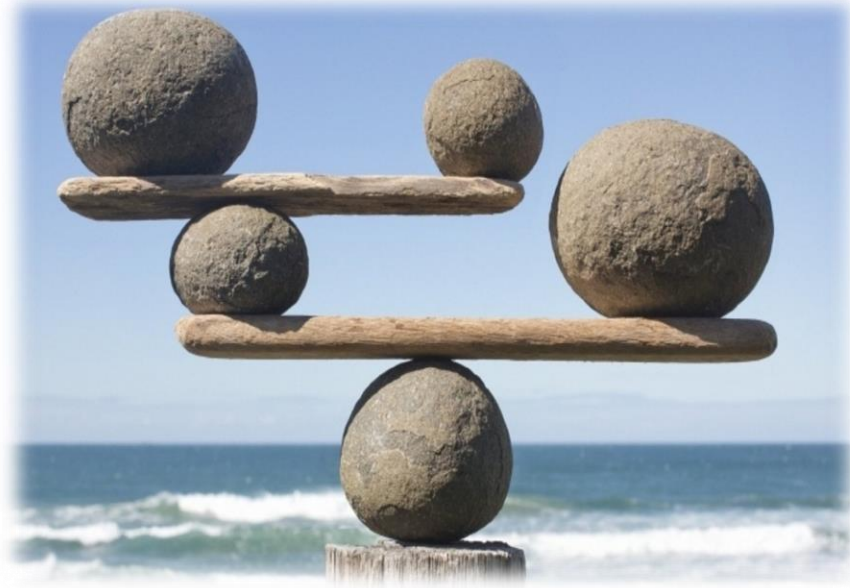
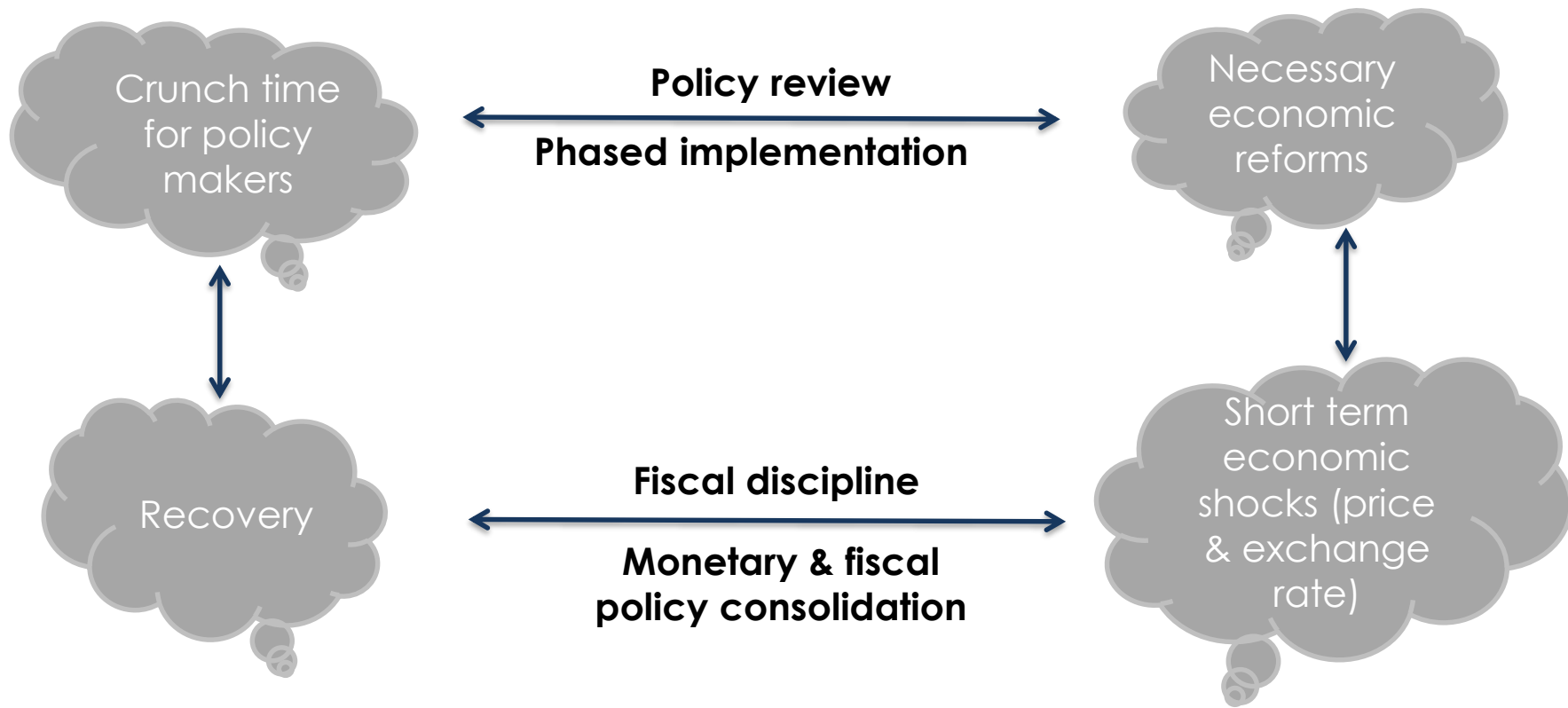


Nigeria at Crossroads!



Short Term Shocks → Fragile Recovery

Presented by Bismarck Rewane
CEO, Financial Derivatives Company Ltd.
November 3rd, 2021



“Economic conditions will get worse before getting better...”

But....



“Soon, your good times will
come”

- Lawrence Guy

Outline



October Highlights



Global & Regional Update



Domestic Economic
Performance



Policy Review & Outlook



Stock Market Review



November Outlook

Global Growth Down, African & Nigerian Growth Up

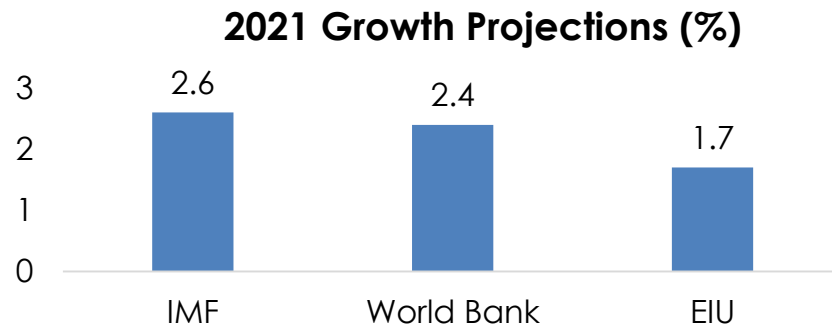


October Highlights

Nigeria's Growth Forecast Revised Upwards - IMF & World Bank

- The IMF & World Bank revised 2021 growth projections for Nigeria upwards

	Previous Forecast	New Forecast
IMF	2.5%	2.6%
World Bank	1.8%	2.4%



- Citing accelerated growth in the service sectors and economic reforms (2.6%)
- EIU projects a less gracious growth rate of 1.7%
- FBN Quest PMI declines from 50.3pts to 49.6pts in October
- GDP numbers to be released Nov 24 – expectations are for a reading of 3.5%

Inflation Slides Again to 16.63% in September

- Headline inflation fell for sixth consecutive month to 16.63% in September – cumulative fall of 1.54%
- M-o-M (1.15%: annualized 14.77%) and core inflation (13.74%) increased
- Indicating that inflation will rise again
- Stoking factors: exchange rate pass through, insecurity, supply chain bottlenecks and higher logistics costs
- Inflation still 7.63% above the CBN's target ceiling of 9%
- CBN unlikely to move on interest rates

IEFX Rate Floats Down to N433/\$, eNaira Launched

- Nigeria is the first African country to launch its digital currency (eNaira)
- IEFX rate fell to N433/\$ before appreciating to N415/\$ - avg. rate N417/\$
- Signaling the CBN's tolerance for exchange rate flexibility (convergence)



Parallel market rate appreciated to N567/\$

The gap between both rates narrowed to N124/\$ from N166.62/\$ in September

- CBN forex supply increasing gradually as oil prices jump
- Average daily turnover relatively flat at \$203.19mn in October
- Still below the optimal level as forex rationing continues

Negative Real Interest Rates Persist

- Yields in fixed income space declining and forcing investors to rotate portfolios in favor of equities
- 364-day t/bill rate down by 51bps to 6.99%pa. The peak rate was 9.4%pa.
- Inflation is falling faster than interest rates
- Narrowing the inflation-interest rate differential

	Inflation (%)	364 day t/bill rate	Differential
September	17.01 (Aug'21)	7.25	-9.76
October	16.63 (Sep'21)	6.99	-9.64

External Reserves Now Approximately \$42bn

- Gross external reserves rose to \$41.8bn
- External debt also sharply higher at \$33.47bn
 - \$4bn Eurobond drawdown & IMF SDR (\$3.35bn)
 - Increased oil sales
- Another Eurobond issue of \$2.1bn being contemplated
- External debt to export ratio now 102%

Oil Price Rally & Domestic Production

- Brent averaged \$83.71pb, 10.55% above \$74.88pb in September
- Global demand/supply imbalance continues to push prices upwards
- Finally, Nigerian oil output climbed by 11.5% to 1.45mbpd in September from 1.3mbpd in August
- FAAC allocation boosted by 6.17% to N739.97bn from N696.97bn in September

Subsidy Removal

- Federal government hopes to stop subsidy payments in H2, 2022
- Higher oil prices increasing subsidy payments by the NNPC monthly
 - Likely to climb to \$7bn



Retail price of petroleum products rising

- LPG price up 100% to N8,500 (YTD) for 12.5kg refill
- Landing cost of diesel sharply up to N336.45 per liter
- Retail price up to N340 per liter



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Global Developments

Global Trends in 2022



Global growth to fall to
4.9% in 2022 - **IMF**



Monetary policy
normalization



Shift in policy concerns to
inflation expectations

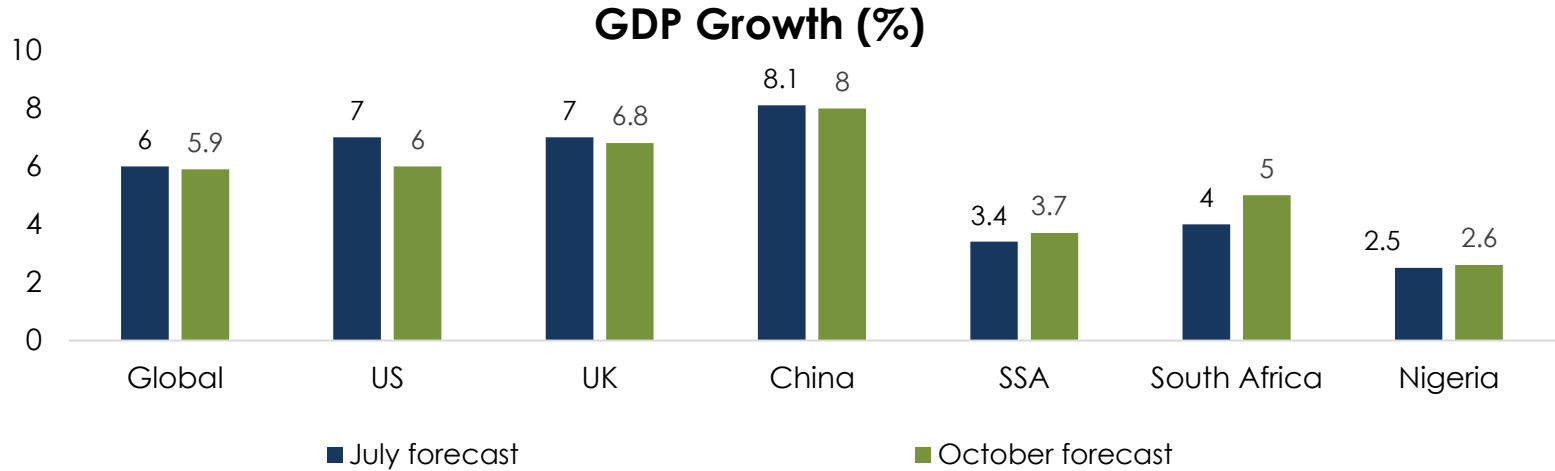


Climate change –
Alternative energy & EVs



Oil prices – Pressure on
OPEC to increase output

Global Growth Losing Momentum - IMF



- IMF lowered its 2021 global GDP growth forecast by 0.1% to 5.9%
 - Retained its 2022 projection at 4.9%
- Reflecting the downgrades to advanced economies and low-income developing countries

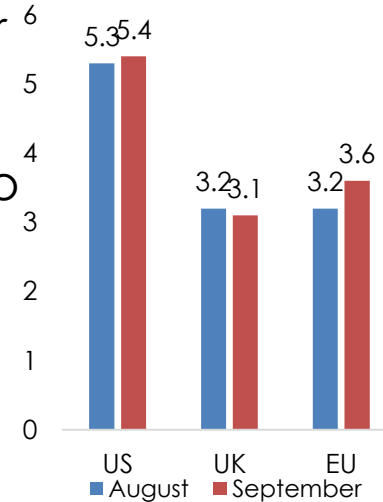
Global Growth Losing Momentum - IMF

- Vaccine access and policy support will continue to determine the pace of economic recovery
- Commodity-exporting countries will benefit from the commodity price boom
 - Nigeria's real GDP growth revised upwards to 2.6% from 2.5%
- Employment levels will continue to lag output growth

Global Inflation Rising

- Policy makers shift emphasis to inflation expectations
- In Q3, the debate was whether inflation was transitory or structural
- IMF expects inflation to peak in Q4'21 before returning to pre-pandemic levels in mid-2022

Inflation Rate (%)



Impact on Nigeria

- Global supply shortage could disrupt supply of imported raw materials
- Coupled with currency pressures, imported inflation will remain elevated
- US Fed is now expected to commence tightening earlier than anticipated

US Mid-term Elections & Inflation

- Confluence of political and economic expectations
- US mid-term election – Nov 2022
- Biden mounting pressure on OPEC to increase oil production
- Higher energy prices fueling inflation – gasoline price now close to \$3.80 per gallon
- Q3 GDP growth lower than expected
 - Declined sharply to 2% from 6.7% in Q2

Oil Prices Reach A Multi-Year High but are Slowing Gradually

- Oil prices rallied above \$86pb – highest level since October 2018 on tight global supply amid a rebound in demand
- OPEC meeting scheduled for Nov 4 - OPEC warns against easing output quota
- China releases reserves of gasoline & diesel
- US advocates for more production - US election in Nov
- Price of refined products increasing - strike in Ecuador

Oil Prices Climb to Multi-Year Highs but Slows Gradually

- Recent spike in oil price unlikely to reverse until 2023 – World Bank
- Higher energy prices pose significant risks to global inflation and could weigh on growth in energy importing countries

Electric Vehicles Gradually Displacing Gasoline Cars

- There is a structural and strategic shift to EVs
- Climate change conference (COP 26) held in Glasgow this week to discuss issues on climate change and review commitments toward zero-net emissions



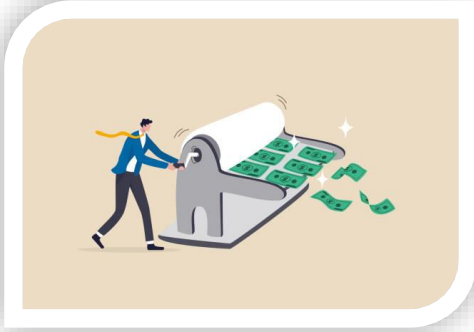
The United States set the target of 50% electric vehicles usage in 2030

- 2% of newly registered vehicles in the US are Evs in support of zero-carbon emission goals

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What Next?



Monetary policy normalization



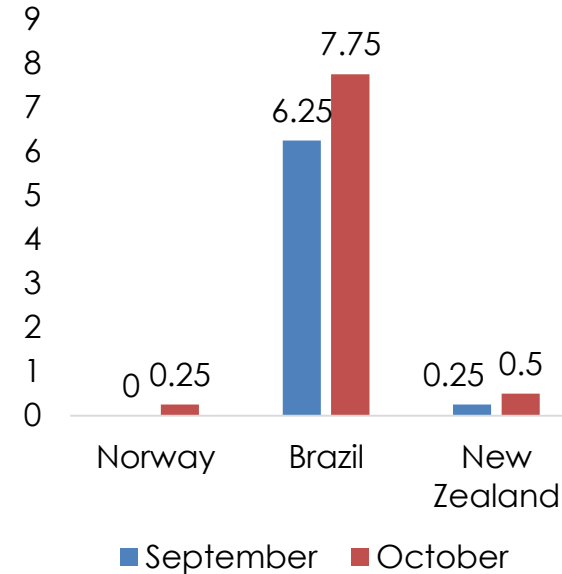
Cryptocurrency



Central Bank Digital Currency (CBDCs)

Monetary Policy Normalization

- Central banks are beginning to withdraw emergency support that was introduced in 2020 to ease the pandemic impact
- Norway, Brazil, Mexico, South Korea and New Zealand have already increased interest rates
- Fed is also set to commence scaling back its asset purchase
- Policy makers are not only confronted with spiraling inflation but also battling slow growth





Regional Update

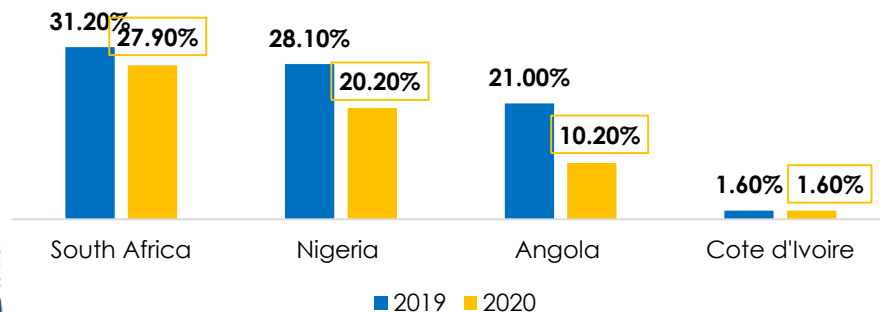
- External debt stock to maintain an upward trajectory in 2022 (\$768.4bn) as more SSA countries look to the international debt market
- Fiscal stimulus, subdued tax revenues and BoP pressures have increased the need for new lines of external loans
- Six African countries already in debt distress (Congo-Brazzaville, Mozambique, São Tomé and Príncipe, Somalia, Sudan and Zimbabwe)
- A further 15 (including Cameroon, Ethiopia, Ghana and Kenya) running a high risk of joining them
- Zambia already in debt distress after a sovereign default in 2020

African Countries Rush to the Eurobond Market

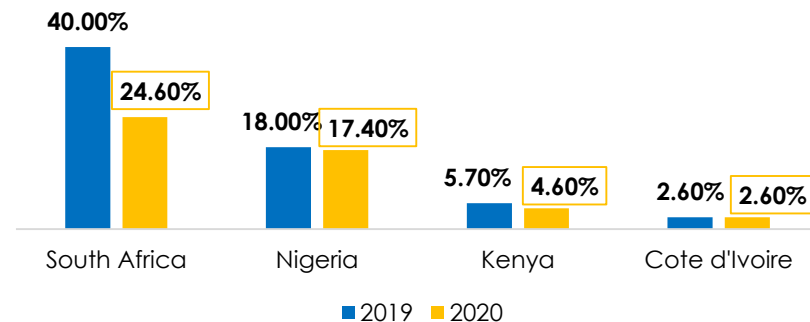
	Eurobond Sale (\$bn)	Tenor (years)	Interest Rates (%)	Ratings & Outlook	Debt to Export Ratio (%)
Rwanda	0.62	10	5.50	B+ Negative	282.1
Côte d'Ivoire	0.85	11	4.30	BB- Negative	205.2
Cameroon	0.81	11	5.95	B-Stable	209.1
Nigeria	4.0	12	7.38	B+ Stable	102.0
Kenya	1.0	13	6.30	B+ Negative	341.7
Benin	0.58	14	4.95	B Positive	224.7
Ghana	3.0	15	7.88	B Negative	97.2
Senegal	0.95	16	5.38	Ba3 Negative	209.9

Intra-African Trade Down As Restrictions Persist

Major Exporters



Major Importers



- Intra-regional trade still accounts for less than 20% of exports in Africa, compared to Asia (approximately 60%) and Europe (70%)
- All countries except Ivory Coast recorded a decline in their share of global trade
- A fallout of COVID-induced restrictions in 2020

Regional Outlook – Modest Recovery Across the Continent

Region	Outlook
East Africa	<ul style="list-style-type: none">❑ Will continue to outperform other regions (4.1% in 2021 and 4.6% in 2022)❑ Ethiopia and Kenya will be spring boards
Franc Zone	<ul style="list-style-type: none">❑ Will return to steady growth in 2021 with an annual average growth of 4% in 2021-22 after an 0.2% contraction in 2020❑ Ivory Coast, Cameroon and Gabon will remain key drivers
Central & West Africa	<ul style="list-style-type: none">❑ Oil exporters will help to boost growth in the region❑ Will rebound by 2.6% in 2021 and expand by 3.6% in 2022 from -3.9% in 2020
Southern Africa	<ul style="list-style-type: none">❑ Slow and fragile recovery relative to other regions❑ Will rebound by an annual average of 3.1% in 2021-22 from -5.9% in 2020

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Domestic Economic Performance

Leading Economic Indicators



LEI	Sept' 21	Oct' 21	% Change	Comments	Nov'21*
GDP Growth (%)	5.01 (Q2'21)	3.5 (Q3'21*)	-1.51	Waning base effects to impact on GDP growth rate	3.2 (Q4'21)
Oil Production (mbpd)	1.45	1.55*	6.8	Oil production to increase barring any pipeline vandalism	1.5-1.6
Oil rig count	11	11	-	Oil rig count to remain relatively flat due to low investments	10-11
Oil Price (\$pb; avg)	74.91	84.07	12.28	Brent price could touch \$90pb on forecasts of a colder northern winter. OPEC + meeting in November likely to end in status quo	85-90

Source: CBN,NBS, EIU, OPEC, FBNQuest *: FDC's forecast

Leading Economic Indicators

Source: CBN,NBS, NSE, FMDQ, EIU, *: FDC's forecast



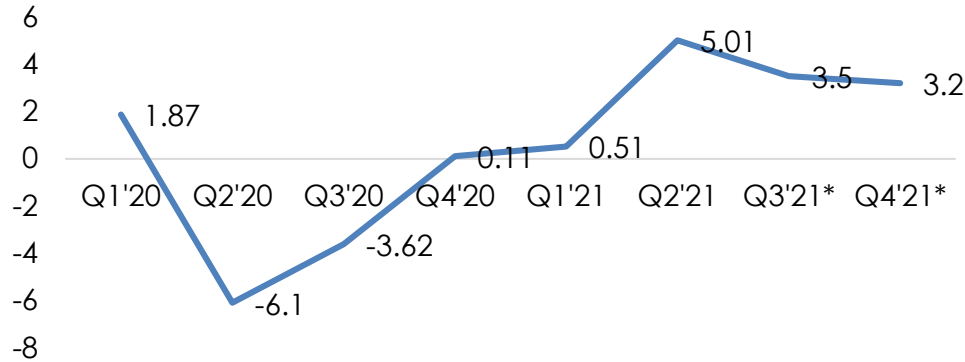
LEI	Sept' 21	Oct' 21	% Change	Comments	Nov'21*
Average Opening Position (N'bn)	137.26	88.32	-35.65	Naira devaluation to lead to liquidity squeeze in the banking system	95-100
Primary T-Bills (%): 364-days	7.5	6.99	-0.51	T/bill yields to decline further as investors switch to less risky assets such as fixed income	6.00-6.50
Inflation (%)	17.01	16.63	-0.38	Headline inflation to continue its downward trend on base year effects but monthly inflation to increase on naira devaluation and higher energy costs	16.31
External Reserves (\$bn; month-end)	36.78	41.82	13.7	Higher oil price and dollar inflows from SDR and Eurobond issue supporting external reserves accretion	43-48
Exchange Rate (N/\$; month-end)	Parallel: 580 IEFX: 413.38	567 415.1	2.2 -0.42	Expected increase in CBN forex sale to banks to lead to panic dumping in the parallel market and an appreciation of the parallel market rate	565-570 415- 420

Indicators Pointing Towards Slow Recovery

- Macroeconomic fundamentals are improving
- Inflation declined for the sixth consecutive month on base year effects
 - Monthly inflation increasing suggesting that inflation risks are elevated
- Gross external reserves accretion sustained on higher oil proceeds and forex inflows from Eurobond drawdown
- Currency pressures persist despite increased dollar inflows
- PMI is declining and power supply from the grid is falling

Q3 & Q4 Growth Projections

Real GDP Growth (%)



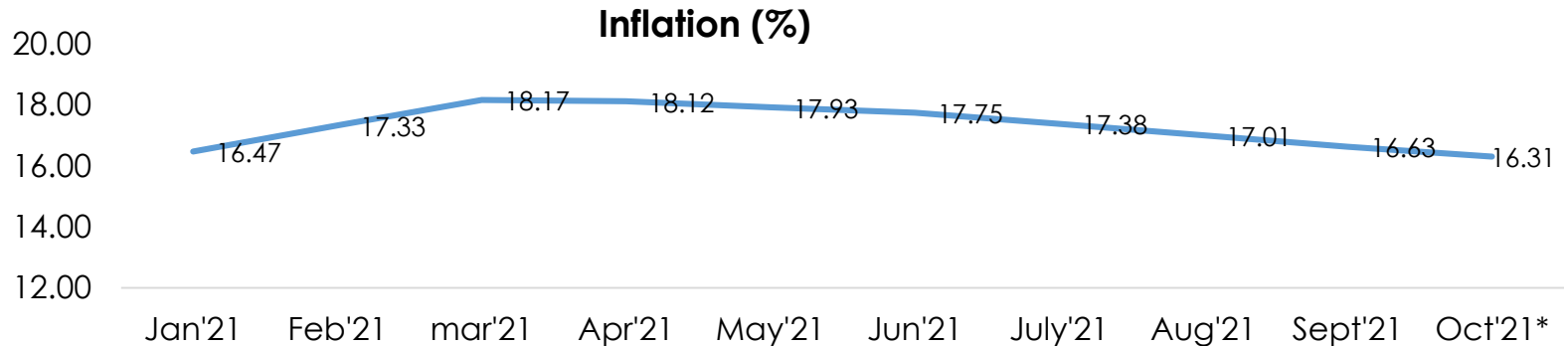
FY Projections	Real GDP growth (%)
NBS	2.5
IMF	2.6
World Bank	2.4
Fitch Ratings	2.0
FBNQuest	2.0



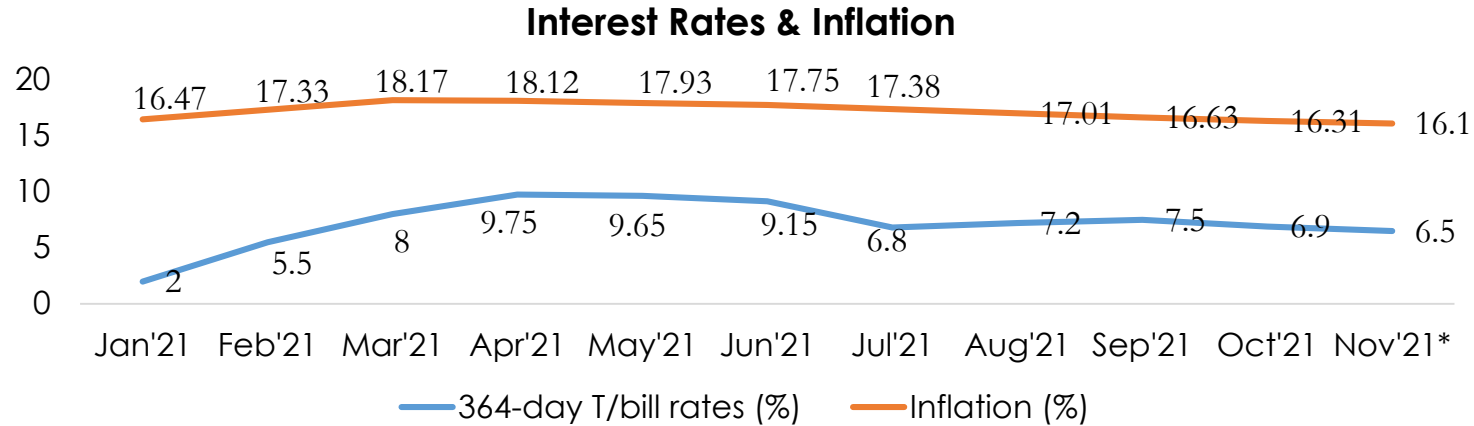
- Q3 data to be released on November 24
- FDC's forecast: 3.5%
 - Q4: 3.2%
- Inclusive growth will be largely dependent on strategic investments

Inflation Outlook

- Headline inflation likely to continue its downward trend in Q4 but at a slower pace
 - October forecast: 16.31%
- Monthly inflation to increase, further reflecting price pressures



Negative Rates of Return Narrowing

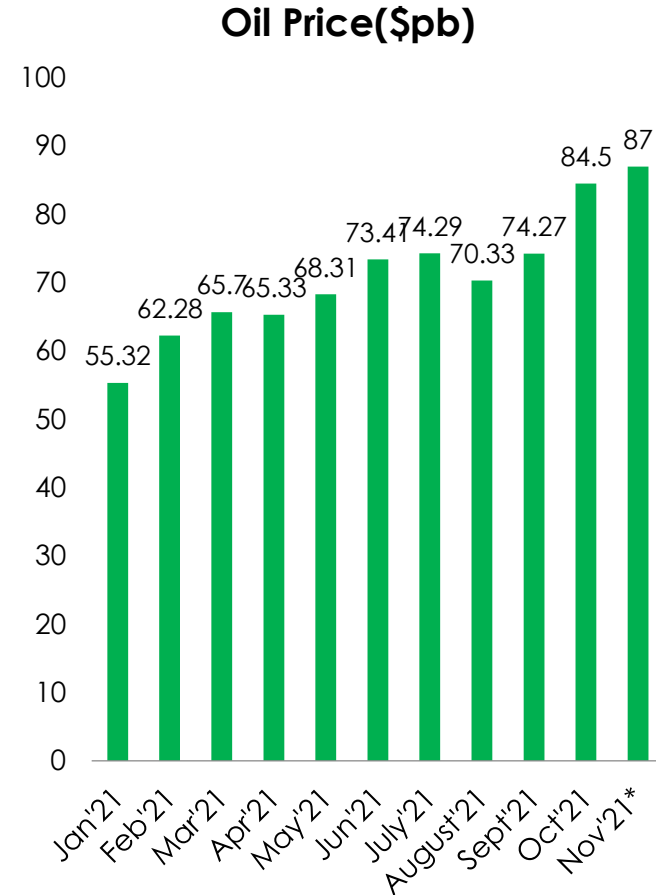


- 364-day t/bill rates declined to 0.51%pa in October from 7.5% in September
- Negative rates of return narrowing as inflation falls faster than interest rate
 - Now -9.41% from -14.97% in January
 - Investment still subject to inflation risk

Oil Price Rally to Continue

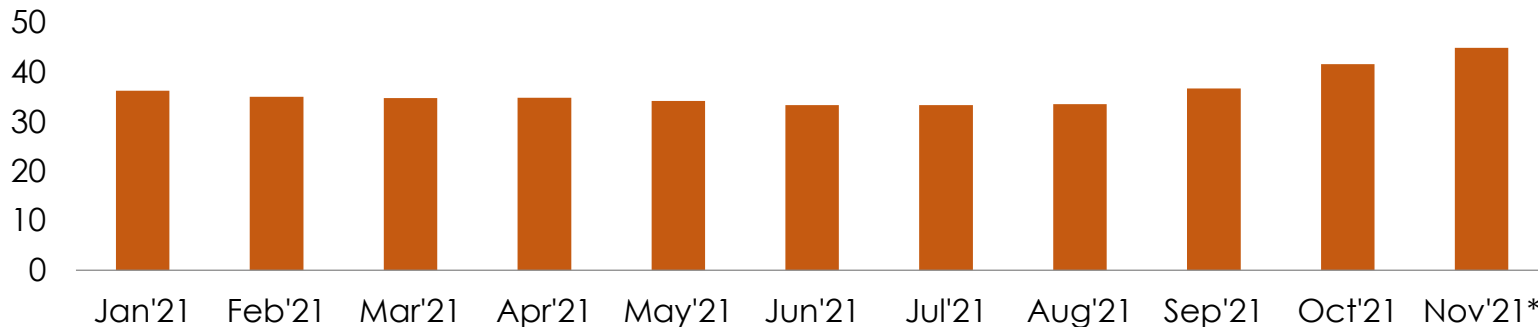


- Oil prices rallied above \$86pb – highest level since October 2018
- Could touch \$90pb on ongoing energy crisis ahead of winter
- Higher oil prices to increase fuel subsidy payments
 - Currently estimated at N3.7bn daily
 - To likely reduce NNPC's remittance to FAAC



External Reserves Accretion to Continue at a Slower Pace

External Reserve (\$'bn)



- Gross external reserves (\$41.82bn) increasing but debt levels also climbing
 - Import cover of 10.25months
- Expected to increase to \$50bn by year end
 - Higher oil revenue
 - SDR (\$3.35bn) and Eurobond issue (\$4bn)
- Likely increase in CBN's forex intervention to slow pace of accretion

Exchange Rate Determinants: Strong Fundamentals & Weak Naira

	2020	2021	
Avg. Oil price (\$'pb)	68.50	71.00	↑
Balance of trade (\$'bn)	-16.40	-10.90	↑
Terms of trade	23.20	27.20	↑
Current account (\$'bn)	-17.00	-10.3	↑
External Reserves (\$'bn)	35.37	41.75	↑

- Key drivers of the exchange rate dynamics are positive
- Balance of trade expected to improve to -\$10.9bn in 2021 from -\$16.40bn in 2020

Naira Overvalued by 34.81% on a PPP Basis

Purchasing Power Parity			
		Oct-21	
	=N=	US \$	PPP ('=N=/US\$)
Bottle of Pepsi (50cl)	150	2.50	60.00
Beer (60cl)	700	0.90	777.78
Hamburger (Johnny Rockets)	4,800	4.59	1045.75
Indomie (1 unit)	100	0.68	147.06
Toyota Corolla	18,000,000	21,000	857.14
Nestle Bottled Water (60cl 1 unit)	100	0.12	833.33
Big Loaf Bread	700	2.50	280.00
Irish Spring Soap (1 cake)	400	0.47	851.06
Chicken Breasts (1 kg)	2,700	8.00	337.50
Trolley	2,500	6.00	416.67
Peak evaporated milk (pack of 12)	4,800	34.40	139.53
Uncle Ben's rice (5.44kg 1 pack)	8,500	14.85	572.39
Eggs (30 large eggs)	2,200	2.30	956.52
Average PPP			559.60
Naira Price at IEFX			415.10
PPP (%)			
Decision: Naira is		Overvalued	34.81%
Spot Rate (Parallel)			567
Outcome: Compared to IEFX rate of N415.1/\$1, the Naira is Overvalued by 34.81%			

- IMF estimates a 20% overvaluation
- CBN thinks there is a 5-10% overvaluation

Forex Market Outlook

- The exchange rate is likely to appreciate towards N560/\$ in Q4 at the parallel market
- On the expectation of increased forex supply by the CBN

Parallel market spread to narrow further as rates converge around the IEFX window

- Gross external reserves accretion to continue at a slower pace towards \$42bn before falling in January
 - On increased dollar inflows from visiting friends and families as well as higher oil proceeds

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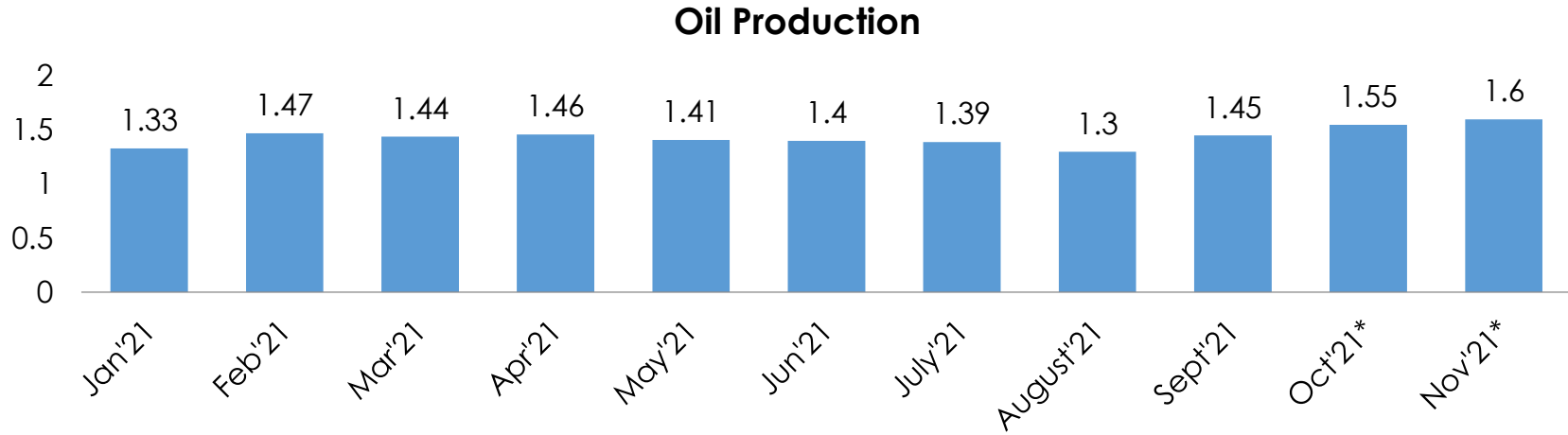


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Market Proxies

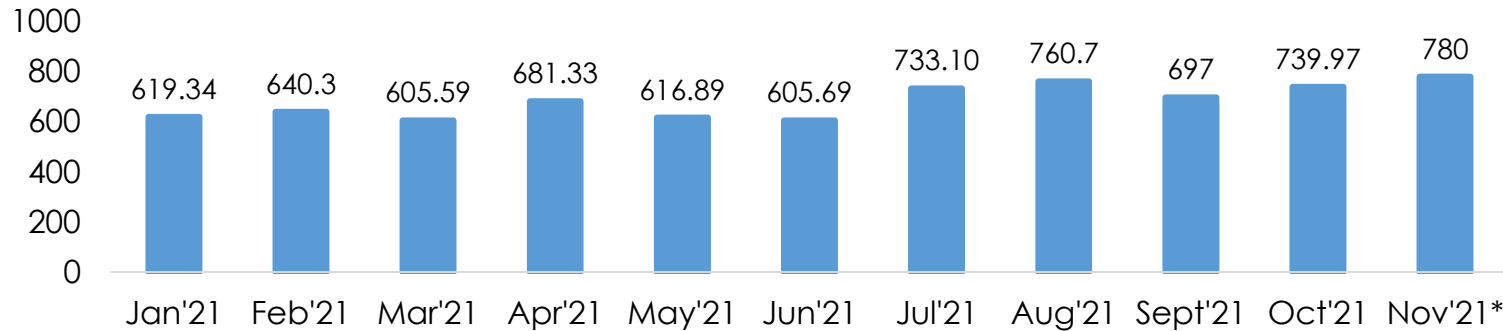
Oil Production to Continue Increasing as Prices Falls



- Domestic oil production rose by 11.5% to 1.45mbpd in September
- Oil production to increase barring any pipeline vandalism in the coming months

FAAC Allocation to Rise in November

FAAC (N'bn)



- FAAC disbursements rose by 6.16% (N739.97bn) in Oct from N697bn in Sept
 - Petroleum profit tax, oil and gas royalties and excise duty increased significantly while **companies'** income tax, VAT and import duty decreased marginally
- FG suspended its earlier decision to deduct the controversial \$418mn
- FAAC likely to continue its upward trend to N780bn in November on higher oil prices

Ships Awaiting Berth will Increase as Imports Rise

	Ships Awaiting Berth
Apapa	12
Tincan	1
Rivers	1
Calabar	2
Warri	1
Onne	-
Total	17

- Ships awaiting berth increased by 21.4% to 17 vessels in October from 14 vessels in September
- Global shipping systems still struggle to keep up with shipment volume and congestion at ports persist
- Foreign shipping companies to Nigeria abandon Asian-African routes
- Number of vessels will continue to rise as festive season approaches rapidly

Source: NPA

Value of Transactions to Continue to Trend Upward in Nov

Channels	Sep'21 (N'bn)	Oct'21 (N'bn)	
Cheques	269.37	257.48	↓
POS	556.36	552.26	↓
NIP	24,291.20	25,150.92	↑
NEFT	1,405.06	1,379.97	↓

Value of transactions rose by 3.08% to N27.34trn in October

- Although only one (NIP) of the 4 sub- indices increased
- Expect the upward trend to continue in Q4
 - As inventory build-up ahead of the festive season
- Stimulates and increases velocity of circulation



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Power Update – October 2021 Energy Summary



5,103MW
Peak
Energy
Generated



4,133MWH/H
Average
Energy
Generated



-
Total Grid
Collapses



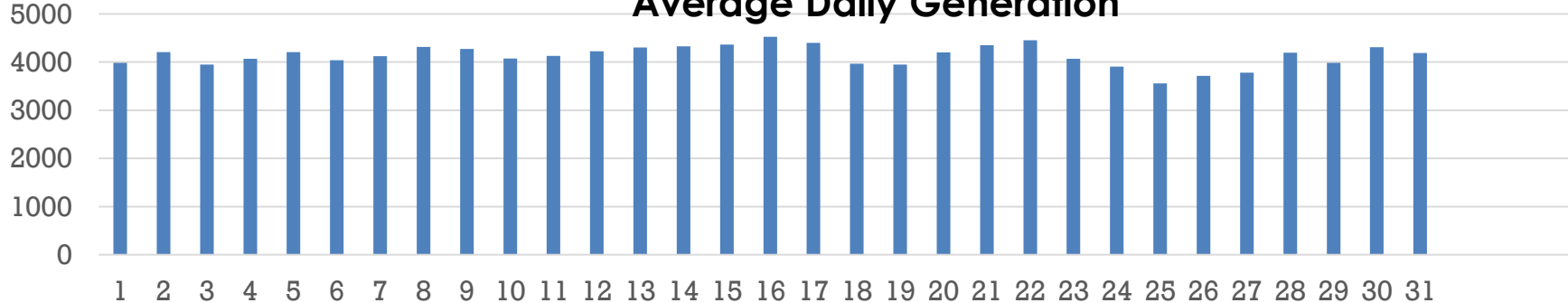
-
Constrained
Revenue
(Million Naira)



1,445MWH/H
Total
constrained
energy



Average Daily Generation



Source: Lavayo Advisors

Power Sector News

- Lagos partners AFDB, others on electrification, economic growth
- FG to review licenses of Discos, Gencos over poor performance
- Discos lose N97bn to energy theft, others in three months

Federal government secretly raises electricity tariff

NES27: Nigerians willing to pay cost-reflective electricity tariff — World Bank

European Union announces extension of €48M electricity sector intervention in Nigeria

- Discos rip off customers with false promise of regular power supply using faulty tariff bands
- 8 years after privatization – power firms under perform
- FG to invest fresh N114.64bn in rural electrification



Policy Review & Outlook

E-Naira- More Sound bite than Substance

- e-Naira will increase money supply and likely reduce transaction costs
 - 0.0027% of money supply & 0.0014% of cash in circulation
- Could boost GDP by \$29bn over the next decade – **Bloomberg**
 - *Less than 1% of GDP size*
- Limited impact on financial flows
- Another means of payment - Increase the payment options
- Fast adoption by the general public unlikely
 - Due to uncertainty and trust deficit in the system

Monetary Policy Outlook

- Next MPC meeting - November 22/23
- Committee likely to maintain status quo again as macroeconomic fundamentals improve
- Major considerations:

	Official Release Date	FDC Forecast
October Inflation	November 15/16	16.15%
Q3'21 GDP	November 24	3.5%

Fiscal Policy Update - Fuel Subsidy Removal by H2'22- Seeing is Believing

- No more fuel subsidies from H2'22- still debatable
- Higher oil prices will increase subsidy payments to \$7bn - **World Bank**
 - 75% above the Eurobond issue of \$4bn
- NNPC deducts over \$100mn from its monthly FAAC remittance for subsidy payments



Subsidy Payment Breakdown



Fiscal Policy Update - New Era for Domestic Oil Production

- NNPC budgets \$2.7bn infrastructure fund to improve supply and distribution of petroleum products locally
- Estimated daily fuel consumption: 73mn liters
- Refining capacity will need to increase by 241.57% to 1.52mbpd from 445,000mbpd
- Dangote refinery (capacity: 665,000mbpd) and rehabilitation of defunct refineries to bridge demand gap by about 76%
- But vandalism and insurgency could limit expected benefits

Fuel Subsidy Removal & New Oil Infrastructure - Implications

Government	Consumers	Investors/Corporates
<ul style="list-style-type: none">• Removal of fuel subsidy will free up cash for more capital projects• Assist the FG to meet its deficit financing needs• Reduce the import bill on petroleum products which currently account for over 30% of total import spending• Boost oil and gas sector activities that could increase employment and output growth	<ul style="list-style-type: none">• Higher PMS prices to heighten transport costs• Commodity prices will rise in tandem• Further reducing consumer disposable income• Aggregate private consumption to moderate to \$300.8bn in 2021 but will rise by 7.4% to \$323.2bn in 2022 - EIU	<ul style="list-style-type: none">• Deregulation of downstream petroleum sector likely to boost investment inflows in the industry• But investors are aggressively divesting from fossil fuels to renewable energy• Nigeria might just be a little too late• Increase in PMS price and other related petrol products to heighten operating costs for manufacturers

Fiscal Policy Update - Fresh Eurobond Issue (\$2.1bn)

- FG considering another Eurobond issue of \$2.1bn to balance its \$6.2bn borrowing plan
 - After a successful issuance of \$4bn in September

But increased forex supply will deplete gross reserves

External debt build up could pose a problem

- As advanced economies consider monetary policy tightening in 2022, debt service costs will climb
 - Between January and May, the FG spent N1.8trn to service debts, about 98% of total revenue



Stock Market

Nigerian Equity Market Gains Ng80bn in October

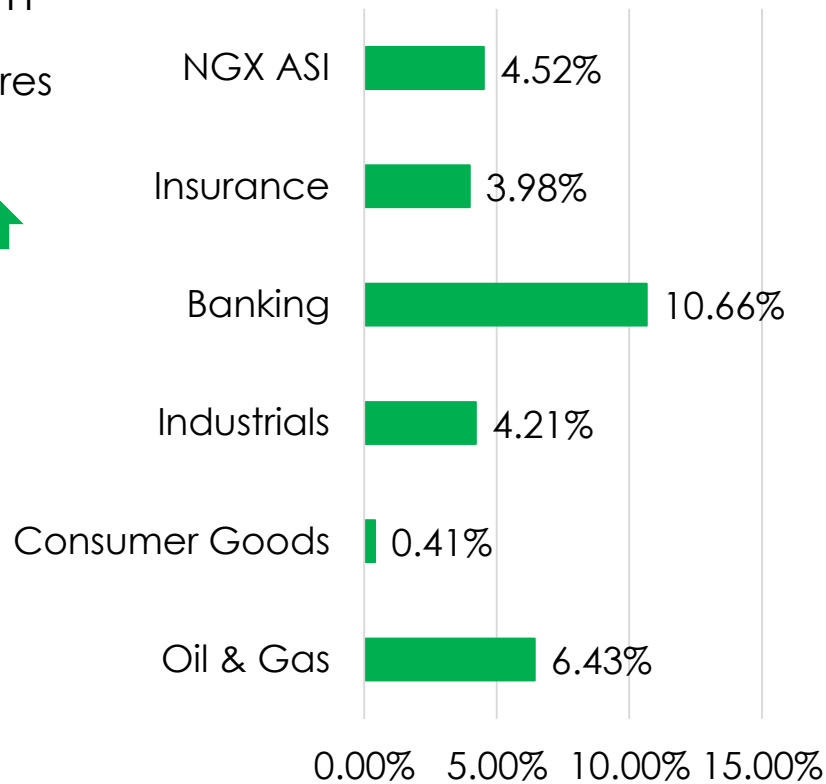


- Bullish trend due to positive investor sentiment
 - Upswing in oil prices in global oil markets
 - Six months consecutive decline in inflation numbers
 - Moderation in interest rates
- Investors rally for capitalized stocks with solid fundamentals
 - Resilient corporate earnings
 - Dividend hunting
 - Speculative buying after a dreary H1 - 5.07% acquisition in FBNH by Otedola
- YTD gains up to 4.39% after a dreary H1 '22

NGX Indices in October

- NGX market cap  4.67% to N21.94 trn
 - NGX Group share listing of 1.96bn shares pushes market cap marginally
- Bulls gained steam to push NGX ASI  4.52% to 42,038.60
- Banking space topped the chart (10.66%)
 - Driven by gains in tier1 banks
 - Dividend hunting
 - Earnings Release

October



Nigerian Equities Market Outlook – November

- Investors to gauge the extent to which recovery in economic activities has supported earnings
- Impressive corporate results and higher dividend yields to drive performance of NGX
- Foreign investors to remain on the sidelines
- Attractiveness of fixed income securities likely to disregard the bullish trend
 - Inverse relationship between equities and fixed income securities

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Corporate Earnings













FMCG Industry – 9M'2021 Numbers

- Players benefit from volume and value growth despite weak consumer purchasing power

- Surge in activity level
- Product innovation and penetration
- Product differentiation

Production cost increasing faster than revenue




- Commodities boom
- Supply chain hiccups
- FX pressures

		
Revenue	 23% to N261.6bn	 31.3% to N58.72bn
Operating Profit	 11.8% to N56.12bn	 124% to N0.675bn
PAT	 5.2% to N33.58bn	 153% to N1.083mn
FCF	 99.6% to N57.88bn	 581% to N10.935bn
P/E ratio	27.16x	26.2x
YTD Stock Return	 7%	 12 %

FMCG Industry-Outlook

- Industry players to face heightened macroeconomic vulnerabilities
- Inflationary pressures and currency devaluation will weigh on cost and industry margin
- Lingering insecurity remains a major challenge to supply chain
- But expected to remain resilient
 - Brand loyalty, economies of scale, revenue diversification, backward integration strategies, efficient cost management
- Market share to be acquired through tailored products that suit consumers weak purchasing power

Cement Industry – 9M'2021 Numbers

			
Revenue	↑ 34.2% to N1,022.2bn	↑ 19.4% to N186.9bn	↑ 21.9% to N219.2bn
Operating Profit	↑ 52.9% to N440.3bn	↑ 21.5% to N75.69bn	↑ 17.1% to N48.139bn
PAT	↑ 33.3% to N278.25bn	↑ 23% to N65.91bn	↑ 43.3% to N40.4bn
FCF	↑ 21% to N342.7bn	↑ 225% to N77.17bn	↓ 0.3% to N54.72bn
P/E Ratio	13.92x	34.58x	10.10x
YTD Return	↑ 14%	↓ 7%	↑ 28%

- Impressive performance across players bolstered by
 - Increased housing infrastructure & commercial construction
 - 11% increase in cement prices in 10 months
- Double digit growth in production cost
 - Lingering insecurity impedes logistics efficiency
- Bottom line performance supported by decline in finance cost

Cement Industry-Outlook



- Robust demand for housing and infrastructural activities will persist on the back of economic recovery
 - 18.4% increase in capital expenditure to N4.89 trn – **2022 budget**

Inflationary pressures will taper private consumption and contract profit margins

Weather irregularities will likely put a drag on industry growth

- Industry will start to benefit from AfCFTA through increased productivity and deepened market penetration
- Lingering insecurity remains a major challenge to supply chain

Telecommunications Industry – Earnings Result

		
Revenue	↑ 23.6% to N1,206.3bn	↑ 25.2% to \$2.272bn
Operating Profit	↑ 36.3% to N418.4bn	↑ 55.1% to \$732mn
PAT	↑ 52.7% to N220.3bn	↑ 131% to \$335mn
FCF	↑ 27.8% to N141.5bn	↑ 43.1% to \$853mn
P/E ratio	12.66x	11.03x
YTD Stock Return	↑ 3%	↓ 8%

- Top and bottom-line figures remained resilient despite restrictions on SIM activations
 - MTN crossed the N1trn revenue mark for the first time ever
- Supported by increase in data traffic and data usage
- Improved operational efficiency
- 33% increase in interim dividend in line with upgraded dividend policy - **Airtel**

Airtel to Solidify Growth

- Increased efficiency and capex (7% growth in H1 '2021) will give it an edge
- Additional 15,500km fiber (Total – 59,500km)
- Deepened financial inclusion to drive mobile money service (currently accounts for 11% of revenue)
- Partnership in East Africa with Africa's fintech unicorn **Flutterwave**
- \$200mn Investment by Qatar Investment Authority
- Network and sales Infrastructural investment across operating countries
- Regional diversification to strengthen market share

Telecoms Industry- Outlook

- Telecoms sector is expected to remain resilient driven by:
 - Increased competition and partnership with financial institutions and digital content providers
 - Telecoms to focus on increased network capacity
 - Expanding rural coverage and focus on 4G coverage
 - Deepened multi-products propositions
 - Projected to grow at 14 – 15% in 2021
 - Leverage on digital channels expected to boost top line
 - Pressing security issues expected to weigh on customer base

Breweries Industry – Earnings Result

	Nigerian Breweries	Guinness
Revenue	↑ 32.1% to N309.3bn	↑ 58.1% to N47.5bn
Operating Profit	↑ 10% to N24.7bn	↑ 1010% to N6.5bn
PAT	↑ 18.4% to N8.2bn	↑ 580% to N4.04bn
FCF	↓ 64.1% to N5.324bn	↓ 68.9% to N7.443bn
P/E ratio	25.29x	17.21x
YTD Stock Return	↓ 6%	↑ 91%

- Impressive performance across players
- Bottom line supported by
 - Strong revenue growth - Base year effect
 - 38% reduction in finance cost - **Guinness**
- However, the following affected PAT
 - Average growth of 35% in production cost – high commodity prices, supply chain bottlenecks
 - Average increase of 32% in operational expenses

Breweries Industry- Outlook

- Management to improve cost- containment as domestic prices pinch
 - Price of maize now above N200K per ton
- Following limitations to linger:
 - Rising inflation, increasing insecurity and regulatory risk
- Growth drivers in the sector
 - Increased government spending as elections approach
 - Flexible exchange rate and increased forex supply to increase output

Tier 1 Banks– 9M'2021 Numbers

	Access	Zenith	UBA	GTCO
Gross Earnings	↑ 17% to N693.1bn	↑ 1.9% to N518.7bn	↑ 7.9% to N490.3bn	↓ 3.5% to N318.5bn
Net Interest Income	↑ 36.4% to N267.7bn	↑ 4.2% to N234.7bn	↑ 23.2% to N229bn	↓ 14.1% to N162.9bn
Non-interest Income	↑ 2% to N222.2bn	↑ 11.1% to N192.8bn	↓ 5% to N102.4bn	↑ 22.3% to N118.7bn
Net Income	↑ 19.1% to N121.9bn	↑ 0.8% to N160.6bn	↑ 35.6% to N104.6bn	↓ 9.1% to N129.4bn
Impairment Write-back / (loss)	↑ 13.7% to (N38.9mn)	↑ 14.7% to (N28.8bn)	↓ 70.3% to (N3.41bn)	↓ 41% to (N5.994bn)

- Mixed earnings performance across players
- Decline in GTCO net interest income driven by:
 - Slow loan growth in the half year of 2021
 - Contraction of income in investment securities
- Decline in impairment charges due to asset quality improvement

Banking Industry – Outlook

- Top line growth accompanied by acquisition of market share in the digital space
- Commercial banks to increase efforts in the retail space to stay competitive and meet consumer needs
- More digital innovation and lending solutions
- Possible mergers and acquisitions within and across tiers and fintechs
- Rise in partnerships with payment service banks

Banking Industry – Outlook

- Weighty exposure to the oil and gas industry
 - Nigerian banks positioned to benefit from PIB implementation
 - Rebound in global oil market to improve asset quality relative to prior period
 - Banks with hedged exposure less affected
- Banks expected to benefit from e-Naira implementation
 - Will enhance volume of transactions
 - Promote financial inclusion



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Real Estate Update

Real Estate Sector Trends – Gerrard Road Property Saga

- Saga raising questions about rapid developments
- Compromised foundation and soil test failure raising eyebrows
- Planning approval connivance with structural engineer compromise
- Replacement cost of residual real estate higher than market value

Real Estate Sector Trends – Rents Up as Vacancy Factor Falls Marginally

- Overall market activities in various residential sub-asset classes remain strong despite struggling economy
- Highlighting a faster paced recovery compared to the office sub-sector
- Prices of residential real estate in prime areas continue to rise

Real Estate Sector Trends – Rents Up as Vacancy Factor Falls Marginally

- Growing pipeline of ongoing residential developments
 - indication of recovering demand
- Demand for flexible rent payment on the rise
- Amid falling consumer purchasing power



Aviation

- Airlines net losses reduced considerably in Q2 compared to Q1
- Major airlines in all regions showed significant improvement

Airline Financial Results

Number of airlines in sample	Regions	Q1 2021		Q2 2021	
		EBIT margin ¹	Net post-tax profit ²	EBIT margin ¹	Net post-tax profit ²
30	North America	-38%	-4,469	-8%	1,050
33	Asia-Pacific	-26%	-6,577	-17%	-3,654
12	Europe	-54%	-5,833	-30%	-4,545
8	Latin America	-38%	-2,091	-18%	-700
5	Others	-32%	-189	-21%	-170
88	Sample total	-36%	-19,159	-14%	-8,019

¹% of revenues

²US\$ million

Sources: The Airline Analyst, IATA

Global Aviation Update



- North American Airlines leading the way as improved vaccination rates boosted US domestic travel demand
- Latin America Arline losses fell substantially in Q2 as regional passenger traffic climbed
- Financial performance of the global airline industry to keep improving in the near term
- Travel restrictions are expected to ease further in 2022
- Aviation industry now advanced to efficiently manage travel health credentials with the IATA Travel Pass

Global Aviation Update

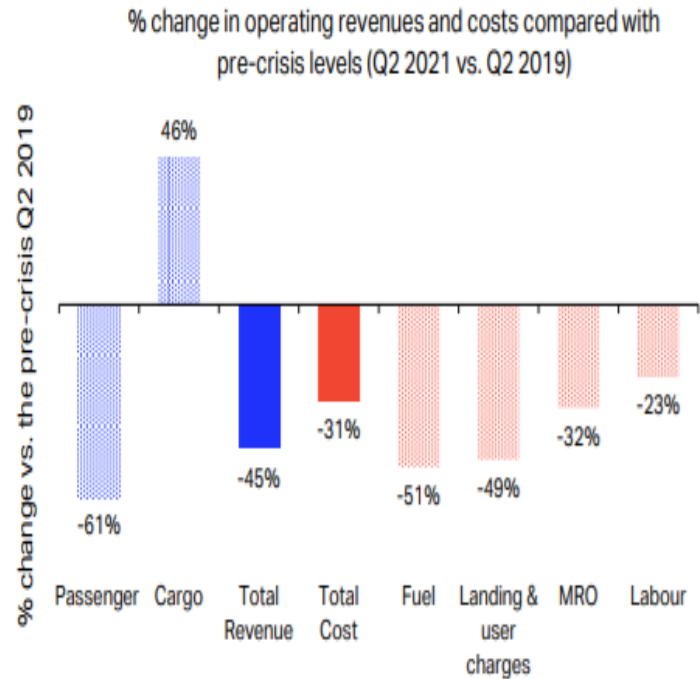


- Passenger revenues declined by 61% compared to pre-COVID levels (Q2'19)
- Heathrow air traffic unlikely to recover until 2026

Robust cargo revenues continued to support airlines growth (up 46%)

As both demand and yields remained strong

- Asia Pacific & Middle Eastern carriers performed better than other regions in terms of cargo revenue



Source: IATA Economics using data from the Airline Analyst

- Rising domestic travel and cargo demand to boost cash flow for airlines
- Progress on vaccinations to increase optimism of future international travel recovery
- Reopening of the US-Europe travel to keep supporting global airline share price index

Domestic Update – Ibom Air, Small But Mighty

- Based on airline performance criteria Ibom Air is Nigeria's number one airline
- On time performance and 98% punctuality

Cancellations down to less than 2% of flights

NCAA shows a spike in domestic passenger levels

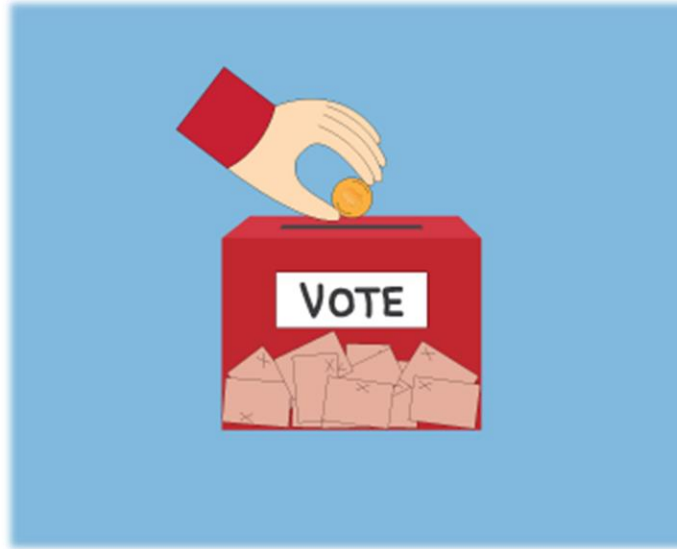
- Preferred destinations
 - Abuja, Uyo, Enugu
 - Owerri, Benin , Kano
- United Airlines to commence flights from Lagos – Washington DC⁸⁸

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Politics

Politics



- PDP convention and consensus candidates were well choreographed showing a level of political modesty
- The big elephant in the room remains the zoning of the presidency
- The political chess game between the two big parties continues
- The PDP convention puts the APC under pressure
- The APC will need to make the first move by picking a chairman
- Speculation is that a northern chairman will emerge

Politics

- Within the APC the focus of presidential politics is on two zone alliances
- The signing of a rule that precludes a Deputy Governor or Vice President who has spent six years and above from running for more than one term is instructive
- The South East has become a hotbed of political violence
- IPOB is calling for a boycott in Anambra state
- The political leadership in the South East seems disconnected from the electorate

Politics

- In a situation of low turnout and voter apathy, the elected officials may lack the moral authority to govern
- The National Assembly has reluctantly accepted electronic transmission of results from polling stations



The Governorship debate in Anambra state enhanced Soludo's credentials and favorability

- Speculators feel that in an atmosphere of fear and voter apathy, the election could be awarded to anybody

Politics

- Risks of a breakdown in any state in the South East could spell doom
- After Anambra emphasis will shift to Ekiti which should be straightforward



November Outlook

Outlook



- Anambra state election will show low turnout but credible results due to technology
- Inflation data will reveal another slight decline in year-on-year inflation to 16.31%
- Citizens will question the decline due to higher than normal prices in the urban markets
 - e.g. flour at 22kg per bag & cooking gas at 8.5K
- The CBN will maintain status quo again

Outlook

- The naira will trade horizontally after appreciating to N560/\$
- Airline tickets will spike by 10-15% as IATA rate stays at N440/\$

Stock market rally in the bellwether stocks will continue

Especially MTN, Airtel, Guinness, Dangote Cement, Lafarge & Nestle

- Price of diesel will peak at N350 per liter

Corporate Humour

Riches serve a wise man but command a fool.

– Spanish proverb

Before borrowing money from a friend, decide which you need most.

– American

The road to hell is paved with good intentions

– Anonymous

Corporate Humour

The way to achieve happiness is to have high standard for yourself and a medium one for everyone else.

– *Marcelene Cox*

Life is not a spectacle or a fear, it is a predicament

– *George Santayana*

If a man dies and leaves his estate in an uncertain condition, the lawyers become his heirs

– *E. W. Howe*

Corporate Humour

What is right is often forgotten by what is convenient
– *Bodie Thoene*



Boredom turns a man to sex; a woman to shopping and it
drives newscasters berserk
– *Bruce Herschensohn*

The business of life is to enjoy oneself,
everything else is a mockery.

– *Norman Douglas*

Corporate Humour

Destiny is not a matter of chance, it is a matter of choice. It is not a thing to be waited for, it is a thing to be achieved.

– *William Jennings Bryan*



There are three faithful friends: an old wife, an old dog and ready money

– *Benjamin Franklin*

Being defeated is a temporary condition. Giving up is what makes it permanent.

– *Marlene Vos Savant*

Corporate Humour

He who has one watch always knows what time it is. He who has two is never sure.

– *Anonymous*

Success is often achieved by those who don't know that failure is inevitable

– *Coco Chanel*

The big difference between sex for money and sex for free is that sex for money usually costs a lot less

– *Brendan Behan*

Corporate Humour

Dancing is the vertical expression of a horizontal desire
– *George Bernard Shaw*

To be happy with a man you must understand him a lot and love him a little. To be happy with a woman, you must love her a lot and not try to understand her at all.
– *Helen Rowland*

There are only three things women need in life, food, water and compliments

– *Anonymous*

Corporate Humour

When a man tells you that he got rich through hard work, ask him whose.

– Don Marquis

*Thank
you*





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