

Promoting the development of entrepreneurs, small and medium-sized enterprises (SMEs), and a local community supply chain capable of creating employment opportunities and fulfilling service contracts to IOCs and the wider industry's



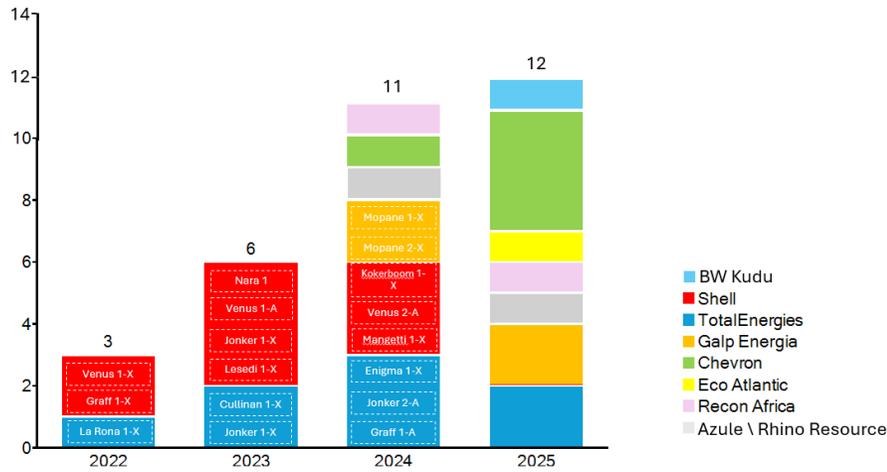
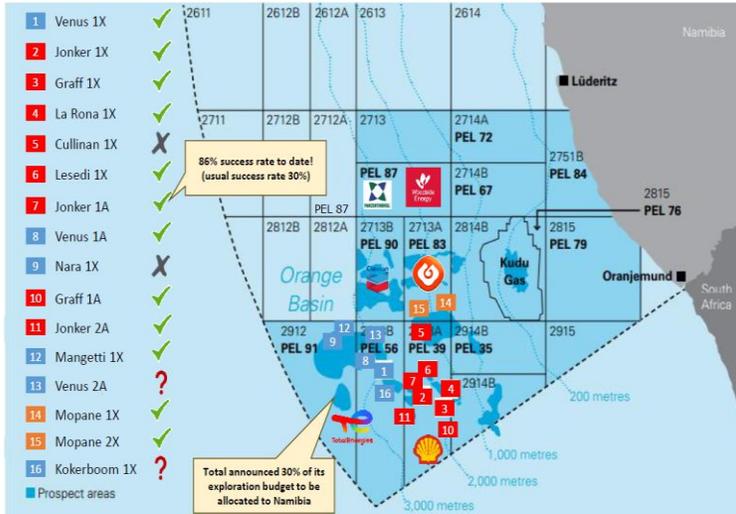
Traditional values. Innovative ideas.

**RMB** a division of FirstRand Bank Limited, is an Authorised Financial Services and Credit Provider NCRCP20.

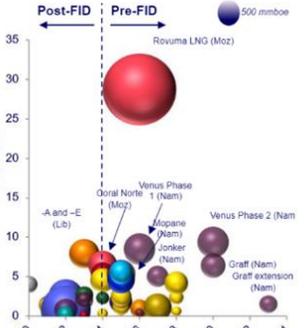
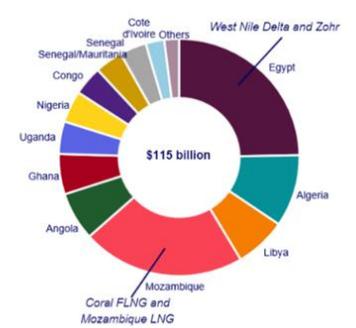
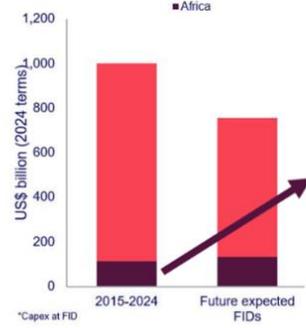


# Understanding the Industry

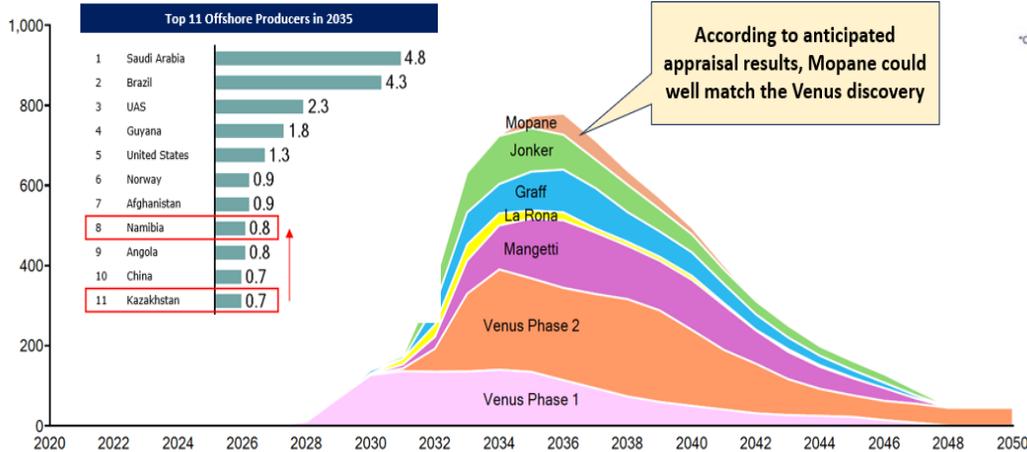
## ORANGE BASIN: NAMIBIAN WELL DETAIL



### Africa vs rest of world capex\*    Sanctioned African FIDs capex\* by country (2015-2024)    Capex /resources for largest recent and future projects\*



Global Liquids supply and demand by well production  
Million barrels per day

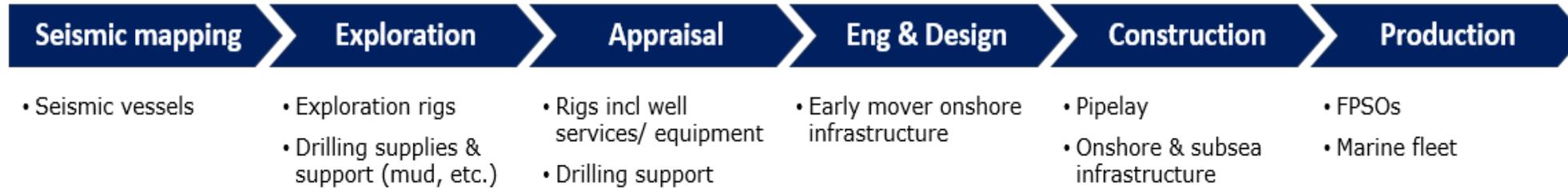


Production Oil Rate (MMboe/d)    Production Gas Rate (MMboe/d)  
Real GDP per Capita (PPPS)    Real GDP per Capita (PPPS) - Baseline



# Local Content – when and how

It is critical to understand the in-country involvement of various players during the field development life cycle to tailor suitable banking solutions

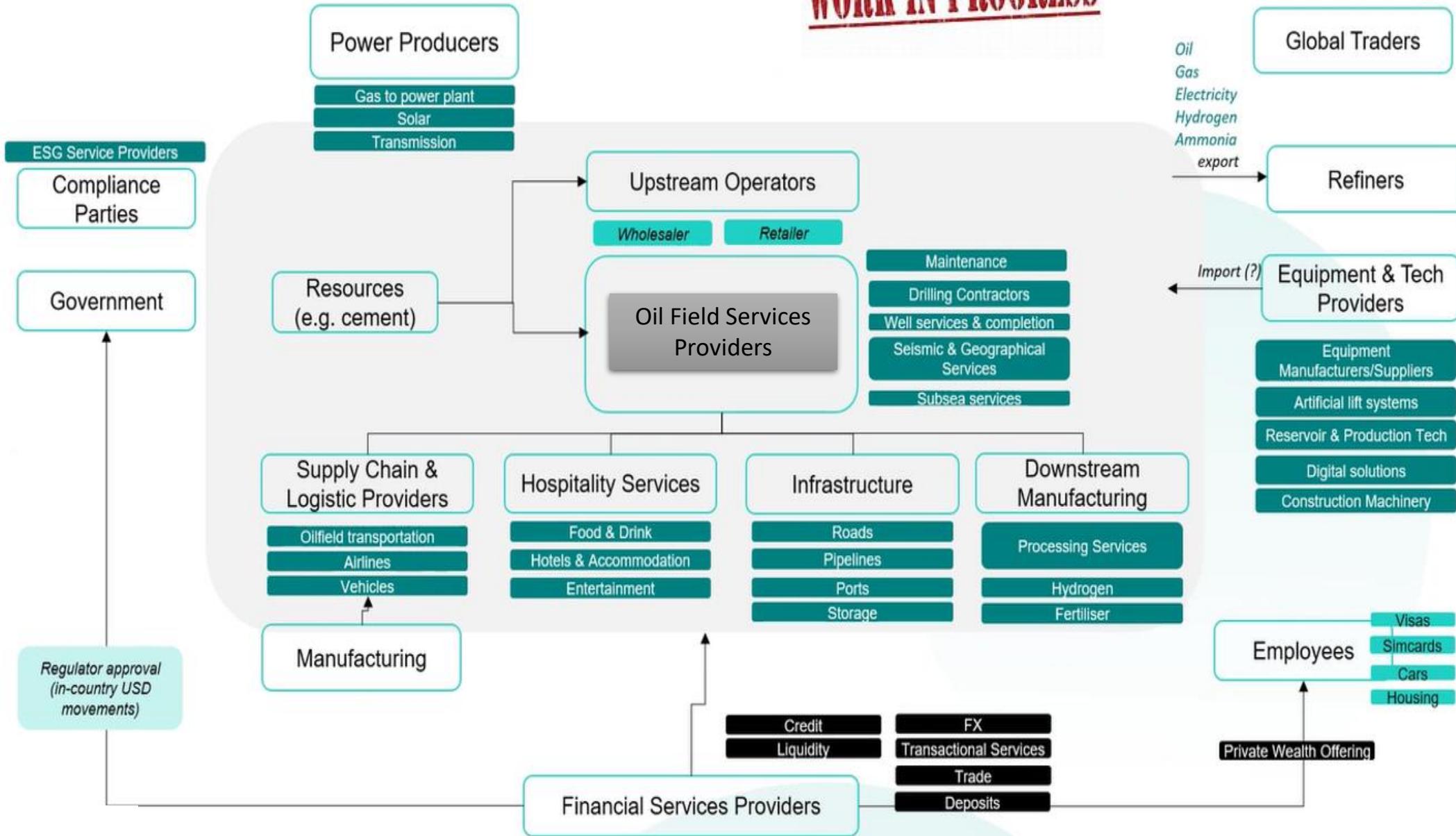


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|---|--|--|
| <ul style="list-style-type: none"> <li>• Temporary in-country staff &amp; equipment                             <ul style="list-style-type: none"> <li>→ Winter pauses (weather dependent)</li> <li>→ Could be longer for consecutive ongoing/ overlapping campaigns</li> <li>→ In some cases, all presence is relinquished between contracts</li> </ul> </li> <li>• Short-term onshore facilities rental, logistics and other support services</li> <li>• Typically equity financed, ad-hoc/ early mover support services</li> </ul> | <ul style="list-style-type: none"> <li>• Limited in-country activity</li> <li>• Analysis &amp; engineering</li> <li>• Enablement for construction</li> </ul> | <ul style="list-style-type: none"> <li>• Permanent in-country staff &amp; equipment</li> <li>• High in country activity</li> <li>• Long term contracts</li> <li>• Bankable offtake for infra/ support industry projects</li> </ul> |
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# Mapping the Ecosystem

**WORK IN PROGRESS**



# Our Role as Enablers



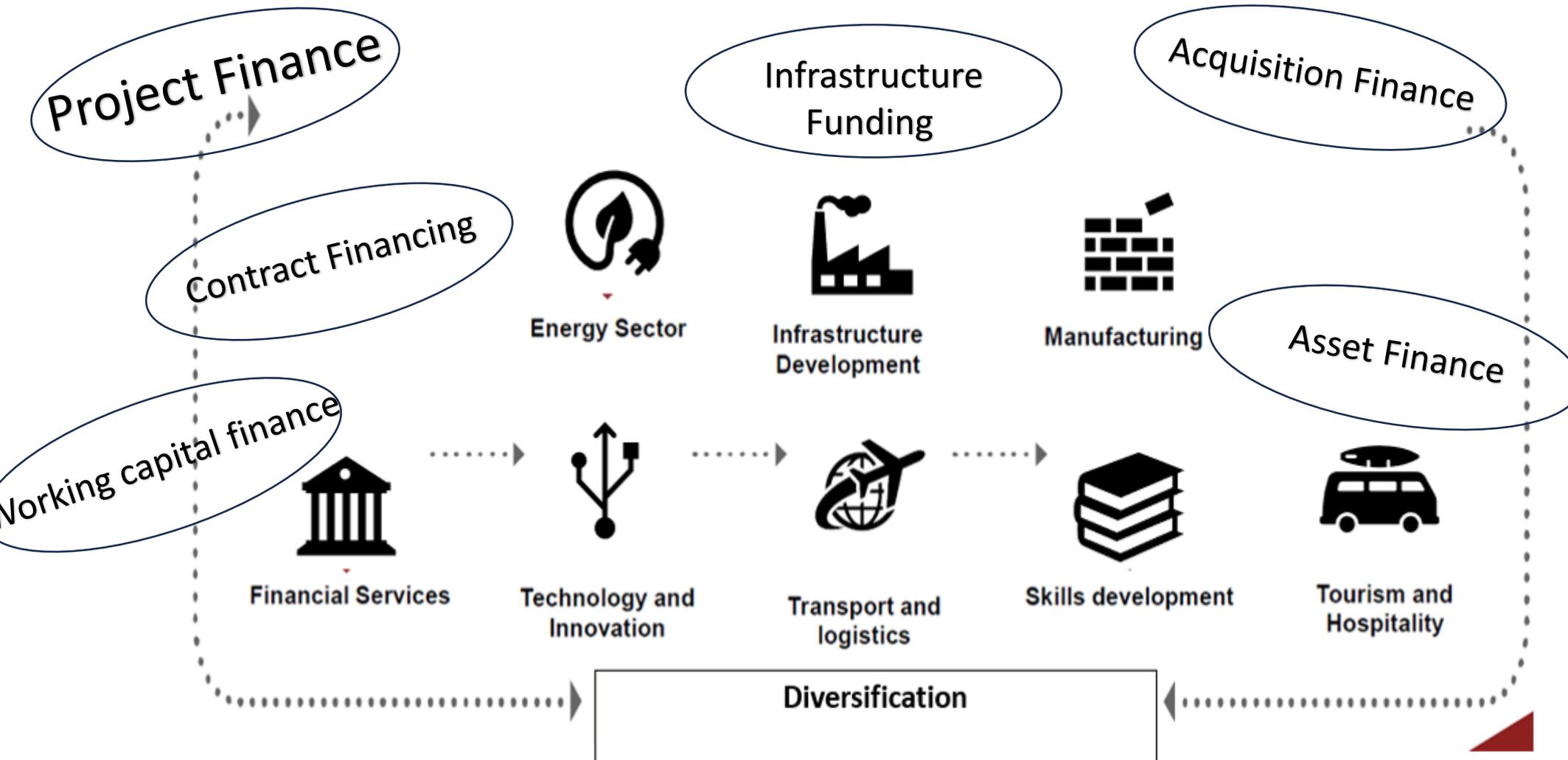
**For RMB to design funding solutions and mechanisms to support the O&G industry along all the phases of a Project (exploration, development, production, and decommissioning), we are on the path to understand the following:**

- How do this sector's procurement, contracting, and payment process work?
- What are the typical financial and non-financial capabilities required for direct and indirect goods and service providers? And how can we bring this knowledge to our clients?
- What are the standard performance bond (or any other trade instrument) requirements for such providers?
- What is the typical split between OPEX and CAPEX in an O&G Project (onshore vs offshore)? And how can we enable our clients in this space?
- What industry standards do goods & service providers need to meet to compete for opportunities?
- How can RMB and FNB, as a financial and investment institution, support local suppliers if they are awarded contracts by major international oil companies (IOCs) and contractors?
- What are the main differences between qualification requirements applicable to local entities and foreign entities?
- How can RMB support Namibia's vision and objectives if a regulator introduces a local content policy?



# Enablement – a journey

## ECONOMIC DIVERSIFICATION OPTIONS FOR NAMIBIA



# R&C



WesBank



*pointBreak*  
wealth management

ASHBURTON  
INVESTMENTS

# Challenges

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- SME is awarded an opportunity to do business within the Oil and Gas supply chain.
  - This can be a single transaction or a contract for repeat business.
- The opportunity is normally out of the ordinary (Not within their normal client base) and at a significant value.
- The challenges faced by SME's:
  - The opportunity normally requires a large initial outflow of funds.
    - SME's do not have the levels of funds available.
    - Suppliers are not willing to extend the levels of credit.
  - Payment terms are 60-120days after completion.
    - SME cashflow does not allow for the SME to carry the debt levels – cashflow constraints.
  - SME's lack sufficient collateral in their normal business to be able to obtain financing from an institution.



# FNB Solutions

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- FNB recognizes that businesses are growing and acknowledges the challenges faced.
- A comprehensive set of products are being finalized to address these:
  - Contract financing
  - Purchase Order Financing
  - Select Invoice discounting

# Contract Financing

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- SME is awarded a contract to provide services to business in the oil and gas industry.
  - E.g. Catering services.
- The services are recurring and the payment from the debtor is the same monthly – i.e., not dependent on the level of service provided.
  - Catering services for oil rig staff.
  - Monthly fee of 100k
  - Contract for 12 months
- Taking into account the exit clauses and the performance risk (How skilled is the SME in providing these services) FNB can look at financing against this contract.
- Working capital can be awarded to help with monthly expense.
  - 70k revolving facility for 12 months.
  - At the end of each month the facility self liquidates and resets.

# Contract Financing

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- SME is awarded a contract to drive staff from the harbor to the airport.
- Contract specifies the vehicle specifications:
  - Toyota Hi-Ace bus.
- SME needs to purchase the vehicle to meet contract requirements.
- Contract details must be specific; amount and term fixed.
  - 50k p.m
  - 2-year period
- FNB can consider financing the vehicle by matching the term to the repayment.
  - Vehicle to be financed over 2 years
  - Cession to be taken of contract income to service the loan.

# Purchase Order Financing

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- Purchase order financing relates to financing against a purchase order received.
  - This relates to the delivery of goods with no or minimum assembly required.
  - E.g., Supplying life jackets to transport vessels
- Purchase order must provide specifications and amounts
  - 200 Orange 150N Life jackets at N\$5,000 per jacket.
- SME to provide the relevant quotes from suppliers to make delivery
  - Quote from supplier 200 Orange 150N Life jackets at N\$3,000 per jacket
  - Transport N\$100,000
- Profits should be reasonable
  - 600k direct cost 100k transport, 200k profit.

# Purchase Order Financing

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- FNB can consider financing on back of the purchase order:
  - A ringfenced account is opened (SME has view rights but cannot transact)
  - Debtor to pay into the ringfenced account.
  - FNB to pay suppliers on SME's behalf
  - Cession of contract moneys to be signed
  - Profits will be transferred to SME.
- This can be used for once-of purchase orders or recurring (Contract is in place)
- Can be considered if levels of assembly is low and simple.

# Select invoice discounting

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- SME is able to perform services or provide goods, however the payment terms are extensive (60-120 days.)
- SME has to “carry” debtor for a long period resulting in cashflow constraints.
  - Inability to pay running costs
  - Inability to pay suppliers
  - Inability to pay bank
- E.g., SME provides welding services for oil vessels. Vessel owners pay 90 days after invoice date.
- SME needs to pay salaries as well as suppliers for materials used to provide the service.

# Select invoice discounting

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- SME can present the invoice to the bank for discounting.
- FNB can consider discounting up to 80% of the invoice amount.
  - Invoice must be confirmed by debtor. i.e., invoice is agreed as due and payable.
  - FNB enters into a buy and sell agreement with the SME.
  - FNB advances the 80% cash (less fee)
  - Debtor pays into FNB account, FNB reconciles and pays profit to SME.
  - SME can use cash advanced to settle expenses.

# Summary

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- Contract finance
  - Financing against a contract with a fixed income and fixed term
- Purchase order finance
  - Finance against purchase orders for delivery of goods.
- Select invoice discounting
  - Finance against invoices for goods or services rendered – finance delayed cashflows.