



Investment Opportunities in Nigeria



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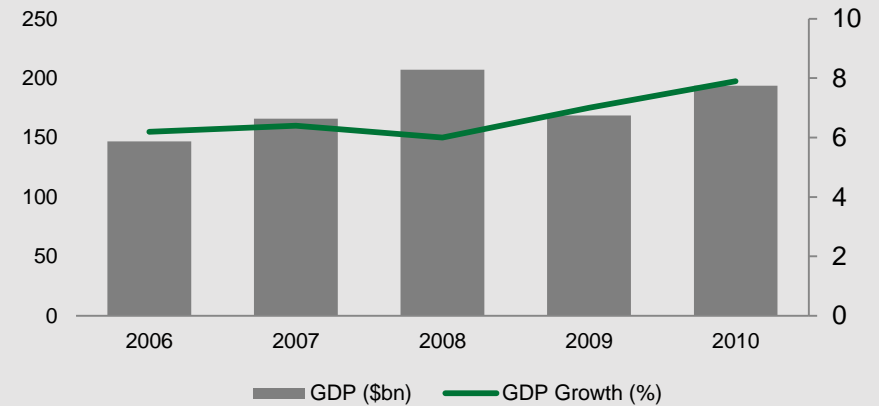
Nigerian Macroeconomic Summary

Nigerian Health Check: Macro Economic Overview

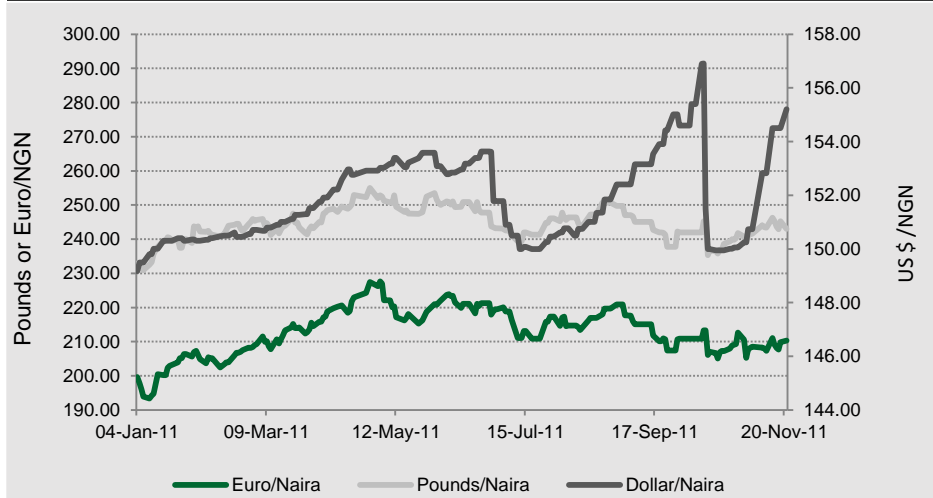
2011 Country facts

Population	167.0m	Goodluck Ebele Jonathan is the 3rd President of Nigeria's Fourth Republic. He was sworn in on May 6 th 2010 as acting President upon a declaration of ill health by Erstwhile president Umaru Musa Yar 'Adua. He was declared the winner of the 2011 Nigerian presidential election on April 18 th 2011 and is a member of the ruling People's Democratic Party (PDP)
Area	923,768 km ²	
Capital	Abuja	
Nominal GDP	US\$ 193.6bn	
Real GDP growth	7.9%	
GDP per capita	US\$ 1,222	
Credit rating ⁽¹⁾	BB- (outlook stable)	

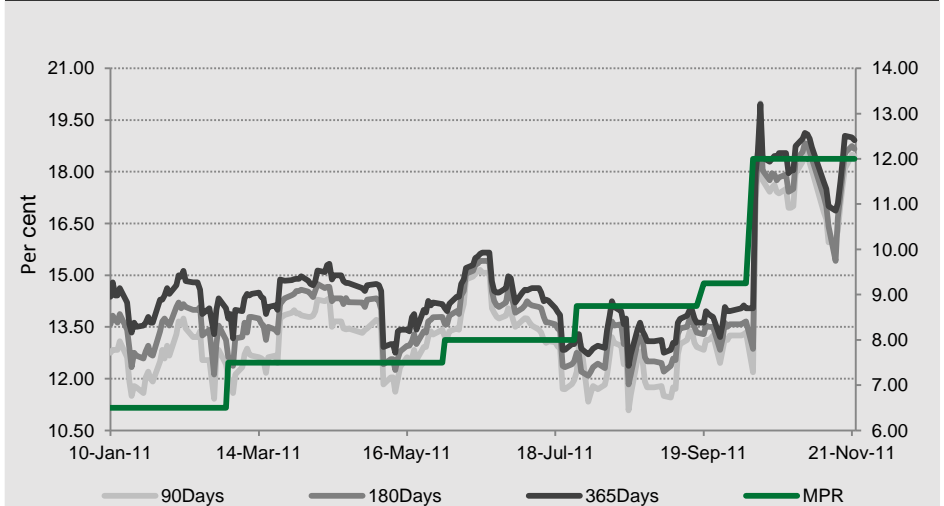
Gross domestic product



Exchange rate (Dollar, Sterling, Euro)



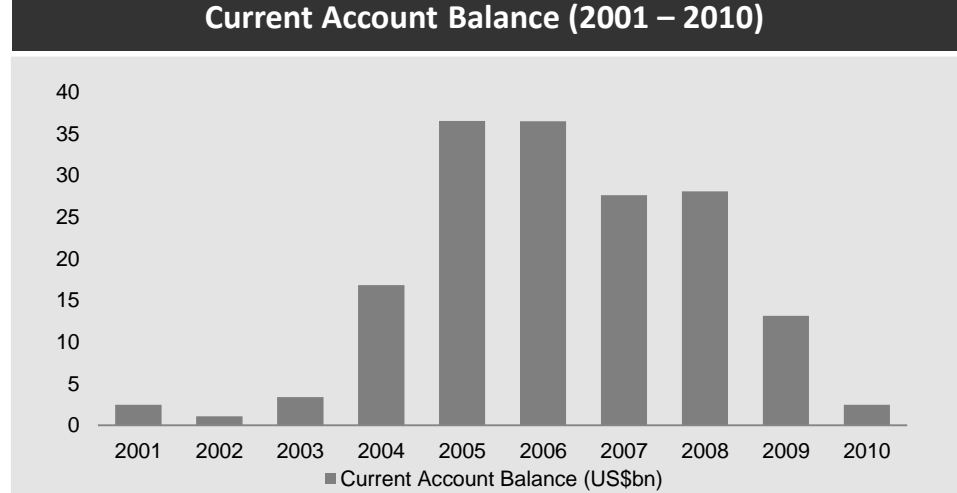
NIBOR (Unsecured) Vs MPR



Source: World Bank, Central Bank of Nigeria, FDHL Analytics,

Nigerian Health Check: Macro Economic Overview

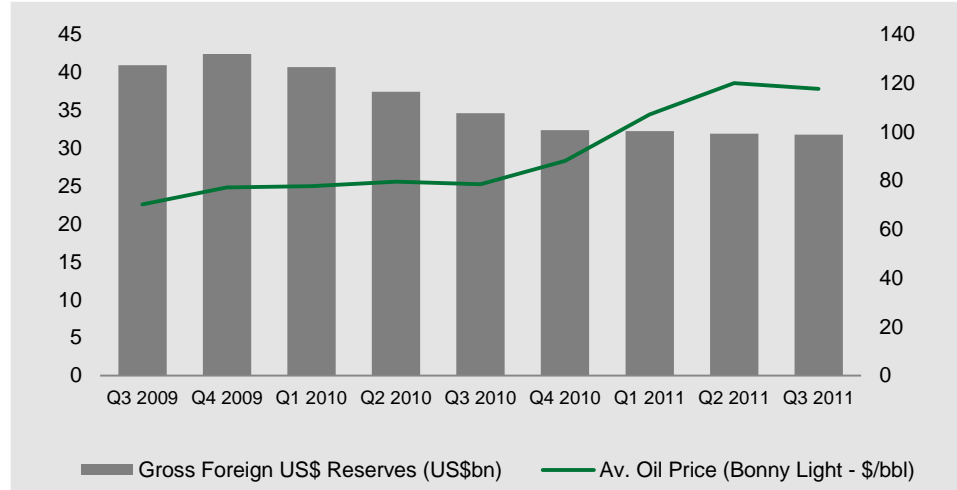
- Present current account movements suggest increasing pressures on the Naira, and indicate the probability that the CBN will continue protecting the currency to maintain policy FX stability,
- Based on the November 2011 Monetary Policy Committee meeting policy directives, in the near term the Nigerian currency is expected to remain relatively stable at between US\$150 and US\$160 in the WDAS, Interbank, and BDC.
- The above brings to light the fact that despite the opportunities within the economy there is still need for fiscal discipline on the part of the Federal Government, and risk (FX, Political, etc) awareness by investors.



Interbank Dollar Exchange Rate (YTD) – (Jan 11 – Nov 11)



Foreign Reserve Vs Oil Price (2009 – 2011)



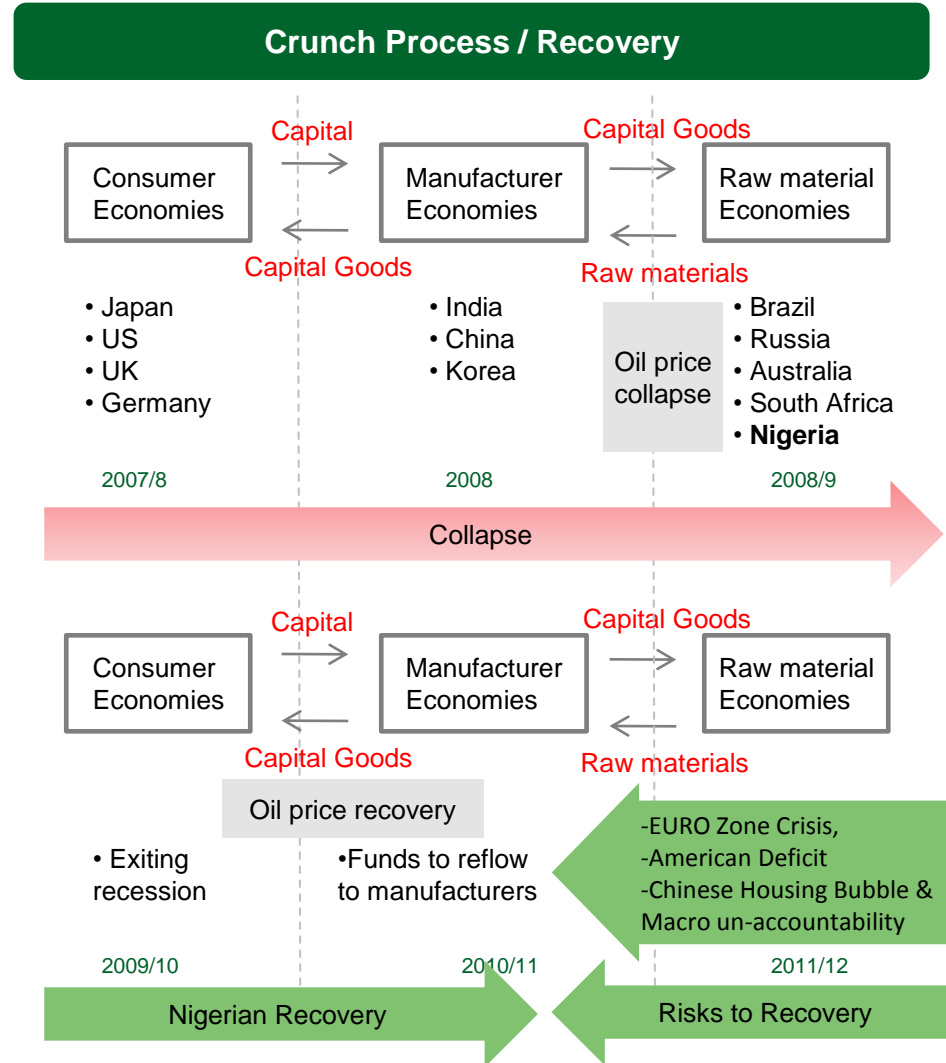
Source: International Monetary Fund, World Bank FDHL Analytics
Central Bank of Nigeria

Nigeria in a Global Context – Oil and Politics

- Nigeria produces 30% of the total oil production in Africa. Domestically, the oil sector accounts for over 35% of GDP, 95% of exports and 65% of government revenue.
- At the height of the Niger Delta disruption, Nigeria was estimated to have lost between 500,000 and 1million barrels per day.
- The successful Amnesty Programme championed by Nigeria’s late president, Umaru Yar’Adua, saw the recovery of production from as low as 1.2million bpd to 2.6million barrels per day.
- The oil price is driven by global economics (See diagram on right). Oil prices have been relatively high since late 2010, on average between US\$100-120, but have reduced recently. Based on this, the 2012 budget has been benchmarked on a price of US\$70/bb in the face of falling prices.
- There are still risks to the recovery in oil prices as a result of the deepening debt crisis in Europe, the American deficit, and the potential burst of the Chinese housing bubble.

Oil Production ↑ High	<ul style="list-style-type: none"> • Moderate political pressure • FX Reserves stable • NGN/US\$ FX stable 	<ul style="list-style-type: none"> • Low political pressure • FX reserves rising • NGN/US\$ FX strengthens
	<ul style="list-style-type: none"> • High political pressure • FX Reserves Falling • NGN/US\$ FX weakening 	<ul style="list-style-type: none"> • Moderate political pressure • FX Reserves stable • NGN/US\$ FX stable
	Low	High

Source: international Monetary Fund



Nigeria : The Facts

**A Tale of Reforms – Some Successful, Some not So Successful:
From 2005 to date, The Federal Government of Nigeria has implemented a program of wide-reaching market orientated reforms.**

MONETARY POLICY

This is focused on bringing down inflation, whilst maintaining a stable FX rate. The new Monetary Policy environment is based around an anchor rate (MPR) set by the Central Bank. A Wholesale FX Dutch Auction system is in operation alongside the interbank market . An informal parallel FX market also exists.

PRIVATISATION

Continuing in all major sectors of the economy and includes the award of 11 concessions at the Seaports, an Airport, decentralisation of the Power sector and sales of assets/ companies in a number of sectors. This is feeding through into State Governments, PPP initiatives and growing the private sector.

BANKING/ PENSION INDUSTRY

CBN stress tests and recapitalisation of banks carried out in 2009. Further reforms include creation of AMCON that has led to increased liquidity of banks and M&A activities taking place that should reduce number of DMBs to 20. Pension reforms which increase the investment pool in which Pension Funds can invest in Nigeria.

CAPITAL MARKETS (DEBT/ EQUITY)

The Nigerian Stock Market was one of the worlds best performing markets in 2006 and 2007. Persistent global markets weakness has also affected the local markets (LSE down 18.97% YTD). Bonds have come to the fore in this market, providing solid returns to risk averse local investors. Yields are currently at 14 – 16% (2 – 20 years).

AMNESTY PROGRAMME

As part of the Amnesty programme, a special Niger Delta ministry was created to address the core problems of the region – infrastructural development & building human capacity. Youths were also sent abroad for training and the first batch of graduates recently emerged from the training courses.

GOVERNMENT BUDGET

Fiscal Prudence. Development of Sovereign Wealth Fund. Rationalization of Government machinery. Security to take priority in 2012 budget with a reduction in recurrent expenditure set to commence. Budget based on US\$70/bb. Removal of Fuel subsidy imminent and funds realised applied to infrastructure building.

Current Indicators

More Positive Outcomes – Domestic Economy

- Economic reforms have impacted positively on the Nigerian economy. The World Bank projected GDP growth rate for Nigeria stands at circa 8%;
- Banking sector reform has forced innovation in financial services. The country presently has 11 licensed mobile money operators;
- Power sector reform is driving renewed interest in the Nigerian economy. US –EXIM signed a US\$1.5bn financing deal with the Federal Ministry of Power;
- Oil and Gas Industry reform is acting as a catalyst for increased participation of indigenous companies in the oil sector (mostly in partnership with foreign technical partners).

International Business Perception – International Trade

- + Enhanced international perception/market
- + Confidence is evidenced by the recent entry of Maurel et Prom, Legacy Hotels, Tiger Brands etc
- + Diaspora Remittances (US\$10bn as at 2010 – World Bank report) , ‘On lending’ for Multilateral Agencies, Bond Investments and a growing number of Guarantees and Grants.



Foreign Direct Investment

- Deepens connection to the global economy.
- Provides capital/ resources to fuel growth.
- Nigeria is set to be economic engine for the West-Africa sub-region.
- Economic growth to deliver MDG’s.

Local Funding Sources

There are numerous funding sources available in Nigeria, and indeed they correlate broadly with the investment routes into the market. Until recently, local funding was not attractive due to a combination of lack of funds, capacity and high interest rates.

TYPES

DEBT

- Local Banks – First Bank, Gtbank, FCMB, UBA, etc
- Foreign Banks – Standard Bank, BNP etc
- Multi-laterals – IFC, AfDB etc
- Foreign Funds – Ashmore, GLG, FMO, etc

GOVERNMENT AGENCIES/ CBN / PPP/ ALTERNATIVE

- Decline in oil income 2 years ago at the height of the Niger Delta violence brought PPP to the fore and Government sees this as the primary source of execution of infrastructure projects.
- States understand and are willing to contribute equity to projects.
- Government initiatives and agencies like BOI.
- CBN - **CBN/BOI - NGN300bn Power Fund, CBN NGN200bn Agric Fund.**
- Carbon and other alternative sources worth investigating.

EQUITY

- Private Equity (Actis, African Capital Alliance, Aureos Capital, Kingdom Zephyr, Carlyle, Standard Chartered PE etc)
- Banks: Participate through hybrids.
- Foreign funds: Ashmore et al
- Nigerian PFAs, and
- Capital Market (Private placements, Public Offers)

KEY TAKEAWAYS

- Liquidity available as AMCON has taken over NPLs; more companies and states taking advantage of bond market.
- Investors can de-risk by funding locally.
- Get the best advice on entry and explore alternative financial structures and sources.