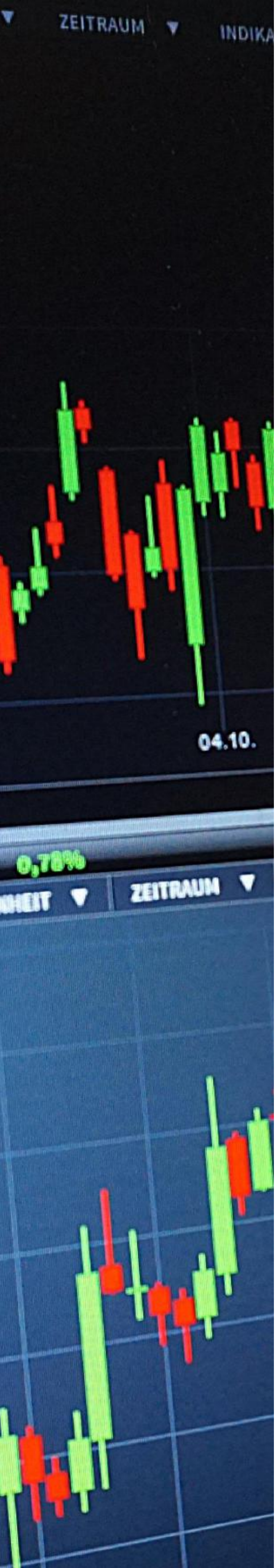
BUSINESS DAY

STOCK MARKET NEWSLETTER

SEPT 2020

Prepared by:
Iheanyi Nwachukwu (Lead)
Endurance Okafor
Olufikayo Owoeye



ACROSS THE WORLD – ECONOMY

THIS COVID-19 IS EXPOSING WORLD’S DEEPEST INEQUALITIES

Covid-19 Pandemic has no doubt exposed some of the world’s deepest inequalities. It is also a determining force in who gets to eat and who does not, underscoring global social divides as the richest keep enjoying a breakneck pace of wealth accumulation. Millions of people have been thrown out of work and don’t have enough money to feed their families, despite the trillions in government stimulus that’s helped send global equities to all-time highs.

As many as 132 million more people than previously projected could go hungry in 2020, and this year’s gain may be more than triple any increase this century. The Covid-19 pandemic is upending food supply chains, crippling economies and eroding consumer purchasing power. Some projections show that by the end of the year, Covid-19 will cause more people to die each day from hunger than from virus infections.

What makes the situation unmatched: The massive spike is happening at a time of enormous global food surpluses. And it is happening in every part of the world, with new levels of food insecurity forecast for countries that used to have relative stability. In Queens, New York, the lines snaking around a food bank are eight hours long as people wait for a box of supplies that might last them a week, while farmers in California are plowing over lettuce and fruit is rotting on trees in Washington.

In Uganda, bananas and tomatoes are piling up in open-air markets, and even nearly give-away prices aren’t low enough for out-of-work buyers. Supplies of rice and meat were left floating at ports earlier this year after logistical jams in the Philippines, China and Nigeria. And in South America, Venezuela is teetering on the brink of famine.

Investors are taking comfort from the global economy's reemergence from virus shutdowns, prospects for a vaccine and a commitment by central banks to foster the recovery, underscored last week by the Federal Reserve's plan to shift to a more relaxed approach on inflation. A gauge of global equities is on course to rise for a fifth straight month, the longest such streak since early 2018.

While momentum has slowed in light of rising cases, in the U.S. in July and in Europe in August, the economic recovery continues to unfold. Central banks have already stated they would remain ultra-accommodative for a long time. Risk assets are likely to remain supported, even if the ride will probably be bumpy.

America's labour market probably extended its rebound in August to push the unemployment rate below 10percent for the first time since the Covid-19 pandemic struck. It is little more than two months before the U.S. election.

This positive jobs report could make President Donald Trump claim the economy is sustaining a recovery under his leadership. His Democratic opponents, led by Joe Biden, are likely to question whether such improvement can continue as America struggles to control the coronavirus. U.S. employers projected to have added another 1.4 million jobs in August.

In UK, lawmakers in Boris Johnson's Conservative Party criticized the idea of increasing taxes to plug the country's swelling budget deficit, after reports suggested the Treasury is considering such plans in the autumn.

Italian companies slashed investment and consumers cut back on spending during the coronavirus lockdown in the second quarter, sending the economy into a record contraction. Figures from statistics office Istat showed household spending fell 11.3 percent in the period, and exports dropped 26.4percent. Investment plunged 14.9percent, with transport investment down about 20percent. The economy shrank 12.8percent in the three months, slightly worse than an initial estimate.

Dubai hired banks for an offering of bonds and Islamic securities in dollars, joining Gulf Arab neighbours that have issued foreign debt to shore up their finances. The government of the Middle East's main business hub plans selling a benchmark-size 10-year sukuk and a 30-year bond. Benchmark typically means at least $500 million equivalent.

Dubai is following other governments from the region that have sold dollar debt or started the process as they take advantage of low borrowing costs, with Federal Reserve Chairman Jerome Powell signaling last week that U.S. interest rates will stay low for longer. Staring down about $14trillion of negative-yielding debt worldwide, investors are also seeking higher returns.

Dubai hired Dubai Islamic Bank to manage the sukuk sale, along with Emirates NBD Capital, First Abu Dhabi Bank PJSC, HSBC Holdings Plc and Standard Chartered Plc as joint lead managers. They are arranging investor calls across Asia, the Middle East and Europe.

Markets

US (DJIA: +2.0%; S&P: +2.6%). STOXX Europe (+1.1%) UK (FTSE100: -0.1%) Asia, Japanese (Nikkei 225: -0.2%). Chinese (SSE: +0.7%). Emerging markets (MSCI EM: +2.3%). Frontier markets (MSCI FM: +1.9%). NASD Securities Index (Ytd +1.95%). NSE-ASI appreciated by 0.35% week-on-week (w/w) to close August 28 at 25,309.37points.

Accordingly, YtD return improved to -5.7% (previous week close: -6%) while market capitalisation added N45.6billion w/w to settle at N13.2trillion.

Top 10 Price Gainers

Company	Open	Close	Gain (N)	% Change
UNIVERSITY PRESS PLC.	1.24	1.63	0.39	31.45
FTN COCOA PROCESSORS PLC	0.20	0.24	0.04	20.00
CHAMPION BREW. PLC.	0.78	0.93	0.15	19.23
NEM INSURANCE PLC	1.87	2.15	0.28	14.97
P Z CUSSONS NIGERIA PLC.	3.85	4.20	0.35	9.09
UNITY BANK PLC	0.52	0.56	0.04	7.69
AXAMANSARD INSURANCE PLC	1.71	1.84	0.13	7.60
UNILEVER NIGERIA PLC.	13.95	15.00	1.05	7.53
WAPIC INSURANCE PLC	0.33	0.35	0.02	6.06
FCMB GROUP PLC.	2.03	2.15	0.12	5.91

Top 10 Price Decliners

Company	Open	Close	Loss (N)	% Change
BETA GLASS PLC.	61.55	55.40	-6.15	-9.99
ARBICO PLC.	1.26	1.14	-0.12	-9.52
C & I LEASING PLC.	4.40	4.00	-0.40	-9.09
CONSOLIDATED HALLMARK INSURANCE PLC	0.37	0.34	-0.03	-8.11
CUTIX PLC.	1.90	1.75	-0.15	-7.89
FIDSON HEALTHCARE PLC	4.00	3.71	-0.29	-7.25
NEIMETH INTERNATIONAL PHARMACEUTICALS PLC	2.00	1.86	-0.14	-7.00
GUINNESS NIG PLC	15.20	14.15	-1.05	-6.91
AFRICA PRUDENTIAL PLC	4.50	4.20	-0.30	-6.67
TRANSNATIONAL CORPORATION OF NIGERIA PLC	0.61	0.57	-0.04	-6.56

NIGERIAN ECONOMY

HERE'S WHAT NIGERIA'S STAGFLATED ECONOMY MEANS FOR ITS CITIZENS, BUSINESSES

With Nigeria's first GDP contraction in three years at -6.1 percent in the second quarter of 2020, the largest economy in Africa can now be best described as one that is stagflated. The condition which is described by slow, declining or contracting economic growth and relatively high unemployment, or economic stagnation, which is at the same time accompanied by rising prices (i.e. inflation) tips Nigeria into top six most miserable countries globally. Nigeria's current economic position means deeper dwindling of consumers' purchasing power, which implies that incomes of many Nigerians can only buy less of their usual consumption basket, a situation of the poor getting poorer in real terms, and the middle class getting thin out. With a double challenge of inflation and unemployment rates at a record high, businesses in Nigeria are likely to see a deeper slide in their sales revenue and thus, worst bottom-line than they have seen in the last three years. Consumer goods giants, Unilever and Cadbury are two companies that mirror how some businesses in other industries are been affected by the current economic realities in Nigeria.

Unilever reported an underwhelming performance in the first half of the year, after its revenue plunged by more than 40 percent to N14 billion. Similarly, revenues of Cadbury Nigeria declined by 18.2 percent to N15.9bn in the first half of 2020 from a high of N19.5billion the same period last year. Exacerbated by the impact of COVID-19, Renaissance Capital says the recovery of Africa's largest economy will be prolonged by the run-down in consumer spending.

According to the Moscow-based emerging and frontier markets investment bank consumption (as indicated by wholesale and retail trade's decline), was the biggest drag on Nigeria's first contraction of -6.1 percent reported by NBS in the second quarter of 2020. "Nigeria's recovery will be undermined by a consumer who was already in recession," RenCap added.

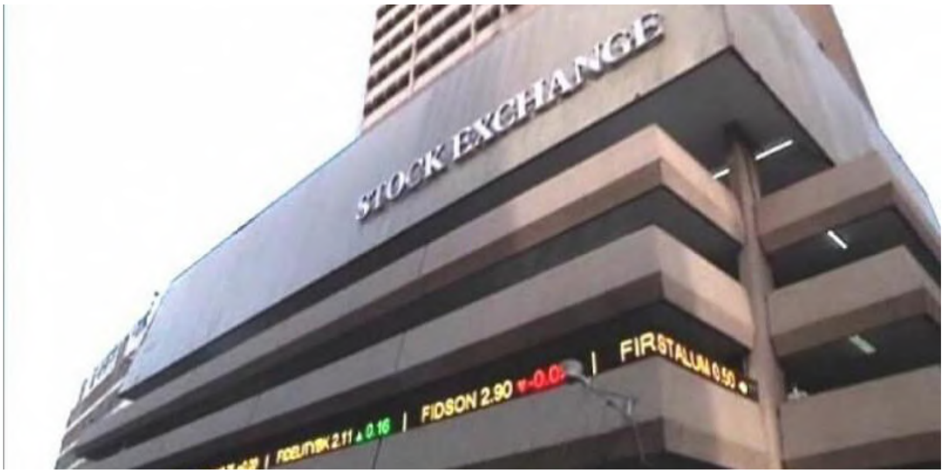
Meanwhile, Nigeria's inflation rate of 12.82 percent in July, the highest in 27 months and its highest unemployment rate in 6years at 27 percent in Q2 2020 means Africa's most populous country has a misery index at 39.82 percent, a figure that puts Nigeria among its global peers like Turkey (50.6percent), Brazil (52.3 percent), Iran (75percent), Argentina (136.1 percent), and Venezuela (7,459 percent).

It also means Nigeria has the highest misery index of any other African country. The misery index is an indicator that is used to determine how economically well off the citizens of a country are. It is the sum of the unemployment and underemployment rate and the inflation rate of the particular period. While analysts expect Nigeria's economy to see a shallower decline in the remaining part of the year due to the reopening of the economy, it is almost inevitable for Africa's largest economy to record a full-year contraction. Renaissance Capital says it is maintaining its forecast for Nigeria at -2.9 percent and 1.0 percent for 2020 and 2021, respectively. This is because it believes "a run-down consumer implies a protracted recovery."

The growth forecast by the Moscow-based investment bank for Nigeria is the highest among all the projections from different industry players. The International Monetary Fund (IMF) recently revised downwards its projection for Nigeria to -5.4 percent from a -3.4 percent projection in April 2020. According to the IMF, the forecast was influenced by the larger than expected storms to global value chains due to the coronavirus, affecting global demand for goods and services.

The Washington-based organization expects poorer nations dealing with the disease to have longer economic recoveries as lockdowns continue in the worst-hit to global GDP since the financial crisis in 2008. Meanwhile, since 2017 when oil-dependent Nigeria emerged from its economic recession, not only has the country's economic growth been sluggish but only a few sectors triggered the expansion, further undermining the country's capacity lift population from extreme poverty.

INSIDERS’ BUYING SPREE: A SENSE OF STOCK'S FUTURE PROSPECTS



If you are an investor, it pays to know what your company's owners and most important shareholders are doing. By watching the share trading activity of corporate insiders and large institutional investors, it is easier to get a sense of a stock's prospects.

While insider or institutional ownership on its own is not necessarily a buy or sell signal, it certainly offers a handy first screen in the search for a good investment. Amid Covid-19, weak consumer disposable income and high poverty rates continue to make less compelling the case for companies’ earnings growth, but it has not deterred majority shareholders (foreign) from buying more shares of their Nigerian units. This is evident in the recent spate of share acquisitions by insiders of some multinational companies listed on the Nigerian Bourse

Majority shareholders decisions to increase stake in Nigerian unit comes despite worries over tough operating environment; decaying infrastructures, leaky borders, double-digit inflation and sluggish economic recovery which in one way other the other have further compounded consumer goods companies’ woes as they struggle to break-even. Also, the disruption in global supply chains, naira adjustment, and FX market illiquidity throughout second-quarter (Q2) 2020 added more concerns for companies.

With eyes on the positives, these foreign shareholders seem to be ignoring inherent challenges facing businesses. Nigeria's large population remains very attractive to consumer-facing companies and retailers. This is in addition to the country's rapid urbanisation rate and the rising spate of the youthful population making it attractive for companies that are eager to try new products and brands.

Heineken Brouwerijen

Heineken Brouwerijen B.V has increased its stake in Nigerian Breweries Plc. The beer maker disclosed this in several notices to the Nigerian Stock Exchange (NSE). Nigerian Breweries Plc is a subsidiary of Heineken N.V. a company domiciled in the Netherlands, the latter having a 55.95percent interest in the equity of Nigerian Breweries Plc, as shown in its half-year results. Nigerian Breweries has 7,996,902,051 outstanding shares priced at N36 per share as at August 21, having recorded 52-week high of N59.75 and corresponding week low of N22.

Heineken Brouwerijen B.V (the Dutch brewery company established in 1873 by Gerad Adriaan Heineken), which is a substantial foreign shareholder in Nigerian Breweries bought additional shares of the brewer in different transactions.

Breakdown of the share dealing from August 11 to 13, 2020 by the insider showed that Heineken bought 125,964 shares at a unit price of N33.92 valued to N4.3 million; it added 62,339 units at N36.35 per share valued at N2.3 million and 86,239 units at N37 per share, valued at N3.2 million.

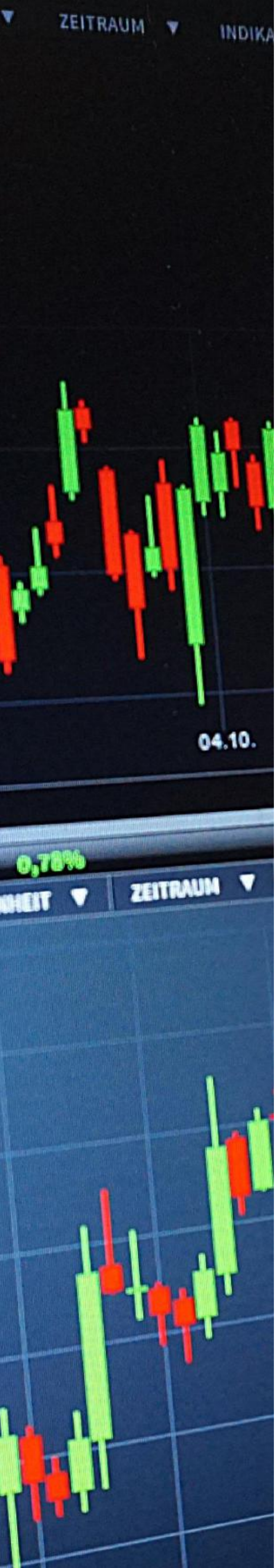
Also, between August 19 and 21, 2020, Heineken Brouwerijen B.V bought 6,894,409 units of Nigerian Breweries at an average price of N35.67 per unit. Details at the Nigerian Stock Exchange (NSE) show these transactions happened as follows: 55,000 shares at N35.13; 66,887 shares at N35.89; and 6,772,522 shares at N35.95.

Heineken Brouwerijen B.V. further raised its equity stake in the brewer with the purchase of additional 53,272 units at an average price of N36 per share. The transactions done on August 24 and 25 in Lagos by the substantial shareholder (foreign) show that it bought 13,000 shares at N35.66 and 40,272 shares at N36.34.

NESTLÉ S. A

Nestlé S. A., the ultimate parent company of Nestlé Nigeria Plc increased its equity stake in the Nigeria unit with the purchase of additional 636,384 units. Nestlé Nigeria Plc is one of Nigeria's largest food and beverage companies with 792,656,252 units in shares outstanding. The share dealing by the company's insider done on the Nigerian Bourse on August 20 was at N1, 174.67 per share, cumulatively valued at N747.54million.

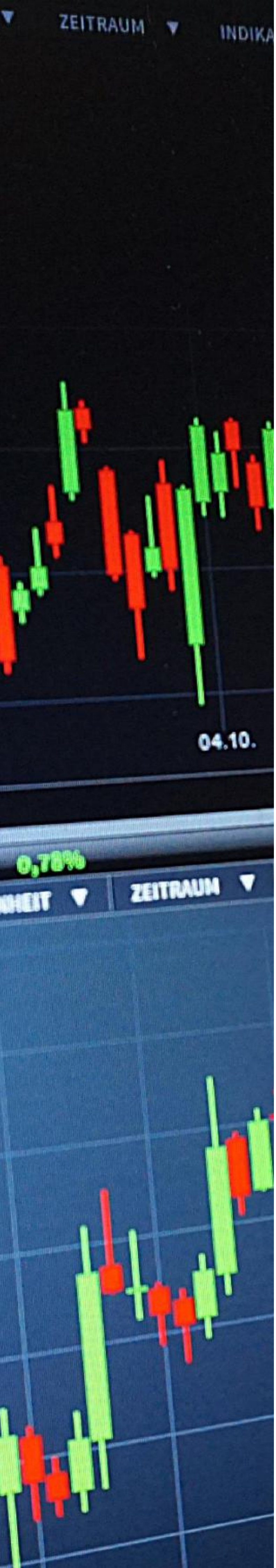
Also, on August 26 Nestlé S. A. bought 111,663 units of Nestlé Nigeria Plc at N1,175.13. The newest transaction is valued at N131.2million.



Apart from Nestlé S.A, Switzerland, with 524,559,457 ordinary shares (representing 66.18percent) and Stanbic IBTC Nominees Limited with 7.22percent, no other shareholder held 5percent or more of the paid-up capital of the Company as at June 30, 2020. Nestlé S.A. is a Swiss multinational food and drink processing conglomerate corporation headquartered in Vevey, Vaud, Switzerland. It is the largest food company in the world, measured by revenues and other metrics. Nestlé has been in operation in Nigeria since 1961 in the Food and Beverage Segments. The company produces and markets global brands including market leading Maggi seasoning cube, Milo and Nestle Pure Life Water.

Nestlé Nigeria recently released its half year (H1) results, reporting a flat topline performance. H1'20 revenue came flat at N141 billion, same compared to the preceding H1'19 period. While food revenue continued to underperform this year (-2.5percent year-on-year (y/y) to N86 billion in H1'20), the revenue growth in beverages (+2.5percent y/y to N55 billion) acted as a buffer, likely boosted by Ramadan demand in second-quarter (Q2).

Nestlé Nigeria gross profit moderated by 7.9percent in H1'20 to N60.8 billion; while after tax profit for the period printed lower at N21.8billion from H1'19 high of N26.2billion. With shares outstanding of 792,656,252 units, the stock closed trading week ended Friday August 21 at N1,175 per share. It had reached a 52-week high of N1,469.90 and a low of N764.90.



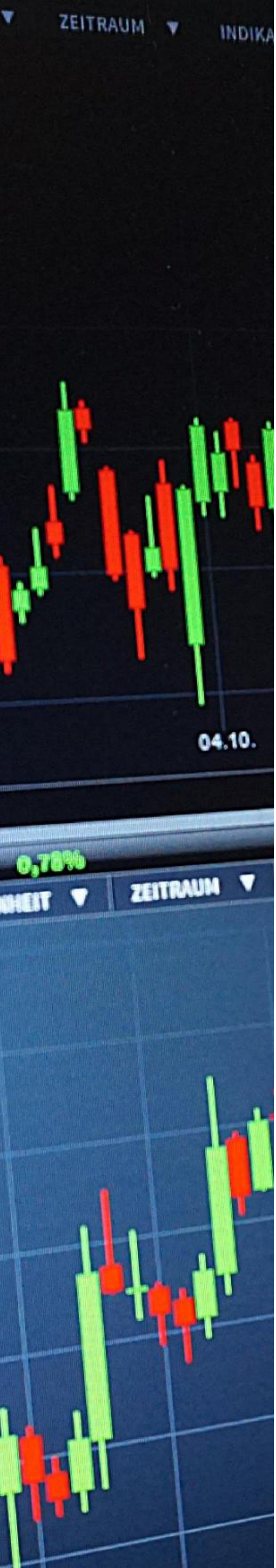
BUSINESS DAY

EXCELSIOR SHIPPING

Between May 22 and July 9, 2020, Excelsior Shipping Company Plc, the substantial shareholder in Flour Mills Nigeria Plc has been mopping-up the shares of the flour miller. Excelsior Shipping Company Limited is a company registered in Liberia. The beneficial owner of Excelsior Shipping Company is a trust established by the late John S. Coumantaros. In every dividend paid to Flour Mills shareholders which Excelsior Shipping Company Limited is the majority shareholder it gets large chunk.

Flour Mills is the market leader in food and agro-allied products in Nigeria. The Group is primarily engaged in flour milling, production of pasta, noodles, edible oil and refined sugar, production of livestock feeds, farming and other agro-allied activities, distribution and sales of fertilizer, manufacturing and marketing of laminated woven polypropylene sacks and flexible packaging materials, operation of terminals A and B at the Apapa Port, customs clearing, forwarding agents, shipping agents and logistics.

Between May 22 and May 29, Excelsior bought 1,229, 764 units at N21 per share. Between June 1 and 3, it bought 500,000 units. On June 22, Excelsior bought 200,000 units of Flour Mills; June 24 (500,000 units); June 26 (1.8million units); June 29 (2 million units); and July 1 (250,000 units). Excelsior also bought 250,000 units of Flour Mills shares on July 2; on July 3 it bought 100,000 units while on July 6 it bought 100,000 units at 21 per share. On July 9 it bought 110,000 units at N18 per share. With outstanding shares of 4,100,379,605 units, Flour Mills Nigeria Plc share price had reached 52-week high of N24 and a corresponding period low of N13.



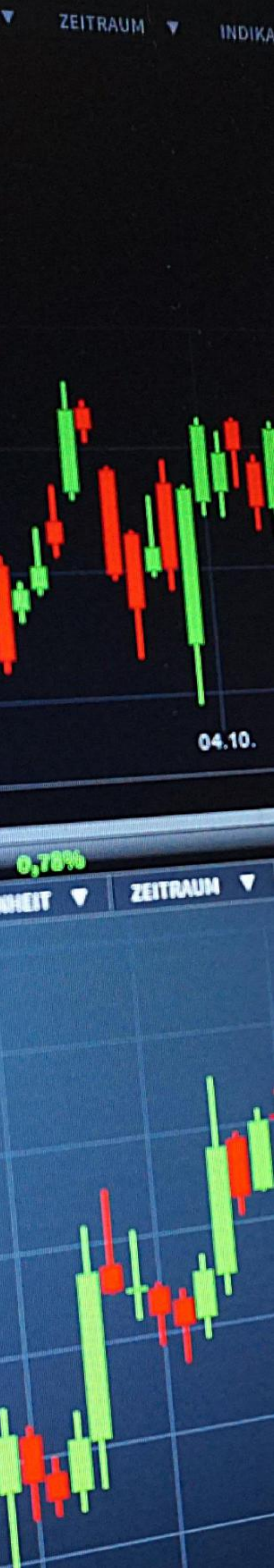
Excelsior Shipping is no doubt increasing its equity stake in the viable Flour Mills which its stock price closed at a low of N18.5 as at Friday August 21. The shares had reached a 52-week high of N24 and a corresponding week low of N12.50. Flour Mills has 4,100,379,605 shares outstanding. According to the Register of Members on March 31, 2019 apart from Excelsior Shipping Company Limited with 2,256,437,696 (March 31, 2018: 2,242,727,789), representing 55.03percent of the paid up share capital respectively, no other individual shareholder held up to 5percent of the issued share capital of the Company.

Flour Mills has been well positioned for increased demand from the closed borders, having expanded and regionalised its pasta and ball food product segments with the introduction of the Mai Kwabo and Dawavita brands in the North. This was in addition to their already diversified portfolio and expanded production capacity for the pasta and semovita brands.

Flour Mills of Nigeria Plc third-quarter (Q3) results for the year 2019/2020 showed impressive growth. The Nigeria's leading integrated food business and agro-allied Group recorded Profit Before Tax (PBT) increase by 23percent to N3.7 billion in Q3, and by 9percent to N12.3 billion nine months period. The group continues to make progress in its purpose of 'feeding the nation, everyday'.

The Group's revenue in Q3 2019/20 was N152.7 billion, compared to N130.9 billion in Q3 2018/19 (17percent - YoY growth). For the nine months ended 31st December 2019, Group revenue was N423.5 billion representing a 6percent increase compared to same period last year. Gross profit increased by 11percent in Q3 and by 3percent year-to-date (YtD) Gross Profit is N47.8billion, compared to N46.6billion last year.

Finance cost reduced to N4.3 billion, a significant drop (20percent) compared to N5.3 billion in Q3 2018/19 (21percent year-on-year (YoY) decline). Profit Before Tax increased by 23percent to N3.7 billion in Q3 and by 9percent to N12.3 billion YTD. Net cash generated YTD was N7.9 billion, compared to N7.2 billion in the prior year.

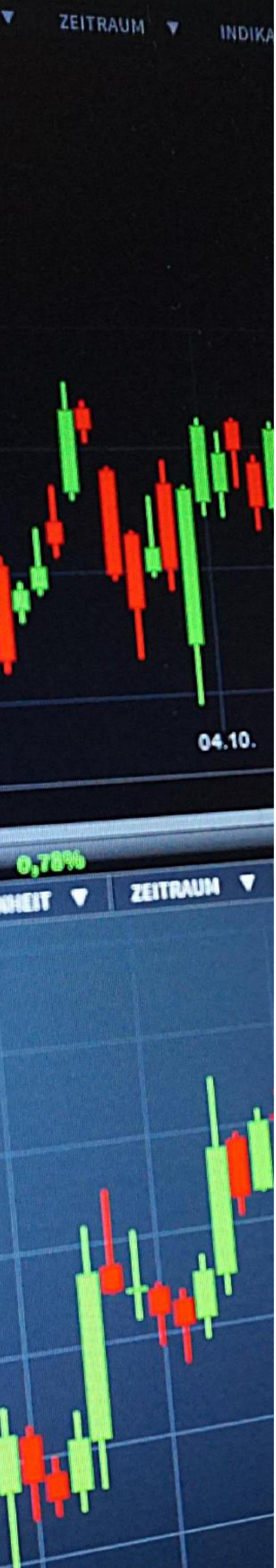


UNILEVER OVERSEAS HOLDINGS B.V

Unilever Overseas Holdings B.V, the majority shareholder of Unilever Nigeria Plc has also increased its stake in the company. In the latest translations, Unilever Overseas Holdings B.V purchased 67.09million ordinary shares of the company's shares valued at about N838.69million, details of the insider share dealing at the Nigerian Stock Exchange (NSE) show. The transaction done on Friday August 14 in Lagos was on the basis of N12.5 per share.

It had on August 10 purchased 17.023million ordinary shares at N12 per share valued at approximately N204.3 million. These acquisitions of Unilever Nigeria shares adds substantially to Unilever Overseas Holdings stake in the company which before now is the single largest investor with circa 60 percent shareholding in the company while other investors account for just 40percent of its equity.

Unilever Nigeria plc manufactures and markets consumer products primarily in the home, personal care and foods categories. The Company sells products such as Omo washing powder, Key soap, Royco bouillon, Lipton tea, Pears baby care goods, Vaseline petroleum jelly, Lux soap, and Close Up toothpaste. Unilever Nigeria Plc with shares outstanding of 5,745,005,417 units had closed the week to August 21 at N13.95, having reached a 52-week high of N29.50 and a low of N9.90.



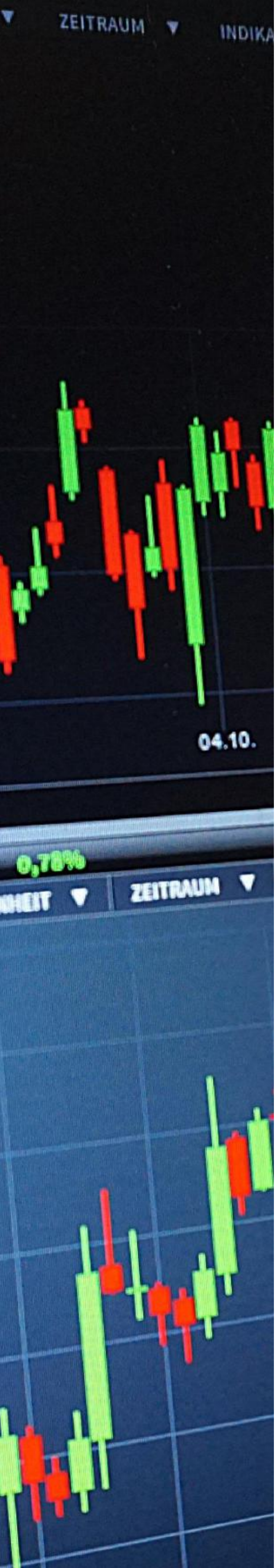
In recent times the fortune of the once colossus in the consumer goods space has been on a free fall, no thanks to the intense competition in the sector which has seen price sensitive consumers shift to cheaper brands.

Insider purchases are usually an indication of how shareholders perceive the company's valuation. It could also mean possible capital raise towards the strengthening of their existing holdings and some other things. With a market capitalisation slightly above N71billion, the multinational has about 5.75 billion outstanding shares with Unilever Overseas Holding B.V. as the majority shareholder.

Unilever Plc, the parent company of Unilever Nigeria had earlier this month disclosed its plans for strategic review of its global tea business, which includes leading brands such as Lipton, Brooke Bond and PG Tips. The multinational said it will retain only the tea businesses in India and Indonesia, and the partnership interests in the ready-to-drink tea joint ventures

The decision, according to Unilever will make the rest of its tea brands and geographies and all tea estates have an exciting future, "and this potential can best be achieved as a separate entity". The tea business that will be separated generated revenues of €2 billion (N1.06trillion) in 2019.A process will now begin to implement the separation, which is expected to conclude by the end of 2021. Unilever Nigeria has notified the Nigerian Stock Exchange (NSE).In its recently released half-year (H1) 2020 financial result, the consumer goods giant's EPS declined by 181.9percent year-on-year in Q2 with post-tax loss of N1.63 billion, the company's third loss in the last four quarters.

Revenue fell 35.9 percent year-on-year to N27.3billion in the first half of the year. Between April and June, Unilever Nigeria sales rose 5 percent on a quarterly basis but slumped around 40 percent compared to the same period last year. The company suffered more decline (-43 percent) in Home/ Personal Care (HPC) segment than in its food business (-29 percent). The faster decline in revenue meant Unilever made N26 from every N100 sales as gross profit, almost N3 less from last year.



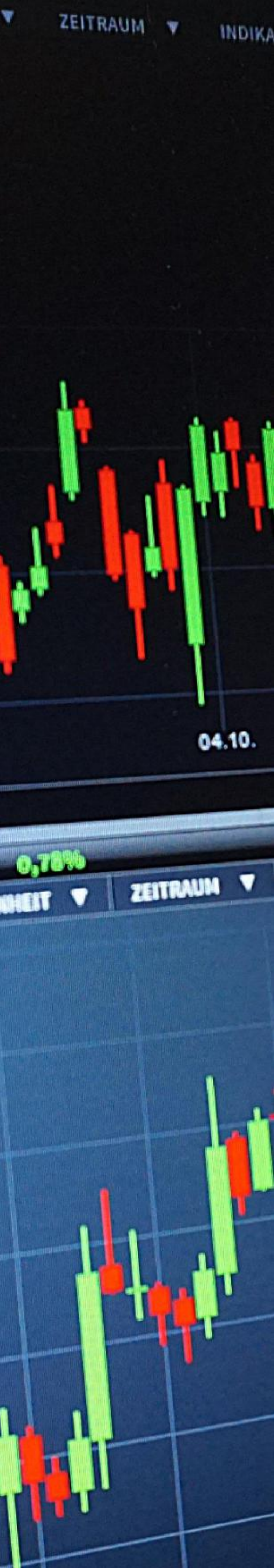
Gross profit margin shrank to 19.5percent in Q2-20, as cost of goods sold (-29.3 percent y/y) remained sticky, declining much lower than revenue. The recent devaluation in the naira, restrictions in access to foreign exchange and the inflationary impacts on productions inputs as factors affecting the preceding.

Also, Unilever Nigeria recorded net finance income growth of 158.5percent year-on-year in Q2-20 as finance costs fell faster than finance income. Consequently, the company recorded a net loss of NGN1.63 billion (versus net income of NGN2.00 billion in Q2-19). In the last earnings call held in June, management unveiled plans to explore the value segment of the home and personal care market.

Unilever global brands give it a unique opportunity to create positive change, to grow business, and to achieve purpose of making sustainable living commonplace. Across the globe, 2.5 billion people use Unilever products each day; 400+ Unilever brands are used by consumers worldwide; the brands are sold across 190 countries; while 155,000 Unilever people delivered its success as seen in record €52 billion turnover in 2019.

MUSTAFA CHIKE-OBI ASSUMES OFFICE AS BOARD CHAIRMAN OF FIDELITY BANK

Mustafa Chike-Obi has assumed office as the new Board Chairman of Fidelity Bank Plc. Approved by the Central Bank of Nigeria (CBN), Chike-Obi succeeds Ernest Ebi who stepped down from the Board of Fidelity on August 14, 2020.



Chike-Obi has over 40 years of experience in investment banking and the financial services sector, working with reputable global investment banking and asset management firms. He was the executive vice chairman at Alpha African Advisory where he provided overall leadership and had direct oversight over the capital raising division.

Prior to joining Alpha African Advisory, Chike-Obi was the inaugural CEO, Asset Management Corporation of Nigeria (AMCON), a Federal Government backed institution, established to resolve the problem of non-performing loan assets of Nigerian Banks after the 2008 global financial crisis.

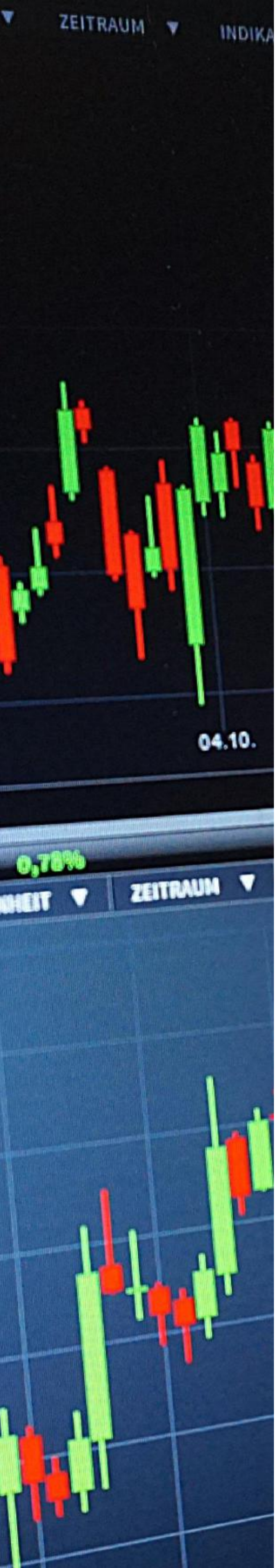
Chike-Obi was also the founding president at Madison Advisors, a financial services advisory and consulting firm in New Jersey, specialising in hedge funds and private equity investment advice. He holds a Bachelor's degree in Mathematics from the University of Lagos and an MBA from Stanford University Graduate School of Business.

COMPANY IN FOCUS:

OKOMU OIL PLC: PROSPERING IN NIGERIA'S AGRIC BUSINESS VALUE CHAIN AMID ECONOMIC HEADWINDS

Glimpse into Nigeria's Oil palm industry

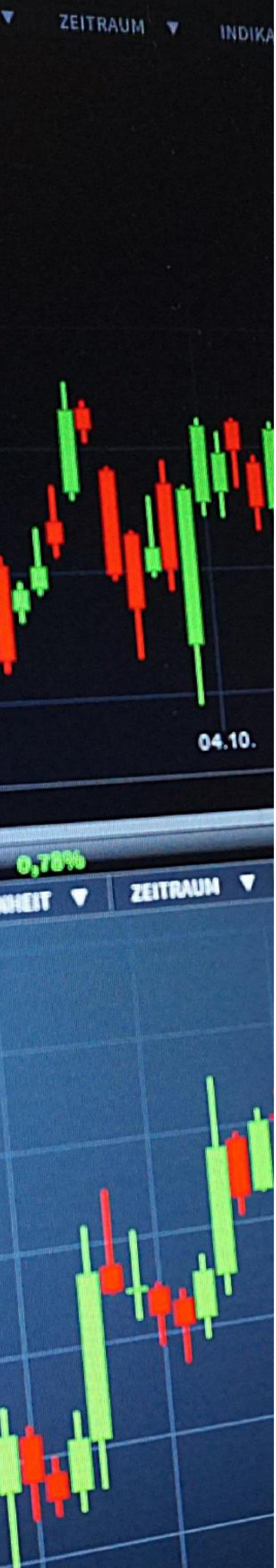
Okomu Oil Plc plays in Nigeria's agric business space with principal activities in oil palm plantation, palm kernel processing, and development of rubber plantation.



The Nigerian palm oil industry is very fragmented and dominated by numerous small-scale farm holders, which account for over 80percent of local production, while established plantations account for less than 20percent of the total market.Before the advent of crude-oil, agriculture accounted for more than three-quarters of Nigeria’s export income and almost half of its GDP. In the early 1960s, Nigeria was the world's largest palm oil producer with a global market share of 43percent. According to the United States Department of Agriculture (USDA), Nigeria is the 5th largest producer of crude palm oil (CPO) with less than 2percent of total global

market production of 74.08 million MT, in 1966 Malaysia and Indonesia surpassed Nigeria as the world's largest palm oil producer. Since then, both countries combined produce approximately 80percent of total global output, with Indonesia alone responsible for over half that is 53.3percent of global output.The years of underinvestment have seen industry production decline to a point where the country is now a net importer of the commodity. Nigeria’s palm oil output is estimated at 900,000-1.3 million MT, experts say. Import is estimated at over N500 billion annually. With national demand of 2.1 million MT, the supply gap is around 800,000MT.

Meanwhile, Nigeria’s food manufacturing and household product industries, both of which are heavy users of the product have expanded greatly, creating significant opportunities for importers. Foods like noodles, vegetable oil, biscuits, chips, margarines, shortenings, cereals, baked stuff, washing detergents, and even cosmetics are made from palm oil.However, the two largest producers – Okomu and Presco – individually hold a sizeable market share, in terms of value - due to their combined capacity - compared to small-scale farmers. Local farmers produce roughly 80percent of the total production, while using approximately 1.6 million hectares of land. The dominance of small farm holders in the palm oil market has resulted in low output compared to the country's production potential.



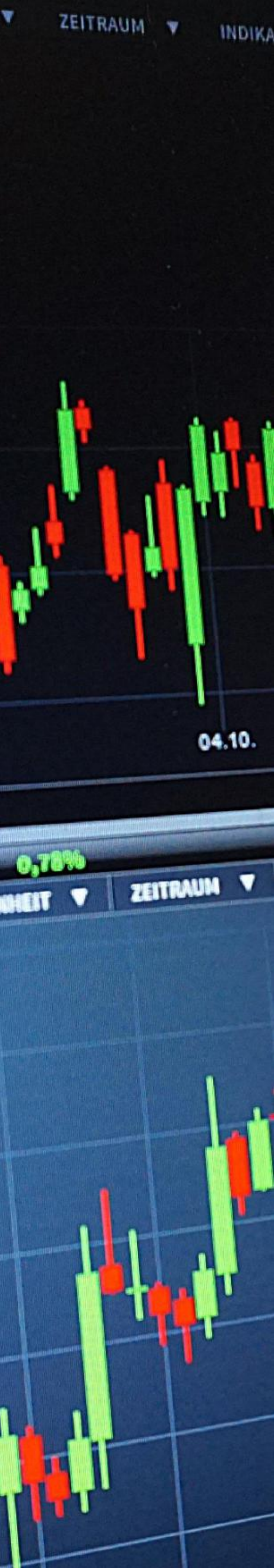
This is because local farmers' manual harvesting techniques are outdated, which often results in significant wastages during the harvesting process. In Nigeria, lack of investment in palm oil extraction technology and technical incompetence/inadequate training have resulted in poor management of palm oil plantations over the years, causing some of them to cease operations.Despite this, there has been renewed interest in Nigeria's palm oil market with the entrant of major food manufacturers via backward integration strategies into the upstream and midstream segments.

For instance, in 2018, PZ Wilmar, a joint venture between PZ Cussons International UK and Wilmar International Ltd Singapore invested over $650 million in palm oil plantations and processing facilities.The company also planted almost 26,500 hectares of palm oil in Cross-River state and installed a 65-ton per hour palm oil mill, which translates to an estimated annual capacity of ~40,000 tons.

Also, in 2019, Dufil Prima, manufacturers of Indomie noodles and Power oil, finalized acquisition of 17,954 hectares of land in Edo State and a 1,040-hectare palm oil farm in Abia State.According to the Central Bank of Nigeria (CBN), if Nigeria had maintained its market dominance in the palm oil industry, the country would have been earning approximately $20 billion annually from cultivation and processing of palm oil as at today.

To meet the supply gap of palm oil, the country had to depend on importation over the years. However, in 2015, the CBN published a list of 41 items, including palm oil, as ineligible for forex through the Nigerian interbank market to encourage local production and manage foreign reserves.

Also, a duty charge of 35percent was applied to crude palm oil (CPO). While this seems good in the government's effort at promoting local production of Crude palm oil, the closure of the land borders has largely supported local producers especially in the light of relatively high CPO prices.



Recent result buoyed by favorable operating environment

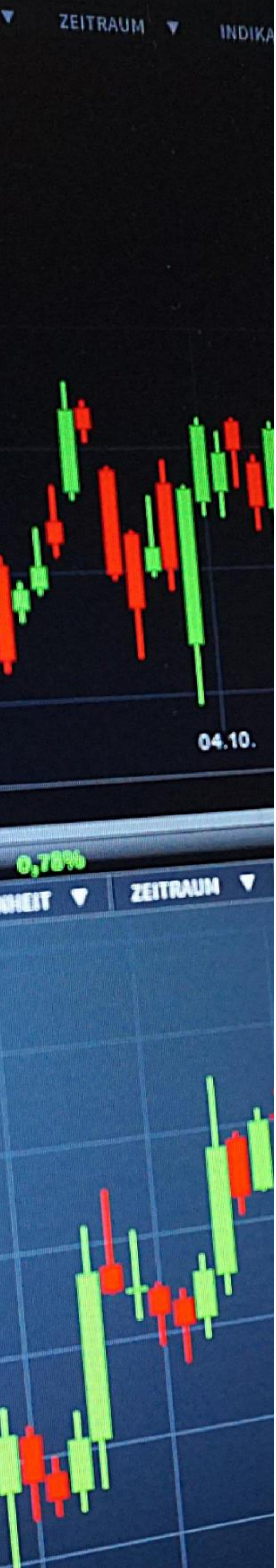
Okomu and other oil palm makers benefited from the blacklisting of some 41 items including oil palm by the Central Bank of Nigeria in 2016.

The gains recorded following the blacklist of CPO importers from the import-export window were short-lived as local oil palm producers were faced with fresh challenges – robust dollar reserves following improvements in crude oil prices, and smuggling activities across Nigeria's porous borders.As a result of this, Okomu Oil Palm plc witnessed a 42.5 percent decline in sales to N4.22 billion in the first quarter of 2019 from N7.34 billion, the trend was extended to the second quarter of the year with a 22.4 percent slump in revenue to N4.34 billion from N5.59 billion.

To curb the importation of oil palm, which was aberrantly affecting local producers, President Muhammadu Buhari in June directed CBN to blacklist any firm caught smuggling or dumping palm oil into the country from all banking businesses as well as the foreign exchange market.This pronouncement was followed up with a partial – and later graduated to complete – border closure in August and this rekindled local demands.

This led to local sales surging 89 percent to N5.95 billion in the third quarter from N3.14 billion a year earlier, while sales generated by exporting its products to other countries rose to N1.02 billion in the review period as against N598 million realized in the same period last year

In its recently released half-year 2020 result for the period ended 30th June and despite challenges posed by coronavirus pandemic, Okomu posted a decent performance with profit surging 58.73percent to N4.00billion in H1 2020 from N2.52 billion posted by the firm during the corresponding period of 2019, with a turnover of N13.527 billion, a 57.94percent surge when compared with the same period in 2019 at N8.56billion.



Okomu is majorly owned by SOCFINAF SA, a Belgian company with 62.69% controlling stake in the company's 953.9 million ordinary shares.

No Other shareholder owns more than 5percent of the company. SOCFINAF also owns several oil palm plantations across Africa especially in countries like Ivory Coast, Cameroon, Congo, Ghana, Liberia, and Sierra Leone. It also has business interest in Indonesia and in Europe.

To export rubber Okomu Oil relies heavily on its related company, SOGESCOL FR SA. It sells all of its rubber to SOGESCOL FR SA who then goes on to sell to buyers in the world market.Meanwhile, the company recently told the investing public that it has intensified steps to improve collaborative arrangement with the Edo State Government in the agriculture industry through a partnership with local communities and indigenous farmers to boost job creation and enhance modern agricultural technique for an increase in production.

According to the release, the oil palm maker said it planned to cultivate 5,000 hectares for its oil palm production in the state with a determination to creating a more sustainable oil palm growth and practice. Okomu Oil's stock has recorded impressive returns to its investors, especially in 2020. The share price traded at N78.00 as at Thursday 27th August and has gained 40.29percent year to date. A final dividend of N2 per 50 kobo share was recently approved for its audited financial result for the period that ended December 31, 2019.