



Monday July 10, 2023

Rail Transport Revenue Still Underperforming

Railway travel is rapidly gaining importance as a mode of transportation in Nigeria due to its ability to ease mobility constraints and its accommodate a larger number of passengers and products compared to other modes of transportation. Its importance to economic activity led to the government’s railway modernisation programme, which was aimed at reviving the country’s rail infrastructure. The evidence of these substantial investments can be seen in the successful rehabilitation and completion of key rail projects, such as the Abuja-Kaduna and Lagos-Ibadan railways. However, it is worth noting that the majority of these rail development initiatives were financed through infrastructure-backed loans obtained from China. We observe a disparity between the sub-sector’s revenue growth in recent times and the level of investments made by the federal government (FG).

A combination of factors including security issues, high expenditures, and non-market reflective pricing of travel tickets have led to the continued revenue underperformance of the sector. Following concerns around security, the FG suspended operations along the Abuja-Kaduna route in March ’22. These challenges have resulted in weak revenue growth in recent years, creating a substantial deficit between the revenue generated by the mode of transportation and the costs spent on servicing railway debts. The Debt Management Office’s (DMO) report on the country’s external debt service payments shows that FG spent USD528.7m on servicing railway debts between 2017 and 2022. The total debt incurred is for the completion of the Idu-Kaduna, Lagos-Ibadan, and Abuja light railway projects.

With respect to revenue, the National Bureau of Statistics (NBS) report on rail transportation data reveals that the total revenue generated by railway traffic between 2017 and 2022 totalled NGN20.8bn. This implies a revenue shortfall of NGN197.9bn over the period.

The sector’s declining revenue trend continued in Q1 ’23. According to NBS data on railway transportation, the total revenue generated by rail traffic decreased -42% q/q and -56% y/y to NGN984m. On the other hand, the government’s debt service costs on railway infrastructure increased slightly by 1% y/y to USD62.7m in Q1 ’23, or NGN28.2bn based on an official rate of NGN450/USD during the period. The wide disparity between the revenue generated by the sub-sector and the rising costs of servicing railway loans raises concerns about its debt sustainability. To enhance the sub-sector’s performance, we recommend that the authorities implement market-reflective pricing and adopt the use of technology for ticketing and revenue collection. Additionally, the government may explore concessioning the existing railway infrastructure in order to attract private sector investments.

Capital Market Summary .

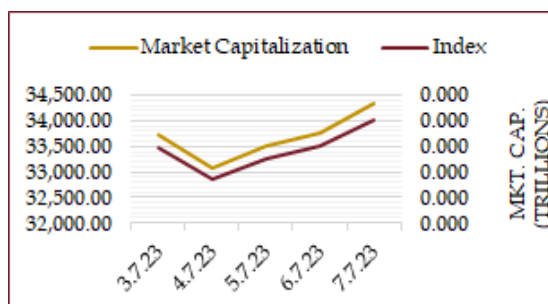
Analysis of the market activity in the week ended July 07, 2023 shows that the Nigerian equity market closed on a bullish note. The NGX All Share Index and market capitalization of listed equities appreciated by 3.40% each from the opening figures of 60,968.27 and N33,198 trillion to close at 63,040.41 and N34,326 trillion respectively. Its year to date (YTD) return stands at +23%.

MACROECONOMIC INDICATORS

GDP Growth Rate	+2.31%	March 31, 2023
Un-employment Rate	33.30%	March 31, 2023
Broad Money Supply (M2)	N54,191,661.32	March , 2023
Money Supply (M1)	N21,352,527.87	March , 2023
Consumer Price Index (YOY)	22.41%	May , 2023
Monetary Policy Rate (MPR)	18.50%	May 24, 2023
Cash Reserve Ratio (CRR)	32.50%	May 24, 2023
Nigeria’s Bonny Light Crude Oil	US\$75.10/Bar	June 23 2023
Nigeria’s Gross External Reserves	US\$34.192bn	June 27, 2023

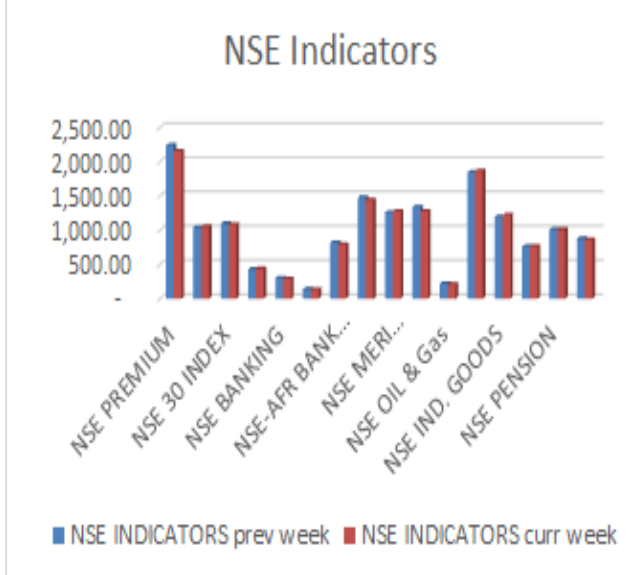
Source: Central Bank of Nigeria (CBN)

ALL SHARE INDEX & MKT. CAP



Source: Nigerian Stock Exchange (NSE) & Regency Research

PERFORMANCE OF THE NSE INDICES



Source: Nigerian Stock Exchange (NSE) & Regency Research



STOCK MARKET REPORT

Domestic Market Review

OUTLOOK AND STOCK RECOMMENDATION FOR THE WEEK 10/07/23-14/07/2023)

The Nigerian Stock Market continued its bullish run during the week. The NGXASI, recorded a gain of 3.40% W-o-W as compared to a gain of 2.98% recorded last week. The Nigerian Exchange recorded N1,128 billion gain in naira terms. In Year-to-date, the NGXASI closed positive at close of the week with a gain of 23% as market capitalization settled at N34.33 trillion. The market may likely remain bullish during the week. The lower rates in money market instruments and expectation of impressive half year results may continue to impact positively on the market. In the coming week, we expect the market to continue to move upward and close on positive note because investors may continue to take position for the half year returns. We will continue to advise investors to trade only on fundamentally justified stocks as the weak macro economic environment remains a significant challenge for listed companies. In the light of the above we recommend the underlisted stocks for purchase during the week. **DANGOTE CEMENT, UCAP PLC, UBA PLC, MTNN PLC., ACCESS PLC, WAPCO PLC , FIDELITY, FCMB, AFRIPRUD, FLOUR MILL AND TRANSCORP PLC, See the table below.**

STOCK ANALYSIS FOR INVESTMENT																				
COMPANY	Price N=	price N=	Cap. App	EPS	DPS	Total	PAT N=M	PAT N=m	Period	BK Value	52 wks	52 weeks	PER	6 Months	Net Assets N=	No of shares	Total Assets N=	Div. Yield	ROCE	Remark
	31/12/22	7/7/2023	%	N=	N=	Return %	N=M current	Last YR		N=	High	Low		Target price	N=M	mill	N=m	%	per Qter	Decision
ZENITH	24.00	34.80	45.00	2.10	3.20	58.33	62,617	58,198	1st Qter	48.98	35.50	18.90	16.57	45.24	1,441,557	29,431	13,359,216	9.20	4.34	HOLD
GTCO	23.00	36.70	59.57	2.04	3.10	73.04	58,167	43,208	1st Qter	28.53	35.50	16.80	17.99	47.71	975,624	34,199	6,740,338	8.45	5.96	HOLD
ACCESS	8.50	18.75	120.59	2.06	1.50	138.24	71,656	57,825	1st Qter	39.28	17.20	7.50	9.10	24.38	1,396,236	35,545	15,742,015	8.00	5.13	BUY
UBA	7.60	14.20	86.84	1.49	1.10	101.32	53,589	41,496	1st Qter	28.46	13.10	6.55	9.53	18.46	973,136	34,199	11,360,779	7.75	5.51	BUY
FIDELITY	4.35	8.93	105.29	0.54	0.50	116.78	15,609	9,516	1st Qter	11.33	7.35	2.87	16.54	11.61	328,225	28,975	4,143,428	5.60	4.76	BUY
WAPCO	24.00	30.15	25.63	0.93	2.00	33.96	14,935	17,558	1st Qter	26.76	30.50	20.10	32.42	39.20	431,037	16,108	583,393	6.63	3.46	BUY
NAHCO	6.40	19.15	199.22	0.32	1.20	217.97	0.637	0.324	1st Qter	4.85	14.50	5.12	59.84	24.90	9,448	1,949	18,833	6.27	0.01	HOLD
NASCON	11.10	22.90	106.31	0.62	1.00	115.32	1,643	0.388	1st Qter	7.81	18.80	9.50	36.94	29.77	20,686	2,649	59,177	4.37	7.94	BUY
FLOUR MILLS	28.40	33.80	19.01	2.87	2.15	26.58	10,018	17,040	3rd Qter	48.40	36.20	27.00	11.78	43.94	198,427	4,100	971,745	6.36	5.05	BUY
MTNN	215.00	275.00	27.91	4.94	15.64	35.18	101,303	96,819	1st Qter	21.30	284.00	185.00	55.67	357.50	433,533	20,354	3,017,616	5.69	23.37	BUY
DANSUGAR	16.05	27.50	71.34	1.05	1.50	80.69	12,803	8,870	1st Qter	15.15	25.30	15.00	26.19	35.75	184,044	12,146	558,913	5.45	6.96	HOLD
DANCEM	261.00	300.10	14.98	6.44	20.00	22.64	109,501	105,851	1st Qter	69.18	290.00	220.00	46.60	390.13	1,178,919	17,041	2,698,870	6.66	9.29	BUY
NB	41.00	43.70	6.59	(128)	1.43	10.07	(10,581)	13,614	1st Qter	16.49	50.00	28.80	(0.34)	56.81	169,416	10,276	652,944	3.27	(6.25)	BUY
UCAP	11.60	16.00	37.93	1.63	1.50	50.86	2,441	2,309	1st Qter	4.45	15.60	9.00	9.82	20.80	26,707	6,000	727,504	9.38	9.14	BUY
AFRIPRUD	6.00	7.00	16.67	0.09	0.50	25.00	0.178	0.403	1st Qter	4.79	6.99	5.00	77.78	9.10	9,584	2,000	20,685	7.14	0.00	BUY
NEM INS.	4.50	6.10	35.56	0.28	0.30	42.22	2,853	1,545	1st Qter	2.99	5.65	3.13	21.79	7.93	29,980	10,032	54,604	4.92	9.52	BUY
CADBURY	11.90	17.85	50.00	1.84	0.40	53.36	3,454	1,542	1st Qter	8.39	18.8	10.2	9.70	23.21	15,755	1878	69,181	2.24	21.92	SELL/HOLD
FBNH	11.25	20.30	80.44	1.38	0.50	84.89	50,086	32,442	1st Qter	27.88	17.4	8.2	14.71	26.39	1,000,582	35,895	11,093,926	2.46	5.01	SELL/HOLD
FCMB	3.51	6.65	89.46	1.88	0.25	96.58	9,292	5,166	1st Qter	15.32	5.89	2.92	3.54	8.65	303,390	19,803	3,102,178	3.76	3.06	BUY
GLAXO	6.15	8.25	34.15	0.13	0.55	43.09	0.155	0.194	1st Qter	8.10	8.35	5.4	63.46	10.73	9,688	1,196	30,750	6.67	0.00	SELL/HOLD
OKOMU	165.00	245.00	48.48	10.67	12.00	55.76	10,177	9,498	1st Qter	46.34	236	157	22.96	318.50	44,211	954	89,516	4.90	23.02	SELL/HOLD
PRESCO	137.50	220.00	60.00	21.47	2.50	61.82	21,466	19,320	4th Qter	42.65	183	110	10.25	286.00	42,647	1,000	145,087	1.14	50.33	SELL/HOLD
PZ	12.10	22.10	82.64	2.82	1.01	90.99	11,214	5,641	3rd Qter	11.32	19.5	8.05	7.84	28.73	44,944	3,971	152,112	4.57	24.95	SELL/HOLD
VITAFOAM	20.45	21.20	3.67	2.32	1.52	11.10	3,084	3,613	2nd Qter	13.29	23.6	16.8	9.14	27.56	16,629	1,251	38,587	7.17	18.55	SELL/HOLD
STANBIC IBTC	33.45	63.65	90.28	2.16	2.00	96.26	28,861	15,068	1st Qter	33.76	55.5	27.5	29.47	82.75	437,417	12,957	3,212,273	3.14	6.60	BUY
TRANSCORP	1.13	4.13	265.49	0.0258	0.05	269.91	1,859	5,035	1st Qter	3.86	3.87	0.98	160.08	5.37	156,994	40,648	464,480	1.21	1.18	BUY

Source: Nigerian Stock Exchange (NSE) & Regency Research



STOCK MARKET REPORT

Domestic Market Review

GAINERS FOR THE WEEK

Seventy eight stocks appreciated in price during the week, as against Seventy seven stocks in preceding week. The top ten price gainers during the week were:

LOSERS FOR THE WEEK

Twenty five stocks depreciated in price during the week as against Fifty nine stocks recorded in the preceding week. The top ten price losers during the week were:

EXCHANGE TRADED PRODUCTS (ETP)

A total of 6,592,312 units of Exchange Traded Products valued at N49,717,773.28 in 119 deals were traded during the week compared with 5,058,325 units of Exchange Traded Products valued at N6,781,614.49 traded last week in 105 deals.

BOND MARKET

A total units of 45,738 units of FGN Bond valued at N46,147,988.48 in 30 deals were traded during the week compared with 31,640 units of FGN Bond valued at N32,182,530.34 traded last week in 20 deals

MARKET SUMMARY

	Curr. Week	Previous week	% Change
Volume	9,831 M	3,369 M	191.81
Value N=	N145,408 B	N41,986 B	246.32
Total Gain	78	77	1.30
Total Loss	25	59	57.63
Deals	54,478	39,764	37.00
All Share Index	63,040.41	60,968.27	3.40
Market Cap.	N=34,326 Trillion	N=33,198 Trillion	3.40

TOP TEN GAINERS

Company	Op.Price	cl. Price	Gain	Gain in %
JAPUL	0.70	1.11	0.41	58.57
CHIPLC	0.82	1.29	0.47	57.32
CHAMS	0.74	1.16	0.42	56.76
OMATEK	0.36	0.55	0.19	52.78
VERITAS	0.23	0.34	0.11	47.83
E-TRANZACT	6.45	9.41	2.96	45.89
TRANS HOT	23.40	32.65	9.25	39.53
UNITY	1.18	1.62	0.44	37.29
ETERNA	21.00	28.40	7.40	35.24
FTN COCOA	2.39	3.19	0.80	33.47

TOP TEN LOSERS

Company	Op.Price	Cl. Price	Loss	Loss in %
CORONATION	0.83	0.61	(0.22)	(26.51)
TRIPPLE GEE	3.75	2.76	(0.99)	(26.40)
IKEJA HOT	3.99	3.15	(0.84)	(21.05)
LASACO	2.60	2.16	(0.44)	(16.92)
CHAMPION	5.38	4.60	(0.78)	(14.50)
IEI	1.45	1.30	(0.15)	(10.34)
MULTIVERSE	3.75	3.38	(0.37)	(9.87)
SECURE	0.33	0.31	(0.02)	(6.06)
NGX	29.30	27.60	(1.70)	(5.80)
NEM	6.40	6.10	(0.30)	(4.69)

Source: Nigerian Stock Exchange (NSE) & Regency Research



STOCK MARKET REPORT

Closure of Register - Dividends and Bonuses

Company	Dividend/Share	Bonus	Closure of Register	AGM Date	Payment Date
PZ Cussons Nigeria Plc	N1.01	Nil	9th - 13th January 2023	25th January 2023	26th January 2023
Vitafoam Nigeria Plc	N1.52	Nil	13th -17th February 2023	2nd March 2023	2nd March 2022
Geregu Power Plc	N8.00	Nil	28th February 2023	28th March 2023	29th March 2023
MTN Nigeria Communications Plc	N10.00	Nil	28th March 2023	18th April 2023	20th April 2023
Nigerian Breweries Plc	N1.03	Nil	17th March 2023	26th April 2023	26th April 2023
BUA Cement Plc	N2.80	Nil	14th August 2023	24th August 2023	24th August 2023
Nigerian Enamelware Plc	Nil	3 for 2	14th March 2023	N/A	Company cancelled the bonus
United Ciptal Plc	N1.50	Nil	15th March 2023	27th March 2023	28th March 2023
Transcorp Hotels Plc	N0.13	Nil	20th March 2023	3rd April 2023	3rd April 2023
Dangote Sugar Refinery Plc	N1.50	Nil	27th March 2023	14th April 2023	15th April 2023
Lafarge Africa Plc	N2.00	Nil	11th April 2023	28th April 2023	28th April 2023
Seplat Energy Plc	Final - 2.5 cents Special - 5	Nil	19th April 2023	10th May 2023	16th May 2023
Nestle Nigeria Plc	N36.5	Nil	24th April 2023	17th May 2023	18th May 2023
NASCON Allied Industries Plc	N1.00	Nil	2nd May 2023	26th May 2023	26th May 2023
Africa Prudential Plc	N0.50	Nil	17th April 2023	2nd May 2023	2nd May 2023
Custodian Investment Plc	N0.55	Nil	3rd April 2023	13th April 2023	13th April 2023
Transnational Corporation Plc	N0.05	Nil	12th April 2023	26th April 2023	26th April 2023
Consolidated Hallmark Insurance Plc	N0.03	Nil	14th April 2023	24th May 2023	24th May 2023
Infinity Trust Mortgage Bank Plc	N0.06	Nil	17th April 2023	11th May 2023	15th May 2023
FCMB Group Plc	N0.25	Nil	14th April 2023	28th April 2023	28th April 2023
Zenith Bank Plc	N2.90	Nil	17th April 2023	2nd May 2023	2nd May 2023
United Bank for Africa Plc	N0.90	Nil	17th April 2023	27th April 2023	27th April 2023
Unilever Nigeria Plc	N0.25	Nil	18th April 2023	4th May 2023	5th May 2023
CWG Plc	N0.04	Nil	18th April 2023	28th April 2023	28th April 2023
SFS Real Estate Investment Trust	N8.45	Nil	20th April 2023	N/A	19th May 2023
Company	Dividend/Share	Bonus	Closure of Register	AGM Date	Payment Date
Eterna Plc	N0.15	Nil	24th April 2023	11th May 2023	12th May 2023
Okomu Oil Palm Company Plc	N12.00	Nil	25th April 2023	25th May 2023	25th May 2023
TotalEnergies Marketing Nigeria Plc	N21.00	Nil	26th April 2023	1st June 2023	2nd June 2023
NEM Insurance Plc	N0.30	Nil	1st May 2023	18th May 2023	18th May 2023
Nigerian Aviation Handling Company Plc	N1.20	Nil	15th My 2023	26th May 2023	26th May 2023
May & Baker Nigeria Plc	N0.30	Nil	17th May 2023	1st June 2023	2nd June 2023
Berger Paints Nigeria Plc	N0.70	Nil	27th April 2023	24th May 2023	24th May 2023
Ecobank Transnational Incorporated	0.11 cents	Nil	26th May 2023	17th May 2023	6th June 2023
ABC Transport Plc	N0.015	Nil	29th May 2023	TBA	TBA
Julius Berger Nigeria Plc	N2.50	Nil	29th May 2023	15th June 2023	16th June 2023
Sunu Assurances Nigeria Plc	N0.03	Nil	31st May 2023	14th June 2023	15th June 2023
AIICO Insurance Plc	N0.03	Nil	1st June 2023	8th June 2023	15th June 2023
McNichols Consolidated Plc	N0.01	Nil	1st June 2023	27th July 2023	3rd August 2023
Cadbury Nigeria Plc	N0.40	Nil	5th June 2023	26th June 2023	27th June 2023
Skyway Aviation Handling Company Plc	N0.16.5	Nil	5th June 2023	30th June 2023	30th June 2023
Chemical and Allied Products Plc	N1.55	Nil	2nd June 2023	15th June 2023	16th June 2023
UAC of Nigeria Plc	N0.22	Nil	7th June 2023	21st June 2023	22nd June 2023
Trans-Nation Wide Express Plc	N0.02	Nil	12th June 2023	21st June 2023	26th June 2023
Beta Glass Plc	N1.17	Nil	19th June 2023	6th July 2023	7th July 2023
AXA Mansard Insurance Plc	N0.30	Nil	22nd June 2023	4th July 2023	4th July 2023
Ikeja Hotel Plc	N0.075	1 for 3	5th July 2023	26th July 2023	31st July 2023
LivingTrust Mortgage Bank Plc	N0.01	Nil	7th July 2023	25th July 2023	27th July 2023
LivingTrust Mortgage Bank Plc	N0.012	Nil	7th July 2023	25th July 2023	27th July 2023
LASACO Assurance Plc	N0.15	Nil	14th August 2023	24th August 2023	31st August 2023
BUA Foods Plc	N4.50	Nil	4th September 2023	21st September 2023	21st September 2023
Guaranty Trust Holding Company Plc	N2.80	Nil	2nd May 2023	11th May 2023	11th May 2023
Glaxo SmithKline Consumer Nigeria Plc	N0.55	Nil	5th May 2023	7th June 2023	8th June 2023
Access Holdings Plc	N1.30	Nil	10th May 2023	24th May 2023	24th May 2023
Wema Bank Plc	N0.30	Nil	10th May 2023	24th May 2023	24th May 2023
Jaiz Bank Plc	N0.05	Nil	2nd June 2023	14th June 2023	14th June 2023
NPF Microfinance Bank Plc	N0.10	Nil	9th May 2023	22nd June 2023	22nd June 2023
Industrial and Medical Gases Nigeria Plc	N0.40	Nil	7th July 2023	21st July 2023	25th July 2023
Fidelity Bank Plc	N0.40	Nil	15th May 2023	23rd May 2023	23rd May 2023
UH Real Estate Investment Trust	N2.10	Nil	16th May 2023	N/A	26th May 2023
Multiverse Mining and Exploration Plc	(Interim Q1) N0.05	Nil	25th May 2023	N/A	14th June 2023
Cornerstone Insurance Plc	(Interim Q1) N0.06	Nil	6th June 2023	N/A	21st June 2023
Airtel Africa Plc	3.27 cents	Nil	22nd June 2023	TBA	26th July 2023
Vetiva Griffin 30 Exchange Traded Fund	N0.28	Nil	11th May 2023	N/A	19th May 2023
Vetiva S&P Nigerian Sovereign Bond ETF	N7.60	Nil	11th May 2023	N/A	19th May 2023
Vetiva Banking ETF	N0.40	Nil	11th May 2023	N/A	19th May 2023
Seplat Energy Plc	US 3 cents (N13.95k) Q1 I	Nil	19th May 2023	N/A	16th June 2023
Skyway Aviation Handling Company Plc	N0.16.5	Nil	5th June 2023	23rd June 2023	23rd June 2023
Skyway Aviation Handling Company Plc	N0.16.5	Nil	5th June 2023	23rd June 2023	23rd June 2023
Conoil Plc	N2.50	Nil	30th June 2023	TBA	TBA
Meristem Growth ETF	N0.40	Nil	24th May 2023	N/A	30th May 2023
Meristem Value ETF	N0.79	Nil	24th May 2023	N/A	30th May 2023
FBN Holdings Plc	N0.50	Nil	9th August 2023	15th August 2023	16th August 2023



MODEL EQUITY PORTFOLIO

PORTFOLIO VALUATION AS AT 07/07/2023												
				Unit	B-E	Current	Target price		Dividend	TOTAL	Gain/Loss	
P/Date	Stock	Units	Tcost	Cost	Price	Price	30% App	NET VALUE	Dividend	TOTAL VALUE		G/L%
1/1/2022	WAPCO	50,000	1,200,000.00	24.00	24.44	30.15	31.20	1,480,131.34	90,000.00	1,570,131.34	370,131.34	30.84
1/1/2022	UBA	50,000	380,000.00	7.60	7.74	14.20	9.88	697,109.95	9,000.00	706,109.95	326,109.95	85.82
1/1/2022	FIDELITY	50,000	217,500.00	4.35	4.43	8.93	5.66	438,393.79	9,000.00	447,393.79	229,893.79	105.70
1/1/2022	DANGSUGAR	50,000	802,500.00	16.05	16.35	27.50	20.87	1,350,036.88	67,500.00	1,417,536.88	615,036.88	76.64
1/1/2022	ZENITH	50,000	1,200,000.00	24.00	24.44	34.80	31.20	1,708,410.30	13,500.00	1,721,910.30	521,910.30	43.49
1/1/2022	UCAP PLC	50,000	700,000.00	14.00	14.26	16.00	18.20	785,476.00	67,500.00	852,976.00	152,976.00	21.85
1/1/2022	GTCO PLC	50,000	1,150,000.00	23.00	23.43	36.70	29.90	1,801,685.58	13,500.00	1,815,185.58	665,185.58	57.84
1/1/2022	FLOUR MILLS	50,000	1,420,000.00	28.40	28.93	33.80	36.92	1,659,318.05	96,750.00	1,756,068.05	336,068.05	23.67
1/1/2022	DANCEM	50,000	13,050,000.00	261.00	265.83	300.10	339.30	14,732,584.23	900,000.00	15,632,584.23	2,582,584.23	19.79
1/1/2022	VITAFOAM	50,000	1,022,500.00	20.45	20.83	21.20	26.59	1,040,755.70	68,400.00	1,109,155.70	86,655.70	8.47
			21,142,500.00					25,693,901.81		27,029,051.81	5,886,551.81	27.84

The Equity Portfolio Model which closed the previous week at 22.32% appreciated during the week, and closed the week at 27.84% (YTD). This can be compared with NGX All Share Index which closed at 18.92% in the previous week, also appreciated during the week and closed at +23% {YTD}. The EPM continued to appreciate during the week under review and out performed the All Share Index of the market. Some of the stocks that contributed positively are ZENITH, DANCEM, UBA, WAPCO, FLOUR MILLS, UCAP, and GTCO. Investors are thereby advised to take into consideration selection of stocks in diversified sectors to minimize risk, good dividend paying stocks and strong fundamentals to enhance the value of the portfolio. Key. Tcost means total cost of the transactions including charges (market price*units plus charges). Unit cost is total cost per unit of the stocks. B-E Price is break-even price i.e the price the portfolio will not record any gain or loss. Target price is the price we want to sell.

Source: Nigerian Stock Exchange (NSE) & Regency Research



STOCK MARKET REPORT

MARKET DEVELOPMENTS (LAST WEEK)

Dangote Cement Plc announced the commencement of the first tranche of its newly established share buy-back programme. Tranche I will be executed under the approval granted by the Company's shareholders at the Extraordinary General Meeting of DCP which held on 13 December 2022. Within the framework provided under Section 186 (c) of the Companies and Allied Matters Act, No. 3 of 2020 (as amended) and Rule 398 (3)(xiv) of the Securities and Exchange Commission's Rules and Regulations, 2013 (as amended from time to time) and in accordance with Rule 13.18 of the Rulebook of the Nigerian Exchange Limited, 2015. Based on the aforementioned shareholders' approval, the number of shares to be repurchased under the Share Buy-Back Programme will not exceed 10% of DCP's issued capital. The Programme is being affected in tranches, with Tranche I being executed by the appointed stockbrokers on the Company's behalf. The Company, through its appointed Stockbrokers, will at its discretion purchase DCP's shares in the open market over the duration of Tranche I, subject to prevailing market conditions and under the current daily trading rules of the NGX. DCP would, however, not be under any obligation whatsoever to purchase any or all of the DCP shares put on offer over the duration of Tranche I. The shares being bought back by the Company under the Share Buy-Back Programme will be held as treasury shares, as permissible under CAMA. Execution of this Tranche I is not expected to have any material impact on the Company's financial position. Dangote Cement shareholders seeking to participate in Tranche I of the Share Buy-Back Programme are hereby advised to contact their stockbrokers or any other independent professional adviser registered as a capital market operator by the SEC for further guidance on the submission of trades on the NGX's trading platform.

INVESTMENT BASICS

Share Buyback/Share Repurchase

A share buyback is an action where a company buys its own shares in the open market at the prevailing market price. It's a kind of corporate financial management where, if a company has a lot of free cash flow, which it does not want to pay out as dividends, or does not have a more profitable avenue to invest in, it could decide to use the cash flow to buy back its own shares.

Reasons for Share Buy Back

Market signal of undervaluation

One major reason for share buyback is to give signal to the market that the shares of the company are undervalued. It is often believed that the Board of Directors know more than the shareholders about the financial and other conditions of the organization, such that the board knows when the company is undervalued, properly valued, or even overvalued.

Reduction in dividend expense

Another reason is to reduce dividend expense burden on its income statement. After the buyback, the stock bought becomes "treasury stocks", with the effect that the outstanding shares become reduced by the amount which the company bought back. By so doing, the company now has less shares on which to pay dividends.

Financial window dressing

The share repurchase reduces the number of existing shares, making each worth a greater percentage of the corporation. The stock's [earnings per share](#) (EPS) thus increases while the [price-to-earnings ratio](#) (P/E) decreases or the stock price increases. A share repurchase demonstrates to investors that the business has sufficient cash set aside for emergencies and a low probability of economic troubles

For Compensation

Another [reason for a buyback](#) is for compensation purposes. Companies often award their employees and management with stock rewards and stock options. To offer rewards and options, companies buy back shares and issue them to employees and management. This helps to avoid the [dilution](#) of existing shareholders. Because share buybacks are carried out using a firm's retained earnings, the net economic effect to investors would be the same as if those retained earnings were paid out as shareholder dividends.

How Companies Perform a Buyback

Shareholders might be presented with a [tender offer](#), where they have the option to submit, or tender, all or a portion of their shares within a given time frame at a premium to the current market price. This premium compensates investors for tendering their shares rather than holding onto them. Companies buy back shares on the open market over an extended period of time and may even have an outlined share repurchase program that purchases shares at certain times or at regular intervals. A company can fund its buyback by taking on debt, with cash on hand, or with its cash flow from operations.

Criticism of Buybacks

A share buyback can give investors the impression that the corporation does not have other profitable opportunities for growth, which is an issue for [growth investors](#) looking for revenue and profit increases. Repurchasing shares puts a business in a precarious situation if [the economy takes a downturn](#) or the corporation faces financial issues it cannot cover. Others allege that sometimes buybacks are used to inflate share price artificially in the market, which can also lead to higher executive bonuses

Examples of a Buyback

Custodian and Allied Insurance Plc. Through its shareholders approved buy-back of up to 5 percent of issued shares from the open market in 2008. The Managing Director said that by returning cash to shareholders, it would ensure long term investor confidence. Custodian Plc had 4.6 billion naira in its share premium account at the end of 2008 and those funds were used for the buy-back.

Source: Nigerian Stock Exchange (NSE) & Regency Research



FIXED INCOME MARKET REPORT

Money Market.

The buoyant liquidity sustained the interbank rates at low levels this week, nudging the Open Repo and Overnight rates down to 0.86bps and 1.25bps respectively.

Treasury Bills.

Similar to previous NTB auction, the buoyant liquidity induced strong demand at the auction as total subscription came in at N748.07bn, higher than N187.12bn offered. The DMO sold only the initial offer of N187.12bn with a spread of N1.75bn, N17.16bn and N168.21bn at the 91-day, 182-day, and 364-day respectively. Compared to the previous auction, the stop rate dropped across the three tenors to 2.87%, 4.37% and 6.23% accordingly

Foreign Currency (EXCHANGE RATE).

The value of the naira against US dollar fell this week by 99bps, settling at the N776.90/US\$1 at the Investor and Exporter FX Fixing.

OIL PRICE.

The Nigeria's oil price (WTI) appreciated slightly during the week under review. According to the latest data, the oil price closed at \$73.86 per barrel during the week, compared with \$70.54 recorded in the previous week .

NIGERIAN INTER BANK OFFER RATE NIBOR

Money Market Rate			
	30-Jun-23	07-Jul-23	W-o-W % Change
OPR (%)	1.36	0.86	-36.76%
O/N (%)	2	1.25	-37.50%

Source: Financial Markets Dealers Quotations (FMDQ)

TREASURY BILLS RATES

NTB AUCTION June 30, 2023

Nigerian Treasury Bills Auction					
Tenor	Amount offered (N'bn)	Total Subscription (N'bn)	Amount Sold (N'bn)	Stop Rate	Previous rate (%)
				(%)	
91-days	1.75	7.15	1.75	2.87	4.89
182-days	17.16	37.43	17.16	4.37	5.12
364-days	168.21	708.89	708.89	6.23	8.24

Source: Central Bank of Nigeria (CBN)

MONEY MARKET RATES

Average Benchmark Yields			
	30-Jun-23	7-Jul-23	W-o-W% Change
I&E FX	769.25	776.9	0.12%

Source: FMDQ

Source: Financial Markets Dealers Quotations (FMDQ)

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