

# NNPCL Sponsored Project Gazelle US\$3.4bn Financing Proposal

August 2023



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# Afreximbank – Who we are

Origin	<ul style="list-style-type: none"><li>•Created in 1993, under the auspices of the African Development Bank (AfDB), as Africa's response to global debt crisis of the 1980s.</li></ul>
Purpose and mandate	<ul style="list-style-type: none"><li>•Main objective was to create an institution that will bridge the financing gap and diversify African trade by promoting and financing intra- and extra-African trade, particularly Africa South-South trade, as well as value added exports.</li><li>•Mandate is to promote and finance intra- and extra-African trade using three broad instruments, namely credit, risk bearing and trade information and advisory services.</li></ul>
Legal status	<ul style="list-style-type: none"><li>•An Establishment Agreement signed by all member countries, which accords the Bank a multilateral status;</li><li>•A Charter, annexed to the Agreement, which defines the operations of the Bank</li><li>•The Bank is registered with the United Nations under Article 102, that confers on it that status of an international organization, Its also accredited as an African Union (AU) Institution</li></ul>
Participating States and Shareholders	<ul style="list-style-type: none"><li>•Participating states are those, who have signed and ratified the Establishment Agreement</li><li>•Shareholders are those, who have invested in the Bank's equity. There are currently four (4) Classes of shares (A, B, C and D)</li></ul>
Member Countries	<ul style="list-style-type: none"><li>•52 member African countries and 7 Caricom member countries.</li></ul>
Office Locations	<ul style="list-style-type: none"><li>•Cairo, Arab Republic of Egypt – Headquarters;</li><li>•Six regional offices in Abidjan, Cote D'Ivoire; Abuja, Nigeria; Harare, Zimbabwe; Kampala, Uganda; Yaoundé, Cameroon and Barbados, Caribbean.</li></ul>
Credit Rating	<ul style="list-style-type: none"><li>•Investment grade rating from three global/international rating agencies: namely: GCR (A, Stable)   Moody's (Baa1, Stable   Fitch (BBB, Stable)   JCR (A-)</li></ul>
Innovative Products & Programmes	<ul style="list-style-type: none"><li>•Intra-Africa Trade Promotion, Industrialization, Export Development, PAFTRAC, AFGAP, SME Incubation Scheme, PATIMFA, UKAFPA, ATEX (aggregating grain and fertilizer procurement)</li></ul>

# NNPCL – A Trusted Partner

Origin	<ul style="list-style-type: none"><li>•Established in April 1977, successor to Nigerian National Oil Corporation (1971).</li><li>•Custodian of Nigerian Government's interest in the petroleum industry.</li></ul>
Industry Significance	<ul style="list-style-type: none"><li>•Nigeria's largest business entity and primary investor.</li><li>•Statutory corporation - fully government-owned.</li></ul>
Legal status	<ul style="list-style-type: none"><li>•NNPC transitioned to "NNPC Ltd" in 2022 due to the Petroleum Industry Act ("PIA") of 2021 with a NGN200Bn (c. US\$ 434M) share capital.</li><li>•Now operates with a commercial focus with reduced federal oversight</li><li>•Operates outside of constraints like the Treasury Single Account, Public Procurement Act, and Fiscal Responsibility Act</li><li>•Sends monthly remittance and reports to the Federal Account Allocation Committee.</li></ul>
Joint Venture Partnerships	<ul style="list-style-type: none"><li>•Varied interest in JV arrangements tied to specific producing assets</li><li>•Holds 60% interest with most major oil multinationals</li><li>•Exceptions: Shell (55%), Mobil (49%).</li><li>•Governed by joint agreements between NNPCL and international/indigenous oil entities.</li><li>•Recent divestments by Shell, Total, and Agip led to formation of new JVs between NNPCL and new stakeholders.</li><li>•Ongoing IOC divestments are reshaping the JV landscape in Nigeria.</li></ul>
Reserves Contributions	<ul style="list-style-type: none"><li>•Total liquid reserves: c.25.6bn bbls.</li><li>•NNPCL's share: c.9.3bn bbls</li><li>•NEPL's share: c.2.5bn bbls</li><li>•NNPCL &amp; NNPC Exploration and Production Limited (NEPL) combined contribute over 36% to liquid reserves.</li><li>•Gas reserves contribution is even higher at 40% of total Nigerian gas reserves, with NNPCL inclusive of NEPL.</li></ul>

# Afreximbank – NNPC Relationship History

## Relationship Highlights

- A decade of mutually rewarding collaboration characterized by robust engagements at all levels within both organisations.
- Consistently strong debt repayment history.
- Last 5-years financing support from Afreximbank.

Year	Facility	Final Maturity	(US\$) Facility Size	(US\$) Afrexim Share
2019	NLNG Train 7	May-29	3,000	130
2019	Vendor Programme	May-23	750	750
2019	Vendor Programme	Nov-24	1,500	1,500
2020	Project Eagle	Jun-25	1,000	250
2021	Project Brogue	Jan-27	300	300
2021	Project Bison	Dec-26	1,040	1,040
2022	Project Yield	Jun-29	1,000	500
2022	Offtaker financing	Oct-25	75	75
Total			8,665	4,545

- Recent NNPC delays and disruptions are now being addressed with the new deregulated oil and gas environment
- Status of current crude delivery obligations (August 2023):

NNPC Crude Obligations	Before July 2023	In August 2023
Pre-delivery	18	8
Prepayment	14	9

- Mandate: NNPC have mandated Afreximbank to lead and arrange a royalty and tax crude oil backed prepayment facility.
- Clear Market: No new US\$ financing will be raised by the NNPC during the syndication of the facility.

# Project Gazelle

## US\$3.4bn Royalties and Tax Crude Oil-Backed Prepayment Facility

Item	Description
Sponsor	NNPCL
Seller	NNPCL
Borrower	An orphan special purpose vehicle (“SPV”) registered in a location acceptable to the lenders
Facility Amount	Up to US\$ 3,400,000,000 (Three Billion Four Hundred Million US Dollars)
Underwritten Amount by Afreximbank	US\$ 500,000,000 (Five Hundred Million US Dollars)
Facility Purpose	NNPC’s general corporate purposes;
Crude Allocation	[TBA] barrels per day
Grace Period	3 months from the date of first disbursement
Final Maturity	60 months from the first utilization date
Repayment	Advances will be repaid in equal, consecutive quarterly instalments over a period of 57 months on scheduled Repayment Dates commencing after the Grace Period
Repayment source	Repayment will be from proceeds of offtake of the Crude Oil Allocation
Facility Structure	Prepayment with a Forward Sale Agreement
Crude oil price used	TBC
Backstop	Cash and Crude
Crude Hedging	None

# Project Gazelle

## US\$3.4bn Royalties and Tax Crude Oil-Backed Prepayment Facility

Item	Description
Finance and Security Documents	<ul style="list-style-type: none"><li>- Facility Agreement</li><li>- Accounts charges, assignment of FSA, offtake agreements, etc.</li><li>- Share charges, etc.</li></ul>
Reference Rate	Term SOFR
Margin	TBC
Commitment Fee	[30]% of Margin
Upfront Fees	TBC, based on participation amount
Cash Waterfall	<ul style="list-style-type: none"><li>- Financing costs and admin costs of the borrower</li><li>- Interest and principal</li><li>- Transfer to ensure DSRA is at required balance</li><li>- 10% of excess cash is swept to the loan</li></ul>
Offtake Contracts	TBD

# Transaction Summary & Features

The proposed transaction is an up to US\$3.3Bn prepayment facility in favor of a NNPC-sponsored orphan SPV which will be established in a jurisdiction acceptable to the Lenders. The transaction is secured by a crude oil allocation (TBD) from the royalties and tax crude oil barrels entitlements of the Federation of Nigeria. The transaction presents some very usual features of a SPV-based PXF transaction, while it also has a few specificities compared to previous rounds of financing for NNPC.

## 1) Usual PXF/PPF features

Orphan SPV as borrower	This allows the Lenders to be insulated from specific issues attached to the Sponsor.
Forward Sale structure	The objective is to use a structure that bridges the financing gap by making a prepayment for future deliveries of crude oil under Forward Sale agreements (FSAs) in line with the agreed crude oil allocation/delivery quantities.
Secured offtake	The offtake will be against acceptable trade instruments, with the proceeds assigned to the Lenders via the Facility Agent.
Security package	Usual for transactions of this nature and including assignment by the Borrower of its rights under the Offtake Contracts, charge over the permitted accounts, assignment of the crude oil sales proceeds, charge over the entire issued capital of the Borrower.

## 2) Transaction specificities

Federation’s barrels	The transaction is uniquely backed by Royalty and Tax Oil entitlements of the Federation of Nigeria, a first of its kind in the market.**
Distinct revenue accounts	Sales proceeds of royalty and tax crude allocated to this transaction will be paid into the separate royalty and tax accounts with the Central Bank of Nigeria (“CBN”) as mandated under Nigerian regulations.
Distribution or excess cash	Up to 90% of excess cash (“Price Balance”) will be released to the Sponsor’s nominees accounts with the CBN, while 10% will go towards the prepayment of the Facility.

\*\*Section 64 of the PIA, which sets out the objectives of NNPC under the Act mandates it to:  
(c) lift and sell royalty oil and tax oil on behalf of the Commission and the Service respectively for an agreed commercial fee and in the case or profit oil and profit gas payable to the concessionaire, NNPC Limited shall promptly remit the proceeds of the sales of the profit oil and profit gas to the Federation less its 30% for management fee and Frontier Exploration Fund as specified in section 9 (4) or this Act;

# Transaction Schematics – Disbursement

1

The Borrower submits a utilization request in pre-agreed form



2

The Facility Agent notifies the Lenders who fund their respective participations under the Facility.



3

The Facility is disbursed into the SPV Disbursement Account in the books of the Offshore Account Bank (Afreximbank)



4

Afreximbank (in its capacity as Offshore Account Bank) will debit the SPV Disbursement Account for the full Facility amount (less transaction fees, costs, etc) based on a prior irrevocable debit instruction provided by the Borrower



5

Afreximbank then applies the debit made as deposit payments to the Sponsor's nominees account with the Central Bank of Nigeria.

# Transaction Schematics – Repayment & Distributions

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1

Following the sale of any delivered royalty and tax crude oil cargoes, payment is made by the Offtaker Lenders into the Onshore Collection Account of the Borrower.



2

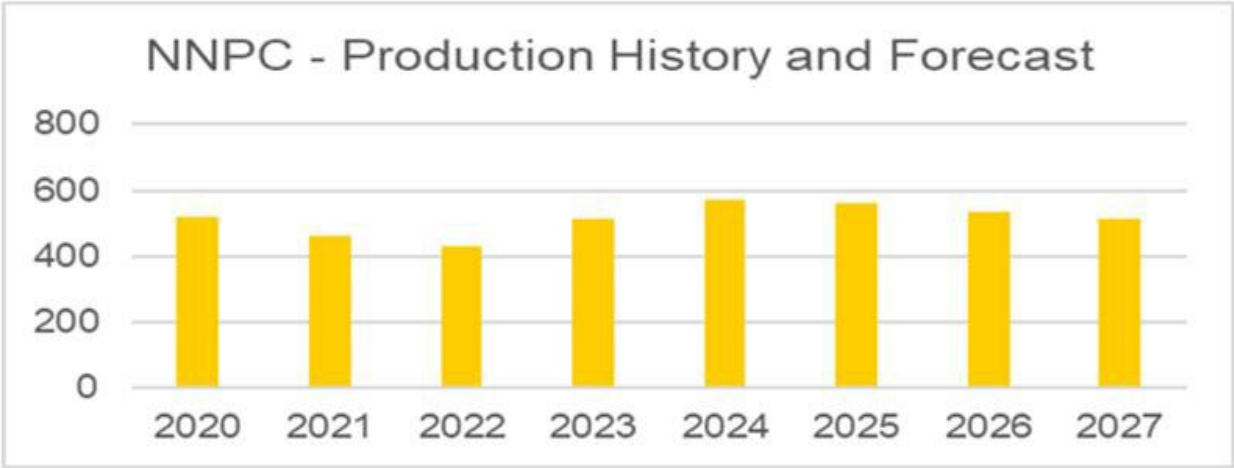
The funds received in the Onshore Collection Account are immediately transferred into the Offshore Collection Account where they will be applied in line with the documented cash waterfall.



3

Upon application of all prior cash waterfall requirements, 90% of the excess cash (price balance) is released to the Sponsor's nominees, and 10% is applied to loan prepayments.

# NNPCL Production History and Forecast



NNPCL production history and forecast 2020-2027 (Source: Wood Mackenzie, Dec. 2022)

Nigerian National Petroleum Corporation Limited (“NNPCL”) had an average liquid production of 528kbopd in 2021, which accounted for over 32% of Nigeria’s total liquid production. The average gas production was 454kbpd, over 55% of Nigeria’s total gas production. NNPC Exploration and Production Limited (“NEPL”), a 100% wholly owned subsidiary of NNPCL, had an average liquid production of 137kbopd in 2021, accounting for over 8% of Nigeria’s liquid production.

The average gas production was 124kboe/d, forming c.15% of Nigeria’s total gas output. NNPCL’s contribution to Nigeria’s total liquid production is to increase from 32% to over c.40% by 2028.

According to independent review, the upcoming production reserves that are under development comprise of around 150 million barrels of crude that is split 46:54 between IOC and indigenous production.

NNPCL is expected to receive an average net production entitlement of between 520,000 and 550,000 barrels of crude oil per day till at least 2027.

Source: Wood Mackenzie

# NNPCL Financial Highlights

## Historical Income Statement

NNPCL INCOME STATEMENT					
Income Statement	In Naira Millions	(Amounts in USD Millions)			% Change
Audited	2020	2018	2019	2020	
Total Revenue	3,718,923	13,167	12,873	9,787	-24%
COGS	(3,654,151)	(11,499)	(10,889)	(9,616)	-12%
Gross Profit/Loss	<u>64,772</u>	<u>1,668</u>	<u>1,983</u>	<u>170</u>	<u>-91%</u>
SG&A Expenses	(714,570)	(2,511)	(2,061)	(1,880)	-9%
Net Impairment loss on Financial Assets	713,403	(1,300)	(760)	1,877	-347%
Net Operating Profit/Loss [EBIT]	<u>63,605</u>	<u>(2,143)</u>	<u>(838)</u>	<u>167</u>	<u>-120%</u>
Interest Expense	(26,703)	(82)	(206)	(70)	-66%
Interest Income	5,187	20	42	14	-68%
Other Financial Income	675,657	215	739	1,778	141%
Profit/Loss after Financial Items	<u>717,746</u>	<u>(1,991)</u>	<u>(262)</u>	<u>1,889</u>	<u>-820%</u>
Share of profit of associate and JVs	1,362	5	4	4	-4%
Profit/Loss Before Tax	<u>719,108</u>	<u>(1,986)</u>	<u>(259)</u>	<u>1,892</u>	<u>-832%</u>
Current Income tax	(431,883)	(245)	254	(1,137)	-548%
Loss/Gain for the Year	<u>287,225</u>	<u>(2,231)</u>	<u>(5)</u>	<u>756</u>	=

# NNPCL Financial Highlights

## Historical Balance Sheet

NNPCL BALANCE SHEET					
Balance Sheet	In Naira Millions	In USD Millions			% Change
Audited	2020	2018	2019	2020	
<b>Current Assets</b>					
Inventories	642,600	2,682	2,358	1,691	-28%
Trade Debtors (Receivables)	3,569,128	6,040	6,690	9,392	40%
Other Financial Assets	13,244	24	22	35	56%
Prepayments & Other Assets	276,180	843	650	727	12%
Cash and ST Deposits	1,757,158	5,291	4,921	4,624	-6%
<b>Total Current Assets</b>	<b>6,258,310</b>	<b>14,881</b>	<b>14,641</b>	<b>16,469</b>	<b>12%</b>
<b>Total Non-Current and Fixed Assets</b>	<b>9,577,550</b>	<b>16,647</b>	<b>22,303</b>	<b>25,204</b>	<b>13%</b>
<b>Total Assets</b>	<b>15,835,860</b>	<b>31,528</b>	<b>36,944</b>	<b>41,673</b>	<b>13%</b>
<b>Liabilities</b>					
Finance Lease Obligations	749	-	2	2	-20%
Trade & Other Payables	8,888,563	17,973	20,511	23,391	14%
Other Liabilities	1,377,792	3,398	3,561	3,626	2%
Contract Liabilities	43,295	21	7	114	1642%
Income Tax	143,190	999	908	377	-58%
Royalties Payable	329,347	1,749	1,906	867	-55%
Employee benefit plan	36,003	-	90	95	5%
<b>Total Current Liabilities</b>	<b>10,818,939</b>	<b>24,139</b>	<b>26,896</b>	<b>28,471</b>	<b>6%</b>
<b>Total Non-Current Liabilities</b>	<b>3,865,722</b>	<b>6,128</b>	<b>8,756</b>	<b>10,173</b>	<b>16%</b>
<b>Equity</b>					
Non-Controlling Interest	2,058	3	3	5	55%
<b>Total Shareholders' Funds</b>	<b>1,151,199</b>	<b>1,260</b>	<b>1,202</b>	<b>3,029</b>	<b>152%</b>
<b>Total Liabilities and Equity</b>	<b>15,835,860</b>	<b>31,528</b>	<b>36,854</b>	<b>41,673</b>	<b>13%</b>

# Production Sharing Contracts (Royalty and Tax Oil) FREE BARRELS ANALYSIS

Federation Crude are royalty and tax crude that accrue to the Government of Nigeria from offshore, deepwater production sharing contracts.

They are distinct from and rank ahead of NNPC equity crude in Nigeria’s crude oil waterfall.

## PSC Free Barrels Availability

- Notes and Assumptions:**
- 1. Results are based on biz plan and subject to revision if underlying assumptions change
  - 2. Projections beyond 2027 are provisional & subject to change with updated biz plan
  - 3. Govts share of PSC PO is estimated as **40%** of NNPC PO
  - 4. FES Share of PSC PO is estimated as **30%** of NNPC PO
  - 5. NNPC Ltd Free Barrels from PSCs estimated as **30%** of NNPC PO.
  - 6. 1993 PSCs (OMLs 118, 125, 128, 133 & 138) are evaluated for all the years on current fiscals (PPTA & DOA) while OML 130 was evaluated under PIA.
  - 7. Woodmac oil price deck used with long-term oil price at \$60/bbl RT2023 from 2026.
  - 8. Projections do not account for possible statutory curtailments like OPEC quota.

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
<b>PSCs (bopd)</b>										
PSC Production	595,000	618,213	668,488	682,656	702,650	704,330	696,545	701,175	700,683	699,468
PSC Royalty	82,231	87,692	92,734	92,120	93,903	95,641	93,888	94,477	94,668	94,344
PSC Cost Oil	169,582	227,294	348,970	362,658	358,589	367,056	362,788	362,809	364,217	363,272
PSC Tax	138,058	145,502	137,551	135,487	132,375	139,162	135,680	135,736	136,857	136,091
PSC DSA Payment	12,352	11,219	10,906	10,900	11,702	11,491	11,364	11,519	11,458	11,447
PSC Stabilisation PO	20,659	18,764	18,241	18,230	19,572	19,218	19,006	19,266	19,163	19,145
NNPC/FES/Gov't PSC PO	69,615	72,331	78,213	79,871	82,210	82,407	81,496	82,037	81,980	81,838
Govt. Share of PSC PO	27,846	28,932	31,285	31,948	32,884	32,963	32,598	32,815	32,792	32,735
FES Share of PSC PO	20,885	21,699	23,464	23,961	24,663	24,722	24,449	24,611	24,594	24,551
NNPC Share of PSC PO	20,885	21,699	23,464	23,961	24,663	24,722	24,449	24,611	24,594	24,551
<b>Total Govt. Barrels (bopd)</b>										
PSC Royalty	82,231	87,692	92,734	92,120	93,903	95,641	93,888	94,477	94,668	94,344
PSC Tax	138,058	145,502	137,551	135,487	132,375	139,162	135,680	135,736	136,857	136,091
Govt. Share of PSC PO	27,846	28,932	31,285	31,948	32,884	32,963	32,598	32,815	32,792	32,735
Total	248,135	262,126	261,570	259,556	259,163	267,766	262,166	263,027	264,317	263,170

Source: NNPC Limited

# Summary

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Afreximbank's relationship with NNPC which dates back a decade and has been characterized by:

- (i) Mutual benefits with all the facilities performing satisfactorily; and
- (ii) Increasing relationship depth and strength with engagements at multiple levels with both institutions.
- (iii) This strong relationship has ensured crude delivery obligations for Afreximbank arranged deals are on track to be met within the communicated timeline.
- (iv) No historical defaults by NNPC in any structured trade finance transactions

## **The New Request Highlights:**

- Uniquely backed by PSC crude i.e. (Federation) Royalty and Tax Oil (1<sup>st</sup> of its kind)
- The sources of crude are top line priority allocations from total crude production in the country
- [TBA] barrels of crude per day is allocated to Project Gazelle
- Short Tenor (5-years), self-liquidating and with good returns
- Invitation for Offtaker Participation at minimum ticket of US\$500 million

# Next Steps

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- ☐ Expression on interest to participate in the deal and the ticket size envisaged

Name	Designation	Email Address
Rene Awambeng	Group Head Client Relations	rawambeng@afreximbank.com
Constantine von Moltke	Director Syndications	cvmoltke@afreximbank.com
Jide Bode-Harrison	Snr. Manager Syndications	bharrison@afreximbank.com
Alvin Lema	Asst. Manager Syndications	alema@afreximbank.com

- ☐ Advise your participation decision-making process period (this will be counted from when you have received access to full data in the dataroom)
- ☐ Execute deal specific NDA (Similar to previous NNPC sponsored deals)
- ☐ Access to the dataroom will be granted
- ☐ A transaction timetable will be shared with the formal launch of the syndication