

NIGERIAS BIGGEST CORPORATIONS

Signature50

OCTOBER 2020

FOUNDERS EDITION



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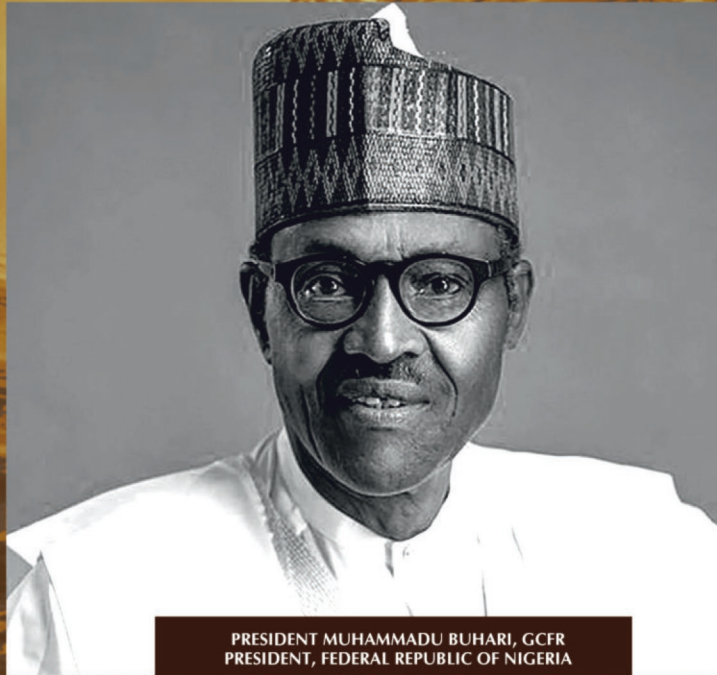
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DANGOTE GROUP



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SONNIE AYERE
DLM CAPITAL



CHIEDU UIGBO
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ALEX OKOH
DG, BPE

MEN WHO BUILT NIGERIA AT 60



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DLM has collaborated with players in key sectors of the economy including transportation, agriculture, housing, and oil & gas etc., to provide bespoke capital market financing solutions through its advisory engagements

Sonnie Ayere

DLM CAPITAL GROUP AT 11

For 11 years, the DLM Capital Group has trail-blazed the Sub-Saharan African Investment space as a Developmental Investment Bank. Between May 1, 2009 and September 2020, kindly chronicle the growth trajectory of DLM in Nigeria and Africa?

DLM was founded in 2009 and commenced operations as a Premier Debt House, providing Corporate Finance Advisory Services to corporates and sub-sovereigns interested in accessing the Nigerian Capital Markets. This was important as within most Sub-Saharan African countries, businesses were yet to access beneficial financing from their domestic capital markets for a variety of reasons including low development of capital markets and heavy reliance on government financing, local and multilateral financial institutions (Developmental Institutions like the World Bank) for support.

Prior to the establishment of DLM, companies accessed long term capital primarily through the equity capital market. This was largely inspired by a highly regulated banking sector, where weak consolidated Banks sought equity from the investing public. This era fostered growth in public responsiveness to information and activity in the domestic capital markets. Local companies came forth to access growth capital within Nigeria, issuing equity shareholding via the domestic financial market; and at the initiation of Nigeria's equity market meltdown in September 2008, public interest in equity securities started to wane due in part to global events and a largely

unsophisticated retail driven base. Against this backdrop, DLM was established in 2009. In this year, there were clear challenges facing debt origination within the Nigerian Space. The



rejuvenated government debt market where bonds were now issued was only about three years old. There were asymmetries in perception of legal issues between the regulators and the courts,

debt pricing references in the form of data and benchmarks were amiss; and these were important points for investor protection and investor interest.

Consequently, DLM was founded to focus on providing innovative and bespoke solutions to prospective issuers seeking to access long term funding through the capital markets. DLM initially focused on promoting issuances via the Nigerian Debt Capital Market by coordinating with various stakeholders (regulators, rating agencies, solicitors and other capital market operators) to create the infrastructure required to establish a sustainable debt capital market in the country.

Subsequently, DLM moved to advocate for deepening the market to drive the growth and development of critical sectors of the domestic economy; the first being the housing sector, which typically accounts for the largest non-sovereign debt class in most developed countries. DLM was at the forefront of the establishment of Uniform Underwriting Standards (UUS) for the housing sector in Nigeria amongst others.

DLM provided the advisory required for the set up and incubation of the Nigerian Mortgage Refinance Company Plc (NMRC) and later, the Mortgage Warehouse Financing Limited (MWFL), which were instituted to access longer term and short term funding respectively from the capital markets, beyond what commercial banks would typically offer, and longer tenured than what domestic mortgage banks could fund.

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DLM CAPITAL GROUP AT 11

As part of DLM's developmental objective, the company moved to introduce securitisation into the Nigerian domestic markets as an alternative solution for financing businesses with relatively strong and predictable cashflows, demonstrating that cheaper and longer-term funding is probable for companies seeking to explore innovative off-balance sheet funding mechanics. DLM has successfully assisted corporates in sectors such as housing, transportation, and technology to access long term funds via this means. The company is currently establishing bespoke funding models focusing on key sectors of the economy such as consumer credit, agriculture, microfinance and education in line with its developmental mandate.

Q: Across different sectors of the Economy, DLM seems to have curated specific investment solutions addressing sectors like Oil & Gas, Education, Transportation and others. What are the highlights of your engagements in these sectors?

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market financing solutions through its advisory engagements.

DLM successfully arranged the funding of the longest bus rapid transport (BRT) route service in West Africa through the issuance of the \$16.5 billion bonds, thus



enabling the provision of increased access to transport infrastructure in West Africa's busiest commercial city (Lagos) and creating direct and indirect jobs.

Similarly, DLM was appointed by the Council of Ministers of the African Petroleum Producers Organisation (APPO) to provide financial advisory for the establishment and \$1 billion capitalisation of a new development finance institution (Africa Energy Investment Corporation) to provide funding for the energy sector in Africa. The DFI is expected to provide efficient and sustainable financing for mining, oil & gas, power and other energy sectors across Africa.

Considering the significant place of education in a country's development, DLM is currently partnering with key stakeholders within the educational sector to establish a sustainable and efficient funding programme to meet the funding needs of educational institutions in Nigeria.

Q: Starting off as an Investment Banking firm 11 years ago, what does the future portend for DLM Capital Group – Are there pointers to becoming a Commercial or Merchant Bank anytime in the future?

In time, we would transition into our next >>>

DLM CAPITAL GROUP AT 11

phase of operations. As of today, we are able to offer all products and services to our clients from the taking of deposits, to lending, to securities trading, to providing foreign exchange, trusteeship, asset management, financial advisory etc.

Q: Nigeria is currently going through a revised 2020 budget occasioned by the impact of the coronavirus pandemic. How would DLM Capital Group advise the government to navigate this period beyond borrowing?

We advise that the government adopts a sustainable and holistic approach for long-term structural solutions to issues bedeviling the public sector and call for reforms to drive efficiency in certain key areas:

- Agency Revenues

Agencies such as the NNPC and NPA must be structurally revamped through processes and internal controls to ensure efficiency. Cost reductions, plugging leakages and enhanced revenue capture methods must be prioritised.

- Tax administration

The FIRS has made great strides in improving tax collection from eligible sources. Increased effort is required in this regard, especially as it concerns expanding the tax net in relation to national productivity (GDP) which stood at its highest of 6.1% in 2020; in comparison,

inclusion is the President's Executive Order 007, which created an avenue for the private sector to invest in the construction of federal roads. These efforts help to free up government funds to be deployed to other areas of value creation.



- De-risking sectors for inclusion of private investments

Sectors such as mining in Nigeria, have the capacity to create up to \$60 Billion in yearly revenue, if properly harnessed. The government needs to put in efforts towards de-risking such sectors to encourage more private capital flow. Implementations of effective regulatory frameworks and improvements in governance will help make investors more comfortable and create the value that will ultimately lead to an increase in government revenues.

The Nigerian Government, prior to Covid-19 pandemic was already making strides towards increasing its

ability to fund itself internally. The pandemic overtly stresses the pressing need of the government to protect its finances and the broader economy from external and internal shocks; a clear feature of which is highlighted with static to diminishing oil revenue trends, in the face of a growing population and a diminishing capacity to fund growth internally. **S**

26 African countries in Revenue Statistics in Africa for 2019 featured 17.2% (Nairametrix, OECD). Federal Capital expenditures, and Partnering with domestic institutional investors. The government must continue to deepen its resolve to encourage private sector investment especially as it concerns capital expenditure. A fine example of the government's positive step towards this

ability to fund itself internally. The pandemic overtly stresses the pressing need of the government to protect its finances and the broader economy from external and internal shocks; a clear feature of which is highlighted with static to diminishing oil revenue trends, in the face of a growing population and a diminishing capacity to fund growth internally. **S**