



Regulatory Enforcement = Tyranny???

Outline

Highlights



*Domestic Economic
Performance*



Political Update



*Global
Developments*

*Stock Market
Review*

July Outlook





Highlights in May/June

GDP ↓ , *Inflation* ↑



May/June Highlights- Post Election Blues

- GDP slows to 2.01% as the oil production quota takes its toll
- Inflation reverses its moderation trend and spikes to 11.37%
- PMI sharply lower (50.9pts) pointing towards a likely fall in Q2 GDP
 - 4 of 5 indicators fell especially output and inventory
- Average on-grid power fell from 3,985MWh/hour to 3,780MWh/hour
- Power sensitive sectors e.g. manufacturing and artisans to be most impacted
- Oil production was 1.82mbpd, 8% above the OPEC quota
- Average oil price down 1.86% since April to \$70pb
- Average national PMS price up 0.4% to N145.9/litre
- Gross external reserves rises to \$45.14bn and external debt flat at \$25bn (Q4'18)

May/June Highlights – Falling trade balance

- National external buffers now at \$18bn, 28% lower than in 2014 (\$25bn)
- Trade balance falls in Q1 to N831.8mn
- Terms of trade fall to 26.8 in line with the sharp drop in oil price
- OPEC meeting on June 25 likely to impose stricter quotas
- CBN reduced forex intervention by 16% to \$950mn
- Naira held steady at the investors and exporters window at N360-N361/\$
 - Fell marginally to N361/\$ at the parallel market

May/June Highlights – Chinese Currency down

- The Chinese yuan fell 2.6% in the forex market to CNY6.91/\$
 - To the disadvantage of Yuan/Naira deals
- Forex inflows into the NSE fell from 0.38% of market cap to N4.78bn
- The revenue shared by FAAC fell slightly to N616.19bn
- M2 (broad money) increased by 1.85% to N27.57trn in April
- Velocity of circulation of money decreased to 0.6x ($V = GDP/M2$)
- Average opening position of money centre banks higher by 107% to N289.48bn

May/June Highlights – Electronic transactions down

- Electronic transactions down in value by 3.79% to N9.89trn (April' 19)
- Interbank interest rates swung between 4% pa and 12% pa
- Total T/Bills issued rose to N145.15bn in May (0.53% of M2)
 - Mopping up liquidity and pushing up rates accordingly
- MPC maintained status quo with MPR at 13.5% pa
 - Contemplating capping the level of banks T/Bills holdings
- CBN Governor gets another 5-year mandate

May/June Highlights – MTN lists (Euphoria!!!)

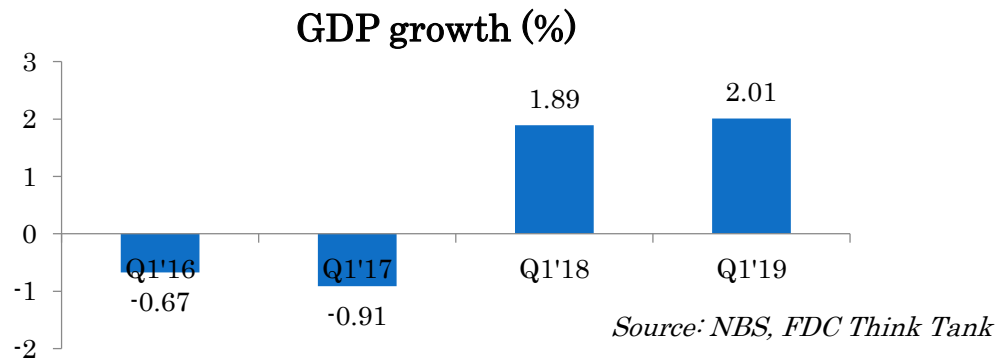
- MTN lists by introduction, stock gained 51.7% to close at N136.5/share
- Stock market declines after an early surge on MTN's listing euphoria
- Airtel plans to list after UK floatation by parent company
- Market eagerly awaiting the telco owned mobile payment banks
- SEC clamps down on OandO
 - Fires the board and orders refund of excess fees
 - O&O gets injunction
- DPR revokes 6 OMLs of oil E&P companies
 - Failure to pay royalties and other lapses

May/June Highlights – FGN to divest from Oil JVs

- Nigeria to sell down its upstream JV interests to 40%
- No clarity as to mode of sale or who will purchase interest
- Value of JV interest is estimated at approximately \$7bn in today's market
- The proceeds will help fund the deficit and help bridge the funding gap
- The sale is a one off and will be subject to the JOA
- The JV partners may have a right of first refusal
- Renewal of oil blocs and upfront payment of signature bonuses helped to bloat external reserves in Q1
- Front loading of oil payments will show up in slowing reserves

Q1'19 GDP – Noteworthy Trends

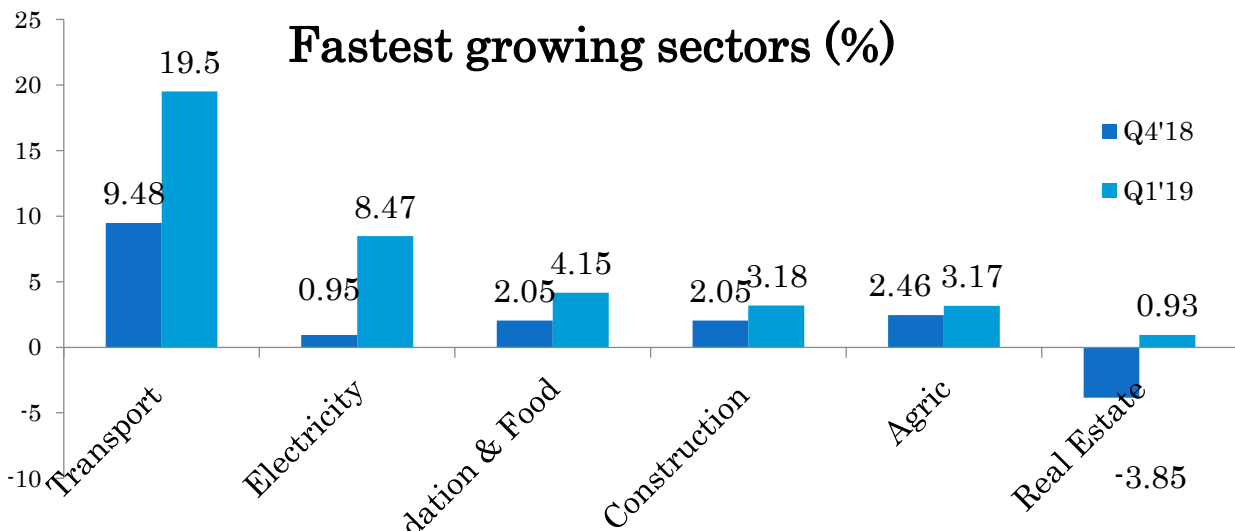
- Growth at 2.01% remains fragile and uneven
 - Below population growth of 2.7%
- Q1'19 highest first quarter growth in three years



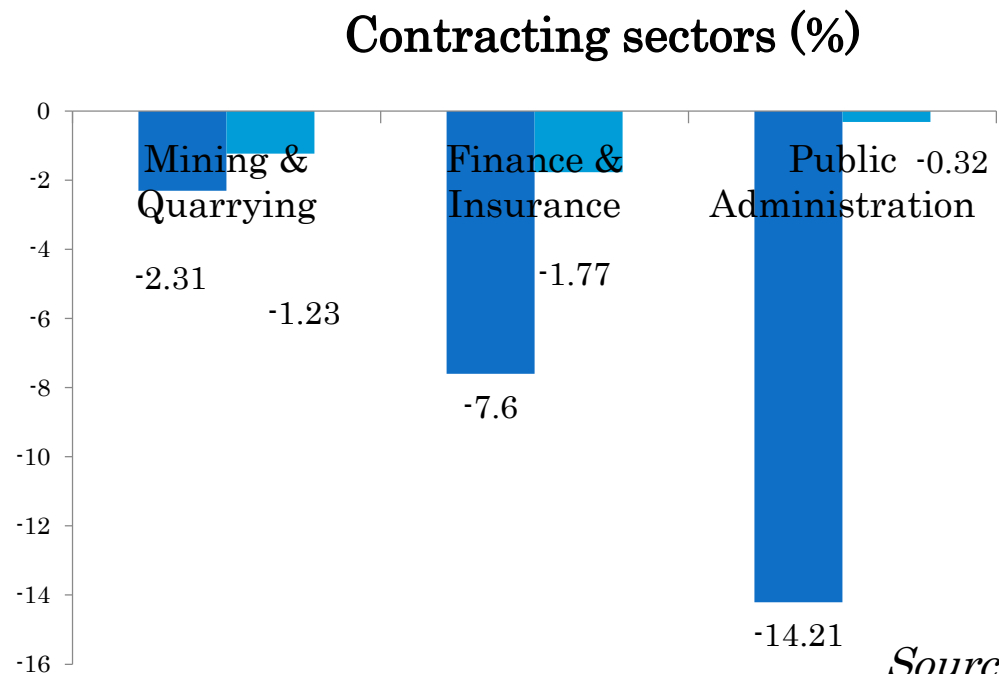
- Real estate back in positive growth territory: 0.93%
 - After 12 consecutive quarters of contraction
 - Signalling a full exit from recession

GDP: Sector Breakdown – Q1'19

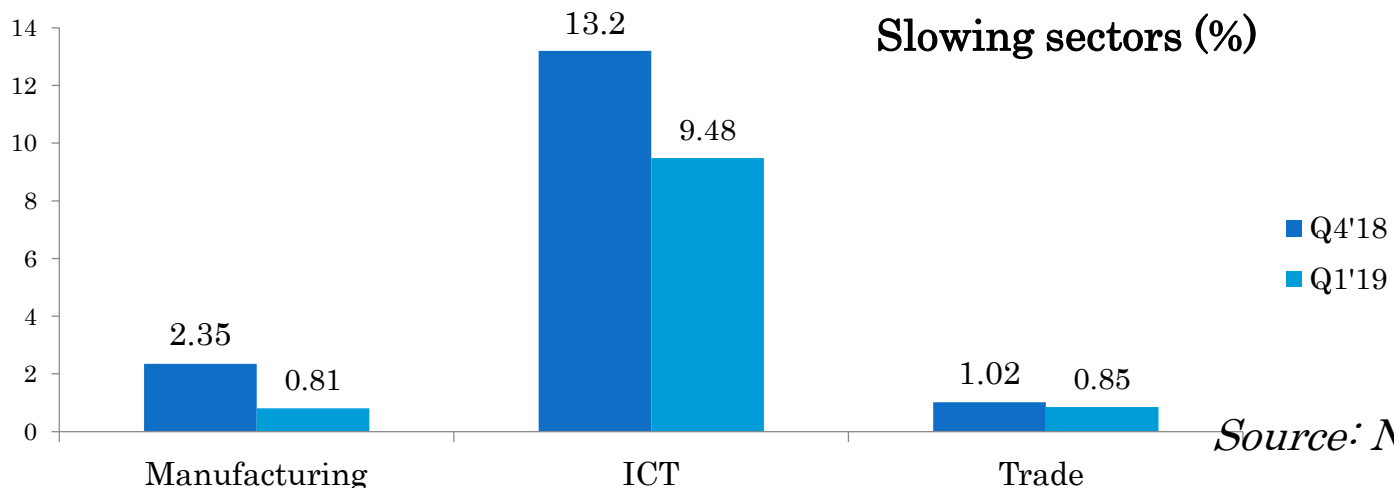
Contracting sectors responsible for approx 20.6% employment



Source: NBS



Source: NBS



Source: NBS

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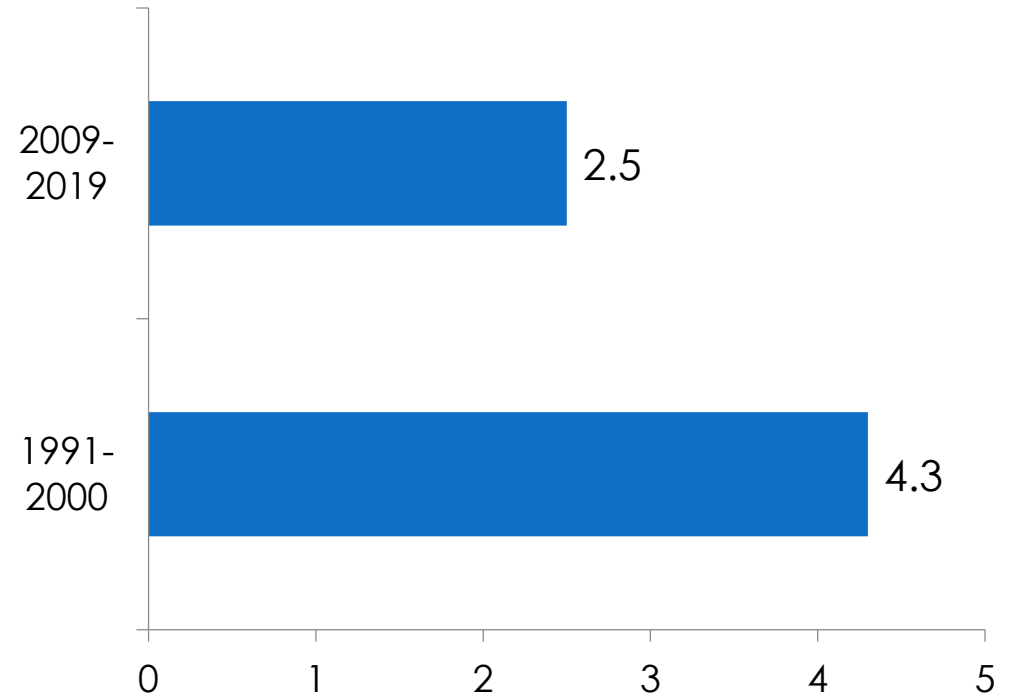
Global Developments
Uncertainty rises as Recession
fears higher

USA – Lukewarm Growth & Secular Stagnation

- June is the 10th anniversary of economic expansion that started June 2009
- GDP cumulative growth 1991-2000 = 43%
 - Compared to 22% this decade
- Recessionary fears are rising and the Fed is set to wade in



GDP growth in 39 Quarters (%)



US Economy – Growing but stuttering

- Growth is lukewarm despite stimulative fiscal policy
- Larry Summers, Harvard economist, calls it secular stagnation
 - i.e chronically weak demand that needs extreme fiscal and monetary stimulus
- The US economy added 75,000 jobs in the month of May
- 104th straight month of gains but one of the weakest
- Unemployment is steady at 3.6%
- The US economy is growing but is losing momentum

US Economy – Stuttering and Growing

- Donald Trump says the Fed made a mistake in raising rates
- Fed could ease rates
- The probability of a rate cut rose to 35% from 20% - CME group
- US/Mexico trade war averted
- The US is developing a reputation as an unreliable trade partner
- Plans to investigate the big tech firms for anti-competition practices
- The DoJ is looking at Google, Apple, Face book and Amazon

China Threatens Huawei's Backlash

- China plans to create a list of unreliable foreign firms and individuals
- In response to Huawei's blacklisting by the US
- British economy slows by 0.4% on lower auto manufacturing
- The probability of a hard Brexit is higher

Global Developments – SMA – Most expensive drug in the world

- The Food and Drug Association (FDA) approved a gene therapy drug for treating spinal muscular atrophy in children
- The drug, Zolgensma by Novartis, is the world's most expensive drug at \$2.1mn
- Jeff Bezos' wife is to give half of her divorce settlement of \$36bn to charity
- Taking a leaf from Warren Buffet and Bill and Melinda Gates

Global Developments

- UK's GDP contracted by 0.4% in April
 - Biggest monthly fall in 3 years
 - Triggered by a sharp drop in car production (24%) as Brexit uncertainty led to a shutdown of factories
- The British pound lost 0.79% to GBP1.27/\$
- Quarterly, the economy grew by 0.3% (February – April)
- UK and South Korea agreed to sign a post-Brexit deal
- Global tech companies backed the UK with investment in excess of £1.2 billion

Implications

- Nigeria's trade imbalance with China in the Q1 trade report jumped to N977.8bn (\$2.72bn)
- A lowering of US interest rates will be naira supportive
 - Reducing the inflation interest rate differential from 0.5% to 0.25%
 - Reducing Eurobond financing and external debt service of FGN, states and banks
- The US is to revoke the special trade status with India (beneficiary developing country)
- India is Nigeria's largest trading partner (16.43%)

Sub-Saharan Africa



*South African Economy
on the Ropes*

SSA – AfCFTA kicks off

- The African Continental Free Trade Agreement legally took effect on May 30th
- Signed by 52 out of 55 AU member states
 - Nigeria, Benin and Eritrea yet to sign
- A single market with 1.2bn people and over \$2trn aggregate GDP
- Africa would have a combined consumer and business spending of \$6.7trn by 2030
- South Africa and Nigeria jointly account for approximately 30.5% of intra-African trade

AfCFTA – Opportunities

- Will significantly boost intra-African trade
 - Promises to raise intra-African trade to 15%-25% by 2040 - UNECA
- Elimination of tariffs on most goods – 90% of traded goods
- UNCTAD predicts \$3.6bn in welfare gain due to reduction in tariffs
- Promotion of cross-border value chains

AfCFTA – Risks

- More diversified economies with better infrastructure will benefit more from trade integration
- African economies are largely resource dependent
- Protectionist policies will hinder total elimination of tariffs
 - Could undermine the setting of common external tariffs (CET) in ECOWAS
- Subdued growth in Africa's two largest economies could cripple regional and continental trade flows

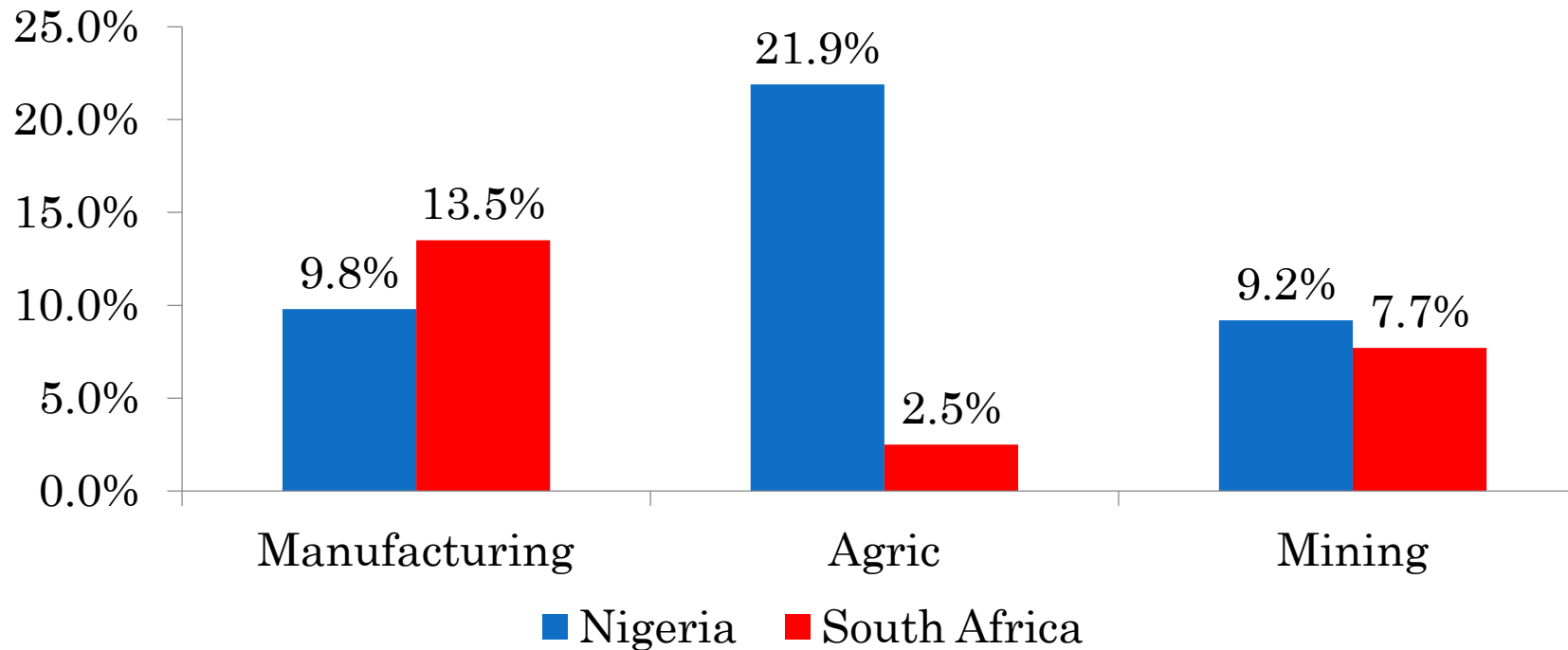
South Africa: Economy slumps to -3.2% q-o-q in Q1'19

- Africa's most industrialized country suffered a major contraction: -3.2%
- Manufacturing, mining and agric fell by 8.8%, 10.8% and 13.2% respectively
- The contraction was due to power cuts and strikes in the gold mines
- The rand tumbled 3.7% to R15.12/\$ in one week
- Moody's has downgraded South Africa's 2019 growth forecast to 1% from 1.3%
- This will weigh on the country's credit rating and dampen investor confidence

Growth Comparison: South Africa vs Nigeria

- Nigeria and South Africa are Africa's largest economies, making up 33% of the total
- Both economies have suffered and recovered from recessions recently
- Both countries have power supply problems
- Nigeria's recession was oil price induced
- South African slowdown is driven by power and slowing output

Sector Components: South Africa vs Nigeria



Source: Statistics South Africa, NBS, FDC Think Tank

- Manufacturing is 9.8% of GDP in Nigeria and is 13.5% of GDP in South Africa
 - Heavy manufacturing is highly power dependent

Sector Comparison: South Africa vs Nigeria

- Oil is 9% of GDP in Nigeria , and is not power dependent
- Mining in South Africa constitutes 7.7% of GDP, but is power dependent
- Agric is 21.9% of GDP in Nigeria, and is almost independent of power
- Agric in South Africa is partially power dependent for storage & processing

Bank of Ghana revokes 347 microfinance bank licenses

- Bank of Ghana has concluded with the financial industry shake up
- Revoked the permits of 192 firms in operations and another 155 firms that have ceased operations
- Annulled the licenses of 39 micro-credit companies
- The affected institutions have remained insolvent and denied customers their deposits
- The Bank has appointed a receiver to disburse funds from government to affected depositors
- In a bid to protect financial system stability and improve confidence in the nation's financial sector

Kenya: Key policy rate unchanged at 9%

- CBK Governor reappointed
- Monetary policy continuity envisaged
- Central Bank of Kenya (CBK) held policy rate unchanged at 9% pa
 - For the fifth consecutive time
 - On the backdrop of moderating inflation
 - Inflation fell to 5.5% y-o-y in May from 6.6% y-o-y in April
 - Still within the target range of 2.5%-7.5%
- World Bank cut growth forecast to 5.7% from 5.8% in 2019
 - On prolonged drought

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APPLICATIONS



Domestic Economic Performance
State of the Economy at start of
Buhari 3.0



Different Views of the Nigerian Economy in 2019/20



Continuity in policy
Nigeria's multiple exchange rate
needs to be phased out- Razia Khan

**The
Economist**

Muhammadu Buhari has big ambitions for
Nigerian manufacturing
But his policies help only a few industrialists



Policy unreliability is
discouraging new investment
in Nigeria

**The
Economist**

Nigerians got poorer in
Muhammadu Buhari's first term
*He will need to solve a revenue crisis
in his second term*

Things to Cheer- Positive Indicators



	April'19	May'19	% Change	June'19*
Oil Production (mbpd)	1.73 (Mar)	1.82 (Apr)	5.20 ↑	1.72
Stock Market Cap (N'trn)	10.96	13.68	24.82 ↑	13.50 -14
External Reserves (\$'bn; end)	44.79	45.12	0.74 ↑	44
Average NIBOR (%) (OBB, O/N)	16.16	8.61	7.55 ↓	9-10
Average Opening Position (N'bn)	139.71	289.48	107.20 ↑	300-350



Things to Fear- Negative Indicators



	April'19	May'19	% Change	June'19*
Exchange rate (N/\$; end-period)	Parallel: 360 IEFX: 360.63 IFEM: 306.95	Parallel: 361 IEFX: 360.74 IFEM: 306.95	↓	361
Oil Price (\$'pb;avg)	71.63	70.30	↓	60-62
Inflation (%)	11.25(Mar ch)	11.37(April)	↑	11.38(Ma y)
Power (MW;avg)	4,025	3,759	↓	4,000-4,100



*: FDC forecast

Leading Economic Indicators

- Mixed movement in leading economic indicators in May
 - Five green, four red
- Q1 GDP growth declined to 2.01%
- Headline inflation recorded the first increase in 2019 in April (11.37%)
- CBN PMI falls sharply to 50.9%
- Oil price plunges close to the budget benchmark (\$61.33pb)
- FAAC disbursed down to N616.19bn
- Naira remains stable within a 1% band of N360/\$ (N361/\$)

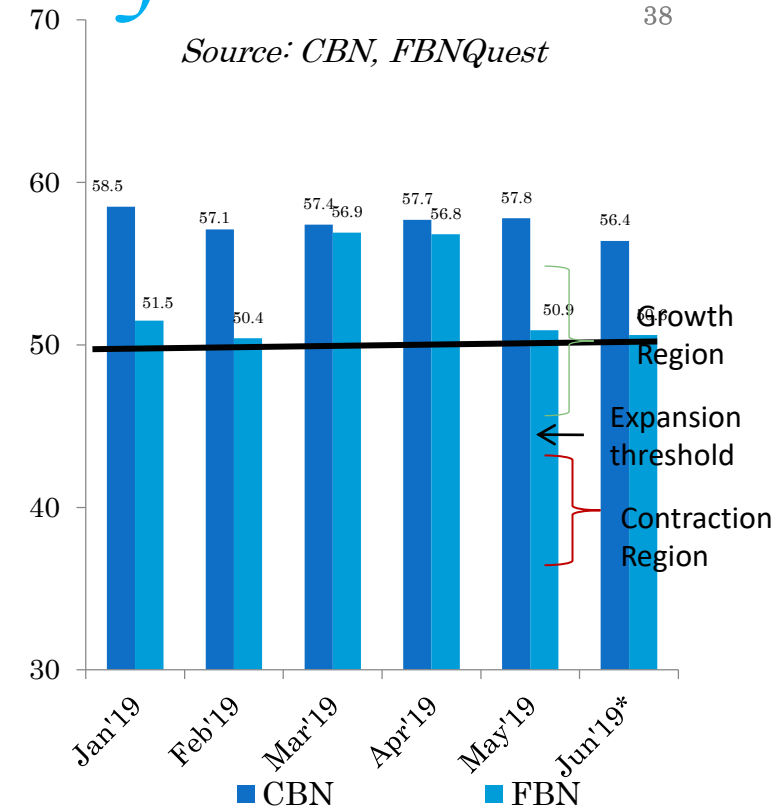
Market Proxies

*Investors expecting Early
Cabinet, Minimum Wage
& Budget Expenditure*

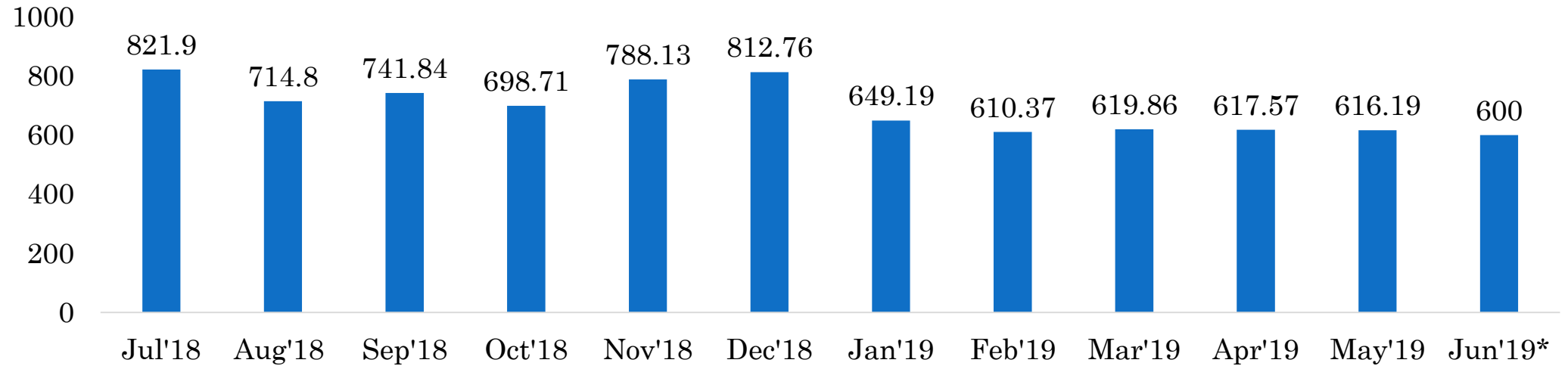


PMI Crashes by 10.39% - 50.9pts – to remain flat

- The PMI (FBN) crashed by 10.39% to 50.9 in April
- Even though positive, the trend suggest lower GDP in Q2
- All indices (except employment) dipped in the month
 - Due to seasonal factors (Ramadan fast)
 - Squeeze in consumer's purchasing power
- Expect a further decline in June to 50.3 pts
- An expansion in July after arrears on minimum wage is paid by FGN and some states



FAAC down 0.22% in May



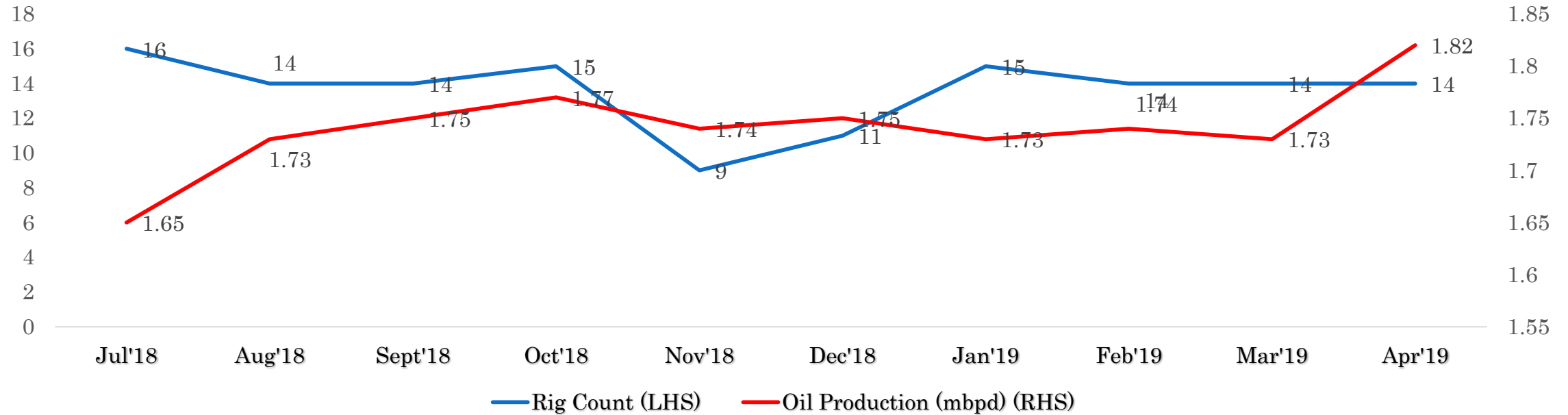
- Revenue shared in the month of May 0.22% lower at N617.57bn
 - Due to decline in oil royalties
- Expected to fall to N600bn in June due to average oil price fall of 11.8%
- Enforcement of OPEC quotas will push up prices in July
- The converged rate for FAAC sharing will increase FAAC in July

Rig Count Flat, Oil Production Up

Source: OPEC, Baker Hughes

40

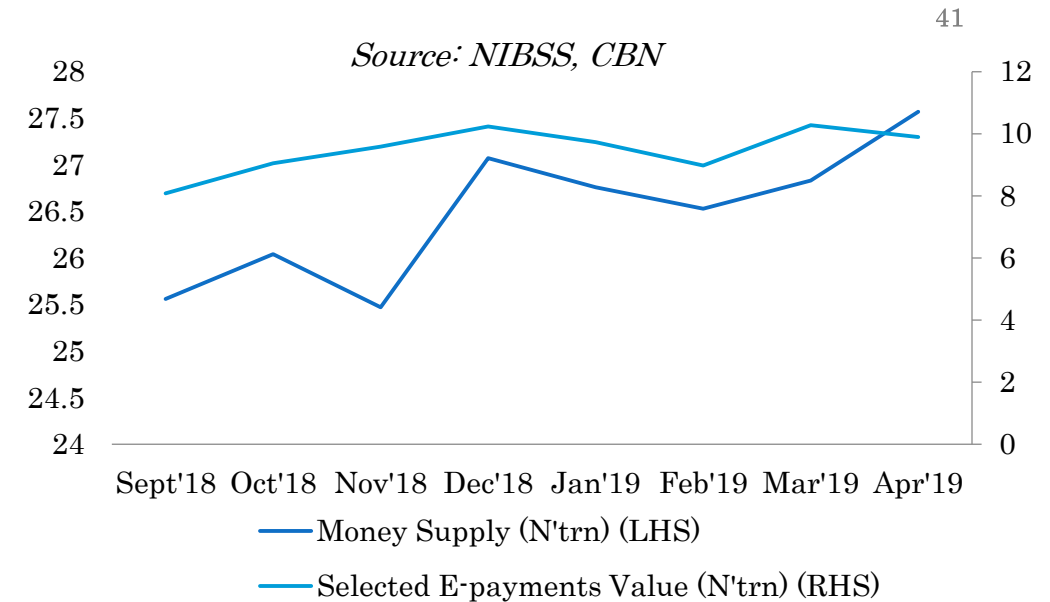
Nigeria Oil Production vs Rig Count



- Oil production up 5.20% to 1.82mbpd in April
- The number of operational rigs flat at 14 for the third consecutive month
- Oil production likely to decline in subsequent months
 - Negative for export earnings

Mixed Movement in E-payments

	Change in Volume (%; m-o-m)		Change in Value (%; m-o-m)	
Cheques	2.26	↓	0.70	↑
POS	11.90	↑	13.17	↑
NIP	0.002	↑	3.58	↓
NEFT	10.36	↓	11.13	↓



- 3 days e-payment failure in May affected POS & E-payments
- Value of E-payments moving in opposite direction with money supply
 - Down 3.49% YTD
- Annualized money supply growth: 12.67%

*Ships Awaiting Berth – Apapa Gridlock Remains a Menace*⁴²

- President's order yielding limited results
- Import levies on a number of goods remains a constraint to the level of imports
- Apapa gridlock easing out gradually but slowly
- 20 ships awaiting berth- 39.39% down since Feb
- The new Apapa –Oshodi highway construction is underway



Average Power Output Down by 5.84% on Grid Collapse



5216MW

Peak Energy
Generated



3774MWH/H

Average Energy
Generated

727.4MMSCF/D

Average Gas
Delivered to
Plants



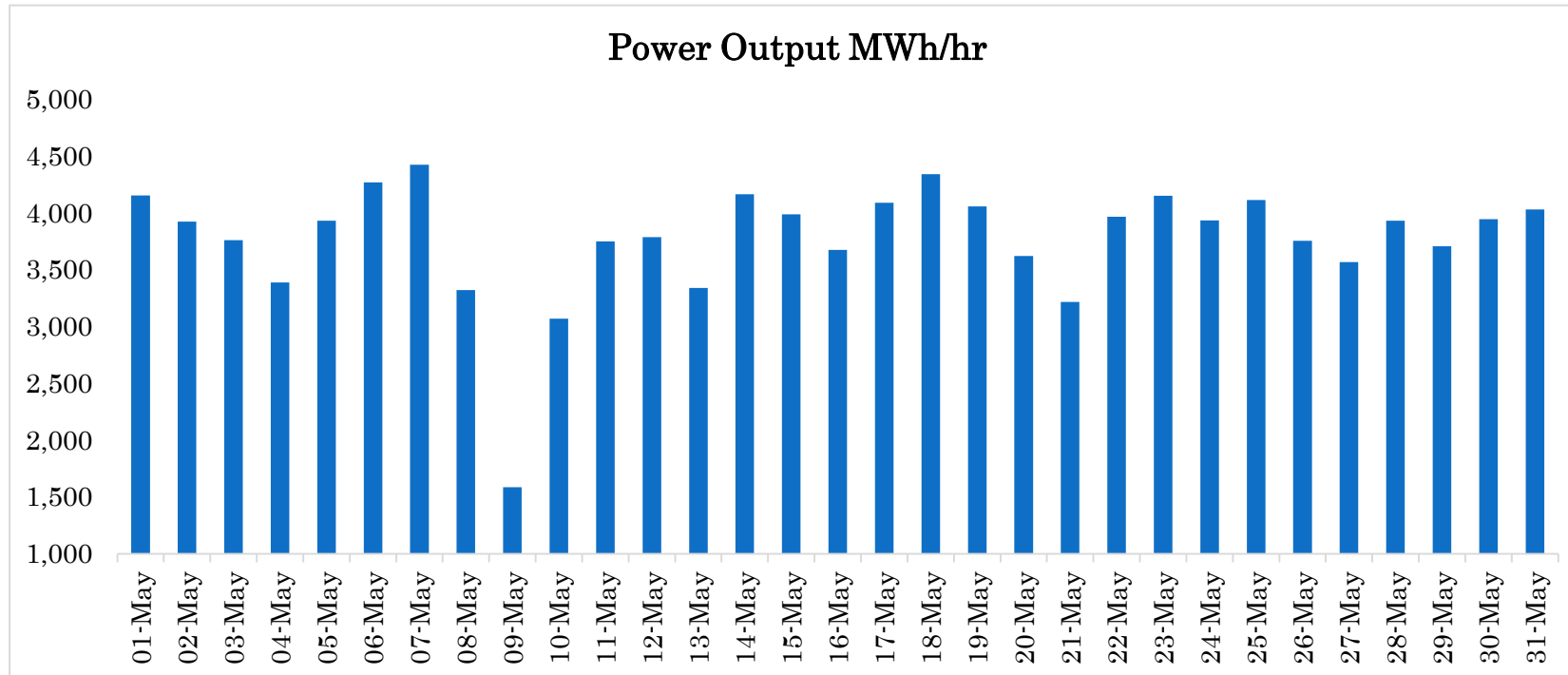
2

Total Grid
Collapses



3041MW

Average
constrained
energy



Source: Lavayo Advisors

Power Sector News

- Power generation slumps to 1,585MW on grid collapse
- FEC approves CBN intervention fund extension for Gencos
- Reps approve power sector reform bill through 2nd reading
- FGN commences installation of power plants in 37 federal universities



Source: Lavayo Advisors



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Policy Direction

Budget Approved

- 2019 budget signed into law – N8.9trn (\$29bn)
- Assumptions:
 - Crude production of 2.3mbpd
 - Oil price of \$60pb
 - Exchange rate of N305/\$
 - Inflation rate of 9.98%
 - Real GDP growth of 3.01%
- Capital component of the budget cannot be disbursed until new ministers are appointed

Budget Approved

- Bear oil market threatens oil price assumptions
- Oil revenue target unlikely to be met as Nigeria gradually complies to OPEC production quota of 1.685mbpd
- Budget deficit to widen to N1.95trn (2.15%)
- How will the deficit be funded?
 - Widening the tax base or increasing taxes?
 - Increased borrowing
 - Debt refinancing with cheaper external sources
 - Subsidy removal
 - Asset sales and concessions

CBN Rolls Out 5- Year Plan

- Governor sets his sight on GDP growth
- Most Central Banks (CBs) are asking for an expansion of their mandates to include unemployment and growth targets
- Fundamentally, these are fiscal goals and not to be encroached by CBs
- The constitutional mandate of CBs is price stability and soundness of the banking system
- The global recession and financial crisis saw CBs coordinate with Finance Ministries to stimulate economies back to growth
- The CBN Governor chastised those calling for flexible exchange rates

Monetary Policy

- Being more Catholic than the Pope
- Claims that the IMF has accepted that free floating exchange rates could lead to negative economic outcomes
- The CBN is committed to a stable exchange rate for the naira
- Exchange rate applicable on custom duty now N326/\$ (formerly N305/\$)
- No change to forex market structure, Multiple exchange rates to persist – CBN
- With serious inflationary pass through consequences
- 80% of Nigeria import transactions now at N360/\$ (IE rate)

What is the Economic Truth?

- Monetary policy goals are to achieve price stability
- And to coordinate and prioritize pro-cyclical policies in line with fiscal goals
- The CBN's balance sheet as a percentage of the GDP above a particular level is a red flag
- The monetary policy framework is that of explicit inflation targeting
- Using the discount rate as the anchor to signal to the market
- The anchor rate is now 13.5% pa, which reduced from 14% pa
- The CBN tightened by increasing its OMO after signalling an easing in rates

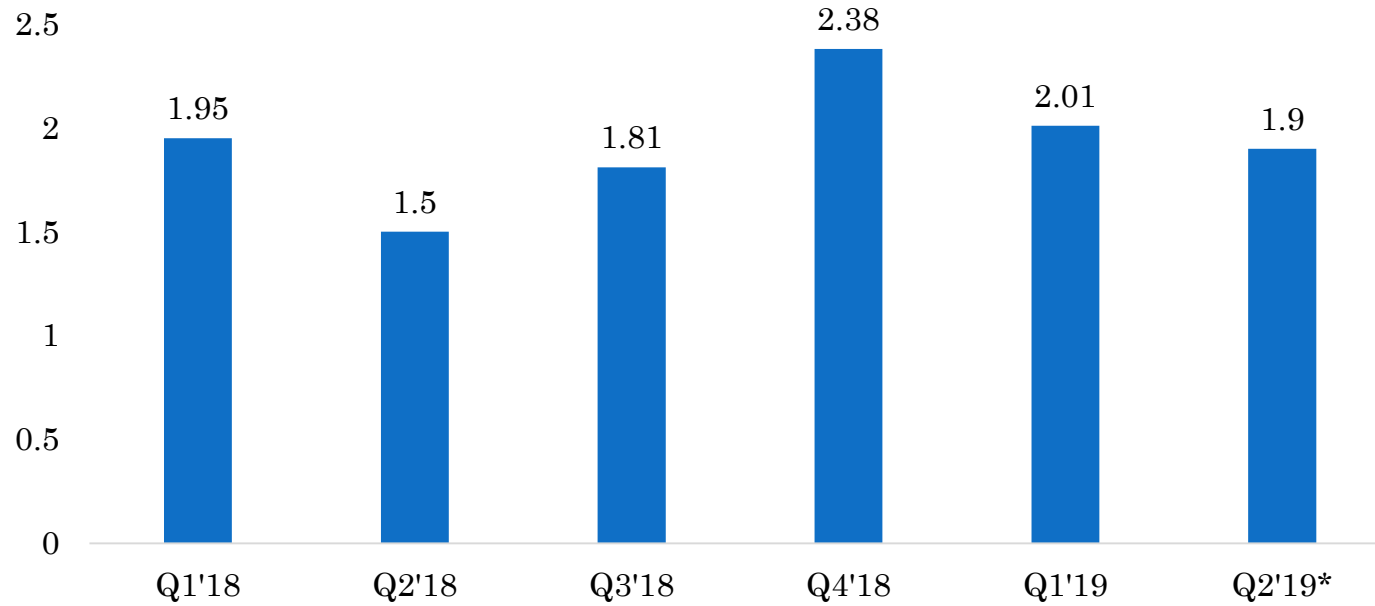
What is the Economic Truth?

- The CBN will have no choice but to unify exchange rates sooner rather than later
- The CBN will have to increase the rate for converting federation account dollars from N325 to N345
- Exchange rate stability in disequilibrium leads to stable disequilibrium
- With gaps and distortion to resource allocation
- Stable exchange rates are good but multiple exchange rates are price inefficient and is open to abuse and regulatory arbitrage
- Rates are converging and the deviation from the equilibrium is narrowing

*Economic Picture
in H2'19*



Q2'19 GDP: Growth still Slow & Fragile



Source: NBS, FDC Think Tank

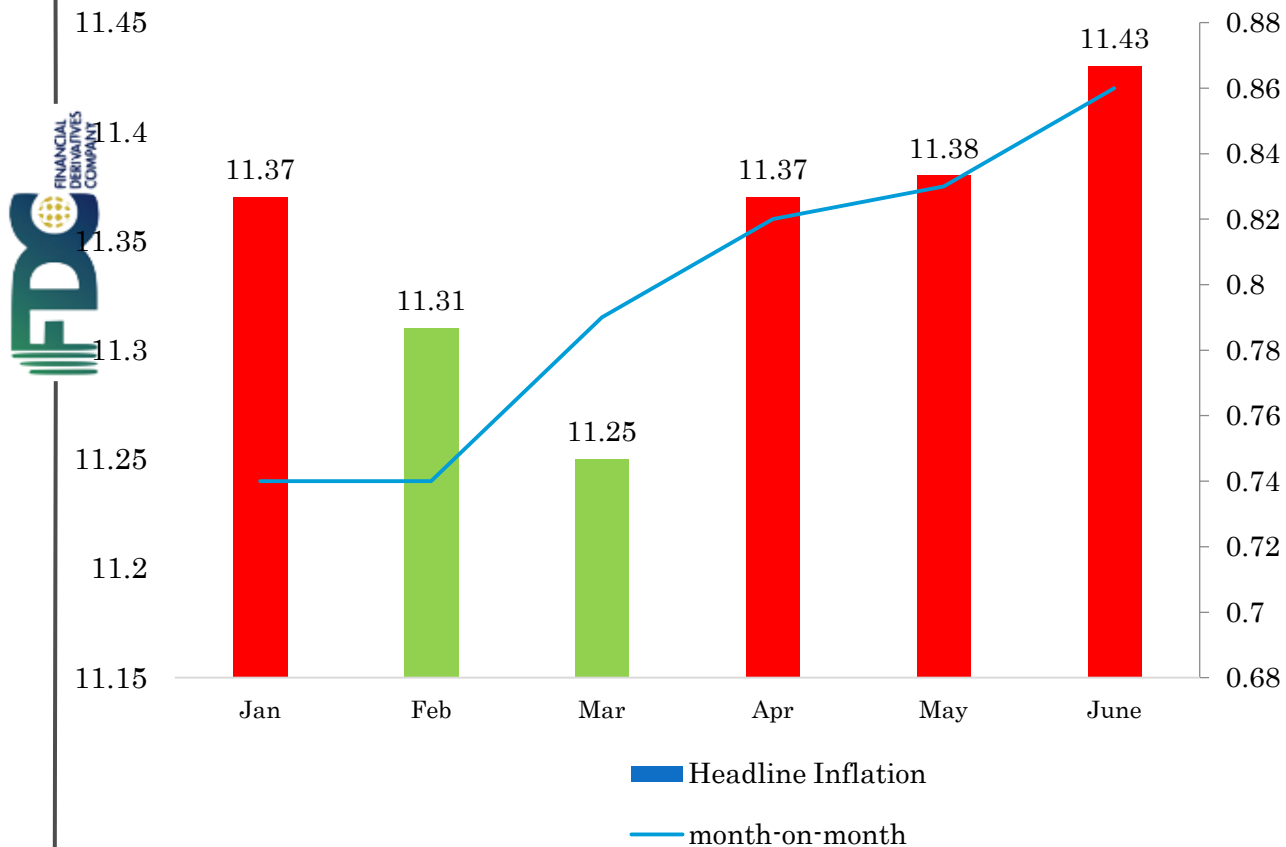
Q2'19 growth projection to slide to 1.9%

- Growth to remain lacklustre
- Slowdown in PMI to negatively affect growth in the manufacturing sector



Inflationary Pressures to Persist

Headline vs. Month-on-Month Inflation (%)



Key drivers

- Debt securitization
- Seasonal factors: planting season
- Diesel prices remained stubbornly high

Source: NBS, FDC Think Tank

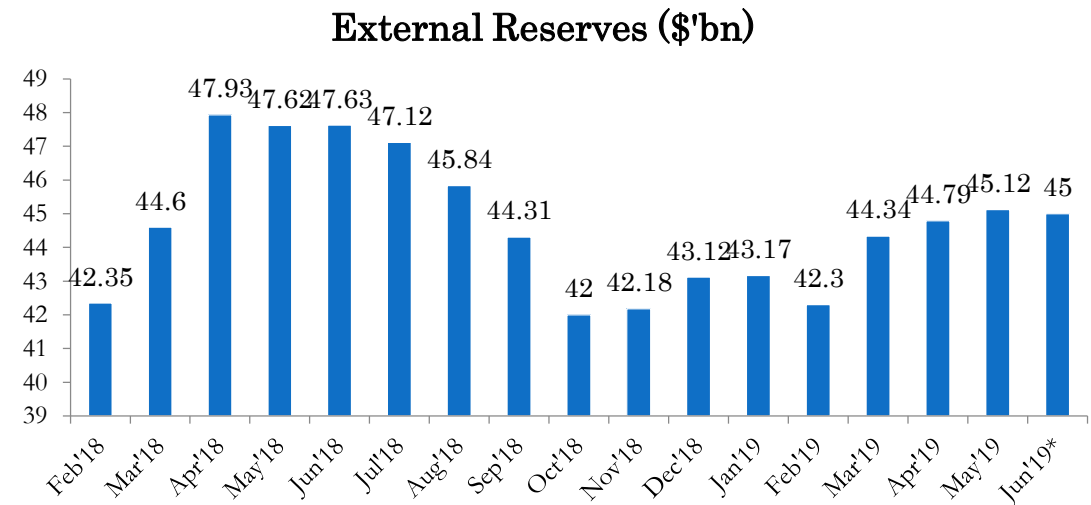
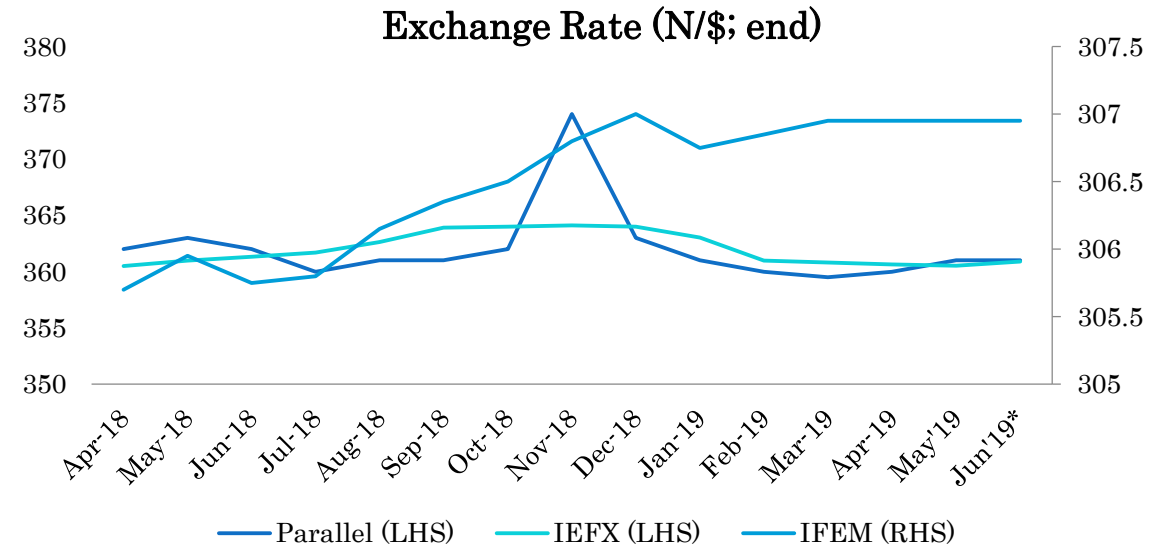


Forex Market Outlook

- Demand pressures to increase:
 - Travelers (Hajj)
- Volatility in oil prices could have a negative impact on external reserves
 - Likely to weigh on CBN's forex intervention



Source: FMDQ, FDC Think Tank



Minimum Wage Implementation - Update

- Effective date: May 1st but not paid yet
- Likely to be paid in July after negotiations of consequential cost with NLC
- 30,000 minimum wage (Aggregate impact = N2trn, 7% of M2 supply)
 - Translates into 1.1% inflation ($11.37\% + 1.1\% = 12.47\%$)
 - 2 months of arrears if paid in July



Likely adjustments & impact

- Higher unemployment (25% - 28%)
- VAT adjustments
- Adjusted exchange rate for FAAC disbursements in July
- Possible gradual phasing out of petroleum subsidies













Commodities



Commodities Update



Export Commodities	May	%Change (Apr-May)	Outlook (June)	Import Commodities	May	%Change (Apr-May)
Oil (\$/b)	70.26	-1.75% 	60-65	Wheat (\$/bushel)	4.62	1.54% 
Liquefied Natural Gas (\$/mmbtu)	2.589	-0.69% 	2.70-3.00	Sugar (\$/pounds)	11.80	-7.23% 
Cocoa (\$/mt)	2,370	0.17% 	2,400	Rice (\$/cwt)	11.13	5.5% 
Cashew (\$/kg)	1.32	0.2% 	1.35	Vegetable oil (N/5litre)	2,000	- 



Stock Market Review

Stock Market in May






- MTN lists on the Nigerian Bourse
- Newrest Airline Services delists from NSE
- SEC sanctions Oando Plc on multiple infractions
- Ecobank \$50million senior unsecured bond offering oversubscribed over 4.6 times
- Access Bank early redemption of unsecured notes – evidence of financial strength
- Foreign investment inflows increase by 61.38% to N41.78bn in May
- Attempt to finger MTN shareholders for price manipulation another black eye

Stock Market in May- Corporate Actions

- Dividend declaration
 - Forte Oil – N1.15kobo special interim dividend – yield of 17.35%
 - Law Union and Rock- N0.02
 - Nigerian Aviation Handling : N0.25
 - Aluminium Extrusion: 8.5kobo

Nigerian Stock Market in May

- Market cap  24.82% to N13.68trn
- NSE ASI  6.55% to 31,069.37
- 9 days positive, 12 days negative
- P/E ratio  3.78% to 7.69x
- Negative market breadth of 0.25x
 - 18 stocks gained
 - 78 stocks remained neutral
 - 71 stocks lost

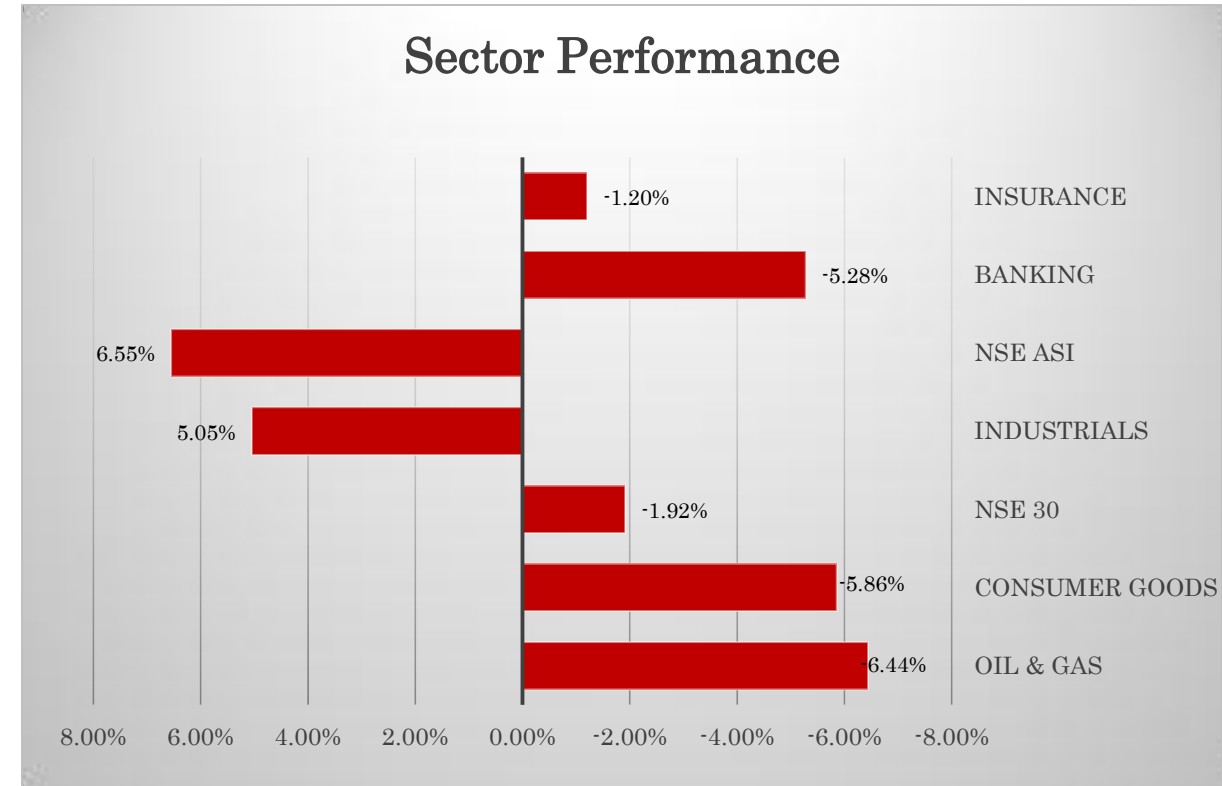


Peer Comparison

Exchange	Return in May	Driver
NSE ASI	 6.55%	<ul style="list-style-type: none"> • MTN's listing • Bargain hunting
JSE ASI	 4.92%	<ul style="list-style-type: none"> • Moody's downgrade • GDP slowdown
GSE ASI	 4.96%	<ul style="list-style-type: none"> • Financial sector clean-up by BoG • Strong 2019 GDP growth projections

Sectoral Indices

- All sectors closed negative except industrial
- Industrial sector was boosted by a rally on DANGCEM
 - DANGCEM gained 10.83% in May
- Oil and gas sector recorded the worst performance on Oando woes



Corporate Actions – MTN Lists on the Nigerian Bourse

- MTN listed on the Premium Board of the NSE on May 16
- Capitalization of N2.78trn, or 20.3% of market cap
- Currently the second most capitalized stock on NSE
- Initially priced below fair value (N90)
- Peaked at N149.00 on May 23
- A correction depressed prices afterwards, currently at N136.60
- Negative sentiment was also triggered after EFCC investigation

Corporate Actions – SEC Intervenes in Oando “Infractions”

- SEC asks Oando Group’s CEO to step down
- Following a forensic audit by Deloitte which revealed several malpractices
- Interim management headed by Mr. Mutiu Sunmonu as Chairman

To convene an Extra Ordinary General Meeting on or before July 1, 2019 to appoint a new Board of Directors

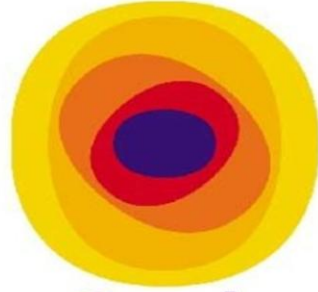


- Former MD of Shell Petroleum Development Company
- Oando’s shares crashed 18.3% to N3.80 since the intervention
- The Federal High Court of Lagos has granted a court injunction restraining SEC sanctions
- Two Non-executive directors have resigned

Corporate Actions – Impact of Oando’s Forensic Audit



Securities & Exchange Commission,
Nigeria



Oando

- Falling investor confidence (domestic and international)
- Regulators will keep an eye on the downstream sector for others
- Banking financial burden of N417,692,316
- Possible increase in banking sector impairments and systemic risks

Corporate Actions – NBC vs DAAR Communications

- NBC also revoked the license of DAAR's AIT and Raypower station due to:
 - Default in paying license fees
 - Media content breaches
- DAAR obtained an ex parte order of interim injunction from the court
 - Pending final determination on filed case
- The dispute has however been settled
- The court case against NBC will be withdrawn
- DAAR will keep up with payment of fees
- NBC will annul the suspension of AIT and Raypower 100.5FM
- DAAR communications share price has remained flat at N0.40

Corporate Actions – Ecobank Transnational Inc Bond Offering

- ETI issued a senior unsecured 5-year \$50million bond offering
- It will be used for its general purpose to strengthen ETI's liquidity
- The bond was oversubscribed 4.6 times with a yield of 8.25%
- The bond has been placed with a broad range of institutional debt investors across Europe and Africa
- The issue has a credit rating of B by Fitch and B- by S&P
- ETI's share price stands at N10

Trust

it's not about falling
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In life, people are often limited by their fears; failing to soar because they are afraid to fall. At Custodian, we've got your back if the unexpected ever happens. So while others say "what if you fall"; we say "**...oh, but what if you fly.**"

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The image features a blue line graph with an upward-pointing arrow, set against a background of US dollar bills and gold coins. The graph shows a fluctuating but generally increasing trend. The text "Corporate Earnings" is centered in a blue, italicized serif font.

Corporate Earnings

Telecommunications Industry

- Largest segment of the ICT sector
- Nigerian Telecommunication 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

Corporate Results in May



FY'2018 Results

Revenue: N1.04trn, ↑16.9%

PBT: N221.34bn, ↑105.15%

PAT: N145.69bn, ↑79.71%

EPS: N357.87

P/E Ratio: 0.38x

Return since listing: 51.8%

- Has 38.4% market share in the telecoms industry
- 51% of sector revenue
- Represents 21% of total market capitalization
- Market capitalization: N2.77trn
- Shares Outstanding: 20.3mn
- Current Price: N136

Oil and Gas- Downstream Sector

- Main driver of growth in the Nigerian economy
- Categorised into refining and marketing of petroleum products
- Six (6) downstream players on NSE
- Challenges:
 - Refineries operating at less than 50% capacity
 - Fluctuation in global oil prices
 - Political instability

Corporate Results in May



Q1'2019 Results

Revenue: N13.51bn, **↓** 60%

Loss: -N730.68mn, **↓** 308.40%

EPS: N0.59

Dividend yield: 8.30%

P/E Ratio: 35.27x

YTD return: -18.87%



Q1'2019 Results

Revenue: N42.56bn, **↑** 50 %

PBT: N454.73mn, **↑** 877.3%

PAT: N649.553n, **↑** 498.1%

EPS: N0.13

Interim dividend: N1.15/share

Dividend yield: 4.14%

P/E Ratio: 206.92x

YTD return: -6.27%

Outlook for June

- Higher stock price volatility expected:
 - New minimum capital requirement for insurance and pension companies
 - Contraction in Money supply due to OMO
 - Oando sanctions to increase negative sentiment and investor jitters
- Union bank balance sheet restructuring will allow for dividend payment
- MTN Yello Digital to commence operations if CBN approval is given



*Aviation Update – Consolidation in the
African Market*

- Expect airline profitability to improve in June & July
 - As jet fuel prices fall in line with global oil prices (13.6%)
- After the OPEC meeting, we expect some firming of oil price and jet fuel
- Summer traffic is picking up as load factors are higher
- Yields are increasing with higher patronage of premium cabin (first & business class)
- Freight cargo is outperformed by passenger traffic

- In March, cargo tonnage was up 0.1%
- Outbound load factors out of Nigeria up to 95% in June
- BA up to 90% in premium classes and 98% in economy and premium economy
- Virgin Atlantic and Lufthansa maintained over 95% across all cabins
- Emirates is holding a grip over middle and far east traffic
- 2 flights a day from Lagos to Dubai and 5 flights from Abuja to Dubai
- Turkish Airlines is cashing on trader traffic
- Ethiopia Airlines is sweeping the Eastern Nigeria and Kano markets

- The threat to close Enugu airport as a result of bird strike threat allayed fears of ET passengers
- African Open Skies agreement to impact continental market
- South African Airways CEO resigns because of government refusal to subsidize the carrier
 - SAA is the second largest carrier in Africa
 - It has accumulated losses over the years
 - The airline has been hampered by labour union problems

- Also many unprofitable routes especially Johannesburg – Washington DC
- One of its most profitable routes is Lagos-Johannesburg - 7 flights a week
- SAA has a monopoly on that route and charges premium fares
- It is now being challenged by Ethiopian Airlines & Rwandair
- Travails of SAA is making the proponents of national carriers in Africa to think again

- Ghana to launch its national carrier this year
- 51% of the equity to be held by Ghanaian private investors and government
- 49% to be held by Ethiopian Airlines
- The airline will be managed by ET
- As part of the ASKY, ET and Star alliance group will make Accra a competing hub to Lagos
- Kotoka airport with its ambient facilities is a major asset



*Real Estate
Update*

Vacancy Factor up to 26% in Q2'19



	Q2'19		
	RVF (%)	CVF (%)	VFI (%)
Ikoyi	32	29	31
VI	19	24	21
Lekki	30	20	26
Total	28	23	26

- Post-election trends:
 - Marginal improvement in residential rentals
 - Sales remain slow as consumers continue to suffer and smile

Real Estate as an Asset Class

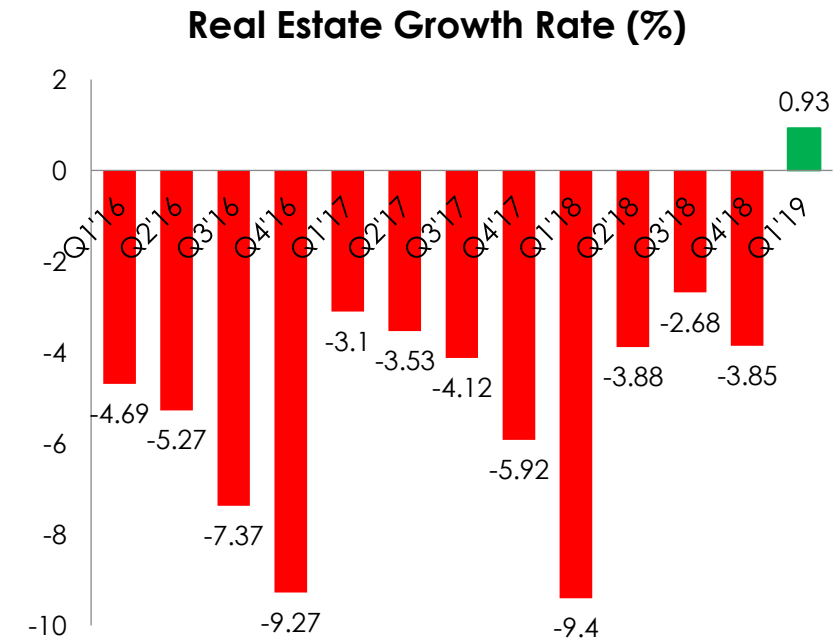


Advantage	Real estate	Stock market	Debt (bonds & bills)	Commodities
Hedge against inflation	✓	✗	✓	-
Easy to diversify portfolio	✗	✓	✓	✓
Low initial capital	✗	✓	✓	✓
Short term gains	✓	✓	✓	✓

- Options available for a Nigerian investor
 - Real estate investment (N)
 - Real estate investment (\$)
 - Financial instrument investment (N)/ (\$)

Real Estate Records Positive Growth

- Sector records growth of 0.93% in Q1'19
- After 12 consecutive quarters of contraction
- Signalling a full exit from recession
- Sector benefitting from increased government investment





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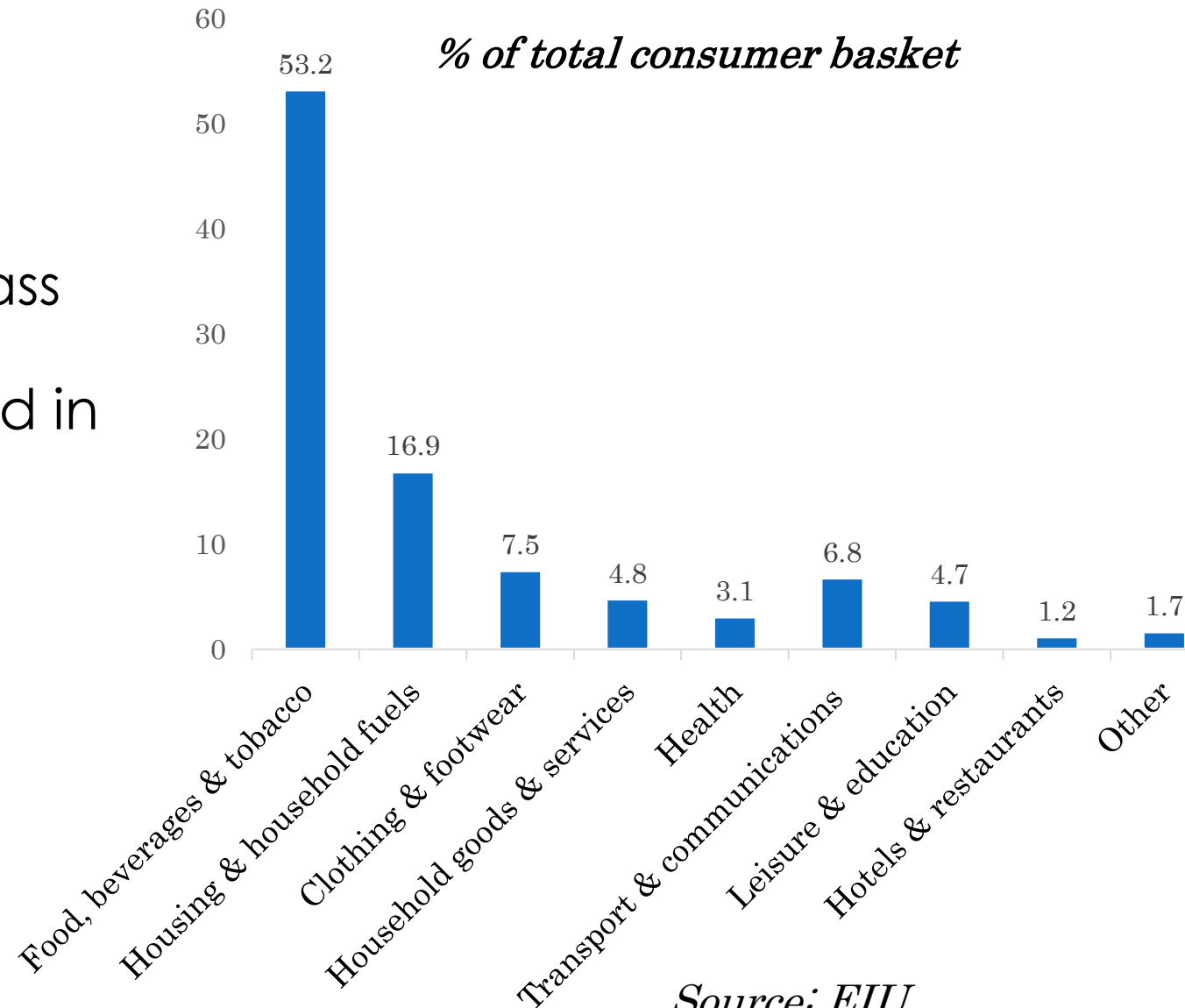
Global Retail: Winning Models for a New Era

- Five key retailer models poised to thrive:
 - **Ecosystem players** (amazon, alibaba): include companies building one-stop shops for customers and vendors
 - **Scale fighters:** retailers with access to absolute scale, creative edge is vital for survival
 - **Value champions** (Aldi, Costco, Primark): low cost chains passionate about encouraging savings among consumers
 - **Hitchhikers** (Adidas, Levi Strauss & Co): small band of retailers with distinctive capabilities in design and product development, borrow scale by partnering with other companies
 - **Regional gems:** strong local leadership position grants them advantage in the market, grass root knowledge of the labor pool, ubiquitous local advertising

Domestic Retail: Profile of a Nigerian Consumer



- Rapidly growing young population
- Dominated by the middle class
- Geographically concentrated in the urban areas



Retail Patterns in Lagos

Lagos residents:

- 2x more likely to try new things compared to Kano residents
- More price conscious – 55% favor low prices over large selection of products
- Only 39% view clothes as a status statement

Political Update
Buhari Keeps his Cards
Close to his Chest

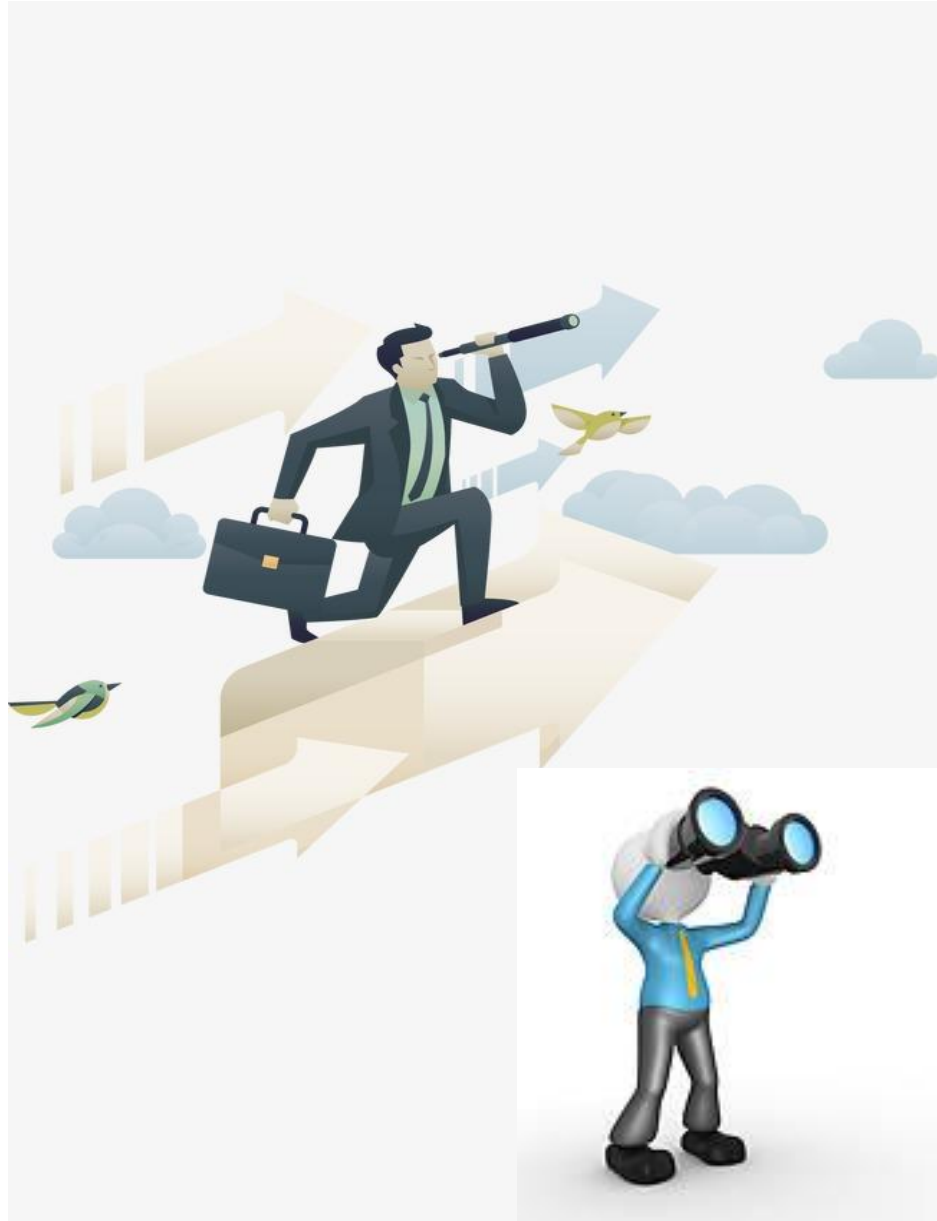


Buhari Keeps his Cards Close to his Chest

- Keeps close aides and party chiefs guessing
- Used effective regulatory pressure to enforce his grip
- NASS leadership will throw up only trusted loyalists
 - Reward political team players
 - Position for the 2023 race and keeping the NASS stable
- The surprises of judicial upsets have set back the APC in parts of the North
- Zamfara, Bauchi and Adamawa have rattled the APC
- The President would like to be a statesman in 2019/20
- His cabinet choices will show the policy direction

Political Update

- The cabinet should be in place before early July
- Most party stalwarts are expecting cabinet positions, likely to be disappointed
- The disgruntled losers are likely to splinter into other political camps within the APC or PDP
- Most will launch their political campaign for 2023 this year
- Buhari will spend most of 2019 resolving rifts of the disappointed, disgruntled and disloyal
- One major issue in the APC is the zoning of the Presidency
- It is too early to call, but it would appear that zoning is not going to hold both at the state and federal levels



Market Outlook in July

Outlook for July

- President will reiterate his key goals in the June 12 speech
- Will offer a few new initiatives
- Will seek to encourage domestic and international investors
- There will be no structural changes
- Ministers likely to be announced in early July
- Principal officers in the presidency -COS, SSG and NSA, etc- will be announced this week
- APC loyalists will emerge as Senate President (Lawal) and Gbajabiamila (Speaker) at the NASS
- Oil prices will fall below \$60pb until OPEC meeting

Outlook for July

- China/US trade stand off to lower demand for global commodities
- Headline inflation will increase marginally
- US Fed will ignore Trump's tweets and leave rates unchanged in June
- Naira pressure will commence as budget releases are made in July
- Minimum wage and arrears for 2 months will be paid in July
 - Boosting consumer disposable income and aggregate consumption by 5%
- The stock market will be flat to negative
- Average interest rates in the interbank market will increase to 12.5%
pa



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A collage of various colored envelopes (red, blue, green, purple, yellow) with a central white envelope. The white envelope has a yellow note attached to it with the handwritten text "THANK YOU!".

THANK YOU!