

LBS Breakfast Session

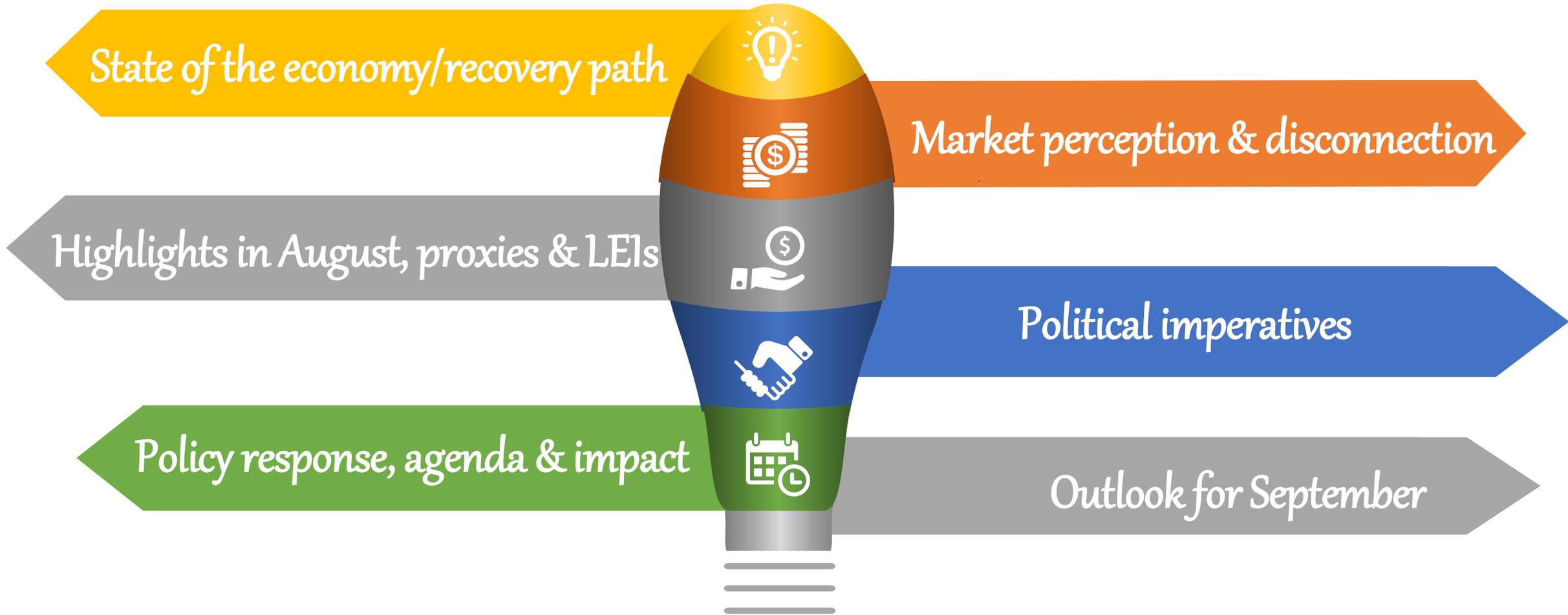
*“When the going gets tough,
the tough get going.”*

John F. Kennedy



*Presented by Bismarck Rewane
CEO, Financial Derivatives Company Ltd.
September 2, 2020*

Outline



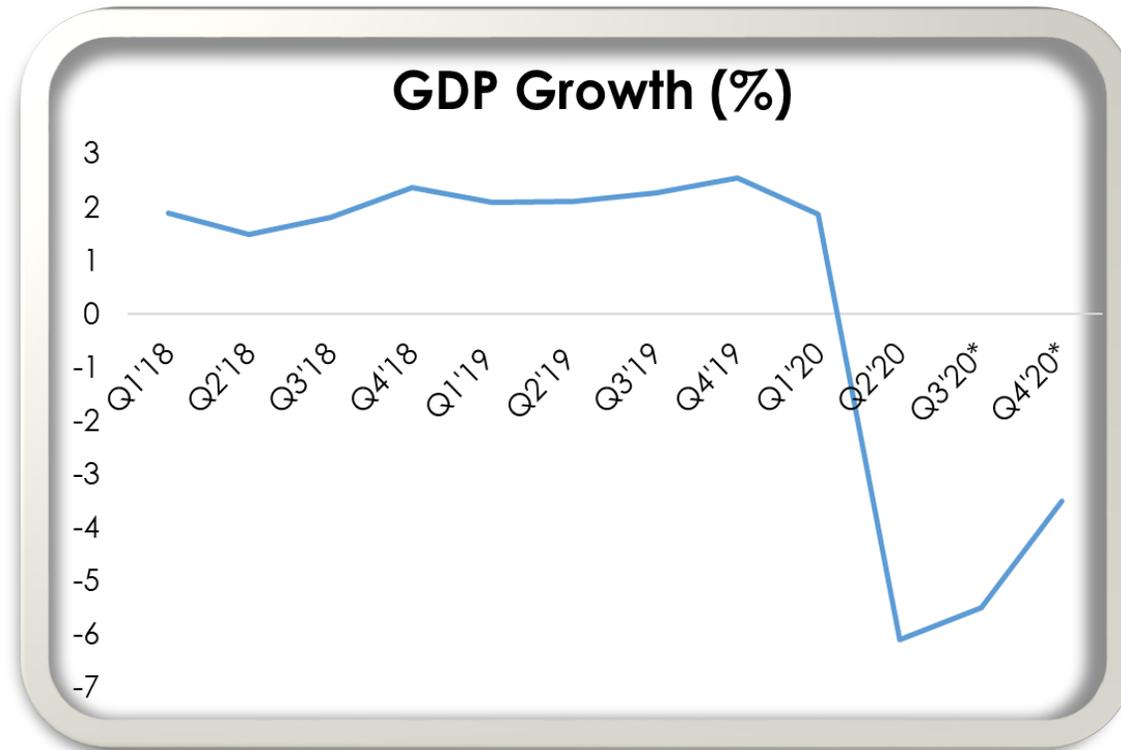
Is Nigeria in a recession??

In theory

NO

In reality

YES

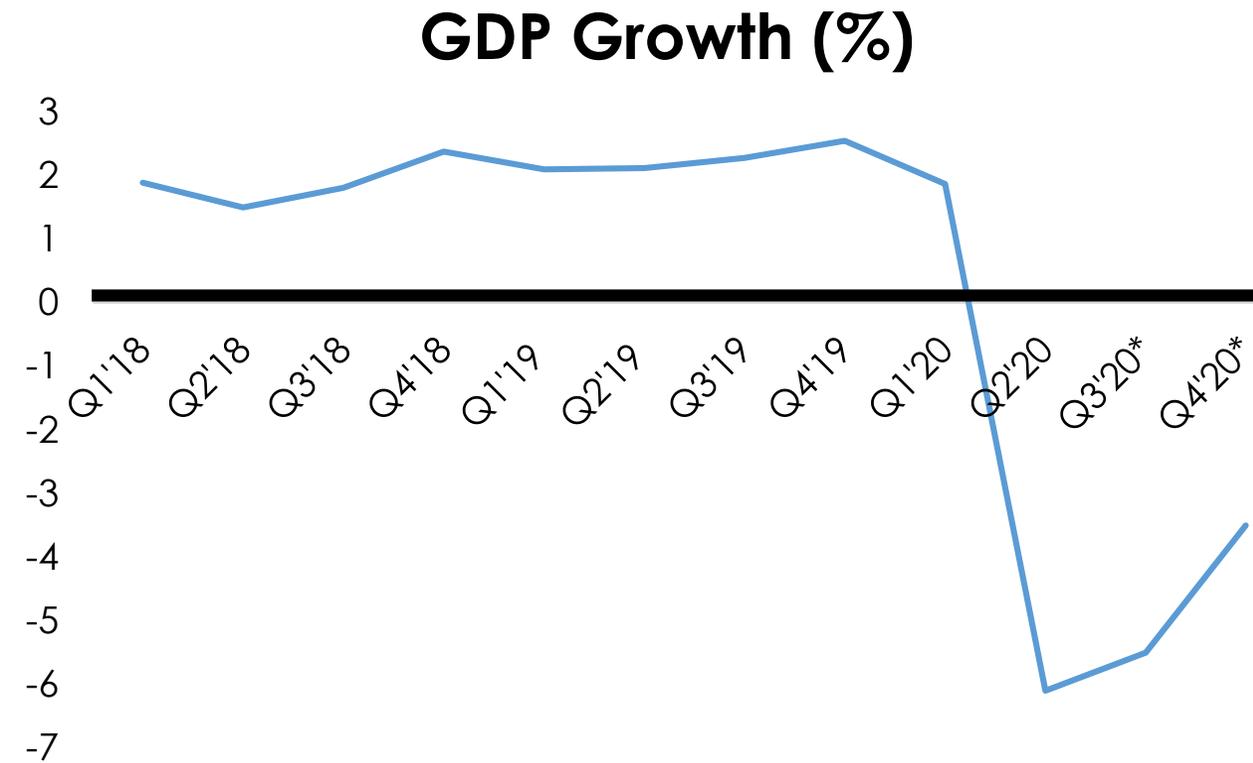


Last recession was in 2016

Looks like a **recession**

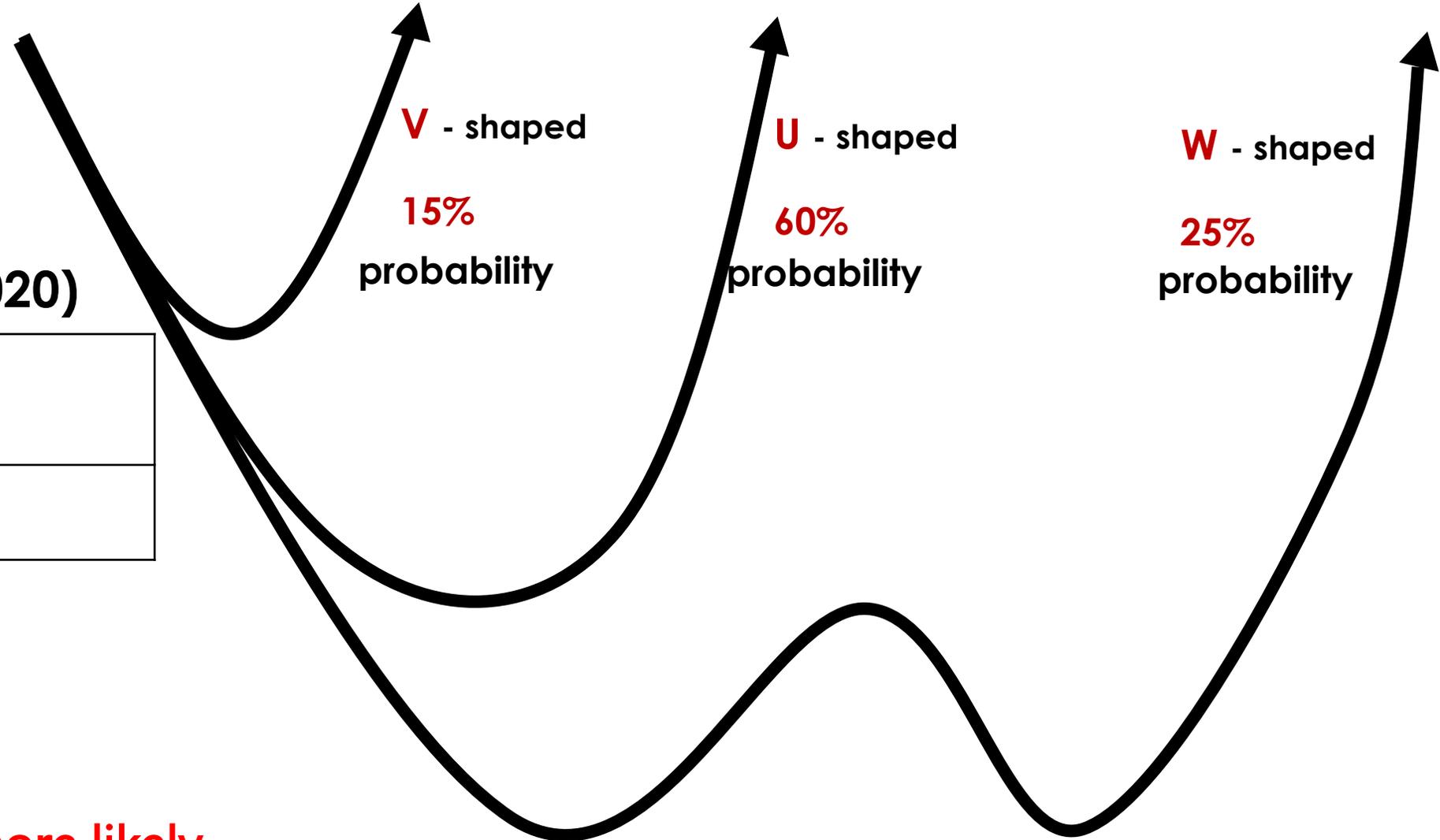
Feels like a **recession**

It must be a **recession**



Source: NBS, *: FDC's Forecast

Path to recovery



Annual Forecast (2020)

Pessimistic	-8.5%
Optimistic	1.5%

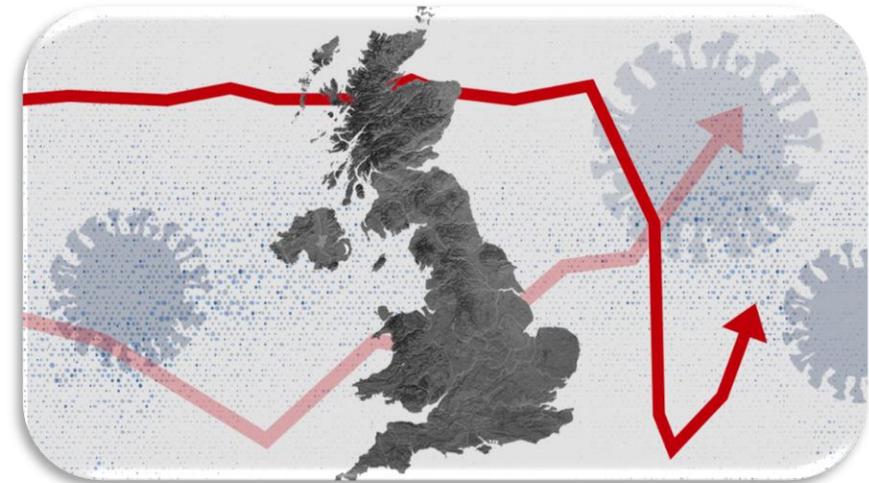
U-shaped recovery more likely



Highlights in August, proxies & LEIs

U-shaped : slowdown to recession to recovery

- ✓ Second recession in a decade
- ✓ In theory, two consecutive quarters of negative growth
- ✓ In reality: one quarter of negative growth (-6.1%)
- ✓ Eight weeks of Q3 gone; PMI down 2.04%, consumer confidence slipping
- ✓ If it looks like a recession, feels like a recession, then it must be a recession
- ✓ What will the recovery look like?
 - ✓ *V shaped, U shaped or W shaped*





Do more with Ecobank FCY Cards

Take advantage of the higher spend limit on our FCY Cards



CARD TYPE	DAILY ATM WITHDRAWAL LIMIT	DAILY POS /WEB LIIMIT
Ecobank Mastercard Gold USD Credit Card	\$2,000	\$5,000
Ecobank Mastercard Platinum USD Credit Card	\$2,000	\$15,000
Mastercard FCY Debit Card (available in USD, GBP and Euro)	\$1,000	\$2,000

To increase your spend limit, please contact your Relationship Manager or reach us via the channels below.

☎ 0700 500 0000, 01 270 1323,
0708 065 3700

📧 @ecobank_nigeria
📧 @EcobankNGR

✉ ENGcontactcentre@ecobank.com

ecobank.com



Ecobank
The Pan African Bank

Contraction deeper than anticipated

- ✓ Investors are jittery but optimistic on technical factors
- ✓ Stock market is decoupled from the economy
- ✓ Market gained on thin trading despite negative GDP growth
- ✓ Q3 NSE has gained 3.45%



Cutback by jittery investors

- ✓ Capital importation report shows a sharp fall in inflows of 77.88% to \$1.29 bn in Q2
- ✓ Worsening current account deficit and forex gap
- ✓ The new balance of trade estimate is a deficit of \$4.1 bn, down from a surplus of \$2.9 bn
- ✓ The terms of trade have also deteriorated from 29.7 in 2019 to 24.1
- ✓ Export prices - mainly oil and gas - have changed by -35.5%
- ✓ Import prices - mainly equipment, machinery and raw materials - fell by 20.3%

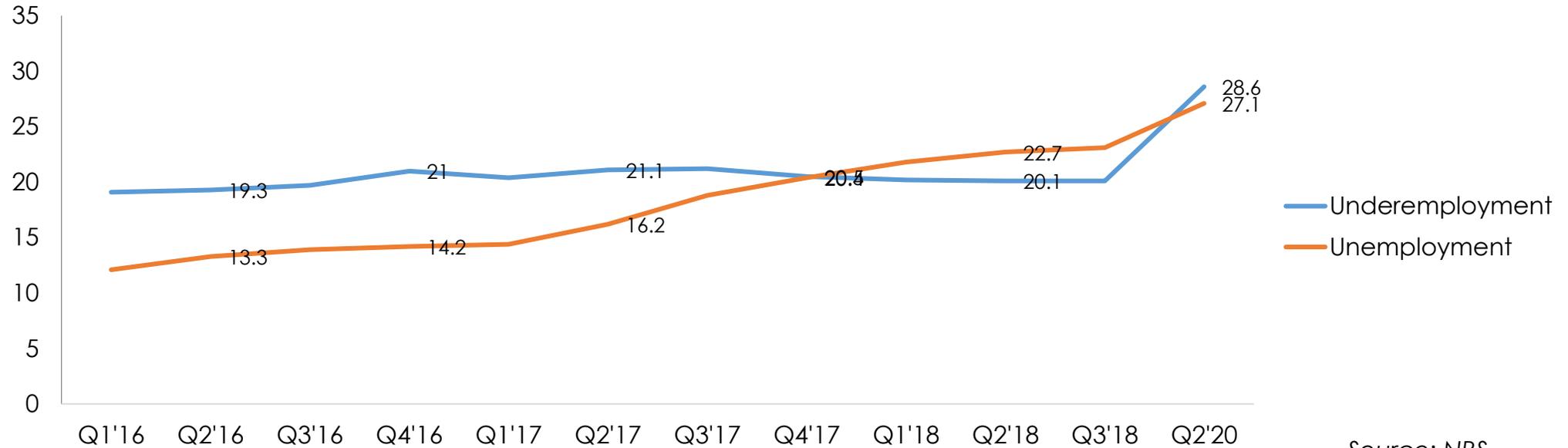
Snapshot of the economy

- ✓ Nigeria's share of world exports of goods has fallen from 0.35% to 0.25%
- ✓ Nigeria's share of inward direct investment flows has dropped sharply from 0.31% to 0.19%
- ✓ Both point towards an external sector weakness, exacerbated by erosion of investor confidence
- ✓ Q2 GDP's sharp contraction to a 30-yr low of -6.14% from 1.87% in Q1
- ✓ Only 13 of the 46 activities grew positively, 33 contracted



Snapshot of the economy

Underemployment v Unemployment



Source: NBS

- ✓ The five sectors with the highest job elasticity & labor intensity shrank by 30.25% (avg.)
- ✓ Casual labor and the informal workforce more impacted by lockdown
- ✓ Total pension assets have risen to N11.1 trn(7.3% of GDP) Pension assets have increased by 29% between 2018 & 19

Data points released in the last four weeks

- ✓ Q2 GDP growth
- ✓ Unemployment & underemployment statistics
- ✓ Capital importation
- ✓ July inflation
- ✓ NBS COVID impact monitor (July)

Economic growth vs employment

Fastest Growing Sectors

Sectors	Q2 growth rate (%)	Level of employment (mn)	Share of total employment (%)
Finance & Insurance	18.49	0.88	1.5
ICT	15.09	0.39	0.7

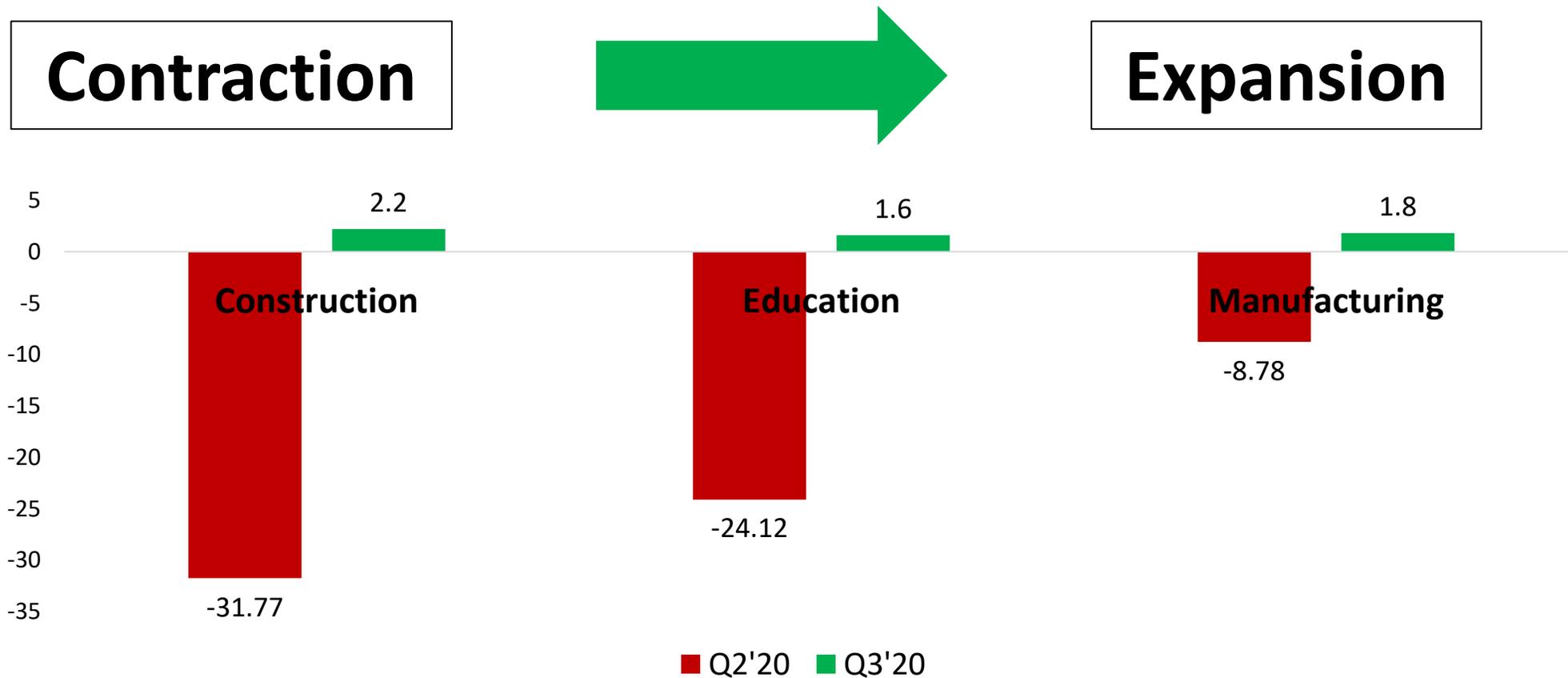
Slowing & Contracting Sectors

Sectors	Q2 growth rate (%)	Level of employment (mn)	Share of total employment (%)
Transport & Storage	-49.23	2.39	4.0
Construction	-31.77	1.61	2.7
Trade	-16.59	10.02	16.9
Real estate	-29.53	0.07	0.1
Manufacturing	-8.78	4.92	8.3
Agriculture	1.58	32.36	54.7

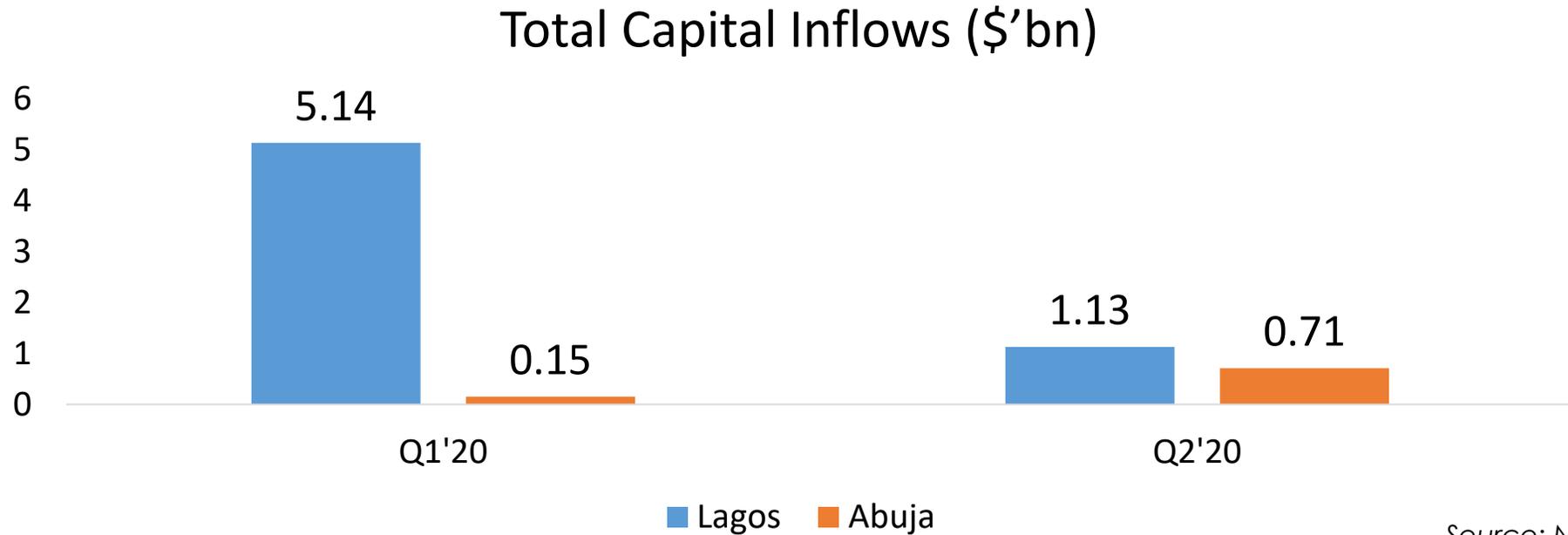
- ✓ The fastest growing sectors are employment inelastic
- ✓ Account for 2.2% of total workforce
- ✓ Contracting sectors (19.7% of total)
- ✓ Informal employees are 80.4% of total employment

Source: NBS, World Bank

Sectors likely to move from contraction to expansion



Capital importation – Lagos & Abuja remain attractive destinations



- ✓ Lagos remains a leading investment destination
 - ✓ Accounting for 87.3% of total capital imports into the country
- ✓ Ogun state is gaining traction as a destination
 - ✓ Capital imports into state increased by 547% to \$11 mn in Q2

THE REWARD FOR EXCELLENCE

After more than a decade of superior performance delivered through innovation and selfless commitment to transforming the lives of millions of Africans, the Dangote Group has been honored with three deserving awards for its outstanding contribution to Africa at the THISDAY Award of The Decade ceremony.

Congratulations to Aliko Dangote
and Dangote Industries



THE COMPANY
OF THE DECADE



THE ENTREPRENEUR
OF THE DECADE



THE CEO OF
THE DECADE



[f](#) [t](#) [e](#) @DangoteGroup [globe](#) www.dangote.com

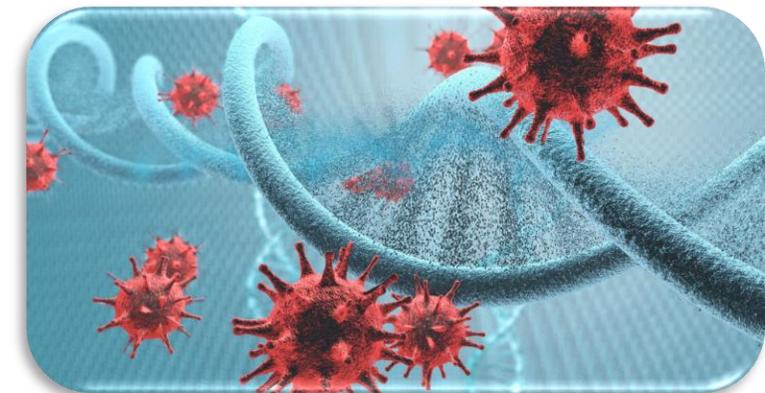
Cement | Sugar | Salt | Rice | Oil & Gas | Fertilizer | Petrochemical | Automotive | Polysacks | Logistics | Real Estate | Maritime | Mining | Energy | Infrastructure

NBS COVID impact monitor



NATIONAL BUREAU OF STATISTICS

- ✓ Back to work numbers rising: 81% of pre-pandemic levels
 - ✓ Returning workers in urban areas are 11% below pre-pandemic level
- ✓ Agricultural sector recorded the largest employment recovery
 - ✓ 76% returned to work in July amid the harvest season
 - ✓ Access to farming inputs and fertilizer constrained
- ✓ 90% of households affected by food price increases
 - ✓ Food inflation is 15.48%



Policy pronouncements

- Cost reflective electricity tariffs commenced on September 1
- FG approves one year waiver of import levy on electricity meters
- Resumption of international flights postponed to September 5
- CBN to resume forex sale to BDCs on September 7
- CBN introduces price verification to avoid over invoicing
- Prohibits LCs in favor of buying agents



Policy pronouncements

- CBN pegs interest rate on savings deposits at 10% of monetary policy rate per annum (1.25%)
- Nigeria paid N5.3 billion for fuel subsidy in June
- More restrictions on domiciliary account transfers
- Diaspora dollar T/Bills to be issued at a premium



The new minimum savings interest rate – matters arising

CBN Introduces New Guideline

- ✓ Minimum savings interest rate reduced to 1.25%p.a from 3.75%p.a
- ✓ Lowest level of savings interest rate since 2013

Basis for Reduction

- ✓ To increase net interest margins of banks
 - ✓ Average net interest margin – 7.93% (2017)
- ✓ Banks are sweltering from squeezed margins and sterilized CRR (27.5%)
- ✓ Higher impairments and provisioning on risk assets (N1.9trn)

Savings penetration and growth

- ✓ Minimum interest rates is another form of price control
 - ✓ First introduced in 2014
- ✓ Savings penetration and growth has improved significantly over the years
 - ✓ Savings deposit/GDP increased to 4% in 2019 from 3% in 2013
 - ✓ It has grown 3x faster than other deposits
 - ✓ Accounted for 23% of system deposits in 2019 compared to 14% in 2013



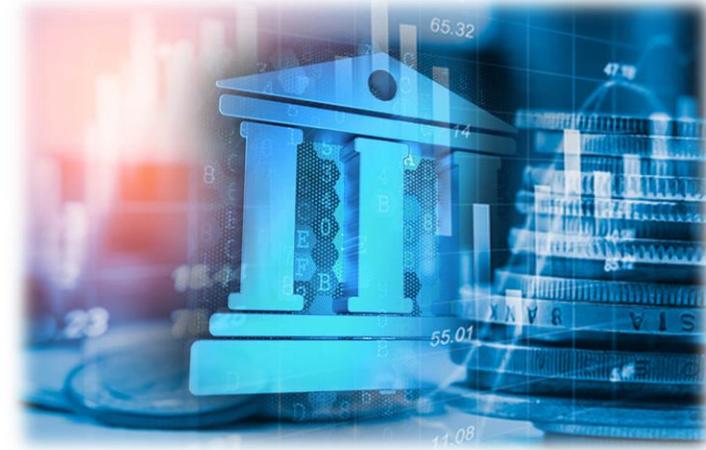
Impact on the banking sector - Positive

- ✓ Lower savings interest rate will boost banks earnings in 2020 most especially in Q4
- ✓ Banks with relatively higher funding costs and high savings mix to benefit more
 - ✓ Zenith (23.65%), GTB (27.26%)
- ✓ Banking equities could be a net beneficiary given scope for continued dividend payments
- ✓ And unwillingness of PFAs to take additional duration risk



Impact on the banking sector - Negative

- ✓ Lower interest rates at a time of rising inflation will further widen the negative real rate of return on investment
- ✓ It could increase the marginal propensity to consume (MPC) and stoke inflationary pressures
- ✓ Naira weakness will increase capital flight out of Nigeria



Policy impact analysis

1. 2nd wave/surge & precision lockdown leading to W-shaped curve
2. 2nd major stimulus plan
3. Forex unification
4. More forex controls & intervention
5. Subsidy removal & reduction
6. Opening land borders
7. Cost reflective tariffs
8. Tightening monetary policy
9. Policy decisions that will change the trajectory



High Impact (HI)	2 3	1 5	7 8
Medium Impact (MI)		9	6
Low Impact (LI)	4		
	Remote Probability (RP)	Medium Probability (PP)	High Probability (HP)





Global Developments

World economy: Post COVID recovery

The
Economist

INTELLIGENCE
UNIT

- ✓ COVID-19 pandemic is a game changer for the global economy
- ✓ Global growth to recover to pre-COVID levels in 2022
- ✓ China will be an outlier, recording positive growth in 2020
- ✓ Other Asian countries will recover the fastest, with some returning to pre-COVID levels in 2022
- ✓ Recovery path will take a longer time in emerging markets compared to advanced economies
- ✓ South Africa will suffer one of the slowest recoveries in SSA – Q4'2024

Nigeria's trading partners : Post COVID recovery

- ✓ Trade is crucial for economic recovery
- ✓ Average recovery time for Nigeria's top trading partners is Q3'22
- ✓ All top export destinations expected to recover in 2022 except Belgium
- ✓ Nigeria's recovery will be highly dependent on the performance of its leading trading partners
- ✓ Nigerian share of world exports has dropped from 0.35% to 0.25%



Top Trading Partners

Trading Partners	Share of Total Trade (%)	Recovery Time
India	35.0	Q1'22
China	30.0	-
US	10.2	Q3'22
Belgium	7.1	2023
Indonesia	7.8	2022
France	6.5	Q4'22

Source: EIU

Need To Open A Business Account With Ease?

**Fidelity's SME Online Account
Opening Portal Has Got You Covered**

Log on to www.fidelitybank.ng or sme.fidelitybank.ng
to get your business account in 5 minutes!





Domestic Economic Performance

Of the 10 indicators



4 positive



6 negative

Leading economic indicators - Output

LEI	Jul'20	Aug'20	%Change
GDP growth (%)	1.87 (Q1'20)	-6.1 (Q2'20)	-7.97
Inflation (%)	12.56	12.82	0.26
Oil production (mbpd)	1.5 (June)	1.49 (July)	-0.67
Oil price (\$pb; avg)	43.22	45.04	4.21
FBN PMI (end)	52.8	52.3	-0.95
Ships awaiting berth (Lagos Port)	27	38	40.74

Source: CBN, NBS, EIU, OPEC, FBNQuest

Leading economic indicators - Markets

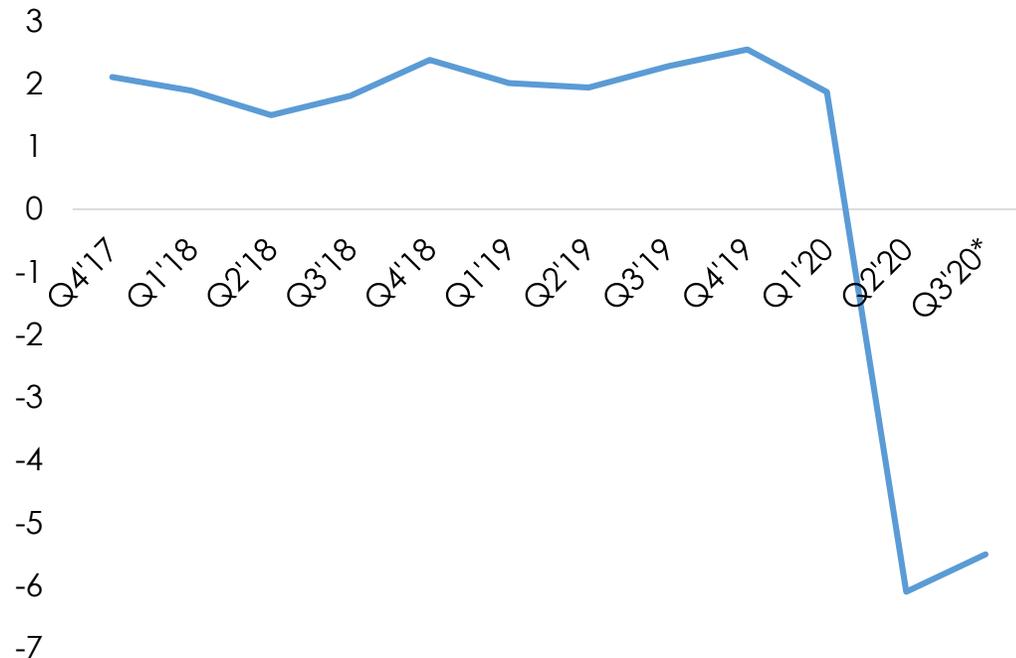
LEI	Jul'20	Aug'20	%Change
Primary T-Bills (%): 91-days	1.20	1.15	-0.05
Average opening position (N'bn)	246.43	326.96	32.70
External reserves (\$bn; month-end)	35.88	35.66	-0.61
Exchange rate (N/\$; month-end: Parallel)	475	465	2.11

Source: CBN, NBS, EIU, OPEC, FBNQuest

GDP contraction to linger through H2'20



Real GDP (%)



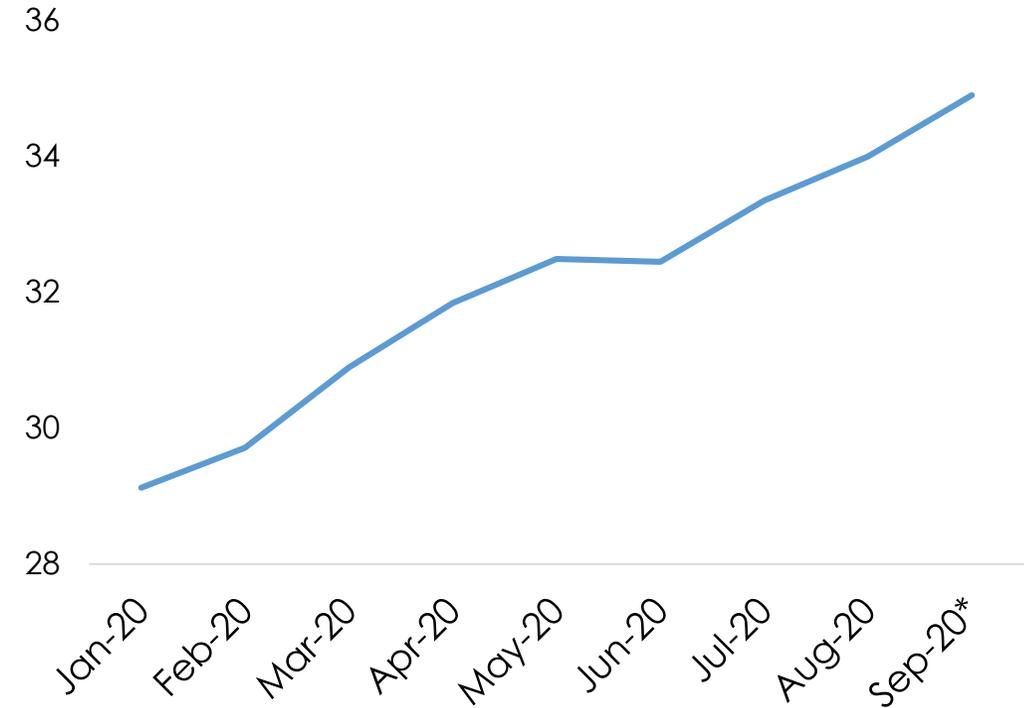
- ✓ GDP growth will remain negative in Q3'20
- ✓ Contraction will not be as sharp as Q2'20
- ✓ Owing to gradual recovery in economic activities
- ✓ Economy already in a recession
- ✓ Recovery not likely until 2021

Money supply edging higher to N35trn

- ✓ M2 to maintain steady rise on gradual reopening of the economy
 - ✓ August estimate: N34 trn
 - ✓ September estimate: N34.9 trn
- ✓ To reflect
 - ✓ Increased consumer expenditure
- ✓ Cash transactions will remain limited
- ✓ Could stoke inflationary pressures



Money Supply (N'trn)



Source: CBN, FDC Think Tank

Inflation stoking vs inflation moderating factors



Inflation Stoking

- ✓ Increase in PMS (N148.7/\$)
- ✓ Electricity tariff hike
- ✓ High logistics cost (Third Mainland Bridge closure)
- ✓ Exchange rate pass through



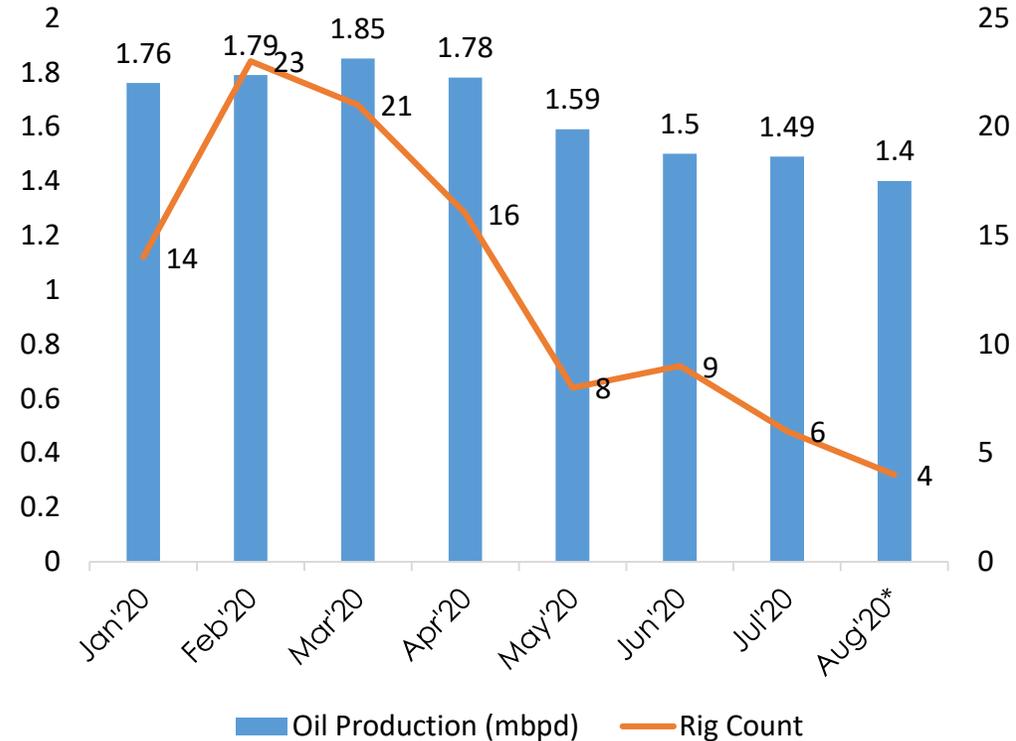
Inflation Moderating

- ✓ Harvest season
- ✓ Increase in output - reopening of more companies
- ✓ Boost in economic activity level

Inflation stoking factors likely to outweigh moderating factors

Oil production & rig count to fall

- ✓ Nigeria's oil production and active rigs fell to 1.49 mbpd and six in July
- ✓ To fall further in August/September to
 - ✓ Oil production: 1.4mbpd
 - ✓ Active rigs: 4
- ✓ As OPEC clamps down on cheats
 - ✓ Nigeria still paying for cheating its quota
 - ✓ OPEC+ strict with compliance rate above 97%



Source: OPEC, Baker Hughes, FDC Think Tank

The naira exchange rate dynamics

- ✓ Short-term outlook is for the naira to trade close to its PPP value – N405/\$
- ✓ The level of overvaluation based on current account surplus has been mostly bridged
- ✓ The price of crude oil has recovered over 30% from its Q2 low to \$46 pb
- ✓ The demand for forex is likely to be approx 60% of pre-COVID levels
- ✓ The supply will spike initially to approx 75% of Q1 levels
- ✓ The parallel market will appreciate towards N420/\$ in September before sliding back towards N430/\$

Current multiple exchange rates

	N/\$	N/\$
Official selling rate	382	-
IEFX	390	-
Parallel	435	-
NDF's - 90 days	403.50	407.50
180-days	423.00	428.00
360-days	463.50	470.50

- ✓ The World Bank will disburse the \$750 mn power sector funding in October
- ✓ Year-end convergence will be between N420/\$-N430/\$ to clear the market
- ✓ Manufacturers and importers will blend and close transactions at N420/\$ in Q4

PPP value of the naira – N400.87

Purchasing Power Parity			
Aug-20			
	=N=	US \$	PPP (=N=/US\$)
Bottle of Pepsi (50cl)	100	2.65	37.74
Beer (60cl)	260	2.91	89.35
Hamburger (Johnny Rock)	3,800	4.59	827.89
Indomie	2,300	3.65	630.14
Toyota Corolla	25,000,000	21,980	1137.40
Bottled Water (150cl)	120	1.31	91.60
Big Loaf Bread	450	2.39	188.28
Irish Spring Soap (1 cake)	300	0.86	348.84
Chicken Drumsticks (1 ki)	1,800	4.15	433.73
Eggs (Big Size)	1,000	4.47	223.71
Average PPP			400.87
Naira Price at IEFX			385.67
PPP (%)			
Decision: Naira is		overvalued	3.94%
Spot Rate (Parallel)			435
Outcome: Compared to IFEX rate of N385.67/\$1, the Naira is overvalued by 3.94%			

Currency Overvaluation of 3.94%, within the IMF comfort zone



Success is built with YOU

125 years of supporting and enabling dreams, 125 years of resilience, relevance, trust, safety and security. Let's continue working to create your envisioned success together.

Visit www.firstbanknigeria.com to learn more about us.

FIRSTBANK IS AN FBN HOLDINGS COMPANY   LISTED



-You First-



Market Proxies

Validating the slow & gradual recovery in GDP growth

PMI – FBN falling but positive, CBN rising but negative

✓ PMI reading mixed in August

✓ FBN  to 52.3 points

✓ CBN  to 48.5 points

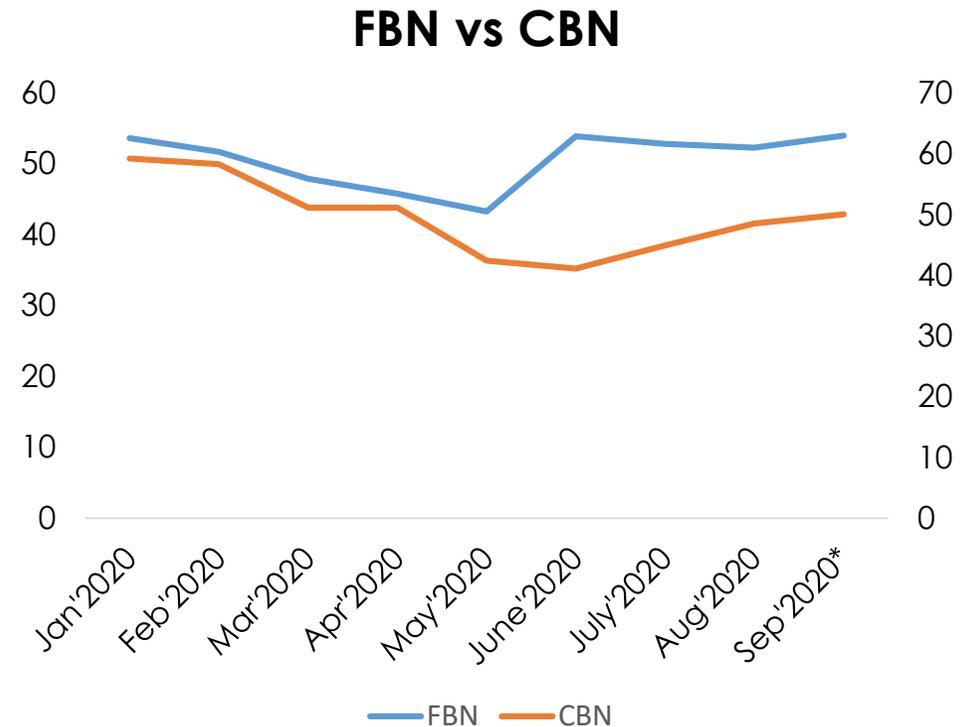
✓ Most sub-indices are increasing

✓ Output rose to 55.5 points due to

✓ Higher consumer demand

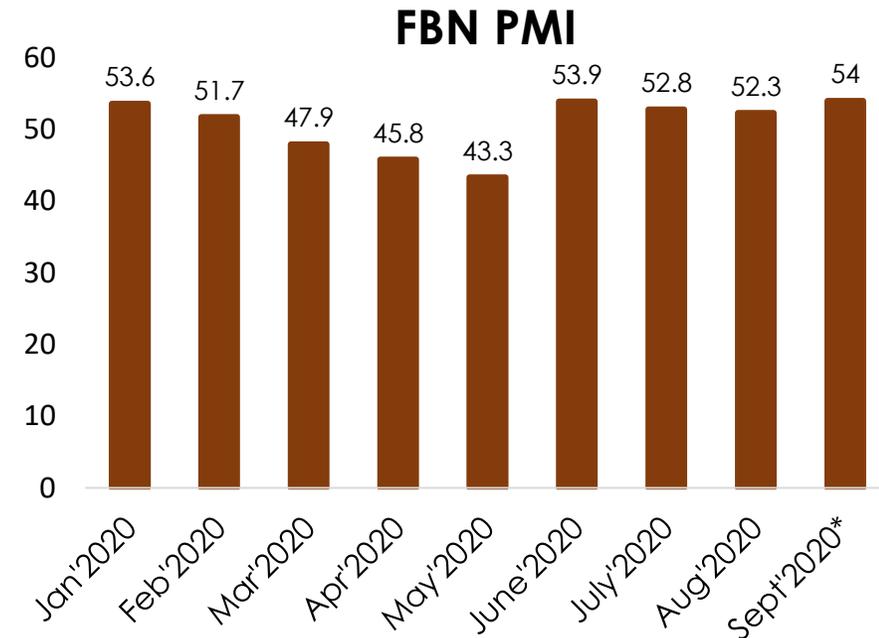
✓ Better access to raw materials

✓ Revamped marketing strategies



FBN PMI will stay above 50 points through Q4

- ✓ Manufacturing PMI to remain in the expansion territory
- ✓ Could reach 54 points in September
- ✓ This will be driven by
 - ✓ Reopening of more businesses
 - ✓ Gradual pick up in economic activities
- ✓ Aggregate output and demand levels to keep rising



FAAC disbursements increase on higher oil prices & exchange rate changes

✓ FAAC for September to inch up to N700

bn

✓ Due to higher oil prices

✓ Exchange rate gains

✓ VAT rate revenue

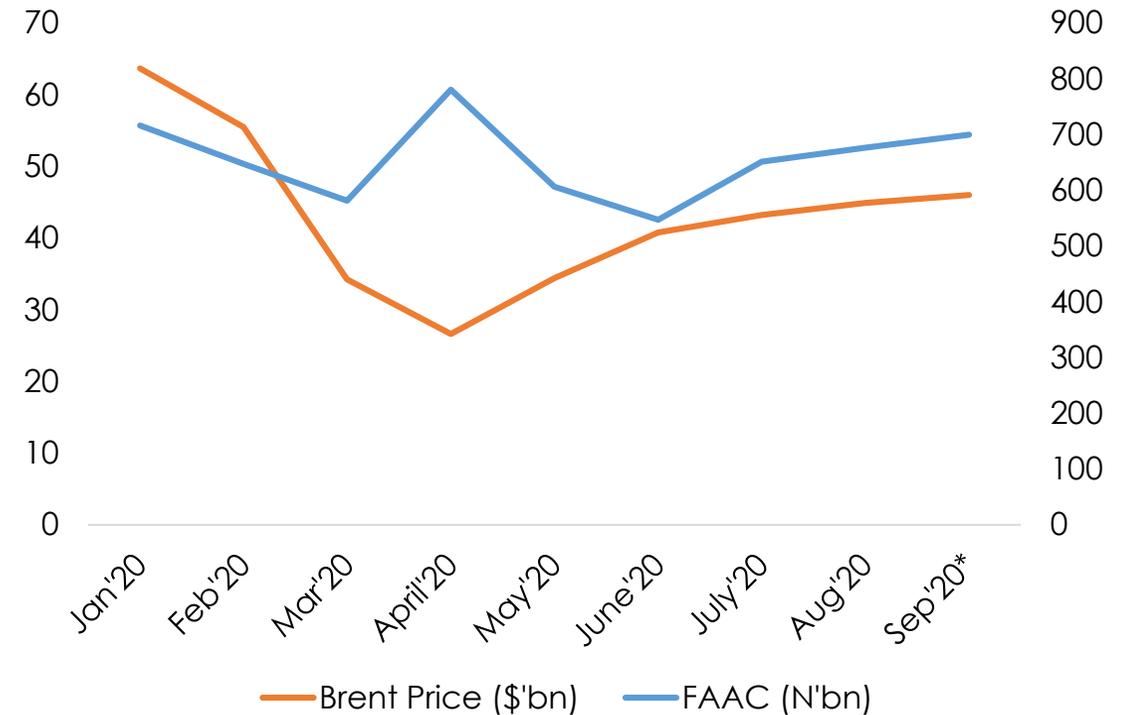
✓ Subsidy reduction

✓ Rate of increase would be capped by

lower oil production (1.4mbpd)



FAAC vs Oil Price



Source: NBS, FDC Think Tank

Ships awaiting berth



- ✓ Massive congestion of vessels in Lagos ports
- ✓ As forex supply increases, ships will increase
- ✓ Vessels awaiting berth up 24% to 46 from 37 in July
 - ✓ Lagos ports: 38 in August from 27 in July

Source: NPA, FDC Think Tank

Sea Port	Vessels awaiting berth (July)	Vessels awaiting berth (August)
Xmas inventory build-up	10	24
Lagos - Tincan	17	14

Peak energy generated above 5,000MWh/hr



5420MW

Peak energy generated



4052MWH/H

Average energy generated



0

Total grid collapses



61407

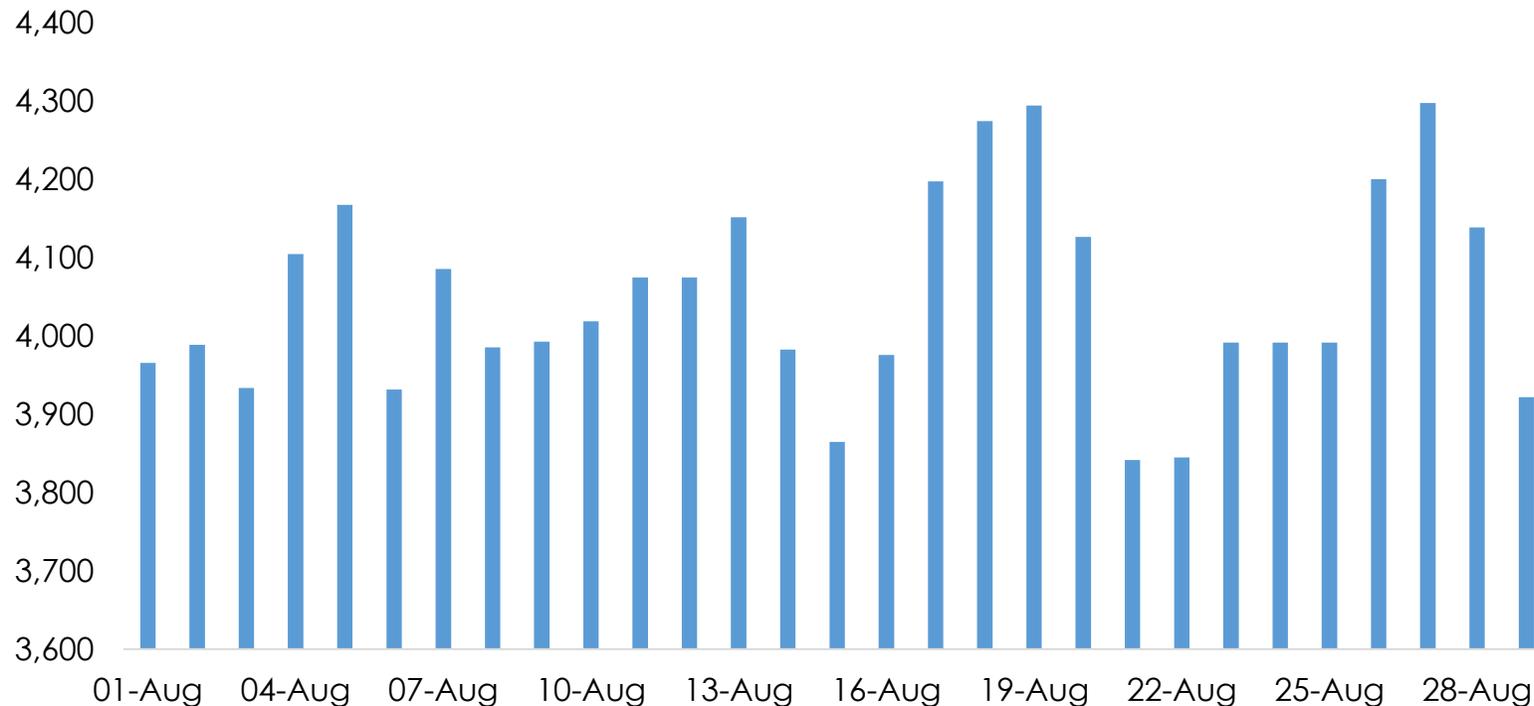
Constrained revenue (Million naira)



4264MWH/H

Total constrained energy

Power Output (MWH/hr)



✓ Average power output above 4,000MW in August

Source: Lavayo



Ability + Preparation + Focus
= **Perfect Execution.**

Advisory Services

Energy | Finance | Strategy

 **Lavayo**
Navigate. Analyze. Deliver.

Find out more:
www.lavayo.com

Power sector news

- ✓ FG begins restructuring of power ministry
- ✓ NERC sets new rules as new tariff takes effect September 1
- ✓ Nigerians consume N293 bn electricity in five months
- ✓ Presidency approves 1-year tax waiver for import of electricity meters
- ✓ Nigeria to boost investment with annual \$100 bn power sector infrastructure



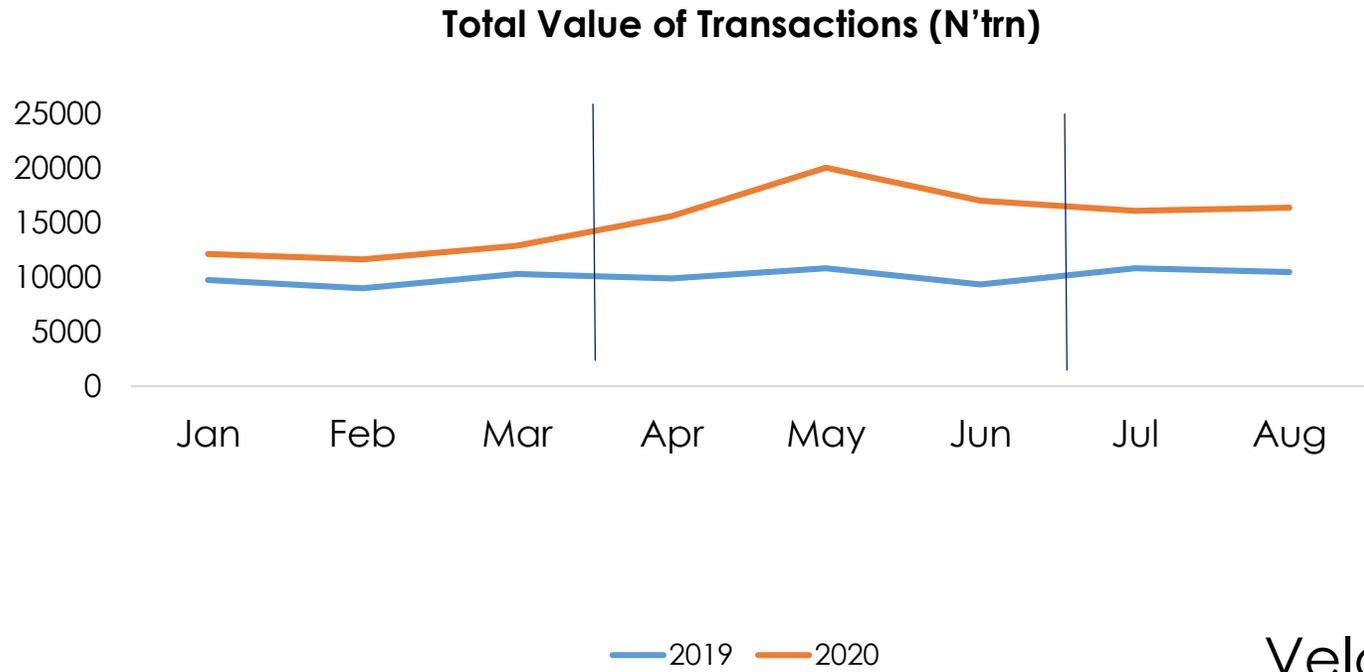
E-payments Up!
GDP down!



*Paradoxical Inverse Relationship between E-payments Value & GDP
growth*

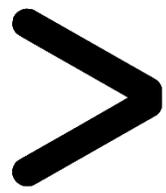
Will correct itself in the next few quarters!

Total Value of Transactions – Up 52% as GDP Contracts 6%



Velocity of circulation = 5x

Total value of transactions in 2020 (N121.84trn; Jan-Aug)



52.0%

Total value of transactions in 2019 (N80.30trn; Jan-Aug)

Value of Transactions Climbed in August (N16.38trn)

	Value (N'bn)	Change in Value (%; m-o-m)
Cheques	276.27	↑ 11.08
POS	386.35	↓ 6.01
NIP	14,645.67	↑ 2.44
NEFT	1,076.41	↓ 16.88



- ✓ There is a disconnect between growth in transactions and GDP growth
 - ✓ Value of transactions in August 2020 6.7% higher than August 2019 (N10.46trn)
- ✓ Likely due to exchange rate adjustments
 - ✓ Increase in government expenditure
 - ✓ Receipts from international funding (IMF & World Bank)



Policy response, agenda & impact

Is government spending appropriate & adequate??

Contraction vs ammunition

✓ Q1'20: 1.87%

✓ Q2'20: -6.10%

Contraction: **7.97%**

As a % of GDP: N12 trillion

vs ESP stimulus: N2.3 trillion

Gap: N9.7 trillion

✓ Government spending is appropriate but inadequate to combat economic downturn

✓ Stimulus can only cover 19% of GDP contraction

✓ Investors on the lookout for adequate and appropriate policy response



Stock Market Review

Nigerian stock market in August

- ✓ Market cap  2.32% to N13.2 trillion
- ✓ NSE ASI  2.27% to 25,327.13
- ✓ 14 days positive, 17 days negative
- ✓ P/E  1.48% to 8.90x

Peer Comparison

Exchange		YTD Return	Driver
NSE ASI		5.73%	<ul style="list-style-type: none"> • Reduced losses driven by positive earnings surprise by some companies • Pricing-in of export capability of industrial players
JSE ASI		2.39%	<ul style="list-style-type: none"> • Local political turmoil
GSE		18.19	<ul style="list-style-type: none"> • Negative sentiment driven by lingering bank concerns • Concerns about political risk • Restriction on dividend payment

Stock market in August

✓ NSE ASI  2.27% to 25327.13

✓ P/E ratio up  to 8.90x

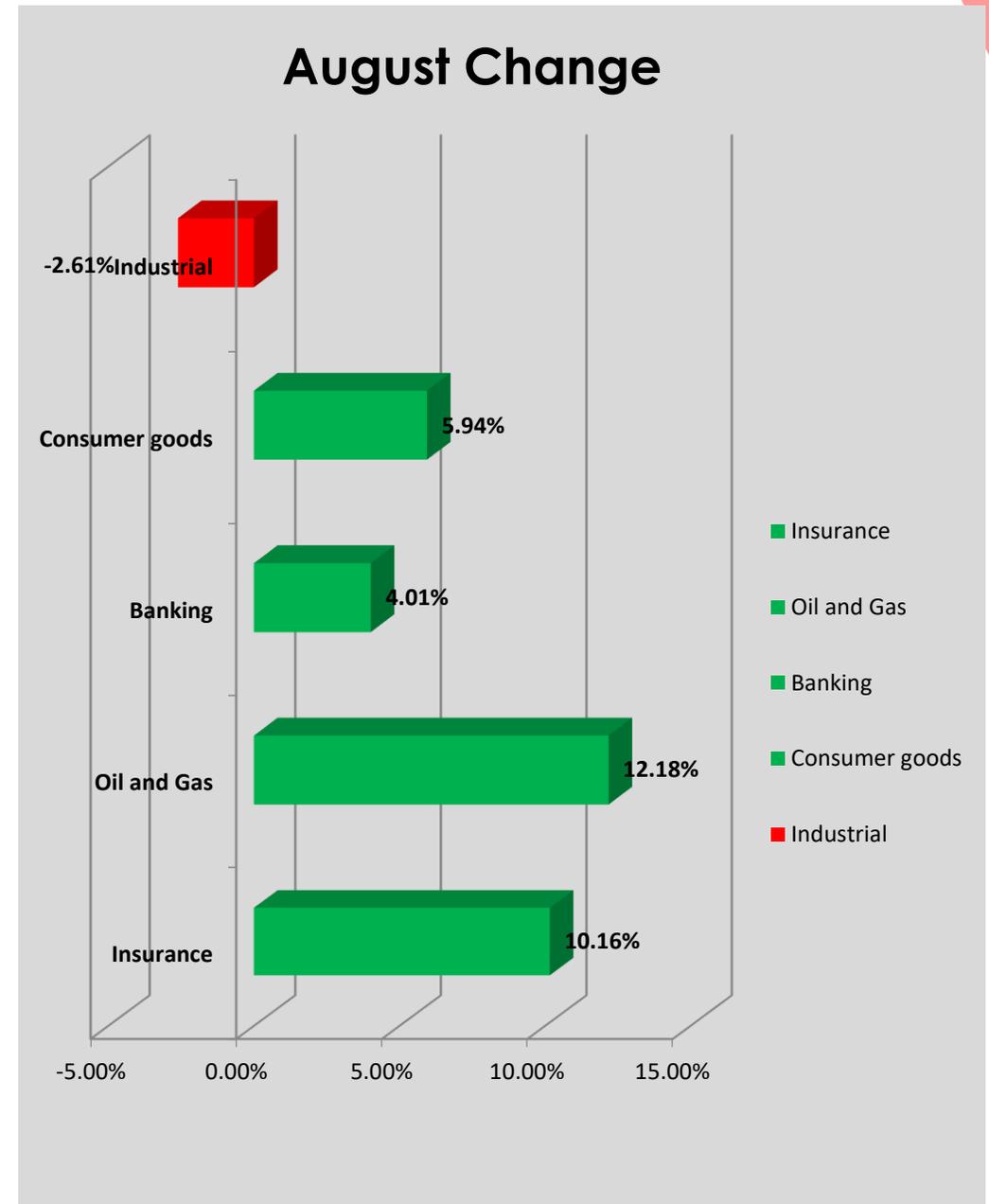
✓ All sub indices are in the green except industrial sector



✓ Oil and gas sub-index recorded best performance

✓ Driven by gains in Seplat and Mobil

✓ Loss in industrial sector driven by fall in Dangote cement's share price



Global dividend slumps by 22%

ANNUAL DIVIDENDS BY REGION (US\$ BILLIONS)

Region	2016	%*	2017	%*	2018	%*	2019	%*	Q2 2019	%*	Q2 2020	%*
Emerging Markets	\$89.2	-22	\$105.8	19	\$127.5	20.6	\$141.9	11.3	\$37.9	18.9	\$35.7	-5.9
Europe ex UK	\$223.2	5	\$225.1	1	\$256.6	14.0	\$251.4	-2.0	\$150.3	-6.1	\$83.4	-44.5
Japan	\$64.7	23	\$70.0	8	\$79.1	13.0	\$85.4	8.0	\$39.3	9.4	\$37.7	-4.2
North America	\$445.0	1	\$475.7	7	\$509.7	7.2	\$535.1	5.0	\$133.9	5.2	\$134.0	0.1
Asia Pacific	\$117.8	3	\$141.6	20	\$150.4	6.3	\$147.7	-1.8	\$39.7	-6.3	\$32.9	-17.2
UK	\$93.0	-3	\$95.7	3	\$99.6	4.1	\$105.8	6.2	\$34.5	7.9	\$15.6	-54.2
Total	\$1,032.9	0	\$1,113.8	8	\$1,223.0	9.8	\$1,267.3	3.6	\$435.6	1.4	\$339.2	-22.0
Divs outside top 1,200	\$131.1	0	\$141.3	8	\$155.2	9.8	\$160.8	3.6	\$55.3	1.4	\$43.0	-22.0
Grand total	\$1,164.0	0	\$1,255.1	8	\$1,378.2	9.8	\$1,428.1	3.6	\$490.9	1.4	\$382.2	-22.0

- ✓ Impact of COVID-19 varied
 - ✓ Marginal growth in North America induced by resilience in Canada's dividend
 - ✓ UK and Europe mostly contracted

Corporate Actions

- ✓ 58 quoted companies on the NSE announced dividend payments so far
 - ✓ Average dividend yield of 8.2% higher than average yield of 7.25% of CPs issued
- ✓ 22 banks embark on loan restructuring due to COVID-19
 - ✓ 41.2% of the total industry loan portfolio
- ✓ Tier 1 banks delay the release of H1 '2020 result – set to release result before the end of Q3'2020
- ✓ Apex bank sets minimum capital requirement for payment service banks at N5 bn to promote financial inclusion
 - ✓ Airtel Africa partners with Standard Chartered Bank and Money Gram to boost mobile money payments in and beyond Africa
- ✓ Axa Mansard Insurance divests from Axa Mansard Pension
 - ✓ Eustacia Limited emerges as the preferred bidder and new owner

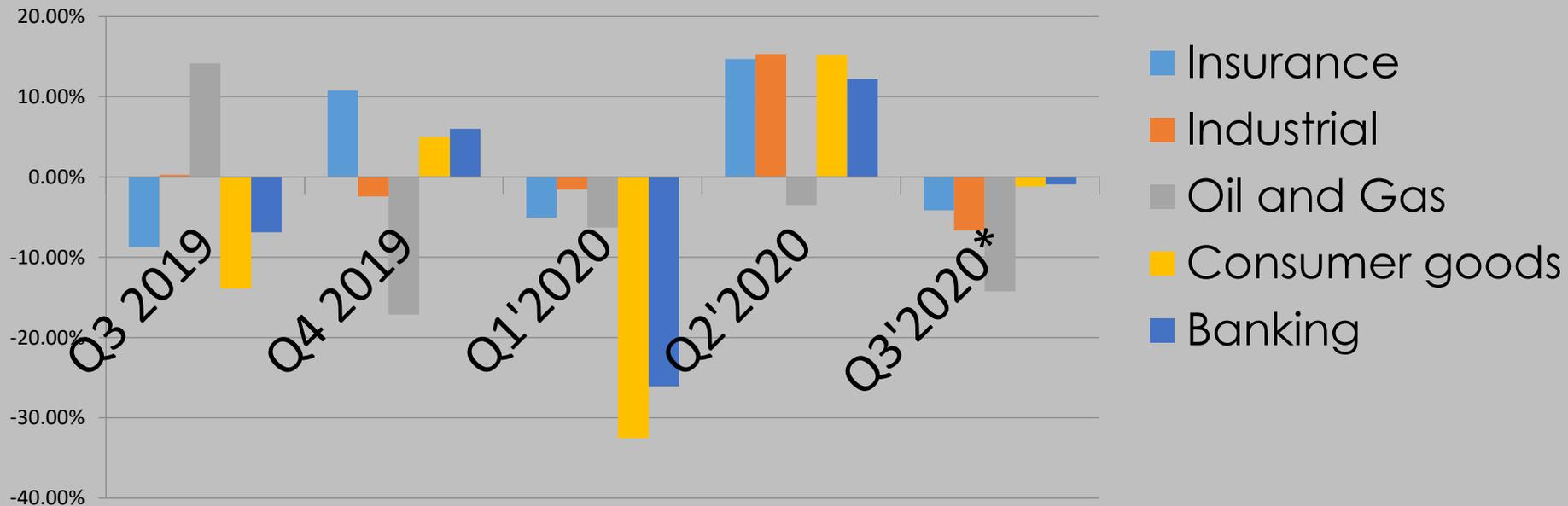


Sectoral Outlook-Q3'2020

Sector	Growth rate (Q3'2019)	Current Growth rate (Q2'2020)	Expected Growth rate (Q3'2020)*	Comments
Oil Sector	 6.49%	 6.63%	 4.5%*	High oil price to impact sector growth but capped by oil production
Finance and Insurance	 3.72%	 20.82%	 18%*	Low interest environment and increased e-payment channel
Agriculture	 2.28%	 1.58%	 3.9%*	Higher output due to harvest season
Telecommunications	 12.16%	 15.60%	 17.2%*	Active Internet usage and subscribers
Manufacturing	 1.10%	 8.80%	 3.5%*	Exchange rate appreciation to likely reduce operating cost
Construction	 48.80%	 31.77%	 5.25%*	Increased government capital projects
Accommodation	 19.43%	 40.19%	 15.2%*	Reopening of hotels to mildly impact sector growth
Education	 1.19%	 24.12%	 25.7%*	Slow transitioning process due to inadequate infrastructure

Sectoral share price movement

Share Price Movement



- ✓ All sectors largely impacted by the pandemic shock in Q1'2020
- ✓ Oil and gas sector reflective of slump in oil price in Q2'2020
- ✓ Expected positive share price movement for banking and consumer goods sector by the end of Q3'2020



Leo

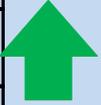
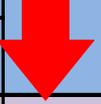
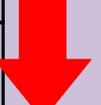
on WhatsApp

Chat on +234-903-000-2455

- Check Account Balance?
- Top up your airtime?
- Bank Transfers?
- Bills Payment?

<https://m.me/ubachatbanking> ✉ Leo@ubagroup.com 📞 CFC (+234-1-2807400)

Market sentiment vs economic reality

Sectors	GDP Growth (Q2'2020)	Earnings
Telecommunications	 15.09%	
MTN		Revenue  12.6%, PAT  4.7%
Airtel		Revenue  6.9%, PAT  56.9%
Manufacturing	 8.78%	
Guinness		Revenue  21%, PAT  329%
Nestle		Revenue  0.35%, PAT  20.75%
Banking	 28.41%	
FBN		Revenue  5.6% PAT  50.63%
Oil and Gas	 6.63%	
Mobil		Revenue  13%, PAT  40%
Insurance	 29.53%	
Custodian		Revenue  15%, PAT  11%
AllCO		Revenue  24%, PAT  2%



Outlook for stock market

- ✓ Likely bullish domestic investor sentiment due to:
 - ✓ Increased risk appetite for investors as economy reopens
 - ✓ Bargain hunting for capitalized stocks
- ✓ Net foreign outflow to persist
 - ✓ Weak confidence in the domestic economy
 - ✓ Foreign exchange risk
- ✓ Likely increase in corporate finance activities
 - ✓ As companies reevaluate their strategic position
- ✓ Investors to focus on undervalued stocks with long term growth potentials



Corporate Earnings

Telecom industry (fastest growing)

	MTN	AIRTEL
Revenue	↑ 12.6% to N637 bn	↑ 6.9% to \$851 mn
EBIDTA	↑ 8.2% to N327 bn	↑ 7.9% to \$375 mn
PAT	↓ 4.7% to N95 bn	↓ 56.9% to 57 mn
FCF	↑ 24.7% to N195.6 bn	↑ 59% to \$96 mn
P/E ratio	12.29x	10.75x
YTD stock return	↑ 12.4%	↑ 27.1%



- ✓ Top line figures resilient despite the pandemic and economic downturn
- ✓ Increased finance cost caused by one-off exchange rate adjustment that impacted bottom line figures

Telecommunications industry- outlook

- ✓ Easing of lockdown restrictions to improve revenue mix
- ✓ Challenging business environment requires operational and financial resilience
- ✓ Expansion of coverage and rural connectivity as network traffic increases
- ✓ Intensified competition
- ✓ Macro-economic weakness, oil price and forex volatility will continue to impact consumer demand and spending

Banking industry- H1'2020 result

	FBN Plc	FCMB Plc
Gross earnings	↑ 5.8% to N296.4 bn	↑ 9.3% to N98 bn
Interest income	↓ 7.4% to N131.3 bn	↑ 17% to N45.4 bn
Profit after tax	↑ 56.3% to N49.5 bn	↑ 28.8% to N9.7 bn
Impairment	↑ 38.6% to N30.7 bn	↑ 40.25% to N7.7 bn
Dividend yield	7.25%	6.51%
YTD share return	↓ 23.5%	↑ 16.2%

- ✓ Impressive performance amidst volatile environment
 - ✓ Increased non-interest income
 - ✓ Improved e-banking and digital services
- ✓ Higher provisions
 - ✓ Loan restructuring

Banking industry - outlook

- ✓ Banking services moving from physical, tangible distribution to technology-enabled channels
- ✓ New ecosystem to feature the emergence of roles that challenge traditional banking assumptions
- ✓ Assuming a position that aligns with core capabilities and external environment key to success
- ✓ Business models of today's banks will be challenged
- ✓ Due to decline in barriers to entry for non-banks
- ✓ Declining switching cost resulting from technology advancement to pose a challenge

Banking industry -outlook

- ✓ Banks have relative advantage due to the importance of trust and brand in financial transactions
- ✓ Declining switching cost resulting from technology advancement to pose a challenge
- ✓ Increasing financial disintermediation to put pressure on earnings
- ✓ Over N370 billion raised in CPs by non-banks so far in 2020
- ✓ Need for malleable strategy due to increasing regulatory risk
- ✓ Likely hold on inorganic growth plans

Oil and gas industry- H1'2020 result

	Seplat Plc	11 Plc
Revenue	 26.4% to N80.1 bn	 13.2% to N80.5 bn
Operating profit	 191% to N38.7 bn	 42.04% to N3.7 bn
Profit after tax	 203% to N37.7 mn	 39.6% to N2.5 bn
Dividend yield	9.73%	4.39%
YTD stock return	 41.4%	 30%

- ✓ Performance was generally underwhelming due to
 - ✓ Crash in global oil price
 - ✓ Adverse impact of global pandemic

Insurance industry- H1'2020 result

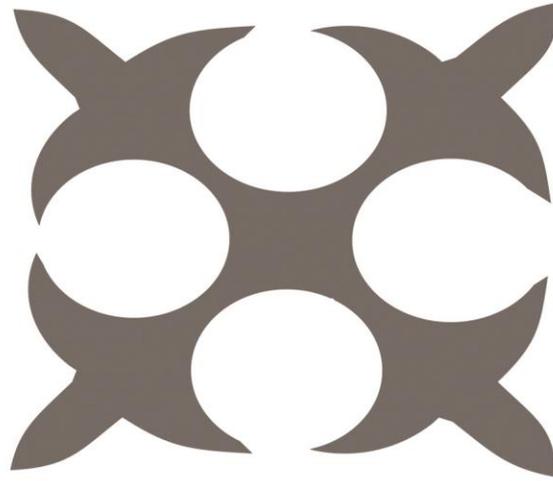
	AIICO	Custodian
Gross premium written	↑ 24% to N29.1 bn	↑ 15% to N35 bn
Net premium income	↑ 25% to N25.7 bn	↑ 15% to N30 bn
PAT	↓ 2% to N2.78 bn	↑ 11% to N4.5 bn
YTD return	↑ 58.3%	↓ 20%



- ✓ Impressive top line figures driven by
 - ✓ Improved regulatory support
 - ✓ Innovation of improved insurance products
- ✓ Likely consolidation across the Industry driven by:
 - ✓ Need to meet up with the new capital requirement

Insurance industry – outlook

- ✓ New recapitalization requirement to result in
 - ✓ Capital raising – 7 players plan to raise around N50bn
 - ✓ Mergers & acquisitions – 6 players notified NAICOM of intention to merge
 - ✓ Intensified competition
- ✓ Recapitalization does not necessarily imply profitability
- ✓ Scale imperative to profitability
- ✓ Increasing poverty rate and decline in purchasing power makes the idea of insurance unthinkable to many Nigerians
- ✓ Need for players to offer specific products desirable to various income and demographic levels



Custodian

...exceeding expectations

■ INSURANCE ■ PENSIONS ■ TRUSTEESHIP

☎ 0700-CUSTODIAN

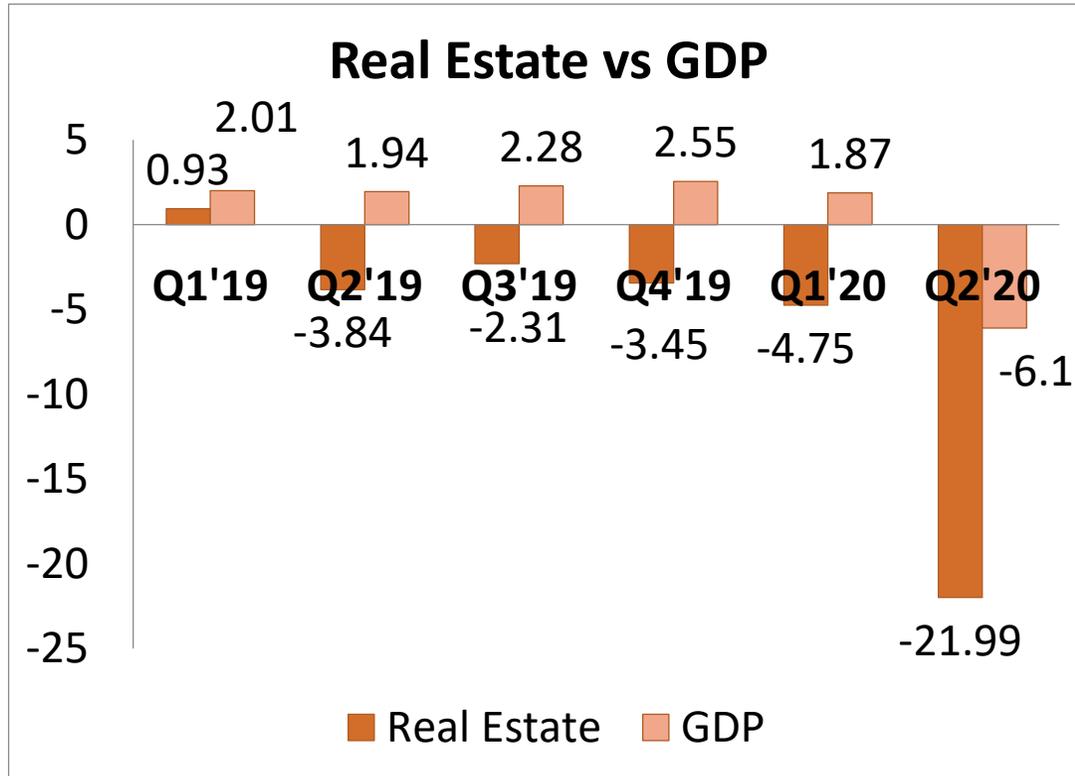
🐦 in f @ CustodianPLC

🌐 www.custodianplc.com.ng



Real Estate Update

Real estate sinks deeper into negative territory



Source: NBS

- ✓ Sector contracted by -21.99% compared to -4.75% in the previous quarter
- ✓ Owing to:
 - ✓ Lower consumer disposable income
 - ✓ Low demand for new buildings as costs climb
 - ✓ Fall in commercial demand as offices shift to remote working
 - ✓ Reduced foot traffic to malls

Stakeholder impact analysis

Asset owners/landlords

- Flexible lease negotiations
- Mismatch for landlords who have dollar loans and naira income



Tenants

- On the hunt for flexible lease and tenancy agreements



Developers

- FX volatility translates to higher import prices
- Macroeconomic environment will negatively impact the investment space



New normal and its impact on real estate

Emerging Trends

Impact on the Sector

Remote working

Reduced demand for physical office space

E-commerce

**Online shopping could translate to an
obsolescence of malls**

Virtual property tours

**Focus shift from physical tours to 3D
technology (proptech effect)**

Virtual learning

**School buildings may require maintenance
once reopened**

Outlook

- ✓ Real estate sector to continue contracting in Q4'20 and Q1'21
- ✓ Demand to be constrained by virtual working and structural displacement
- ✓ Commercial sub-sector will be severely hit by remote working and virtual learning trends
- ✓ Tenants in large malls will struggle to meet rent/lease agreements
- ✓ As e-commerce becomes the new norm





Aviation update

Aviation update

- ✓ The aviation industry got smacked in Q2 & Q3
- ✓ It shrank by 57.38% in Nigeria – due to a total collapse of demand
- ✓ Only occasional evacuation flights and special government delegations were allowed



- ✓ The ancillary services also got hit
 - ✓ Catering, handling, aviation fuel, car hires, maintenance, crew training, runway services etc.
- ✓ Global aviation is in a tailspin
- ✓ Uncertainty has made predicting demand almost impossible

Aviation update

- ✓ This is the worst crisis since aviation started 100 years ago
- ✓ Heathrow Airport, the world's 2nd busiest international airport, saw traffic fall 95%
- ✓ Gatwick has lost the patronage of its top three long haul operations
 - ✓ Norwegian Air, B/A and Virgin Atlantic
- ✓ Gatwick had 15% of UK long haul seats
- ✓ Virgin Atlantic is seeking the financial support of the UK government
 - ✓ It had filed for bankruptcy in Australia and the USA
- ✓ Singapore Airlines, the world's best airline, has announced a major slash to its network and routes

Explore the world be insured



Get AllCO's travel insurance



AllCO Plaza, Plot PC 12 Churchgate Street, Victoria Island, P.O. Box 2677, Lagos, Nigeria
01279 2930, 0700AllContact (0700 2442 6682 28) | aiicontact@aicopl.com | www.aicopl.com

Authorized and Regulated by the National Insurance Commission. RIC No. 004

NAICOM/CA/ADV/2017/1701

Life Insurance | General Insurance | Investments

AIICO INSURANCE
AMERICAN INTERNATIONAL

...stability assured

Aviation update

- ✓ In SSA, the only profitable and cash rich carrier, Ethiopian Airlines, is in red ink
- ✓ It has however turned the corner and is back flying into more than 20 countries in SSA
- ✓ Two other carriers are also operating, though at 40% of capacity
 - Kenya Airways and RwandAir

Domestic aviation

- ✓ 16 of the 22 airports are back in service
- ✓ Enugu is the latest to open after runway rehabilitation
- ✓ The FGN N175 bn aviation intervention fund has been fully disbursed
- ✓ Aero contractors have introduced a twice daily shuttle between Kaduna & Abuja
- ✓ FGN has announced the concessioning process for four airports – Lagos, Abuja, Kano and PH
- ✓ NLC and aviation workers have promised to resist the reform robustly

Domestic aviation

- ✓ International flights will commence on September 5 from Lagos and Abuja
- ✓ We expect the demand for airline travel to reach 30% of pre-COVID levels by December
- ✓ In 2021, the peak will be 50% of 2019 levels of 4 mn
- ✓ Air freight and cargo services will fare much better at approximately 75% of 2019 levels



POLITICS

Political update

- ✓ All eyes are on the Edo state election
- ✓ The polls have tightened in the last three weeks
- ✓ The federal might against the state incumbency is at play
- ✓ The APC squabbling has robbed the challenger of some support
- ✓ It still looks like an incumbent with an edge
- ✓ The Esan people want the incumbent to complete his eight years to enable them take over

Political Update

- ✓ An APC victory will mean Esan will have been excluded from the governorship for 20 years
- ✓ President is emphasizing legacy over the small issues
- ✓ Choosing government over party in the support of working class and popular policies
- ✓ The administration has moved towards accepting a mixed reform policy on the economy
- ✓ The goal is turning abject poverty into shared prosperity

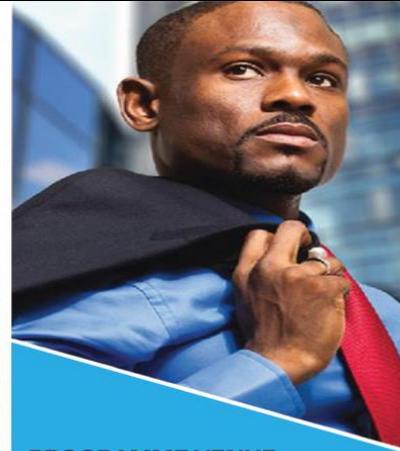
Political update

- ✓ The president wants to keep a distance from interfering in elections
- ✓ The APC is more likely to retain Ondo state
- ✓ The freak tribunal ruling in Bayelsa state is a black eye for the judiciary
- ✓ Proxy battles for the 2023 presidency have heated up
- ✓ The pro and anti zoning forces are at play
- ✓ Some believe zoning is a party arrangement and not a constitutional country requirement
- ✓ The zoning policy will determine the future of the APC and PDP as viable political parties

2020 EXECUTIVE EDUCATION PROGRAMMES

EXECUTIVE PROGRAMMES	DATE	FEE
Advanced Management Programme 34	Starts- June 15	N5,740,000
Advanced Management Programme 35	Starts- August 24	N5,740,000
Management Acceleration Programme 8	Starts- June 22	N1,095,000
Management Acceleration Programme 9	Starts- August 24	N1,095,000
HR Academy	Starts- July 13	N1,800,000
Senior Management Programme 76 (Lagos)	Starts- July 13	N2,932,500
Senior Management Programme 77 (Abuja)	Starts- June 22	N2,950,000
Senior Management Programme 78 (Lagos)	Starts- October 5	N2,932,500
Owner Manager Programme	Starts- September 7	N2,900,000

ONLINE PROGRAMMES	DATE	FEE
Strategic Marketing for Competitive Advantage	June 19 - July 19	N35,000
Making Strategy work in times of global disruption	July 16 - August 6	N100,000
Remodelling Sales for Enhanced Productivity	June 26 - July 17	N150,000
Turning Strategy into Action	August 10 - 14	N262,500
Authentic Leadership	July 6 - August 21	N296,000
Women in Leadership	August 4 - 7	N198,750
Advanced HR Management	July 28- 29	N165,000
Building and Leading the 21st Century Team	August 12 - 22	N273,500
Understanding the Agribusiness Value Chain Seminar	August 13 - September 3	N127,000
Stepping up to Management	September 29 - 30	N165,000
Managing People for Strategic Advantage	August 4 - 6	N232,500



PROGRAMME VENUE

Km 22, Lekki-Epe Expressway,
Ajah, Lagos

TIME: 9:00 am - 5:00 pm

PRIOR REGISTRATION

is mandatory to secure a place on
the seminar.

Discounts (only one category applicable)

10% off For 5 more nominees from the same
company
Per nominees on Corporate Partner
Programmes

15% off Financial members of
LBS alumni Association

 Download detailed calendar from
our website www.lbs.edu.ng

RESERVATIONS/ADDITIONAL INFORMATION

Reservations/ Additional Information:
Efosa Ajorgbor: 0701 990 0758
Vivian Akere: 0708 609 5194
Ben Ellezer: 0808 672 6686

email: exceedsales@lbs.edu.ng

FT Lagos Business School is ranked with
the world's top business schools in
open enrolment executive education
[2007 - 2020] and custom executive
education [2015 - 2020].
Financial Times London



Outlook for September



Partial to full reopening

Outlook

- ✓ The Monetary Policy Committee will maintain status quo again on interest rates
- ✓ The resumed forex sales will bring additional pressure on the naira at N420/\$-N430/\$
- ✓ Money supply growth will expand to above N35 trn
- ✓ Tier 1 banks will release results showing flat performance
- ✓ Stock market will trade horizontally before dipping on poor results
- ✓ International flights will increase mainly to the Middle East, USA and the EU

Outlook

- ✓ The level of new infections will spike in the gateway cities of Abuja and Lagos
- ✓ Fatalities will not rise at the same rate as infections
- ✓ Price inflation will rise marginally towards 12.95%
- ✓ Interest rates in the market will edge up by at least 200 basis points as forex sales commence

Corporate Humour



Every woman should have four pets in her life

- *a mink in her closet*
- *a Jaguar in her garage*
- *a tiger in her bed*
- *a Jackass who pays for everything*
- Paris Hilton

Other people's babies, that's my life,
mother to dozens, and nobody's wife

- A. P. Herbert



Corporate Humour



Democracy must be something more than wolves and a sheep voting on what to have for dinner
– James Bovard

The average girl would rather have beauty than brains because she knows that the average man can see much better than he can think –
Anonymous



Corporate Humour



If you have never been hated by your child, you have never been a good parent – Bette Davis

When a man retires his wife gets twice the husband but only half the income - Anonymous



Corporate Humour



Charity degrades those who receive it
and hardens those who dispense it
- *George Sand*

The trouble with the rat race
is that even if you win you are
still a rat – Lily Tomlin

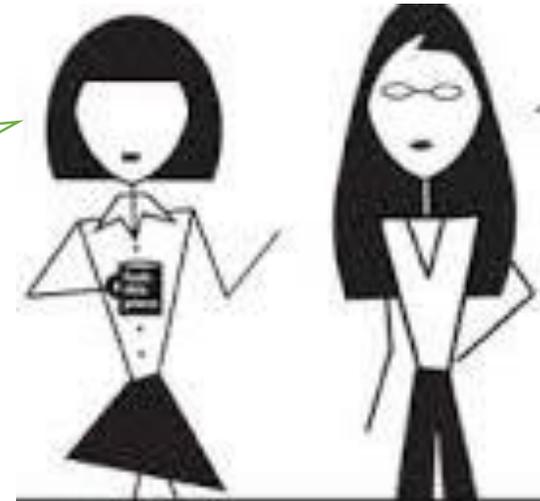


Corporate Humour



A friend in power is a friend lost
– Anonymous

I would rather be a beggar
and single than a queen and
married – Elizabeth 1st



Corporate Humour



Nothing is impossible for the man who doesn't have to do it himself – A. H. Weiler

The reason why worry kills more people than work is that more people worry than work
- Anonymous





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

*Thank
you*

