



Maintaining Resilience, Sustainability, and Growth in a trying Economy

22nd National Lease Conference

November 2024





The world is Volatile, Uncertain, Complex and Ambiguous (VUCA)

Russia-Ukraine

US Elections

Ransomware

Israel-Hamas

COVID Returns?

China- Taiwan

Monkey Pox

Green Energy

More than **70**

Countries of world will hold and complete elections including 19 African Countries (2024)

560 million

Customer records leaked online in Ticketmaster cyber-attack (2024)

\$1.1bn

Total value extorted by ransomware attackers (2023)

97.7

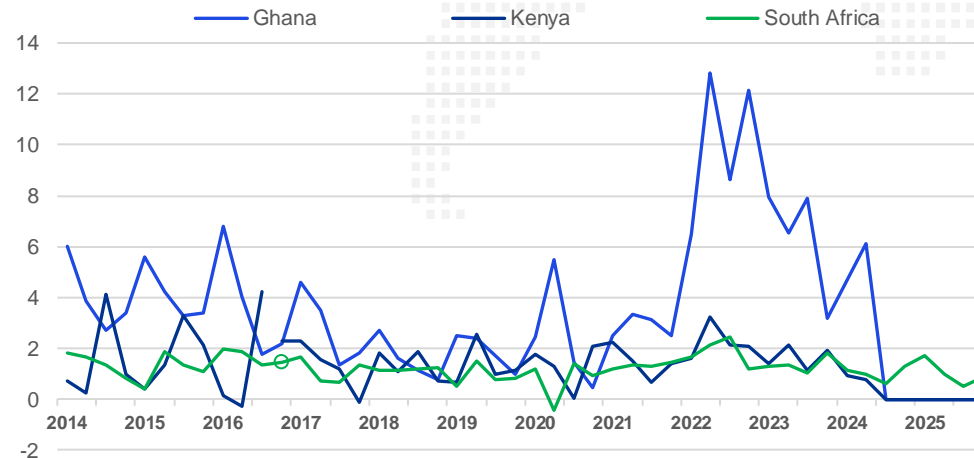
Global energy price index (Oct 2024)

Net Zero

Emissions reduction by 2040

Varying inflationary challenges continue to significantly impact prices and consumer welfare

Consumer prices (% change period-on-period)



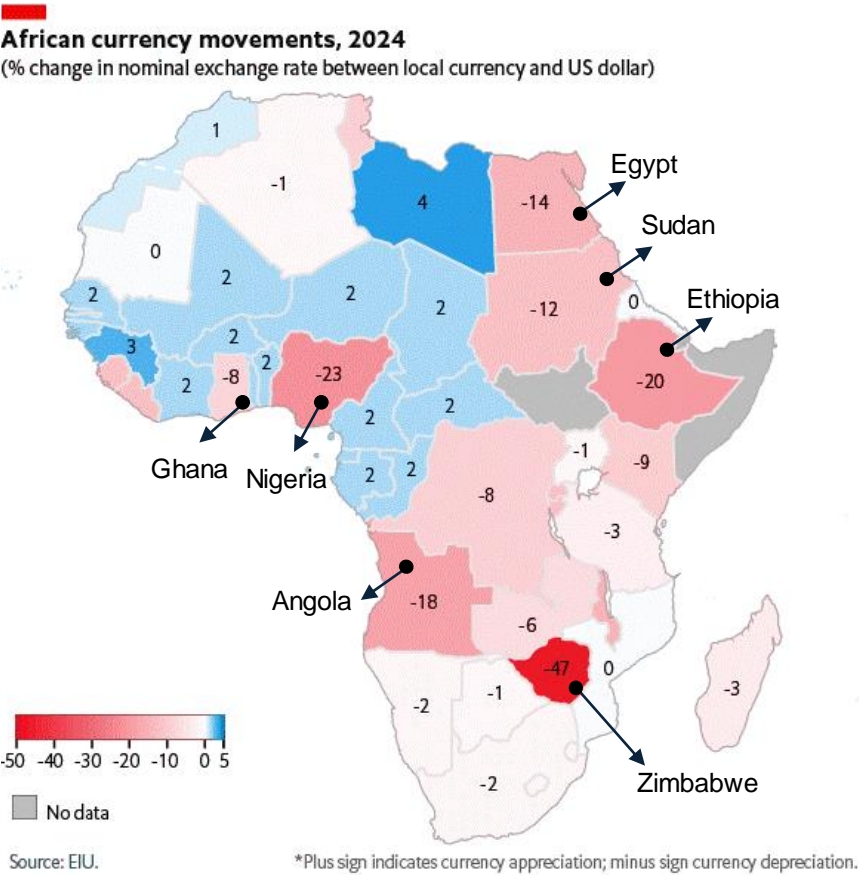
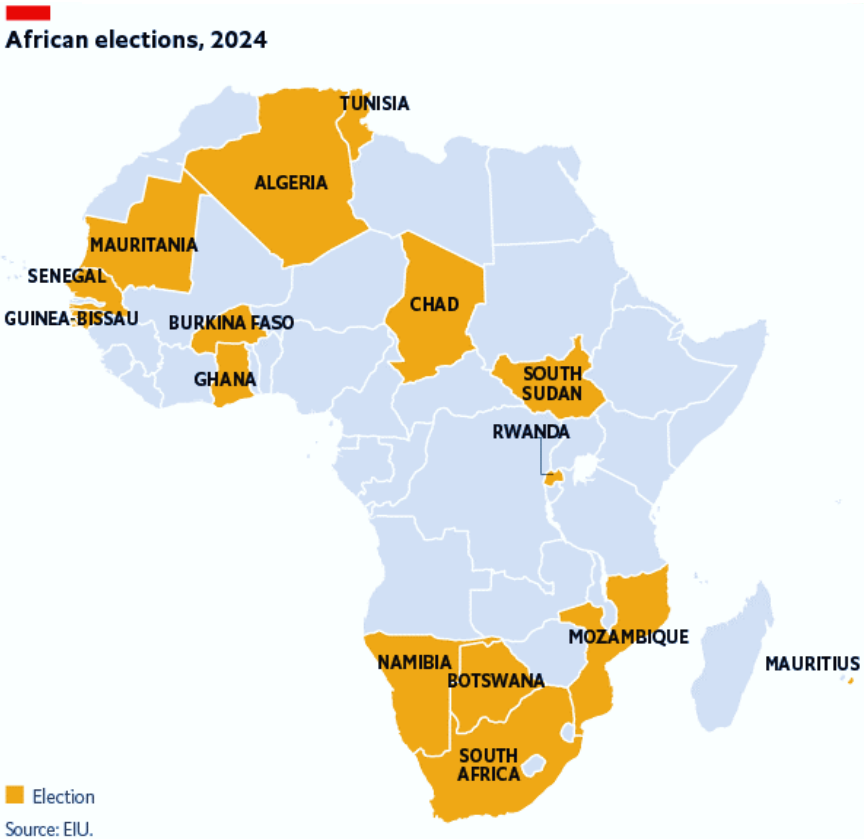
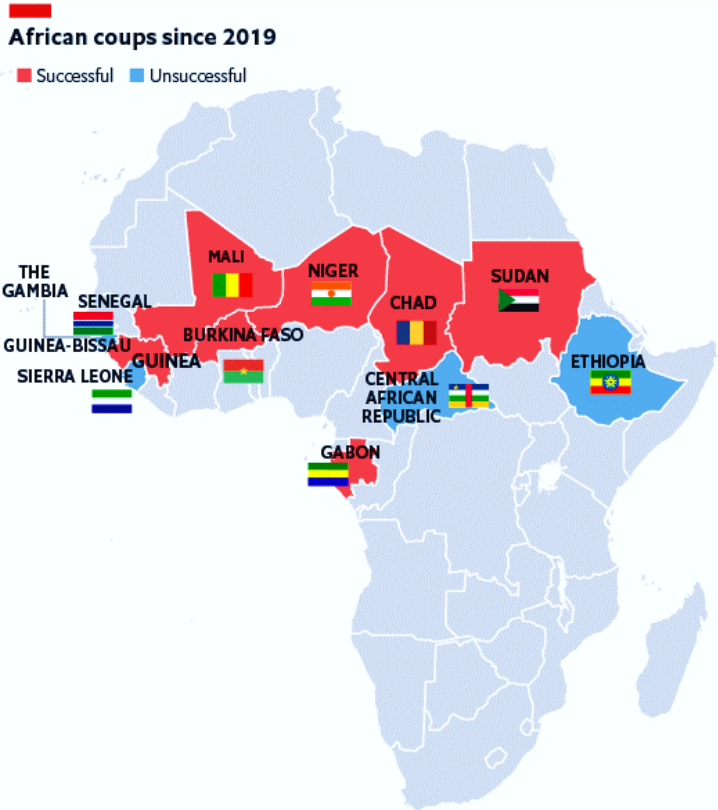
Artificial Intelligence & Generative AI

- Emerged as a transformative force in the modern business landscape
- Leveraging AI technologies, we have the potential to unlock a wealth of opportunities
- Optimise decision-making, and gain competitive edge
- Big Data will be central to driving advances in Artificial Intelligence

Sources: EIU, Haver, Chainanalysis, WorldBank



Africa, too, faces significant political, economic and social volatility



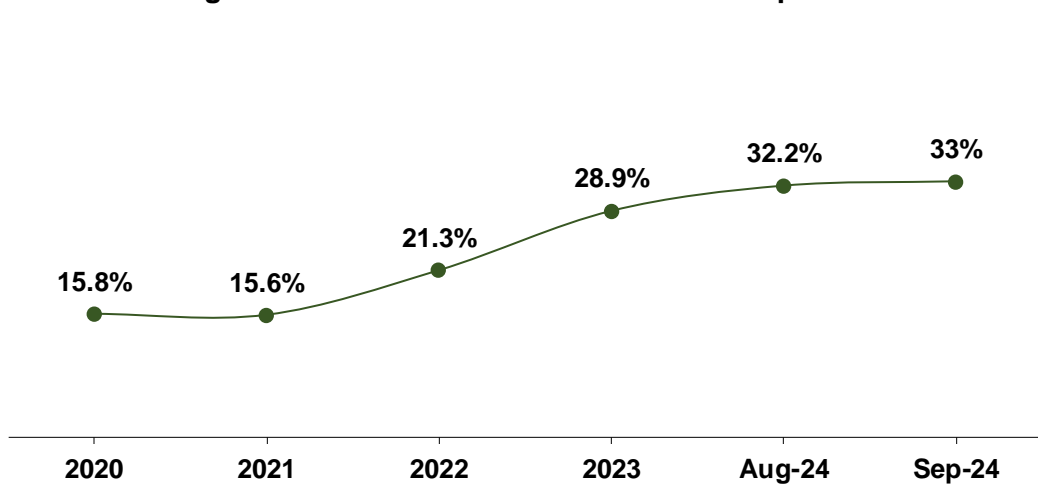
Coups and regional destabilisation are causing higher levels of displacement across borders and poverty

...election cycles elevate political risk

- Sustained high inflation
- Rising cost of living
- Reduction in household purchasing power

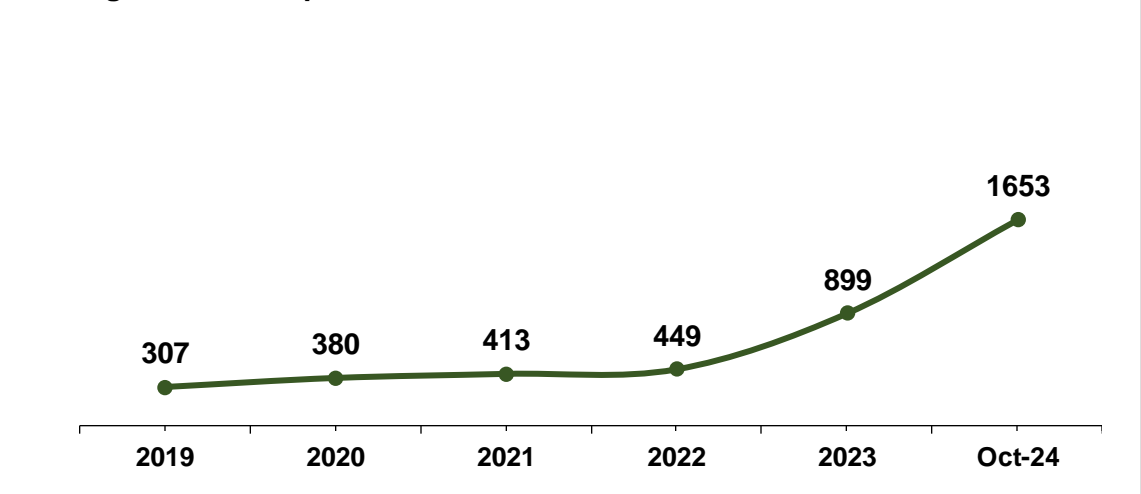
In Nigeria, the macroeconomic environment is particularly volatile reacting to both global and local pressures...

Inflation has surged from 11.4% in 2019 to 32.7% as of September 2024



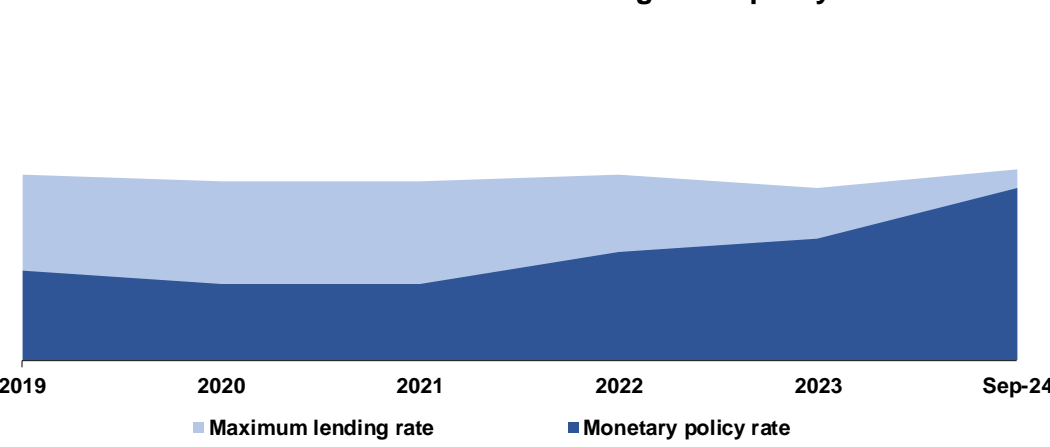
Average headline inflation

Exchange rate has depreciated to c.N1650/US1 from 307 in 2019



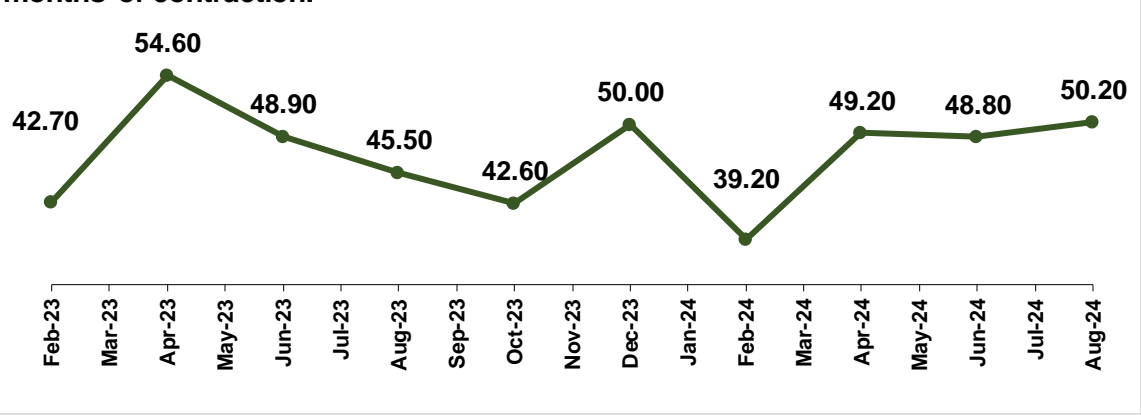
Exchange rate (NGN/\$)

CBN has raised the MPR thirteen times between April 2022 and September 2024 in an effort to control inflation and manage FX liquidity



Maximum lending rate vs Monetary policy rate (MPR)

The composite PMI for August 2024 stood at 50.2 index points, indicating an expansion in economic activities for the first time after thirteen consecutive months of contraction.



Purchasing manager's index (PMI)

The instability has a direct impact on businesses in Nigeria...



Increased **difficulty in pursuing expansion strategies** due to higher cost of borrowing for CAPEX



Low GDP per capita will continue to impact **pricing and retail market penetration**

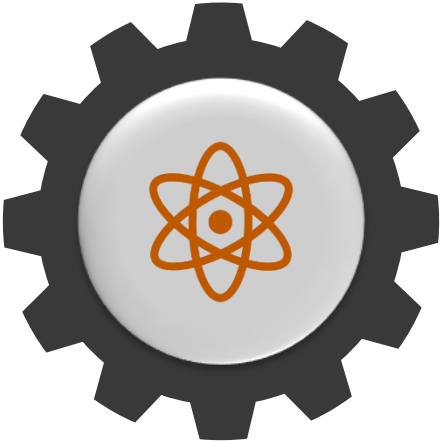


Increased focus on risk management **to manage costs and risks** from technology investments

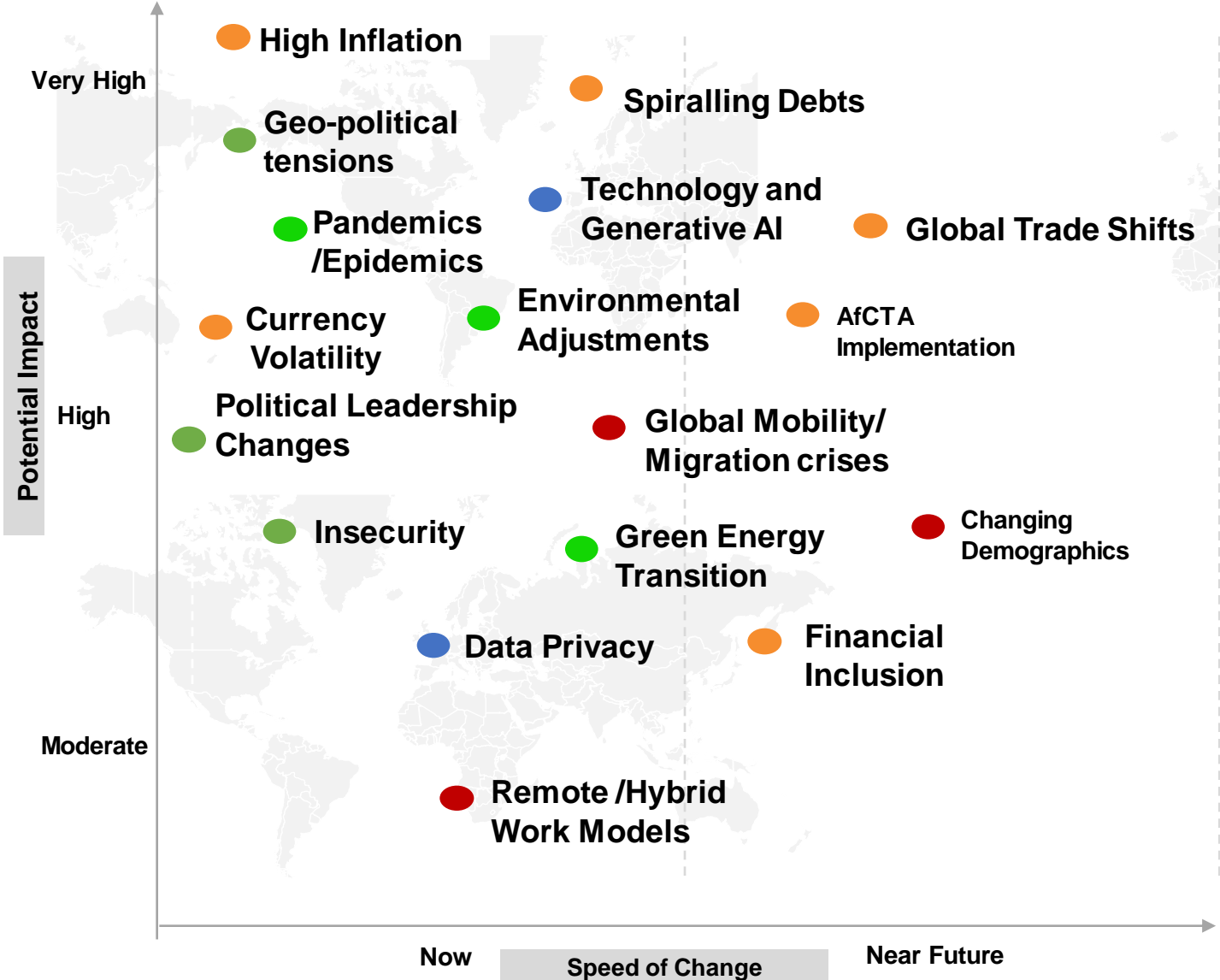
Potential **decline in business profitability** due to pressured revenue growth and increased cost of operations



Expected **reduction in spending** due to decline in customers' disposable income



How long should we expect this VUCA operating environment to last?



The VUCA environment is perennial and part of our “normal” course of business. Only resilient and adaptable business will thrive.

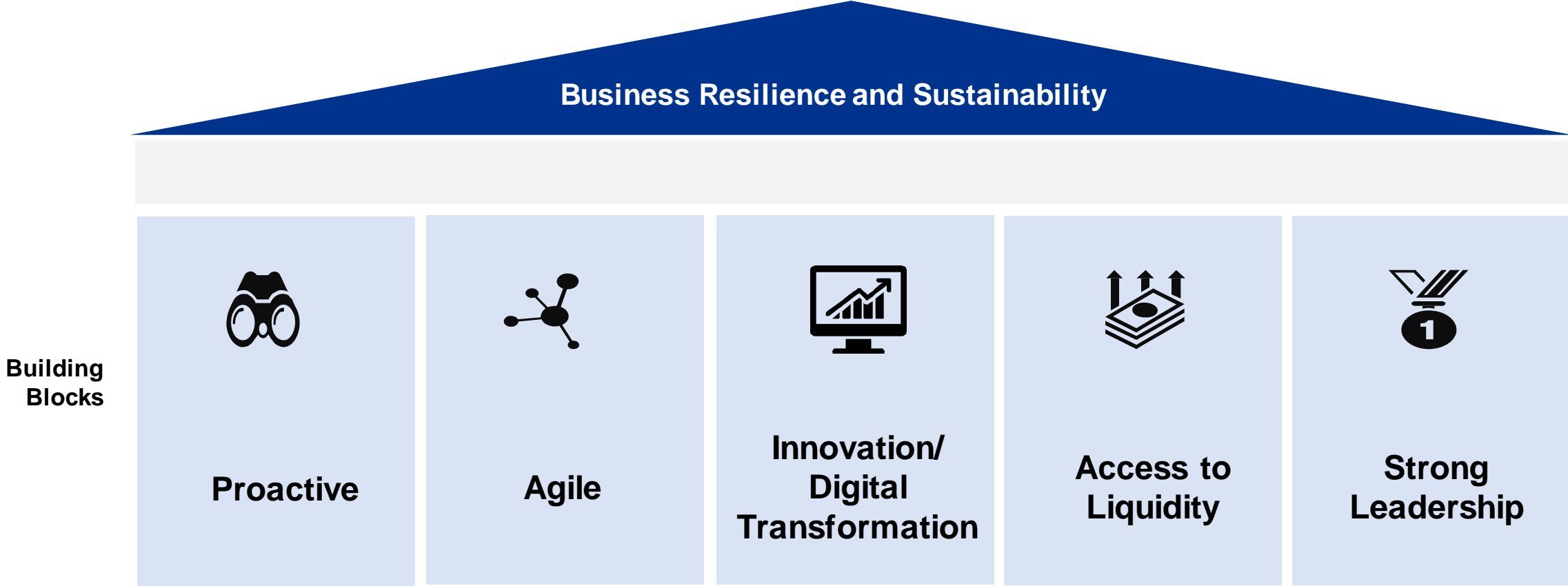
In light of the prevailing circumstances, businesses are on the verge of making crucial decisions...

Should we stay?

Should we exit?

How resilient and sustainable is your business?

For businesses to be resilient and sustainable, they must focus on the following building blocks



These core principles will drive strategic solutions to navigate economic headwinds

Be PROACTIVE

- Anticipating potential challenges and taking steps to mitigate risks before they escalate.
- Strategic planning and timely decision-making.

Case study

Indorama proactively secured their gas supply chain by part financing an acquisition of a gas rich asset in the Oil and gas industry



Be AGILE

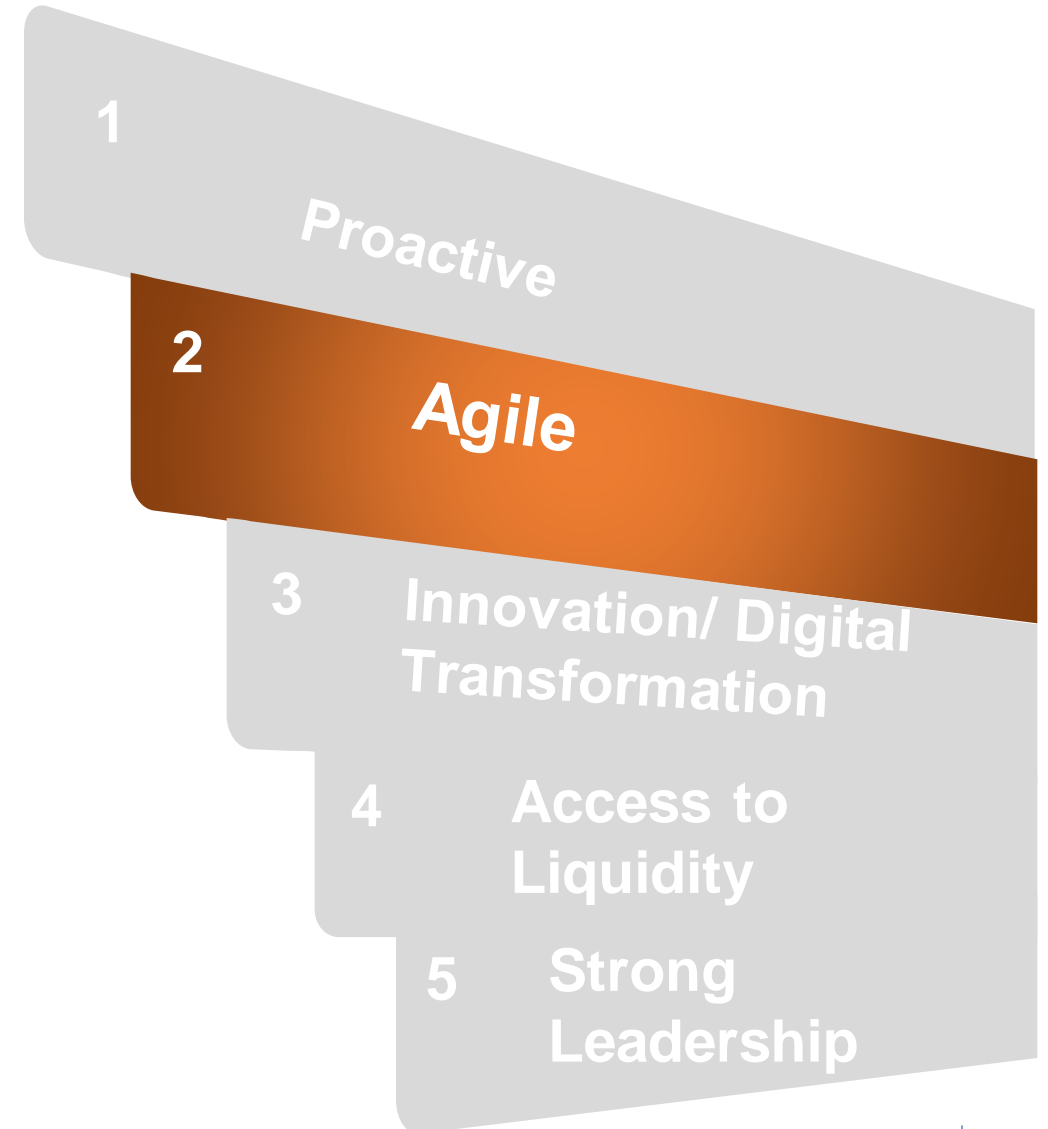
- Adapting quickly to changes in the market or environment
- Pivot quickly, rapid response

Case study



i.e Flour mills responded by making strategic pricing adjustments to mirror market realities

+ New category launches (e.g., Choco Spread, Goat Pepper Soup noodles, Mayonnaise product, etc.)

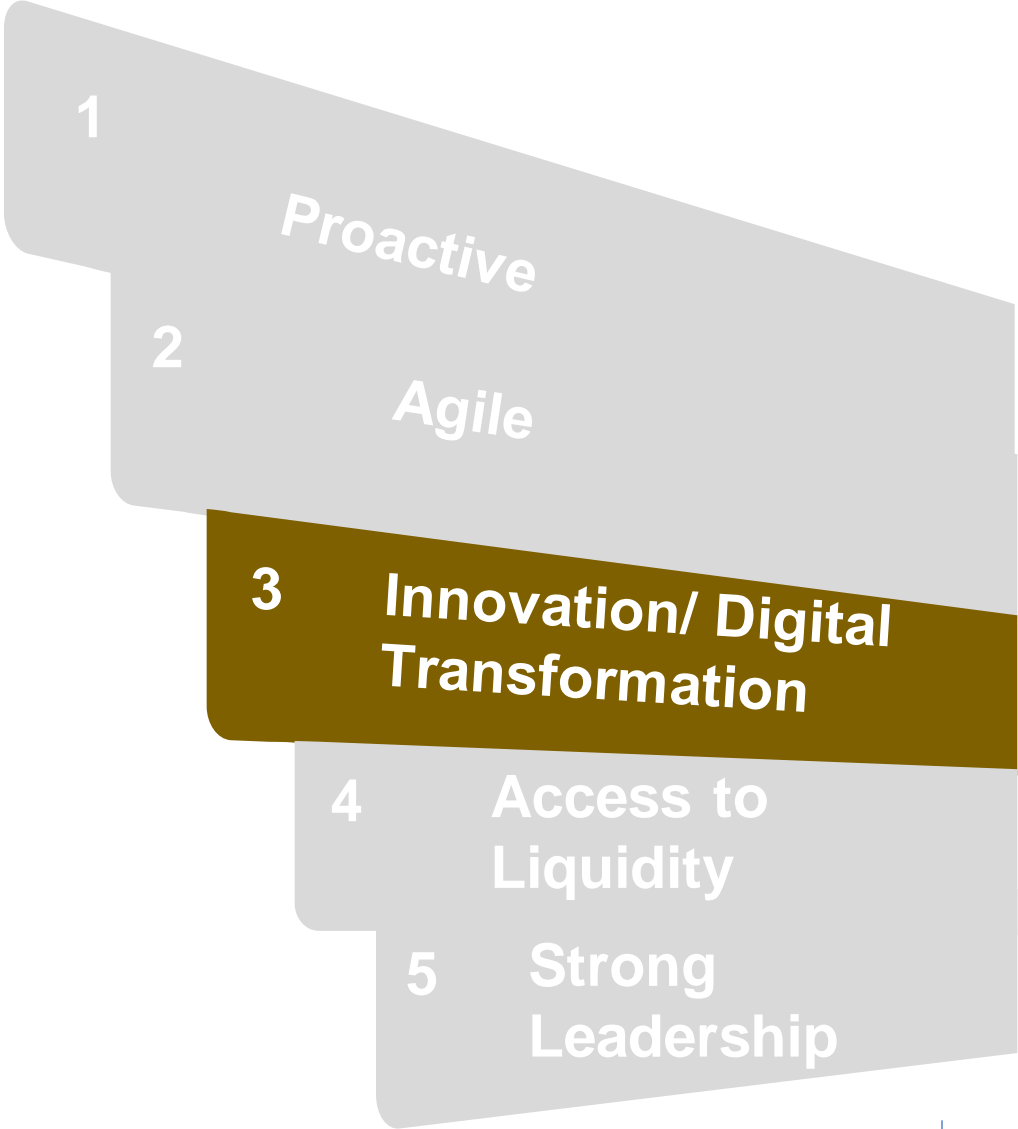


Be INNOVATIVE AND DIGITALLY TRANSFORMED

- Innovation and digital transformation to improve client experience, streamline operations
- Digital solutions to change how value is delivered.

Case study

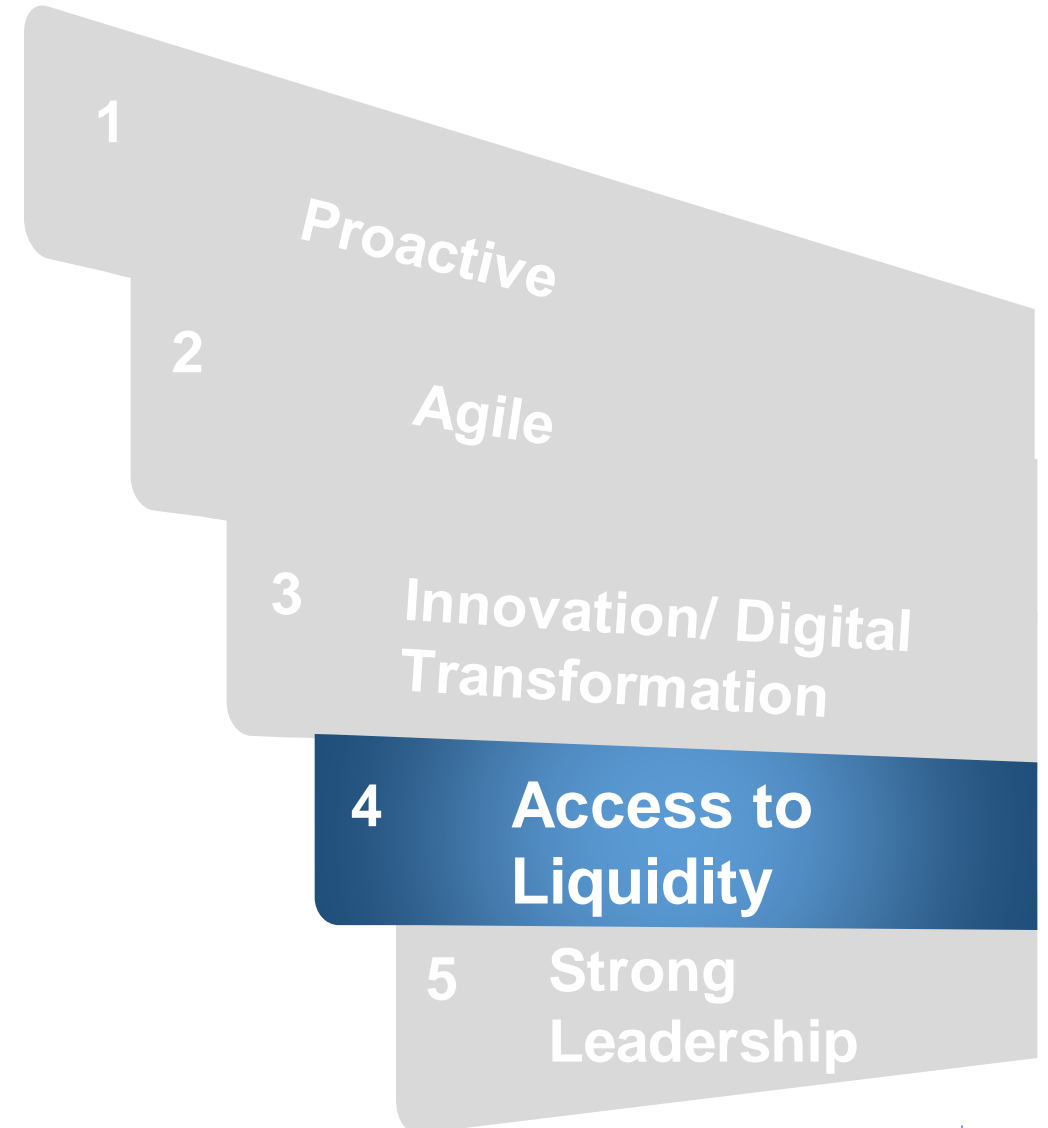
Faced with reduced foot traffic and customer hesitancy to visit physical stores, Shoprite in South Africa launched an e-commerce platform and a mobile app to enable online grocery orders and deliveries



- **Possessing sufficient cash flow or financial resources to meet short-term obligations, asset acquisition, portfolio expansion**

Case study

A number of companies have issued short term financial instruments to raise liquidity in the capital market



Be a STRONG LEADER

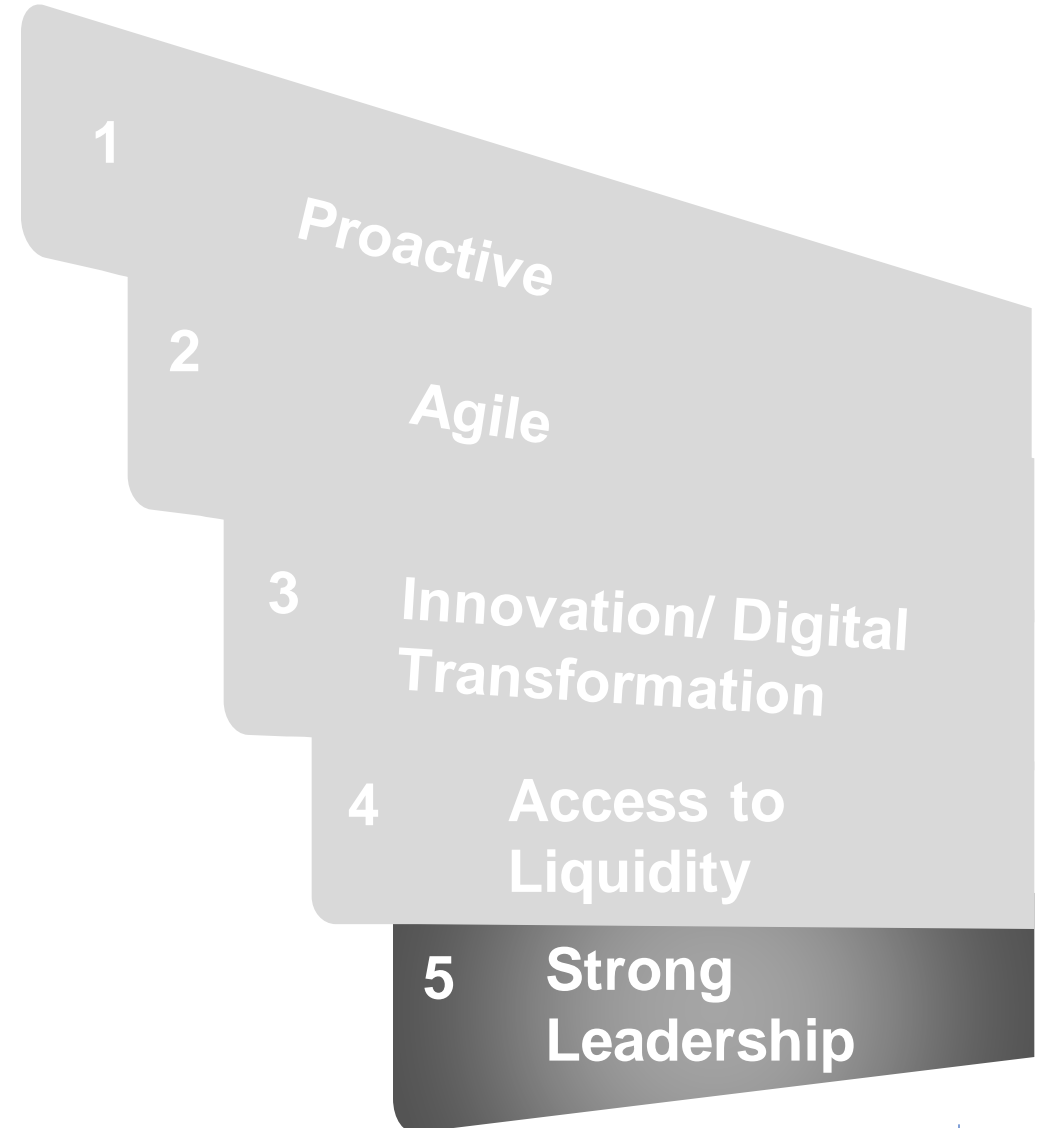
- **Effective decision-making, communication, and the ability to inspire and guide through challenges**
- **Ensuring compliance and fostering client trust.**

Case study



i.e Dangote cement has a strategic board composition with strong government relations.

+ Increased focus on succession planning and implementation roadmap



Strategies for tough economic times^{1/2}

Response tactics by businesses in Nigeria

CUSTOMER FIT

★ Product or variant diversification

★ Domestication of supply chain

★ Variation on product SKUs/ introduction of affordable sizes

★ Aggressive partnerships with logistics firms

INTEREST RATES

★ Issuance of commercial papers

★ Refinancing short-term loans

★ Raising equity to defray high-interest loans

★ Prioritising steady cashflows and high liquidity

INFRASTRUCTURE

★ Alternative power/ green energy

★ Energy-efficiency initiatives

★ Hybrid energy systems

★ Infrastructure Tax Credit Scheme

★ Targeted CSR Initiatives

Strategies for tough economic times^{2/2}

Response tactics by businesses in Nigeria

FX

★ **Dynamic pricing strategies**

★ **Adoption of forward contracts**

★ **Expanding into new geographies (foreign markets)**

★ **Diversified customer base/customer acquisition (i.e., local and foreign/multinational clients)**

TALENT

★ **Special work arrangements (intelligent, hybrid, cross-border, etc.)**

★ **Agile talent management (e.g., freelancers, independent contractors, retainerships, etc.)**

★ **Equal emphasis on employee engagement and compensation/benefits**

★ **Accelerated learning and development programmes, in tandem with active succession planning initiatives**

REGULATORY ENVIRONMENT

★ **Robust risk management framework**

★ **Scenario-based and contingency planning**

★ **Diversifying geographical presence and sector operations**

★ **Restructuring (e.g., transitioning into a Holdco and listing on a foreign stock exchange, etc.)**

Thank you!

Q&A