



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

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- 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

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- ❑ **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**

## **"NEXT 11"**

Bangladesh

Egypt

Indonesia

Iran

**Nigeria**

Korea

Mexico

Pakistan

Philippines

Turkey

Vietnam

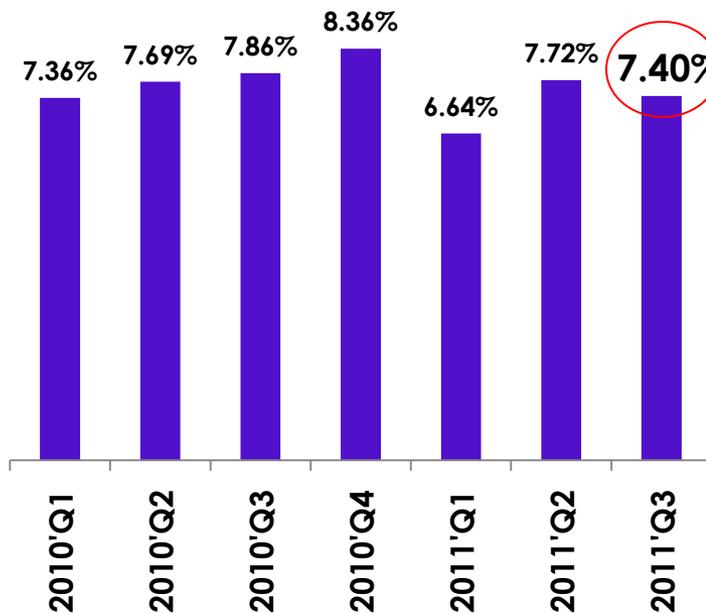
- **In fulfilment of its potential, Nigeria has embarked on its bold Vision 20:2020**

**"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."**

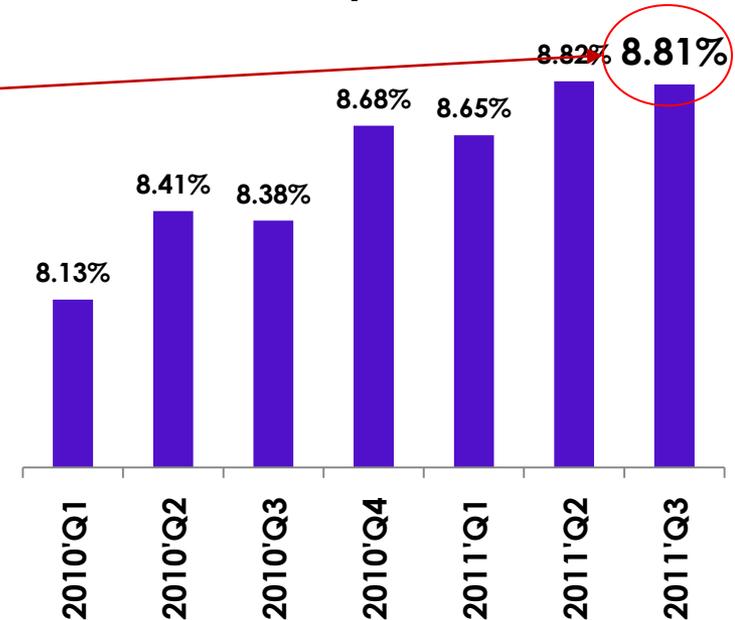
- **Specifically, Vision20:2020 seeks to ensure we become one of the 20 largest economies in world by 2020 with an overarching growth target of no less than \$900 billion in GDP and a per capita income of no less than \$4,000 per annum**

- ❑ 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

Quarterly GDP Q1'10 – Q3'11



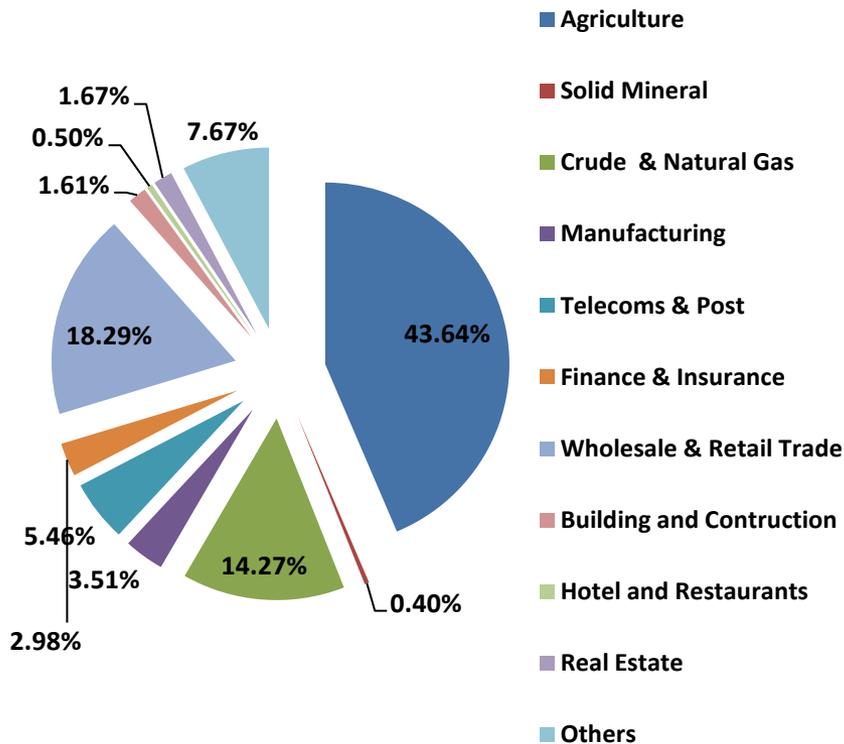
Non - Oil Quarterly GDP Q1'10 – Q3'11



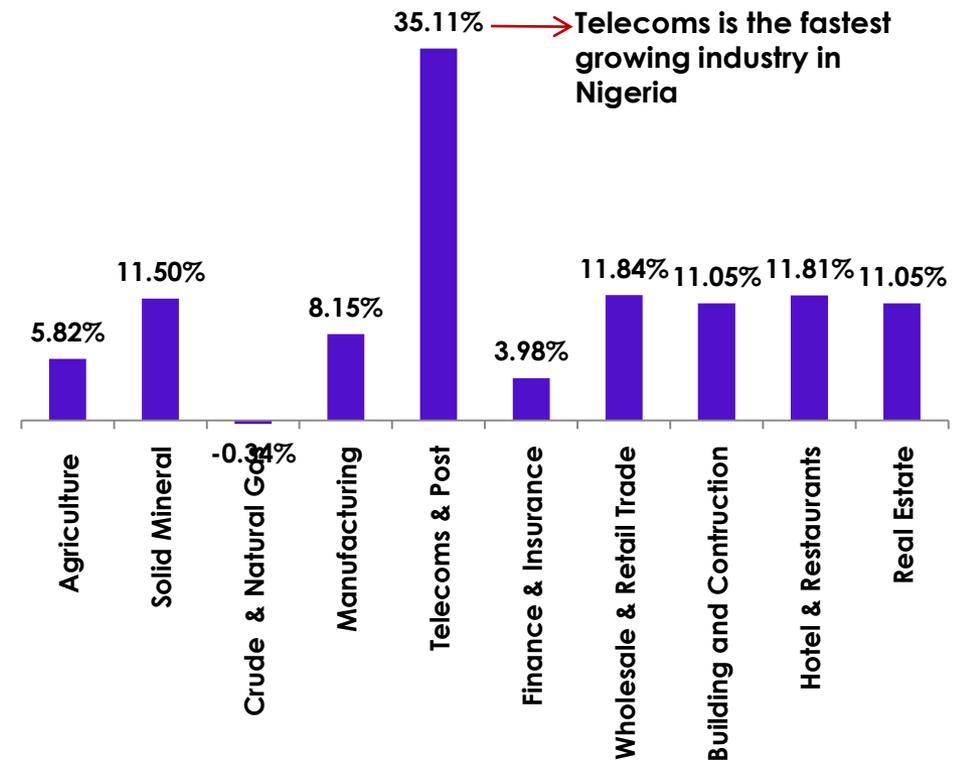
- ❑ As one of the largest and fastest growing markets in Africa, Nigeria cannot to be ignored

□ 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



- ❑ Why Nigeria?

- ❑ **Emerging Opportunities**

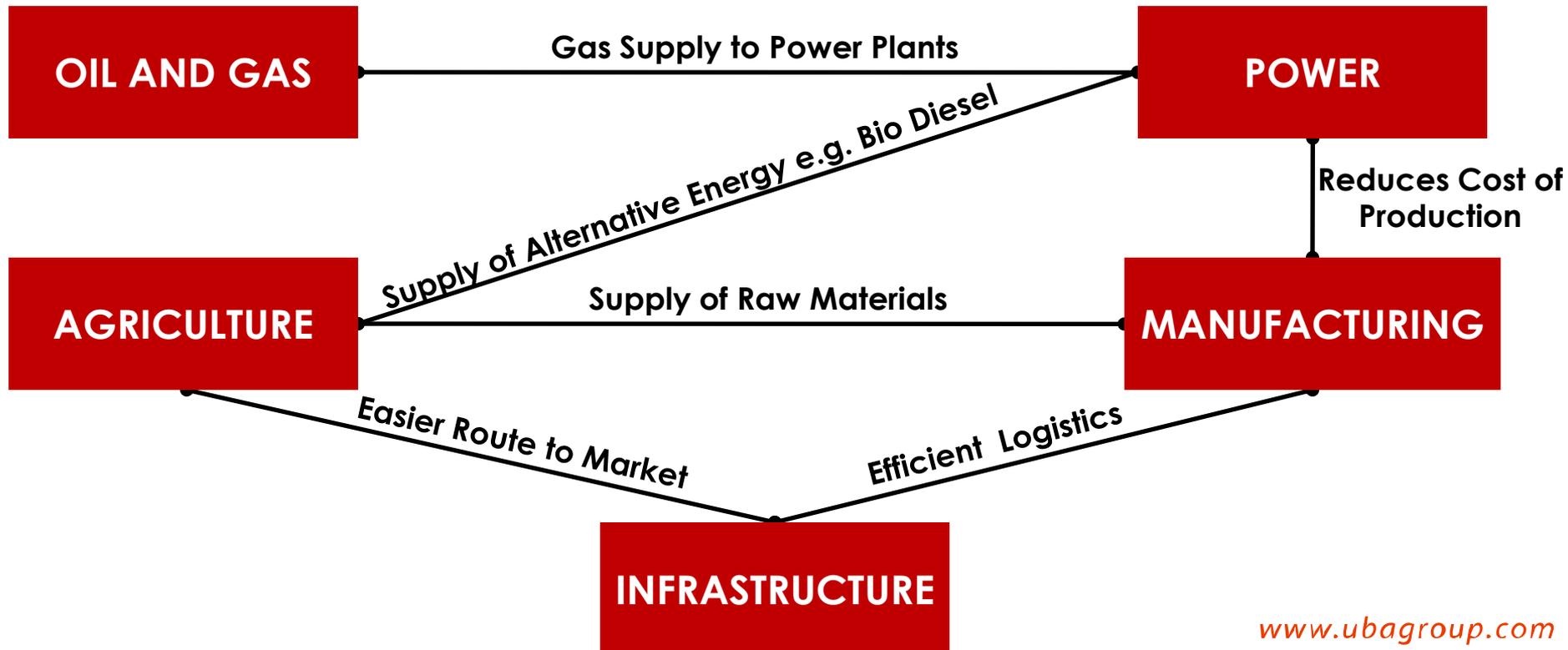
- ❑ Parting Shot

**"The best time to plant a tree is twenty  
years ago. The second best time is now."**

**- African Proverb**

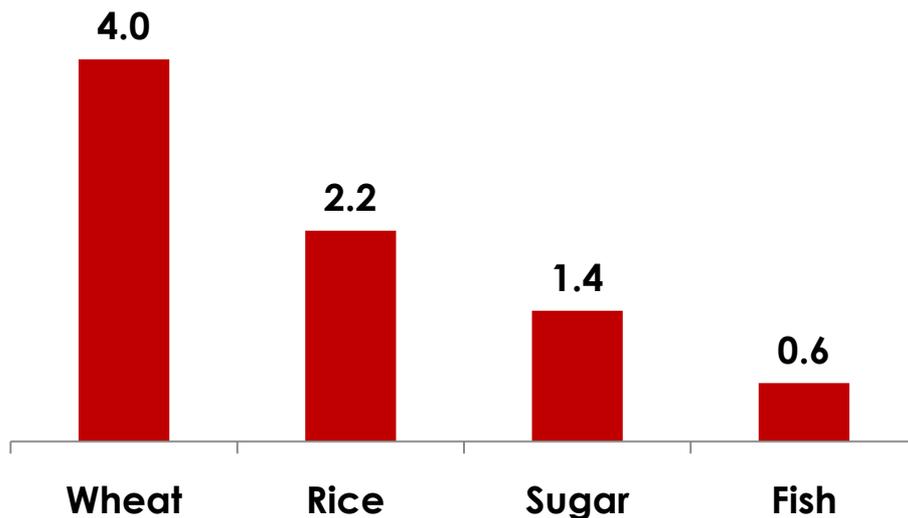
- ❑ The Federal Government has embarked on reforms of key sectors of the economy with the multiplier effect of the linkages between them in terms of job creation and increased consumer spending being significant

### - Sectoral Linkages -

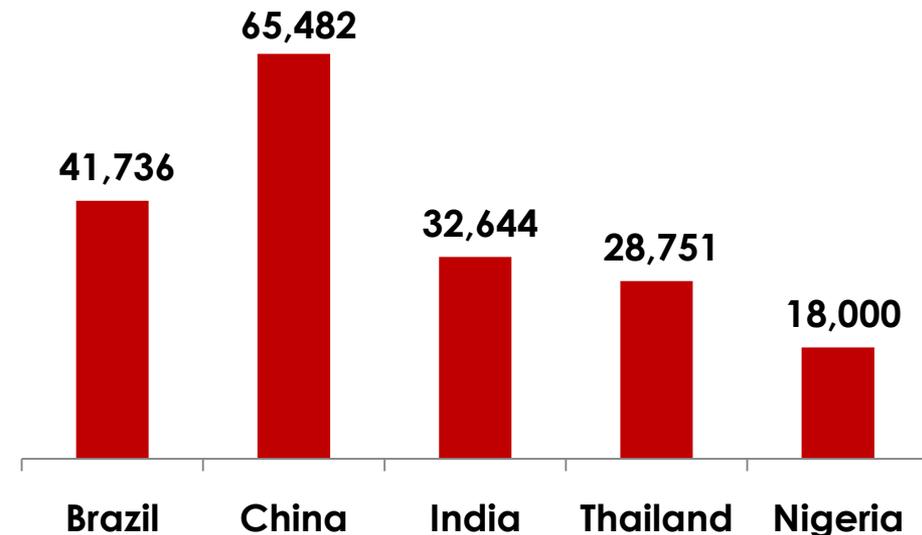


- ❑ Agriculture is one of the most significant opportunities in Nigeria as the government seeks to reverse current importation focus and low yield to encourage efficient domestic production

Annual Imports \$'bn



Rice Yield kg/ha



- ❑ 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

- ❑ **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

### **Participation of the private sector**

Change in philosophy where agriculture is run as business with private sector involvement as opposed to a development project driven by government

### **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

Result in increased lending to the sector to 7% of total bank lending from current level of 1.4%

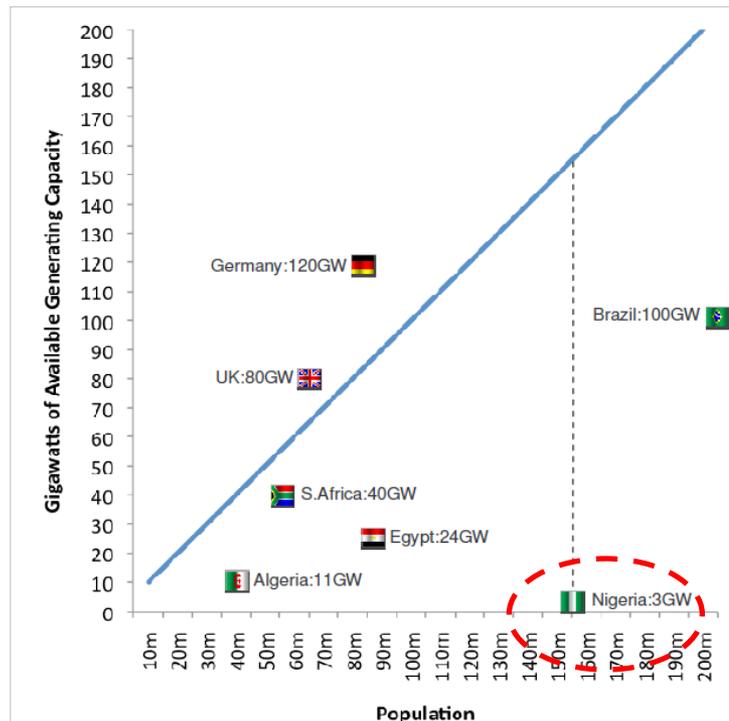
### **Focus on building value chains for crops**

Focus on transforming value chains for crops where Nigeria has a distinct advantage such as rice, cassava, sorghum, cocoa and cotton covering farming, storage, logistics, processing etc

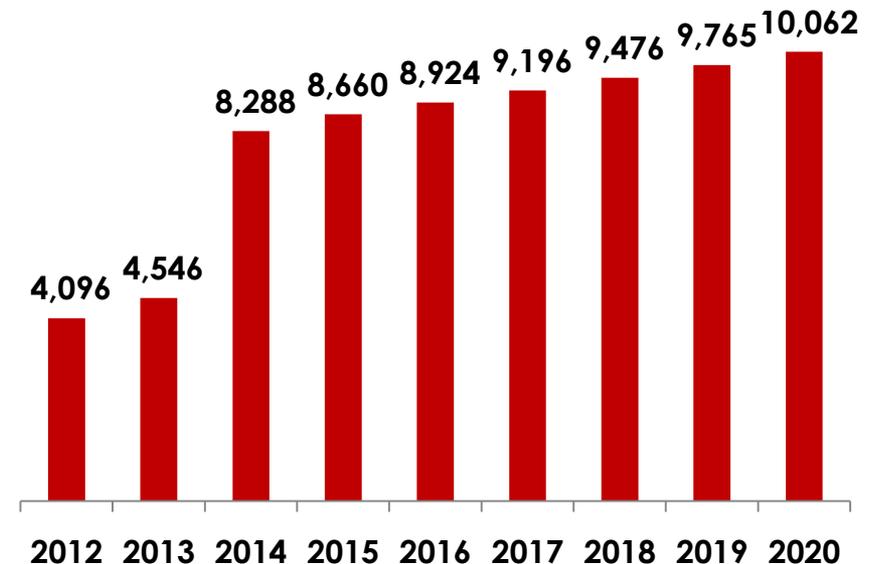
## - Power

- ❑ 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

❑ The implementation of these reforms are already underway.....

### Liquidation of PHCN

FG has taken the critical 1<sup>st</sup> step of liquidating the PHCN in January 2012 setting the stage for the implementation of reforms

### Sale of PHCN Constituent Coys

Announcement of preferred bidders for the 17 successor companies is expected in Quarter 3 2012

### PHCN Liabilities

Establishment of the Nigerian Electricity Liability Management Company to absorb the liabilities of constituent PHCN companies estimated at about \$2bn

### Credit Worthiness of Counterparties

- Establishment of the Nigerian Bulk Electricity Trading Company under the chairmanship of the Minister for Finance
- Will enter into Power Purchase Agreements with GenCos on behalf of Discos
- Will be guaranteed by the Federal Government and other international partners

### Unprofitable Tariff Structure

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

- ❑ **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**

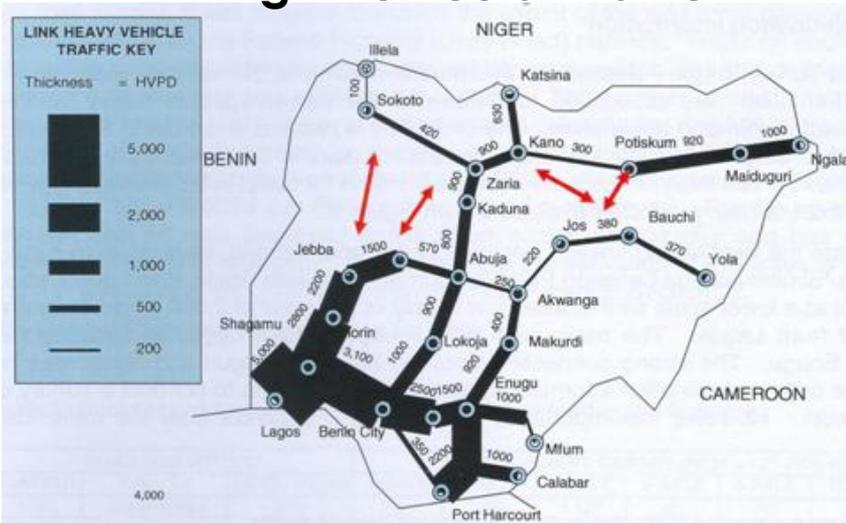
**Acquisition of On-Shore Assets of IOCs by Indigenous Player e.g. First Hydrocarbon Nigeria (FHN) owned by Afren bought a 45% stake in OML 26 jointly owned by Shell, Total and Eni**

**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 -

	Pre - 2003	2007
<b>Collapsed</b>	<b>50%</b>	<b>35%</b>
<b>Poor</b>	<b>35%</b>	<b>30%</b>
<b>Good</b>	<b>10%</b>	<b>20%</b>
<b>Very Good</b>	<b>5%</b>	<b>15%</b>

### 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**

### Coal

Proven are about 639 million metric tonnes while the inferred reserves sum up to 2.75 billion metric tonnes 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

- ❑ **Government is offering waivers and import duty on plant and machinery, tax holidays and concessions to encourage investment in this area**

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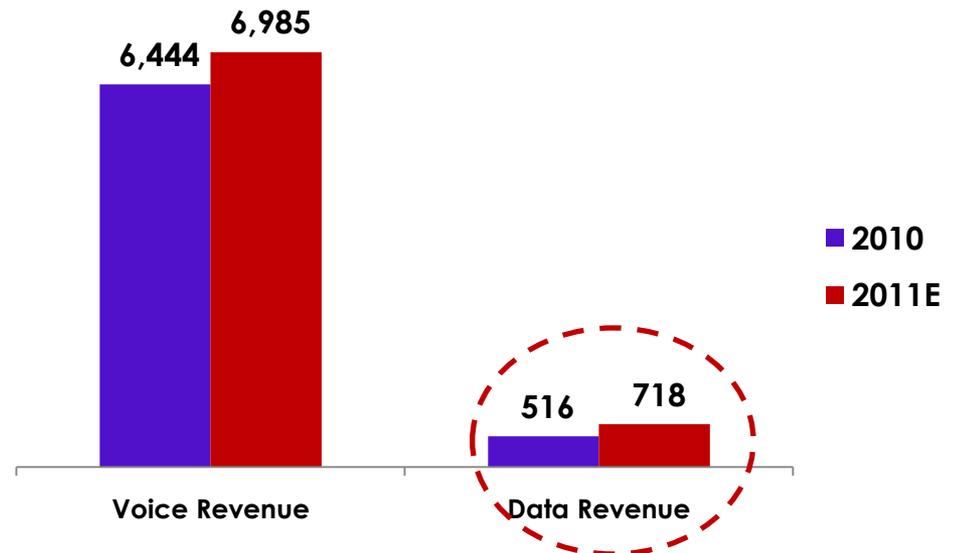
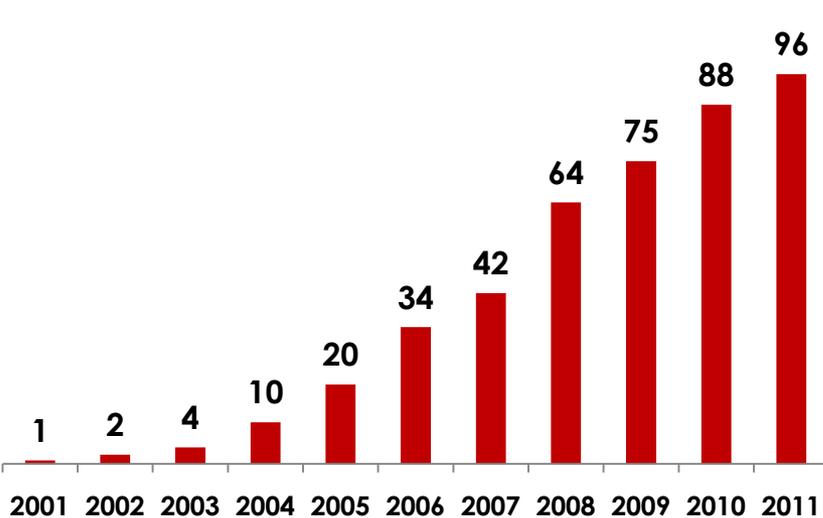
# EMERGING OPPORTUNITIES (10/13)

## - Telecommunications

- 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 4.7 per 100 people from current 4.7
- Increase number of computers assembled in Nigeria to 1m (currently < 500k)

- 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



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



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

# EMERGING OPPORTUNITIES (12/13)

## - Hospitality

- Increasing level of commercial activity in Nigeria has spurred 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 -

1	Improved Profitability and Stability with credit to the private sector expected to grow by 25-30%* this year
2	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
3	Transformation of Payments System following the implementation of the CBN's Cashlite initiative to drive the use of electronic payments
4	Emergence of new markets e.g. Power, Agriculture, Oil and Gas, Non- Interest Banking, Small and Medium Enterprises, Retail
5	Transformation of the capital markets with emergence of bonds and innovative capital market products e.g. ETFs
6	Increasing Specialisation and Focus following the review of the Universal Banking license by the Central Bank of Nigeria

- ❑ Why Nigeria?
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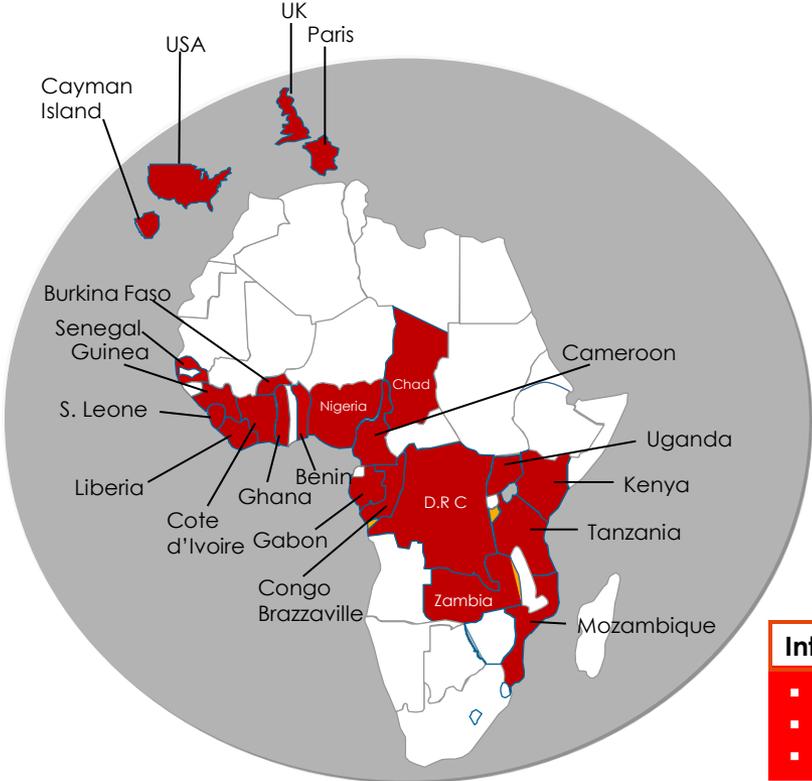
**"Even when opportunity knocks, a man  
still has to get up off his seat and open  
the door."**

**- 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**

*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)*

**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*



### Ownership Structure



- International Stakeholders**
- IFC;
  - AfDB; &
  - Monte Di Paschi Di Siena (Italian Bank )

**Thank You.**