



**Alternative Source of Funding for Corporate Issuers Through the Nigerian
Debt Capital Markets**

October 2018

...empowering the Nigerian debt capital & FX markets



- Overview of the Nigerian Debt Capital Markets** | **2.**
- Available Financing Options in the Nigerian Debt Capital Markets for Corporates** | **3.**
- Financing Options: Bonds vs Bank Loans** | **4.**
- Bonds Issuance Process** | **5.**
- Possible Bonds Structure** | **7.**
- Commercial Papers** | **8.**
- Short Term Bonds Registration and Listings** | **9.**
- Private Companies' Bonds (PCB) Noting** | **10.**
- Transaction Case Study** | **11.**

Overview of the Nigerian Debt Capital Markets



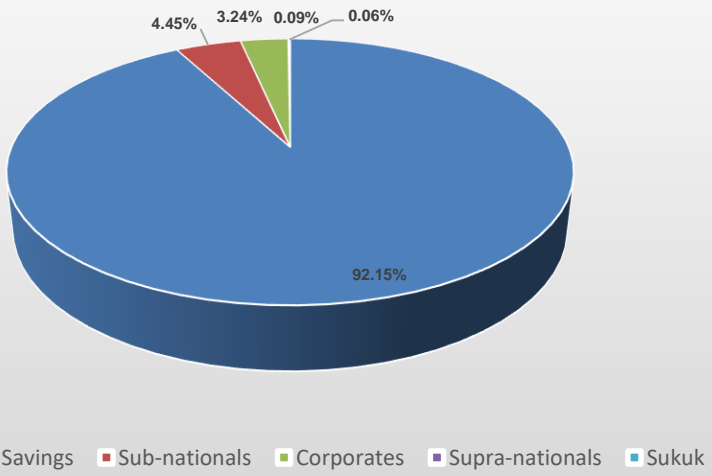
Description	Value (N'bn)	%age
FGN/FGN Savings	8,213.21	92.15%
Sub-nationals	396.95	4.45%
Corporates	288.70	3.24%
Supra-nationals	8.09	0.09%
Sukuk	5.46	0.06%
Total Bonds	8,912.41	100.00%

- The total outstanding value of domestic debt in the Nigerian DCM as at October, 2018 stands at ₦21.80trn (c. US\$60.06mm)

Description	Value (N'bn)
Total Bonds	8,912.41
Commercial Papers	210.96
Treasury Bills	2,701.84
Omo Bills	9,976.59
Total Local Debt	21,801.80

- The primary market for corporate bonds in Nigeria is still in its nascent stage, gradually gaining awareness amongst corporates to match long-term financing requirements with long-term funds

Size of the Total Bonds Market



FGN Yield Curve (%)

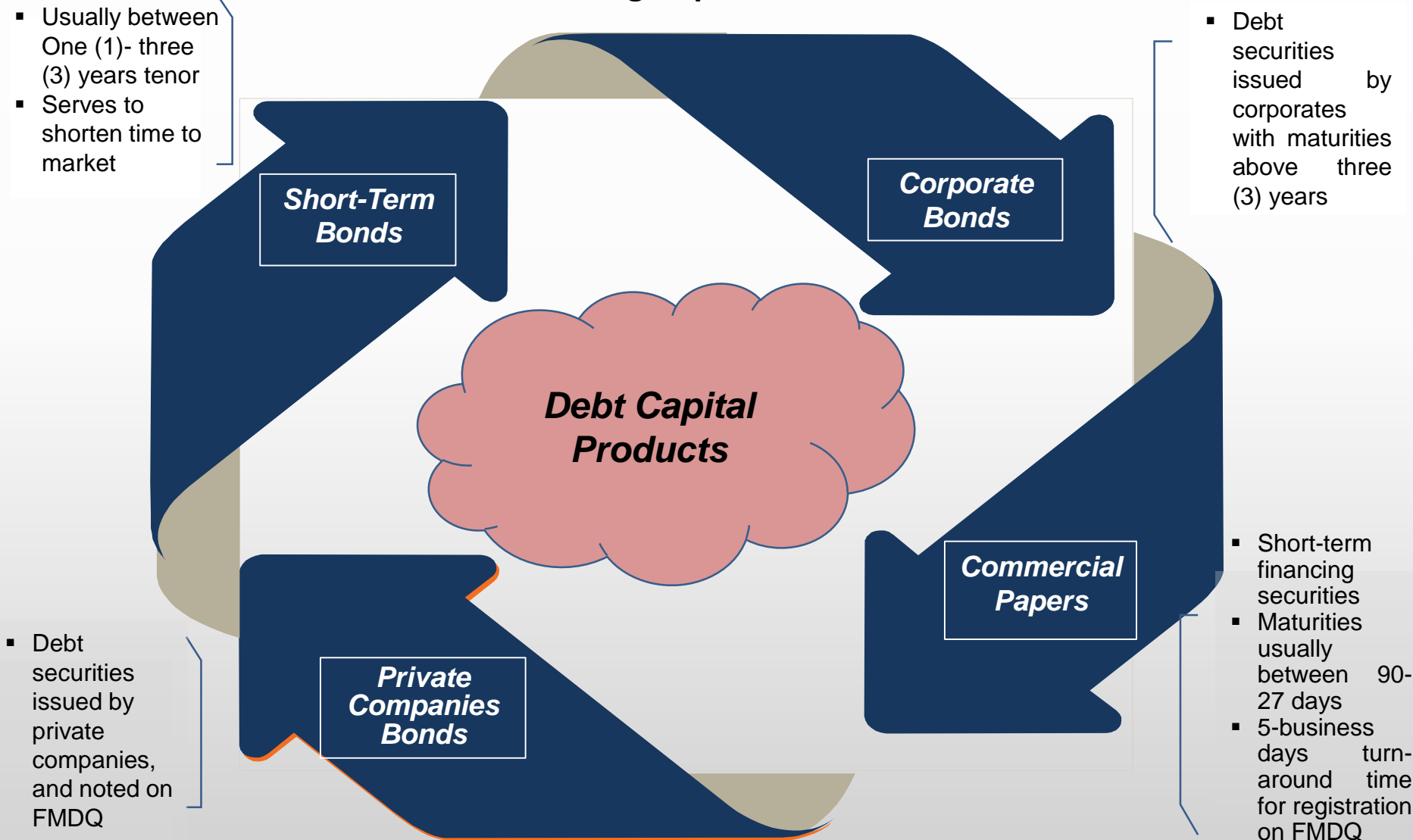


Source: FMDQ Daily Quotation List as at Oct 9, 2018

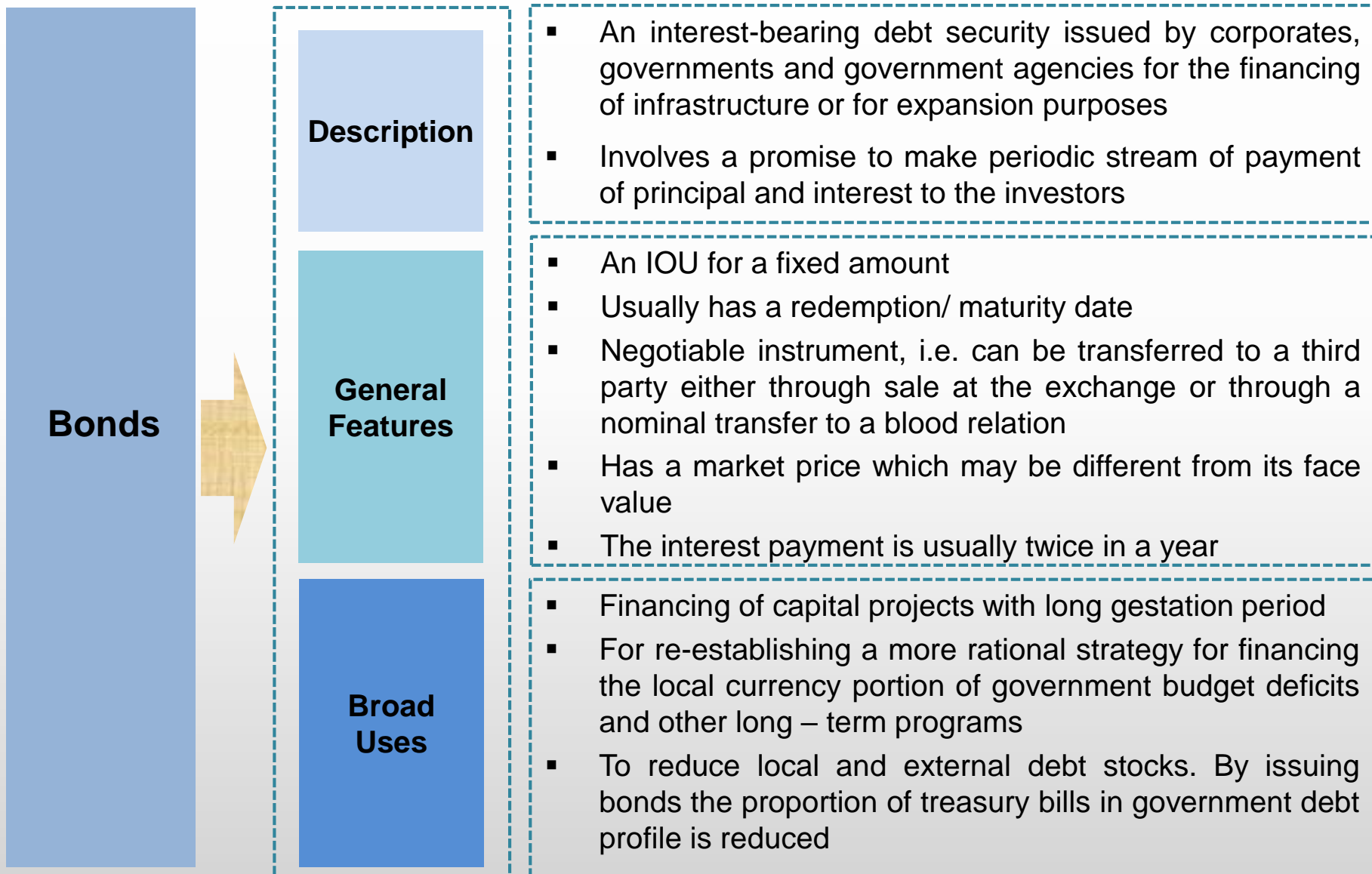
Source: FMDQ Daily Quotation List as at Oct. 9, 2018

Available Financing Options in the Nigerian Debt Capital Markets for Corporates

The Nigerian DCM provides a bouquet of funding options to Corporates to meet various financing requirements



Financing Options: Bonds vs Bank Loans



Financing Options: Bonds vs Bank Loans../2

Criteria	Bonds	Bank Credit
Tenor	Long	Short
Financing Cost	Cheaper	Expensive
Interest Rates	Various structures available (fixed, callable, zero coupon, etc)	Usually Floating with benchmark rates
Ease of Cashflow	Periodic interest at designated intervals	Monthly repayment
Restrictions	Less stringent covenants	Stringent covenants
Emergence of the Basel III Regulation	Supports long-tenored instruments	Does not support long tenored credits
Diversity of Investors	High	Low
Securitisation	Receivables can be tied to a pool of underlying assets	Too complex structure for most bank loans

COST OF ISSUE (Bonds)	
SEC	0.15%
FMDQ/NSE	0.15%
<i>Parties to the Issue</i>	
Issuing House	1.35%
CSCS	0.01%
Receiving Agent	0.75%
Stockbroker	0.13%
Solicitors to the Issue	0.10%
Solicitors to the Company	0.05%
Reporting Accountant	0.10%
Auditors	0.05%
Trustees	0.35%
Underwriting	*2.30%
Printing et al	*0.02%
Financial Advisory	
Registrars	
Rating Agency	
Placement Agents	

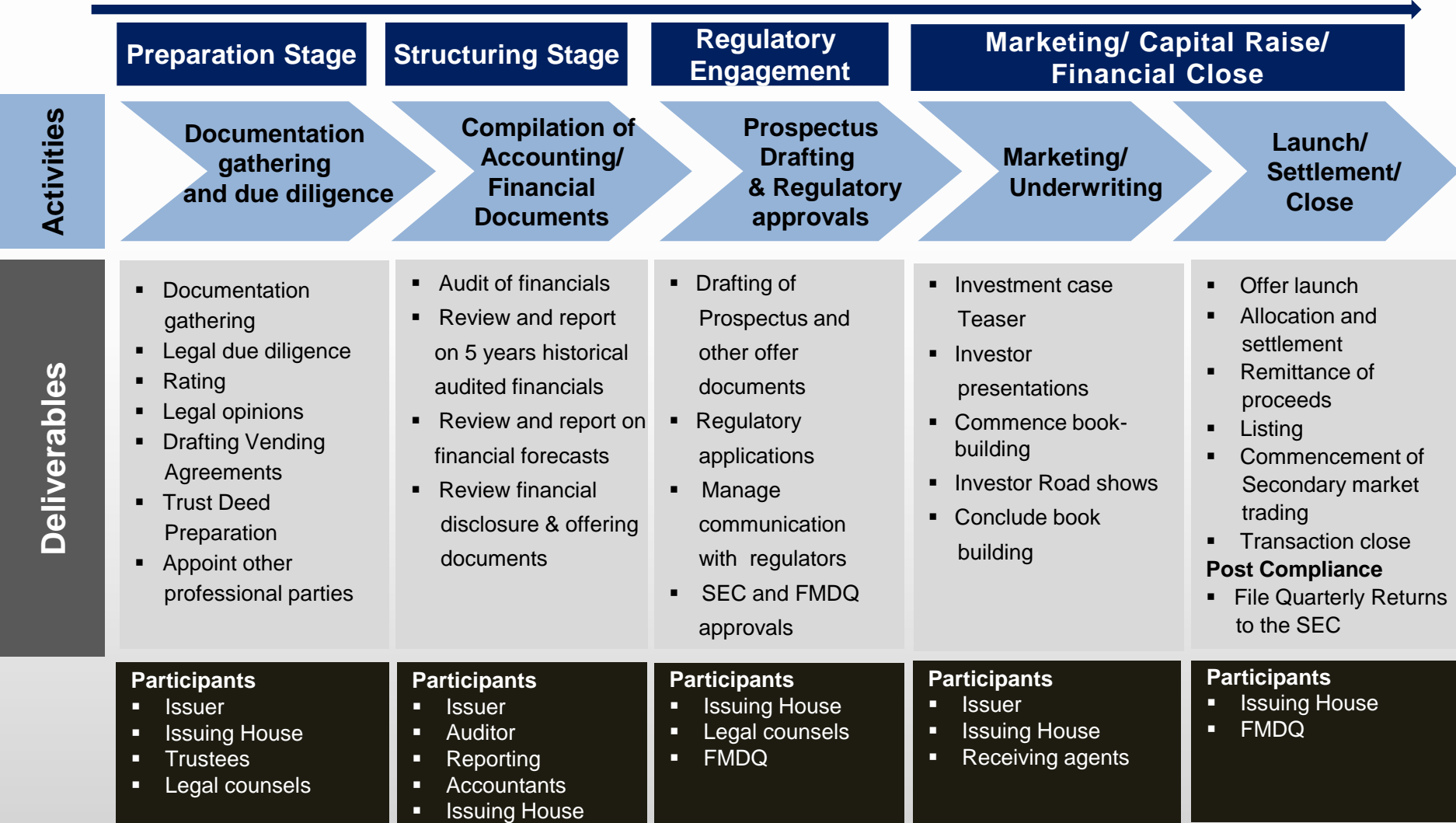
* Highlighted content indicates SEC's proposed fee as these fees are not capped currently

Maximum cost of issue for a bond is **2.23%** of the gross total proceeds

Bond Issuance Process

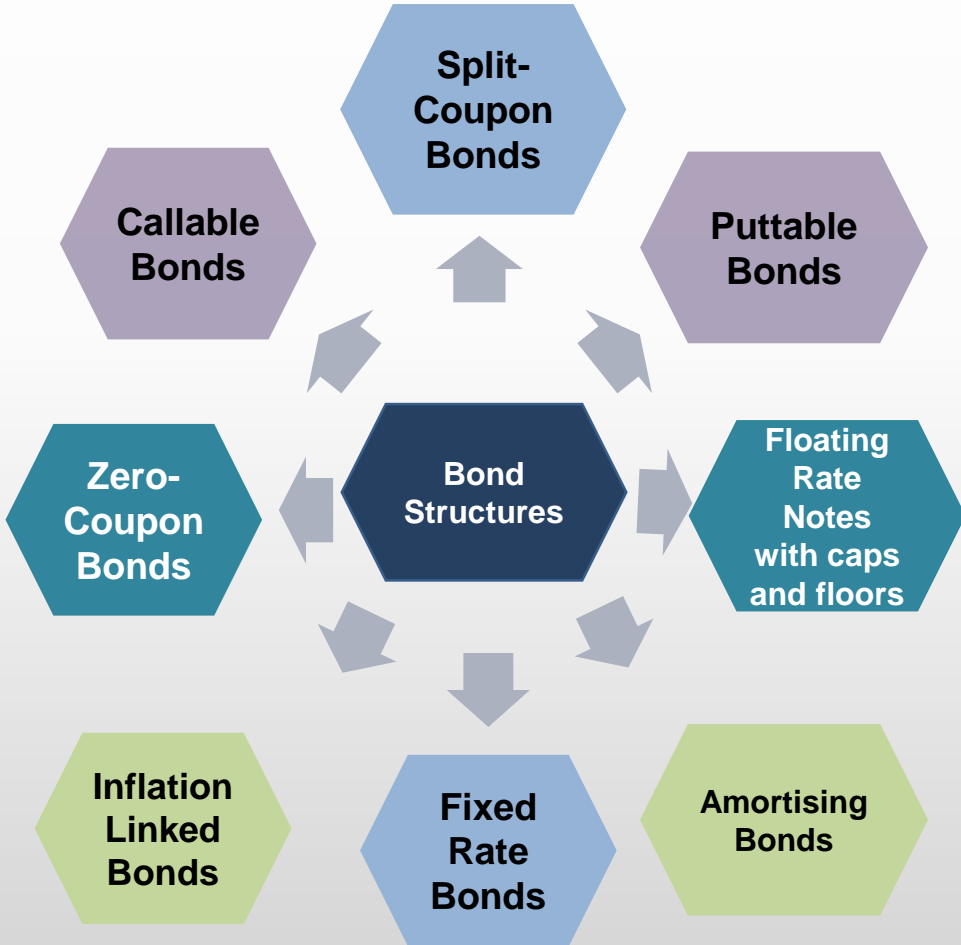


High Level Transaction Flow Process



Possible Bond Structures

Nigerian investors are open to a variety of structured products and plain vanilla bonds, therefore potential issuers can explore a multitude of various possibilities:



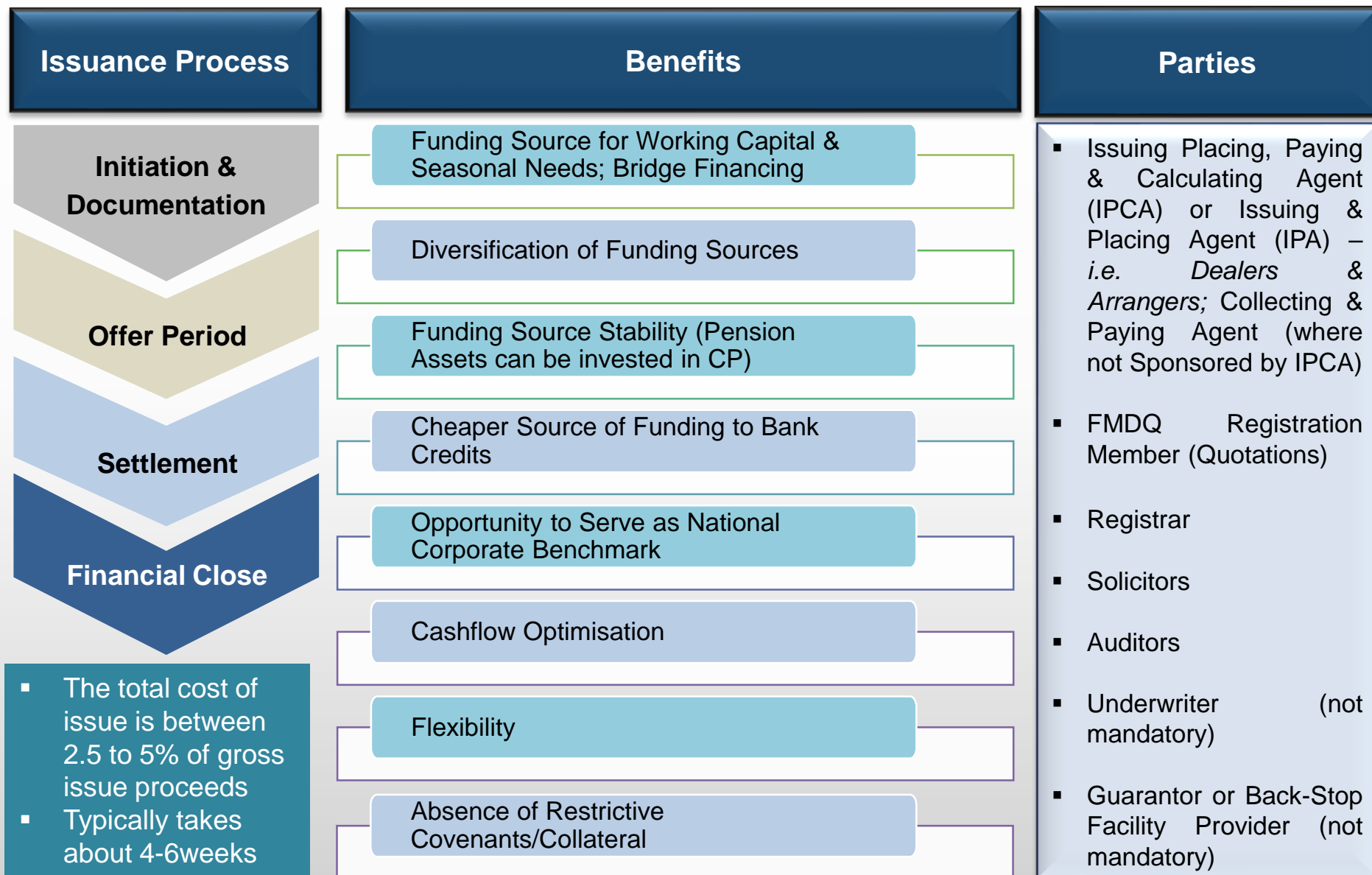
Accessing the Domestic Bonds Market

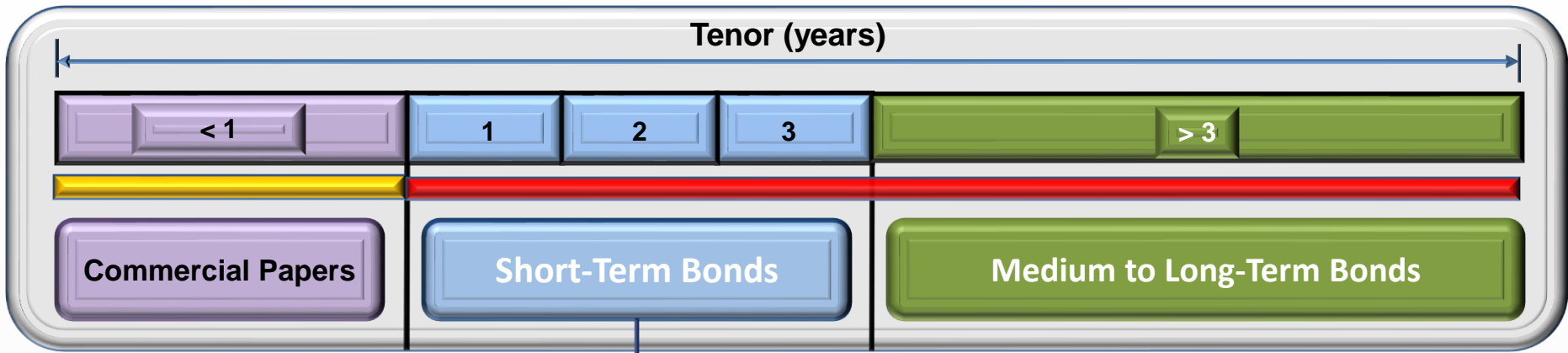
Key Considerations in Accessing the Bond Market

- Tenor of the Bond
- Credit Rating
- Financials
- Timing
- Credit Enhancement
- Favorable Market Conditions
- Coupon Rate
- Investor Base
- Tax Exemption Incentive

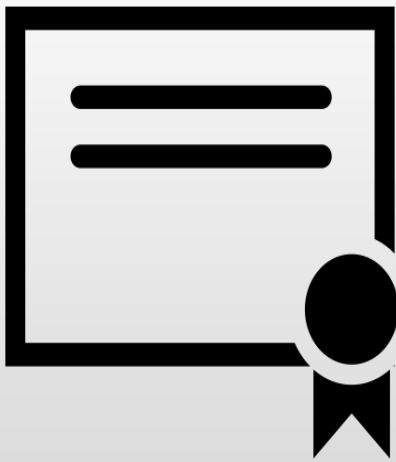
Transaction Parties

- Issuing House(s)
- Trustees
- Solicitors
- Rating Agency
- Reporting Accountants
- Broker (Listing Agent)
- Registrars
- Account Bank/ Paying Agent
- Underwriters
- Receiving Bank






Short-Term Bonds



- Short-Term Bonds (STBs) are short-term debt instruments issued by corporate entities with tenors between one (1) year and three (3) years
- Enable issuers bridge the funding gap between short and medium to long-term debt instruments
- Provide issuers alternative and competitive funding source whilst serving the liquidity needs of corporates
- Issuers stand to enjoy quicker time-to-market as FMDQ will serve as the SEC-approved securities exchange for the primary due diligence for all STB issuances



The FMDQ PCB Noting Service provides a robust and efficient platform through which private companies wishing to access the debt capital markets for long-term funding via bond issuances can benefit.

PCBs shall be issued in the private market via private placements, whilst trading will occur bilaterally.

The PCB Noting Service restricts the availability of key financial information and activities of private companies noted on FMDQ to only qualified counterparties, via a restricted portal.

Private companies with bonds noted on FMDQ will benefit immensely from an efficient noting process and access to a broad qualified institutional investor base, in addition to building a capital market debt raising track record.

Feature	Pre Bond Issuance	Post Bond Issuance
Type of Lender	Commercial Banks	Institutional Investors
Diversity of Investor	5	16
Debt Amount	NGN 5.1 billion	NGN 10.0 billion
Additional CAPEX	Nil	NGN 4.9 billion
Interest Rate	26%	16%
Interest Savings	Nil	> N 900 million
Average Tenor	3 years	10 years
Generation (MW)	41.5 MW	~50 MW

1. Viathan Group is a group of companies operating an integrated power generation, distribution and gas supply business in Southwest Nigeria with an existing generation capacity of 41.5MW.
2. Viathan Funding Plc (an SPV incorporated for the debt issuance programme) issued a NGN 10 billion corporate bond (the “Bond”) backed by guarantee.
3. The proceeds of the Bond enabled Viathan to construct a compressed natural gas plant and expand their existing generating capacity by 7.5 MW.
4. In addition, the bond refinanced short term commercial bank debt with long term institutional investor funding.



Benefits to Issuer



Thank you for your attention!



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