



DEVELOPING BUSINESS IN NIGERIA

MYTHS, FACTS, METHODS
THE OPPORTUNITIES

TAS Advisory Services Ltd



With about 20 years worth of experience working across 4 continents, we are specialized in delivering focused consultancy services and manpower development services to clients across telecom, finance, education and other industries.

- Strategy/Business Plan development and Implementation
- New Product Development
- Market Research and Analysis
- Consumer Research and Behavioral Analysis
- Business Intelligence solutions
- Specialist in Recruiting and Outsourcing
- Effective and pragmatic Customer Care Management
- Performance Management system development
- Wilson Executive Training



TAS Advisory Services Ltd

Clients in over 10 countries, 4 new African countries opened just this month (Gabon, Rwanda, Congo Republic and Zambia).

- Started in December 2007
- Founders were experienced 'Repats' from the US & The Netherlands
- 100+ professionals
- Outsourcing and interim management, growth focus
- Further expansion in the Middle East

**We are no SME but an SMN:
Small Multi-National**



Naijalink Ltd.

Naijalink is a boutique, bespoke market entry consultancy company.

We create a presence for international companies in Nigeria. Our services include:

- Market research
- Market-entry strategic advise
- Partner & distributor search
- Trade missions & country visits
- Due-diligence & risk analysis
- Sales & company representation
- Office solutions and staffing
- Investment facilitation

We work in every business sector and throughout the country.



NIGERIA: SOME FACTS

GDP **\$451bn** 2012
With forecast growth of **over 7%** in 2013

Population around **162.5 million**
Growing at **3.2%** per year

Resource abundant in oil, solid minerals, land and human resources

Strong **entrepreneurial** spirit

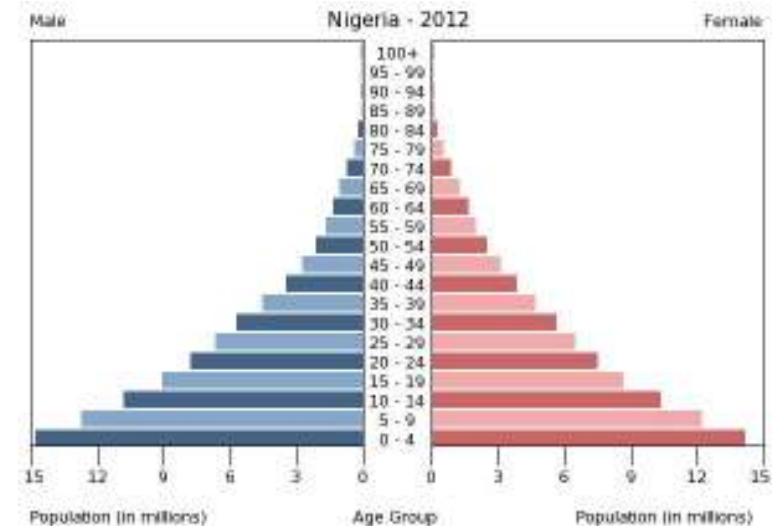
Consumption driven by an increasingly-wealthy middle class

One of the highest **returns on investment** in the world

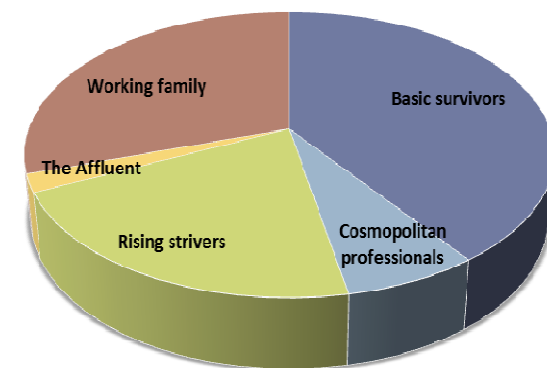
The Giant of Africa is the 7th most populous country in the world.
It has the largest domestic market in Africa.

- 1 in every 43 people is a Nigerian
- 65% is below 25yrs old
- 50% living in cities
- More than 10 cities with over 1m inhabitants

- Income & Consumption:
 - lowest 10%: 2%
 - highest 10%: 40% (2010 est.)
- Most companies target the “rising strivers” (21% or 34m people).
- High spenders are the “cosmopolitans” (7%, 11m) and the affluent (2%, 2.5m people)

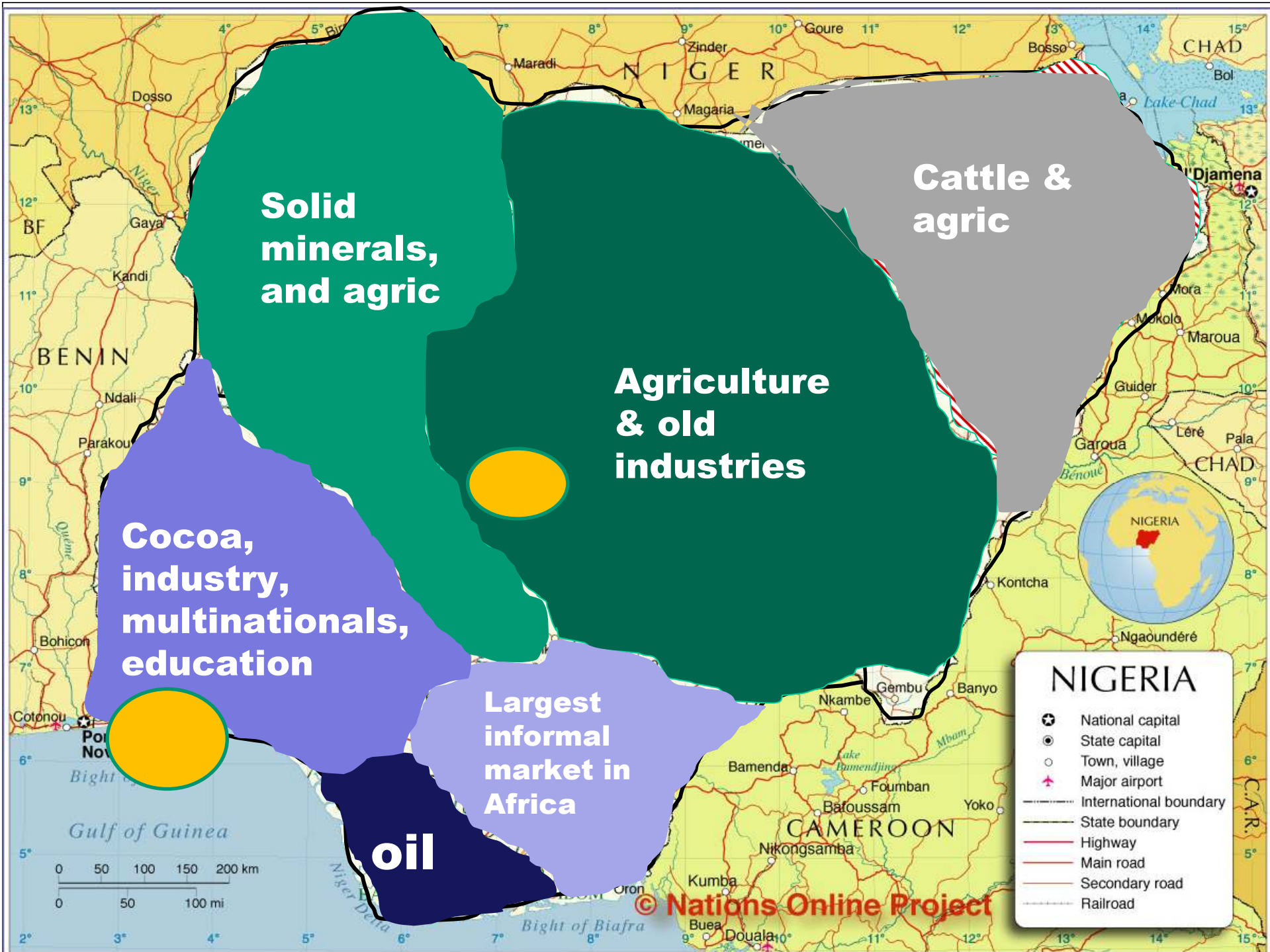


Income groups in Nigeria



Targeting Nigeria:

There is power in diversity



Megacities twice the size of Ireland



“By our estimates, the Lagos State economy will become Africa’s 13th biggest economy in 2014, around \$45 billion. This is the same size as Ghana’s Economy.”

(Renaissance Capital, May 2013)

An economy characterized by:

Strong and continued growth

Heavy reliance on oil & gas

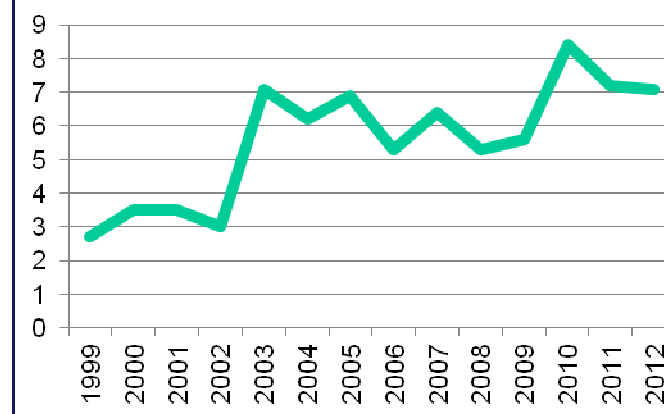
Dependence on imports

Infrastructural challenges

Substantial FDI inflows

O
P
P
O
R
T
U
N
I
T
I
E
S

Nigeria GDP Growth Y-O-Y%



- **Imports: China 17.3%, US 9.1%, India 5%, Netherlands 4.9%, South Korea 4.7% (2011)**
- **Exports: US 29.1%, India 11.6%, Brazil 7.8%, Spain 7.1%, France 5%, Netherlands 4.3% (2011)**

Four Important Myths About Business In Nigeria

Ease
Corruption
Security
Size

Ease



Innovation





Corruption



Avoid 'fuelling' the fire

Security



Dialogue!





**Does size really offer
opportunities..?**

...depends on the
“perspective”



Some of the sectors we'll discuss

Telecom & IT

Agriculture

Retail & FMCG

Banking &
finance

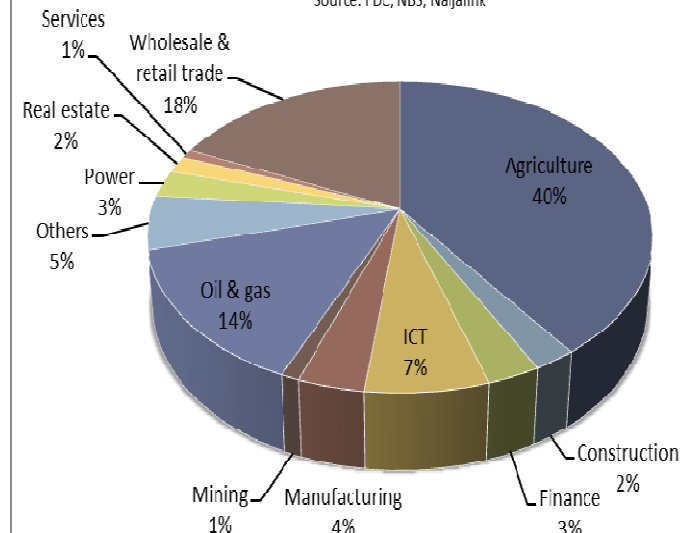
Education

Construction &
real estate

KPIs, trends, case studies, opportunities

Sectoral contribution to GDP Q3'12

Source: FDC, NBS, Naijalink



Public sector:

lots of projects & contracts,
seemingly attractive, but often
murky waters to navigate.

Agriculture



Picking the fruits of the renewed focus on agriculture

Agriculture is Nigeria's future –but still looks like the past

Cash crops like cocoa, palm oil, top quality leather production & 34million hectare of arable land.

Worth \$180bn

Renewed government focus, increasing investment, international engagement, commercialization

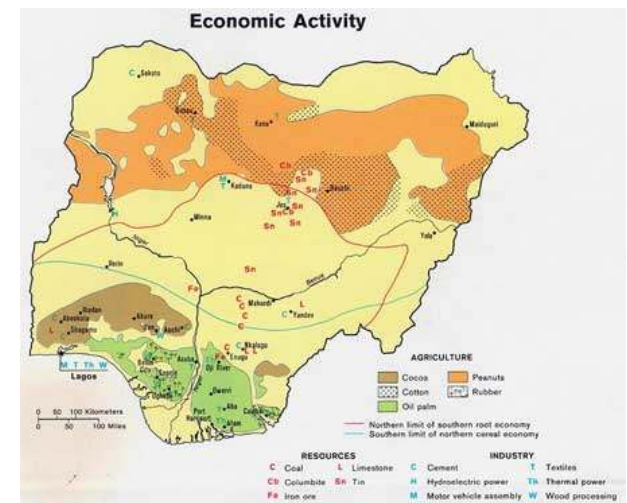
growing at 5% per annum

Subsistence farming, old methods, lack of equipment, unskilled labour, 30% of land under cultivation.

Employs 114m people

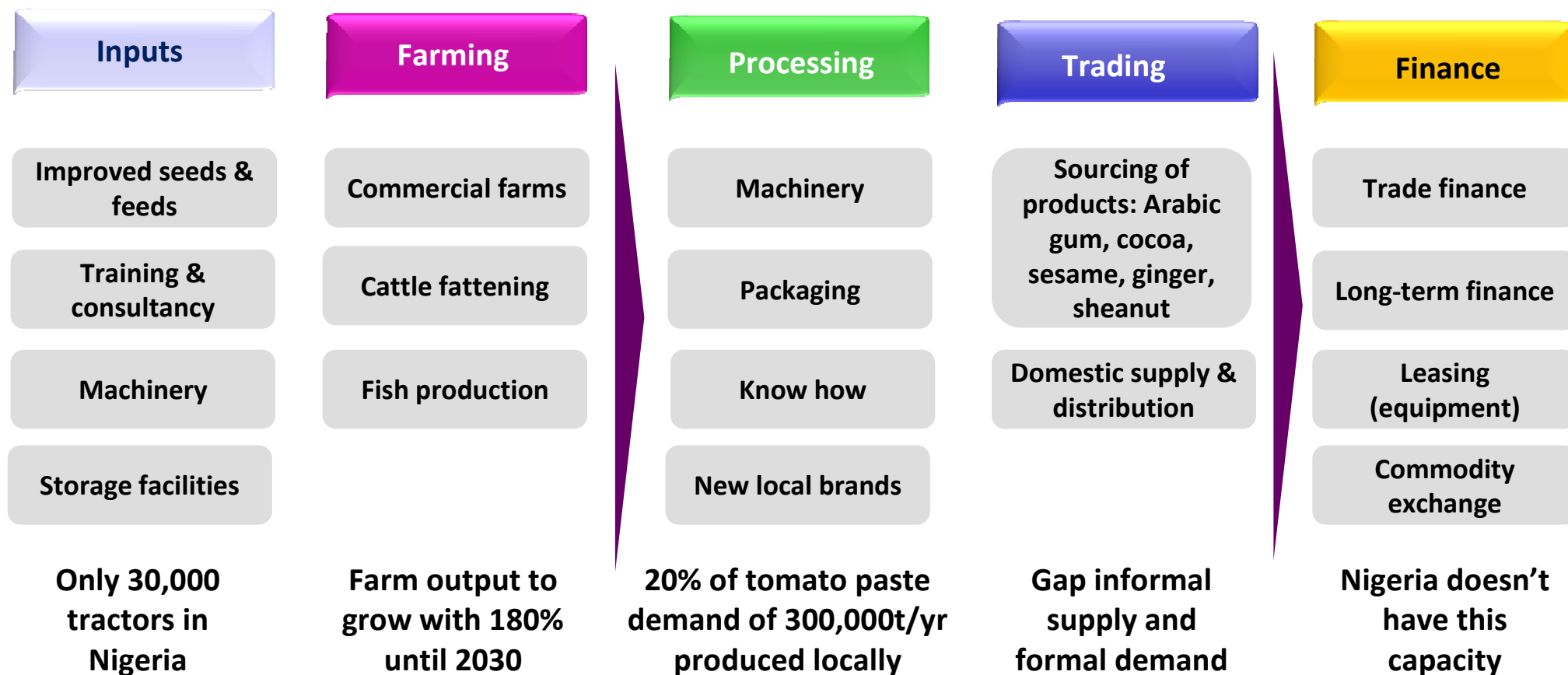
Limited processing of agric produce, no proper storage facilities and poor roads

50% rots away/
50% imported



Name & Entry Date	Euro Global Foods	<ul style="list-style-type: none"> Local company with focus on processing and packaging of local agricultural products. Started in 2004.
Description	Profit making	<ul style="list-style-type: none"> Grew 2781% between 2009 & 2011, making it Nigeria's fastest-growing company. Has 389 employees.
Success Story	Local expertise	<ul style="list-style-type: none"> Inputs sourced locally, international (Indian) management, and benefiting from government policies

The agricultural sector sees a mismatch between supply and demand, as well as significant infrastructural challenges



A sector the size of Ireland, waiting for entrepreneurs

Construction & Real Estate



“Nigeria has the potential to be one of the biggest construction markets on the planet”

Oxford Economics

Continued growth in oil and gas, hospitality, retail and power sectors will drive demand for construction activities

Nigeria is often associated with poor roads and other infrastructure needs. The supply-demand gap is enormous. Many works are ongoing.



**Worth \$10bn
in 2012**

It is one of the fastest growing sectors in the economy, especially due to the strong economic growth & new government spending.



**17% projected
growth**

Roads, major infrastructure and houses are built by foreign companies. Construction staff is often from outside the country also.



**95% foreign
companies**

Only 10% of the population own homes and millions of citizens live in accommodation with little access to basic services.



**17 million
houses needed**



Name & Entry Date

Broll SA
(& Persianas)

- South African property manager & real estate company. Partners with Persianas Group (Nigeria) for estate development. Entered in 2004

Description

Profit making

- Builds & manages the leading shopping malls in Nigeria and introduced different store concepts

Success Story

Front runner

- Thinking big & developing the formal retail space. Recently received \$124m IFC facility



TAS Advisory Services

“From now to 2020, only Nigeria and India will enjoy higher growth rates than China in their construction output.”

June 2010 report by Global Construction Perspectives and Oxford Economics.



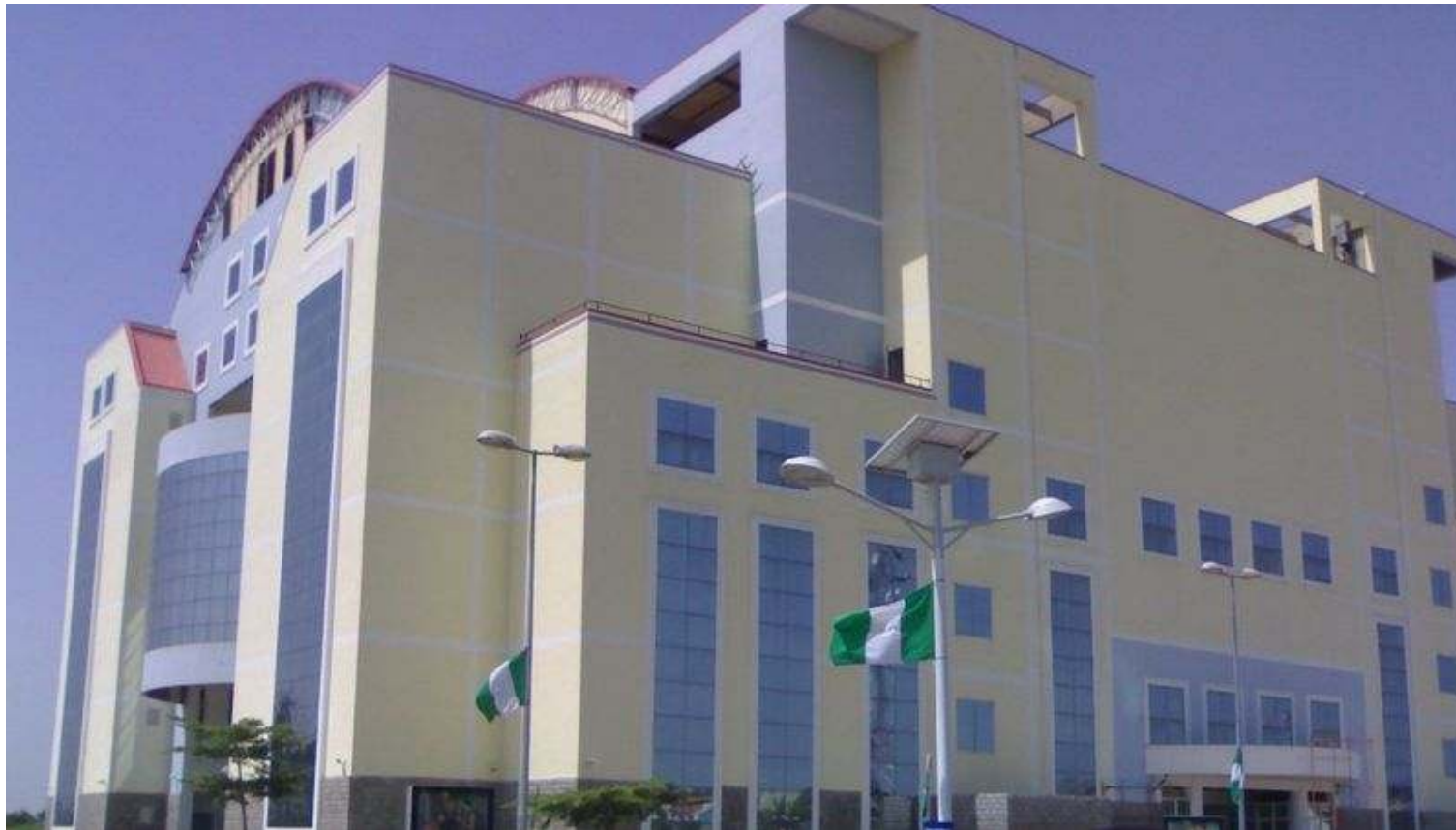
Housing	Commercial buildings	Building materials	Training & staff	Infrastructure
Affordable housing (<\$15K)	Hotels	Cement	Certified vocational training	Roads, rail & bridges
Flats & residential estates	Shopping malls	Specialized industry solutions	Experienced & skilled mid-senior level staff	Mining
Luxury mansions	Serviced offices with parking	Interior (excl furniture)	Consultancy & architects	Oil & gas and power sectors
				Airports, ports

- Import of industrial supplies: \$1.33bn (2012)
- Dangote cement: \$325m profit returns Q1'13
- \$6bn investment in new Onne Free Trade Zone
- Sales price of Eko Atlantic, currently the biggest ongoing civil engineering construction site in the world: \$2,000/m²

Investment inflow into Nigeria's construction industry will attain \$9.4 bn by 2021

(Business Monitor International)

Retail & FMCG



Exponential growth for those targeting the people

A decade of more than 10% growth every year , driven by FDI, (urban) population growth, and the increase in disposable income

Nigerians are born traders and enthusiastic consumers. Most of the sector belongs to the informal economy.

\$81bn sector

SAB Miller builds a \$100m new brewery, Nestlé a \$35m distribution center, all large FMCG manufacturers setting up in Agbara Ind. Estate

FDI \$1.3 bn in the last 2yrs

“Shopping mall revolution” is happening. First mall in 2004, now several +20,000m2 malls of over \$40m each. Online shops start mushrooming as well.

3 mega malls this year

After initial hesitation, international food brands like KFC and Domino’s Pizza have entered Nigeria and are expanding exponentially

200 brand eateries in Lagos alone



Name & Entry Date	Spar International	<ul style="list-style-type: none"> Licensed its local partner Artee in 2009
Description	Profit making	<ul style="list-style-type: none"> Sales average \$14.5m per shop of 2700m2.
Success Story	Exponential growth	<ul style="list-style-type: none"> Opened 6 stores in 3 years, 200 planned by 2020 with the total market size estimated at 700 stores.

37% of total monthly household spending goes to food, personal care, and household products. International concepts & brands are winning.



- “Nigeria highest spender packaged goods in Africa”
- Jumia online store receiving \$20m FDI in 2013
- “Nigeria is the largest market in Africa and the Middle East for Moet Hennessy”
- Lagos is 1 out of 4 African cities with consumer spending of \$25bn or more by 2020 (McKinsey)

Nigerians tend to buy even those things they can’t afford



Telecommunications

The telecom industry grew from 500,000 lines to 110 million within 12 years...

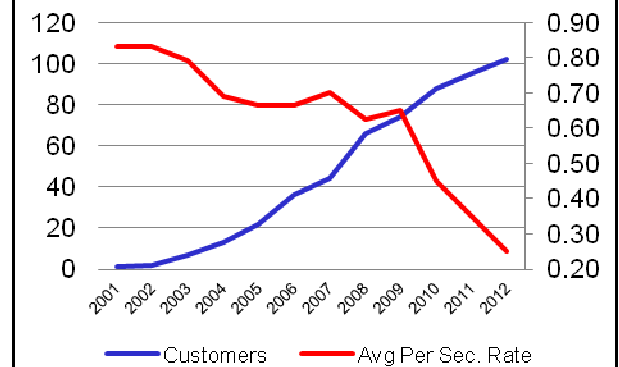
Strong regulatory environment

>20 operators with various technologies

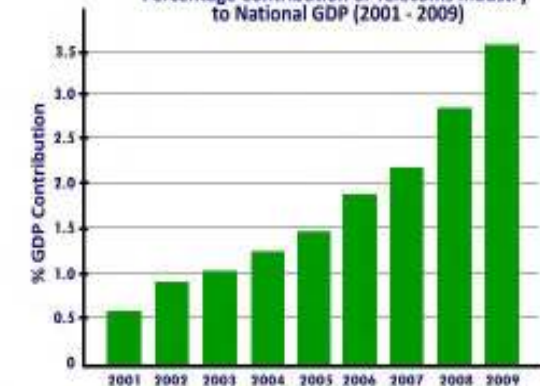
GSM/3G companies have >90% market share

10m forecast
>>110m actual

Trends in the Nigerian Telecoms sector



Percentage Contribution of Telecoms Industry to National GDP (2001 - 2009)



The telecom industry grew from 500,000 lines to 110 million within 12 years...

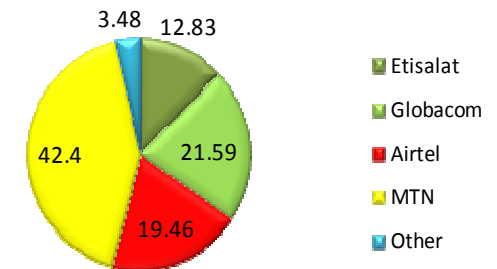
Strong regulatory environment

>20 operators with various technologies

GSM/3G companies have >90% market share

10m forecast
>>110m actual

Mobile Market Share Nigeria, June 2012



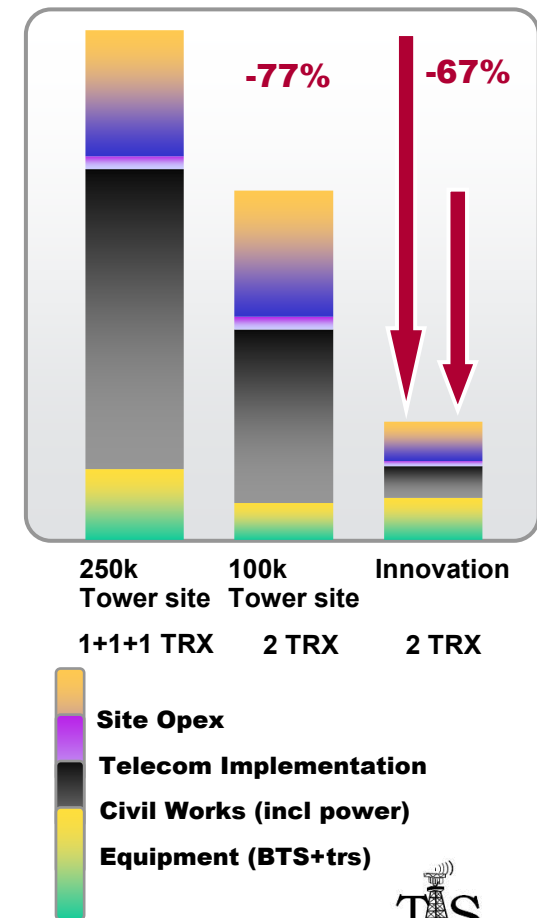
Trends of Private Investment
(1999 - 2009)



The telecom industry grew from 500,000 lines to 110 million within 12 years...

Rural Penetration: 40%, target is 60% in 2015
80m rural dwellers, 25% without access to a phone
72% travel <1km, 23% :1-5km, 4%: 6-10km, 1% >10km

\$1.2bn opportunity
based on \$2 ARPU



The telecom industry grew from 500,000 lines to 110 million within 12 years...

Fixed line penetration 0.51% (2011) >>1.5% (2012).
Expected to increase to 10% by 2015. Demand is 50m.
World bank: 10% broadband growth = 1.3% GDP growth

1.3% GDP (\$6bn)

Money Transfer in Kenya hit \$8bn between 2011 & 2012;
(25% GDP). Nigeria's population = 5x Kenya
international Remittances >\$21bn; \$10bn officially

Potentially \$100bn

Investments in the network: rollout and coverage has cost
MTN and Airtel \$1bn per annum for the last 2 years. LTE
coming, voice demand still not met. \$25bn spent till date

\$3bn minimum



The telecom industry grew from 500,000 lines to 110 million within 12 years...

Fixed line penetration 0.51% (2011) >>1.5% (2012).
Expected to increase to 10% by 2015. Demand is 50m.
World bank: 10% broadband growth = 1.3% GDP growth

1.3% GDP (\$6bn)

Money Transfer in Kenya hit \$8bn between 2011 & 2012;
(25% GDP). Nigeria's population = 5x Kenya
international Remittances >\$21bn; \$10bn officially

Potentially \$100bn

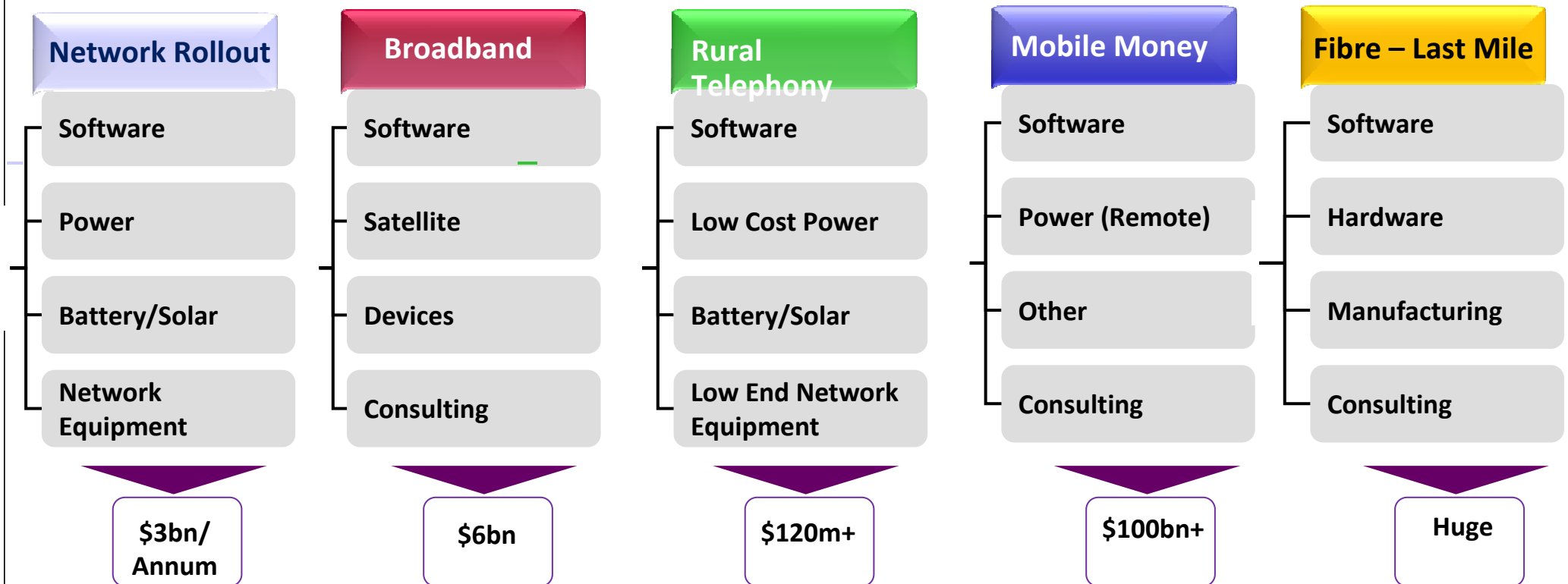
Investments in the network: rollout and coverage has cost
MTN and Airtel \$1bn per annum for the last 2 years. LTE
coming, voice demand still not met. \$25bn spent till date

\$3bn minimum

Name & Entry Date	MTN (South Africa)	<ul style="list-style-type: none"> Took a risk and bid for a GSM licence in 2001. Other companies were not convinced.
Description	Profit making	<ul style="list-style-type: none"> Turnover \$4.8bn, EBITDA 58% (was >60%). MTN invests approximately \$1bn a year on its network (+/-10k sites)
Success Story	Others	<ul style="list-style-type: none"> MTN Nigeria has >48m customers and has half of all new customers. NSN judged them MEA's most efficient company



...75% of these investments were by foreign owned companies who have invested over \$25 bn in the same period.



Total Telecom Opportunity: >\$100 bn in 2 years



Banking

Continuous improvements in regulation and corporate governance since the late 90s have created a sustainable and high growth banking sector



Following a benchmark with Malaysia and similar countries, banks were given a min. capital base of ~\$210m. This reduced the number of banks from 100 to 25 well funded banks (December 2005).

3%
GDP Contribution

In 2009 following an audit, it was discovered that up to 30% of all loans were NPLs. 5 banks were rescued, 3 which became nationalised and the last 2 acquired. A bad bank was set up as the vehicle to buy NPLs.

\$25.1bn
NPL s acquired

The kitchen sinking of gross loan books, improved coverage ratios and better Standard & Poor's rating have improved confidence in the sector.

NPL ratio:
36%@0610 -
5%@1211

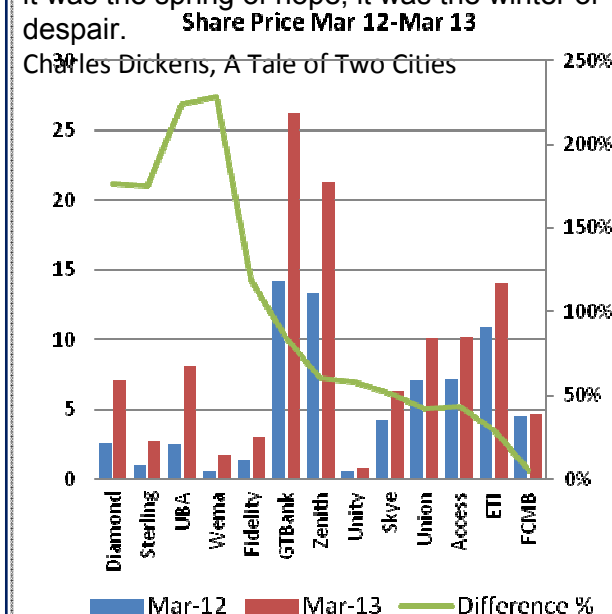
The improved confidence has renewed interest from global players looking for acquisition targets. It has also heralded the return of retail investors, pushing share prices significantly higher

5%-200%
Y-O-Y Share Price
Increase

Finally, the consolidation through M&A has reduced the number of banks. Bigger banks enjoy economies of scale and larger branch networks . Duplicated branch locations are replaced by new (more rural) locations.

>20% Penetration

It was the best of times, it was the worst of times,
it was the age of wisdom, it was the age of
foolishness,
it was the epoch of belief, it was the epoch of
incredulity,
it was the season of light, it was the season of
darkness,
it was the spring of hope, it was the winter of
despair.



Name & Entry Date

Standard Bank
South Africa

- Acquired 51% of IBTC Bank in 2007 in Nigeria's 1st tender offer with an FDI injection of \$525m for its Africa expansion.

Description

Profit making

- In 17 African countries, its \$45m of \$90m share of revenues were 21% of all African revenues (excl. SA) within 5 years.

Success Story

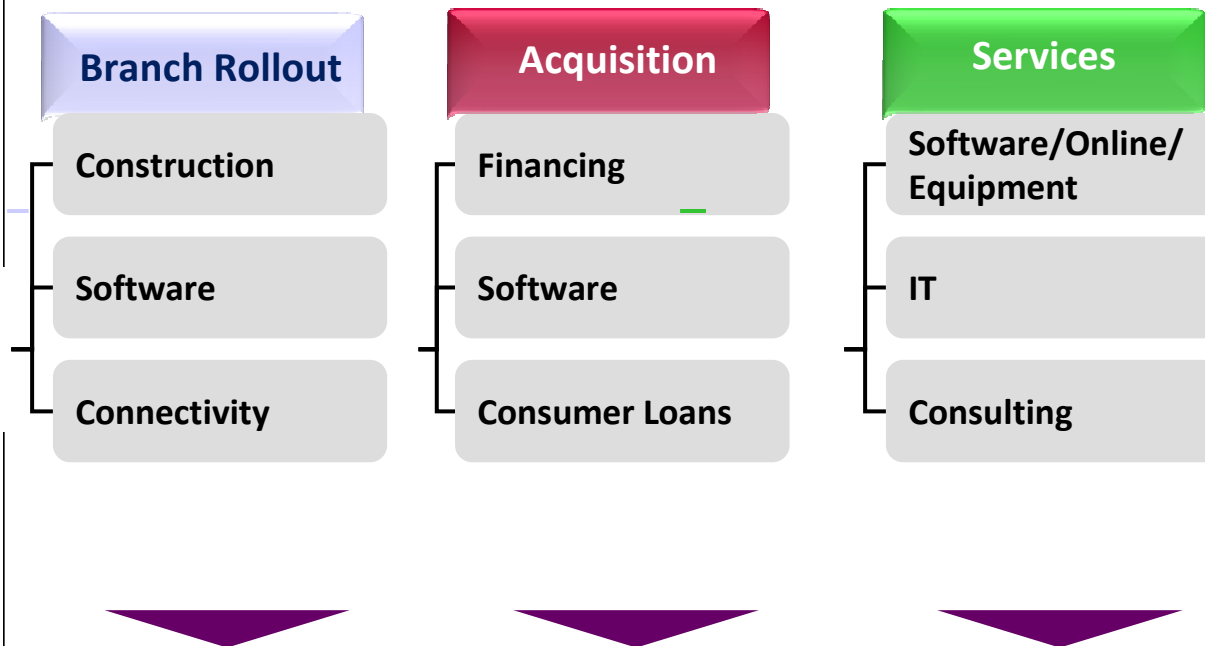
Others

- Standard Bank saw a 68% growth in headline revenues in the rest of Africa, confirming that entry was a wise move



TAS Advisory Services

The opportunity for Irish investors amounts to over...



Total Opportunity: >\$2bn (Market Cap Zenith Bank)



The Nigerian education system has gone from the glory days of the 70s & 80s to an exodus of students costing more than the education budget

Nigeria 's high education standards attracted Asian, European and mostly African students in the 70s and 80s. However, a mass outflow started in the 90s

UK: 18,000
Ireland: 700

About 1% of the population applies for Higher Education places but only 1 in 3 get a place. Local & international investors, charities (51) and Federal (40) & state (39) governments have been building universities

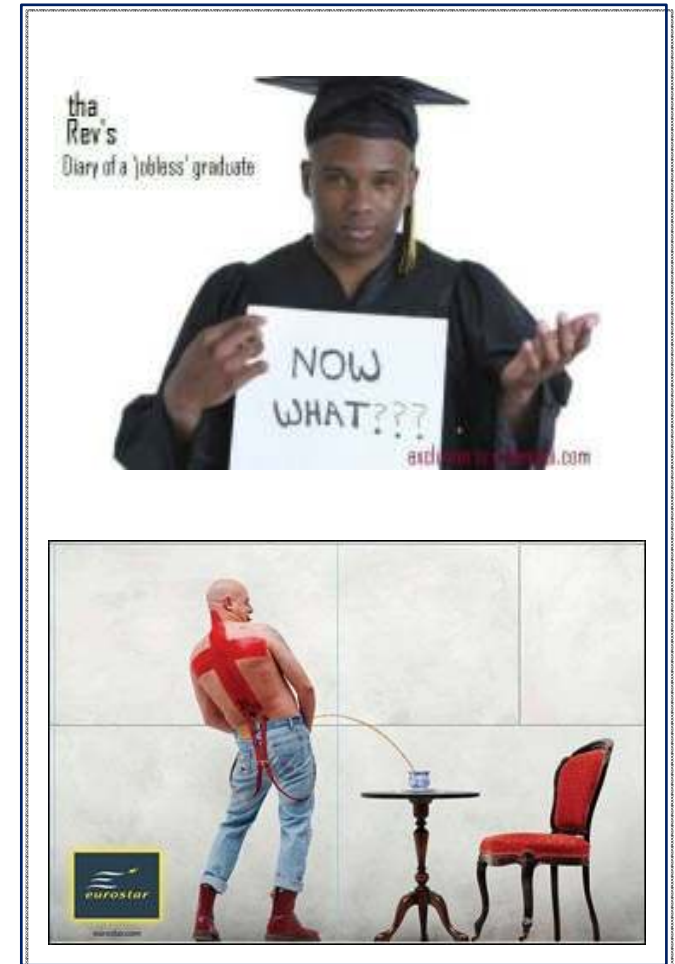
1.2m
applicants not
placed

18,000 HE students went to the UK in 2012 while 71,000 went to Ghana. 6,500 were recognised in the USA. The UK expects 30,000 HE students in 2015

UK earned \$2.5bn
Ghana earned \$1bn

The UK had over 400,000 foreign HE students and up to 150,000 other students in 2012. However, recent negative publicity and the surge in anti-immigration sentiment may slow growth

UK earned \$13-21bn
Irl. earned \$180m



The Nigerian education system has gone from the glory days of the 70s & 80s to an exodus of students costing more than the education budget

Nigeria 's high education standards attracted Asian, European and mostly African students in the 70s and 80s. However, a mass outflow started in the 90s

UK: 18,000
Ireland: 700

About 1% of the population applies for Higher Education places but only 1 in 3 get a place. Local & international investors, charities (51) and Federal (40) & state (39) governments have been building universities

1.2m
applicants not
placed

18,000 HE students went to the UK in 2012 while 71,000 went to Ghana. 6,500 were recognised in the USA. The UK expects 30,000 HE students in 2015

UK earned \$2.5bn
Ghana earned \$1bn

The UK had over 400,000 foreign HE students and up to 150,000 other students in 2012. However, recent negative publicity and the surge in anti-immigration sentiment may slow growth

UK earned \$13-21bn
Irl. earned \$180m

A study into the contribution of foreign students to a local economy was done in Sheffield. Results showed a Gross Margin of 60% per student

\$40,000/student/
annum

Name & Entry Date

UK Universities

- The UK struck gold with Nigerian students looking for uG and PG places. This followed the success with high schools

Description

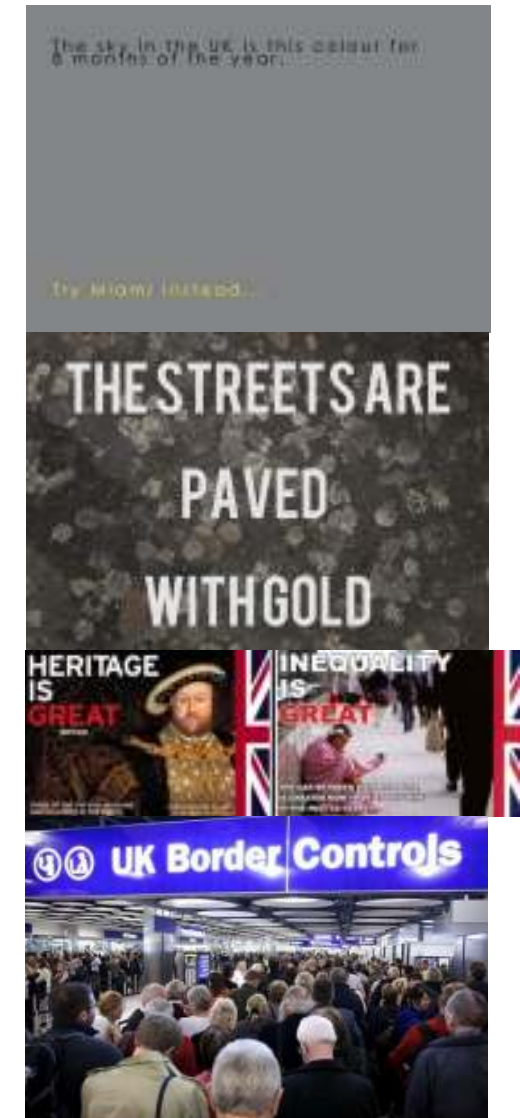
Profit making

- 1 in 15 non EU students in the UK is Nigerian. They form the 3rd largest group only after China & India spending \$2.5bn

Success Story

Others

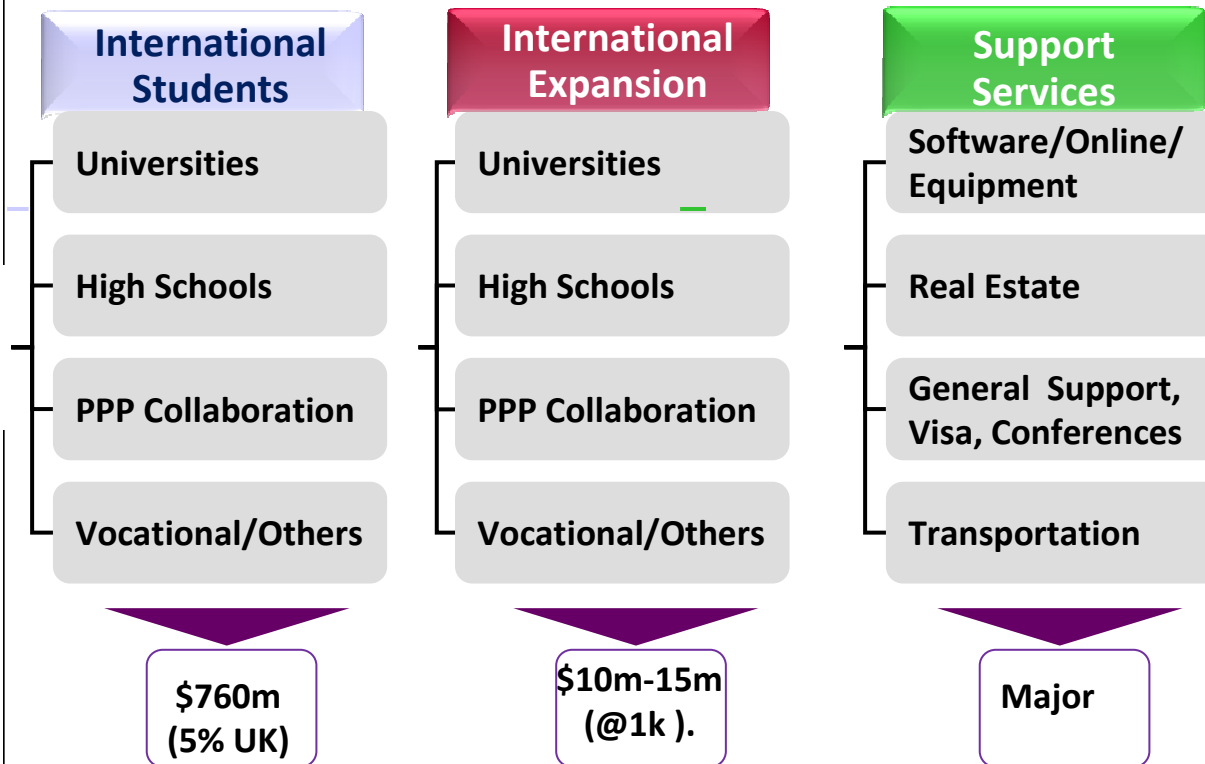
- Nigerian students will grow from 18k to 30k in just 2 years. >100 UK schools aggressively target Nigerian youth



Honestly, it's not worth the wait.

services

The opportunity for Irish universities, investors and government amounts to over...



A vertical stack of logos for four Nigerian universities. From top to bottom: American University of Nigeria (with tagline "...where students' dreams become Africa's future"), Madonna University (with tagline "A Catholic University in the Franciscan Tradition"), Nigerian Turkish Nile University (with tagline "...define your dreams"), and Babcock University (with tagline "KNOWLEDGE TRUTH SERVICE"). To the right of these logos is a purple thought bubble containing the text "51 Private Universities since 1999".

Total Opportunity: >\$1bn per annum

Market Entry



Finding a partner with the right capacity

The do's and don't of doing business in Nigeria

- Business in Nigeria is very open, there are very few restrictions for investors and Government is very pro-business
- Nigerians are very Pro-West and the typical executive has at least a Masters degree from a good Western University
- English is the official language and the general culture is similar.
- Religion 50% Islam (North), 40% Christianity (South).
- In spite of all that, please always use a local Partner. They will help you swim through interesting swamps and help you avoid FMMs (Frequently Made Mistakes).
- When in Nigeria, THINK BIG, VERY BIG.

Why a good partner pays off

The importance of connections

Dealing with local ethics

Regulatory environment

Risk sharing

The need for personal follow up

- Work with reliable and knowledgeable partners.
- The greatest threat is not to find a fraudulent partner, but an ineffective one.
- Whatever you do, don't underestimate Nigeria: its opportunities nor its challenges.