

Given that we do not expect these backward integration strategies to yield significant benefits till 2024, domestic price and consumption will largely still be dependent on happenings in the global wheat value chain. The international grain council forecasts that c. 6.20MMT of wheat will be imported in Nigeria in 2023. As a result, product prices are likely to remain elevated in the near to mid-term due to issues highlighted above. The ability of warring Eastern European nations to come to a resolution would also be a positive development for production and price movement of the commodity. Domestic demand should however remain buoyant and sustain revenue growth momentum for players in the industry.

## Sugar Industry: Over-Reliance on Importation to Linger

Amidst the high global inflation, the global sugar prices in Q3:2022 declined to USD0.40/kg (vs USD0.43/kg and USD0.42/kg in Q2:2022 and Q3:2021, respectively). The decline in price was mainly propelled by increased production from Brazil, China and Russia. Nonetheless, the cost of production for the domestic sugar industry remained elevated owing to foreign exchange volatility and logistics challenges. Thus, in Q3:2022, **DANGSUGAR** and **BUAFOODS** production costs grew by 52.09% YoY and 32.43% YoY, respectively.

Strides to increase sugar production in Nigeria are also underway. The Federal Government of Nigeria (FGN) approved the phase 2 of its National Sugar Master Plan (NSMP) from 2023-2033 as the first phase failed to achieve the objective of increased raw sugar production in Nigeria. The first phase also attracted some private partners like Flour mills of Nigeria – who went on to introduce the first brown sugar in Nigeria. Further to the approval of the second phase of this plan, Oyo State Government launched the Brent Sugar Plantation and Mill. This is expected to generate 30 mega watts of electricity, as well as 300,000 litres of ethanol.

In the near term, we do not envisage improved domestic production. While the recently approved plans address one of the challenges plaguing the industry (land acquisition), other existing structural challenges will continue to constrain domestic production. Hence, the domestic players will remain heavily reliant on importation. The decline in global prices of sugar is expected to result in a decline in the cost of raw materials. However, foreign exchange challenges are expected to pose a risk for domestic players.

Valuation and Fundamental Metrics																
	Fundamentals					Trailing				Valuation						
	AT	NM	ROE	ROA	Lev	EPS	BVP	P/E	P/BV	Exp Div Yield	Target PE	Exp. EPS	2023 TP	CP	UPP	RT
NESTLE	1.13	11	113	12	9.10	58.80	52.07	18.71x	21.13x	4.59%	23.68	64.26	1,521.84	1,100.00	38.35%	BUY
UNILEVER	0.72	-4%	-5%	-3%	1.84	-0.59	11.28	-19.55x	1.03x	-	38.02	0.33	11.50	11.60	-0.86%	HOLD
CADBURY	0.95	4%	15%	4%	3.72	1.28	8.26	9.30x	1.44x	4.20%	8.85	1.57	13.86	11.90	16.49%	BUY
UACN	1.01	0%	0%	0%	2.22	0.00	16.75	2266.91x	0.61x	6.34%	14.59	0.75	10.96	10.25	6.97%	HOLD
FLOURMILL	1.46	2%	11%	2%	4.74	5.09	47.82	5.57x	0.59x	7.57%	7.12	5.71	40.68	28.40	43.23%	BUY
NASCON	0.89	7%	21%	6%	3.35	1.30	6.21	8.56x	1.79x	3.87%	8.90	1.48	13.17	11.10	18.67%	BUY
DANGSUGAR	0.78	9%	22%	7%	3.35	2.58	11.63	6.21x	1.38x	7.41%	6.76	2.56	17.35	16.05	8.10%	HOLD
BUAFOODS	0.61	21%	39%	13%	3.05	74.62	192.97	0.87x	0.34x	6.15%	12.29	4.39	53.93	65.00	-17.03%	SELL
GUINNESS	0.96	7%	15%	7%	2.37	6.55	42.43	10.57x	1.63x	10.30%	10.88	7.60	82.69	69.30	19.32%	BUY
NB	0.94	4%	10%	3%	3.02	2.34	22.43	17.55x	1.83x	4.24%	18.15	2.91	52.78	41.00	28.73%	BUY

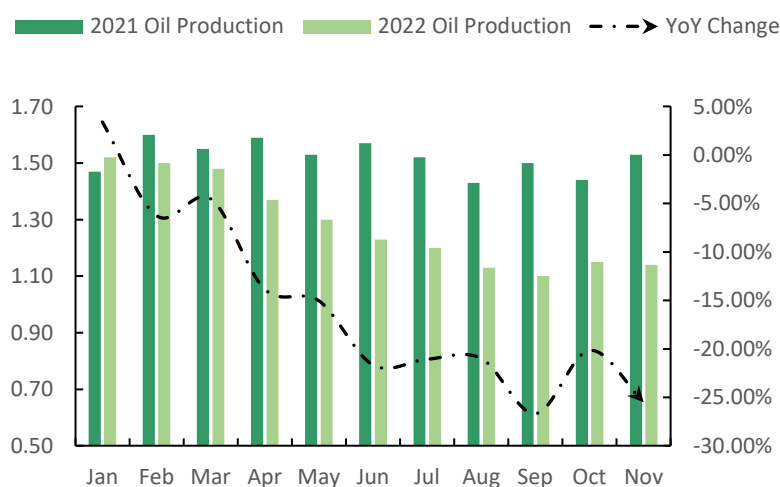
# Energy

## Upstream Sector: The Path to Recovery

In 2022, Nigeria's crude oil production nosedived below 1.00mbpd (the lowest recorded in over a decade), underperforming in comparison with production capacity and quota. Average oil production for 2022 stood at 1.28mbpd while the average capacity and quota as of November 2022 were 1.60mbpd and 1.76mbpd, respectively. We attribute this to various challenges (such as oil theft and pipeline vandalism leading to Force Majeure) in the oil and gas industry. Meanwhile, oil prices averaged USD99.04/bbl vs USD70.85/bbl in 2021.

The industry events were also reflected in the performance of SEPLAT, the only upstream company listed on the Nigerian Exchange. The company's topline expanded by 41.63% YoY as of 9M:2022 to NGN258.72bn. The revenue was supported by the c.61% YoY increase in crude oil prices despite the decline in oil production to 43,337boepd in 9M:2022 vs 46,561boepd in 9M:2021. The topline performance translated to c.144% YoY increase in bottom line performance to settle at NGN33.86bn in 9M:2022, as revenue growth outpaced cost growth.

**Chart 60: Comparison of Crude Oil Production (mbpd) in 2021 and 2022**



Source: Bloomberg, Meristem Research

Dark Clouds on the Horizon: Any Silver Lining?

The Organization of Petroleum Exporting Countries (OPEC)'s objective of keeping oil prices elevated by managing supply coupled with an estimate of higher oil demand of 101.82mbpd in 2023 (vs 99.57mbpd in 2022) could support higher prices. According to the U.S. Energy Information Administration (EIA), Brent crude is projected at USD92.36/bbl for 2023 despite the recent drop in oil prices below USD90/bbl. This projection was based on the expectation of falling global oil inventories which may restrain supply amidst rising demand.

*Overall, we expect the recent pace of higher production volume to be maintained in 2023. This is premised on the reopening of the Trans-Forcados pipeline and the partial restoration of the Trans-Niger pipeline. Combining this with the expectation of an elevated oil price could bolster earnings for the government and companies operating in the sector as they take advantage of Europe's supply deficit.*

## Downstream – Petroleum Product Prices to Remain Elevated

Petroleum product prices have remained elevated in 2022 following the impact of a higher crude oil price and structural challenges such as fuel subsidy, smuggling, lack of access to foreign exchange, and outdated infrastructure used in the downstream sector. Additionally, inflated freight costs added pressure to the landing cost of petroleum products as about 91% of the fuel consumed in the country is imported by the Nigerian National Petroleum Corporation Limited (NNPCL).

On supply to the high sea, daughter vessels are required to transport the products to different tank farms or depots from the mother vessel. The increased cost of renting daughter vessels (used majorly by private depot owners) coupled with FX illiquidity issues force private depots to sell petroleum products to marketers at a higher price. This translates to a pump price increase and invariably fuel scarcity observed in the country. Other reasons include flooding, importation of adulterated fuel, and issues of bridging funds for petroleum transporters.

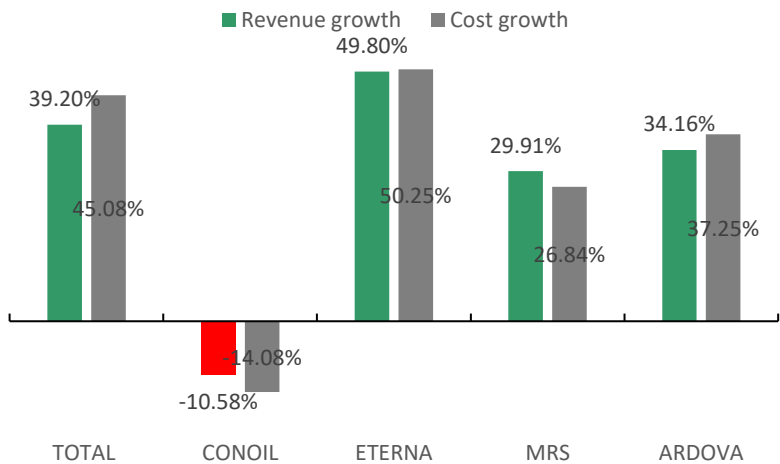
Most listed companies recorded an increase in topline except for CONOIL (some retail stations are not operational hence volume sold declined). ARDOVA, ETERNA, MRS, and TOTAL recorded 34.16% YoY, 49.80% YoY, 29.90% YoY, and 39.20% YoY increase in revenue, respectively as of 9M:2022. However, industry average cost-to-sale ratios remained elevated at c.91% in 9M:2022, the same level in 9M:2021. This implies that cost is rising at the same pace as revenue, leaving margins limited. Also, higher inflationary pressures in the year impacted operating costs and led to the thinning of average industry net margins from 1.76% in 9M:2021 to 1.46% in 9M:2022.

Chart 61: Revenue performance of Listed Downstream Companies (9M:2022)



Source: Companies Financials, Meristem Research

Chart 62: Revenue and Cost Growth of Listed Downstream Companies (YoY)



Source: Companies Financials, Meristem Research

Possibility of Fuel Subsidy Removal

The removal of fuel subsidies has been an “elephant in the room” situation as different government passes, but eventually, one government would have to face it. Fuel subsidies have become a huge burden given the challenges to the country’s fiscal sustainability. At the presentation of the 2023 annual budget, the President hinted at the possibility of fuel subsidy removal by 2023 as provisions were made up until June 2023. According to the Nigerian Midstream Downstream Petroleum Regulatory Authority (NMDPRA), PMS price is estimated at NGN462/litre when the subsidy is removed which is 128% higher than the current price of PMS as of November 2022. However, the pertinent question remains when the subsidy will be removed.

Table 8: Scenarios on Fuel Subsidy Removal

Scenarios	Possible Action
The Incumbent Party Wins the Presidential Election	If the candidate of the incumbent party wins, the current government might take off fuel subsidies to ensure a soft landing for the incoming government.
Another Party Wins the Presidential Election	In the event that an opposition party wins the election, the current government might leave the decision on subsidy removal to the incoming government. However, the new administration might make the subsidy removal one of the first set of policies to adopt upon inauguration.

*While we support the removal of fuel subsidy, our view is that it should be done gradually in phases starting in 2023. A phased removal would minimise the impact of a one-off complete removal on citizen's welfare.*

## Expected Developments in 2023 and Impact

The Dangote Refinery is expected to come on stream in mid-2023 with a capacity to produce 50 million litres of PMS per day, which would meet a substantial amount of daily demand in the country (60 million litres). This development would provide some breathing space for the downstream sector in terms of cost and supply. However, in a regulated market, current challenges are still expected to persist as Dangote becomes the major supplier translating to a monopolistic market. Therefore, a drop in product quality or operational difficulties would significantly put pressure on supply and cost as currently faced as NNPC remain the sole importer of fuel.

Another development is the Commissioning of the Pinnacle Oil and Gas Ltd terminal in Lagos. The terminal is expected to provide a respite to the supply chain issues in the downstream sector as it has a storage capacity of up to 1 billion litres of petroleum products and employs the technology to offload products from the mother vessels. The offload which may take up to 45 days with the use of daughter vessels will only require 2 days with the use of connected pipelines to the mother vessel, bridging the gap in the supply period of petroleum products. However, being the only facility it is unable to totally resolve the supply challenges faced in the sector.

*“With an expectation of oil prices remaining elevated and limited hope for the end to the conflict in Eastern Europe, petroleum products prices are expected to remain high. In addition, structural issues such as FX illiquidity, NNPC remaining the sole importer of petroleum products, and fuel subsidy further compounds pressure on the price of petroleum products. We predict that revenue generated by companies operating in the downstream sector would expand however earnings are expected to remain low as inflationary pressures and high costs squeeze earnings.*

Valuation and Fundamental Metrics																
	Fundamentals					Trailing				Valuation						
	AT	NM	ROE	ROA	Lev	EPS	BVP	P/E	P/BV	Exp Div Yield	Target PE	Exp. EPS	2023 TP	CP	UPP	RT
CONOIL	2.02	4%	18%	8%	2.33	6.38	35.63	4.16x	0.74x	9.43%	5.00	5.19	25.93	26.50	-2%	HOLD
ETERNA*	2.07	0%	-1%	0%	4.03	-0.06	10.39	-110.89x	0.64x	2.39%	8.05	0.73	5.88	6.69	-12%	SELL
ARDOVA	1.63	-2%	-29%	-3%	10.96	-2.86	9.82	-6.42x	1.87x	0.00%	22.84	0.68	15.58	18.40	-15%	SELL
MRS	2.39	1%	6%	3%	2.04	3.56	58.95	3.96x	0.24x	0.00%	4.57	3.52	16.11	14.10	14%	BUY
SEPLAT	0.26	18%	9%	5%	1.92	113.67	1,244.81	9.68x	0.88x	4.09%	8.87	134.32	1,191.77	1100.00	8%	HOLD
TOTAL	1.39	4%	33%	5%	6.54	47.08	141.49	4.10x	1.36x	10.36%	5.07	46.90	237.70	193.00	-2%	HOLD



# Healthcare

## Underdeveloped Healthcare sector: Any Respite in sight?

Despite Nigeria's rising population (211mn in 2022 according to NBS and a growth rate of 2.52%), the healthcare sector has witnessed crawling development due to significantly low investment in the sector. In Q3:2022, the pharmaceutical (combined with chemical) sector contributed 0.27% to total GDP as opposed to the 0.25% contributed in Q3:2021. We opine that the low level of development in the industry is an offshoot of the low per capita income of citizens which restricts the ability of the citizens to access healthcare. The NBS's 2022 Multidimensional Poverty Index also revealed that more than 63% of Nigerians experience deprivations with Time to access healthcare services amongst other indicators.

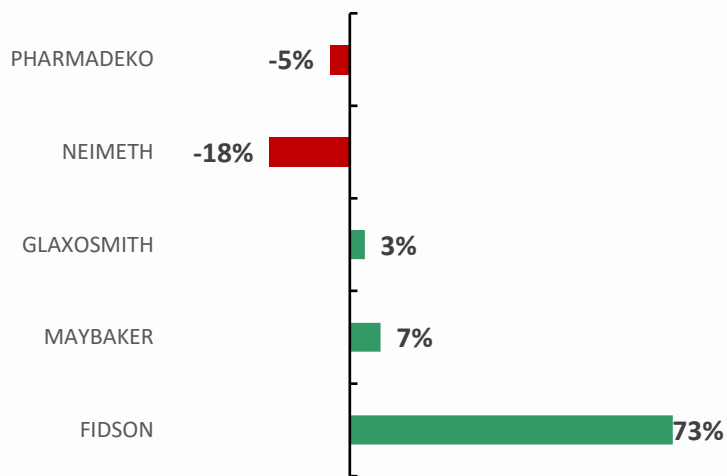
Thus, the need for investment in Health care research and infrastructure has become more evident prompting several healthcare organizations' drive to revitalize the Nigerian Healthcare Sector through innovation and research. For context, Lagos State announced plans to invest NGN200mn in promoting indigenous innovation and research, in the healthcare sector. A new diaspora social health insurance plan was also unveiled in 2022 aimed at providing increased access to quality health care services. Pharmaceuticals like **FIDSON** and **NEIMETH** have also invested in innovation, introducing new drugs/products for end users and also expanding their production capacity to increase reach. We note that for the sector to fully achieve its potential, significant investment by stakeholders in both the private and public sectors will have to be undertaken. The COVID-19 pandemic which exposed the vulnerabilities of the sector in Nigeria remains a significant case in point. Thus, we posit that more private-public partnerships (like **MAYBAKER's** joint venture with the FG to produce vaccines) would help to spur growth prospects.

## Pharmaceuticals Stay Resilient

While macroeconomic headwinds such as the spiralling inflationary environment and FX volatility continue to beleaguer the sector's growth potentials, revenue of industry players has stayed resilient. With the introduction of new products, increase in product price, investment in research, strategic alliances in the industry and investment in route to market, total revenue of listed pharmaceutical firms inched upwards by 34.15% to NGN66.77bn in 9M:2022, (from NGN49.77bn in the corresponding period).

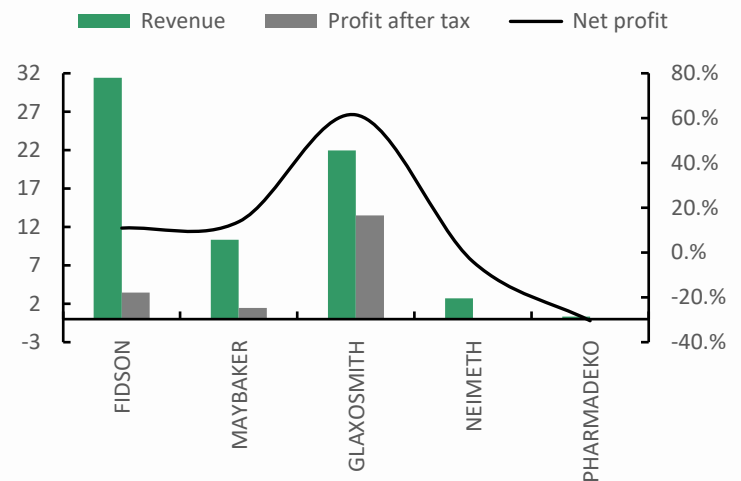
As at 9M:2022, **FIDSON**, **MAYBAKER** and **GLAXOSMITH** reported top-line growth of 44.15%, 28.31% and 33.40% respectively, driven by improved sales volume and uptick in price of products. **NEIMETH** and **PHARMADEKO**, however, recorded declines in revenue: -11.28% and -15.20% respectively. Higher production and finance cost also constituted a major drag to company earnings in the year. While **FIDSON**, **MAYBAKER** and **GLAXOSMITH** bottom-line withstood the cost pressure to record higher profit, **NEIMETH** and **PHARMADEKO** earnings performance worsened in the period.

**Chart 63: Share Price performance**



Source: NGX, Bloomberg, Meristem Research

**Chart 64: Revenue, Profit after tax and Net profit (9M:2022)**



Source: Company Filings, Meristem Research

## Sector Outlook

For 2023, we expect the continuation of similar trends amongst pharmaceutical companies under our purview. We opine that access to loans, funding or capital restructuring would be very important to the sustainability of companies in the sector. We also envisage an increase in strategic alliances and public-private partnerships within the industry in a bid to improve market share and reach.

For players in the industry, revenue growth is likely to be sustained on the back of rising prices and essential nature of the industry. Also, the ability of firms to remain resilient and innovative would be a significant catalyst impacting growth. We also expect cost pressure to remain high given the challenges with FX availability and rising inflation. Overall, the defensive nature of the industry even in the face of dwindling consumer wallets feeds our optimism for topline and earnings expansion.

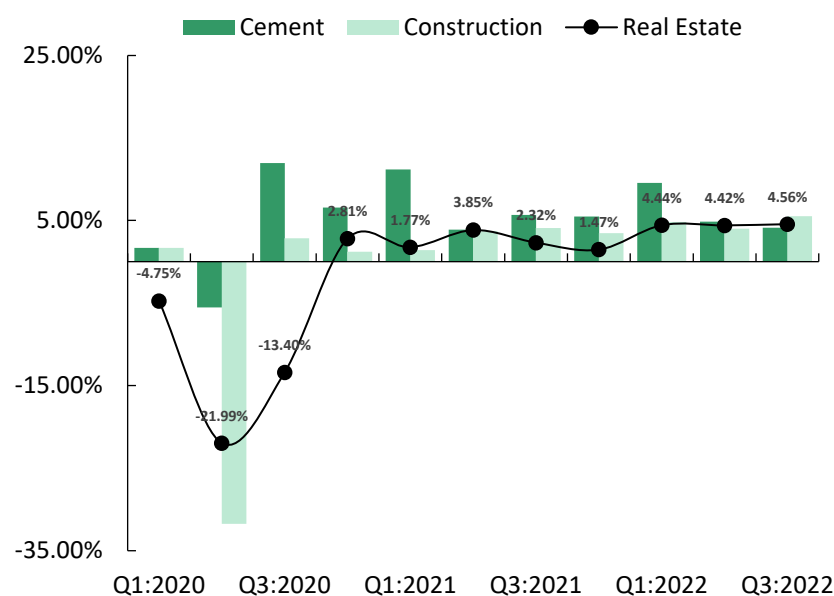
Valuation and Fundamental Metrics																
	Fundamentals					Trailing				Valuation						
	AT	NM	ROE	ROA	Lev	EPS	BVP	P/E	P/BV	Exp Div Yield	Target PE	Exp. EPS	2023 TP	CP	UPP	RT
MAYBAKER	0.77	11%	20%	9%	2.25	0.92	4.73	4.66x	0.91x	8.14%	6.21x	0.81	5.03	4.30	+17%	BUY
FIDSON	0.95	12%	30%	11%	2.63	2.11	7.04	4.27x	1.28x	5.00%	4.34x	3.62	15.70	9.00	+74%	BUY
GLAXOSMITH	0.92	4%	11%	4%	3.10	0.85	7.73	7.21x	0.80x	8.94%	7.94x	1.02	8.10	6.15	+32%	BUY
NEIMETH	0.42	-4%	-10%	-2%	5.87	-0.06	0.58	-24.78x	2.48x	5.59%	2.35x	0.85	2.00	1.43	+40%	BUY

# Industrial Goods

## Outlook Remains Positive Despite Microeconomic Headwinds

The industrial goods sector demonstrated unprecedented resilience in 2022 despite the various macroeconomic headwinds that plague the industry. Increased Government expenditure on infrastructure and the various Public, Private Partnership (PPP) projects on infrastructure outweighed the effect of inflation on consumer's wallets. In addition, the upcoming 2023 elections further impacted the surge in activities within the space as various State governments rallied to make a last-minute impression on the citizenry via infrastructural development. Thus, the construction sector expanded (5.52% in Q3:2022), which is 142bps higher than the similar period in 2021, and the real estate sector output growth also came in higher at 4.56% in Q3:2022 (vs 2.32% in Q3:2021). Particularly, the real estate sector was perceived by investors as a safer investment class, given its effectiveness in hedging against inflationary pressures.

**Chart 65: Cement, Construction and Real Estate GDP Growth**

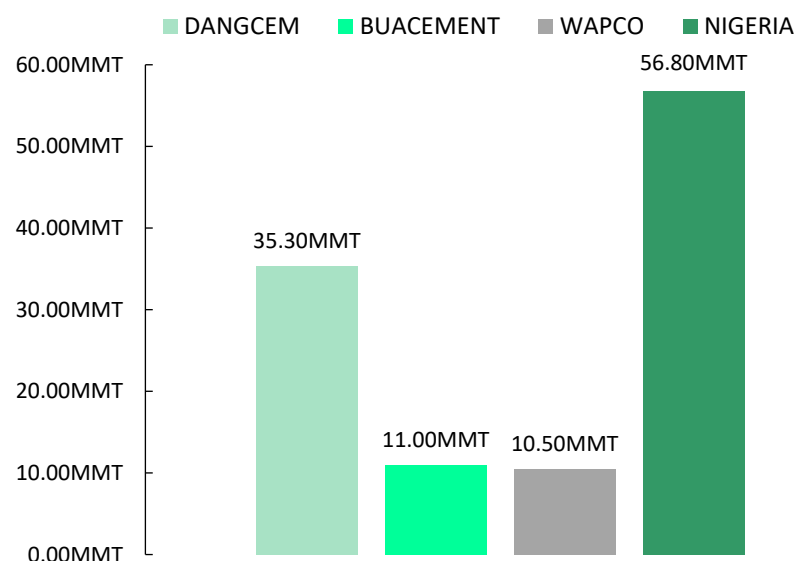


Source: NBS, Company Financials, Meristem Research

Nevertheless, in contrast to adjacent sectors, the cement sector output declined (4.13% in Q3:2022 vs. 5.68% in Q3:2021), impacted by the heightened inflationary pressures (as energy prices skyrocketed and impacted production negatively), FX illiquidity, and reduction in cement consumption (reduction in sales volumes of some players).

Specifically, in 9M:2022, cement manufacturers (3 listed players) were able to ramp up revenue (+19.70% YoY) primarily driven by local raw materials, which helped sustain production, upward review of prices, capacity expansion (DANGCEM 3MMTPA and BUACEMENT 3MMTPA) and marketing initiatives by players (DANGCEM's bag of goodies promo). The cement players were also active in the export market, which enhanced their revenue base.

**Chart 66: Total Installed Cement Production Capacity in Nigeria (2022FY)**



Source: Company Financials, Meristem Research

However, sales volume dropped during the period under review, given the impact of inflation and energy supply disruptions. Meanwhile, cumulatively, the cement manufacturers' earnings declined (13.66% YoY), with a significant drag coming from DANGCEM being the biggest player in the sector. The underlying factors include the flood which impacted distribution, as trucks were held in gridlocks, slowing dispatch in Nigeria. Also, higher freight cost witnessed in clinker and cement-importing countries was a contributing factor. The aforementioned factors gave rise to increased production costs (especially increase in Automotive Gas Oil prices) and OPEX (haulage expense). We also noted a spike in total finance costs (+151.62%), with foreign exchange (FX) losses (+699.15% YoY) contributing the highest to the drag. The huge FX losses were because of the devaluation of the currencies, especially the Ghana cedis.

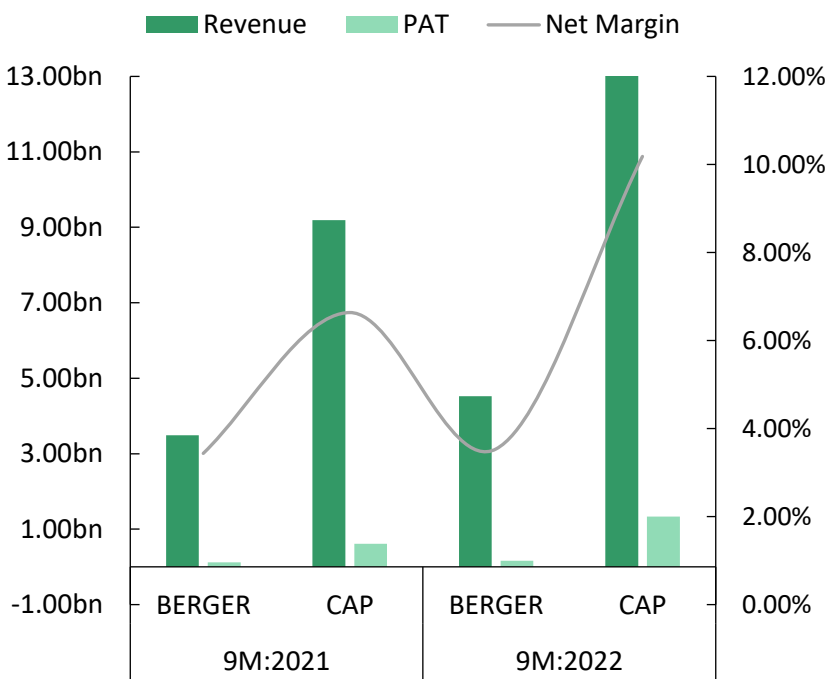
*Nevertheless, our outlook for the cement industry in 2023 remains positive. According to the World Bank, energy prices are estimated to decline by c.11% in 2023 after rising by over c.60% in 2022. This is expected to reduce energy disruptions which will positively impact production and boost revenue while slowing down costs. We also expect an increase in demand (sales volume) locally from both the private and public sector – especially as the Government continues to make a last-minute impression on the citizens via infrastructural developments across the country, given the election of a new Government in 2023. Similarly, the rise in exporting activities across players within the industry is expected to be a major catalyst for the sector's expansion in 2023. Thus, premised on the above and management guidance on mitigation of the FX challenges (exploring hedging activities and localizing some of its obligations) and the completion of an alternative fuel system (waste recycling) by various players, we expect the sector to have a positive outing in 2023.*

## Paint sub-sector

### Sustained Growth in Real Estate Sector Boost Performance

As reflected in their top-line performance, the paint sector continued to ride on the waves of growth in the real estate sector. The growing demand for paints product cumulated to expansion in the sales volume of players in the sector. Thus, in contrast to the previous period, the sector reported growth in earnings (+97.59% YoY) as solid growth in revenue outweighed the total cost and operating expenses despite the industry exposure to FX devaluation (high dependence on importation of raw materials) and inflationary pressures. *We expect the paint players to sustain this performance in 2023, given the expected expansion in the real estate sector. However, inflationary pressures and FX devaluation could remain a significant headwind for the sector due to the over-dependence on imports of raw materials.*

Chart 67: Financial performance of Listed Paint Companies (9M:2021 - 9M:2022)



Source: NBS, Company Financials, Meristem Research



Valuation and Fundamental Metrics																
	Fundamentals					Trailing				Valuation						
	AT	NM	ROE	ROA	Lev	EPS	BVP	P/E	P/BV	Exp Div Yield	Target PE	Exp. EPS	2023 TP	CP	UPP	RT
BUACEMENT	0.43	29%	26%	13%	2.04	2.90	11.34	33.71x	8.62x	3.10%	18.19	4.35	79.05	97.75	-19.13%	SELL
DANGCEM	0.66	19%	36%	13%	2.78	17.56	49.19	14.86x	5.31x	7.66%	6.83	43.80	299.15	261.00	14.62%	BUY
WAPCO	0.61	16%	14%	10%	1.42	3.45	24.82	6.96x	0.97x	6.25%	5.60	6.46	36.17	24.00	50.69%	BUY
CAP	1.43	11%	37%	15%	2.40	2.48	6.76	7.17x	2.63x	7.53%	9.49	2.02	19.19	17.80	7.80%	HOLD
BERGER	1.14	3%	6%	4%	1.60	0.64	11.31	9.34x	0.53x	6.67%	11.15	0.66	7.30	6.00	21.74%	BUY

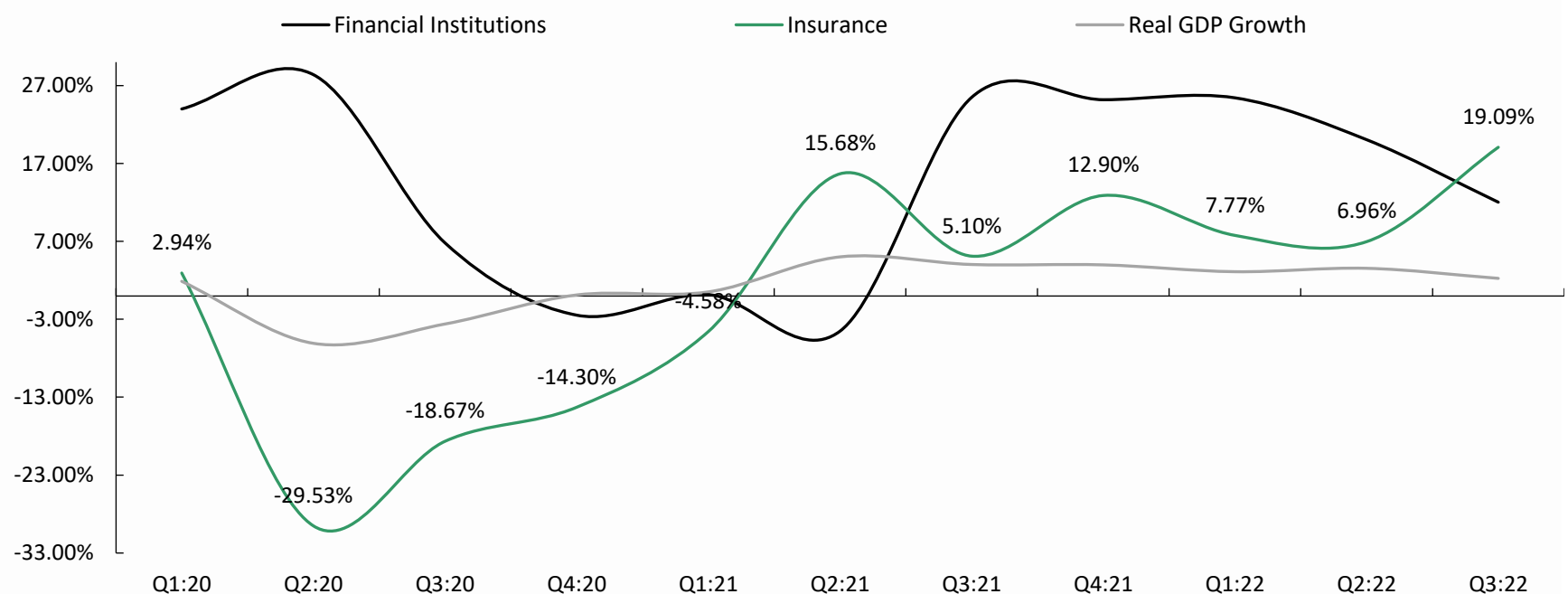
# Insurance

## The Nigerian Insurance Sector Remains Upbeat

The insurance sector growth more than tripled (19.09%) in Q3:2022, higher than the growth of other financial institutions (12.03%) and overall real GDP growth of 2.25%. Increasing rate of technological adoption by players in the industry, product distribution supported by fintech and insurtech, increased partnerships with non-insurance participants by both the regulator and insurance companies and the growing consumer confidence in the sector were major catalyst of growth in 2022. Particularly, the improved underwriting performance of players in the sector significantly impacted the overall growth of the industry.

*However, despite the achievement so far, there is still more room for growth as the perennial challenges (low penetration rate, low competition both locally and globally, low capitalization and weak underwriting capacity and regulation) plaguing the sector remains. Thus, it is pertinent for both players and regulator to build upon this momentum by maintaining an ongoing culture of innovation, ensure customer-centricity is the central point of the sector's standard operating model, and strict adherence to regulatory requirements and standards.*

**Chart 68: Growth of the Insurance Sector, Financial Institutions and Real GDP**



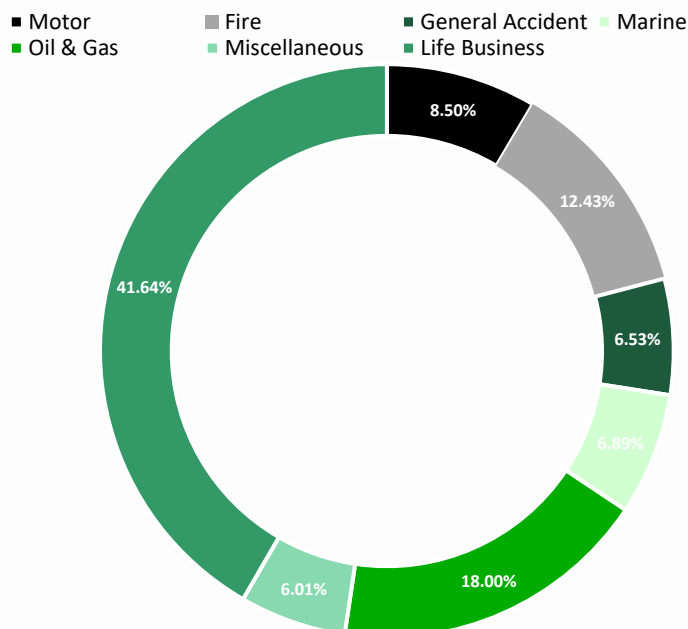
**Source: NBS, Company Financials, Meristem Research**

In terms of financial performance, according to National Insurance Commission (NAICOM), in Q3:2022, players raked in a total premium income of NGN532.70bn which is 14.95% higher than previous periods. The growth of the sector's gross premium income (GPI) was largely driven by the non-life insurance segment of the business which contributed c. 58.36% to total GPI. The oil & gas, fire insurance and motor insurance segments which accounted for 30.85%, 21.29% and 14.57% respectively of total general insurance business propelled the growth witnessed in the segment.

However, we note that the life business grew faster (+22.54%) than the other segment of the business and may likely overtake the non-life business as major contributor to GPI given the increasing rate of adoption of individual life assurance and health insurance. Meanwhile, net claim payments for the period moderated slightly (2.33%) given the high inflationary environment which impacted underwriters cost. Consequently, the sector's loss ratio dropped to 45.54% (vs. 53.60% in Q3: 2021) which portend the improved underwriting efficiency of the industry. Nevertheless, the industry (gleaning from company filings of all listed insurance companies) recorded expansion (+176.60%) in overall profitability despite the rise in operational expenses.

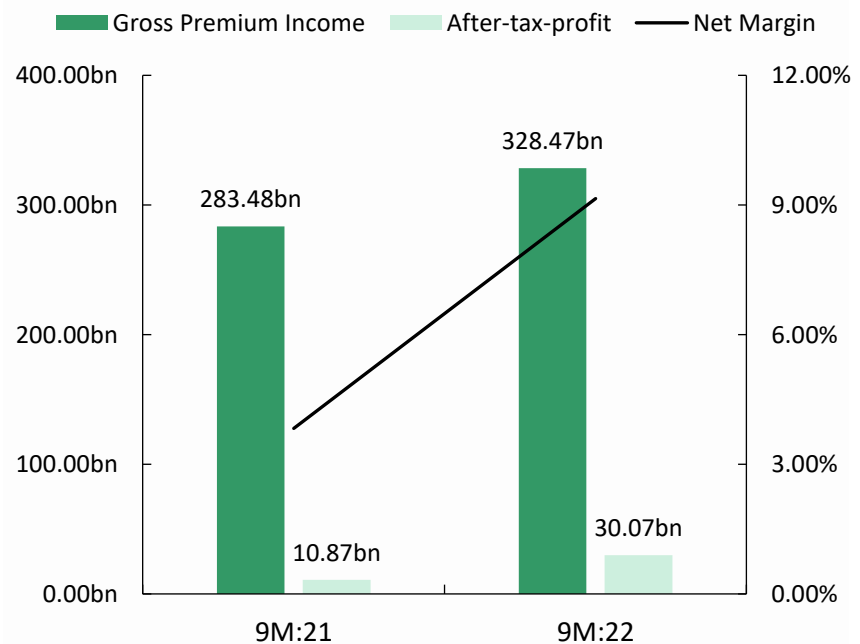
*The outlook for the sector remains positive in 2023, as we expect the high yield fixed income environment to moderate actuarial provisions for life and annuity funds and improve investment income which should translate to strong underwriting performance and growth in bottom-line. Also, the expansion in gross premium written driven by the sustained technological adoption and innovative product distribution is expected to further support income. However, the high inflationary environment which would drive claims payment higher and increase the operating cost of underwriters, remains a major headwind to this outlook. We also note that the political risk (which is subjective to the perception of individual players) could prove significant (in view of the 2023 general elections) which may imply more pessimistic actuarial valuations of liabilities.*

**Chart 69: Contribution of Various Insurance Segments to total Premium Income in Q3:2022**



Source: NAICOM, NGX, Company filings, Meristem Research

**Chart 70: GPI, PAT & Net Margin of listed Insurance Players**



Source: NAICOM, NGX, Company filings, Meristem Research

## Valuation and Fundamental Metrics

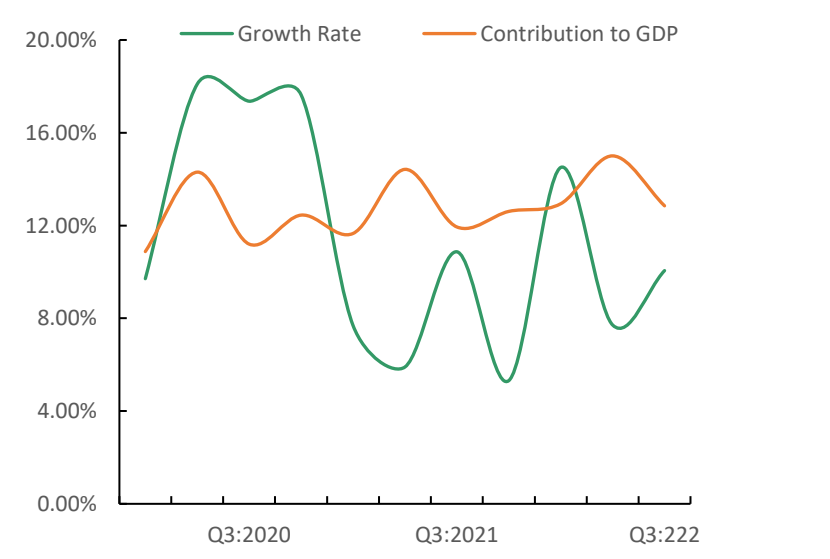
	Fundamentals					Trailing				Valuation						
	AT	NM	ROE	ROA	Lev	EPS	BVP	P/E	P/BV	Exp Div Yield	Target PE	Exp. EPS	2023 TP	CP	UPP	RT
AIICO	0.30	10%	20%	3%	6.44	0.24	1.17	2.50x	0.51x	3.39%	3.00	0.22	0.66	0.59	11.86%	BUY
LASACO	0.51	1%	1%	0%	2.19	0.05	6.33	19.28x	0.14x	6.90%	8.45	0.14	1.16	0.87	32.77%	BUY
MANSARD	0.65	2%	6%	2%	3.76	0.09	1.57	21.94x	1.28x	13.50%	6.05	0.44	2.66	2.00	33.10%	BUY
NEM	0.73	19%	25%	14%	1.77	0.63	2.57	7.14x	1.75x	5.11%	5.00	0.96	4.80	4.50	6.67%	HOLD
WAPIC	0.40	-7%	-6%	-3%	2.13	-0.05	0.86	-7.60x	0.46x	0.00%	-10.75	-0.04	0.40	0.40	-0.03%	HOLD
CORNERST	0.39	16%	15%	6%	2.29	0.16	1.12	3.67x	0.54x	0.00%	3.68	0.17	0.61	0.60	1.69%	HOLD
CUSTODIAN	0.47	11%	16%	5%	3.03	1.85	11.46	3.21x	0.52x	9.58%	4.21	1.87	7.87	5.95	32.31%	BUY

# Telecommunication

## Telecoms Sector Leads Economic Growth

Unsurprisingly, the Nigerian telecommunications sector remained one of the major growth drivers of the nation's economy in 2022. Per the most recent GDP report, the sector expanded by 10.06% YoY during the third quarter of the year and contributed more than half to the economic growth recorded during the period. Thus, the sector was one of the fastest growing sectors, and also the largest contributor to the economic growth in Q3:2022. The output growth of the sector has been supported by substantial capital investment by operators in the sector, as well as the growing market for their services. Notably, the total telecommunications subscriber base increased by 12.02% between January and November 2022. On the flipside, regulatory scrutiny has been a major blow to the sector.

Chart 71: Telecommunications sector GDP

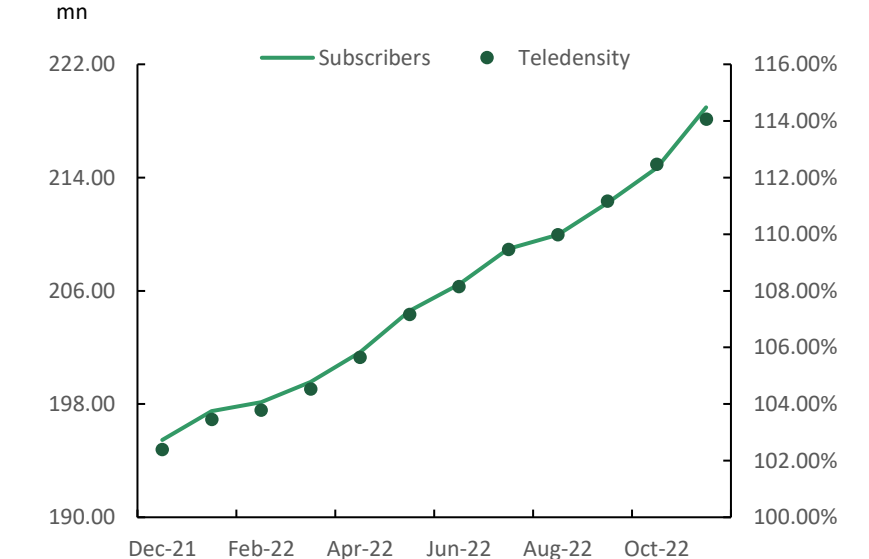


Source: NBS, Meristem Research

## Laying the Foundation for 5G

Following the successful bid and payment for 5G license in December 2021 and February 2022 respectively, MTNN commenced its 5G pilot launch in seven states in August 2022. This makes MTNN the first to roll out 5G network in the country. Concurrently, the Nigerian Communications Commission (NCC) has commenced plans towards the auction of two more 3.5GHz spectrum for 5G services. With existing Mobile Network Operators (MNOs) being the potential targets for the spectrums, the acquisition is expected to further increase investment in 5G network in the country. Also, players in the sector remain focused on the acceleration of their 4G network roll-out. Particularly, MTNN and AIRTELAFRI increased their 4G sites to total sites ratio to c. 80% and 89% respectively as at 9M:2022.

Chart 72: Total Subscriber Base and Teledensity (RHS)



Source: NCC, Meristem Research



Subsequent to the receipt of final approval to operate Payment Service Banks (PSBs) early in the year, MTNN and AIRTELAFRI launched their Payment Service Banking (PSB) activities. Since launch, the companies have prioritized the development of their infrastructure and processes, hence conducting minimal commercial activities.

*Upon commencement of more commercial activities in 2023, we expect improved earnings from fintech segment for both companies and also an improvement in the contribution of fintech segment to overall revenue. Furthermore, recent policy decisions, such as the cap placed on cash withdrawals by the CBN should help foster PSB activities, as the PSBs in turn support CBN's financial inclusion drive.*

## Economic Bottomline

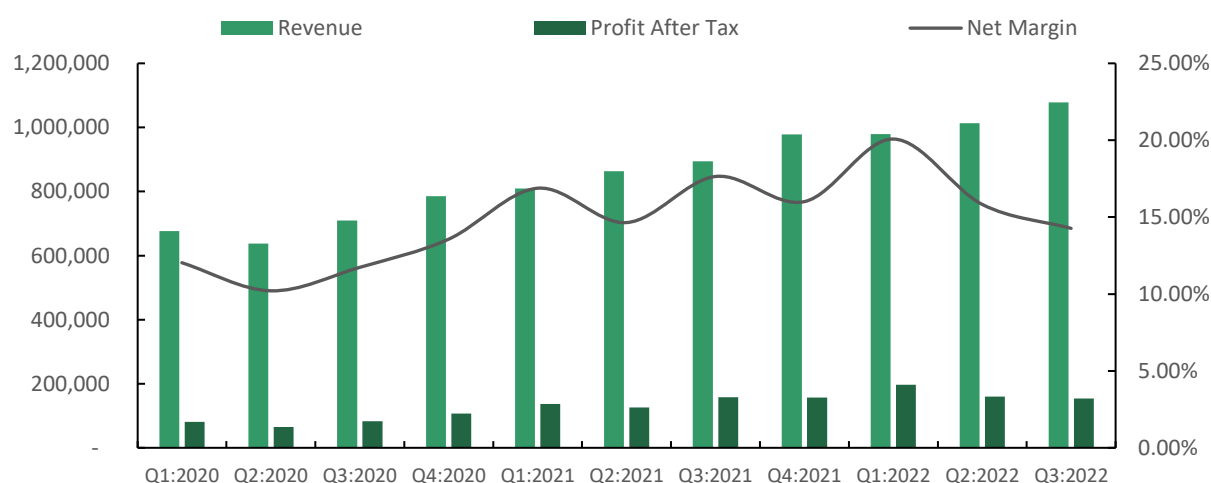
## Risk

## Impacts

Companies in the telecommunications sector continue to record strong fundamental performance, backed majorly by increased demand for their services. Both of the listed companies recorded growth across revenue segments in 9M:2022 – voice (+5.68% YoY), data (+34.59% YoY) and mobile money (+26.25% YoY). However, the telcos bottom-line have not been spared from the prevailing macro-economic risks. Particularly, earnings took a hit from foreign exchange losses, which more than doubled for both of the listed players. AIRTELAFRI's earnings in Q3:2022 declined by 20.83% YoY, while MTNN's increased only by 11.37% YoY (the lowest in seven quarters).

With no end in sight, the prevailing foreign exchange challenges in the country remains a thorn in the flesh of MNOs. We expect this to keep related costs elevated in the near term.

**Chart 73: Total Revenue and Earnings of Listed Telcos**



Source: Company Fillings, Meristem Research

Valuation and Fundamental Metrics																
	Fundamentals					Trailing				Valuation						
	AT	NM	ROE	ROA	Lev	EPS	BVP	P/E	P/BV	Exp Div Yield	Target PE	Exp. EPS	2023 TP	CP	UPP	RT
MTNN	0.79	18%	143%	14%	9.93	17.07	11.96	12.60x	17.97x	7.13%	12.00	25.12	301.42	215	+40%	BUY
AIRTELAFRI	0.38	11%	12%	4%	2.88	49.50	402.93	33.03x	4.06x	1.47%	4.66	317.84	1481.13	1635	-9%	HOLD

# Domestic Fixed Income

## Multiple Rate Hikes Keep Yields Elevated

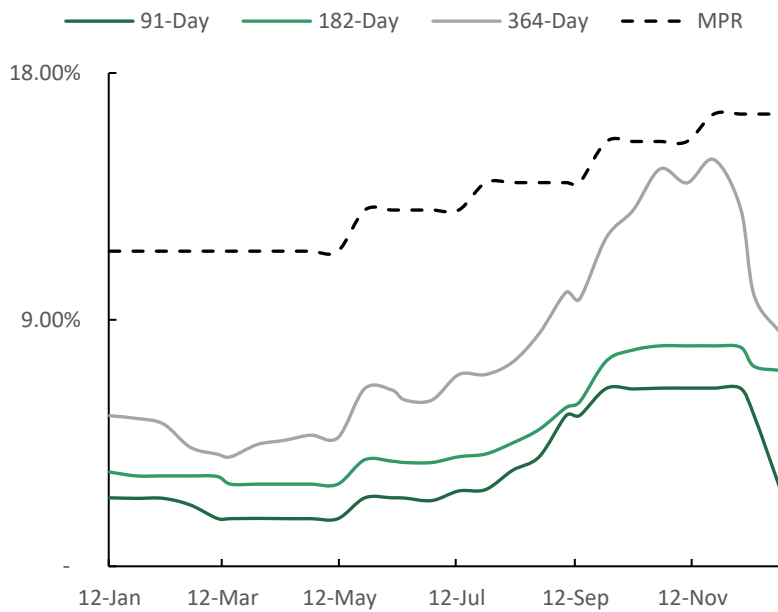
The fixed-income market (especially the secondary bond market) started 2022 on a bearish note, howbeit short-lived. The reversal of the bearish sentiment was primarily driven by the robust system liquidity, owing to the Jan-2022 FGN bond maturity (NGN606bn) and coupon payments (NGN218bn). In addition, the expiration of the income tax exemption on corporate bonds and government securities (except FGN bonds) became effective in January 2022. These aforementioned factors spurred buying activities on FGN bonds in Q1:2022 – as evinced by the robust market turnover (NGN5.40trn). Consequently, the average bond yield moderated to 10.71% (vs 11.56% at the start of 2022).

Following the Monetary Policy Committee (MPC)'s first rate hike in 2022 (100bps), the market sentiment took a U-turn. The increase in the Monetary Policy Rate (MPR) spurred the rotation of funds from the equities market to the fixed-income market. Remarkably, the Monetary Policy Committee (MPC)'s decision to hike the MPR by another cumulative 400bps (in its July, September, and November meeting) roused the attractiveness of fixed-income instruments and kept yields in the northward direction.

This, coupled with the multi-decade high inflation rate (which hauled real interest rate to negative), weaker-than-expected macroeconomic environment, and the Federal Government's affinity for the domestic debt market prompted the need for higher rates on Treasury instruments. Consequently, fixed-income instruments remained the preferred investment option for risk-averse and risk-tolerant investors.

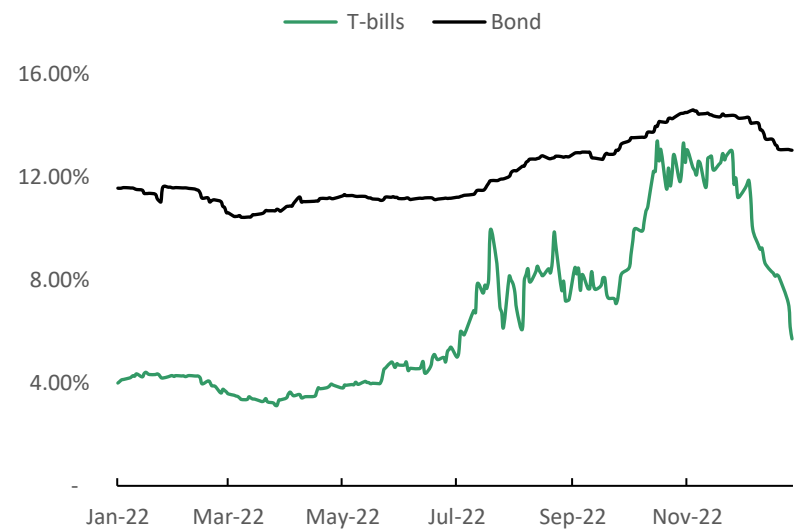
At the T-bills primary market auctions in 2022, the Central Bank of Nigeria (CBN) auctioned a total of NGN4.74trn while recording a total subscription of NGN9.21trn – the highest on record - (implying a bid-to-cover ratio of 1.94x). Consequently, the stop rates on the 91-Day, 182-Day, and 364-Day instruments soared from 2.50%, 3.44%, and 4.90% on January 13 (first auction of 2022) to its 2022 peak of 6.50%, 8.05%, and 14.84%, respectively. However, the robust system liquidity in December moderated the rates to 2.75%, 7.15%, and 8.49% on the trio instruments (as at the last auction), respectively. Similarly, the marginal rates of Treasury bonds at the primary auction closed the year within the range of 14.60% to 15.80% (vs 11.50% to 13.10% at the start of the year).

**Chart 74: Movement of Stop Rates in 2022**



Source: CBN, Meristem Research

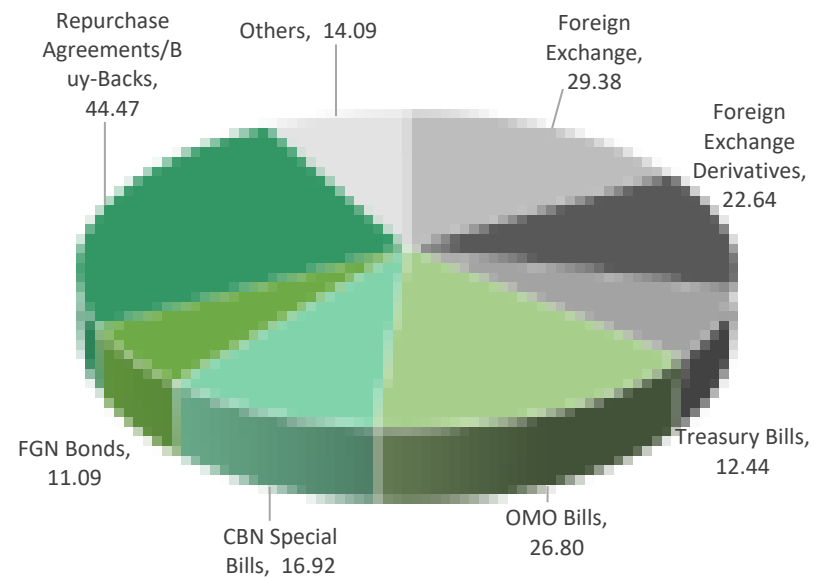
**Chart 75: Average T-bills and Bond Yields in 2022**



Source: Bloomberg, FMDQ, Meristem Research

Contrary to the mood in the primary market, fixed-income yields maintained an uptrend. This was because investors' demand for higher yields largely drove the bearish sentiment in the secondary markets to compensate for the volatile and harsh macroeconomic environment. Specifically, investors continually repriced their expected returns as the high inflation rate dragged real yields negative. Also, the higher rates in the primary market supported investors' demand for a higher incentive to reflect the current market realities. Another major contributing factor to the higher yields in 2022, especially in the latter part of the year, was the tighter interbank liquidity (fanned by the 500bps increase of the Cash Reserve Ratio to 32.50%). Consequently, average T-bills and bond yields edged higher by c. 172bps and c. 148bps to 5.71% and 13.04%, respectively.

**Chart 76: Market Turnover by Product Category in Jan – Oct 2022 (NGN'trn)**



Source: FMDQ, Meristem Research

## Corporate Issuances

In 2022, especially in the second half of the year, corporate bond issuers were more conservative in issuing new debt instruments due to the high-interest yield environment. For context, thirteen new corporate bonds listed on the FMDQ exchange were issued in 2022 (vs. fifteen in 2021). More interestingly, seven of the thirteen bonds were issued before the first-rate hike in May, while the remaining issuances took place between June and September (before the third-rate hike). Therefore, we believe that the higher yield environment in H2:2022 discouraged corporate bond issuers. Subsequently, market turnover on bonds, excluding FGN bonds, moderated by over 200% to NGN15.18bn between January and October 2022 (vs NGN49.48bn in 2021FY), signifying lower activities in that space.

For commercial paper issuances, however, the dynamics were quite the opposite. During the period, there was an influx of commercial paper issuances mainly for refinancing and working capital needs. Moreover, with yields ranging between c. 13% and c. 27%, investors were motivated to maximize the opportunity. As a result, the total market turnover of the instruments improved from zero value in 2021FY to NGN200mn between January and October 2022, signifying increased activities.

## Eurobonds

Nigeria's 2022 major highlight in the Eurobond market was the 8.50% USD1.25bn 7-year Eurobond issuance. The issuance, the first by an African country in 2022, was embraced by the international capital market with strong demand. However, the consecutive rate hikes by global central banks, especially the Federal Reserve, translated into higher finance costs in the international capital market as the U.S. Dollar strengthened. This, in combination with the country's heightened macroeconomic uncertainties and high fiscal burden (which prompted Moody's to downgrade Nigeria's credit rating to B2 from B3), triggered selloffs on the instruments. Subsequently, the average Eurobond yield climbed from 5.42% (at the start of the year) to its 2022 peak of 12.18% in October. Due to the higher borrowing costs, the Federal Government was forced to suspend the issuance of its planned USD950mn Eurobond in 2022, opting to focus on the domestic market. The finance minister also hinted that the Federal Government has no plan to raise funds from the international debt market in 2023. However, renewed investors' demand for foreign-currency-denominated instruments partly triggered by the CBN's Naira redesign policy spurred buying activities. As a result, the average Eurobond yield closed the year at 10.05%.

**Chart 77: Average Eurobond Yield in 2022**



Source: Bloomberg Meristem Research



# Fixed Income Outlook



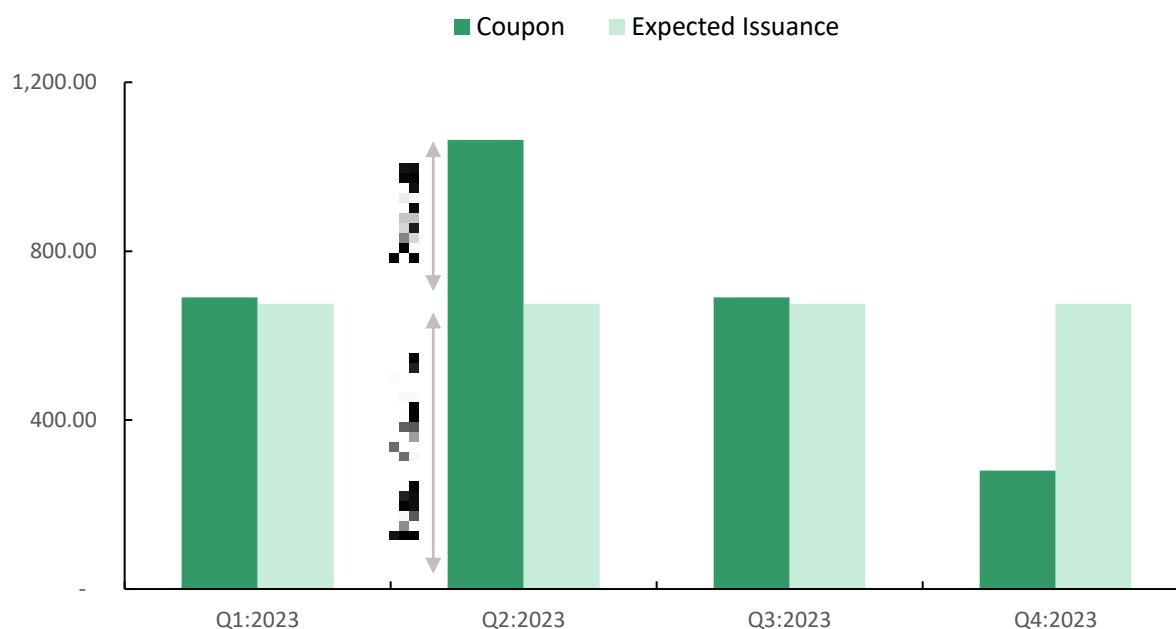
## Outlook:

In 2023, we expect a higher fixed income yield although with some occasional swings. Factors that we think would keep yields elevated include possibility of an additional 200bps hike in MPR as we earlier stated; and the expected increase in domestic borrowing as the Federal Government intends to finance most of its 2023 fiscal deficit (NGN8.80trn) through local borrowings (replicating its 2022 deficit financing strategy – c. 92% of its fiscal deficit was financed through the domestic debt market). Moreover, the international capital market will remain an expensive alternative in 2023.

However, there are some notable risks to this outlook: First from a demand-supply perspective, the expected liquidity from coupon and bond maturity alone outweighs the expected issuances on a quarterly basis (particularly in Q2:2023) assuming the 2022 issuance schedule is still followed (We have left T-Bills out of the analysis considering that the maturities are immediately rolled over). Secondly, the need to manage borrowing cost amid a rising cost of debt could dissuade the government from borrowing heavily from the public market, but rather continue to utilise the CBN's Ways and Means financing window instead.

Notwithstanding the risks, the recent rejection of the proposal to restructure the Way and Means balance by the lawmakers could put more scrutiny on the FGN's overdraft from the CBN. The generally rising concern around debt sustainability could also be an incentive for investors to price treasury instruments at a higher yield, and we think this would have a higher effect on the market direction together with the potential pricing in of political risk. Thus, we expect the fixed income yield to rise in 2023, albeit at a gradual pace.

**Chart 78: Bond Maturity and Coupon Payments in 2023**



Source: FMDQ, Meristem Research

\*For Q2:2023, the coupon chart represents the sum of bond maturity and coupon payment.

# Investment Strategy



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# Equities Strategy

## Market Expectation

In H1:2022, our strategic portfolio outperformed the benchmark index by 342bps, returning +13.02%. Given the conditions at the start of H2:2022, we rebalanced the portfolio, which returned -6.10%, underperforming its benchmark by 163bps.

In line with our view for the equities market in 2023, we have constructed a strategic portfolio aimed at maximizing potential returns from both dividend yield and price return. The portfolio has been constructed to include a blend of dividend aristocrats and defensive stocks. We adopted the Omega Ratio to check for the risk-return profile of the stocks.

The stocks in the portfolio, must have met at least 6 criteria in each category.

- Omega ratio higher than 1 (save for **GTCO**).
- Expectation of top-line and bottom-line growth in 2023.
- ROE >10% or ROE in excess of COE
- At least three years of revenue growth in the past five years.
- At least three years of profit growth in the past five years.
- Double digit or above industry-average margins  
Upside Potential >10%

## 2023 Strategic Portfolio

	Fundamentals						Trailing					Valuation							
	AT	NM	ROE	ROA	Lev	EPS	BVPS	PE	PBV	Target PE	Exp. EPS	TP	CP	Exp	UPP	Omega Ratio	Portfolio		
														Div.			Yield	Weights	Tot. Return
DANGCEM	0.66	18%	36%	13%	2.78	17.6	49.19	14.86	5.31	6.83	43.80	299.15	261.00	8%	15%	1.16	4.86%	22.28%	
FIDELITYBK	0.08	11%	12%	1%	11.91	1.3	11.01	3.24	0.39	2.51	2.23	5.61	4.35	12%	29%	1.11	8.97%	41.15%	
FIDSON	0.95	11%	30%	11%	2.63	2.1	7.04	4.27	1.28	4.34	3.62	15.70	9.00	5%	74%	1.25	17.31%	79.44%	
GLAXOSMITH	0.92	2%	11%	4%	3.10	0.9	7.73	7.21	0.80	7.94	1.02	8.10	6.15	9%	32%	1.00	8.86%	40.65%	
GTCO	0.08	54%	20%	3%	6.66	6.0	29.66	0.00	0.00	3.81	6.69	25.51	23.00	13%	11%	0.90	5.22%	23.96%	
GUINNESS	0.96	5%	15%	7%	2.37	6.6	42.43	10.57	1.63	10.88	7.60	82.69	69.30	10%	19%	1.19	6.46%	29.62%	
MTNN	0.79	18%	143%	14%	9.93	17.1	11.96	12.60	17.97	12.00	25.12	301.42	215.00	7%	40%	1.17	10.31%	47.33%	
PRESCO	0.51	36%	59%	16%	3.67	23.1	39.06	5.97	3.52	7.22	23.87	172.25	137.50	6%	25%	1.35	6.78%	31.09%	
TOTAL	1.39	4%	33%	5%	6.54	47.1	141.49	4.10	1.36	5.07	46.90	237.70	193.00	10%	23%	1.25	7.31%	33.52%	
UCAP	0.04	53%	49%	2%	20.05	2.2	4.42	6.46	3.17	6.00	2.73	16.39	14.00	12%	17%	1.00	6.26%	28.73%	
WAPCO	0.61	17%	14%	10%	1.42	3.4	24.82	6.96	0.97	5.60	6.46	36.17	24.00	6%	51%	1.06	12.41%	56.94%	
ZENITHBANK	0.06	28%	20%	3%	7.95	8.2	40.52	2.92	0.59	3.07	8.68	26.69	24.00	13%	11%	1.02	5.25%	24.11%	
Expected Return																	100%	44.86	

# Fixed Income Strategy

In crafting an appropriate fixed-income strategy for investment, we evaluated the global fixed-income environment, which portends a positive outlook for fixed-income returns. The expectation of a gradual reversal in rate hike cycle means that global yields are expected to stabilize and then reverse. This will in turn drive bond prices up. For the local debt market, yields are expected to rise, albeit rising slowly, unlike in 2022.

The expected increase in government borrowing is a key driver of our outlook for elevated rate in the local debt market. Moreover, the Eurobonds market would remain an unattractive financing source due to high borrowing cost.

*Based on the above reflections, we maintain that **Duration management** is the essential strategy to explore in 2023. While investors have played at the short end for the past year, we suggest that investors can begin to increase the duration without taking on excessive duration risk. We recommended investment in instruments with modified duration lower than the market average. This would help to reduce the effect of the expected rise in yield on the portfolio.*

To balance interest rate, liquidity and default risks in a fixed income portfolio context, we recommend the following:

**Table 10: Fixed Income Portfolio Recommendation**

Instrument Type	Proportion	Duration	Remark
<b>Eurobonds</b>	Up to 15%	Modest	Hedge against Naira depreciation, Low Liquidity
<b>Commercial Papers</b>	Up to 30%	Moderately High	Competitive Real Rate of Return, Low Liquidity
<b>Corporate Bonds</b>	Up to 20%	Moderately High	Modest Real Rate of Return, Low Liquidity
<b>Treasury Bills</b>	Up to 20%	Moderately High	Low Real Rate of Return, highly liquid
<b>FGN Bonds</b>	Up to 15%	Moderately High	Low Real Rate of Return, highly liquid

**Table 11: Recommended Nigerian Local Bonds**

FGN BONDS	Closing Yield	Coupon	Duration	2023FY Forecasted Yield
<b>14.20 14-MAR-2024</b>	11.72%	14.20%	1.08	11.94%
<b>13.53 23-MAR-2025</b>	11.83%	13.53%	1.89	11.95%
<b>12.50 22-JAN-2026</b>	11.60%	12.50%	2.45	11.78%
<b>16.2884 17-MAR-2027</b>	13.93%	16.29%	3.04	14.31%
<b>13.98 23-FEB-2028</b>	12.92%	13.98%	3.61	13.00%
<b>15.00 28-NOV-2028</b>	13.61%	15.00%	4.30	13.89%
<b>14.55 26-APR-2029</b>	13.99%	14.55%	4.18	14.37%
<b>12.49 22-MAY-2029</b>	13.91%	12.49%	4.38	14.26%

**Table 12: Recommendation on African Countries' Eurobonds**

Countries	Macro Fundamentals	1-yr Default Probability	1-yr Default Risk	Credit Ratings	Comment
<b>Angola</b>	Moderate (Moderate growth; improving revenue outlook; high inflation rate)	4.84%	Moderate	B3 (Moody's) B- (Fitch)	R
<b>Egypt</b>	Moderate (Moderate growth; unstable revenue outlook; high inflation rate)	2.99%	Moderate	B2 (Moody's) B+ (Fitch)	NR
<b>Ghana</b>	Weak (Moderate growth; unstable revenue outlook; high inflation rate)	10.05%	High	Ca (Moody's) C (Fitch)	NR
<b>Kenya</b>	Moderate (Moderate growth and revenue outlook; moderate inflation rate)	3.74%	Moderate	B2 (Moody's) B (Fitch)	R
<b>Nigeria</b>	Moderate (Moderate growth; unstable revenue outlook; high inflation rate)	0.31%	Low	B2 (Moody's)	R
<b>Rwanda</b>	Strong (Strong growth and revenue outlook; high inflation rate)	2.78%	Moderate	B2 (Moody's)	R
<b>South Africa</b>	Moderate (Weak growth; improving revenue outlook; moderate inflation rate)	3.25%	Moderate	Ba2 (Moody's)	R
<b>Zambia</b>	Moderate (Moderate growth and revenue outlook; moderate inflation rate)	8.10%	Moderate	Ca (Moody's) CCC (Fitch)	NR

**R = Recommended; NR = Not Recommended**

**N.B:** The 1-yr Default Probability Risk was calculated using Bloomberg DRSK Model



# Alternative Investments

## Cryptocurrencies

### The Collapse of FTX: A Major Blow on the Crypto Universe

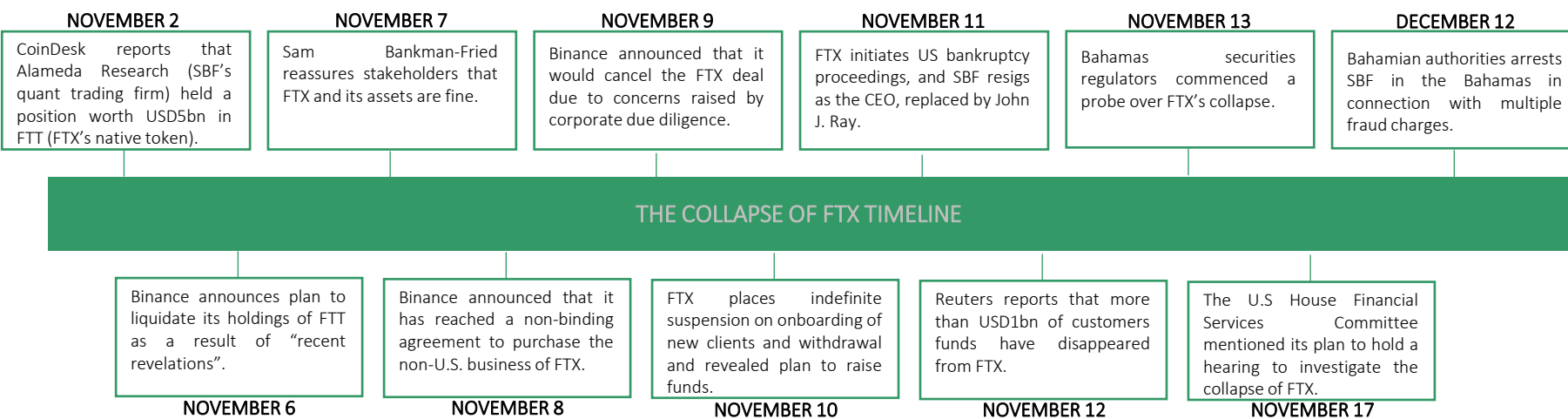
In 2022, there was a slowdown to the sporadic growth of cryptocurrencies witnessed in the past couple of years. Notably, the total cryptocurrency market capitalization fell below USD1trn, as the price of major cryptocurrencies plunged. The cryptocurrency winter which was triggered by the shift in policy decision and accompanying decline in liquidity was worsened by several other disruptions in the crypto ecosystem. Some of such disruptions include the collapse of multiple crypto lenders (Celsius Network, Voyager Digital and BlockFi), stable coin (TerraUSD), and crypto hedge fund (Three Arrows Capital). Altogether, these incidences cast a dark cloud on the crypto universe. However, the most severe crypto setback during the year was the collapse of a major crypto exchange, Futures Exchange (FTX).

FTX grew from being a newly founded cryptocurrency exchange in 2019 to become one of the biggest crypto exchanges, with a valuation of USD32bn by mid-2022. However, the exchange declared bankruptcy in late 2022, following a chain of unfortunate events. In addition to the direct negative effect, it had on its stakeholders (employees, customers, investors, partners and affiliates), the collapse of FTX also had a ripple effect on the cryptocurrency ecosystem as a whole.

This collapse meant the loss of over USD1.80bn raised from investors according to the U.S. Securities and Exchange Commission. This mishap has served as a deterrent for already cautious investors to explore cryptocurrency.

### What Does the Future Hold?

The current crypto winter has further put a dent on the credibility of cryptocurrency especially for non-sophisticated investors and those with the notion of crypto being a fast, transparent, safe and reliable medium of exchange and store of value. Unsurprisingly, there has been an increased clamour for regulation of the crypto market which could, potentially, slam a limit on the kinds of activities and amount of funds in the crypto ecosystem. **However, any breakthrough in effective regulation is likely to be achieved only in the medium to long term. Our view is that the future of cryptocurrencies is dependent on how fast relevant regulatory frameworks are designed, the extent to which investors' trust is regained in the ecosystem, amongst other factors..**

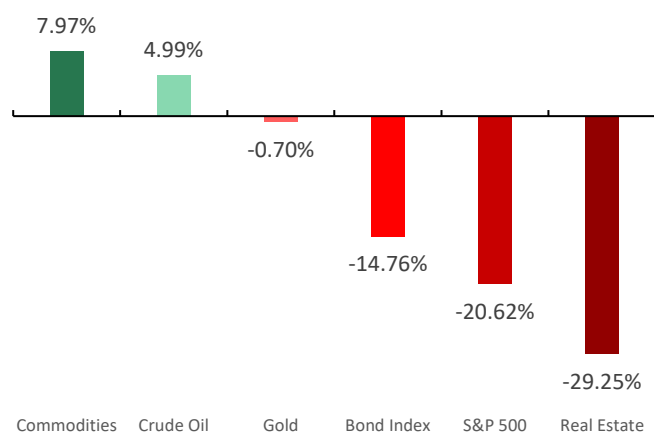


## Commodities:

Most commodities had a bullish run in 2022 owing to the passthrough effect of the tension in Eastern Europe. Like crude oil which recorded a peak price of USD127.98/barrel in March 2022 (its highest since the 2008 global financial crisis), prices of some agricultural commodities hit record highs during the year. However, after gaining c. 7% in Q1:2022, the value of gold which typically serves as a hedge against inflation, was pressured by the strengthening of the United State Dollars, as well as the tightening cycle of many central banks.

The expected slowdown in the global economy in 2023 could lead to lower commodities prices. Particularly, the rising resurgence of Covid-19 in China is likely to reduce demand for crude oil and supress price. Also, an end or otherwise of the Russia-Ukraine war will also influence the direction of commodities prices in 2023.

**Chart 79: Returns of Different Asset (Classes)**



Source: S&P Global, Meristem Research

**Chart 80: Trend of S&P Commodities Index**



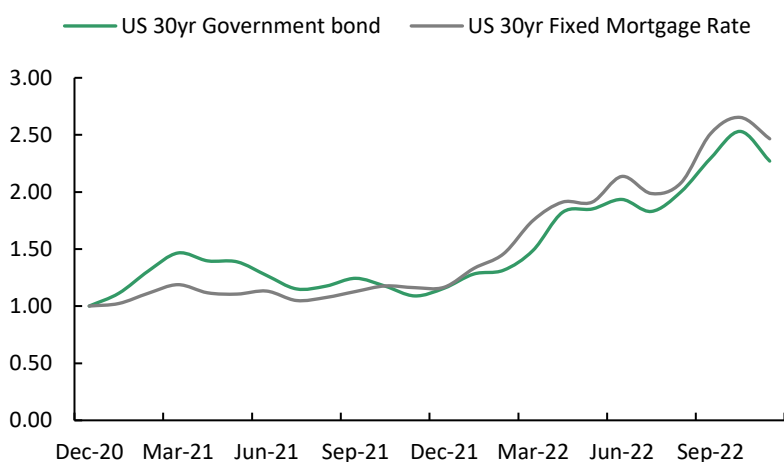
Source: S&P Global, Meristem Research

## Real Estate Investments

### Unfavourable Macroeconomic Environment

On a global scale, the hawkish monetary stance was not favourable to the real estate market. Higher policy rates translated into higher borrowing costs, especially for variable-rate mortgage debts, which led to lower demand for mortgages. Contrary to the expectation of lower housing prices as mortgage demand dips, the Federal Housing Finance Agency reported an increase in housing prices recording an 8.67% increase in the price index as of Q3:2022. This can be attributed to the reduction in new constructions and permits for new buildings which have plummeted by 28.74% Ytd as reported by the US Census Bureau.

**Chart 81: Movement of the US 30yr Bond Yield and Fixed Mortgage Rate**



Source: Bloomberg, Meristem Research

### A Bleak Outlook

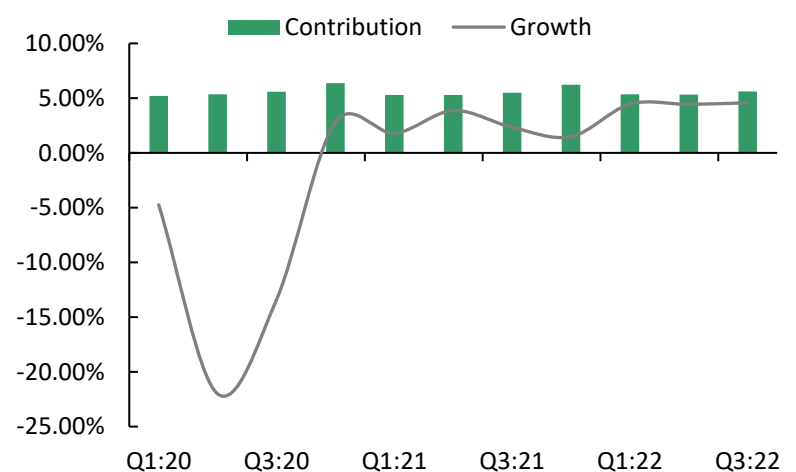
We expect lower sales in 2023 hinged on the expectation of higher mortgage rates and a possible slowdown in the economy, as most economies would continue to maintain a tightened monetary stance to bring back inflation to its target band. Similarly, we expect new constructions and permits for new buildings to decline as sellers already envisage lower demand. This allows for the real estate market to be swayed by forces of supply and demand hence a bleak outlook.

Dark Clouds on the Horizon: Any Silver Lining?

### Positive Sentiments Sustained

In Nigeria, the real estate sector maintained its positive performance in 2022. The sector contributed c. 5.40% to Nigeria's real GDP in 2022 while recording 4.56%YoY growth in Q3:2022. This improvement is attributed to higher demand for apartments as population continues to grow. However, the performance of the 3 listed Real Estate Investment Trusts (REITs) was divergent as only SFSREIT (+13.40%) recorded a gain, which can be attributed to the attractive dividend of c. 9.40%. Contrarily, UHOMREIT (zero dividend) closed flat and UPDC (dividend yield of 0.33%) closed negatively (32.58%) due to unattractive dividends.

**Chart 82: Contribution of the Real Estate Sector to GDP**



Source: National Bureau of Statistics, Meristem Research

### New Regulations to Support Growth

The National Pension Commission (PenCom) recently approved the implementation of guidelines that allow individuals to access their Retirement Savings Account (RSA) balance to fund equity contribution for residential mortgages. This is expected to increase activities in the real estate sector. In addition, the expanding middle-class population should support investment in the sector.

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