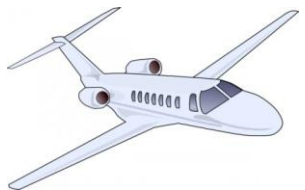


Aviation Update

Aviation Update - IATA

79

- Global oil prices increase on US/Iran tension and OPEC cuts
- Aviation fuel jumps in tandem with oil to 51 cents per liter
- Most network carriers are fully hedged against jet fuel volatility
- Global passenger traffic is outperforming both world GDP and trade growth
 - Showing that there is room for more capacity expansion
- The impact of the Boeing Max on aviation is taking a toll
- Simulations reveal that a likely software glitch caused the tragedies

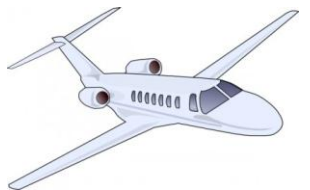


Aviation Update - IATA

80



- Premium traffic is growing slower, but its contribution is increasing sharply
- Premium fares are disproportionately priced
- British Airways, the major network carrier to Nigeria, is upgrading its business class cabin
 - Will end its Gatwick - Fort Lauderdale route on September 8
- Etihad is increasing Abu-Dhabi - Heathrow service adding 14 flights to its current 21
 - Good connections for Lagos - Abu Dhabi - London



Aviation Update - IATA

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- Virgin Atlantic is to commence Heathrow to Sao-Paulo daily service
- Ethiopian Airlines has suspended its Addis – Enugu service due to runway repairs at Enugu and other infrastructure problems
- A-Sky, the Ethiopian airline subsidiary, starts Lagos – Johannesburg daily next week
 - Using a Dreamliner, it will give struggling SAA a run for their money
 - Lagos-Johannesburg is one of SAA's most lucrative routes



Aviation Update - IATA

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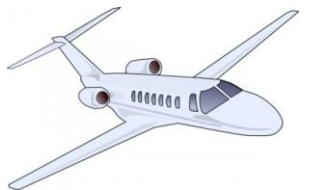
- Emirates Airlines increased their frequencies into Lagos and Abuja in Q2
 - Operating three flights a day to Lagos during the Hajj
 - Also two flights into Abuja
- Emirates now has the highest passenger lift out of Nigeria
 - Edging out British Airways
- BA is offering flexible rates and better travel agency discounts
 - Especially in the premier fares



Aviation Update - IATA

83

- BA is reporting 95% load factor in first and business classes in July bookings
- Airlines are now offering mouth watering promotional fares for October 2019
- Check with your travel agents especially Business Travel Management and Wakanow





*Real Estate
Update*

Property Trends- Residential and Commercial

85



- 🏠 High vacancy rates in high to mid-income locations
- 🏠 Improvement in design and finishing features



- 🏠 Strong demand for co-working office spaces
- 🏠 Shift of office premises to Ikoyi – Capital Alliance, Lufthansa

Property Watch – The Wings Complex

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- Location: Ozumba Mbadiwe, Victoria Island
- Office space situated on approx. 27,000 square meters

Attraction	Existing occupants	Constraints
700-slot parking space	Rand Merchant Bank (RMB)	Ozumba traffic
Ultra modern facilities	Oando	Difficult to access dual - carriage
	Rencap	





**LAGOS
BUSINESS
SCHOOL**
PAN-ATLANTIC UNIVERSITY

EXECUTIVE PROGRAMMES

ALL OUR PROGRAMMES ARE NOW MODULAR TO FOSTER WORK-LIFE BALANCE

4 MONTHS
4 DAYS PER MONTH
₦995,000

MANAGEMENT ACCELERATION PROGRAMME

Overview

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

LAGOS	April 23 - June 14, 2019 August 5 - October 11 2019	995,000
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OWNER-MANAGER PROGRAMME

Overview

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

LAGOS	March 4 - August 9, 2019 Sept. 2, 2019 - Feb. 14, 2020	2,500,000
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6 MONTHS
5 DAYS PER MONTH
₦2,500,000

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

SENIOR MANAGEMENT PROGRAMME

Overview

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

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

AGRIBUSINESS MANAGEMENT PROGRAMME

Overview

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

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

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

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



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

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



Political Update

Crunch Time for the APC

- The party may splinter
- Buhari is between a rock and a hard place
- Cabinet to be announced this month
- Party loyalists vs technocrats
- His heart wants loyalists but the head needs technocrats
- The cabinet is likely to be bloated and unwieldy
- Consolidated portfolios will be broken up – i.e Transport, Power & works etc

Crunch Time for the APC

- 42 – 46 ministers and junior ministers
- We expect at least 70% of current ministers to return
- Cabinet will define the future of the Lagos APC
- The President's choice of Lagos and Ogun ministers may be a deal breaker
- The changes at the NNPC, NHIS and SEC is evidence of an executive fall out

Possible Judicial Hammer

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- The Supreme Court could jolt the system
- Osun state verdict on Friday
- The stakes are very high, and it is wide open
- Some state governors could be casualties
- Some NASS bigwigs are likely to be consumed by judicial decisions
 - Especially in Delta, Adamawa and Plateau states
- We expect some bye-elections in some races after Supreme Court ruling

Possible Judicial Hammer

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- INEC already facing problems in Kogi and Bayelsa November elections
- The existence of an INEC server and its use could become a problem
- The race for 2023 will start the day the cabinet is announced
- There are five groups jostling for the presidency
- Zoning is to all intents and purposes dead
- Attempts to amend the constitution for term limit extension will be dead on arrival



July Outlook

July Outlook

- Cabinet will be announced this month
- Osun state election verdict could jolt the system
- Inflation will increase to approx. 11.41%
- Budget execution will kick-in after cabinet is cleared
 - Bringing additional pressure to bear on the naira
- The fiscal and the economic management team will assert itself and reduce monetary policy trespass
- SEC will wield the hammer on Oando

July Outlook



- The banking system will be jolted by the exposure and default of Oando
- Airtel will list and demand for MTN shares will push up the price
- The impact of the new import duty exchange rate will force price increases of imported goods – cars, TVs, refrigerators
- The stock market will fall despite MTN rally
- The MPC will make no change again
- Interest rates will increase as the mopping up of the CBN intensifies
- July will be all politics and no economy



Bismarck J. Rewane, MD/CEO
Financial Derivatives Company Ltd.
Lagos, Nigeria
01-7739889



THANK YOU