

EndSARS

Class Struggle **Vs** Ethnic Conflict

The \$15bn Loss



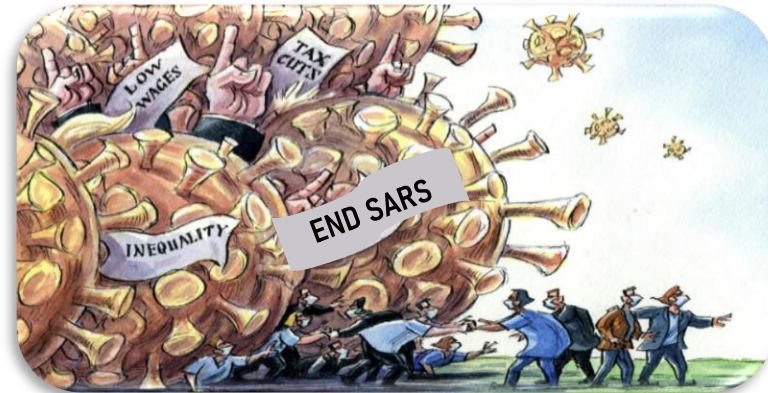
Part A

Concept

Cost

Impact

What Next??



EndSARS in Context

King Louis XVI

“Is this a revolt? ”

François Alexandre

“No, sir, it's not a revolt; it's a revolution.”

Gabriel Riqueti, Count of Mirabeau

“The people's silence is the king's lesson”

Nigerian investors after gaining 9.6% in Q3

“Just when I thought it (covid) was over then this (endsars)”

Amy Chua

“When the institutions for conflict resolution are dismantled
the alternative is anarchy”

EndSARS in Context

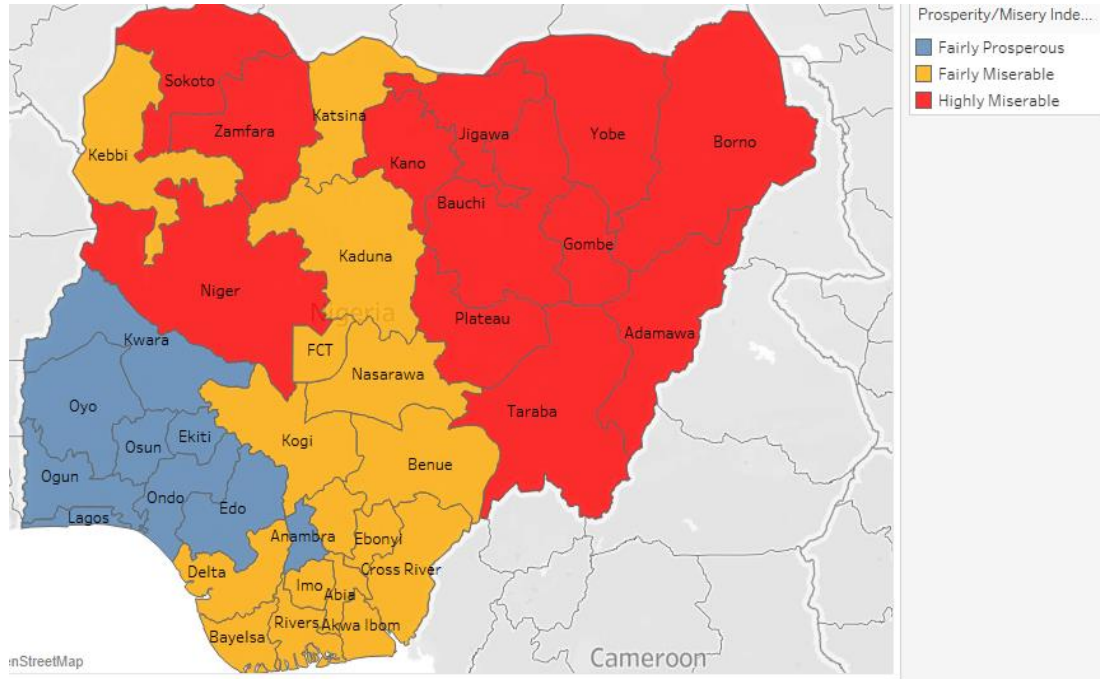
“Markets concentrate wealth, often spectacular wealth, in the hands of the market-dominant minority, while democracy increases the political power of the relatively impoverished majority...”

“...In these circumstances the pursuit of free market democracy becomes an engine of potentially catastrophic ethnonationalism.”

Amy Chua

Poverty Misery Map & EndSARS

- ✓ The problems of multidimensional poverty
 - ✓ Lack of opportunity
 - ✓ Income inequality and hopelessness
 - ✓ Declining income per capita because



Income growth < Population growth

EndSARS was the event but not the cause of the eruption

$$Y = C + I + G + X - M$$

\$459.3bn \$359.5bn \$103.2bn \$25.2bn \$41.4bn \$73.7bn

- ✓ The economic model that relies on **G** & **C** as drivers of growth with lower emphasis on **I** is a structural defect
- ✓ Investments in job elastic sectors with minimal control on the pricing mechanism will help resolve unemployment, underemployment and poverty



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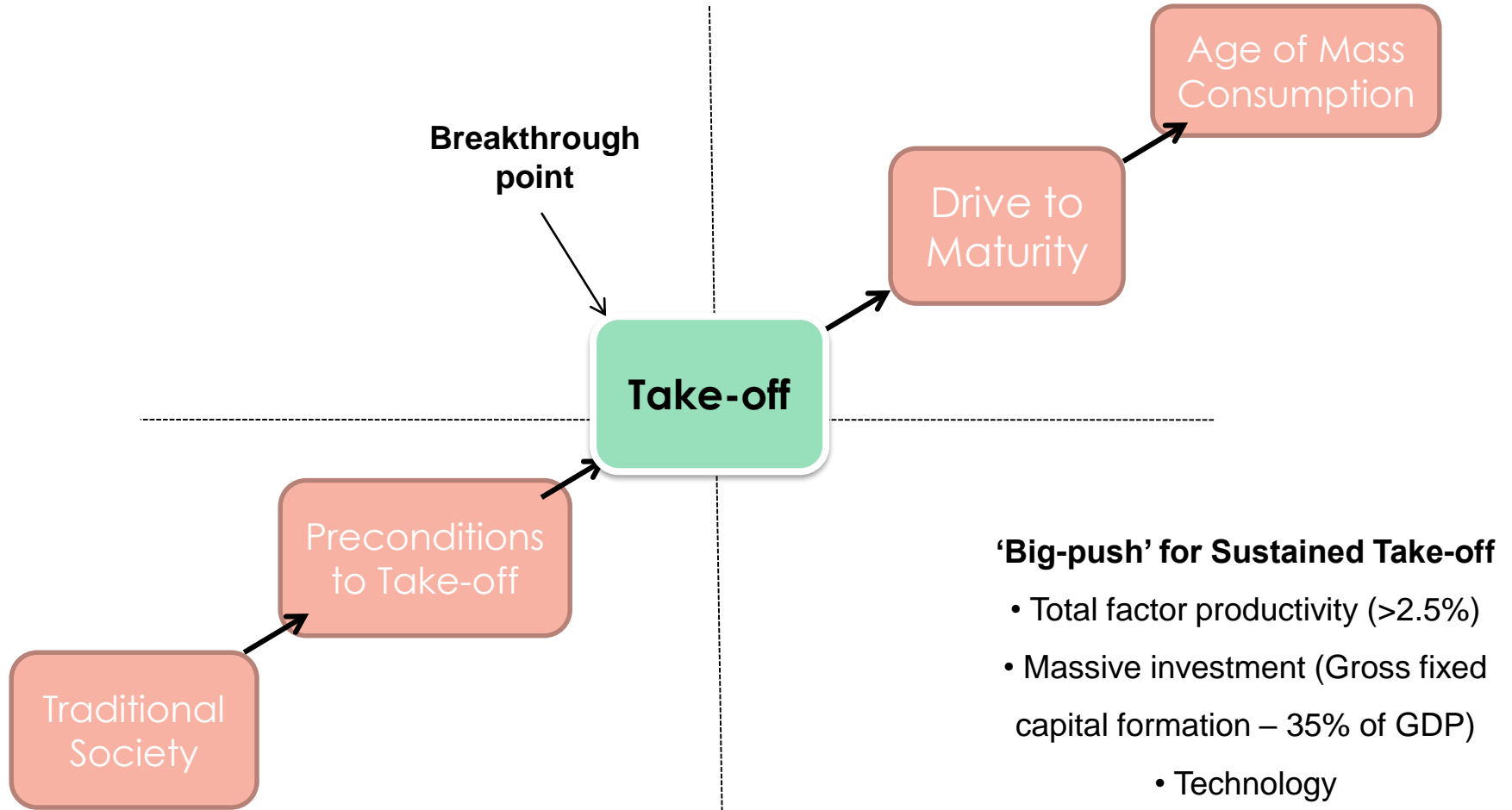


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Possible Outcome – Breakthrough & Take-off



Economic Cost of the Protests

Direct cost (increase in negative GDP growth)	≈	\$12.0bn
Import cost (2 weeks)	≈	\$1.8bn
Inventory replacement and opportunity cost (est.)	≈	\$5.0bn
Estimated total cost	≈	<u>\$18.8bn</u>

Economic Dimension of the Protest

- ✓ Back of the envelope analysis points to an estimated \$15bn - \$20bn loss
 - ✓ Approximately one-third of the size of Ghana's GDP
- ✓ EndSARS economic cost was approx. \$12bn using the increase in negative GDP growth from -3.3% to -5.9% annual growth
 - 3.3% was the original estimate and the revised estimate is -5.9%**
- ✓ Based on an inventory replacement momentum and opportunity cost analysis, the crude estimates depending on assumptions could run as high as another \$5bn - \$6bn

The Economic Cost of the Protests

- ✓ Lagos was the epicentre of the conflict
 - ✓ Why? Lagos constitutes 20-25% of Nigeria's GDP \approx \$120bn
 - ✓ 1,800 trucks of commodities, food supply, finished goods, other raw materials and logistics enter Lagos every day
 - ✓ The disruption was approximately 14 days (2 weeks)
 - ✓ The informal economy in Nigeria is speculatively estimated at 40% of GDP \approx \$200bn



The Economic Cost of the Protests

✓ GDP Difference

- ✓ Increase in negative growth = 2.6%
- ✓ 2.6% of \$460bn (2020 GDP est) = **\$11.96bn**

✓ Lagos as a proxy

- ✓ 25% of national GDP = \$120bn
- ✓ Informal economy + = \$ 46bn
- ✓ 2-3 weeks disruptions = \$9.6bn
- ✓ Import costs (2-weeks) = \$1.8bn
- ✓ Total cost = \$11.4bn

The Economic Cost of the Protests

- ✓ Nigerian stock market capitalization is N15.96trn with average daily turnover of N5.9bn
- ✓ The average inventory level of Nigerian FMCGs is 12 weeks in the quarter preceding Xmas
- ✓ Destruction of fixed assets, real estate and inventory is not typically covered by insurance (civil commotion and riots)
- ✓ 80% of Nigerian imports are cleared through Apapa & Tincan Island
- ✓ Nigerian imports for 2020 are estimated by EIU at \$43.9bn



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Workings of Estimates & Dimensions

- ✓ 60% of Lagos GDP for 2-3 weeks = \$4.33bn
- ✓ 20% of the informal economy representing Lagos for the same period
- ✓ Approximately 20% representing the other states affected for 3-4 weeks, the lag effect
- ✓ Drag on profitability on manufacturing and conglomerate sectors 10-15% of profitability for Q4
- ✓ Reduction in imports of approx 1/12 of EIU import bill of 2020

GDP Trajectory – Annualised Estimate

✓ Pre-EndSARS = -3.3%

✓ Post-EndSARS = -5.9%

Q1 = 1.85%

Q2 = -6.1%

Q3 = -5.4%

Q4 = -12.0

✓ 2020 = -5.9%

✓ Total impact – previous estimate = -3.3%

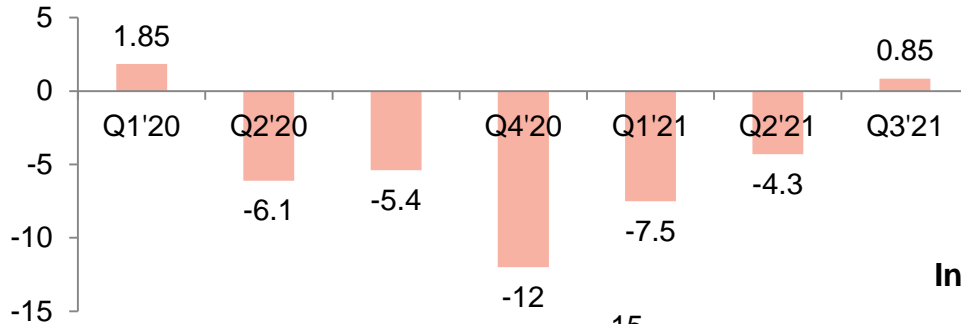
✓ new estimate = -5.9%



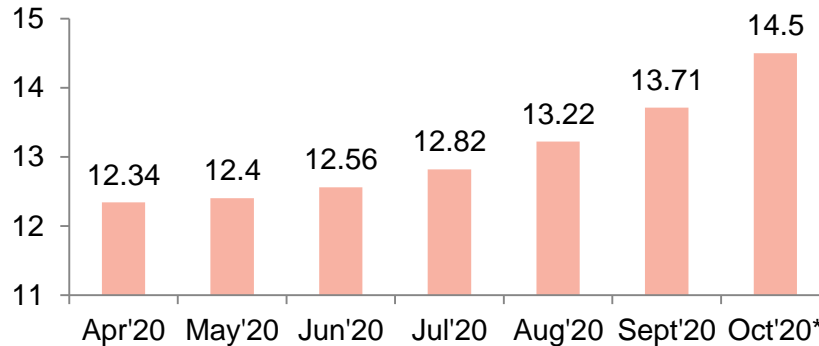
The Dollar Cost of the GDP Difference

- ✓ Momentum -2.6% of GDP \approx \$12bn
- ✓ 2020/21 GDP: The recovery path

Real GDP Growth (%)



Inflation (%)



- ✓ Inflation impact

Impact and What Next

- ✓ The recovery path is now elongated by at least 3 months
- ✓ Companies will need to restructure their maturities and debt repayment
- ✓ Sales of FMCGs will be negatively affected especially rosy Xmas projections
- ✓ The exchange rate for replacement inventory will be at least 10-15% higher
- ✓ Forex rationing effect on CPI



Impact and What next

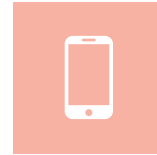


Higher inflation
and its impact
on interest rates

14.5 – 15%



Mixed performance
in corporate
earnings



Layoffs and
pension fund
attrition



Diminution in value
of pensions AUM

2021 Budget will be affected

1

Lower oil prices

2

End SARS

3

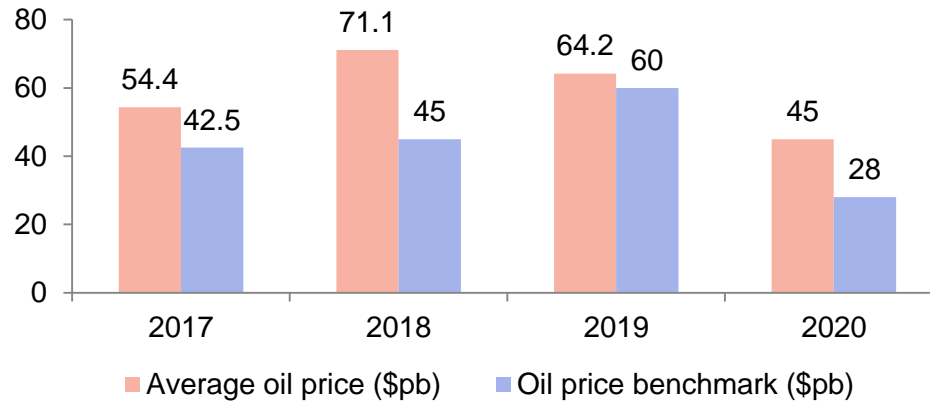
Stimulus

4

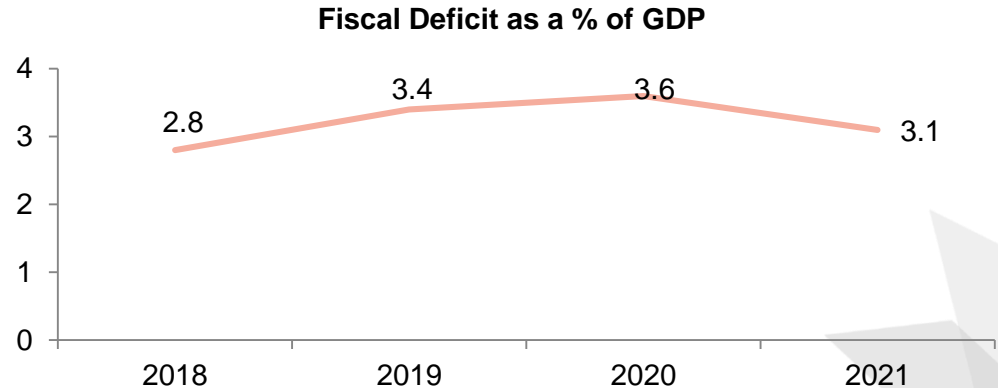
COVID

Policy Response to Protest, Drop in Oil Price & Stimulus

✓ Budget threat

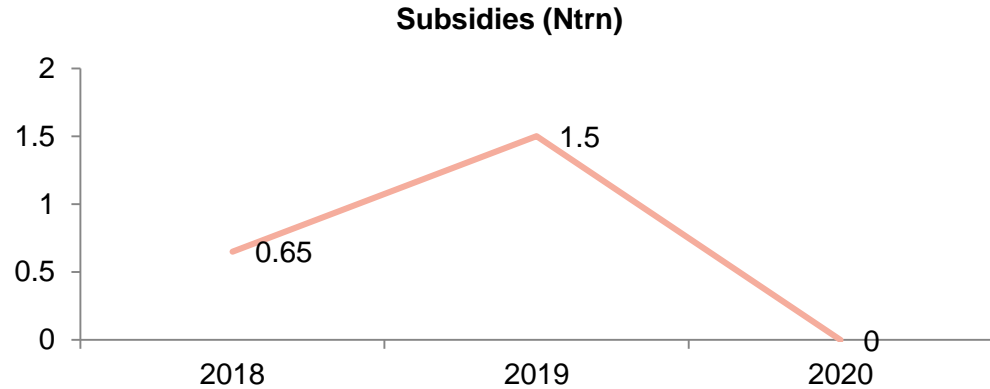


✓ Fiscal deficit as a % of GDP



Policy Response to Protest, Drop in Oil Price & Stimulus

✓ No subsidies



✓ N5bn additional bail out for airlines

✓ House of Reps call for suspension of airports

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Part B

01

October Highlights

02

Proxies

03

Policy and Politics

04

Stock Market Review

05

November Outlook





October Highlights

October Highlights

- ✓ The #EndSARS protest upended all projections and expectations
- ✓ Inventory destruction, curfews and replacement cost pushed up prices
- ✓ New inflation projections are now at 14.5% for October
- ✓ Average opening position of the interbank markets: N607.3bn
- ✓ Money supply growth (M2) is estimated at 20%
- ✓ The NIBSS interbank settlement shows that value of transactions in October reduced 2.14% to N16.96trn

October Highlights

- ✓ ATMs' activities declined due to vandalism and destruction
- ✓ Expected to recover sharply in November
- ✓ FBN Quest PMI fell to 51.3pts mainly due to disruption
- ✓ Interest rates dropped sharply across all tenor buckets (avg. OBB/ON rate was 2.28%)
- ✓ Oil prices sharply lower at \$35.83pb in the last week
- ✓ Libyan oil production up to a staggering 1mbpd

October Highlights

- ✓ Libyan production for 2020 has been at an average of 107.63tbpd
- ✓ At current prices, Nigeria's budget revenues are in shambles
- ✓ Headroom between benchmark and spot prices is now -10%
- ✓ Typically headroom should be 20% positive
- ✓ If Brent remains at current levels or falls
- ✓ Nigeria's 2021 budget will need to be revised
- ✓ Budget has been sent to the NASS

October Highlights

- ✓ Revenues are more conservative at N7.89trn (0.12% rise) while expenditure spiked by 21.11% to N13.08trn
- ✓ Widening the fiscal gap to N5.2trn (3.64% of GDP)
- ✓ Capex 29.43%, recurrent 43.2%
- ✓ The #EndSARS protest effect on the budget, ESP and ERGP would definitely be telling
- ✓ The budget has no provision for subsidies on refined petroleum products

October Highlights

- ✓ The exchange rate assumptions of N379/\$ could be reviewed at current oil prices

- ✓ IMF Article IV review has started

- ✓ Nigeria's Diaspora remittances to drop by \$2bn (8.8%) to \$21.7bn in 2020

- ✓ VAT up 29.8% to N424.71bn in Q3'20 from N327.20bn generated in Q2'20

- ✓ Nigerian power generation reached a record level of 5,459MW

 - ✓ Which is less than 10% of total domestic demand

- ✓ 59.6% of electricity consumers still on estimated billing – NERC



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Global Developments

Global Highlights

- ✓ The world awaits with bated breath the US elections
- ✓ Electoral college swing state polls show a tighter race than national polls suggest
- ✓ The political undercurrents of a highly polarised nation are at play
 - ✓ If the majority is not decisive, litigation will be crippling
 - ✓ It will boil down to a few key issues
 - ✓ Multilateralism vs bilateralism
 - ✓ Transactional vs geopolitical diplomacy



Global Highlights

- ✓ Brinkmanship vs strategic vital interest
- ✓ Currency manipulation, leverage and tax cuts vs balanced budget and containment
- ✓ Global coordination of fiscal and monetary policies led by the US or co-optation with China
- ✓ More likely outcome is a Biden win and back to normalcy
- ✓ But very difficult and hard choices in the near term



Domestic Economic Performance

Leading Economic Indicators - Output

LEI	Sept' 20	Oct' 20	%Change	Comments	Nov' 20*
GDP Growth (%)	-3.50* (Q3'20)	-4.7* (Q4'20)	-1.20	GDP contraction to slow on EndSARS impact disruption & looting, bringing PMI down	-4.7 (Q4'20)
Inflation (%)	13.71	14.5*	0.79	Inflation to cross 14% on lingering supply chain disruptions, higher logistics costs, forex rationing and currency pressures	14.8-15.0
Oil Production (mbpd)	1.46	1.45*	-0.68	Production to keep declining as Nigeria complies with its OPEC quota	1.42-1.43
Oil Price (\$pb; end)	40.94	36	-12.07	Oil price to remain bearish on rising supply and weak global demand	35 -36
FBN PMI (end)	54.8	51.3	-6.4	FBN PMI expected to remain in the expansion territory but rate of increase could slow	51.5 -52

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

Leading Economic Indicators - Markets



LEI	Sept' 20	Oct' 20	% Change	Comments	Nov'20*
Primary T-Bills (%) 91-days	1.08	1.05	-0.03	Low interest rates coupled with rising inflation will lead to wider negative rates of return on investments	1.0 -1.02
Average Opening Position (N'bn)	400.70	607.3	51.56	CBN strictly monitoring naira liquidity using CRR debits and forex sales	600-650
External Reserves (\$bn; month-end)	35.74	35.69	-0.14	External reserves to keep declining as the CBN keeps the naira stable	35.50-35.60
Exchange Rate (N/\$; month-end: Parallel)	465	463	-0.43	Resumption of international flights and trading activities to heighten currency pressures	470-475
Stock Market Cap (N'trn)	14.02	15.96	13.84	Investor sentiments likely to taper following the EndSARS crisis	16.0-16.5

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

Of the 10 Indicators



September

6 Positive

2 Flat

2 Negative

October

3 Positive

-

7 Negative

LEIs Reveal the Setback in Economic Recovery

Leading Economic Indicators

- ✓ The LEIs are coming under pressure as oil price falls by over 10% in October
- ✓ Brent is 41% below its 2020 peak
- ✓ Nigerian government will need to invest significant amounts in completing infrastructure & poverty allocations
- ✓ The forex rate of N379/\$ may need an adjustment and huge sales to replenish lost inventory
- ✓ At least \$6bn of imports to cover looted, damaged and burnt inventory

Every Taste Maker's Delight



Inflation Fast Approaching 15% Threshold – **EndSARS Effect**

Previous projections

14.2%

New projections

14.5%

EndSARS effect

0.3%

Limited Output

Border Closure

M2 Growth

Speculation

Supply chain disruptions

Higher logistics costs

Commodity Prices Trending Upwards – EndSARS Disruptions

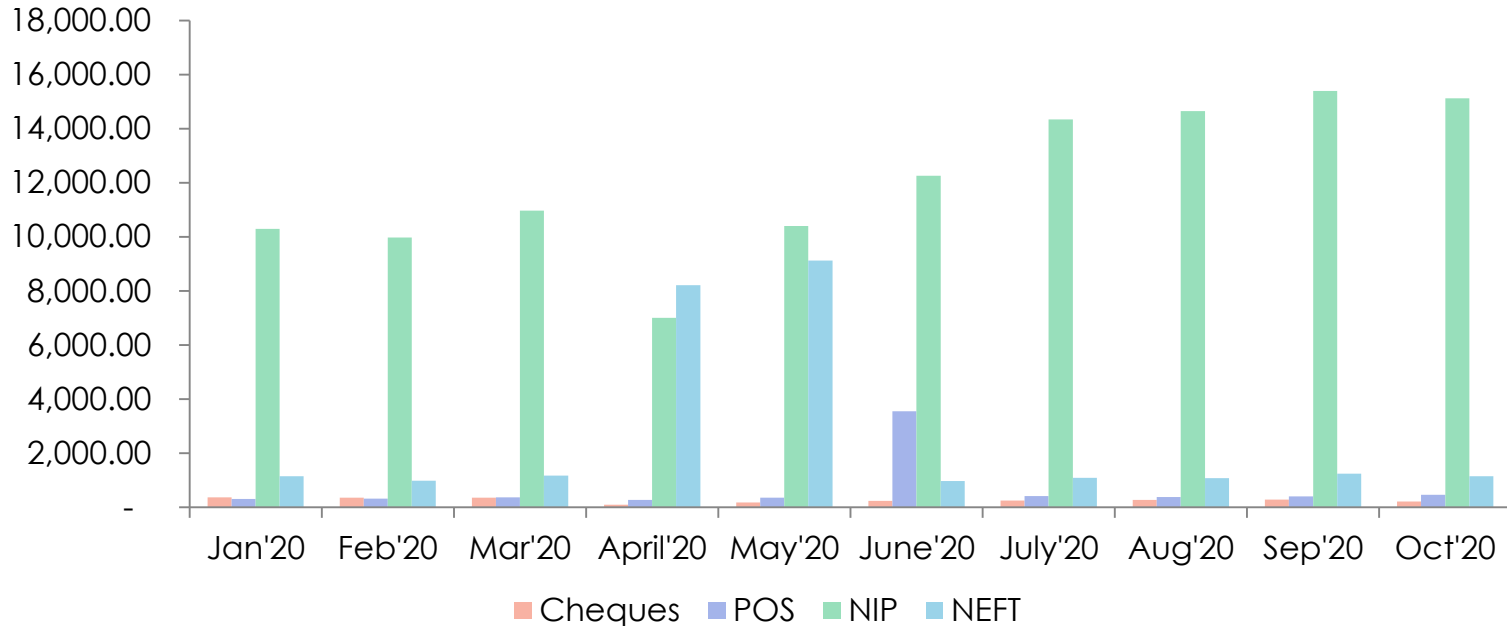
Commodities	Sept'20	Oct'20	% Change
Tomatoes (50kg) 	30,000	35,000	16.67 
Rice (50kg) 	30,000	31,000	3.33 
Palm oil (25l)	11,500	15,000	30.43 
Onions (bag)	40,000	80,000	100.00 
Yam (medium size) 	900	1,000	11.11 
Beans (50kg)	20,000	21,000	5.00 
Garri (50kg) yellow 	14,500	14,500	- 

Source: NBS, *: FDC's forecast 42

Commodity prices increased by an average of 23.79%

Payment and Settlement Data

✓ The average level of the value of payments fell by 2% in October



✓ After maintaining an upward trend since the lockdown and partial lifting

Payment and Settlement Data

- ✓ The value of transactions declined by 2% in October
- ✓ Primarily because of the EndSARS protest and disruptions
- ✓ ATMs in the Lagos metropolis were vandalized
- ✓ The expected sharp drop in the GDP will lead to a fall in the velocity of circulation to 4.83x

Movements in the Forex Market in October

- ✓ Average IEFX turnover rose by 17% to \$106.4mn after the EndSARS protest from \$91mn before the protest
- ✓ Brent price down 1.4% (\$42.7pb) during the period compared to Q3'20 average (\$43.3pb)
- ✓ External reserves declined 0.14% to close at \$35.69bn from \$35.74bn (Sept. 30)
- ✓ Forex demand picked up following the resumption of international flights
- ✓ But during the protests forex demand pressures eased due to curfews and shutdown of economic activities



Avg IEFX Turnover	\$'mn
Before EndSARS	91
During EndSARS	93.4
After EndSARS	106.4

Source: FSDH, CBN, *: FDC's forecast

Naira Moving farther away from its PPP Value

Purchasing Power Parity			
Oct-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 ets)	3,800	4.59	827.89
Indomie	2,400	3.65	657.53
Toyota Corolla	25,000,000	21,98	1137.40
Bottled Water (150cl)	120	1.31	91.60
Big Loaf Bread	500	2.39	209.21
Irish Spring Soap (1 cake)	300	0.86	348.84
Chicken Drumsticks (1 kilo)	1,500	4.15	361.45
Eggs (Big Size)	1,200	4.47	268.46
Average PPP			402.94
Naira Price at IEFX			386.00
PPP (%)			
Decision: Naira is		overvalued	4.39%
Spot Rate (Parallel)			463
Outcome: Compared to IFEX rate of N386/\$1, the Naira is overvalued by 4.39%			

Currency Overvaluation by 4.39%

PPP

- N402.94/\$

NDFs

- 90 days - N397.50/\$
- 180 days – N411.50/\$
- 360 days – N447.50/\$

Official

- N381/\$

Parallel

- N463/\$

360-days NDFs of N447.50 is indicative of a naira appreciation in the parallel market in the short-to-medium term

Naira likely to weaken in Parallel Market

- ✓ Oil prices under pressure again, currently trading below \$41pb
- ✓ To further limit forex supply
- ✓ Resumption in int'l flights, trading and manufacturing activities will heighten forex demand pressures
- ✓ Naira likely to depreciate to trade around N470-475 in Nov/Dec.
- ✓ Convergence of multiple rates will continue but unification is unlikely
- ✓ The CBN will maintain its forex rationing stance and intensify efforts to keep the naira stable
- ✓ External reserves to likely fall towards \$34bn in the coming months

Naira likely to weaken in Parallel Market

- ✓ IMF Article IV review has started – CBN to come under additional pressure
- ✓ As Nigeria ponders IMF's conditionalities
- ✓ CBN could succumb to pressure and devalue the naira to N390-400/\$
- ✓ And close the gap with the PPP (N402.94/\$)
- ✓ NDFs a better reflector of the markets
 - ✓ 180-days: N411.5/\$, 360-days: N447.50/\$
- ✓ Reflecting likelihood of further weakening because of blended transactions



Naira likely to weaken in Parallel Market

- ✓ Interest rate-inflation differential is the Elephant in the room

91-day T/Bill Rate	=	0.62%
Inflation in September	=	13.71%
Differential	=	-13.09%

- ✓ This points to a possible tightening of interest rates
- ✓ And a movement in the exchange rate
- ✓ As rationing cannot be sustained given lower forex receipts
- ✓ Q3'20 GDP numbers expected on same day as next MPC meeting
- ✓ Better than expected numbers increase the possibility of tightening



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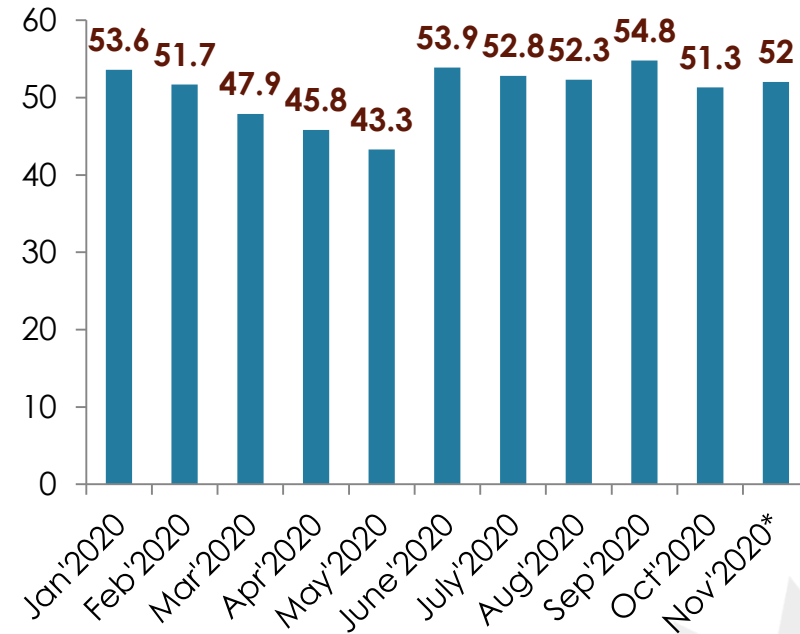
Market Proxies

FBN PMI Slips 6.4% but Still Expanding

- ✓ FBN manufacturing PMI slipped by 6.4% to 51.3 points in October
- ✓ Decline was driven by:
 - ✓ #EndSARS protest in major Nigerian cities
 - ✓ Roadblocks, curfews and other restrictions
- ✓ PMI reading likely to remain in the expansion territory
- ✓ But sub-indices including employment will start declining



FBN PMI



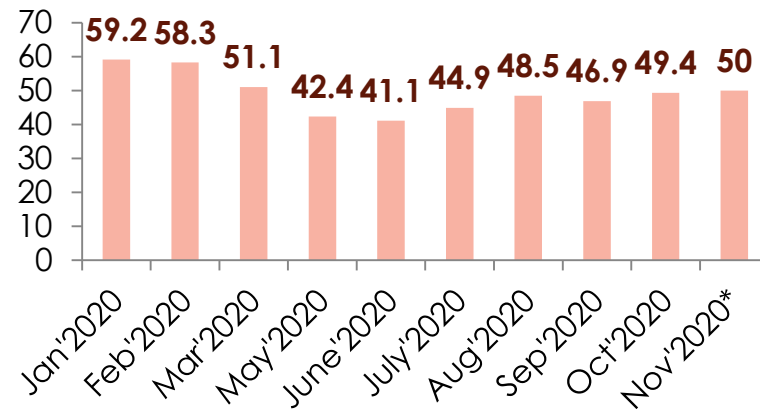
Source: FBNQuest, *: FDC's forecast

CBN Manufacturing PMI Could Cross 50 points in November

- ✓ CBN manufacturing PMI rose by 5.3% to 49.4 points in October
- ✓ But still in the contraction territory
- ✓ Of the five sub-indices, 3 expanded, 2 contracted
- ✓ Supplier delivery time declined – evident of supply chain disruptions
- ✓ PMI reading likely to cross the 50 points benchmark in November
- ✓ As economy returns to normalcy



CBN PMI



Sub-indices	Sep'20	Oct'20
Production	47.3	50
New Orders	46.4	51.2
Supplier Delivery Time	53.5	51.8
Employment	44.1	46
Raw Materials	43.0	46.2

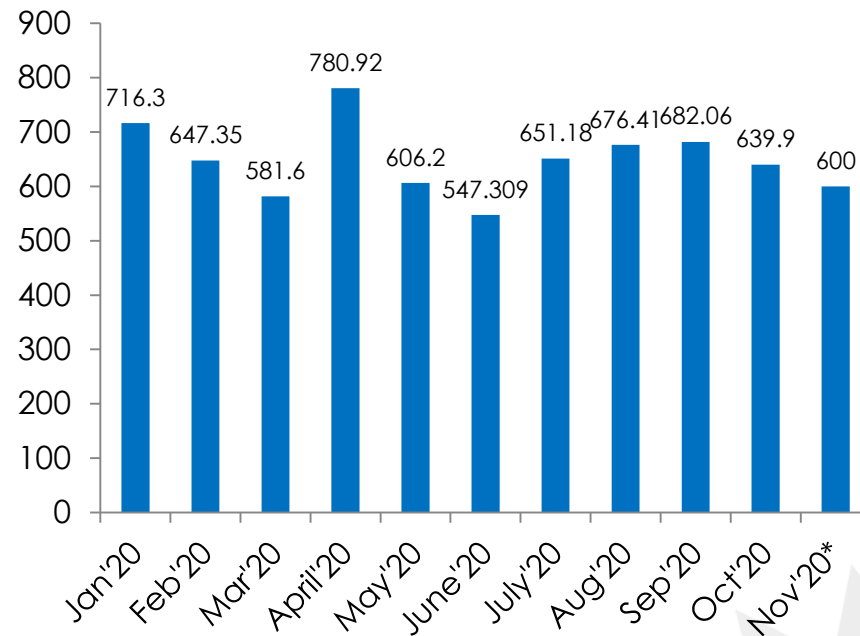
Source: CBN, *: FDC's forecast

FAAC disbursements to fall further on lower Oil Revenues

- ✓ FAAC allocation for November could decline to N600bn
- ✓ Due to:
 - ✓ Lower oil receipts
 - ✓ Lower VAT revenues
- ✓ FAAC disbursed in October fell by 6.24% to N639.9bn from N682.06bn in September

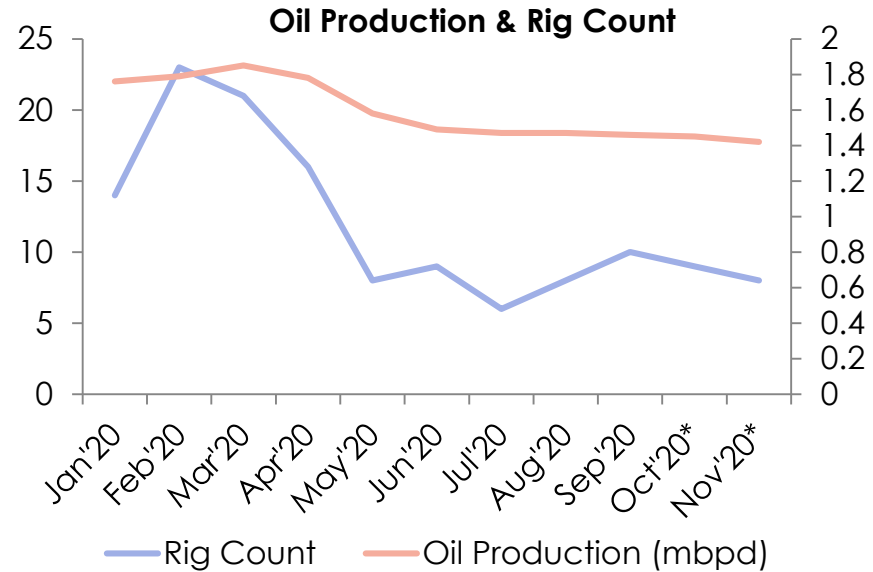


FAAC ((N'bn)



Oil Production & Rig Count to Maintain Declining Trend

- ✓ Nigeria's oil production is expected to keep declining
- ✓ October estimate: 1.45mbpd
- ✓ November estimate: 1.42mbpd
- ✓ Number of active rigs to also drop
- ✓ As Nigeria continues paying for cheating its quota
- ✓ OPEC+ maintaining strict compliance and sanctions on oil cut cheats



Ships Awaiting Berth

Vessels Awaiting Berth	September	October
Lagos – Apapa	22	22
Lagos - Tincan	10	6

- ✓ Vessels awaiting berth down 12.5% to 28 in Lagos ports
- ✓ Total vessels also fell by 7.14% to 39 from 42 in September
- ✓ Second lockdown in Europe could disrupt seaport activities
- ✓ Resumption of international trade is expected to boost seaport operations

Source: NPA, *: FDC's forecast

Power Sector Update – Peak Energy Over 5,000MW



5,460MW

Peak Energy
Generated



4,150MWH/H

Average Energy
Generated



50,253

Constrained Revenue
(Million Naira)

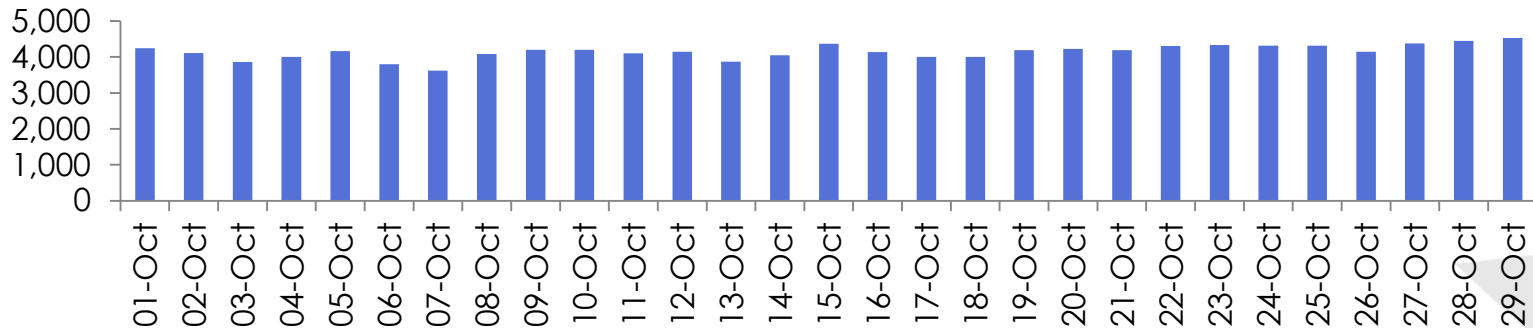


3,377MWH/H

Total
constrained
energy

- ✓ Average power output 7.18% higher than 3,872MW in September
- ✓ There were no grid collapses in October

Power Output (MWH/h)



Source: Lavayo Advisors, FDC Think Tank

Power Sector News

- ✓ Discos begin implementation of revised electricity tariff
- ✓ 60% of Nigerians are still on estimated billing
- ✓ Senate – Power supply may worsen as new electricity tariff kicks off
- ✓ FG to use VAT proceeds to subsidize electricity tariff for 3 months
- ✓ FG commences distribution of 6mn free pre-paid electricity meters
- ✓ CBN introduces framework for financing meter acquisitions
- ✓ Budget 2021- FG to spend N204bn on power projects, salaries
- ✓ NERC's operating revenue increases by 57%
- ✓ Niger, Benin, Togo paid Nigeria N2.04bn in Q1 '20 for electricity bills
- ✓ Despite shortfalls, Nigeria considers supplying electricity to Chad

Electricity Tariff Breakdown

Customers are divided into 5 categories (Band A-E)

Tariff hike and discounts vary across discos in Lagos, Abuja & Kaduna

Ikeja Electric Categories

Band A, B & C

Band D & E

Tariff increase for consumers that use more than 50kWh every month and a minimum of 12hours of electricity every day.

Consumers will not experience any increase until there is an improvement in their service and hours they receive electricity



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Policy Outlook

- ✓ 2021 Budget likely to be revised, as a result of:
 - ✓ Impact of lower oil prices and higher expenditure
 - ✓ #EndSARS crisis – which will deepen the economic crisis and delay the recovery



✓ IMF Article IV review has started

- ✓ Positive review will improve credit ratings and lower borrowing costs
 - ✓ Total debt stock to GDP increased to 17.8%
 - ✓ Total external debt will rise to \$52.2bn in 2020 (IMF loan: \$3.4bn)

Monetary Policy Outlook

✓ November MPC meeting taking place against the background of:

✓ The need to provide further stimulus in the wake of #EndSARS crisis

✓ Surging inflation and currency pressures



✓ MPC likely to maintain status quo

✓ If inflation rises further and exchange rate pressure continues


✓ Then something will have to give


✓ A hike in interest rates may be necessary to stave off pressure




Stock Market Review

Sector Performance In October




✓ Market cap  13.8% to N15.96 trillion

✓ P/E  17.02 % to 11.07x

✓ NSE ASI  13.8% to 30,530.69

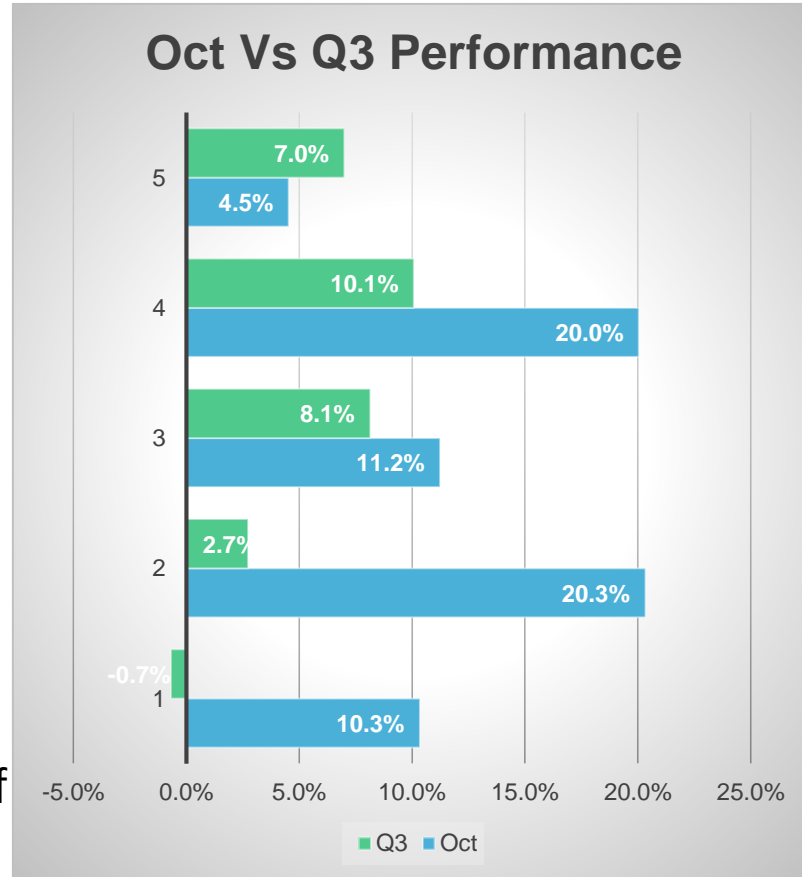
✓ 14 days positive, 6 days negative

Peer Comparison

Exchange		YTD Return	Driver
NSE ASI		13.79%	<ul style="list-style-type: none"> Liquidity from institutional investors Hunt for attractive yields Improving market sentiment as economy re-opens Declining yields on fixed income instruments Lack of FX availability Local political turmoil
JSE ASI		4.76%	<ul style="list-style-type: none"> Sell-off by foreign portfolio investors Decline in index giants Delisting trend on the exchange
GSE		1.04%	<ul style="list-style-type: none"> Negative market sentiment fuelled by lingering effects of COVID-19 pandemic Increased political risks due to upcoming election

Sector Performance in October

- ✓ All sub-indices recorded positive return in October
 - ✓ Bargain hunting
 - ✓ Declining yields on debt instruments
- ✓ Consumer goods recorded highest return due to
 - ✓ 20.8% gains recorded by Nestle
- ✓ Banking stocks dominated market activities
- ✓ October performance was reflective of Q3 performance except oil & gas



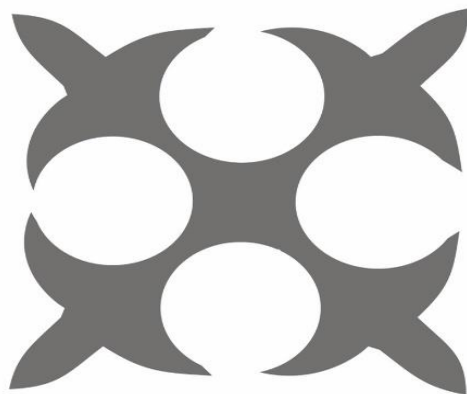
FMCG Industry

	Nestle		Cadbury		Flourmills	
Revenue	↑	1% to N212.7bn	↓	11% to N25.8bn	↑	31% to N355.1bn
Operating Profit	↓	4.5% to N15.9bn	↑	40% to N1.1bn	↑	41% to N23.7bn
Profit After Tax	↓	13% to N31.9mn	↑	32% to N854.4mn	↑	68% to N9.9bn
FCF	↑	13% to N29.81bn	↑	361% to N6.09bn	↑	135% to N50.87
P/E ratio		27.6x		12.5x		11.3x
Dividend Yield		4.9%		5.8%		5.2%
YTD Stock return	↓	3.3%	↓	19.4%	↑	32%

- ✓ Mixed performance recorded amongst players
- ✓ Flourmill's stock performance in tandem with company earnings performance
 - ✓ Benefitting from gravitation towards value brands

FMCG Industry - Outlook

- ✓ COVID-19 exacerbated underlying issues
- ✓ Low purchasing power to continue to weigh on revenue
- ✓ Pricing has become a key source of competitive advantage
 - ✓ Smaller brands with lower prices gain market share from larger players
- ✓ Players to benefit from low cost of borrowing
- ✓ Flourmills to benefit from lingering border closure



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Banking Industry

	Fidelity	Stanbic
Gross earnings	↓ 3.7% to N155bn	↑ 4% to N183.3bn
Interest Income	↑ 28.7% to N75bn	↓ 4% to N56bn
Profit after Tax	↑ 7% to N20.4mn	↑ 19% to N66.0mn
Impairment	↑ 230% to N11.03bn	↑ 7876% to N7.0bn
Dividend Yield	8.0%	5.2%
YTD Share return	↑ 16.3%	↑ 10.7%

- ✓ Mixed performance across players
- ✓ Significant increase in impairment charges
 - ✓ Due to increase in expected loan losses
- ✓ Positive growth in bottom line despite increase in operating expenses

Banking Industry -Outlook

- ✓ Release of 9M earnings result
- ✓ Macroeconomic weaknesses likely to be reflected in 9M result
 - ✓ Significant increase in impairment charge
 - ✓ A drag on capital adequacy
- ✓ Lower deposit repricing to support growth in net interest income
- ✓ Further naira devaluations will present the industry with revaluation gains
 - ✓ Broadly net positive foreign assets position

Telecoms Industry

		MTN		AIRTEL
Revenue	↑	13.9% to N975.8bn	↑	10.7% to \$1.81bn
EBIDTA	↑	9.1% to N497.9bn	↑	19.3% to \$812mn
PAT	↓	3.3% to N144.2bn	↓	36.6% to 5145mn
FCF	↑	0.4% to N303.6bn	↑	52.0% to \$319mn
P/E ratio				14.87x 11.29x
YTD Stock return	↑		↑	37% 37.2%

- ✓ Top line figures resilient despite the pandemic and economic downturn
- ✓ Increased financial leverage weigh on bottom line
 - ✓ Resulted in an increase in finance cost
- ✓ Players also recorded increase in operating cost
- ✓ MTN affected by exchange rate pass-through

Outlook for November

- ✓ Likely bullish domestic investors sentiment due to:
 - ✓ Increased risk appetite as economy reopens
 - ✓ Bargain hunting for large capitalised stocks
 - ✓ Low yields on fixed income instruments
- ✓ Net foreign outflow to persist
 - ✓ To widen on CBN's resumption of FX sale to FPIs
- ✓ Expected mixed result for Q3'20 earnings



Real Estate Update

Domestic Real Estate Update

- ✓ Real estate remains a lagging sector
- ✓ Sector unlikely to regain growth until late 2021/22
- ✓ Rent payment default could edge higher as income levels remain thin
- ✓ Landlords are granting rent moratoriums to tenants
- ✓ Vacancy factor to widen in Q3 & Q4 on reduced consumer disposable income
- ✓ Work-from-home strategy reducing demand for commercial buildings
- ✓ But new luxury residential spaces are springing up in Lagos Island with promotional offers, discounts and affordable mortgage plans
- ✓ Inadequate infrastructure and rising housing deficit persists

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Aviation Update

Global: Airlines on the Brink of Covid Ruin



- ✓ Several airlines are on the verge of collapsing courtesy Covid-19
- ✓ Resurgence in cases and 2nd lockdown in Europe could stall recovery in the global airline industry
- ✓ Airlines likely to crash are populated by carriers in Africa, Latin America and Asia
- ✓ Including Medview Airlines Plc, Precision Air Services Ltd., Grupo Aeromexico SAB, SAA and Gol Linhas Aereas Inteligentes
- ✓ Airlines remained under pressure due to low travel demand
- ✓ However, cash burn rate in Q3'20 slowed compared to Q2'20
- ✓ With the help of cost cutting measures and robust cargo revenues

Global: Passenger Revenues declined by 89% y-o-y in Q2'20



- ✓ But cuts in operating costs are still not sufficient to compensate for revenue losses
- ✓ Airlines in all regions limited their capital expenditures by deferring aircraft deliveries and cancelling capital projects
- ✓ Passenger demand continues to lag the rise in seat capacity
- ✓ Heathrow Airport's September passenger numbers fell 82%
- ✓ Air cargo demand improved but is rising at a slow pace, up 1.6% (m-o-m)
- ✓ The return of fleet services has outpaced recovery in passenger demand

Domestic Aviation Update

- ✓ FG to begin disbursement of N5bn aviation sector bailout fund
- ✓ N4bn to domestic airlines and N1bn to other aviation related agencies/companies
- ✓ FG had earlier promised N27bn as aviation sector bailout post-lockdown
- ✓ House of Reps call for suspension of planned international airports concession (Lagos, Abuja, Port Harcourt and Kano)
- ✓ Enugu airport has reopened
- ✓ EndSARS protests disrupted air travel operations
- ✓ Flight restrictions loom as Europe re-imposes lockdown measures



Politics

Political Update

- ✓ As projected, Ondo State went to the incumbent
- ✓ Mainly on performance deliverables
- ✓ Just like in Edo State, the difference was clear
- ✓ Edo state election set the standard for evidence-based tangibles for the people
- ✓ The exorcising of the Godfathers of politics in Edo state
- ✓ And the marginalization of the leaders to the fringe of the APC was a milestone for Nigerian politics

Political Update

- ✓ The shift in the political struggle for 2023 now has made zoning the key issue
- ✓ The Nigerian electorate are now watching closely whether the zoning principle will be rejected
- ✓ The APC interim committee are non-committal as to where the APC flag bearer will come from
- ✓ The national convention of the APC will be held to elect the principal officers early in 2021

Political Update

- ✓ The next battlefield will be in Anambra state – the governorship election is for November 2021
- ✓ The fault lines are between the APGA and the PDP
- ✓ The APGA are likely to need a tacit alignment with the APC
- ✓ Anambra people will likely go for technocrats over professional politicians
- ✓ Anambra has been a victim of poor governance and benefitted from fiscal consolidation
- ✓ Peter Obi left a strong legacy and foundation

Political Update

- ✓ The Anambra electorate are one of the most politically sophisticated in the S/E and S/S
- ✓ The election will be another struggle between political godfatherism and technocrats with a track record
- ✓ The PDP will also face the zoning question
- ✓ Theoretically, both big parties could be fielding southern candidates
- ✓ Practically the zoning question could lead to turmoil within both parties

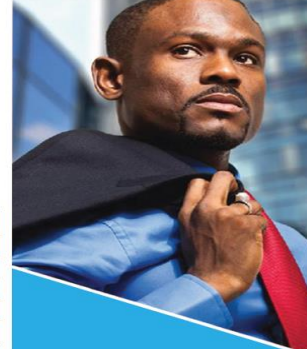
Political Update

- ✓ Northern governors condemn EndSARS protest
- ✓ Calling it a political protest and alleging a regime change plot
- ✓ In opposition to southern leaders who are pro-EndSARS and have intensified calls for restructuring
- ✓ This has ethnicized what is a class struggle (Haves vs the Have nots) and is magnifying the north-south divide
- ✓ The South is viewed in many parts of the north as opposed to Buhari

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
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10% off For 5 more nominees from the same company
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 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



Risks

Risks

- ✓ 2nd wave of COVID-19 and global lockdowns
- ✓ To trigger a fall in commodity prices, trade activity, capital flows and remittances



- ✓ A Biden presidency will mean
 - ✓ Increased focus on renewable energy
 - ✓ A revival of the Iran nuclear deal
 - ✓ Banning of fracking on US federal lands
 - ✓ The US to rejoin the Paris accord on climate change

Risks

- ✓ These will mean less demand and increased supply of crude oil
- ✓ Will dampen oil prices and Nigeria's fiscal and forex receipts
- ✓ Nigeria could spiral into a debt crisis
- ✓ Further naira depreciation could be inevitable
- ✓ Higher import costs will trigger further inflation
- ✓ Could degenerate into social unrest
- ✓ Continued fall in oil prices could cause OPEC+ to unravel



November Outlook

November Outlook

- ✓ The budget will be reviewed drastically to accept lower oil prices as normal
- ✓ OPEC+ will push for further cutbacks on quota
- ✓ Nigeria's quota could fall to 1.3mbpd
- ✓ Price inflation will exceed 15% in November
- ✓ Forex rationing will continue but with marginal easing from current levels
- ✓ The naira will weaken in the parallel market as oil prices stay at \$40-42pb

November Outlook

- ✓ International airlines will restrict naira fares if blocked funds increase
- ✓ The MPC will maintain status quo
- ✓ More CRR and LDR debits to help reduce forex demand
- ✓ Stock market volatility will increase but generally trading horizontally at N15trn market cap
- ✓ External reserves will drop towards \$34bn as backlog is addressed

November Outlook

- ✓ The IMF Article IV review will force policy introspection
- ✓ Fiscal stimulus packages will be announced
- ✓ The CBN likely to license the telcos MTN & Airtel as PSBanks
- ✓ EU carriers will be allowed to operate into Nigeria as they relax visa restrictions on Nigerians
- ✓ Short-term interest rates will increase by at least 300-400bps to partially bridge the inflation differential

Corporate Humour



A hopeful disposition is not the
sole qualification to be a prophet
- *Winston Churchill*

Success consists of going from
failure to failure without loss of
enthusiasm
- *Churchill*



Corporate Humour



The words to describe pain
are inaccurate and imprecise
- *Tony Moore*

Strategy is buying a bottle of fine
wine when you take a lady out
for dinner. Tactics is getting her
to drink it
- *Frank Muir*



Corporate Humour



One man's wage rise is
another man's price increase
- *Harold Wilson*

Teach a parrot to say Demand
and Supply and you have got a
n economist
- *Thomas Carlyle*



Corporate Humour



Money enables us get what we want instead of what other people think we want
- *George Bernard Shaw*

Inland Revenue: We've got what it takes to take what you've got.
- *Bumper Sticker*



Corporate Humour



The great tragedy of science
is the slaying of a beautiful
hypothesis by an ugly fact
- *Aldons Huxley*

A critic is a man who knows the
way but can't drive the car
- *Kenneth Tynan*



Corporate Humour



An agent is a person who is sore because an actor gets 90 % of what they make
- *Elton John*

If you like your passport photo you are too ill to travel
- *Joe Pasquale*



Corporate Humour



Everybody was saying we must have more leisure. Now they are complaining they are unemployed
- *Prince Phillip*

For the first half of your life, people tell you what to do, for the second half, they tell you what you should have done
- *Richard Needham*



Corporate Humour



They say life begins at forty, but I
think it takes forty years to
realise its already started
- *Jeremy Hardy*



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CEO

01 – 6320213

Financial Derivatives Company Ltd.
Lagos, Nigeria



Thank you