Association of Issuing Houses of Nigeria

2012 Annual General Meeting

Issuing Houses

… Yesterday, Today, Tomorrow

Keynote Talk delivered by:

Chuka Eseka

Managing Director/CEO, Vetiva Capital Management Limited

VETIVA
CAPITAL MANAGEMENT LIMITED
RC.485600

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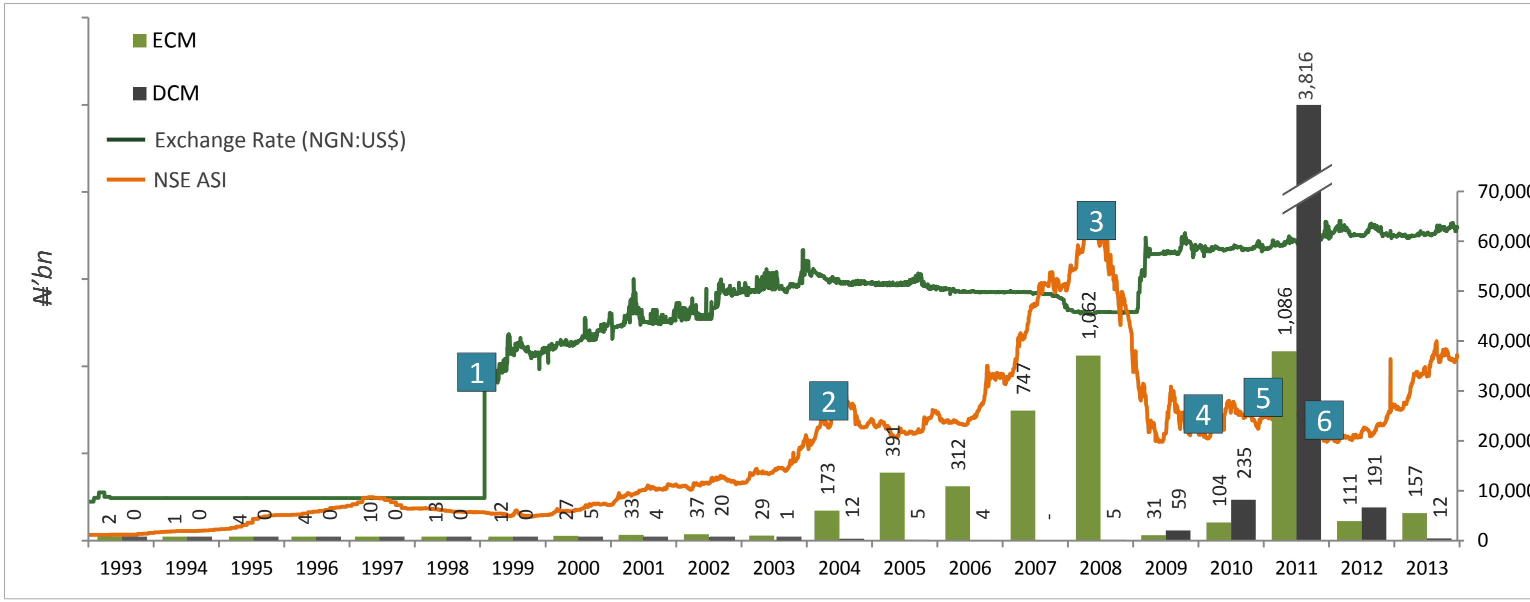
Outline

1. Preface
2. Yesterday
3. Today
4. Tomorrow
5. Postscript

Preface

- Key growth drivers have been:
  - ✓ Domestic/ global economic conditions;
  - ✓ Regulation/ Government policy



Key Events

1	New democratic era. Benefits of democracy, focused economic management, Liberalisation of markets, etc.
2	Recapitalization of the banking industry and universal banking policy; Re-stratification of the market and proliferation of market players; Spurred capital market activities, etc.
3	Market peaks; Nigerian capital market hit by the global financial melt-down; Capital market activities crash in reaction to market crisis; Some commencement at market reforms, reopening of debt markets, etc.
4	Appointment of Sanusi Lamido Sanusi as CBN governor in 2009
5	Establishment of AMCON in 2010; Repeal of the Universal Banking Model and guidelines for compliance with the revised operational model for deposit money banks, further financial sector reforms etc.
6	New management at the NSE, further financial sector reforms

Preface

- Number of registered Issuing Houses in Nigeria has dropped from **64 in 2007** to **29 in 2012**

Prominent players have changed with the changing operating environment

1993 - 1998	1999 - 2003 (1)	2004 - 2008 (2)	2009 - 2013 (3 – 6)
Afribank Int'l Limited	Afribank Int'l Limited	BGL Securities	Afrinvest W.A
Centre Point Mer. Bank	BGL Securities Limited	ChapelHill	BGL PLC
FBN Merchant Bankers	FBN Merchant Bankers	FBN Merchant Bankers	ChapelHill
FCMB Limited	FCMB Limited	FCMB Limited	Dunn Loren Merrifield
IBTC Limited	IBTC Limited	Greenwich Trust	FBN Capital
ICON Limited	Lead Merchant Bank	IBTC Chartered Bank	FCMB Capital Markets
Lead Merchant	NAL Merchant Bank	Int'continental Capital	Greenwich Trust
NAL Merchant Bank	Int'continental Sec. Ltd	UBA Global Markets	Stanbic IBTC
Nig. Int'continental Ltd	SEC Trust	Union Merchant Bank	UBA Capital
Rims Merchant Bank	Union Merchant Bank	Vetiva	Vetiva

… independent houses now in the majority…

Yesterday

- Historically dominated by Merchant Bankers
- But today dominated by Bank-affiliated and Independent Issuing Houses
- Changes mainly driven by ability to adapt to evolving climate and ownership focus

Prominent Players (1)

… In 1993	… Presently
Afribank International Limited	AfrInvest West Africa Limited
Centre Point Merchant Bank	BGL PLC
FBN Merchant Bank	ChapelHill Advisory Partners
First City Merchant Bank	FBN Capital Limited
IBTC Limited	FCMB Capital Markets Limited
ICON Limited (Merchant Bankers)	Greenwich Trust Limited
Lead Merchant Bank	Skye Financial Services
NAL Merchant Bank	Stanbic IBTC Capital
Nig. Intercontinental Merchant Bank	UBA Capital Limited
Rims Merchant Bank Limited	Vetiva Capital Management Limited

Only FBN, FCMB and Stanbic IBTC still in the game 20 years on!
AfrInvest and BGL the oldest independent players!

(1) Source: SEC data

Today

- Market now stratified in 3 or 4 layers with varying strengths and value proposition
- Re-emergence of merchant banks?

Issuing House/Adviser Spectrum in Nigeria

Bank-affiliated Issuing Houses	Independent Investment Banks [1]	Foreign Investment Banks/Others
FCMB	LeadCapital	Renaissance Capital
FBN Capital	bgl	Standard Chartered Nigeria
Stanbic IBTC Capital	Capital Bancorp Plc	FIRSTRAND
UBA Capital Plc	WSTC	fsdh Merchant Bank Ltd
Ecobank the Pan African Bank	AFRINVEST	
	Greenwich Trust Limited	
	VETIVA Capital Management Limited	
	Chapel Hill Denham	
	Meristem Securities Limited	
	KEDARI	
	PanAfrican Capital	
	Planet Capital	
	mbc	

[1] Issuing Houses currently registered with the AIHN

Today

Recent Transactions (Year to Date)

- **Traditional Issuing House business still delivering a profitable existence?**

1 ECM

	No.	Amount (₦'b)
Rights Issues	6	85.8
Private Placements	6	42.9
IPO	2	28.3
	14	**157.0**

2 DCM

	No.	Amount (₦'b)
Sub-nationals	-	-
Supra-nationals	1	12.0
	1	**12.0**

3 M&A

	No.
Mergers	5
Acquisitions	2
Restructuring	2
	9

Tomorrow

… Where do we see ourselves in the next 10 years?

… Today [(1)]

AFRINVEST
bgl
LeadCapital
CHAPEL HILL DENHAM
FBN Capital
Capital Bancorp Plc
FCMB
GREENWICH TRUST LIMITED
WSTC
Stanbic IBTC Capital
KEDARI
Ecobank The Pan African Bank
VETIVA CAPITAL MANAGEMENT LIMITED
Planet Capital
UBA Capital Plc
MERISTEM SECURITIES LIMITED
mbc
PanAfrican Capital

… 2023

[(1)] Issuing Houses currently registered with the AIHN

Tomorrow

- What would shape our business moving forward?
- Still likely to be driven by domestic/global economic conditions and Government policy/regulations

Catalysts/Enablers

	Key points	*Likely Impact*
1 **Socio-Political**	▪ Successful change in government in 2015 and possible positive benefits of a successful transition ▪ Spin-offs of a successful on-going Power sector ▪ Eventual passage of the Petroleum Industry Bill and spin-offs therefrom ▪ Deregulation of PMS	Medium
2 **Economic/Govt Policy**	▪ Global economic climate and economic performance of the G8 economies ▪ Dynamics of crude oil production and pricing and impact on federation revenues ▪ Exchange rate stability and stability monetary aggregates ▪ Fiscal management of the economy ▪ Imminent change in the leadership of the CBN in 2014 ▪ PPP and further privatisation of SOE (refineries, etc.) ▪ Renewal of Telco licenses	High
3 **Regulation/ Regulatory Actions**	▪ Active regulatory interface across the financial system ▪ Increase in the minimum capital requirement for capital market operators ▪ On-going efforts by the regulators to raise the standards of capital market operations, and its attendant costs	High

Key

Yellow	Low
Green	Medium
Red	High

Tomorrow

- How are today's Issuing Houses positioned to profit from tomorrow's income?
- Would Issuing Houses continue to remain relevant?
- Ability to grow/acquire needed competences key to future relevance

Where would future growth opportunities come from?

1 Existing Traditional Transactions

- ✓ Dependent on how socio-political, economic and regulatory dynamics play out

2 Agriculture

- ✓ Financing the agriculture value chain

3 Infrastructure

- ✓ Housing
- ✓ Power
- ✓ Transportation, etc.

4 Oil & Gas and others

- ✓ Impact of the Petroleum Industry Bill
- ✓ Continued restructuring of IOC's portfolios

Postscript

- Sound Bets
  - ✓ FBN Capital
  - ✓ Stanbic IBTC Capital
- We individually and collectively must strive to shape our future

… Where do we see ourselves in the next 10 years?

… Today (1)

- AFRINVEST
- bgl
- LeadCapital
- CHAPEL HILL DENHAM
- FBN Capital
- FCMB
- Capital Bancorp Plc
- GREENWICH TRUST LIMITED
- WSTC
- Stanbic IBTC Capital
- KEDARI
- Ecobank
- VETIVA CAPITAL MANAGEMENT LIMITED
- Planet Capital
- UBA Capital Plc
- MERISTEM SECURITIES LIMITED
- mbc
- PanAfrican Capital

… 2023

(1) Issuing Houses currently registered with the AIHN

THANK YOU