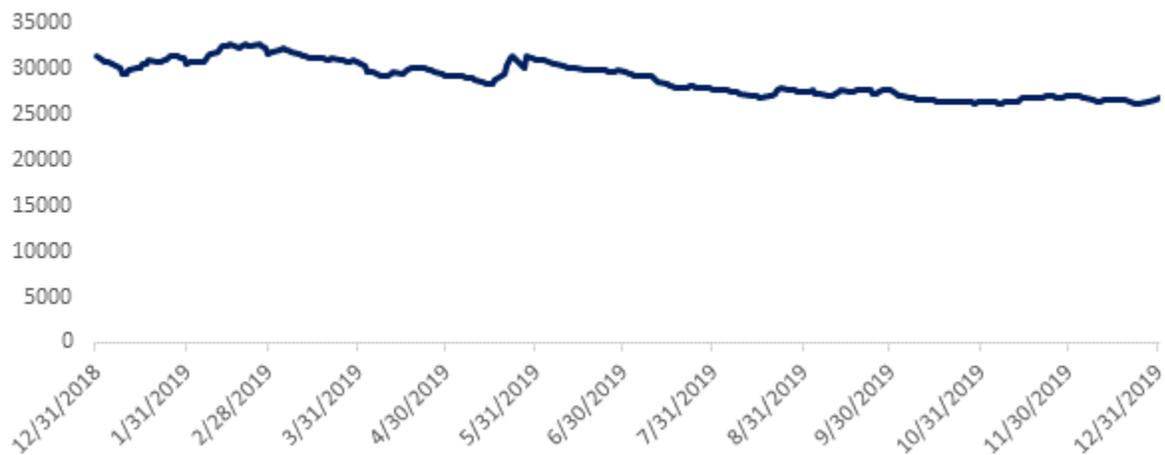




## Views of a Salesman /

The Nigerian bourse ended the year in negative territory as the ASI closed at **26,842.07**, representing a YTD loss of **-14.60%** for the year 2019. Given it was an election year in Nigeria, we expected the drag coupled with the low growth environment we experienced. Total market volume and value traded declined by **-21.70%** and **-19.94%** respectively in 2019. The ASI peaked at 32,715.20 on 15<sup>th</sup> Feb, 2019 and recorded its lowest point at 26,090.88 on 24<sup>th</sup> Dec, 2019. Best performers this year included CILEASING, Cornerstone, AGLEVENT and CHAMS. Worst performers included INTBREW, GUINNESS, GSK and ETI. We summarize the 2019 trading year below and highlight some of the major themes in the year.

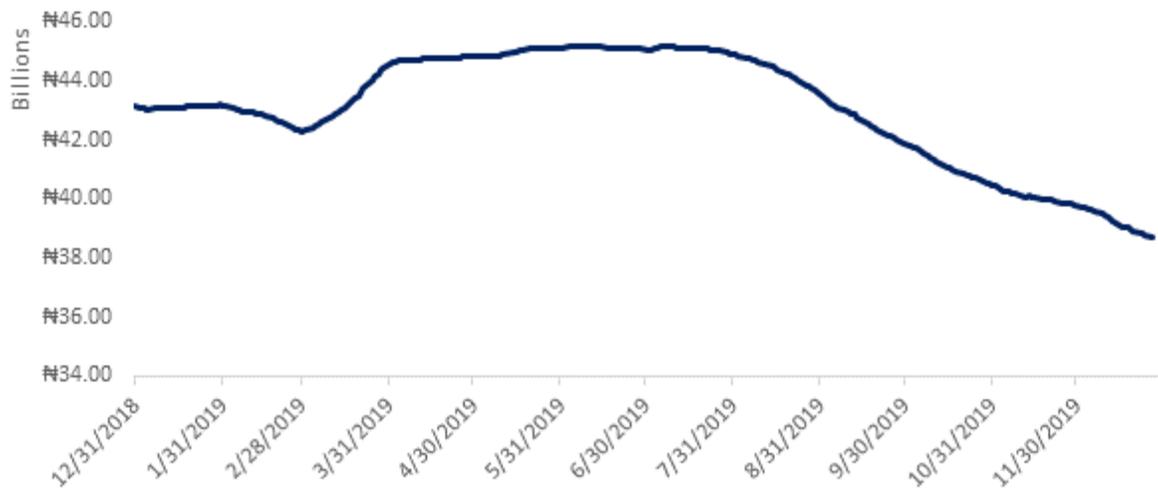
**NSE ASI 2019 Performance**



Source: Bloomberg

PERFORMANCE INDICATORS			
INDICATOR	2019: OPEN	31-Dec-19	YTD Change (%)
NSE All-Share Index	31,430.50	26,842.07	-14.60%
Market Capitalisation (N'bn)	11,720.72	12,958.38	10.56%
NSE BANKING	398.94	356.84	-10.55%
NSE PENSION	1,207.46	1,054.06	-12.70%
NSE CONSUMER GOODS	748.83	592.85	-20.83%
NSE OIL AND GAS	302.23	262.54	-13.13%
NSE 50	1,662.06	1,346.70	-18.97%
NSE INDUSTRIAL	1,237.88	1,075.60	-13.11%
NSE PREMIUM	2,195.03	2,116.22	-3.59%
NSE 30	1,417.15	1,177.83	-16.89%
NSE INSURANCE	126.48	125.82	-0.52%

Graph of Nigeria's Foreign Exchange Reserves for 2019



Source: CBN Website

Nigeria's foreign exchange reserves stood at \$38.68bn as at 27<sup>th</sup> Dec 2019 – this is 10.27% down when compared with the \$43.11bn figure as at 31<sup>st</sup> Dec, 2018.

### Quarterly Breakdown

#### Q1

The first quarter started off quiet and this was expected given the elections were just around the corner. As we drew closer to the elections, we saw mixed actions from investors but activities were low. We saw a mini rally just before the elections that was catalysed by Zenithbank's FY numbers and we saw a ripple effect in the rest of the market especially in the likes of GTB where we saw investors taking positions ahead of the results. This mini rally lasted a short while before we started seeing some profit taking (which was expected).

The Q1 performance of the market was in line with our sales expectation that we would struggle to see where the growth story would come from post the election cycle. Yes, currency was stable, Reserves were trickling back up, Oil price was also ticking up - but the market refused to rerate - why?? The weak consumer story, no loan growth from the banks, no visible structural reforms and subsidies remained. We believed the minimum wage increase was a good one but it was unclear how the government would fund especially as debt to revenue was at 58% according to the DMO from our engagement.

Feelers from investors (especially foreign) before the elections was that the preference for the market would be an upset win by the opposition party. This was however not the case and we saw general apathy from investors post the elections. There were pockets of activity in a couple of quality names, but the market was very quiet post the elections. FY 2018 numbers that were released failed to catalyse the market and we saw a muted response to most of the results.

The major question from most investors was 'what is the next catalyst?' when would we see this quiet and bearish trend turnaround? Honestly speaking, it was difficult to craft a suitable response to those questions and it seemed that no one truly knew.

#### Q2

The month of April was quiet outside of crosses. Block transactions drove activities and we saw these mostly in the banking and consumer sectors. Towards the end of the month we saw a lot of crosses in Unilever and we suspected this may have been the parent company buying from mostly international sellers. Sellers were mostly foreign and most of the buying was also foreign investors taking positions for the long haul.

May also started out very quiet until MTN Nigeria was finally listed on the Nigerian Stock Exchange. There had been a lot of speculation in the market about the final listing date among other things regarding the listing. MTN was listed at N90 on the Nigerian Stock Exchange on May 16<sup>th</sup>, 2019. The stock immediately went on bid at limit up of N99 (+10%) and closed with a bid strength of about 209m shares at N99 alone. A total of 5.54m shares traded on the listing day and these were mostly pre-arranged crosses. Trading was only for about 10-15mins on the listing day and the stock was listed towards the close of the session. MTN was the toast of the NSE for the next few sessions and the stock

closed heavily on bid for the next few sessions. It peaked at N149 (+65.55%) before it started coming off. The rally was short-lived after the visit of EFCC to MTN Head Office and it was probably a nail in the coffin for the performance of the NSE going forward as sentiments dampened significantly. The NSE ASI had dipped as low as -10% YTD return before the MTN listing.

MTN re-awakened a sleeping market in May and we saw very decent blocks going through both on and off market. The ASI started reversing its negative returns and the -10% YTD returns we saw reduced to -0.39% almost solely on the back of momentum in MTN shares.

For the month of June, it was more about block transactions and we saw these mostly in GTB, ZENITHBANK, WEMABANK and FO. In FO, we saw the conclusion of the divestment by the majority shareholder Mr Femi Otedola in the downstream and oil related operations of the company to Ignite Investments and Commodities Limited (A company associated with Prudent Energy). The stake represented 75% of the company and this worked out to be about 970m FO shares. The transaction was worth \$188m and this was the single largest transaction in the month of June and indeed the 2nd quarter. Stanbic IBTC Stockbrokers acted as buyers on the transaction leg.

In ZENITHBANK, we saw large blocks being crossed at the N20.00 level – There were 2 clips of 300m shares and this was believed to be one large international seller and a mix of local and foreign participants. In GTB we also saw large blocks being crossed in the market at the N30.75 – 31 levels. This was mostly international on the buy and the sell side. In WEMABANK, we saw over 5.2bn shares crossed.

### Q3

The month of July was also relatively quiet. The market was characterized by block trades and outside of these it was very slow. The highlight of the month was the listing of 3.758bn Airtel Africa Shares at N363, adding N1.36trn to the market capitalization of The Exchange. This however didn't inspire or encourage investors and trading in the stock was next to none post listing.

The month of August was also relatively quiet and we saw bearish sentiments throughout the month with international investors as net sellers. Activities were mostly in the banking sector and in names including GTB and Zenith where we saw mostly international buying coming in at certain points to take advantage of cheap prices. The market was primarily driven by block trades. Towards the end of the month, we saw increased participation in MTN as it was included in the MSCI Frontier Markets Index.

The market continued its recent trend in September - relatively quiet outside of crosses. Crosses dominated activities and most of these were concentrated in GTB, Nestle and NB. The earlier part of the month was mostly crosses in GTB and we started seeing NB and Nestle towards the end of the month. Most of these crosses were international (as has mostly been the case). Interest in MTN had been slightly lower than our expectation. Following the inclusion in the MSCI index, we had expected more interest from internationals to drive the price up. However, most of the buying interest was around the 130 levels with most of the offers around 145 and higher.

### Q4

The month of October was characterized by blocks again and we majorly saw these in GUARANTY, DANGCEM, NESTLE and ZENITH. The CBN released a circular late October 2019 restricting local corporates and retail investors from participating in OMO's. These included local PFAs and Asset Management companies. On the back of this, we had expected that we may start to see some increased interest in the equities space as local PFAs and corporates searched for new avenues to deploy cash. We had expected that we may start to see some cherry picking especially by locals in the quality names. We didn't expect any aggressive turn but rather a cautious uptick in interest and activity and we had anticipated that this might just spill over in to the end of the year.

This was however not the case in November. We saw some speculative activity drive activities on the back of the OMO ban. The mini rally started in UBA and ACCESS and was mostly local driven. It started spilling over in to other banking names and we even saw some international investors coming in to participate and take positions. From our engagements with local clients, the PFAs were not behind the rally and they were not chasing the market either. It looked like it was smaller local institutions that were taking positions ahead of an anticipated bounce back in the market. Profit taking however set in and activities moderated by the end of the month. For those that participated in the mini rally, they were happy to be in the market even from a dividend yield stand point. The market remained quiet outside of crosses in November again.

The month of December was quiet, and this was inline with our expectation. There were pockets of interest in some of the quality names but there was no aggressive buyer in the market. Activities had since moderated following the OMO ban and the market was quiet outside of crosses. We saw increased activity in DANGCEM where large block trades

were going through at the N140.00 level by a local buyer. Some speculated that this might have been the 'buy back' program that was announced earlier but we did not see any announcement in the market regarding this.

### Best/ Worst Performers in 2019

#### **Best Performers**

SN	SYMBOL	31/12/2019	31/12/2018	Change
1	CILEASING	5.90	1.78	231.46%
2	CORNERST	0.45	0.20	125.00%
3	AGLEVENT	0.55	0.27	103.70%
4	CHAMS	0.33	0.20	65.00%
5	ABCTRANS	0.45	0.29	55.17%
6	ACCESS	10.00	6.80	47.06%
7	TRANSEXP	0.92	0.65	41.54%
8	CAVERTON	2.67	1.92	39.06%
9	ROYALEX	0.30	0.22	36.36%
10	BOCGAS	5.50	4.21	30.64%
11	JOHNHOLT	0.56	0.44	27.27%
12	EKOCORP	4.25	3.37	26.11%
13	JAIBANK	0.62	0.50	24.00%
14	EKOCORP	4.15	3.37	23.15%
15	WAPCO	15.30	12.45	22.89%
16	WEMABANK	0.74	0.63	17.46%
17	MTNN	105.00	90.00	16.67%
18	COURTVILLE	0.23	0.20	15.00%
19	AIICO	0.72	0.63	14.29%
20	PRESTIGE	0.55	0.50	10.00%

#### **Worst Performers**

SN	SYMBOL	31/12/2019	31/12/2018	Change
1	INTBREW	9.50	30.50	-68.85%
2	GUINNESS	30.05	72.00	-58.26%
3	GLAXOSMITH	6.10	14.50	-57.93%
4	ETI	6.50	14.00	-53.57%
5	PZ	5.65	12.10	-53.31%
6	CHAMPION	0.95	1.99	-52.26%
7	UAC-PROP	1.00	1.91	-47.64%
8	TOTAL	110.90	203.00	-45.37%
9	UPL	1.28	2.18	-41.28%
10	UNILEVER	22.00	37.00	-40.54%
11	MRS	15.30	25.70	-40.47%
12	UNITYBNK	0.64	1.07	-40.19%
13	FIDSON	3.10	4.95	-37.37%
14	FO	18.10	28.70	-36.93%
15	NAHCO	2.40	3.65	-34.25%
16	ETRANZACT	2.61	3.95	-33.92%
17	CAP	24.00	34.85	-31.13%
18	NB	59.00	85.50	-30.99%
19	NPFMCRFBK	1.15	1.65	-30.30%
20	NASCON	12.95	18.00	-28.06%

### Major Capital Market Transactions / News Headlines in 2019

**Listing of MTN Nigeria on the Nigerian Stock Exchange** - the entire issued 20,354,513,050 ordinary shares of MTN Nigeria Communications Plc was listed by Introduction on the Premium Board of The Nigerian Stock Exchange Thursday, 16 May 2019. The listing followed The Exchange's approval of the application to list the Company's entire issued 20,354,513,050 ordinary shares of N0.02 each at N90 per share.

**Divestment of Majority Shareholder in Forte Oil** - The Chairman of Forte Oil Plc, Mr Femi Otedola, announced the completion of the sale of all his shares in the firm's downstream and upstream businesses. Forte Oil had disclosed on December 24, 2018, the divestment by its majority shareholder, with Otedola saying he had reached an agreement with the Prudent Energy team, investing through Ignite Investments and Commodities Limited, to divest of his full 75 per cent direct and indirect shareholding in the company's downstream business. This was the largest single transaction on the NSE in 2019 and Stanbic IBTC Stockbrokers executed the buy leg of the transaction.

**Airtel Africa Listing on May 16<sup>th</sup> 2019** - The Cross Border Secondary Listing of 3,758,151,504 ordinary shares of Airtel Africa Plc happened on July 9, 2019. The shares were listed at an offer price of N363 per ordinary share on the Main Board of The Exchange.

**President Buhari's Economic Advisory Council** - The list was announced on 16 Sept 2019 and replaces the Economic Management Team and would report directly to the President.

**MTN Nigeria's inclusion in MSCI Frontier Market Index** – the inclusion took effect on 27 August 2019.

**UACN And UPDC Jointly Announced Recapitalization And Restructuring Plans** - Both companies considered strategic initiatives involving a recapitalization and restructuring of UPDC. These initiatives are still subject to the review and approval of SEC, and The NSE and shareholders of both companies.

**UACN Property Development Company Plc (UPDC) - Proposed Rights Issue** - submitted an application to the NSE for the approval and listing of a Rights Issue of 15,961, 563, 260 ordinary shares of N0.50 each at N1.00 per share, on the basis of 43 new ordinary shares for 7 ordinary shares held. The Qualification Date for the Rights was Monday, 30 September 2019.

**INTERNATIONAL BREWERIES Rights Issue** – International Breweries floated a rights issue of 18,266,206,614 ordinary shares of NGN 0.50 each at NGN 9.00 per share on the basis of 17 ordinary shares for every 8 ordinary shares held as at November 6, 2019 payable in full on acceptance. The Rights Issue opened on December 5<sup>th</sup>, 2019 and closed December 24<sup>th</sup>, 2019.

**WAPIC INSURANCE PLC Rights Issue** - Wapic Insurance Plc's Rights Issue of 15,613,194,623 ordinary shares of 50 kobo each at N0.38 per share opened on Wednesday November 20, 2019 and closed on Tuesday December 31, 2019. The ratio of the Rights was 7 new shares for every 6 ordinary shares held by shareholders whose names appeared in the register of members of the company as at September 19, 2019.

**CCNN and OBU Cement Merger** - Cement Company of Northern Nigeria (CCNN) and Obu Cement Company Plc (Obu) released a scheme of merger document for their impending business combination. According to the document, Obu's 40 million ordinary shares of 50 kobo each will be reconstructed to 20.7 billion shares of 50 kobo each of the enlarged entity. This represents a 1 for 518 share conversion ratio. On the other hand, CCNN's shareholders will be accorded 1 share of the enlarged entity for each CCNN share owned. Thus, the outstanding shares of the enlarged entity would comprise the 13.1 billion ordinary CCNN shares currently available and the potentially reconstructed N20.7 billion new shares in favour of the 40 million ordinary shares of Obu. The implied 33.9 billion shares of the enlarged entity would be 61.2% owned by shareholders of Obu and 38.8% owned by shareholders of CCNN.

**REDSTAR Rights Issue** - Red Star Express Plc resolved to issue by way of Rights, 336,855,291 Ordinary Shares of 50 kobo each to the Shareholders whose names appeared on the Company's Register of Members as at Wednesday, 21 August 2019 on the basis of four (4) new ordinary shares for every seven (7) ordinary shares held. The offer opened on Monday, 11 November and closed on Wednesday, 18 December 2019.

**C&I LEASING Rights Issue** – The company opened the rights issue of 539,003,333 ordinary shares of Fifty Kobo (N0.50) each at Six Naira (N6.00) per share, on the basis of four (4) new ordinary shares for every three (3) ordinary shares held on Monday, 18th of November 2019 and was expected to close on Friday 27th of December 2019. However, the rights issue was extended to 3 January 2020.

**FIDSON HEALTHCARE Rights Issue** - FIDSON Healthcare Plc had a rights Issue of 750,000,000 Ordinary Shares of 50 kobo each at N4.00 per Share on the basis of 1 new Ordinary Share for every 2 Ordinary Shares held as at close of business on 28 December 2018. The rights issue opened on Wednesday, 6 March 2019 and closed on Tuesday, 9 April 2019.

#### **Outlook for 2020**

We expect a quiet start to the year 2020. This is on the back of the fact that there is still no major catalyst for the market in the short and medium term. There is still general apathy towards investing in Nigerian equities, with most of the locals still on the sidelines. We had expected that the OMO ban would be a potential trigger for Nigerian equities but the rally we saw on the back of this new development was very short lived. Some however still argue that we could potentially still see flows in to the Nigerian Equities space as local corporates including Pension Funds continue to seek for alternative investment opportunities. We have already seen yield compression in the bond market and a decline in fixed deposit rates in the wake of the exclusion. A stronger than expected recovery in the macro environment could also boost earnings outlook for listed companies.

On the downside, the current weak macro could also crimp earnings growth, regulatory risk and the attendant multiple directives could dislodge short-term plans, Medium-to longer term-asset quality risks exist, given the rapid increase in credit growth and a likely relaxation of risk criteria to achieve the regulatory target and Asset yield outlook for banks remains weak given LDR policy.