

SAHCO. *Further to fly.*

We initiate coverage of SAHCO with a target price (TP) of NGN5.97/s, representing an upside of 28.44% relative to its IPO price of NGN4.65/s. We have valued SAHCO using a pure-DCF valuation methodology, evaluating the company's assets across its ramp and cargo handling business, in addition to future investments. Our positive investment case for SAHCO centres on the fact that the company represents a long-term play on air traffic and aviation industry growth and benefits from high barriers to entry.

SAHCO is a part of the SIFAX Group, a Nigerian conglomerate with diverse investments in maritime, aviation, and oil & gas among others, operating globally. The company's history dates back to 1958 when it operated as a department of the now -defunct Nigerian Airways. SIFAX Group acquired SAHCO from the federal government in 2009, following a lengthy and complex bidding process. The company will be the second of the four licensed aviation ground handling companies in Nigeria to be listed on the stock exchange, following NAHCO Aviance.

Incredible growth story

SAHCO has become somewhat of the 'poster-child' for privatization, stemming from its incredible turnaround in performance in a short period since the government's divestment. Management has stated its intention of sustaining the company's impressive post-privatization performance, listing key strategic goals as (i) expansion of revenue, (ii) cost control and reduction, (iii) customer satisfaction, and (iv) stability and sustainability. The goals are expected to be achieved leveraging upon four major capabilities and activities which are discussed in detail in this report.

Nigeria has strong potential

In our view, the Nigerian market is transitioning, from an economic standpoint – following three challenging years – and 2018 and beyond appear to be promising years for SAHCO to take advantage of. Firstly, we see economic growth benefitting from higher government and private sector spending, both riding on improved revenues from crude oil. Secondly, improved oil earnings should further improve FX liquidity and sustain stability, after the volatile era.

Investment positives

Here, we highlight (1) exposure to long-term expansion of air traffic, (2) improvement in macro environment, (3) relatively under-gearred balance sheet, and (4) competitiveness enhanced by ISAGO registration

Risks

The key downside risks we identify are (1) weaker-than-expected macroeconomic performance, (2) operations are susceptible to labour action, (3) revenue downside from potential insolvency of some airline customers, and (4) regulatory risk.

Key metrics

Target Price (NGN)	5.97
IPO Price (NGN)	4.65
Implied Return (%)	28.44

Company Data

Sector	SERVICES
Sub-sector	Transport-Related Services
Shares out. (NGN'mn)	1,354.

Ratios	2017A	2018E	2019E
Gross margin	45.3%	48.0%	48.5%
Opex margin	43.3%	45.5%	45.0%
EBITDA margin	26.2%	22.7%	24.7%
EBIT margin	5.7%	4.7%	6.8%
PAT margin	9.8%	3.2%	13.6%
RoAE	4.5%	2.6%	5.2%
EPS (NGN)	0.51	0.11	0.23

Source: Company accounts, Cordros Research estimates

Contents.

Executive summary	4
The company.....	5
The case for SAHCO.....	7
Growth strategies and opportunities.....	9
Financial analysis.....	12
Valuation.....	17
Appendix 1. <i>Financials (NGN'mn)</i>	18
Appendix 2. <i>Ground handling sector view; history and background</i>	19
Appendix 3. <i>Board of Directors</i>	22
Appendix 4. <i>Selected management</i>	25
Appendix 5. <i>Clientele</i>	26
Appendix 6. <i>Ownership</i>	27
Appendix 7. <i>Capital structure</i>	28
Disclosures.....	30

Executive summary.

In this report, we initiate coverage of SAHCO with a positive long-term growth outlook.

In our view, the Nigerian market is transitioning, from an economic standpoint – following three challenging years – and 2018 and beyond appear to be promising years for SAHCO to take advantage of. Firstly, we see economic growth benefitting from higher government and private sector spending, both riding on improved revenues from crude oil. Secondly, improved oil earnings should further bolster FX liquidity and sustain stability, after the volatile era.

Nigeria's aviation market is the third largest in Africa. Although relatively cyclical, the sector has a recorded a 10-year GDP CAGR of 9%, almost double the national GDP CAGR of 5%. Nigeria has huge potential to become an aviation hub for Africa, using its natural advantages such as its central location on the continent (4.30hrs to most parts of Africa), huge population (c. 190 million and expected to reach 250 million in the next decade), and a growing middle class.

SAHCO has become somewhat of the 'poster-child' for privatization, stemming from its incredible turnaround in performance in a short period since the government's divestment. Management has stated its intention of sustaining the company's impressive post-privatization performance, listing key strategic goals as (i) expansion of revenue, (ii) cost control and reduction, (iii) customer satisfaction, and (iv) stability and sustainability. The goals are expected to be achieved leveraging upon four major capabilities and activities which are discussed in detail in this report.

As the second largest aviation ground handling service provider in Nigeria, SAHCO is well positioned to benefit from the expected long-term expansion of air traffic growth and demand for travel to, from and over Nigeria and the West African region. With respect to Nigeria air traffic trends, growth is expected to rebound after a more depressed period reflective of macroeconomic development. The Nigerian Bureau of Statistics (NBS) expects air traffic growth of c. 20% for 2018 compared to 2017, on the back of improving business confidence, positive policy reforms – ease of doing business, visa on arrival – as well as development of infrastructure.

In this note, we provide some background to SAHCO, and we highlight the company's investment case, growth strategies and opportunities, and financials. In appendices 1-7, we provide our full financial forecasts for 2018-2020E and expand our views on Nigeria's aviation ground handling sub-sector. Finally, we describe SAHCO's, board and management compositions, clientele, ownership structure, and capital structure.

The company.

Overview

SAHCO (Skyway Aviation Handling Company Limited) is part of the SIFAX Group and was the ground handling department of Nigeria Airways Limited before it was carved out, as part of the Nigerian Federal Ministry of Aviation's reform of 1996. It was subsequently privatized, with the SIFAX Group acquiring the company on the 23rd of December 2009.

Company activities

SAHCO is an aviation ground handling service provider focused on business and commercial aviation.

The company's service offerings include aircraft/ramp handling, cargo handling, passenger handling, premium/VIP lounge, aviation security, and baggage handling.

The company, in its financials, stated its major sources of income as:

Foreign and Domestic Handling: This includes income from aircraft handling raised for ramp services, passenger profiling, security, and baggage handling (loading and offloading).

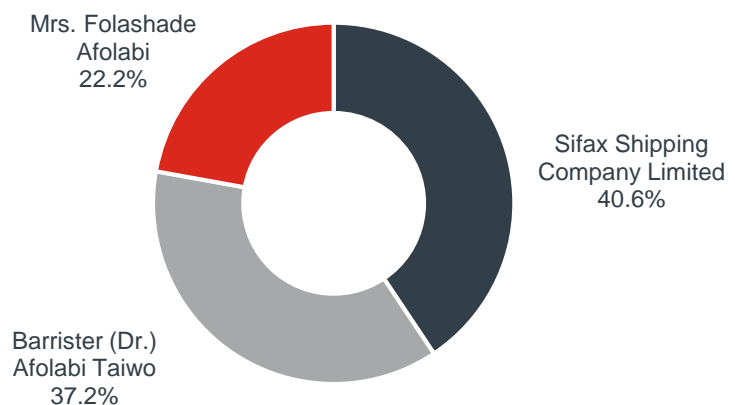
Cargo Handling: This includes income from cargo documentation services rendered to airlines which include import and export cargo facilitation through warehouses in Lagos, Kano, Abuja, and Port Harcourt.

Equipment rental and maintenance: The company leases its equipment to airlines for services that are not covered in the standard Ground Handling Agreement.

Organisational structure

The Board comprises of 11 directors, 5 of whom are non-executive directors. The Chairman, Dr. Taiwo Afolabi, has the highest interest (direct and indirect), equating to 77.8% of the issued share capital as at end of March, 2018. See Appendix 6 for comprehensive discussion.

Fig 1: Substantial shareholders

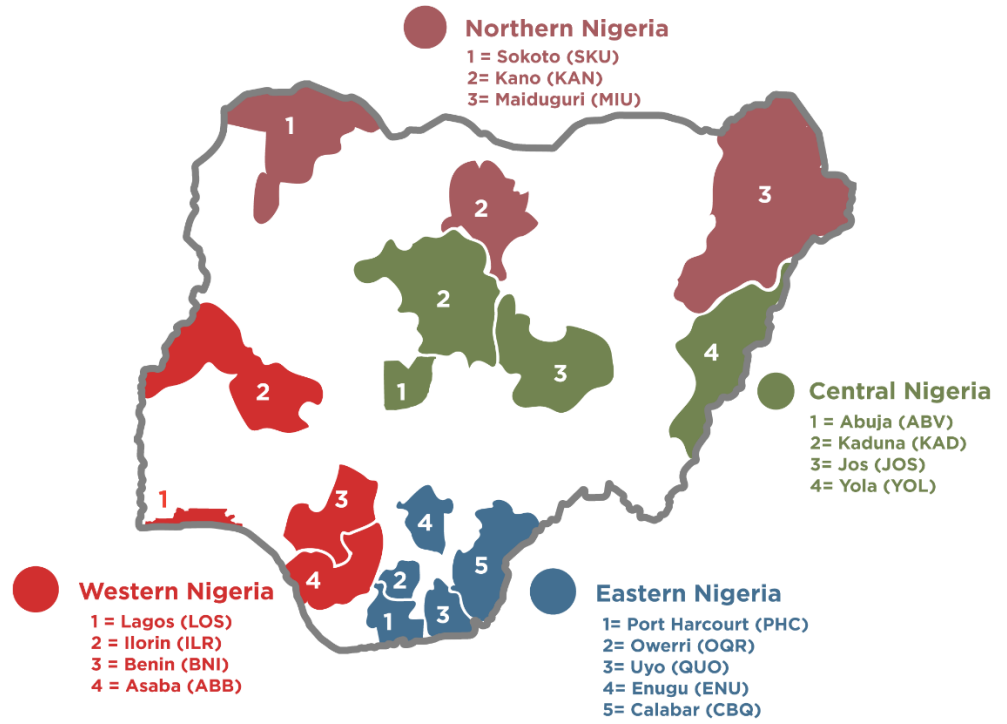


Source: Company Reports, Cordros Research

Geographical footprint

The company operates in commercial airports in 16 cities across four regions of Nigeria.

Fig 2: SAHCO coverage



Source: SAHCO, Cordros Research

The case for SAHCO.

SAHCO operates in Nigeria, Africa's third largest aviation market with attractive growth potential. The company has become somewhat of the 'poster-child' for privatization, stemming from its incredible turnaround in performance in a short period since the government's divestment. SAHCO intends to take advantage of its exposure to the growing aviation industry with major investments in modern equipment and facilities positioning it on a path to become the domestic industry market leader and to compete on a regional and global scale. We are positive of SAHCO's long-term outlook.

Positives

Exposure to long-term expansion of air traffic

As the second largest aviation ground handling service provider in Nigeria, SAHCO is well positioned to benefit from the expected long-term expansion of air traffic growth and demand for travel to, from and over Nigeria and the West African region. Airbus' (the European aerospace corporation) projections call for a doubling of air traffic growth over the next 15 years, consistent with traffic trajectory since the mid-1980s. This outlook implies a 4.4% global traffic CAGR for the period 2018-2032. With respect to Nigeria air traffic trends, growth is expected to rebound after a more depressed period reflective of macroeconomic development. The Nigerian Bureau of Statistics (NBS) expects air traffic growth of c. 20% for 2018 compared to 2017, on the back of improving business confidence, positive policy reforms – ease of doing business, visa on arrival – as well as development of infrastructure. The International Air Transport Association IATA forecasts passenger traffic to hit 31 million by 2030 (13 million as at end 2017).

Improvement in macro environment

The inability of foreign airlines to repatriate revenues from ticket sales and other activities led to the cessation of their operations in Nigeria. Some airlines exited the Nigerian market, while others reduced their operations to the bare minimum. The recovery in oil prices, and increased production have allowed for increased foreign exchange liquidity and exchange rate stability and as a result, the entire USD600 million backlog of airline funds had been cleared, enabling the recommencement of their operations. According to the Nigerian Civil Aviation Authority (NCAA), about 15 new private and commercial airlines have applied for operating permits as the demand for air travel steadily rises in the country. This is in addition to the 37 airlines already in operation in the country who have increasingly been raising capacity in order to service new destinations opening on both local and international routes nationwide.

Relatively under-gearred balance sheet

SAHCO had gross debt of NGN498.68 million outstanding as at 31 December 2017 and NGN888.42 million of cash and equivalents, implying a net debt/EBITDA of -0.63x. Debt-to-equity ratio was 9.1% as at December 2017. All of the company's outstanding debt is fixed at an average rate of interest of 18.5%, with interest cover of 4.02x and 1.86x in 2016 and 2017 respectively. This conservative capital structure suggests the company has headroom for (1) further borrowing to finance expansion plans or (2) future distribution of earnings to shareholders, and liquidity risk is minimal.

Competitiveness enhanced by ISAGO registration

SAHCO has been cited in the IATA ISAGO (IATA Safety Audit for Ground Operations) Registry after passing a thorough audit of its operations. The certification of its operations has made the company more globally competitive; it is able to operate outside its home base like aviation ground handling giant, Swissport.

Risks

Weaker-than-expected macroeconomic performance

Short and long-term domestic and global air traffic expectations contingent upon ongoing, meaningful macroeconomic expansion. Aviation is potentially vulnerable to more stringent regulatory and security constraints which could impact passenger confidence, and thus, levels of flying activity.

Operations are susceptible to labour action

The Nigerian aviation sector is highly labour intensive and union membership is high. Airline operations are prone to disruptions by frequent labour actions of the four unions in the sector – Air Transport Services Senior Staff Association of Nigeria, National Union of Air Transport Employees, National Association of Aircraft Pilots, and Engineers and the Association of Nigerian Aviation Professionals – whose members make up a significant proportion of the workforce.

Revenue downside from potential insolvency of some airline customers

Unfortunately, the airline industry has consistently included a number of financially weak operators, many of whom ultimately failed. While carriers are keen to remain in good financial standing with the various regulators for fear of being grounded, SAHCO still bears the risk of one or more clients renegeing on financial commitments.

Regulatory risk

The NCAA (through the government) is prone to knee-jerk reactions and could put in place rules that could impact negatively on airlines and/or ground handling companies like SAHCO. The NCAA is largely dependent on the government for financing and direction; the government could instill policies that work against the ground handling companies such as allowing new entrants with ease or continuing to levy multiple taxes and fees. This will greatly affect the company's financial performance.

No track record as a public company; limited historical data.

It is inherently more difficult to assess a company that has not been listed such as SAHCO. At present, available comprehensive financial accounts only date back to 2016. This limits our ability to look at past operating performance through the economic cycle. This is an obstacle to better understanding how the company may fare in the current and future cycles. Past growth may not be indicative of future performance.

Growth strategies and opportunities.

Strategies

With a low take-off grant of NGN10 million in 1999, inherited low capacity ground handling equipment and cargo holding space, as well as make-shift offices, SAHCO was not positioned for great success. The years prior to privatization in 2009 were highly challenging as the company operated without a development plan or projections for growth. The organizational structure of the company under Nigeria Airways was aligned to the structure of the airline which was incompatible to that of a modern handling company.

SAHCO's performance since privatization can be attributed to the creation of a roadmap by the new owners, SIFAX Group, that redefined the company's vision and mission. From 2009-2011, the group engaged in restructuring, repositioning and right-sizing of the company, making further investments in the areas of infrastructure and personnel training and introducing some minor economic incentives. As a result, the company has (1) expanded its capacity, (2) expanded its client base, and (3) recorded increased revenues.

Management has stated its intention of sustaining the company's impressive post-privatization performance, listing key strategic goals as (i) expansion of revenue, (ii) cost control and reduction, (iii) customer satisfaction, and (iv) stability and sustainability. The goals are expected to be achieved leveraging upon the following capabilities and activities:

Strong customer service

SAHCO firmly believes that customers' satisfaction is a strong driver of revenue, with the resultant effect of increased value to shareholders. The company boasts of unrivalled customer service, laying emphasis on its personal relationship with clients and easy access to management. Expansion of clientele is also a major focus; current total is c.21 (vs. c.12 pre-privatization).

Excellence in technology

SAHCO understands the importance of technology in improving its services. The firm integrated its passenger handling services into its ICT system through the introduction of a Departure Control System and Integrated Multi User System, MUSE. MUSE (Multi-User System Environment) is a computerized business project created to add value to passenger services and bring its passenger handling operations in line with global best practices. Its cargo operations are carried out using Hermes Cargo Management System (a world-class integrated computerised system for the management of cargo documentation and processing). It is designed to enhance standard rapid flow of import and export cargo through faster electronic document processing and ensures safe storage and easy retrieval of cargos.

Improvement in equipment & capacity

The airport ground handling business is constantly evolving; this requires companies such SAHCO to constantly upgrade their equipment while ensuring that adequate equipment is available to provide adequate and timely services. SAHCO's Lagos cargo terminal space covers c.22,000 square metres, with capacity utilization of c.50%-60%.

Over the last five years, SAHCO's capital expenditure has been over NGN4.8 billion. Capex profile has tapered over the last three years, following heightened expenditure relating to exceptional investments in a new customs/documentation building, new specialized equipment, and vehicles in 2014.

Fig 3: Capex profile (NGN'bn)

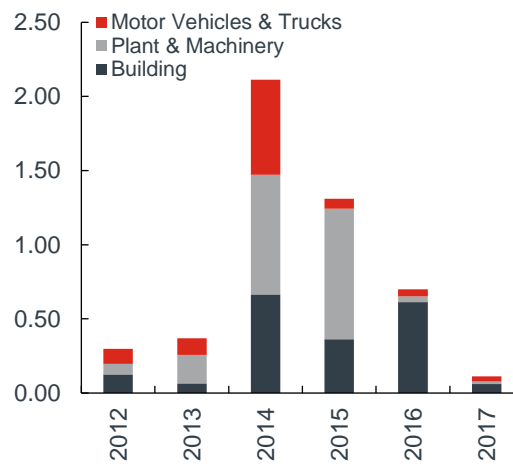
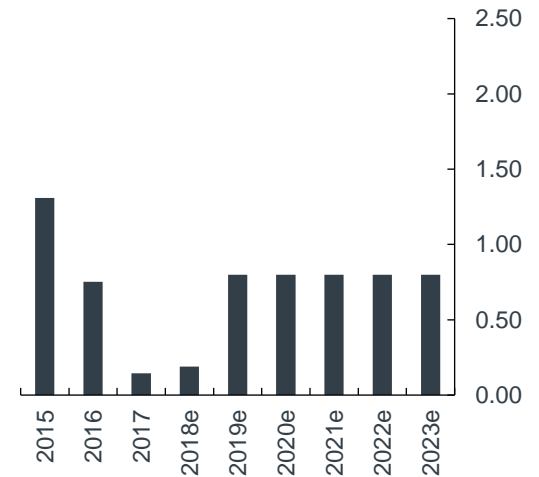


Fig 4: Capex projections (NGN'bn)



Source: Company accounts, Cordros Research estimates

The company expects capital expenditure of NGN3 billion - NGN5 billion over the medium term. The majority of this capex is related to a major overhaul of equipment (last overhaul was in 2009) in order to ensure service delivery remains at optimal levels

Achieve international standards

SAHCO has passed the International Safety Audit for Ground Operations (ISAGO), conducted by the International Air Transport Association (IATA), at three of its bases of operations – Lagos, Abuja, and Kano International Airports. The certification signifies that the company has modeled its operations to the ISAGO standards, as a result making a commitment to operate to globally accepted industry best practices.

The company is also an RA3 certified aviation ground handling company. The 'EU Aviation Security Validated Regulated Agents' RA3 certification is a supply chain security initiative designed by the European Union. With this certification, EU-member states recognise SAHCO as a regulated agent, and confirm that it meets the security requirements for screening air cargo and mail entering the EU.

Opportunities

Exposure to cyclical recovery in domestic flying activity

Nigerian air traffic statistics, provided by the Nigerian Bureau of Statistics (NBS), demonstrate that aircraft traffic troughed in 2016, but has since enjoyed a marginal cyclical recovery. In 2017, aircraft traffic grew by 0.6% from this trough. Forecasts for a gradual domestic economic recovery, which has high correlation with improved business confidence, provides reasonable basis for our assumed recovery in the aviation sector.

Fig 5: Flight traffic vs Nigeria's real GDP

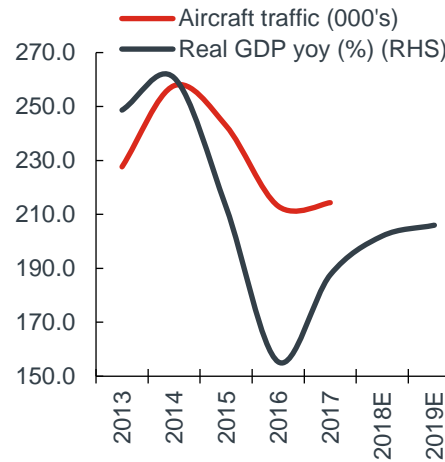
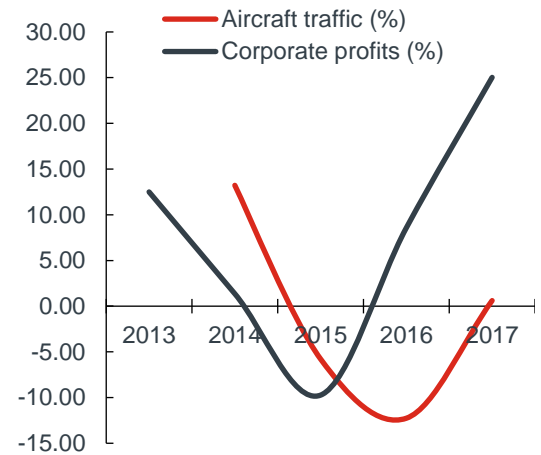


Fig 6: Growth in flight traffic vs corp. profits



Source: NBS, Bloomberg, IMF, Cordros Research

Aviation sector reform

In 2016, the aviation road map was launched by the Federal Government and included plans to (1) set up a new national carrier, (2) concession the airports for efficiency, and (3) set up a Maintenance Repair and Overhaul (MRO) facility and aircraft leasing company to avail capacity.

The emergence of a new national carrier, Nigeria Air (was initially scheduled to begin operations by December 2018 but plans have been suspended in the interim) presents a strong opportunity for growth. The company intends to leverage its relationship with the government to sign on the national carrier as a client.

The government plans to concession four major airports across the country -- Lagos, Abuja, Port Harcourt and Kano. SAHCO has indicated interest in bidding for all four airports, effectively expanding its activities beyond ancillary services to full airport management and operation.

The Maintenance, Repairs and Overhaul (MRO) market, in Africa, has been estimated to be worth over USD 2.4 billion. Due to the dearth of MRO facilities and services in most parts of Africa, this segment remains largely untapped. As a result, domestic airlines are subjected to huge servicing costs (average cost of an aircraft C-check is USD1 million) at foreign facilities, which often leads to defaults on fee obligations and eventual abandonment of aircrafts at said facilities. With recent plans to revive the MRO industry by the government, SAHCO intends to operate the government's existing facilities — in Lagos and Akwa Ibom — and potentially any new facilities, on concession. Talks with the government and regulators are ongoing, with a likely decision on the Lagos facility expected at the top of 2019.

SAHCO plans to explore the West African sub-region (Liberia & Ghana in the near term), with the aim of expanding its ground handling and airport management operations through strategic alliances with other African governments, all the while leveraging on its parent company, SIFAX's vast network. These are targeted at increasing the competitiveness of the firm as well as sustaining its profitability and returns to all stakeholders.

Financial analysis.

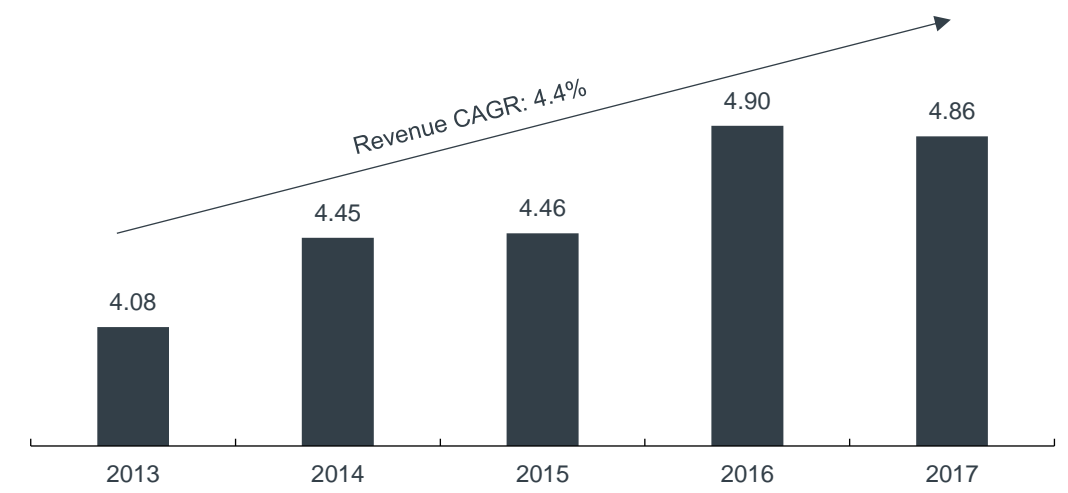
Review

SAHCO's full year 2017 results showed quality performance despite the difficult operating environment. Challenges in the Nigerian economy (lingering recession, increased cost and reduced availability of foreign exchange, deterioration in air traffic numbers, low cargo volumes) as well as the closure of the Abuja airport, contributed to the modest results recorded. Revenue decreased, by a marginal 0.9%, to NGN4.86 billion while EBITDA declined to NGN1.27 billion (2016: NGN1.89 billion), down 32.5% y/y. Increased operating costs and finance expenses meant that the company reported post-tax profit of NGN217.73 million, a decline from the NGN897.01 million reported in 2016FY.

Top line

From NGN4.08 billion in 2013, SAHCO's revenue grew at a CAGR of 4.4% to NGN4.86 billion in 2017. Year-on-year, revenue growth over the last five years has been positive, growing between 0.4% and 9.8%, save for the 0.9% decline in 2017FY, wherein revenue from the ramp & passenger handling segment declined by 24%, largely attributable to the reduced aviation activity as a result of the closure of the Abuja airport.

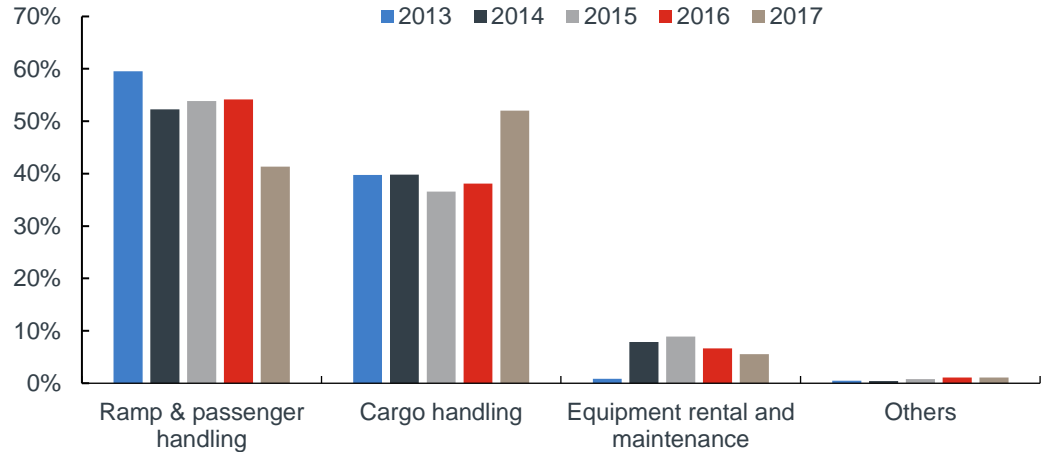
Fig 7: Revenue



Source: Company accounts, Cordros Research

Dissecting revenue components, Ramp & Passenger Handling and Cargo Handling stood out, accounting for 52.2% and 41.2% of total revenue on average in the last five years, with Equipment rental and maintenance and other business segments accounting for the rest. Worth noting is the oblique trajectory of the contributions from Ramp & Passenger Handling (41.3% in 2017, down 1,820 bps from 59.5% in 2013) and Cargo Handling (52.0% in 2017, up 1,227 bps from 39.7% in 2013), with the former negatively impacted by (1) the shutdown of the Abuja airport in 2017, (2) the loss of a major international client, United Airlines, following the shutdown of its Nigeria route, and (3) fierce competition and the later boosted by (1) improvements in the company's cargo facilities, and (2) the signing-on of new clientele.

Fig 8: Consolidated revenue mix

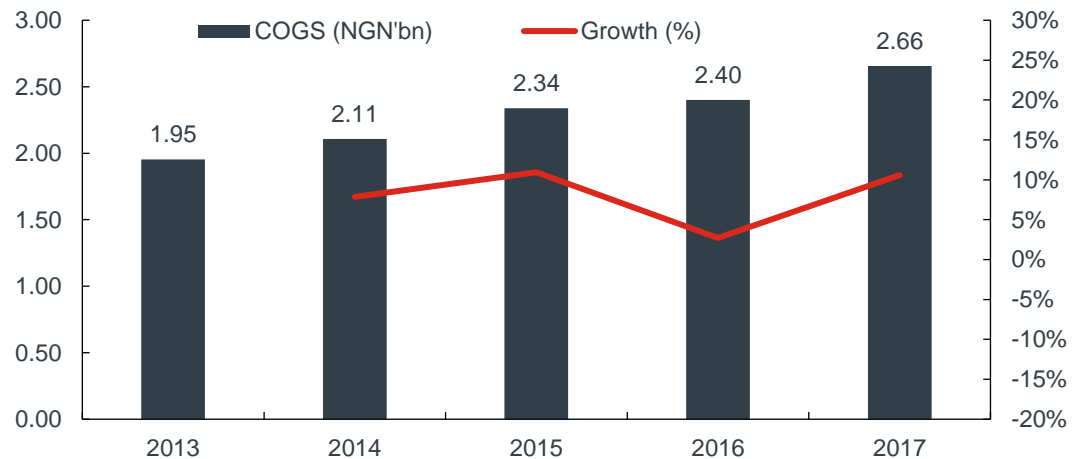


Source: Company accounts, Cordros Research

Cost lines

Direct costs [cost of goods sold (COGS)] grew at a 5-year CAGR of 8.0% from 2013. Year on year, the growth pattern has been choppy, with growth of between 3%-11% over the last five years.

Fig 9: COGS and growth



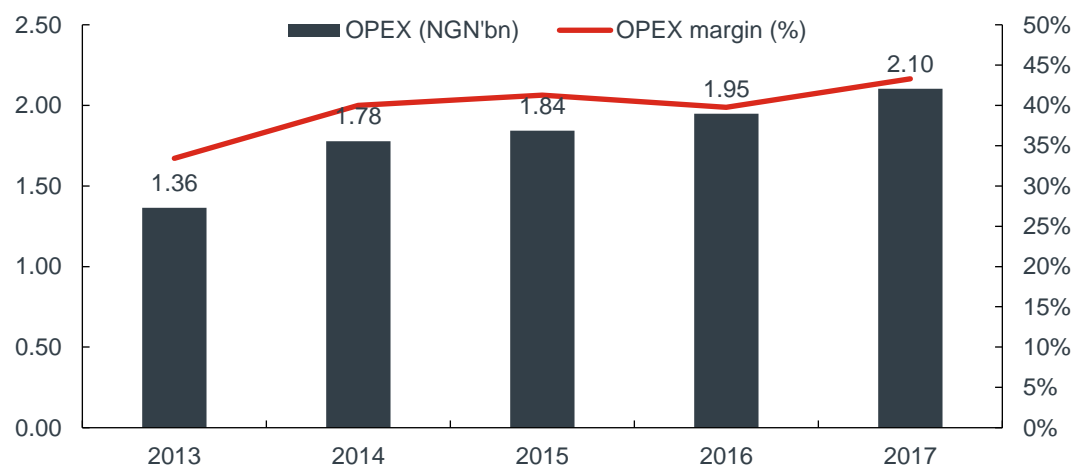
Source: Company accounts, Cordros Research

In terms of composition, SAHCO's cost base is largely dominated by direct labour costs which has accounted for 48.3% of total direct cost, on average, over the last five years. This was followed by depreciation (23.8%), concession fees (10.3%), equipment running (4.3%), equipment repairs (3.4%) and other costs.

In FY2017, COGS rose 10.6% to NGN2.66 billion, following significant increases in equipment repairs (+202.6% to NGN214.78 million), equipment running (+71.9% to NGN180.71 million), and oil & lubricants (+95.5% to NGN73.75 million). Management has stated that equipment failure, along with turnaround and service delivery times, are the aspects of operations of most concern. This is in line with the increase in equipment repair and running costs. In order to mitigate these issues, management stated that the company consistently “mines” its operations in order to be proactive and anticipate possible challenges. The increase in oil & lubricants costs is attributable to general increase in the price of oil and petroleum products on the international market (Brent crude averaged USD54.45/barrel in 2017 against USD45.12/barrel in 2016, implying a 21% increase), and the increased landing costs, due to the devaluation of the naira.

Operating expense (average 40% of revenue over the last five years) remains on the high side, reflecting a number of cost elements relating to personnel (labour) costs (37% of opex), rent and electricity, impairment allowances, transport and traveling, and legal expenses, among others. In the last year, FX crises and rising inflation have pressured opex. From NGN1.36 billion in 2016, opex hit NGN2.10 billion in 2017, largely due to increases in rent and electricity costs (+46% to NGN281.14 million), legal expenses (+482% to NGN68.31 million), and employee benefit expenses (+5% to NGN706.75 million).

Fig 10: OPEX and margin

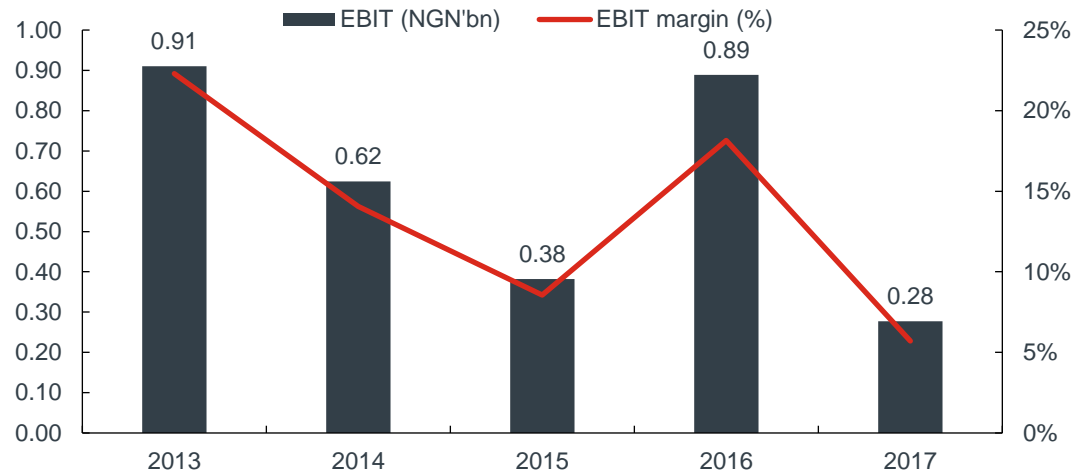


Source: Company accounts, Cordros Research

On legal expenses, SAHCO has been defending various litigations since 2010, all in Nigerian law courts. Pending legal suits include suits filed by SAHCO against (1) Bellview Airlines Limited, (2) NICON Insurance and Marsh Limited, (3) Afrijet Airlines Limited, and (4) AZMAN Air Services Limited. Also included is a suit filed by Bellview Airlines Limited against SAHCO. According to the company's legal advisers, it is not probable that significant liability will arise from the suits, and as such, no provisions in relation to the claims have been recognised in the financial statements.

The significantly high opex profile, has largely pressured operating profit and margin – which fell to NGN277.26 million and 5.7%, respectively in 2017, from NGN9.10.32 million and 22.3%, respectively in 2013. It is equally worth stating the impact of depreciation on overall cost. For instance, 19% of entire costs over the last five years can be attributed to depreciation.

Fig 11: EBIT and margin

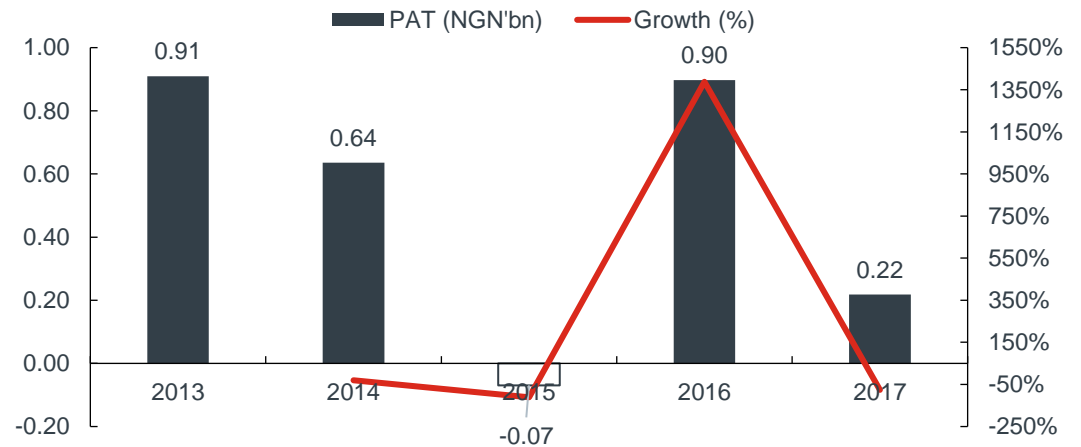


Source: Company accounts, Cordros Research

Bottom line

Save for the return to profitability in 2016, after a significant tax expense in 2015, following the expiration of the company's pioneer tax status, led to a loss, SAHCO's earnings, though broadly positive, have consistently declined. From a high of NGN909.73 million in 2013, PAT dropped to NGN217.73 million in 2017 at a CAGR of -30.1%.

Fig 12: PAT and growth



Source: Company accounts, Cordros Research

Balance sheet

The balance sheet is strong, with net debt of -NGN389.77 million, down from NGN495.87 million for FY2016, as a result of reduced capex. In terms of leverage, this translated into net debt/EBITDA of -0.31x, compared with 0.26x for FY2016 and balance sheet gearing of 9.1%, from 17.3% at the end of FY2016.

The balance sheet performance was further underpinned by the company's continued strong cash generation through the financial year ended 2017, with a 51% improvement in reported free cash flow of NGN1.04 billion.

Valuation.

We have valued SAHCO using a pure-DCF valuation methodology, evaluating the company's assets across its ramp and cargo handling business, in addition to future investments. Our valuation assumes a WACC of 18.3% (cost of equity 18.3%, after-tax cost of debt of 16.3% and target gearing of 1.4%), a beta of 0.69, and terminal growth rate of 5%.

Fig 13: DCF valuation summary, NGN'000 (unless otherwise stated)

DCF valuation	2018E	2019E	2020E	2021E	2022E	2023E	Terminal
EBIT	253,482	401,111	502,006	618,509	752,888	907,742	
Tax rate	14%	14%	14%	14%	14%	14%	
NOPAT	217,995	344,955	431,725	531,917	647,484	780,658	
Depreciation	974,356	1,056,852	1,147,227	1,246,300	1,354,978	1,474,271	
Operating cash flow, adj.	1,192,350	1,401,807	1,578,952	1,778,217	2,002,462	2,254,929	
Change in net working capital	-303,868	-176,292	-145,196	-231,182	-330,580	-445,377	
Capex	-188,160	-800,000	-800,000	-800,000	-800,000	-800,000	
Free cash flow to firm (FCFF)	700,323	425,515	633,756	747,036	871,882	1,009,552	7,973,015
Discount period	-	1.00	2.00	3.00	4.00	5.00	5.00
Discount factor	1.00	0.85	0.71	0.60	0.51	0.43	0.43
Present value of FCFF	700,323	359,792	453,101	451,597	445,660	436,326	3,445,919

Source: Company accounts, Cordros Research estimates

Fig 14: Continuation of DCF, NGN'000 (unless otherwise stated)

Enterprise value	6,292,718
Net debt/cash	- 542,575
Equity value	6,835,293
Share outstanding ('000)	1,353,580
Fair value (NGN)	5.05
One-year target price	5.97

Source: Company accounts, Cordros Research estimates

Appendix 1. Financials (NGN'mn).

Income Statement (million)	2016a	2017a	2018e	2019e	2020e
Revenue	4,899	4,856	5,415	5,902	6,439
Cost of sales	-2,402	-2,657	-2,818	-3,042	-3,287
Gross profit	2,497	2,200	2,597	2,860	3,153
Other income	340	180	118	195	213
Operating expenses	-1,949	-2,103	-2,462	-2,654	-2,863
Finance costs	-221	-151	-88	-45	
Profit before tax	668	126	166	356	502
Tax expense/credit	229	92	-23	-50	-70
Profit after tax	897	218	143	306	432

Profitability Ratios	2016a	2017a	2018e	2019e	2020e
Gross profit margin	51.0%	45.3%	48.0%	48.5%	49.0%
EBITDA margin	38.5%	26.2%	22.7%	24.7%	25.6%
Operating profit/EBIT margin	18.1%	5.7%	4.7%	6.8%	7.8%
PBT margin	17.6%	9.8%	3.2%	13.6%	2.6%
PAT margin	18.3%	4.5%	2.6%	5.2%	6.7%
ROAE	18.5%	4.0%	1.4%	2.1%	2.8%
ROAA	6.2%	1.5%	0.8%	1.3%	1.7%
ROCE	14.5%	3.6%	1.0%	2.0%	2.8%

Financial Position	2016a	2017a	2018e	2019e	2020e
PPE	7,183	6,340	15,832	16,845	18,416
Investment properties	315	310	308	328	358
Intangible assets	4,057	4,057	4,057	4,057	4,057
Deferred tax assets	692	944			
Non-current assets	12,248	11,651	20,198	21,230	22,832
Inventories	175	121	147	156	171
Trade and other receivables	1,970	1,882	2,012	2,411	2,932
Cash and bank balances	420	888	758	796	953
Current assets	2,564	2,892	2,917	3,363	4,055
Total Assets	14,812	14,542	23,114	24,593	26,887
Deposit for shares	5,036	5,036	5,036	5,036	5,036
Long term borrowings	541	216			
Deferred tax liabilities			34	38	46
Deferred income	12	42	47	53	63
Employee benefit liabilities	391	440	222	1,306	2,666
Current liabilities	5,980	5,734	5,338	6,433	7,811
Trade and other payables	2,558	2,499	2,355	2,578	2,954
Short term borrowings	375	283	216		
Deferred income	59	69	64	73	88
Current income tax liabilities	555	455	429	489	584
Total non-current liabilities	3,548	3,306	3,064	3,140	3,626
Total Liabilities	9,527	9,040	8,402	9,574	11,436
SHF	5,285	5,503	14,713	15,019	15,451

Liquidity Ratios	2016a	2017a	2018e	2019e	2020e
Working capital (NGN'm)	-983	-414	-147	222	430
Current ratio	0.7x	0.9x	1.0x	1.1x	1.1x
Quick ratio	0.7x	0.8x	0.9x	1.0x	1.1x
Cash ratio	0.1x	0.3x	0.2x	0.3x	0.3x
Cash conversion cycle	-238	-182	-166	-141	-138
Defensive interval ratio	260	269	235	252	283

Efficiency Ratios	2016a	2017a	2018e	2019e	2020e
Fixed assets turnover	0.7x	0.8x	0.3x	0.4x	0.3x
Current assets turnover	1.9x	1.7x	1.9x	1.8x	1.6x
Total assets turnover	0.3x	0.3x	0.2x	0.2x	0.2x
Inventory turnover	15.9x	18.0x	21.1x	20.1x	20.1x
Receivables turnover	2.9x	2.5x	2.8x	2.7x	2.4x
Payables turnover	0.9x	1.1x	1.2x	1.2x	1.2x
Days of inventory on hand (DOH)	23	20	17	18	18
Days of sales outstanding (DSO)	128	145	131	137	151
Number of days of payables	389	347	314	296	307

Solvency Ratios	2016a	2017a	2018e	2019e	2020e
Debt-to-capital	0.1x	0.1x	0.0x	0.0x	0.0x
Debt-to-equity	0.2x	0.1x	0.0x	0.0x	0.0x
Net debt-to-equity	0.1x	-0.1x	0.0x	-0.1x	-0.1x
Net debt/EBITDA	0.3x	-0.3x	-0.4x	-0.5x	-0.6x
Interest coverage	4.0x	1.8x	2.9x	8.9x	

Investment Ratios	2016a	2017a	2018e	2019e	2020e
Earnings per share (NGN)	2.11	0.51	0.11	0.23	0.32

Source: Company accounts, Cordros Research

Appendix 2. *Ground handling sector view; history and background.*

Overview

The ground handling section of the aviation value chain refers to the service requirements of an aircraft while it is on ground, between the time it arrives and the time it departs on its next flight, to ensure the safe and smooth processing of passengers, baggage, cargo, mail and other materials associated with air transportation.

An airline may choose to provide services for itself (self-handling), or to contract with another company (outsourced/third party handling), be it an airline or a dedicated ground handling company. In the last ten years, there has been a growing propensity towards outsourcing by the airlines. This is in line with carriers' desire to segment the market and its processes in order to drive up ancillary revenues (e.g. in-cabin services, baggage fees), as well as outsourcing non-core activities (station management, ground handling, especially outside 'home territories'), thereby adding greater complexity to ground operations.

The International Air Transport Association (IATA) conservatively estimates that airlines outsource more than 50% of the ground handling that takes place at the world's airports to third party or non-airline handlers. This percentage is expected to grow as more and more airlines realise the financial benefits of outsourcing this operational component.

History

Ground handling activities in Nigeria date back to the late 1940s, where the national carrier at the time, Nigerian Airways (now defunct), equipped with adequate machinery and skilled personnel, handled foreign airlines in the country. However, due to mismanagement and the absence of competition, the airline began to deteriorate in handling services between 1970 and 1980. Consequently, due to the unsatisfactory performance, airlines began to partake in "self-handling" to various degrees.

In a bid to revitalise the aviation industry, the federal government, via the Federal Airports Authority of Nigeria (FAAN), established the Nigerian Aviation Handling Company (NAHCO) on April 1, 1979 as the first specialized handling company in the country. In 1999, the Nigerian Airways decided to upgrade its ground handling operations by employing the now autonomous, commercial ground handler called Skypower Aviation Handling Company Limited to enhance the quality of ground handling services. The government shielded these two semi-governmental agencies by issuing regulations like the Civil Aviation Policy 2001 which enabled them to act as a duopoly, and eliminated other small handling services. NAHCO and SAHCO have since been privatized in order to help meet the challenges of the era.

Operations

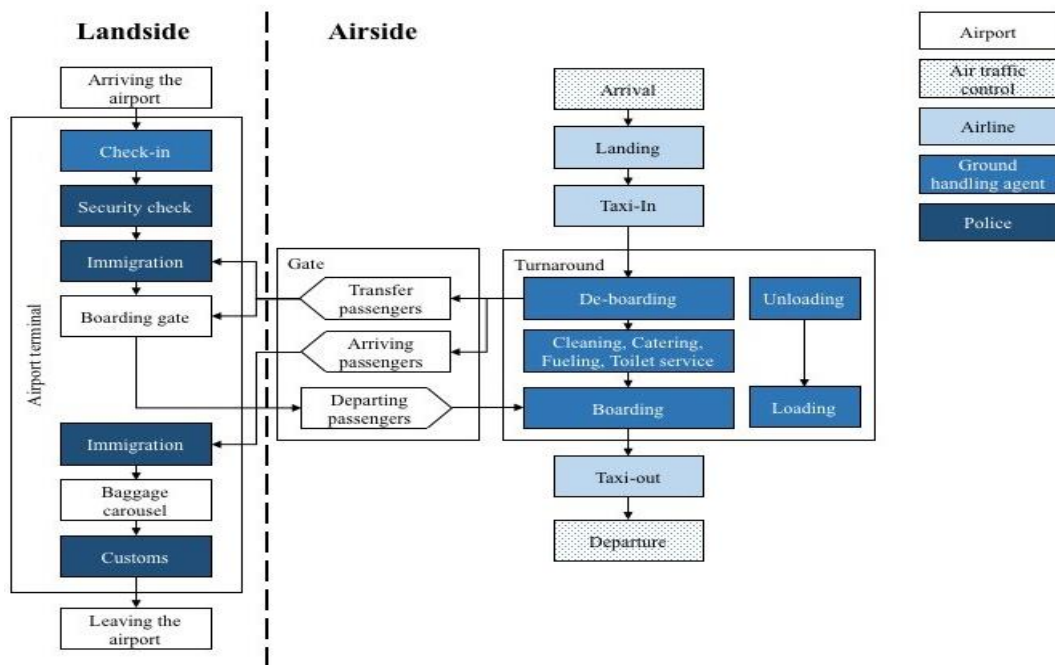
The key segments in ground handling are (1) Aircraft/Ramp Handling, (2) Passenger/Baggage Handling, and (3) Cargo and Mail Handling.

Aircraft/Ramp handling - services provided to the aircraft on the ramp, which include loading and load control and the provision of ground equipment.

Passenger/Baggage handling - the documentation and checking in of passengers and their luggage, this also deals with tracking and retrieval of baggage.

Cargo and mail handling - the storage and warehousing of goods.

Fig 15: Key airport procedures for passenger transport



Source: Karlsruhe Institute of Technology, Cordros Research

Competitive landscape

As previously discussed, the Nigerian aviation ground handling business has only two major players, NAHCO Aviance and SAHCO, effectively making it a duopoly. The market leader is NAHCO, which estimates it has a 70% share of the market (SAHCO estimates: 54%; Cordros estimates: 62%). The segment has become more competitive in the years following the privatization of SAHCO, with NAHCO losing significant market share (NAHCO recorded a 5-year revenue CAGR of -0.5%, compared to SAHCO's +9.3%).

In 2006, the government decided to fully license two other private organizations, ground handling giant Swissport International Ltd., and Precision Aviation Handling Company Ltd (PAHCOL). The intention was to create a more competitive environment and subsequently lead to cheaper and better services, alongside bringing in more private sector initiatives. However, for reasons unknown, both companies have yet to begin operations, although their licenses still remain valid.

SAHCO's major competitive advantages over NAHCO are its modern facilities, especially its Lagos cargo warehouse. SAHCO's Lagos cargo terminal space covers c.22,000 square metres. Capacity utilization is only at c.50%-60%, so there is more room for growth. Due to the limited space at the Lagos airport, the company is also looking at expansion of its facilities at the other airports across the country.

Strategic analysis

Fig 16: Porter’s 5 forces framework (industry)



Source: Cordros Research

Fig 17: SWOT analysis (SAHCO)

Strengths	Weaknesses
<ul style="list-style-type: none"> • Dominant presence across major airports • Long-standing expertise • Performance quality leader in Nigeria and across Africa 	<ul style="list-style-type: none"> • Labour-intensive business with unionised workforce. • High dependency upon limited pool of skilled labor • High dependency on import activity • No track record as a public company
Opportunities	Threats
<ul style="list-style-type: none"> • Exposure to Nigerian air traffic recovery • Exposure to secular, long-term global aviation growth • Potential upside from better cost management • Potential upside from growth of non-regulated activities • Leveraging SIFAX network expertise • Expansion into other West African markets • Single African Air Transport Market (SAATM) 	<ul style="list-style-type: none"> • Macroeconomic and air traffic weakness • Regulatory risk • Competition

Appendix 3. *Board of Directors.*

Taiwo Afolabi

Chairman

Dr. Afolabi has been Chairman of SAHCO since its acquisition by SIFAX in 2009. He is a Nigerian business magnate and lawyer. He began his professional career with Nigerian Express Agencies Limited in 1981, and remained until 1998, when he left to establish the SIFAX Group -- a conglomerate that deals in shipping and oil and gas – where he is the current Group Executive Vice Chairman/CEO. Dr. Afolabi, was appointed Honorary Consul of the Republic of Djibouti in Nigeria. He was also conferred with the honour of the Member of the Order of the Niger (MON) by the President of the Federal Republic of Nigeria.

Chike Ogeah

Vice Chairman

Ogeah was appointed as Vice Chairman in 2011. He served as Managing Director /CEO of SAHCO, for three years (2006 -2009) and handled the privatisation of the company in 2009. He practiced as a Legal Practitioner for a number of years with Sofunde, Osakwe, Ogundipe & Belgore (Legal Practitioners), before founding his own law practice, Ogeah & Co. Ogeah moved on to work in the Presidency of the Federal Republic of Nigeria and also worked in the National Planning Commission, in the capacity of Special Assistant to two Chief Economic Advisers to the President. He has also served as the National Coordinator of the States Economic Empowerment Development Strategy (SEEDS), the facilitating Consultant in the Office of the Millennium Development Goals within the Presidency, and Commissioner for Information for Delta State in the Uduaghan administration (2011-2015). Ogeah is Chairman and Director of several companies and a member of several professional bodies.

Executive Directors

Basil Agboarumi

Managing Director / Chief Executive Officer (CEO)

Agboarumi was appointed as MD in an acting capacity in February 2018, prior to a substantive appointment in September 2018. He joined SAHCO, then a subsidiary of Nigerian Airways Limited, as a pioneer staff/head of the Public Affairs Unit. After the privatisation, he was appointed the Head of Corporate Communications. He was subsequently elevated to the position of general manager, in 2014, in charge of the Corporate Communications and Information Technology Department. Agboarumi is a member of the Institute of Directors (IoD Nigeria), a Fellow of the Nigerian Institute of Public Relations (FNIPR), an Associate Member of the Advertising Practitioners Council of Nigeria (arpa), and an Alumnus of the Pan-Atlantic University. Agboarumi has more than 18 years' experience in Aviation Ground Handling & Public Relations/Management.

Boma Ukwunna

Cargo Services and Operations

Ukwunna was appointed as ED, Cargo Services and Operations in September 2018. She has over 18 years' combined cognate experience in the Maritime Industry, all of which has been within the SIFAX Group. She commenced her career at SIFAX in 2001 and has served in several capacities within the group including Group Head, Billing & Commercial at SIFAX RoRo Terminal Apapa (2007 – 2010); Group Head Procurement (2010 – 2011); Special Assistant to the Group Executive

Chairman on Operations matters (2011 – 2012), and Head of Administration, Ports and Cargo Services (2012 – 2013). Prior to her move to SAHCO, she was the General Manager SIFAX Bonded Terminal 'B' from 2013 to 2014. She is a Fellow of the Ports and Terminal Management Academy of Nigeria and Member Nigerian Institute of Shipping.

Olaniyi Adigun

Sales and Marketing

Adigun was appointed as ED, Sales and Marketing in September 2018. He commenced his career in 1993 with Nigeria Airways Limited as Cabin Executive and subsequently became a Marketing Officer within the Airline Sales and Marketing department. In 2001, he joined SAHCO and was tasked with establishing the Marketing department of the Company. During his time at the company, he has functioned in several capacities including Station Manager, Domestic Operations; Regional Manager, Operations (West); and Head of Corporate Development. Following the acquisition, he was appointed General Manager, Sales and Marketing. He graduated from the University of Port Harcourt with a B.Ed. in Economics, He also holds a Masters' degree in Business Administration (Marketing) from Lagos State University.

Babatunde Afolabi

IT, Business Development & Strategy

Afolabi was appointed as ED, Information Technology and Business Development in September 2018. Afolabi has extensive technical skills in Information Technology spanning programming languages, database, scripts, web designing, design tools and operating systems. He commenced his career during his undergraduate study as a User Interface/User Experience (UI/UX) developer at Kraneum Technology Boston, Massachusetts, from 2012 to 2016. During this time, he also undertook Industrial Training with SIFAX Shipping Limited (2012 – 2013). He subsequently worked with Sentinel Consulting Toronto, Canada from 2016 to 2017 as a Database Analyst and later moved to Giatec Scientific, Ontario as a Quality Assurance ("QA") Analyst in 2017.

Non-Executive Directors

Oluropo Owolabi

Dr. Owolabi started his career at the erstwhile national carrier, Nigerian Airways Limited and had his first major assignment with the airline in 1978, as a team leader vested with the responsibility of reorganizing the airline's operations in the United Kingdom. In 1981, he became the Nigerian Airways District Manager in Rome, Italy, a position he held till 1986 when he was drafted to head the airline's operations at the Domestic wing of the Murtala Muhammed Airport, Lagos. In 1987, he was moved to the International wing of the Murtala Muhammed Airport as District Manager, where he brought his vast knowledge and experience to bear in the formulation of the current security arrangement in Nigeria Airports, having served as a member of the formulating committee. In 1989, he was transferred to New York as the General Manager, Nigeria Airways, Canada and United States of America. In 1997, he headed the Task Force for revitalization and streamlining of the Nigeria Airways Operations worldwide aimed at returning the airline to profitability. On October 1, 1999, Dr. Owolabi became the General Manager of Skypower, then a subsidiary of the Nigerian Airways and was at the helm of affairs between 1999 and 2003.

Oladipo Filani

Filani commenced his career with F.A.O. Chambers in 1993 and became principal partner in 2002. He commenced his entrepreneurial journey in the same year setting up Kayode Filani & Co, a multispecialty law firm with focus on Commercial, Energy, Aviation, land and insolvency law. He is an active real estate investor through the subsidiary investment vehicle KFA Investment & Property

Company Ltd, an asset management, real estate development and advisory services company. He sits on the boards of several organizations including but not limited to UK Jifex Nigeria Limited, KFA Investment & Property Limited, and GreenBay Healthcare Services Limited. He is a member of the Nigerian and International Bar association.

Olutoye Ariyo

Ariyo is a UK-based entrepreneur with several years' experience in International Trading. He holds a Bachelors degree in Electrical Electronics Engineering from Brunel University. He is also a Chartered Engineer, a full member of the IEE in the UK (Institution of Electrical Engineers). During his time at the University, Mr. Ariyo worked with British Telecom and London Transport as an Engineer. He worked with Atlantis International, a specialist Procurement company, before taking over management of the company and re-naming it Atlantis Global Ltd. He is the current chairman of Global Apex Logistics Ltd and is a director in the following companies: Atlantis Global Ltd (UK), Reliance Fertilizers (UK) and Thunderbolt (UK).

Shehu Usman Iyal

Captain Iyal started his career at the Nigeria College of Aviation Technology, Zaria from where he joined the Air Wing of the Nigerian Police Force. He undertook various trainings in both rotary (helicopters) and fixed wing (airplanes) in America and Europe and was subsequently appointed as pioneer Commander of Air Border Patrol Unit, Kaduna of the Ministry of Internal Affairs in 1987. After his graduation from London Business School, he was seconded to the Office of the National Security Adviser (NSA) in the Presidency. Shehu is currently the Managing Director/Chief Executive Officer of AFRI-AIR international Ltd, a Charter /Aviation Handling Company and also offers Aviation Consultancy Services, which he started in 2001. He was appointed Special Assistant to former President Olusegun Obasanjo on Aviation Matters where he rose to the post of Senior Special Assistant in 2003 and subsequently served two (2) successive Nigerian Presidents during which time he was Chairman, Presidential Implementation and Monitoring Committee (PIMC), Hub development of the Nnamdi Azikiwe International Airport and Presidential Committee on Improvement of Airport Security and Drug Related Problems. He was also a Board Member of the National Hajj Commission of Nigeria (NAHCON) and Chairperson of its Aviation Committee.

Independent Directors

Anogwi Anyanwu

Mr. Anyanwu commenced his career with Deloitte Adetona Isichei & Co (Chartered Accountants) where he worked from 1985 to 1989 and joined Ecobank Nigeria PLC where he rose to the position of Deputy Manager before leaving to the erstwhile Citizens International Bank PLC where he worked from 1993 to 2006. He subsequently worked at Spring Bank PLC till 2009 when he left as Executive Director to Mainstreet Bank Limited where he was Executive Director, Operations and Information Technology. He is currently the Chief Executive Officer of Minds Hrewd Limited, a position he has held since January 2015. He is currently the Chairman of Sprout Books Limited and a Director of Teresann Nig. Limited.

Appendix 4. *Selected management.*

Rotimi Omotoso

Head, Finance

Omotoso is an accountant with more than 10 years' experience in both the private and public sector. He began his career with African Steel Mills Nigeria Limited in February 2004, before moving to Ports and Cargo Handling Services Limited (a SIFAX Group subsidiary) in 2007 and rising to the position of Assistant Manager, Accounts. Subsequently, he worked with the Ekiti State Government as a Senior Accountant, and rejoined SIFAX Ports and Cargo in April 2015 before transferring over to SAHCO. Omotoso has been a member of the Institute of Chartered Accountants of Nigeria (ICAN) since 2008.

Emmanuel Okeowo

Head, Operations

Okeowo commenced his career in the Aviation industry in 1986 with Nigeria Airways where he served in several capacities such as Passenger Services Officer, Interline Officer, IATA Baggage Tracing Officer, Duty Officer, Ramp Turn- Around Coordinator and Load Control Officer. In 1999, he moved to Skypower and subsequently to SAHCO following the takeover of the Skypower's operations by the Company. During his time at SAHCO, Emmanuel has served in several management capacities with an excellent track record of delivering on his mandate. He was the Station Manager Domestic Airport, Lagos between 2011 and 2014; Senior Station Manager, Nnamdi Azikiwe International Airport, Abuja from 2014 to 2018. In 2018, he was appointed as Head of Operations of SAHCO and now works at the Company's head office in Lagos.

Ibrahim Amuda

Head, Internal Control/Audit

Amuda has 11 years' experience in Accounts and Audit in both Manufacturing and Maritime sectors, five of which have been within the SIFAX Group. Ibrahim was the Head of Internal Control/Audit for Ports and Cargo Handling Services and later Group Head of Audit. He is a member of the Institute of Internal Auditors (IIA) and a member of the Association of Certified Chartered Accountants (ACCA).

Christie Oseghale

Head, Safety & Quality Assurance

Oseghale has over 17 years' experience in the aviation industry, starting out as a Cabin Executive in ADC Airlines in 1993. As a Cabin Executive she functioned as a Safety and Quality Officer. She had a brief stint in Marketing Communications at Advertising Techniques Limited (ATL) between 2000 and 2002 as a Clients Services Manager. She returned to ADC Airlines in 2003 as the Quality Manager, and subsequently led the team that developed and implemented the Quality Management System that supported the pre-IOSA (IATA Operational Safety Audit) audit for the organisation. She joined SAHCO in 2012 as Manager, Quality Assurance and worked with the Quality Assurance team to obtain the ISAGO certification. She became Head, Safety/Quality Assurance in June of the same year.

Appendix 5. *Clientele.*

International



Domestic



Freight



Other

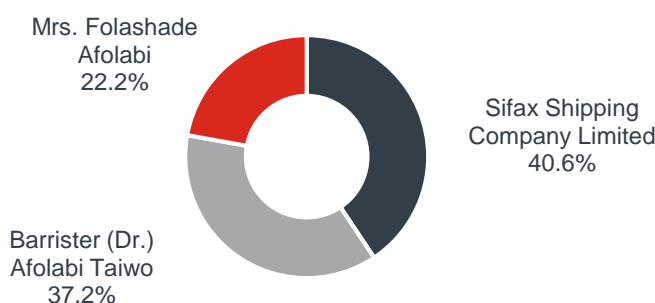


Source: SAHCO, Cordros Research

Appendix 6. *Ownership.*

The SIFAX Group indirectly holds 40.6% of the entire shareholding of SAHCO, through its subsidiary SIFAX Shipping Limited, while Dr Taiwo Afolabi and Mrs. Folashade Afolabi, holds 37.2% and 22.2%, respectively. SIFAX Shipping Limited and Global Apex Logistic Limited through Skyway Aviation Handling Company Limited (SAHCO) acquired 100% interest of the Federal Government in Skypower Aviation Handling Company Limited due to the privatisation of the company. Global Apex Logistics Limited later divested 100% of its holdings in the company.

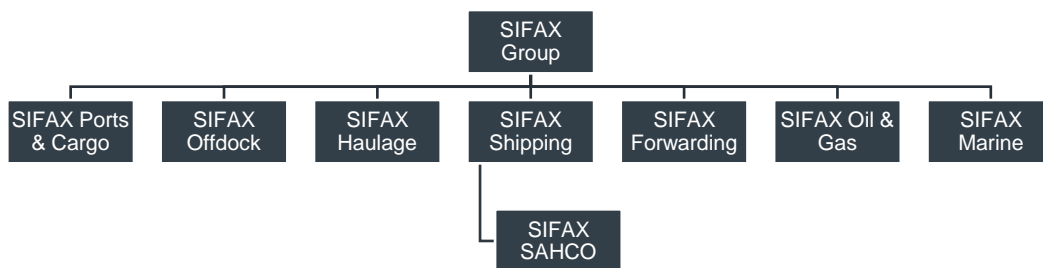
Fig 18: Substantial shareholders



Source: Company Reports, Cordros Research

The SIFAX Group is a Nigerian conglomerate with diverse investments in maritime, aviation, haulage, logistics, oil & gas and hospitality, among others, operating globally, with a presence in the United States, United Kingdom, Ghana, South Africa, Holland, Belgium, Morocco, Spain and Djibouti. Excluding SAHCO, the SIFAX group has seven subsidiaries: Ports & Cargo Handling Services Ltd, SIFAX Offdock Ltd, SIFAX Shipping Company Ltd, SIFAX Haulage & Logistics Company Ltd, SIFAX Clearing and Forwarding Limited, SIFAX Oil & Gas Limited, and SIFAX Logistics and Marine Services Limited.

Fig xx: Group structure



Source: SIFAX, Cordros Research

The groups landmark achievements illustrate the organization and its subsidiary companies as industry leaders with a knack for excellence and customer satisfaction. Awards garnered include Best Corporate Organization with Solid Responsibility of the Year (2011), ECOWAS Export Company of the Year – SIFAX Shipping (2011), Best Shipping Company of the Year (2009 & 2010), and Airport Passenger Handling Company of the year – SAHCO (2009) among others.

SAHCO’s direct owner, SIFAX Shipping Company Limited, is based in Lagos, Nigeria and is a provider of shipping services – ship agency, ship husbandry, protective agency/owners’ representation, crew change and groupage. It operates as a subsidiary of SIFAX group.

Appendix 7. *Capital structure.*

SAHCO had total assets of NGN14.54 billion as at end-2017 while total liabilities stood at NGN9.04 billion. Both had grown at 7% and 2% CAGR respectively between 2013 and 2017. Shareholders' funds as at end-2017 was NGN5.50 billion, with 19% CAGR from 2012.

Fig 19: Capital structure (NGN'bn)

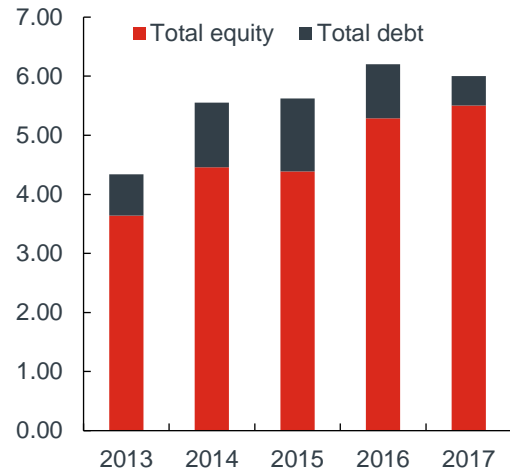
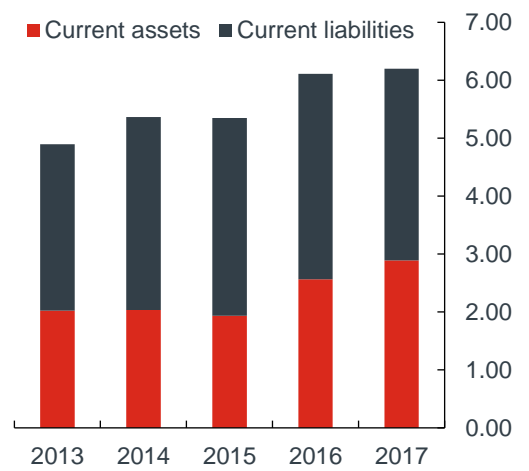


Fig 20: Working Capital (NGN'bn)

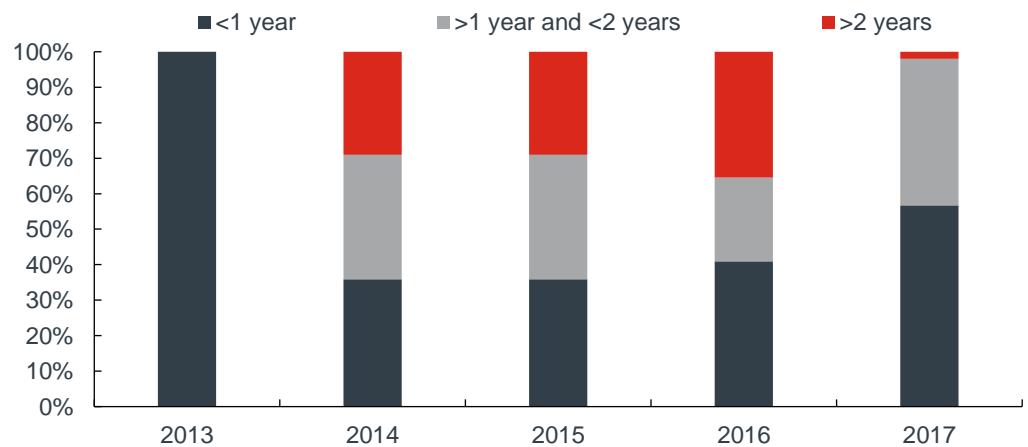


Source: Company accounts, Cordros Research

SAHCO funds working capital and capex through equity and borrowings. The company has not raised equity capital since privatization in 2009.

The total indebtedness of the company as at end-December 2017 was NGN498.69 million, composed 100% of local currency loans.

Fig 21: Debt maturity profile (NGN'mn)



Source: Company accounts, Cordros Research

26 November 2018

Given its conservative capital structure – net debt/equity ratio of -0.07x (2016: 0.09x), low net debt/EBITDA ratio of -0.42x and good interest coverage (1.9x) – and short debt maturity profile, SAHCO has capacity to take on additional borrowings to finance capital expenditure and expansion.

Disclosures.

Analyst:

Opeyemi Ani (opeyemi.ani@cordros.com)

Analyst's Certification and Disclaimer

The research analyst(s) whose name(s) appear(s) on the cover of this report certifies (y) that:

- (1) all of the views expressed in this report accurately reflect his or her personal views about any and all of the subject securities or issuers;
- (2) no part of any of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst(s) in this report; and
- (3) all analysis made by the analyst(s) were in good faith and the views expressed reflect their opinion, without undue influence or any intervention.

Rating Summary & Definitions

Cordros Capital uses the following rating system:

BUY (OVERWEIGHT) - Over the next twelve months, we expect the stock to return at least 20% above the current market price.

HOLD (NEUTRAL) - Over the next twelve months, we expect the stock to range between <-10% and <+20% from the current market price.

SELL (UNDERWEIGHT) - Over the next twelve months, we expect the stock to be more than 10% below the current market price.

Important Disclosure

This document has been issued and approved by Cordros Capital (Cordros) and is based on information from various sources that we believe are reliable. However, no representation is made that it is accurate or complete. While reasonable care has been taken in preparing this document, no responsibility or liability is accepted for errors or fact or for any opinion expressed herein. This document is for information purposes only. It does not constitute any offer or solicitation to any person to enter into any trading transaction.

Investments discussed in this report may not be suitable for all investors. This report is provided solely for the information of Cordros clients who are then expected to make their own investment decisions. Cordros conducts designated investment business with market counter parties and customers and this document is directed only to such persons. Cordros accepts no liability whatsoever for any direct or consequential loss arising from any use of this report or its contents. This report is for private circulation only and may not be reproduced, distributed or published by any recipient for any purpose without prior express consent of Cordros. Users of this report should bear in mind that investments can fluctuate in price and value. Past performance is not necessarily a guide to future performance.

Cordros and/or a connected company may or may not have a relationship with any of the entities mentioned in this document for which it has received or may receive in the future fees or other compensation. Cordros is regulated by the Securities and Exchange Commission to conduct investment business in Nigeria.