



# **Basking In The Afterglow Of Reform**



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**Financial Derivatives Company Ltd**





**October 4<sup>th</sup>, 2017**

# OUTLINE

## Part A

-  September Highlights
-  Domestic Economic Performance
-  Proxies

## Part B

-  Macro-economic Assumptions
-  Impact on Sectors
-  Market Response
-  Political Update

A large, semi-transparent hand is shown holding a globe. The hand is positioned on the left side of the frame, with fingers wrapped around the globe. The globe is centered and features several stylized human figures in white and red, connected by thin lines, suggesting a global network or market. The background is a light, neutral color.

# Part A

## Buhari Embraces Market Ideologies

# SEPTEMBER HIGHLIGHTS

- President makes an affirmative Independence Day broadcast
- Details economic accomplishments
- Attributes success to policy initiatives & war against corruption
- Oil production reaches the OPEC cap of 1.8mbpd
- Condensates ~ 400,000bpd is dollar accretive
- Estimated monthly dollar inflows from oil is \$3bn

# SEPTEMBER HIGHLIGHTS

- Oil producers expect Nigeria to stay within the production limit
- Non-compliance (cheating) could trigger a catastrophic production war
- Forex revenues have spiked to \$2.95bn in September
- Investor/ Exporter window flows are \$12.14bn since inception
- Gross external reserves have climbed to \$32.9bn
- Forex sold by CBN in September is \$1.2bn

# SEPTEMBER HIGHLIGHTS

- Effective exchange rate for CBN funds is N339/\$
- Nominal rate is N325/\$, delivery is 90 days forward- Carrying cost = N14
- In the parallel market the naira swung between N366 and N370
- MPC chose to wait rather than reflate
- Headline inflation slipped marginally to 16.01%
- With the food basket declining by 0.03% to 20.25%

# SEPTEMBER HIGHLIGHTS

- Broad money supply contracted by 11.06%
- Narrow money also contracted by 12.25%
- Credit to govt. contracted by 1.05%
- Funds shared by FGN & states spiked 36% to N637bn
- Yet 13 states unable to meet salary obligations
- The average opening position of money centre banks was N82.92bn short

# SEPTEMBER HIGHLIGHTS

- Indicating a loosening grip of money supply- refund of CRR
- The PMI forward indicator of economic expansion declined to 58.1
- Nigeria now has 267,000 Uber users and 7000 Uber drivers
- Rig count down 11% to 8 in spite of increased production
- Average on-grid power output was 3,436MW/h
- System wide collapse reported only once



# SEPTEMBER HIGHLIGHTS

- The average price of diesel in the month spiked to N190 per litre
- PMS remained flat at N145 but slipped to N143 at NNPC outlets
- Ships awaiting berth declined to 44 in September
- Value of cheques cleared increased by 6.15% to N468.4bn
- NEFT and instant transfers increased by 14.36% to N1.19trn
- Supermarket traffic increased mainly on back-to-school sales
- Average inventory levels slipped marginally to 5 weeks

# Domestic Economic Performance

An aerial view of a city street, likely in a developing country, showing a large crowd of people and colorful umbrellas. In the foreground, there is a mosque with two prominent minarets. The background features a dense urban landscape with various buildings and structures.

# LEADING ECONOMIC INDICATORS (1)

| LEI                         | Aug'17                 | Sept'17                | % Change                | Oct'2017             |
|-----------------------------|------------------------|------------------------|-------------------------|----------------------|
| GDP Growth (%)              | 0.55(Q2'17)            | 0.5-<br>0.7(Q3'17)*    | --                      | 0.5-<br>0.7(Q3'17)*  |
| Oil Price (\$pb; avg)       | 51.87                  | 55.51                  | 7.02                    | 55.0                 |
| Oil Production (mbpd)       | 1.75 (July)            | 1.86 (Aug)             | 6.29                    | 1.80                 |
| Natural Gas (\$/MMBtu; end) | 2.91                   | 3.01                   | 3.52                    | 3.00                 |
| Power (MW; avg)             | 3,352.97               | 3,457.85               | 3.13                    | 3,500                |
| PMI                         | FBN: 58.5<br>CBN: 53.6 | FBN: 58.1<br>CBN: 55.3 | FBN: -0.68<br>CBN: 3.17 | FBN: 58.7<br>CBN: 55 |
| Inflation (%)               | 16.05                  | 16.01                  | -4bps                   | 15.99                |
| Consumer Confidence         | -29.4 (Q1' 17)*        | -17(Q2'17)             | 42.18                   | 1(Q3'17)*            |
| Business Confidence         | -27.7 (Q1'17)*         | -1.5 (Q2'17)           | 94.58                   | 10 (Q3'17)*          |

Source: CBN,NBS, EIU, FDC Think Tank

# LEADING ECONOMIC INDICATORS (2)

| LEI                              | Aug'17      | Sept'17     | %<br>Change  | Oct'17 |
|----------------------------------|-------------|-------------|--------------|--------|
| T Bills (91 days) – Primary      | 13.76       | 13.59       | -17bps       | 13.50  |
| T Bills (182 days) - Primary     | 19.00       | 18.34       | -66bps       | 18.50  |
| Average NIBOR (%) (O/N, OBB, 30) | 27.48       | 17.71       | -977bps      | 19.00  |
| Average Lending Rate             | 25          | 25          | -            | 25     |
| Average Opening Position(N'bn)   | -107.97     | -82.92      | -23.2%       | -75.20 |
| Money Supply (N'bn)              | 21.8 (June) | 22.2 (July) | --           |        |
| External Reserves (\$bn)         | 31.83       | 32.90       | 3.36%        | 33.0   |
| Exchange rate (N/\$; month-end)  | 306.35      | 306.25      | IFEM: 0.03   | 306.40 |
|                                  | 365         | 365         | Parallel: -- | 367    |
|                                  | 359.67      | 360.40      | IEFX: -0.21  | 360    |
| Stock Market (N'trn)             | 12.24       | 12.22       | -0.16        | 12.20  |

Source: CBN,NBS, EIU, FDC Think Tank

# INFLATION OUTLOOK - 15.9%

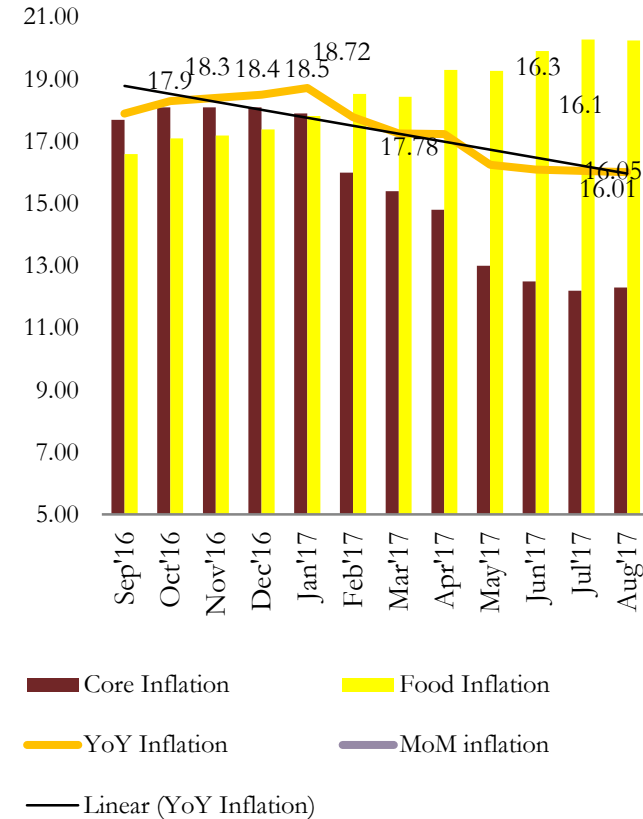
## Demand drivers

- Money supply expected to grow marginally
- Cost of distribution to increase- Diesel currently trades at N195 per litre
- FAAC up 36% to N637bn
- Salary arrears to be paid as a result
- Expected to increase purchasing power of individuals

## Supply drivers

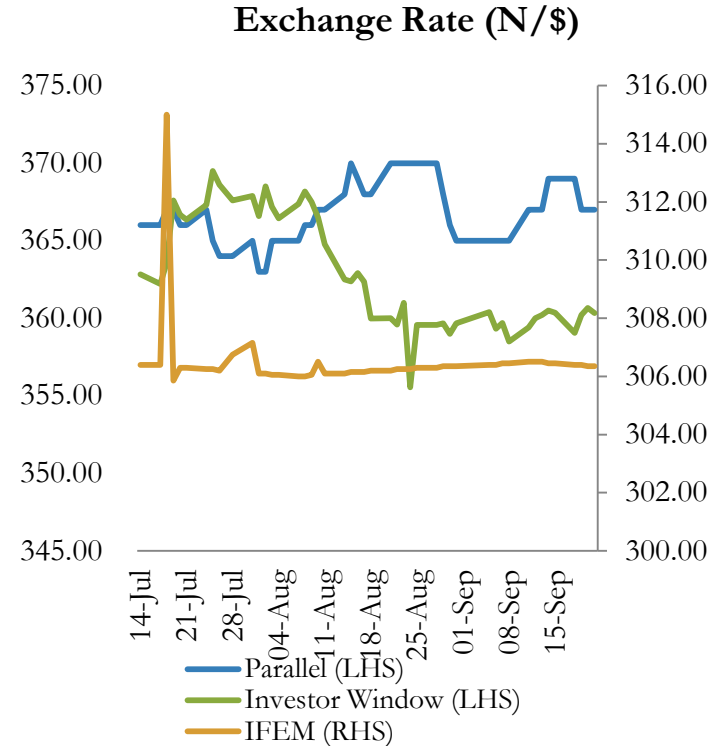
- Harvest season to increase food supply
- Expected to reduce inflationary pressure

Headline Inflation (%)



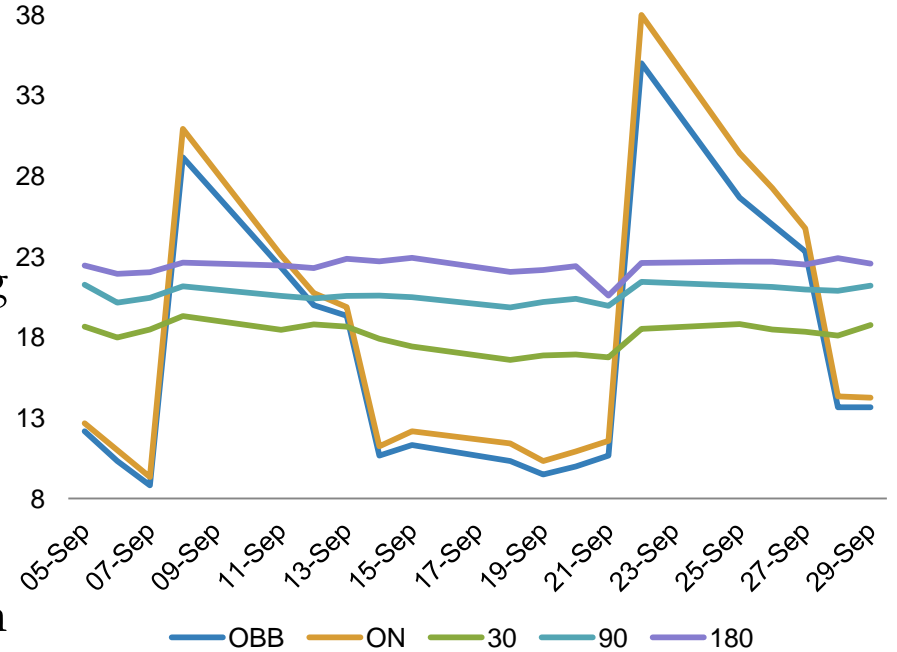
# EXCHANGE RATE OUTLOOK (N368/\$)

- Demand for CBN dollars to increase
- Christmas inventory build-up
- Price of oil up to an average of \$55.7pb
- Oil production up to 1.8mbpd
- External reserves accretion to remain positive
- Total value traded in the IE window up
- Proceeds of rights issue
- IEFX rate: N360.40, expected to trade flat
- Parallel market rate to remain stable at N368/\$
- CBN extending forwards from 60 to 90 to 120 days



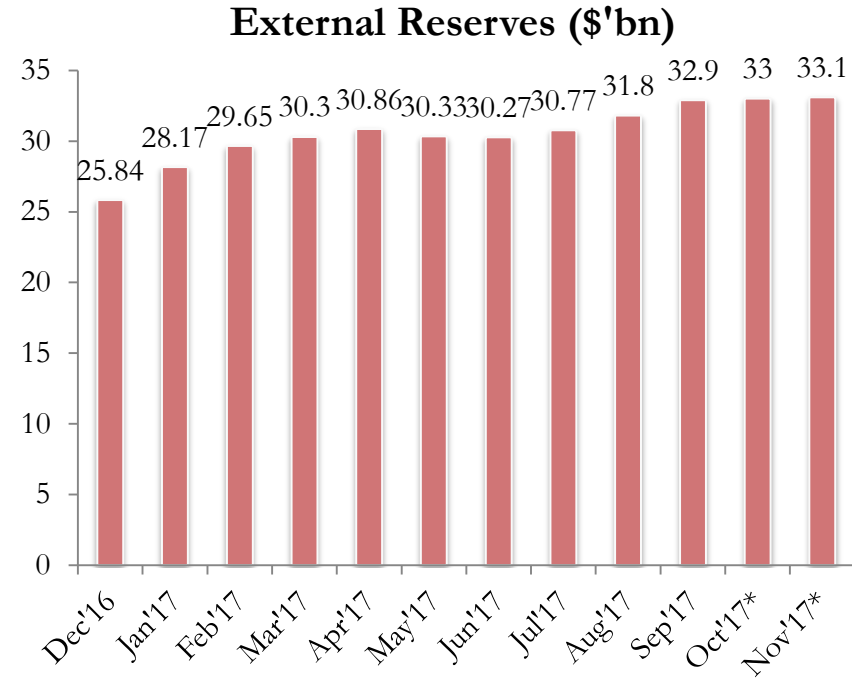
# INTEREST RATE OUTLOOK

- Expect rates to remain fairly <sup>43</sup> stable
- Marginal decline in T-bills rates
- DMO will start the refinancing of T/bills stock
- With Eurobond proceeds
- Expect reduced T/bills auction volumes



# EXTERNAL RESERVES OUTLOOK- \$33BN

- Reserves will be flat before declining in October/November
- CBN needs to support the naira in the forex market
- Meet the capex demands of the government





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# Export Commodities

Forex Revenue Sensitive

# COMMODITY OVERVIEW

| Export Commodities               | (August – September 2017)   | October 2017 |
|----------------------------------|---|--------------|
| Oil (\$/b)                       | 57.52  9.81% | 55           |
| Liquefied Natural Gas (\$/mmbtu) | 3.01  -0.99% | 2.99         |
| Cocoa (\$/mt)                    | 2,015  4.62% | 1980         |

# EXPORT COMMODITIES – OIL




- Brent crude rose 7.5% to an average of \$55.7pb in September
- Oil prices reached a 26-month high at \$59pb
- Triggered by Turkey's threat to choke off Kurdish oil exports by 552,500bpd
- Oil producers meeting in Vienna ended without a recommendation to extend cuts
- Slow U.S refining activities & rising global crude demand supported prices
- OPEC and IEA raised their forecast for global oil consumption to 1.6mbpd
- Compliance amongst OPEC members at 94% higher than in August



# Import Commodities

Inflation Sensitive

# COMMODITY OVERVIEW

| Import Commodities | (August –September 2017)   | October 2017 |
|--------------------|--|--------------|
| Wheat (\$/bushel)  | 4.54  4.66%   | 3.98         |
| Sugar (\$/pounds)  | 13.78  -4.31% | 12.2         |
| Rice (\$/cwt)      | 11.99  6.29%  | 11.8         |

# Policy Response



# MPC OUTLOOK FOR NOVEMBER 2017

- Disbursement of capex for 2017 budget and fiscal expansion effect
- State govt pressure to meet salary arrears
- Increased demand for forex to meet Christmas inventory
- Political pressure to move to accommodative stance
- Oil price at an average of \$55pb and production at 1.8mbpd to guarantee enough supply into the forex market



# MPC OUTLOOK FOR NOVEMBER 2017

- External reserves at \$32.9bn and inflows of \$7bn in 5 months at the IEFX window
- CBN likely to allow T/Bill rates decline
- Leave policy rate unchanged

# Real Estate Market



*Soft Market Continues*

# REAL ESTATE UPDATE

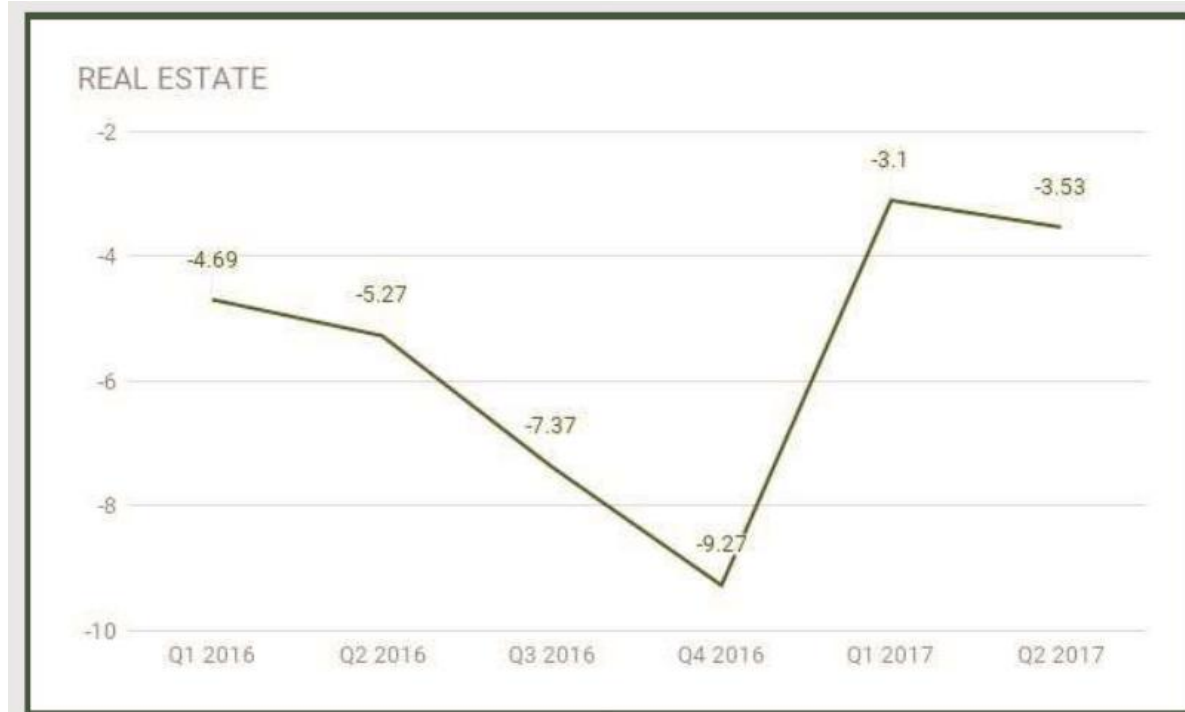
- Real estate sector contracted from -3.1 in Q1 to -3.53% in Q2
- Vacancy factor up 4.7% to 174 in Q3'17
- Yaba, Surulere and Ebute Metta: stronger markets
- Many properties remain unoccupied
- New properties being completed
- Market values lower than replacement cost
- Some traction in Banana Island

# REAL ESTATE MARKET- SOFT MARKET IN Q4

- Rents are beginning to slip
- Expect growing demand for grade-A office spaces
- Affordability expected to remain a key issue
- Demand for high-end luxury residential properties will remain low

# REAL ESTATE UPDATE

- Lagging impact of the real estate sector



# Aviation Update



# DOMESTIC AVIATION

- Air Peace is fighting back to hold market share
- Responding to the repositioning of Arik
- Consolidating in Lagos-Owerri and Enugu routes
- Fighting hard on Lagos-Benin City route
- Arik has rationalized its route network
- Increased market share in the reduced routes
- On-time performance perfect
- Emphasis on Port-Harcourt, Abuja, Lagos, Warri, Benin & Kano

# REGIONAL

- South African Airways (SAA) has reduced its African network especially West & Central Africa
- Cancelled Pointe-Noire & reduced Brazzaville, Douala, Libreville
- SAA slack is being taken up by Ethiopian Airlines, RwandaAir & Asky
- British Airways has reintroduced the Boeing 747
- Restricting ticket sales in naira to high fares
- Complaining about blocked funds with CBN
- Delta down to 4 flights a week to Atlanta till December



# REGIONAL

- Traffic and load factors for October are down to 65%
- Expatriate rotators on the rig are down sharply
- Lufthansa to stop first class service to Nigeria from December
- Etihad now operates 4 flights a week out of Lagos
- Airport concessioning still has long way to go
- If successfully closed in 2017, it would be a major breakthrough

The background of the slide features a semi-transparent overlay of various financial data visualizations. These include multiple line graphs in shades of blue, green, and red, as well as candlestick charts. Faint percentage values such as '+0.21%', '+0.44%', and '+0.4%' are scattered across the background, suggesting market movements. The overall aesthetic is professional and data-driven.

# Stock Market Update

# STOCK MARKET IN SEPTEMBER

- Market traded horizontally in September
- 19 days positive, 9 days negative
- Market capitalization peak of N13trn and low of N9trn
- Average daily turnover of N3.4bn
- No new rights or public issues
- Investors tentative, unsure about MPC stance
- Average earnings multiples of 13.29

# OCTOBER/NOVEMBER OUTLOOK

- Market tentativeness to continue
- Proceeds of rights issues to be disbursed to issuers
- Reduced interest expense for FMCG companies
- Decline in loan book of banks
- Increased demand for forex ahead of production
- Q3 earnings will hit the market in October
- Investors will respond to inflation data on Oct 13
- MSCI Frontier market index rebalancing in Nigeria to take place in November



# Outlook

# OUTLOOK FOR OCTOBER

- Unemployment and underemployment data will show a sharp increase
- Inflation will decline marginally towards 15.9%
- FGN will disburse at least N500bn of capital votes
- Naira will trade sideways but will come under pressure in November
- Stock market will give up some gains in October
- Will recover after the inclusion of Nigeria in the frontier index
- Some Ministers will leave to contest in elections
- Leading to a minor reshuffle

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# Part B

## Outlook for 2018



# OUTLINE

## Part B

- Macro-economic Assumptions
- Impact on Sectors
- Market Response
- Political Update

A pair of hands is shown from the front, gently cupping a small, realistic globe of the Earth. The globe is centered on the Americas, with North and South America visible in green and brown, surrounded by blue oceans and white clouds. The hands are light-skinned and appear to be belonging to a child or young person. The background is a soft, out-of-focus light color.

# The World Around Us

# GLOBAL IMPERATIVES IN 2018

- GDP growth projected at 2.4%
- To be fuelled by expected tax cuts and increases in govt spending
- Fed aiming for 3 rate hikes
- Also confident that stagnant inflation will bounce back
- Trump likely to change the Fed Chairman
- Making her the 3<sup>rd</sup> Fed Chairperson to spend only one term
- ECB forecasts a marginal slowdown of GDP growth to 1.8%
- ECB likely to follow in the way of US Fed and begin tapering its QE program early in 2018

# GLOBAL IMPERATIVES IN 2018

- Franco-German alliance will dominate the Eurozone
- Macron will insist on support for French speaking Africa
- Forecast is a growth of just 1% in 2018 from 1.6% in 2017
- Slowest pace since 2013
- UK credit rating downgraded over Brexit
- Britain is resilient but will struggle
- High uncertainty to hamper domestic and foreign investment
- They expect UK unemployment to climb to 5.3% in 2018, up from current low of 4.3%

# IMPACT ON NIGERIA

- Fed rate hike to lead to a tightening of global financial conditions
- For Nigeria, this could mean capital flow reversal and currency volatility
- Monetary authorities could respond with tightening measures and currency devaluation
- Rate hike to push up US dollar and put downward pressure on commodity prices
- Stronger euro boosting competitiveness of Nigerian exports relative to its CFA franc neighbours



# Export Commodities

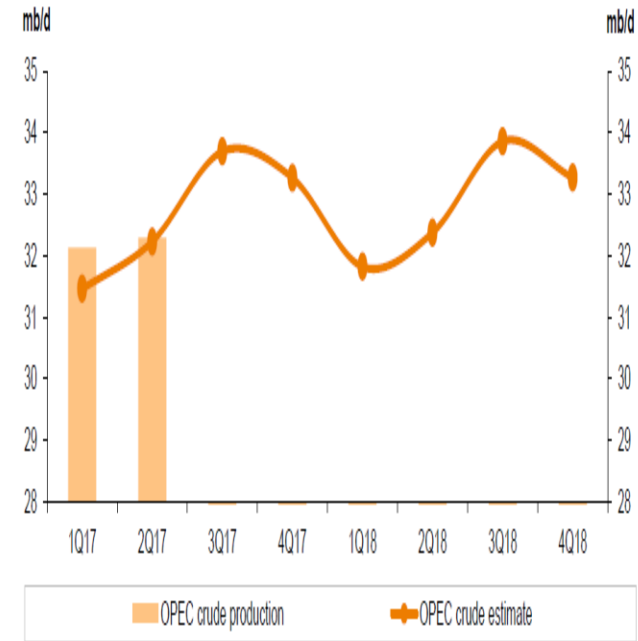
Forex Revenue Sensitive

# COMMODITY OUTLOOK- OIL- EIU

- Oil prices will remain subdued at \$50.8pb in 2018
- EIU expects global supply to jump 2.1% in 2018, up from estimated growth of just 0.7% in 2017
- Global consumption growth to decrease to 1.4% in 2018 from 1.7% in 2017
- Driven by a slowdown in the Chinese economy as it shifts away from an industrial-led growth model

# OIL PRICE OUTLOOK- OPEC

- Global oil demand to increase by 1.35mbpd to 98.12mbpd
- Reflecting higher growth expectations for OECD Europe and China
- World supply will increase by 1.18mbpd to 65.29mbpd
- OPEC crude in 2018 estimated at 32.8mbpd, 0.2mbpd higher than in 2017



Note: \*2017 and 2018 = Forecast.

Source: OPEC Secretariat.



# COMMODITY OUTLOOK- LNG

- Surge in LNG supply and historically low prices expected to fuel rapid expansion at an average annual rate of 5.8% in 2018-19 usage
- There will be downward pressure on LNG contract prices in 2018-19
- Due to huge additions to supply, competition from US LNG prices and lower LNG spot prices

# COMMODITY OUTLOOK- COCOA

- Higher prices will slow consumption growth in developed markets
- Global supply is expected to fall during 2017/18 and 2018/19, by 3.8% and 2.1% respectively
- Reflecting a projected drop in production in Côte d'Ivoire, the world's largest cocoa producer

# Policy Outlook

# POLICY OUTLOOK 2018

- Airport Concessions
- Improvements in Ease of Doing Business as elections approach
- Marginal bid rounds
- Likely minimum wage review

# POLICY OUTLOOK

## 2018 Budget benchmark- MTEF

- Oil Price – \$45pb
- Oil production – 2.3mbpd (including condensates)
- GDP Growth – 3.5%
- Nominal Exchange Rate – N305/\$
- Effective Exchange Rate – N370+/\$

# MACRO ASSUMPTIONS

- Oil price: \$50-55pb, Production: 1.7-1.8mbpd
- Balance of Trade to rise
- Switch to more accommodative stance: MPR -2%
- Investment flows to slow as elections approach
- Refinancing of N2.7trn of contractors' debt

# MACRO ASSUMPTIONS

## Exchange Rate convergence/ disguised devaluation

- Multiple exchange rates
- New weighted exchange rate: N339 - 350/\$ - extending the forward tenors from 60 to 90 to 120 day tenors
  - IEFX window: N360 + 3% slide = N370+/\$ - effective rate
  - N305/\$ - No trading
  - N325/\$ - manufacturers + 90 or 120 day tenor
  - BDCs, invisibles, travel & media: N380 - 390/\$

# MACRO ASSUMPTIONS

## Rationale:

- Exchange rate is politically sensitive
- Aggregate demand will increase due to rise in minimum wage or settlement of different groups
- Populist and social interventionist programs
- Maintenance of some form of petroleum subsidy



# MACRO ASSUMPTIONS

- Interest rates to fall by 200bps

## **Rationale:**

- Accommodative stance due to political pressure
- There will be 6 MPC meetings
- Early reduction in T/Bill rates: 18% to 16%p.a
- To be followed by policy rate reduction: 1%p.a in H1'18 and 1%p.a in H2'18
- Due to pressure by MAN, LCCI and political groups for lower interest rates
- Nigeria's external debt: \$3bn to refinance local debt
- N3.5trn outstanding T/Bills
- Average weighted cost of borrowing to fall

# INFLATION OUTLOOK

- Inflation will remain generally high amid
  - Pre election spending
  - Currency adjustment
  - Expansionary fiscal policy
- Average inflation will ease moderately to 13.9%
- 2018 year end figure: 13%

# EXCHANGE RATE OUTLOOK

- CBN will continue to interfere in the forex market
- Degree of interference will lessen with oil prices above 2016's nadir
- Currency adjustment expected in 2018 to an average of N374/\$, year-end: N384.5/\$
- Due to
  - Moderation in oil prices
  - Global jitters on the back of slowdown in China & the US
  - Election uncertainty in Nigeria
- Currency devaluation will boost oil revenue in naira terms



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# Macro-Economic Impact

Sectors in 2018

# STOCK MARKET IN 2018

The market in 2018 will be driven by some key themes

- Slow economic recovery and political populist spending
- Corporates will slow down on new investments and Capex
- Consumer spending power will be enhanced by social intervention programmes
- NIFEX/NAFEX convergence and disguised devaluation

# STOCK MARKET IN 2018

- Banking profitability still healthy
- Impairment levels a function of CBN power sector forbearance
- Real estate will remain soft and weak
- Possible relisting in the JP Morgan Index

# SECTOR ASSESSMENT

|                          | Brewery | Consumer goods        | Industrial        | Agriculture           |
|--------------------------|---------|-----------------------|-------------------|-----------------------|
| Assessment justification |         | High growth potential | Bellwether stocks | FX earnings potential |
| Consolidating            | ✓       | ✗                     | ✗                 | ✗                     |
| GDP momentum             | ✓       | ✓                     | ✓                 | ✓                     |
| Demand Elasticity        | ✓       | ✓                     | ✗                 | ✓                     |
| Local Content            | ✓       | ✗                     | ✗                 | ✓                     |



# MACRO-ECONOMIC ASSUMPTIONS 2018

Sector performance will be a function of;

- Vulnerability of sectors to high interest rates and credit availability
- Cost effectiveness and price competitiveness
- The price elasticity of demand of commodities
- Sectors that are consolidating will be more profitable

# BREWING INDUSTRY

- Industry consolidation into a few strong players
- Oligopoly of 3 players
- Financial brand and logistics support from strong parent companies
- Each with more than 70% ownership
- Premium beer and malt market declining

# BREWING INDUSTRY

- Mainstream and value brands growing
- Excess capacity will be utilized
- South African Breweries to open new brewery in Sagamu and Heineken in Benin city
- Players benefiting from parent company support
- Look out for reduced finance charges for all players
- Increased local content and reduced distribution and logistics cost

# BREWING STOCKS



- Revenue expected to grow by 20%
- Free cash flow expected to grow by 10%
- Plans are in place to expand ancillary business
- To attain 60% local input sourcing
- Analyst Consensus: HOLD



- Revenue to grow by 15%
- Free cash flow to grow by 12%
- Back to the green
- Improved productivity & efficiency projects
- Finance charges N9.8bn to slashed by half in 2018
- Analyst Consensus: HOLD

# FMCG SECTOR

- Reduction in finance cost due to right issues
- Sector to benefit from settlement of salary arrears and salary increment
- Premium brands to record substantial improvement in performance
- Companies with international affiliates to maintain forward contracts to hedge exchange rate volatility

# FMCG STOCKS



- Revenue to grow by 58%
- Free cash flow to increase 20%
- Increased competition from imported brand might impact Nestlé's earnings
- Analyst consensus: HOLD

- Revenue to grow by 10%
- Free cash flow to increase 10%
- Intensified import substitution drive to impact earnings
- Analyst consensus: HOLD

# BUILDING MATERIALS SECTOR

- Dangote already benefitting from scale economies and price leadership
- Lafarge is looking good
- UNICEM merger will provide pioneer status advantages
- Fierce competition with BUA and Dangote
- Volumes expected to increase on aggressive civil works programme of FGN

# BUILDING MATERIALS SECTOR

- DangCem ROA is doing well
- Dealing with issues in Tanzania, Ethiopia, and Ghana
- The Apapa construction will help logistics and provide decent tax shelter
- Stock has considerable upside





## Who We Are

**A**vant-garde Academia Limited (AAL) is an education advisory and counseling service organization that was incorporated in July of 2013. AAL was incorporated as an educational aggregator in grooming candidates to be potential global citizens who will reinvest their acquired skills in Nigeria in future. It is positioned to provide support, assistance and guidance to potential candidates and entrants to Ivy League, Elite and premium academic institutions in America. Our target market comprises parents of children in identified elite Nigerian secondary schools and/or top executives in the business community, who have a strong need for our services. The market also extends to Nigerians resident in Diaspora, and expatriates resident in Nigeria. In Partnership with Ascent Education Advisors, a reputable Education Advisory Services firm, we have designed a range of admissions solutions to cater for children in different stages of secondary school education.

### OUR STRATEGIC PARTNER – ASCENT EDUCATION ADVISORS

A reputable education advisory service firm, the lead consultant Ms. Peggy Hanefors has over 10 years experience in admissions; including a position as the Assistant Director of International and Transfer Admissions at the University of Pennsylvania. She was first reader and evaluator of about 3,000 applications for students from across the globe.

### What We Offer

- Information and advice about the American University System and its application process.
- Evaluation of student's record prior to application.
- Assistance in selecting curriculum and summer activities that will match the student's desired course of study and also highlight his/her personality and interests.
- Development of personal application timeline, that includes standardized testing, college visits, application deadlines, etc.
- Help in selecting teachers for recommendations
- Guidance in presenting extracurricular record
- Guidance in putting together an overall great college application that highlights the unique attributes of the applicant
  - Essay topic brainstorming
  - Editing
  - Proof-reading
- Guidance in choosing the most suitable college among acceptances.
- Interview preparation

### Our Packages

**Package 1: 8th to 10th Grade (Final 3-5 Years)**  
This package is a program designed for candidates from as early as the 8<sup>th</sup> grade (Junior Secondary School - JSS 2) of high school. This is a full package with the benefits of all the services we offer in addition to education and assistance with entire college admission process, including an unlimited number of applications.

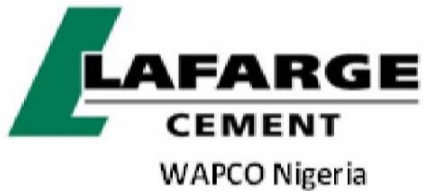
**Package 2: 11th and 12th Grade (Final 1-2 Years)**  
This package is similar to Package 1 but is designed for students in the final two years of high school.

**Package 3: (Per Application)**  
Unlike packages 1 and 2, package 3 only provides unlimited assistance with applications to pre-determined universities.

We host a Parents Admission Support Forum in Lagos bi-annually with the aim of giving parents the information they need to ensure their child(ren)/wards gain admission into reputable universities in United States of America.

To attend one of our events, kindly contact or visit us at  
9a Idejo Street, Victoria Island Lagos.

# ATTRACTIVE BUILDING MATERIALS STOCKS



- Top line growth of 6%
- Slow business activities expected in 2018
- Free cash flow to increase 9%
- Lafarge to inject 30MW electricity to grid
- Possible slowdown of business activities ahead of 2019 elections
- Analyst consensus: HOLD

- Marginal top line growth of 8%
- Attributed to slow business activities in 2018
- Free cash flow to increase 10%
- Plans to double output
- And construct 3 more plants in West Africa
- Analyst consensus: HOLD

# AGRICULTURAL SECTOR

- Dangote group to spend \$4.5bn on sugar, rice, tomato and oil palm
- Presco Plc and PZ Wilmar to increase palm-oil output
- NBS Q2 '17 showed \$7bn worth of imported oil palm
- Agriculture now more attractive due to FX earnings potential
- High growth momentum key to diversification of export earnings



# AGRICULTURAL SECTOR

- Possible devaluation of naira will boost agricultural activities
- Strengthening of Euro may result to smuggling to Euro pegged W/African countries
- This may lead to some level of scarcity in the short term



# ATTRACTIVE AGRICULTURE STOCKS



- Okomu to continue to outperform the market and
- With a 58% revenue growth
- Free cash flow to increase 20%
- Analyst consensus: HOLD

- Revenue to grow by 65%
- Rubber plantation expansion in 2018
- Free cash flow to increase 25%
- Presco likely to outperform the market
- Analyst consensus: HOLD



# MACRO-ECONOMIC ASSUMPTIONS

## Banking Sector

Performance will be a function of;

- Relative FX stability
- Fragmentation of industry to continue
- Accommodative monetary policy
- FGN refinancing of local T/bills with Eurobond proceeds

# BANKING INDUSTRY IN 2018

- Increased funds available for lending to private sector
- Quality risk asset growth will be flat
- Banking stocks will be soft as new issues & tier 2 capital raising increases
- Banking profitability a function of cost containment
- CIR still an average of 60% and too high compared to global peers

# BANKING INDUSTRY IN 2018

- Though we expect some forbearance to reduce banking sector exposure
- Cost of risk and impairment levels will impede sector growth
- Availability of confirmation lines will be a differentiator
- Balance sheet quality and international ownership will be a source of competitive advantage



# BANKING INDUSTRY IN 2018

- Tier 1 Net Interest Margin expected to be at 6.4%
- Average CIR will be about 58.9%
- Capital raising to improve capital adequacy and depress share prices
- And strict enforcement of TSA will constrain public sector attractiveness
- Etisalat blues will limit the industry
- Big boys have provided but with some pain

# BANKING STOCKS



| 2018 Projections   | %     |
|--------------------|-------|
| NPLs               | 3.5   |
| Cost/Income        | 58.9  |
| NIM                | 6.4   |
| Capital Ratios     | 15.7  |
| Target Share Price | N13.5 |

| 2018 Projections   | %     |
|--------------------|-------|
| NPLs               | 4.5   |
| Cost/Income        | 38.1  |
| NIM                | 10.2  |
| Capital Ratios     | 22.3  |
| Target Share Price | N44.2 |





## 2017 OPEN SEMINARS (March to October)



### ACCOUNTING, FINANCE & ECONOMICS

|   |              |
|---|--------------|
| Accounting & Finance for Non-Finance Executives | May 15 - 19  |
| Financial Modeling                              | July 17 - 21 |



### GENERAL MANAGEMENT

|   |              |
|---|--------------|
| Managing Compliance and Legal Risk      | May 22 - 24  |
| Stepping up to Management               | June 29 - 30 |
| Managing People for Strategic Advantage | July 10 - 12 |



### MARKETING AND SALES MANAGEMENT

|                                   |                |
|-----------------------------------|----------------|
| Essentials of Sales and Marketing | July 3 - 5     |
| Strategic Account Management      | July 11 - 13   |
| Digital Marketing                 | July 24 - 25   |
| Outstanding Customer Relationship | August 29 - 30 |



### OPERATIONS & MANAGEMENT INFORMATION SYSTEMS

|  |             |
|--|-------------|
| Strategic Procurement/ Contract Management                 | May 3 - 5   |
| Smart Business Decisions: The power of data analysis       | May 22 - 26 |
| Developing Analytical Competencies for Managing Operations | July 3 - 7  |



### PERSONAL LEADERSHIP & HUMAN RESOURCES MANAGEMENT

|  |                  |
|--|------------------|
| Building & Leading the 21st Century Team | April 19 - 21    |
| Legal Issues in HRM                      | April 19 - 27    |
| Negotiation Skills & Tools               | April 25 - 27    |
| Advanced HRM                             | April 7 - May 12 |
| Mastering Human Resource Management      | June 5 - 9       |
| Refining Your Interpersonal Skills       | October 23 - 25  |



### STRATEGY, INNOVATION & GOVERNANCE

|  |                |
|--|----------------|
| Sustainability Workshop for NGOs                       | March 20 - 21  |
| Mastering Competitive Strategy and Blue Ocean Strategy | May 15 - 18    |
| Leading a Sustainable Business                         | June 1 - 2     |
| Driving Strategic Innovation and Business Development  | July 3 - 5     |
| Executing Sustainable Strategy                         | October 9 - 10 |

## GENERAL INFO

|  |                       |
|--|-----------------------|
| <b>PROGRAMME VENUE:</b>                  | <b>TIME:</b>          |
| Km 22, Lekki-Epe Expressway, Ajah, Lagos | 9.00 a.m. - 5.00 p.m. |

**PRIOR REGISTRATION** is mandatory to secure a place on the seminar.

|  |  |
|--|--|
| <b>RESERVATIONS / ADDITIONAL INFORMATION</b> | <b>Reservations/Additional Information:</b><br>Phone: Ajegbari: 07019407708<br>Ajah: Ikeja: 0708070352<br>esecedu@lbs.edu.ng |
|--|--|

|   |   |
|---|---|
| <b>Discounts (only one category applicable)</b> |   |
| 10% off   | For 5 or more nominees from the same company<br>For nominee as Corporate Partner Programme<br>For individuals who pay at least 6 weeks ahead of scheduled seminar |
| 15% off   | Financial members of LBS Alumni Association   |

Download detailed calendar from our website [www.lbs.edu.ng](http://www.lbs.edu.ng)

The background of the slide is a blurred image of several target boards with arrows. The targets are circular with concentric rings, and the arrows are pointing towards the center. The overall color palette is light blue and white, creating a clean and professional look.

# Political Update

# POLITICAL UPDATE

The political chess game for 2019 begins

- Buhari returns to full campaign mode
- Consolidating his hold on the government
- Trips to Daura, New York, London, Abuja and Maiduguri
- Confounding critics and sceptics
- Energising his base of supporters & fanatics
- Keeps his party guessing on the timing of a reshuffle

# POLITICAL UPDATE

- Independence speech was throwing down the gauntlet
- The squabbling within the APC has subsided for now
- The party is rallying fully behind the president
- The NASS leadership have fallen in line
- The succession battle for Aso Rock is now a whispering campaign
- The call for restructuring is losing its steam
- The PDP are to hold their convention in December

# POLITICAL UPDATE

- Party chairmanship will go to the South West
- Presidential ticket is zoned to the North
- The V.P. Slot will likely go to the S. East
- A third mega party consisting of splinters and disgruntled PDP and APC members likely to emerge
- The APC will be reorganised along the lines of presidential loyalists
- The major constraint to the Buhari machine is time

# POLITICAL UPDATE

- The time is too short to restructure the party, government agencies and the economy
- Capacity to deliver all of these within 9-12 months is a tall order
- The IPOB insurrection has lost its steam
- Now a major political miscalculation by the South East
- Eroding their bargaining power at the centre
- Anambra state election will be easy pickings for APGA



# POLITICAL UPDATE

- APGA is sending signals of alliance to Abuja
- Ekiti State will be hotly contested
- A function of the underground alliances between political war lords
- Osun state is wide open
- Could swing in any direction
- The politics of 2018/19 will depend on the economic recovery
- The impact of the policies on the people

# POLITICAL UPDATE

- The APC may be in for a shock if the recovery loses steam
- As they say 24 hours is a long time in politics
- Also in the end it will end up as a campaign of “Tis the economy stupid”

# CORPORATE HUMOUR



Politics consists of choosing between the disastrous and the unpalatable - *Unknown*

There is nothing worse than a “now” look with a “then” face  
– *Dave Falk*



# CORPORATE HUMOUR



Single (adjective) – A man who makes jokes about women in the kitchen - *Unknown*

It's hard to lose weight when you have an over-active knife and fork - *Unknown*



# CORPORATE HUMOUR



What's my favourite childhood memory? Not paying bills  
- *Unknown*

Nothing makes a man so adventurous as an empty pocket  
- *Victor Hugo*



# CORPORATE HUMOUR



Running is an unnatural act,  
except from enemies and to the  
toilet - *Unknown*

Voters want a fraud they can  
believe in – *Will Durst*



# CORPORATE HUMOUR



Never get into fights with ugly people, because they have nothing to lose - *Unknown*

Familiarity breeds children  
– *Mark Twain*



# CORPORATE HUMOUR



If I die I forgive you; If I  
live, we'll see  
- *Spanish Proverb*

From birth to 18 a girl needs good parents  
From 18 to 35, she needs good looks  
From 35 to 55, she needs a good  
personality  
And from 55 on she needs cash  
- Sophie Tucker





*Thank  
you*



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