

Raising Capital for Oil & Gas: *Options, Opportunities & Outlook*

Presented By:
Dolapo Oni
Ecobank Research



About Ecobank Group

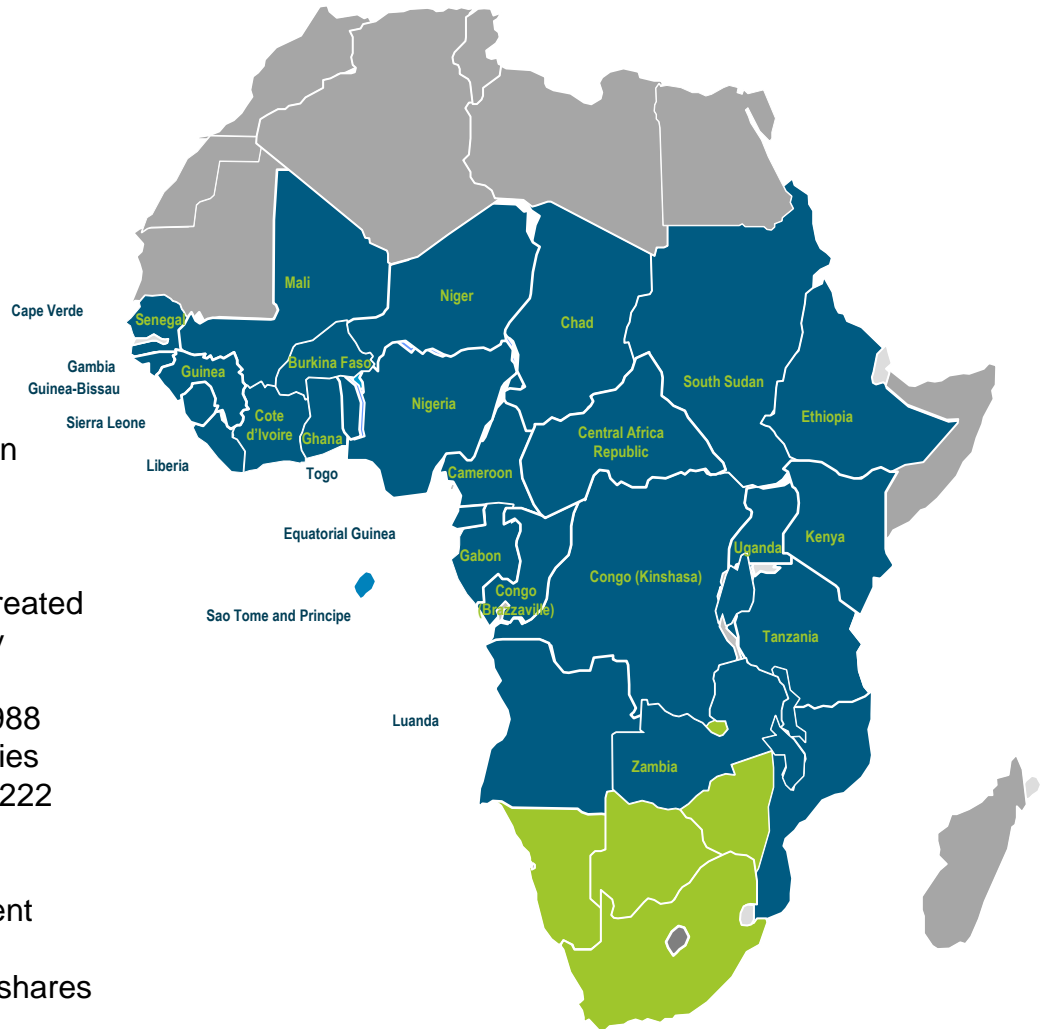
A Snapshot

Facts

- Present in 39 countries worldwide
- Operating in 35 African countries
- Network of about 1,200 branches and 1600 ATMs servicing nearly 8 million customers
- Total assets in excess of \$21 billion
- More than 24,000 employees
- More than 180,000 shareholders, listed on 3 African exchanges

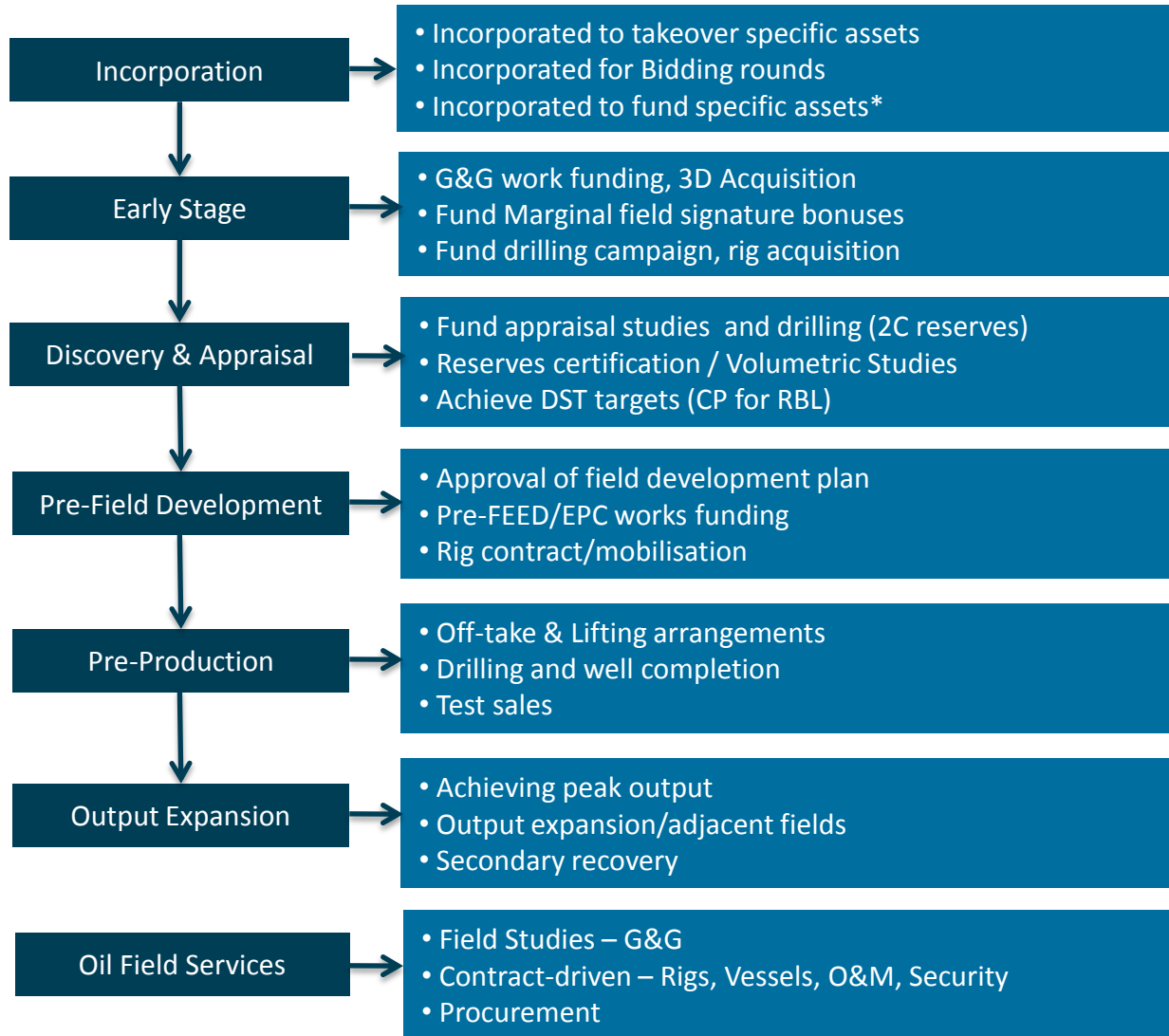
History

- Ecobank Transnational Incorporations (ETI) was created in 1985 with the aim of bridging the gap in privately owned commercial banks in West Africa
- ETI commenced its operations in Togo in March 1988
- In 2005, Ecobank was present in 13 African countries
- Between 2006 and 2009, Ecobank invested over \$222 million to achieve its growth plan and increase its presence in 30 countries
- In 2010, ETI created Ecobank Capital, its Investment Banking and Capital Markets arm
- In 2015 Qatar National Bank acquired 18% of ETI shares and about 70% of its preferences shares.



- Financing Need of the Nigerian Oil & Gas Industry
- Nigerian Oil & Gas Companies
- Overview of the Financing Structure of the Industry
- Matching companies with the right funding
- Key success factors in attracting the right funding

Nigerian Oil & Gas Companies



Nigeria Upstream Segment

- 68 OPLs
- 102 OMLs
- 170 Oil blocks awarded
- 216 Open oil block
- 218 producing fields
- 97 fields not producing
- 85 operating companies
- 6 Joint Venture companies
- 35 foreign companies
- 31 marginal field operators
- 2800 producing wells
- 12 FPSOs
- 33 rigs
- 1 LNG plant – 6 trains

-There are so many oil companies in Nigeria that own small interests

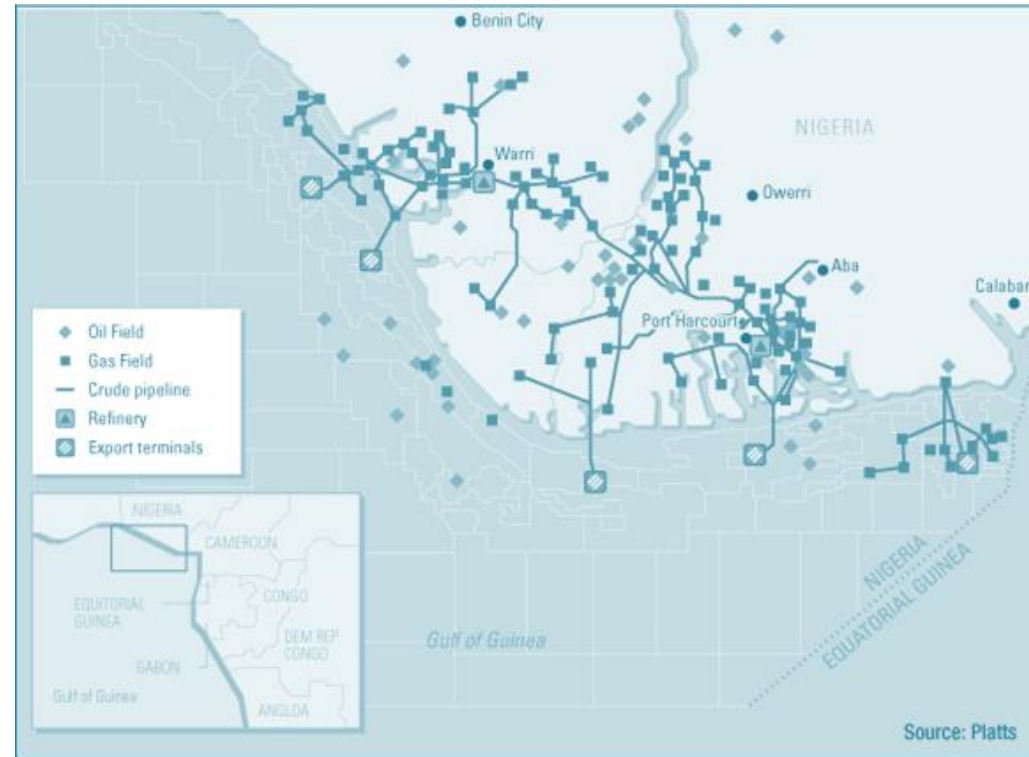
- Largest congregation of unexploited reserves

- Oilfield is a very fragmented industry with several fringe players

Industry's financing need

- Estimates of industry's annual financing need are anywhere between \$25 and \$30 billion.
- There are about 15 major planned offshore oil field projects that are expected to add about 880kbpd to Nigeria's oil production over three years.
- This excludes fields that have been divested; re-entry of fields, fields planned by marginal field operators and other indigenous companies.
- The upstream segment requires massive investment in various oil and gas infrastructure:
 - oil and gas pipelines, flow stations
 - Trans Saharan Gas Pipeline
 - Refineries – IPMAN, Modular refineries
- LNG – N LNG Train 7? Brass LNG?
- Licensing rounds – marginal fields, OPLs
- Asset Divestment by the IOCs will continue as there are still many assets in the troubled areas.
- Rigs & Vessels in the oil field service industry.
- Indigenous oil companies will have to play the exploration game at some point

Map of a portion of the Niger Delta

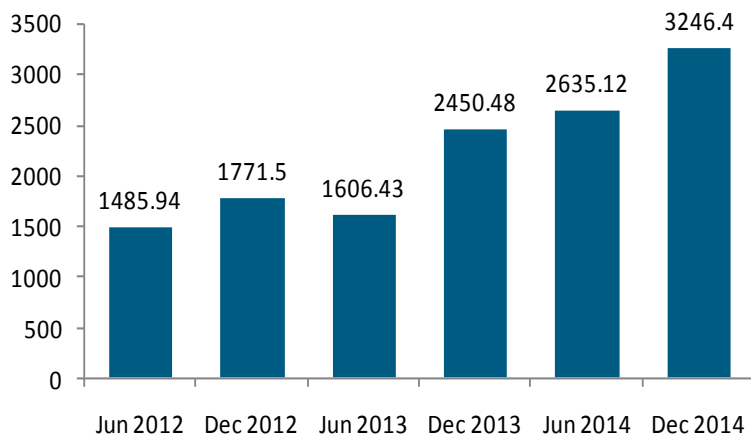


Financing the Nigeria Oil & Gas Upstream

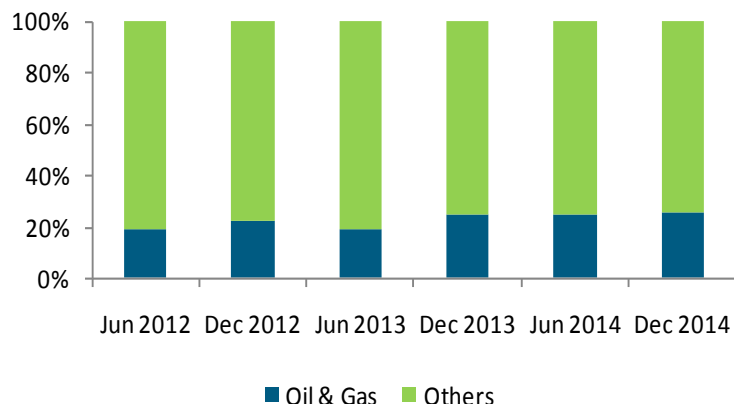
- Nigeria's oil upstream runs on debt. Banks provided over \$20 billion towards oil and gas (entire value chain in 2014), while quoted companies raised less than \$1 billion in equity
- Debt funding is limited by the size of the bank balance sheets, ability to raise dollar loans (credit lines from foreign lenders) and lending rates.
- Equity funding has been limited by corporate governance issues. The stock market was previously dominated more by retail investors

Company	Description	US\$ mln
i. Seplat	IPO 2014	500
ii. Oando energy resources	All equity raising in the last 3 yrs were done by the parent company who then lend to OER	
iii. Lekoil	IPO-2013	32
	Placing-2013	20
	Placing-2013	100
	Placing-2014	37.7
iv. Mart Resources	N/a	
v. Sirius Petroleum	Placing-2014	20
	Loan Capitalization-2015	n/a
	Loan Capitalization-2014	n/a

Nigerian Bank loans to Oil & Gas



Oil & Gas share of Total loans in Nigeria

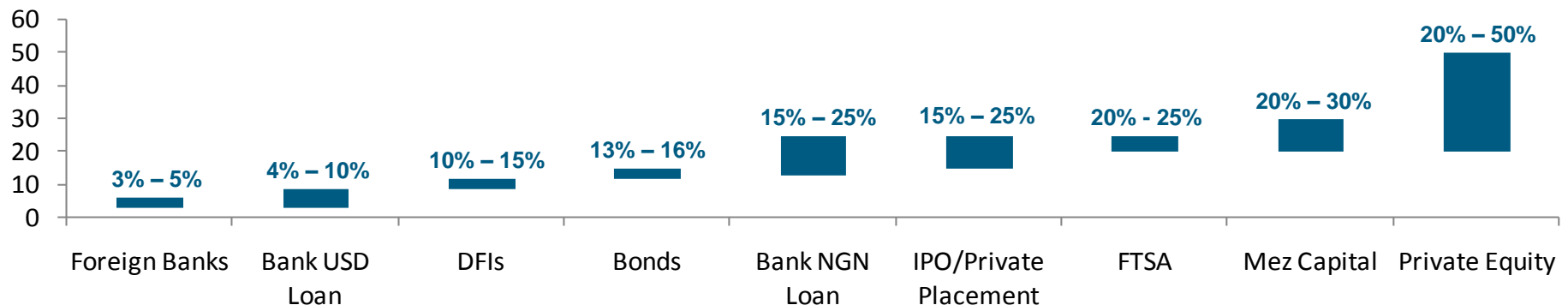


What sort of capital do oil and gas companies need?

Equity Capital	Public Offers, Right Issues, Private Placements, Private Equities
Debt Capital	Reserve Base Lending, Project Finance, Structured Trade Finance,
Mezzanine Capital	Convertible Bonds/Loans, Convertible Preference Shares, ELFs, Hybrid financing
Patient Capital	Financial & Technical Service Agreements (FTSA), Private Equity, Private Placements
Creative Capital	Farm-outs, Strategic Agreements, Carry Arrangements

- Corporate strategy is key here
- Need for equity is high
- Oil operations require patient investors
- Capital can be created out of existing assets or several other ways

Expected return/Cost of capital options (2014 average)



Matching Oil and Gas Companies with right funding

Company Stage	Equity	Debt	Mezzanine	Creative	Patient
Incorporation	X		X		
Early Stage	X			X	X
Post Discovery/Appraisals	X			X	X
Pre-Field Development	X	X	X	X	X
Pre-Production	X	X	X	X	X
Output Expansion	X	X	X		X

- No hard and fast rule – creativity is key but risk element increases
 - Nigerian oil and gas companies urgently need equity. The dependence on debt is unsustainable
 - Debts can be used at any stage with companies that have very stable high volume production but often through a borrowing base structure
 - The best stage is Pre-production because a lot of de-risking has been done and companies must leveraging creative capital at this stage to free up their cash flows.
 - Your bankers are key here and can guide you. If you have a strong corporate finance team, you can do it also but the process is a lot less
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Key success factors in raising capital for oil and gas

- A transparent and accountable corporate governance structure is key
 - Procedures and environment, appointment of non-independent directors
 - Communication with market, stakeholders and regulators must be concise and clear
 - What's your story? What's your angle?
 - Management guidance must be reasonably optimistic and technically conservative
 - Putting the right team together
 - the team should know where to look
 - creativity in structuring and distribution is key
 - integration, leadership and adaptability
 - Operational excellence
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Thank you