Doing Business in Nigeria: Creating Wealth from Opportunities in Africa’s Largest Market

- Phillips Oduoza
  GMD/CEO UBA Plc
OUTLINE

- Why Nigeria?
- Emerging Opportunities
- Parting Shot
“If a window of opportunity appears, don't pull down the shade“

- Tom Peters
Nigeria is one of the key markets behind the “African Growth Story”

**African Growth Story**

- Collective GDP of about $1.6tr roughly the size of India. Projected to rise to $2.6tr by 2020
- $860bn in 2008 in combined consumer spending rising to $1.4tr in 2020
- 128m households with discretionary income by 2020
- 52 cities with a population of more than 1m people with 50% of Africans living in cities by 2030

**Key Facts About Nigeria**

- Nigeria has the largest population in Sub-Saharan Africa at 160m and accounts for 18% of the continent’s total population
- South Africa’s and Nigeria’s GDP in nominal prices comprised over 50% of total SSA’s GDP
- Rebasing of Nigeria’s GDP this year will further emphasise its significance on the continent
- Biggest oil exporter in Africa, with the largest natural gas reserves in the continent

Any investor serious about Africa has to play in Nigeria

Source: McKinsey Global Institute – Lions on the Move, World Bank
A testament to Nigeria’s potential was its selection by Goldman Sachs as one of the “Next 11” countries which similar to the BRICs could have an impact on the global economy.

“In fulfilment of its potential, Nigeria has embarked on its bold Vision 20:2020

“By 2020, Nigeria will have a large, strong, diversified, sustainable and competitive economy that effectively harnesses the talents and energies of its people and responsibly exploits its natural endowments to guarantee a high standard of living and quality of life to its citizens.”

Specifically, Vision20:2020 seeks to ensure we become one of the 20 largest economies in the world by 2020 with an overarching growth target of no less than $900 billion in GDP and a per capita income of no less than $4,000 per annum.

The Nigerian economy is projected to grow by 7%-8% in 2012 ahead of the 5.5% projected for Sub-Saharan Africa driven by growth from the Non-Oil Sector.

As one of the largest and fastest growing markets in Africa, Nigeria cannot be ignored.
WHY NIGERIA? (5/5)

- Whilst globally renowned for Oil & Gas, it only accounts for about 14% of Nigeria’s GDP with Agriculture accounting for 44% signifying the extent of other opportunities open to investors as the country seeks to create a more diversified economy.

GDP Sectoral Contribution Q3’2011

GDP Sectoral Growth Q3’2011

Source: National Bureau of Statistics
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"The best time to plant a tree is twenty years ago. The second best time is now."

- African Proverb
The Federal Government has embarked on reforms of key sectors of the economy with the multiplier effect of the linkages between them in terms of job creation and increased consumer spending being significant.

- Sectoral Linkages -

**OIL AND GAS**
- Gas Supply to Power Plants

**POWER**
- Reduces Cost of Production
- Supply of Alternative Energy e.g. Bio Diesel

**AGRICULTURE**
- Supply of Raw Materials
- Easier Route to Market

**MANUFACTURING**
- Efficient Logistics

**INFRASTRUCTURE**
Agriculture is one of the most significant opportunities in Nigeria as the government seeks to reverse current importation focus and low yield to encourage efficient domestic production.

Nigeria has a land area of 98.3m ha of which 74m ha is arable and less than half is being utilised indicating significant opportunity for growth.

Source: Central Bank of Nigeria, Food and Agriculture Organisation

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Several reforms being implemented in the area of Agriculture seek to enable the country to actualise this potential.

**Dominance of Food Imports**
Government intends to raise the duty charged on imports of wheat and rice in July 2012 to reduce their attractiveness.

**Low Lending to the Agricultural Sector**
The CBN through its Nigerian Incentive based Risk Sharing for Agriculture Lending (NIRSAL) seeks to increase lending to the agricultural sector by an additional $3bn within 10 years.

**Participation of the private sector**
Change in philosophy were agriculture is run as business with private sector involvement as opposed to a development project driven by government.

**Focus on building value chains for crops**
Focus on transforming value chains for crops were Nigeria has a distinct advantage such as rice, cassava, sorghum, cocoa and cotton covering farming, storage, logistics, processing etc.
Power generation is planned to increase by 146% by 2020 as the government begins the implementation of reforms in the power sector.

Low Generating Capability

- Generation Forecast in MW -

Annual industry revenues across generation, transmission and distribution is expected to reach to $7.5bn in 2020 once reforms are implemented.
### EMERGING OPPORTUNITIES (6/13)

- **Power**

- **The implementation of these reforms are already underway…..**

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<th>Liquidation of PHCN</th>
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<td>FG has taken the critical 1st step of liquidating the PHCN in January 2012 setting the stage for the implementation of reforms</td>
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<th>Sale of PHCN Constituent Coys</th>
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<td>Announcement of preferred bidders for the 17 successor companies is expected in Quarter 3 2012</td>
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<th>PHCN Liabilities</th>
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<td>Establishment of the Nigerian Electricity Liability Management Company to absorb the liabilities of constituent PHCN companies estimated at about $2bn</td>
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<th>Credit Worthiness of Counterparties</th>
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<td>- Establishment of the Nigerian Bulk Electricity Trading Company under the chairmanship of the Minister for Finance</td>
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<td>- Will enter into Power Purchase Agreements with GenCos on behalf of Discos</td>
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<td>- Will be guaranteed by the Federal Government and other international partners</td>
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<th>Unprofitable Tariff Structure</th>
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<td>Implementation of the proposed Multi-Year Tariff Order (MYTO) which will result in an increase in electricity rates between 50% - 100% later on this year</td>
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The Oil and Gas industry is set to witness significant activity this year with increased participation as the FG seeks to increase domestic participation in the industry and conclude all outstanding regulatory issues.

- Industry Headlines -

- Passage of the Petroleum Industry Bill (PIB) thereby providing the certainty required to spur additional investment

- 2012 budget targets Oil Production to reach 2.5mbpd

- Proven oil reserves of 37.2bn barrels as at 2011

- New Oil Licensing Round planned for later this year

- Acquisition of On-Shore Assets of IOCs by Indigenous Player e.g. First Hydrocarbon Nigeria (FHN) owned by Afren bought a 45% stake in OML 26 jointly owned by Shell, Total and Eni

- Implementation of Local Content reforms to increase domestic participation in the Nigerian industry e.g. domestic fabrication of platforms, utilisation of local steel pipes amongst others

- Implementation of the Gas Master plan will enable the country commercialise its current gas reserves of 188 trillion cubic feet (potential estimated to be 600 trillion cubic feet)
Increased focus on resolving infrastructure challenges provides financing opportunities to willing investors as estimates indicate Nigeria needs $12bn - $15bn annually to plug its infrastructure gap.

- High Vehicular Traffic -

- Poor Quality Roads -

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<th>Pre - 2003</th>
<th>2007</th>
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<td>Collapsed</td>
<td>50%</td>
<td>35%</td>
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<tr>
<td>Poor</td>
<td>35%</td>
<td>30%</td>
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<tr>
<td>Good</td>
<td>10%</td>
<td>20%</td>
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<tr>
<td>Very Good</td>
<td>5%</td>
<td>15%</td>
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Sources: ICRC, FERMA

Lekki Toll Road

Opportunities exist for concessioning of roads and financing construction.

Abuja Rail

Alternative modes of transportation apart from roads are being developed.

MMA2

Construction and concessioning opportunities exist to meet increasing demand for air travel.
Nigeria possesses 34 Solid Minerals located in more than four hundred and fifty sites across the country which will be of interest to investors. The Government is offering waivers and import duty on plant and machinery, tax holidays and concessions to encourage investment in this area.

**Coal**
Proven are about 639 million metric tones while the inferred reserves sum up to 2.75 billion metric tones located in more than 22 Coalfields in 13 states.

**Iron Ore**
Proven deposits of 3bn tonnes

**Bitumen**
Proven deposits of 27bn barrels

**Gold**
Proven deposits of 600,000 ounces with exploration activities still ongoing

**Others**
Other notable minerals include:
- Lead
- Zinc
- Silver
- Manganese
- Granite
- Marble
- Limestone
- Talc

Source: Ministry of Mines and Steel Development
Following the successful growth of the telecoms industry, focus now shifts from “Voice” to the opportunity in “Data”

- Number of Mobile Subscribers (m) -

- Mobile Revenue $’m -

The government seeks to replicate this success by creating the “Digital Economy” and achieve the following by 2015:

- Increasing broadband penetration (currently at 3%-6%) to 12%
- Increase number of internet users to 70m (currently 33.6m)
- Increase computer ownership from to12 per 100 people from current 4.7
- Increase number of computers assembled in Nigeria to 1m (currently < 500k)

Source: Nigerian Communications Commission, Pyramid Research, Ministry of Communications Technology
The retail space in Nigeria is being transformed with the advent of modern trade targeting the emerging middle class showing significant opportunity for growth.

Increasing proliferation of shopping malls to match increasing sophistication of consumers.

Opened in 2009 and currently has less than 10 stores and plans to open another 20 stores in Nigeria this year. Currently has about 600 stores in South Africa.

See potential for growth in Nigeria to rival that in South Africa where it has 729 stores. Presently only has 3 stores in Nigeria and is embarking on an aggressive expansion campaign.

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Increasing level of commercial activity in Nigeria has spurned the expansion of hotels and growth in the hospitality sector with occupancy rates of between 80% - 85%.

- Expansion of the Sheraton hotels with the introduction of the 4-Points brand into Nigeria
- Entry into Nigeria of the Radisson brand which has already commenced expansion plans
- Intercontinental Hotels to open in Lagos in 2012
- Protea chain has 10 hotels in Nigeria and still expanding
Following the sales of loans to the Asset Management Company (AMCON), the balance sheet of Nigerian banks has been cleaned and their better able to support the transformation of the Nigerian economy

- Emerging Trends -

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<td>1</td>
<td>Improved Profitability and Stability with credit to the private sector expected to grow by 25-30%* this year</td>
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<td>2</td>
<td>Further mergers and acquisitions with the 3 AMCON owned banks to be sold and Tier II Banks being candidates for mergers/acquisitions in order to survive in an increasingly competitive market</td>
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<td>3</td>
<td>Transformation of Payments System following the implementation of the CBN’s Cashlite initiative to drive the use of electronic payments</td>
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<td>4</td>
<td>Emergence of new markets e.g. Power, Agriculture, Oil and Gas, Non- Interest Banking, Small and Medium Enterprises, Retail</td>
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<td>5</td>
<td>Transformation of the capital markets with emergence of bonds and innovative capital market products e.g. ETFs</td>
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<td>6</td>
<td>Increasing Specialisation and Focus following the review of the Universal Banking license by the Central Bank of Nigeria</td>
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Source: Renaissance Capital
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"Even when opportunity knocks, a man still has to get up off his seat and open the door."

- Anonymous
UBA Plc is Nigeria’s truly Pan-African Bank and is well positioned to assist you capitalise on such opportunities in Nigeria and the wider African continent.

**Our Mission**

To be a role model for African businesses by creating superior value for all our stakeholders, abiding by the utmost professional and ethical standards, and by building an enduring institution.

**UBA Plc.** is a leading full service financial services institution headquartered in Nigeria and operating in 18 other African countries as well as offices in the UK (London), US (New York) and France (Paris).

**Ownership Structure**

- **International investors:** 74%
- **Nigerian public:** 14%
- **Staff & Directors:** 12%

**International Stakeholders**

- IFC;
- AfDB;
- Monte Di Paschi Di Siena (Italian Bank)
Thank You.