



# STRATEGIC ANALYSIS OF GEREGU POWER PLC.

Prof. Silva Opuala-Charles<sup>1\*</sup>, Imoh Umah<sup>2</sup>, Adejoke Umaigba<sup>3</sup>

Garden City Premier Business School, No. 13 Herbert Macaulay Street, Old GRA, Port Harcourt.

## \*Corresponding Author

Silva Opuala-Charles

Garden City Premier Business School, Plot 13 Herbert Macaulay Street, Old G.R.A, Port Harcourt, Rivers State, Nigeria.

## Article History

Received: 13.12.2024

Accepted: 19.01.2025

Published: 03.02.2025

**Abstract:** Gereg Power Plc through strategic thinking, planning and careful execution has birthed an enviable enterprise delivering excellent value and financial performance to its stakeholders in the last few years. The board leadership together with the management team have recorded phenomenal growth in shareholder value, stock appreciation and excellent market performance in the capital market as recent as 2024 Q1.

The company anchors its value creation by competing to be unique in the industry. Gereg Power through the leadership of Mr. Femi Otedola has made a bold step by pivoting and tapping the Nigerian Stock exchange in 2022 being the first power generating company to be listed in the Nigerian Stock Exchange. This move has unlocked the much-needed patient capital to enable the company deliver on its near term, short term and long-term goals and aspirations. This super performance was made possible through the efficient use of resources and operational effectiveness in delivering value to the market. The management team understand the operating environment as well as the competitive landscape. This explains why they have been able to join the elite club of stocks with over one trillion (SWOT) market capitalization. In Q1 2024, Gereg grew by 151% leading the top five performers in the first quarter of 2024. The company has ambitious plans of creating a niche for itself in the power sector by adding an additional 1,300 MW to its existing 414 MW which would earn it's the biggest power company in Nigeria upon completion of the capacity expansion plans. Egbin Power Plc with 1,100MW would be a distant second with Gereg Plc cementing its leadership position in the sector.

There are a number of catalysts which is supportive for investment in the sector. Some of these are electricity act of June 2023, decentralization of electricity supply to the state, introduction of renewables into the Nigeria energy mix and strong commercial momentum in the sector.

**Keywords:** Strategic thinking; Financial performance; Gereg Power; Market capitalization.

## 1. Backgrounds to the Study

Gereg Power Plc "The Company" was commissioned on the 16<sup>th</sup> of February 2007 and owned 100% by the National Electric Power Authority, NEPA. The company is located in Ajaokuta in Kogi State. The plant has three cycle natural gas fired SIEMENS STG5 - 2000E gas turbine generators with an installed capacity of 435 MW. These turbines are GT11, GT12, and GT13 producing 145 MW at 15.75Kv each and stepped up to 330Kv through 173.6MVA power transformer. Gereg power plant is one of Nigeria's leading GENCOs that uses gas turbine as a clean energy source to generate power.

In 2013, the Federal government's majority interest in the company through NEPA was sold to Amperion Power Distribution Company Limited (APDC). On the 10<sup>th</sup> of November 2021, ADC acquired 100% stake in the company heralding a new strategic direction supported by a private sector capital driving the future growth of the company. Gereg power plant was inherited with a sub-optimal

capacity of 90MW in 2013 and with an available capacity of 414MW, and later increased its capacity to 435MW. Part of the medium-term goal for the power plant is to increase capacity to 1300MW to enable them solve a significant shortfall of the electricity generation requirement for the country.

As part of the company business strategy, the company listed in the Nigerian Stock Market "NGX on the 5<sup>th</sup> of October 2022. Subsequently, the company thereupon free floated 20% of its shares and it was publicly traded on NGX.

## 2. Industry Overview and Analysis

The Nigerian electricity value chain starts from energy input. This span gas, water/hydro, solar. Subsequently, we have the Power Generating Companies, Gencos. The power is then evacuated through power transmission line managed by Transmission Company of Nigeria, TCN. They render "throughput" services for electricity and charges for same. Upon receipt of the power

## Cite this article:

Charles, S. O., Umah, I., Umaigba, A., (2025). STRATEGIC ANALYSIS OF GEREGU POWER PLC. ISAR Journal of Economics and Business Management, 3(2), 1-12.

evacuated from the Genco to the Distribution companies in Nigeria, Disco same is then delivered to the last mile or end users and payment is collected from the consumers.

From the power generation stage to last mile consumption of power, the chain is plague with a plethora of issues. There is the gas supply issues for the generating companies as well as payment issues for electricity sold. The transmission lines are also weak and thus unable to evacuate power to the discos. We are now very aware of the many collapse that have swarm the power sector in the last few years. The last mile is also struggling with collections challenges, power theft and cost reflective tariffs. The government has intervened by increasing the tariffs for electricity especially for the band a customers enjoying minimum of 20 hours of power. This is definitely going to bring back liquidity to the sector and provide incentives for players in the sector to invest.

Nigeria is a large market with huge potentials. However, poverty, low per capita income, lack of infrastructure and low electricity per capita dominates the market weighing down the realization of its full potentials. As one of the most populous country in the world and one which is blessed with natural endowments, the demand for electricity far outweighs what the economy is able to produce with most consumers (private and commercial) resorting to self-help using private power generators. Just to give us better context, the electricity demand in Nigeria was 32.1 terawatt hours in 2022 which was an increase from prior year. This increase in demand, is even compounding the challenging power situation by making an already bad situation worse. The situation remains that a sizeable number of Nigerians lack proper access to electricity.

Looking ahead, the demand for electricity in Nigeria is expected to increase phenomenally in the coming years. This is due to the increasing industrialization, population growth and urbanization activities. We are hopeful that the proliferation of renewable energy in the market will augment the electricity coming from the national power utility companies. However, the cost associated with the renewable energy infrastructure remains a major constraint which needs to be resolved. Given the emerging trends, the market is awaiting private capital and the distributed power generation (DPG) companies to take up and solve the power gaps in the market. Successive government are mindful of the crucial and central role that electricity plays in economic growth and development. Therefore, resolving the power generation and distribution issues is a priority as the population continues to grow with attendant social and economic issues in its wake.

Gas which is largely produced in Nigeria is a dominant energy source, still there have been observed decline in electricity generated. According to data from the NBS, between 2010 and 2016, the number of kilowatt hours required per capita increased to 170 Kwh from 155 Kwh. By 2021, this decreased to 147-kilowatt

hours per capita. According to Statista's estimates, by 2025, private households and industries will consume roughly 166 kilowatt hours of electricity.

The government is also not resting on their oars, several initiatives have been embarked by different governments to improve electricity generation in Nigeria. The former President, Dr. Goodluck Jonathan initiated the "Power Sector Reform Roadmap" which allowed private investors to take control of infrastructure previously belonging to NEPA/PHCN.

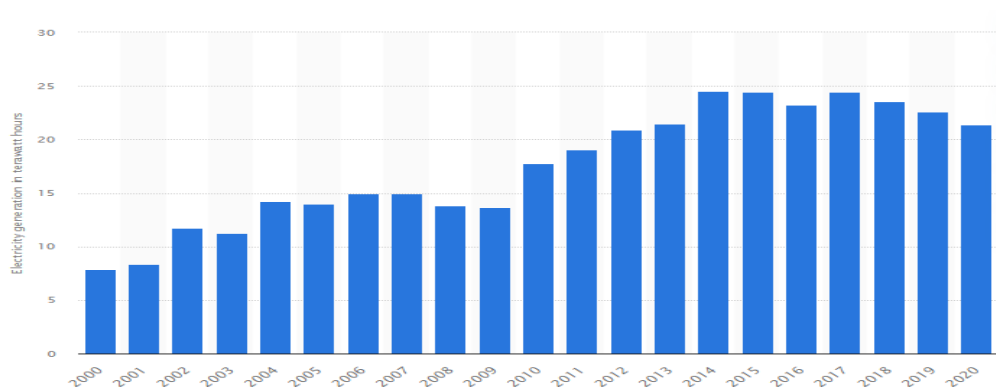
This initiative was expected to curb the power generation issues as private investors were expected to be motivated by profit, to bring in commercial acumen and private sector capital to better manage the sector. This initiative saw the birth of successor companies of the defunct PHCN. These companies include the generating companies (GenCos), TCN (which is still controlled largely by the Federal government) and the distribution companies (DisCos). The table below shows a list of the top generating companies (Gencos) and their capacity:

Power plant	Capacity (MW)
Kainji	760
Jebba	576
Shiroro	600
Egbin	1,100
Sapele	1,020
Delta	900
Afam IV-V	776
Geregu	414

Source: National Electricity Regulation Commission

Geregu power plant being one of the top GENCOs in Nigeria has witnessed excellent performance and growth since the privatization of the company. Looking at the company's financial performance in 2023 and its medium-term plan to increase capacity to 1300MW shows that it is gearing up to be the leading GENCO in Nigeria.

With the expected increase in electricity demand, the opportunity for the power generating companies in Nigeria will continue to generate great interest for both existing and new entrants. According to report from Mordor intelligence report, the Nigeria Power Market size is expected to grow from about US\$ 391.69 million in 2024 to cUS\$ 483 million by 2029, at a compound annual growth rate (CAGR) of 4.28% for the forecast period (2024-2029).



Electricity generated from gas in Nigeria from 2000 to 2020

Source: National Electricity Regulation Commission

In 2020, electricity generated from gas was around 21.4 terawatt hours. This was lower than the amount generated in 2019 which was about 23 terawatt hours. The amount of gas used in generating electricity increased during this period and peaked in 2014 generating about 24.52 terawatt hours. In Nigeria, gas is a major share of electricity generation compared to other fossil fuels. Therefore, to sustain electricity supply in Nigeria, the power sector will require significant investment. Industry operators estimate that the country will require as much as \$100 billion in investment over the next 20 years to maintain current service.

### Policies and Regulatory Landscape

One of the key initiatives of the government to improve electricity supply has been the Presidential Power Initiative (PPI). It was born out of a meeting between former President Muhammadu Buhari and the then Chancellor of Germany, Angela Merkel with the aim to modernize and upgrade power transmission and distribution infrastructure across Nigeria by 2025. The investment span data systems, upskilling of operators, investment in grid infrastructure. The PPI was in phases. Phase 1 was to focus on the “quick-win” measures to increase transmission capacity to 7GW. Phase 2 expand the capacity of both transmission and distribution systems to 11 GW of electricity to end consumers. Phase 3 is to increase total operational generation and grid capacity to 25 GW by expanding generation, transmission and distribution systems.

Next, in July 01,2022, the Nigerian Electricity Regulation Commission commenced the partial activation of Power Purchase Agreement (PPA) to propagate market discipline among the operators in the Nigerian Electricity Supply Industry, NESI.

We have also seen the use of liquidated damages for breach of service level agreement (and service level obligations. This was very helpful in resolving the liquidity issues with NESI operators. The liquidity shortfall was resolved by providing an effective payment security framework to ensure that all NESI market operators were paid all invoices in full.

In 2022, the industry was plagued with gas outages which hurt their ability of gas-powered turbines to generate and supply electricity. The force majeure declared by Shell Petroleum Development Company, SPDC on the Trans Forcados Pipeline seized gas supply to the gencos from July 2022 to November 2022.

Furthermore, the Electricity Act of 2023, which is a strategy by the

Nigerian government to improve reliable power supply in the country is expected to foster a viable Nigerian Electricity Supply Industry. The World Bank is financing a \$486 million International Development Association credit for the Nigerian Electricity Transmission Access Project (NETAP), part of the Transmission Rehabilitation and Expansion Program (TREP). This is geared in supporting the rehabilitation and upgrade of Nigeria’s electricity transmission substations and lines. This move will aid expansion of the power transmission network and capacity. This will in turn improve the reliability of power supply to consumers.

### Strategic Growth Plans of Geregu Power Plc

Geregu Power Plc, a significant player in the Nigerian power sector, has been actively injecting capital to drive the business plan of the company. Their goals and aspirations span capacity enhancement, operational efficiency, corporate governance, sustainability and access to patient capital. The company distinguishes itself from the market place by competing to be unique in the market place. This is very central to the company’s business strategy. It is at the very heart of their business strategy, “to be unique”. Some of the strategy embarked by the company to enable them compete to win in the market place are listed below:

- Explore and invest in untapped opportunities in the power sector in Nigeria.
- Make quality and environmental management system a priority
- Position the company to benefit from the ongoing reforms and increase market share through acquisition of strategic brownfield (NIPP) power plants and increase assets along the power generation value chain.
- Monitor the global emerging trends in the use of renewable energy.
- Developing flexible and medium term solutions that would foster a seamless energy transition.
- Enshrine human capital development in their operations.
- Engender corporate governance structure to ensure that full and timely corporate disclosures are made.
- Establish a system to prioritize sustainability from 2023 and beyond.

## Expansion of Capacity

Geregu Power Plant inherited a capacity of 415MW and later increased it to 435MW. The company has set ambitious goals to expand its power generation capacity in Ajaokuta to 1300MW. A lot of capital has been sunk into increasing the plant capacity, and there are plans for further investment to achieve this goal. A substantial investment of \$550 million has been made to transform the plant.

## Technological Upgrades and Certifications

To be committed to its expansion goals, Geregu Power has invested in technological upgrades and has aligned with new standards. The company obtained ISO 9001 and 14001 certifications from the Standard Organization of Nigeria (SON). This is a demonstration of the board and management dedication to higher quality management and environmental standards.

The plant's current infrastructure includes three Siemens SGT5-2000E gas turbines, each with a 145MW nameplate capacity, which are part of the company's commitment to using clean energy sources.

## Access to Capital

The company understands that for it to successfully execute its plans, it requires access to the right level of capital for their capital expenditures and business strategy. The decision to list the company in the Nigerian Stock exchange and the strategy of listing by introduction shows how financially sound the management of the company is.

It was the first Power company to be listed in the NGX by listing by introduction of 2.5 billion ordinary shares of 50 kobo each at N100 per share. As at April 3, 2024, the company shares were trading at N1,000 per share. The share appreciation is simply unimaginable.

Subsequently, the company was able to secure regulatory approval and launched a N100 billion bond program and completed the series 1 with size of N40 billion at a fixed rate of 14.5%. This is a feat that has placed the company as a 'darling' of the market. With this achievement, the company has been able to solve the problem of capital which could have limited the execution of their growth plans. The proceeds of this bond program were utilized to expand the plant capacity.

Again, this strategy enabled the company to strengthen their already strong balance sheet and also position the company to achieve optimal capital structure for long term funding required for growth phase of the company. Listing the company in NGX helped its financial growth in the short to medium term as well as its long-term goals.

Its current strong financial performance has also positioned the company for strategic growth. In 2023, the company experienced a solid financial year, with its Chairman, Mr. Femi Otedola, highlighting strategic operational efficiencies as a key factor. There was a significant increase in its revenue of 58 percent, reaching N82.9 billion. The company also forecasts sales at N38.17 billion for the second quarter of 2024, indicating a continued upward trajectory. Also, the company's shareholders demonstrated strong support for shareholders' returns by approving a N20 billion dividend payout for the 2023 financial year, reflecting confidence in the

company's financial health and strategic direction.

## Corporate Governance.

The listing in the Nigerian stock exchange beyond the access to capital also helped the company to achieve their goal of holding themselves to higher standards post government divestment from the company in 2021. The company replaced members of the board who resigned following the full divestment of government outstanding interest of 20% in the company in 2021. An independent non-executive director, Mr. John Robert Lee and Ms. Olawunmi Otedola were both appointed to the board in 2022. The stock market holds corporates to higher standards, therefore the company has been able to achieve a higher standard of corporate governance by the listing in the stock exchange which is aligned with their business goals.

## Commitment to Sustainable Power Generation

One of the major strategic plans of Geregu power plant is Sustainability. The company is committed to creating a sustainable power hub in the Ajaokuta axis with a combined capacity of about 1,300MW. This plan will take aggressive acquisitions and the deployment of technology to increase capacity while reducing the volumes of natural gas used as feedstock.

Another commitment to sustainable electricity generation is its plans to incorporate renewable energy sources into its power generation portfolio.

## Regulatory Environment and Future Opportunities

The Electricity Act of 2023 is expected to facilitate the generation of more electricity, creating opportunities across the entire value chain.

The state electricity commission will replace NERC as the primary regulator of electricity business including issuance of licenses to private sector to generate power in the state. This would bring the solution providers closer to the pain point thereby engendering bespoke solutions to local power challenges. NERC will be saddled with national regulations while the state would focus on local power solution for their domain.

Commercial momentum in the tariff regime reflecting at the very least the cost of electricity. Prior to now, the sector struggled with electricity prices that were below the cost of electricity. This was a major disincentive to the flow of private capital to the sector.

Geregu Power is positioned to take advantage of these opportunities to further its growth objectives.

## Acquisition Plans

In line with its growth strategy, Geregu Power is planning to acquire additional assets to increase power capacity. The company plans to acquire Geregu II, which would increase its power-generating capacity by an additional 434MW. This acquisition would further solidify the company's goal of competing to be unique in the Nigerian power industry. The company is gearing up to generate an estimated N31.24 billion, about \$39.56 million in revenue during the first quarter of 2024.

## Industry Life Cycle and Market Share Concentration

Although the power supply in the nation is about 55% of its demand, there is great opportunity for growth.



The Nigeria Power Market size is expected to grow from USD 391.69 million in 2024 to USD 483 million by 2029, at a CAGR of 4.28% during the forecast period (2024-2029).

The above forecast is because of increasing industrialization and urbanization activities, and it is expected that renewable energy will drive the market during the forecasted period.

Part of the strategic plan for Geregu power to also invest in renewable enable places the company in a position for strategic growth.



Geregu share price on the stock market has done tremendously well in the last one year. Over the past year, the share price has increased by 209.60%, and since it was listed, it has increased significantly by 809.09%. Geregu Power shares reached their all-time high share price of NGN 1,000.00 on March 28, 2024. The share price has relatively been stable over the last three months but there was a significant 150.63% increase within this period. The impressive performance at the stock market gives opportunity for the firm to gain a higher share of valuation, reduce corporate debt, maintain corporate identity, and become better known, among other benefits.

## 1. Porters Five Forces Analysis of the Power Generating Companies

### Threat of New Entrants: (High)

- Barriers to Entry:** The incumbent Gencos are currently operating the existing power plants in Nigeria. The barrier to new entrant is high due to the high capital outlay required to construct a power plant that will be in the league of the existing companies. However, in the recent past, we believe that there is sufficient incentive for new entrants given the abnormal profits the current operators are recording. This is a major catalyst for the sector further supported by improving policy climate by the current government. The sector has been yearning for a cost reflective tariff regime and pricing model at the very minimum. The government has now acceded to the request by sector players with the hike in the tariff for band A customer's enjoying minimum of twenty hours a day. This is positive for the sector and serves as a catalyst in attracting fresh private capital for the sector for capital expansion for brownfield or Greenfield power generating projects. There is excitement by operators for the potential liquidity this new policy would bring to the industry. There is a sense that the

hike was desirable to attract investment capital and to return struggling operators in NESI to profitability. Also, consumers that would have otherwise use alternative power, which is more expensive compared to electricity from the utility companies are now more comfortable resorting to power from the utility companies, as its cheaper, safer, cleaner and more reliable than diesel and petrol generators. We strongly believe the current climate is a strong incentive and a catalyst for fresh capital injection into power projects given the improved commercial viability and liquidity of the sector in Nigeria.

- Economies of Scale:** The electricity sector stands to benefit from cost advantage by increasing the scale of production. This held because of the believe that there is a fixed component of the cost and a variable component of the cost. In production economics, production level increase, the average cost of a unit will decrease. This because the fixed cost will be shared to more units of output. The enterprise would also enjoy bulk purchase discount. In the power sector, the capital outlay for a power generating project is very high and as such, the economics of the project must make sense before any company would take final investment decision. Part of what is required to make investment decision is the cashflow projection or forecast. The forecast would typically take into consideration availability of input gas (for a gas fired plant), water for hydro project, sun radiation for a solar project and the right level of wind speed for a wind turbine. There is typically a minimum output for a project given a fixed cost for it to make business and commercial sense. The Internal rate of return (IRR), the net present value (NPV), ROE and ROA must stack up for a sound investment decision to be made. There is a general consensus that economies help to reduce the burden of fixed cost and by so doing bring down the unit cost of production. The more volume of electricity that is generated, the more the unit cost of power would drop.

There is the sunk cost of putting up the infrastructure and which is mostly fixed cost, therefore the more output it generates, the more profit the company is likely to make. Geregu Power is clearly aware of this maxim and is therefore planning to expand its current capacity to 1300 MW.

- **Power of Incumbency:** The first mover advantage also applies in the power sector as is the case with other businesses. Being the first to enter the Nigeria stock exchange market, and its recent financial performance, has a positive impact in the mind of customers and the government. Creating opportunities for more investors and government support.
- **Capital Requirements:** The initial capital required to build power plants with capacities in the league of the existing power plants is very high and may discourage new entrants from entering the market. Geregu presence in the stock market has positioned it to have access to funding for expansion projects.
- **Government Policies:** To construct and operate a generation facility, apart from getting license from Nigerian electricity regulatory commission (NERC), authorizations from other governing bodies are also required. This may pose a challenge for new entrants. However, the recent regime where state electricity commission can now issues permits and licenses for power companies has reduced the capital required to enter the sector. This is however subject to the House of Assembly passing a bill with the governor's consent before a SEC can be set up to regulate electricity at sub national levels.

#### **Threat of SubstitutesProduct: (Medium)**

Although other Gencos generate power, there is still huge demand for power in the nation. To substitute power generated from the national grid, individual consumers will have to generate their power which is rather costlier. Most consumers already generating their power which they use as back-up to power from the national grid. There is a threat of substitute but that only comes to play where the alternative is cheaper to the national utilities company, but that is not the case in Nigeria as the cheapest and reliable source of electricity is from the utility companies. Solar is an option, but is highly battery dependent as there is no solar radiation in the night.

#### **Rivalry among Existing Competitors: (Low)**

All the power generating companies supplying to the national grid generate about 55% of the nation's demand. There is ample opportunity to increase capacity with any of the Gencos. Geregu is on an ambitious growth plan to increase its capacity.

The initial capital required for consumers to switch from the national grid to self-generate sustainable power is very high, both the low- and high-income earners will struggle to maintain steady power. Even manufacturing industries would rather get their electricity from the national grid than to self-generate because the later still be costlier and less sustainable.

There is a huge growth opportunity for the power sector to meet the growing demand for electricity making competition low. The sector has a power supply problem, therefore there is a huge gap between power demand and power supply. The solution is for new entrant and incumbent to scale up greenfield and brownfield power projects to close the supply gap.

**Fixed cost:** Although the fixed costs in this industry are relatively high, due to the high deficit in power supply, demand is still very high. This gives the power companies the opportunity to fix the selling price in their favour.

**Entry and Exit Barriers:** Competition is low due to few players with Geregu plant among the top six, who are yet to meet the high demand of electricity in the nation, and high capital cost for new entrants. The cost of exit is also very high due to the amount of capital (over \$500million) that has been invested into Geregu power plant making it difficult to dispose.

#### **Bargaining Power of Suppliers: (High to Moderate)**

Geregu mainly uses natural gas as fuel for generating power. Part of the strategic growth plan is to incorporate renewable resources in generating electricity. But before that happens the plant is very much dependent on gas suppliers for business sustainability.

This gives the supplier control over pricing of their product, but within the threshold of the regulated gas sale price.

#### **Bargaining Power of Buyers: (Moderate to Low)**

Consumers in Nigeria have low bargaining power due to the insufficient supply of electricity. The government can put measures and policies in place to ensure consumers get what they are paying for, but they cannot force prices to go low.

**Price sensitivity:** Small scale consumers

may decide to reduce the quantity of units they purchase if the price is too high and be more economical with electricity usage.

**Buyer's ability to substitute:** Although there is the alternative to generate electricity individually, however this is still costlier than consuming power from the Gencos. Giving the power generating company still the upper hand.

### **3 Internal Analysis of Geregu**

#### **Geregu Core Competences**

One of the core competences is using quality management and environment standards to increase efficiency. This can be seen in them obtaining ISO 9001 and 14001 certifications from the Standard Organization of Nigeria (SON).

Another core competency is the use of technology in increasing production efficiency. This is evidence from the investment in technological upgrades of the plant.

#### **3.1 SWOT Analysis for Geregu power plant**

##### **Strengths**

##### **Robust Infrastructure:**

The plant's infrastructure includes three Siemens SGT5-2000E gas turbines, each with a 145MW nameplate capacity. An expansion of existing infrastructure to generate about 1300MW of electricity is in its medium growth plan.

##### **Obtained ISO 9001 and 14001 certifications from the Standard Organization of Nigeria (SON)**

This achievement shows the company's commitment to providing quality services to consumers. This builds confidence in the minds of the customers, shareholders, and potential investors.



**Strong Financial position:** The company's being the first to be in the Nigerian stock exchange has separated itself from its peers. N20 billion dividend payout after 2023 performance is a testament of the company's strong financial position and dedication to delivering shareholders value.

The financial results from 2023 which saw a revenue of 58 percent growth reaching about N82.9billion, show their resilience to face challenging economic environment, and effectiveness in its strategic initiatives and decisions.

**Commitment to innovation and sustainability:** Part of Geregu's commitment to innovation and sustainability is shown in the plan to invest in renewable energy to increase its capacity. A current medium-term plan to increase capacity to about 1300MW will place them at the top among the existing Gencos.

**Performance history:** Geregu power plant was inherited from the federal government in 2013. The company was able Increased capacity from 414Mw to 435Mw with potential to grow more and increase generated voltage from 15.75Kv to 330Kv. The company's financial performance, especially over the last year is a positive indication on its growth strength.

**Corporate social responsibility:** The company is big in carrying out corporate social responsibilities, especially in the community where the plant is situated. This has a positive impact on the business reputation and positive recognition from the government.

**Valuable Product:** Electricity generation, which is the core business of Geregu power plant, is highly valuable for the entire nation. This implies that the business will be on for as long as it takes, for there will always be demand for electricity. Especially as urbanization activities increase.

## Weakness

**Primarily dependent on gas supply:** The plant uses natural gas in generating electricity. One of the major challenges with power

generation in the country is continuous gas-related challenges which has prevented optimal generation of electricity. The Issues with gas availability to the Gencos is around gas volume, quality of gas quality, gas pressure and gas transportation.

## Opportunities

**Utilizing Renewable energy to enhance power supply sustainability:** One of the major setbacks with sustaining power generation is because of the plant dependency on gas supply. Part of the strategic initiative of the company is to include renewable energy in generating power to sustain its power generation.

**Acquisition/Joint venture opportunity:** There are still inactive power plants which Geregu can acquire or have a joint venture with existing owners to increase their capacity. Their reputation and access to funding from the stock market can give the company this leverage to acquire more power plants.

**Increasing demand for power supply:** There is rising demand for electricity supply due to increase in urbanization activities. The country currently supplies about 55% of the nation's demand for power. This excess demand gives room to increase capacity to meet available market needs.

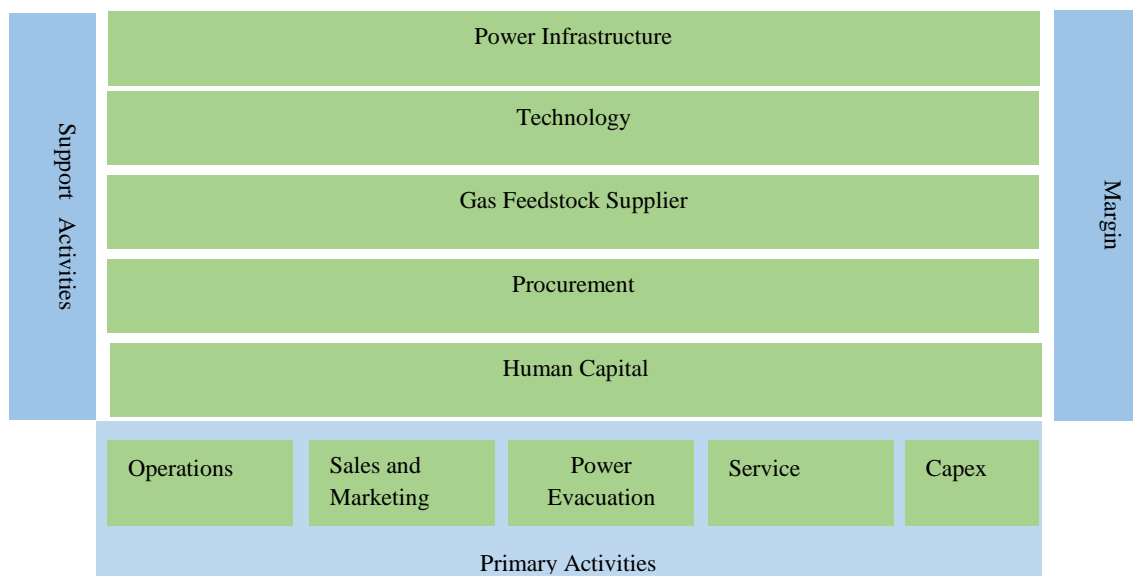
## Threats

**Existing competitors:** Although Geregu is among the top six Gencos, it is not the top electricity generating company. For the company to get ahead of its competitors, there is the need for continuous strategic management.

**Government policies and regulations:** Government policies play a great role in how businesses are run in the country. The issues with power generation in the country have not been given much priority by the government. This has in-turn affected power generation in the Nation. Most of the power plants, including Geregu is in partnership with the government, any unfavorable policy will affect the business greatly.

## GEREGU POWER Generic Value Chain

Diagram 1: Generic Value Chain



Source: Opuala-Charles, 2022

## **Primary Activities**

**Operations:** The company operations start with the upfront payment for natural gas which serves as feedstock for power generation using gas turbines. The power generated is then transmitted to the Transmission company of Nigeria, TCN. TCN evacuates the power to the distribution companies for the final end user customer.

**Sales and Marketing:** The company's primary product is power generation. This power is then sold to customers indirectly distribution companies. The sales team are responsible for all sales negotiations with the buyers and also provide feedback on current and future demand profile. This data is then used as crucial input for planning and capital expenditure expansion for the company.

**Gas Feedstock Supplier:** The company has very solid feedstock assurance as their main pipeline infrastructure supplying them gas is the NNPC Gas Infrastructure Company, NGIC. Therefore there is some level of assurance that feedstock gas will continue to flow to the plant in Kogi for power generation. Nigeria remains a gas nation with

**Power Evacuation:** The company upon consummation of sales, and power generation, the power is then evacuated from company own power evacuation line to the national power transmission utility company. This transmission cost some throughput cost which the power generation company has to bear. The last mile of the power is the distribution companies to the final consumers.

**Service:** The company has a duty of service to their buyers or power offtakers. So after power is generated, and sales made and electric power supplied, the company still bears responsibility for after sales service. This is mostly feedback and service support to the last mile to facilitate repeat business and where the need arises, resolve any conflict that may arise.

**Capital Expenditure:** The company respond to increase and decrease of demand by respectively increasing or scaling down capacity. The demand profile provided by sales and marketing is a crucial input for this stage.

## **Support Activities**

**Firm Infrastructure:** Geregu's power plant is located in Kogi State. The inlet gas pipeline, gas scrubber and filtration system, the turbines, the evacuation power lines, the office building and access roads are very crucial for the smooth running of the business.

**Technology Adaptation & Adoption:** The strategic deployment of first-class turbines and innovative technology in generating power has earned the company efficiency and effectiveness in their operation. This resulted in the company being recognized as one of the best managed company in Nigeria by Bureau of Public Enterprises. The company achieved 79,570 hours (109 months) of continuous operations without a major incident and zero lost time incident (LTI) in their operations.

**Procurement:** Igeregu has strong technical team that ensures that the right level of spares is procured for their plant. The company has also established long term constructive partnerships with key suppliers of turbines and other required equipment.

**Human Capital:** The company understands the importance of human resources in the growth and success of the company. It is the human resources that fuel and run the company operation by

harnessing the other factors of production. The company also ensure that the working condition for a world class power plant also require a world class working condition and they have created that.

## **Geregu Power Key Strategies**

Geregu's strategic objective is competing to be unique. In a world where most companies are competing to be the best and in some cases some are competing to be the market leader, the company understands that what delivers value to the shareholders and customers alike is the offering and value creation. The company at each point in their near, medium and long term plans aim to deliver unique solutions that sets its apart from competition. The company's business plan and major corporate action in the next few years is to add additional capacity to its existing plant. They aim to increase the capacity by 1,300 MW to the current 414 MW grossing the total nameplate capacity to 1,714 MW (the biggest power plant in Nigeria). Just again to point out that the company plans to compete not on size but purely on being a unique in the power sector in Nigeria. Crucial to understand that the additional capacity is to not to be the market leader to purely commercial consideration to tap the opportunities in the market.

The company also recognize the importance of running the company operations guided by international best practices. This is a major operational philosophy for the company. The company therefore has started a number of certifications a few years ago and have now attained some such as ISO 9001 and 14001 certifications from the Standard Organisation of Nigeria, SON. This represents the company's commitment to keeping the highest level of quality across all organisation's processes and product.

Geregu Power is also very big with infrastructural reliability and efficiency. This informed the company's decision to overhaul their gas turbines in 2023 to enable it achieve operational reliability and efficiency through optimal plant performance. The company was able to achieve 79,570 hours (109 months) of continuous operations without major incident and zero lost time incident (LTI) within the period. Again, to buttress their superlative performance, the company was recognized by BPE as one of the best managed power assets in Nigeria.

Acquisition is also on the table for the company. We note that the Chairman of Geregu Power Plc acquired substantial interest in Transcorp with a view to taking it over but that interest was shelved for a variety of reasons. The company is also looking at growing inorganically. Company is exploring the reforms in the sector to increase market share through acquisition of strategic brownfield (NIPP) power plant and increase assets along the power generation value chain.

Renewable energy is another area the company is paying attention to. RE is evolving and there is a lot of interest and Geregu Power is looking at leveraging that to generate power and also tap into the renewable energy value chain. This is line with their sustainability drive of the company as they continue to pivot on responsible corporate citizen and an Environmental, Social and Governance compliant company in Nigeria. Therefore, the company is investing in ESG, Sustainability and human capital development.

Finally, energy transition is also an area they are according due import to. They continue to see gas as a transition fuel while



exploring the opportunities renewable energy brings to the business. The company is aiming to strike a delicate balance between gas as energy source and renewables. The operations management of the company is developing a flexible and medium term solutions that will foster a seamless energy transition and handshake with cleaner energy sources.

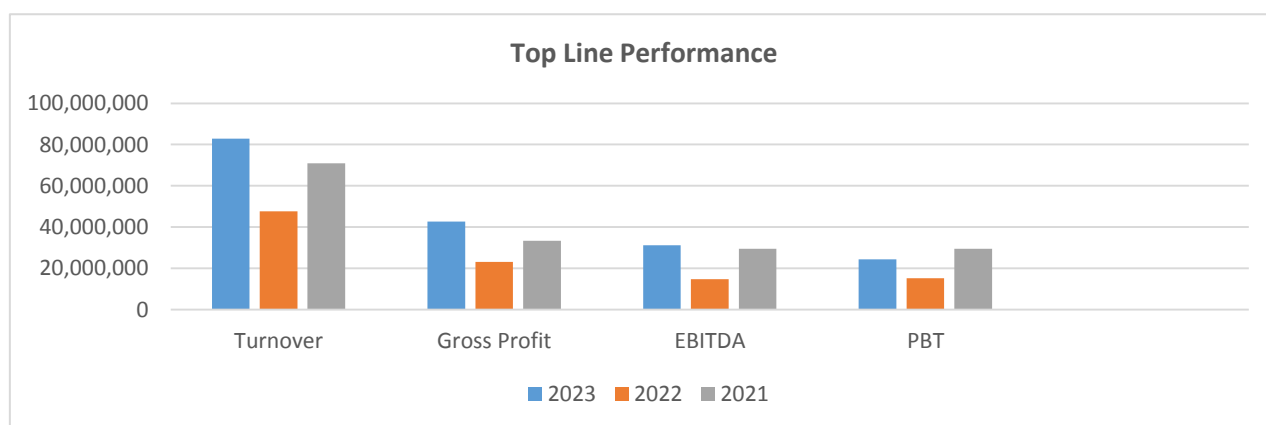
### Geregu's Financial Performance Analysis

#### Revenue & Margin

The company's top line performance and profitability in the last three years has been very impressive. In 2023, the company recorded a 74% growth in revenue year on year, this performance is prominent on account of the decline in topline in 2022. Sales in

2022 decline by 32% against prior year. The less than expected performance was as a result of the force majeure (FM) declared by Shell Petroleum Development Company, SPDC on the Trans Forcados Pipeline, the gas supply to the plant ceased. This resulted in the company not having access to gas from July 2022 to November 2022 when the gas pipeline was restored. Normal operations started in December 2022.

In 2021, the company recorded an impressive growth of 32.19% year on year. The performance of 2023 was underwhelming when compared to 2021 as it only recorded a growth of 16.8% between both years. The very low sales number of 2022 has magnified the topline growth for 2023.



#### Audited Financials: Geregu Power Plc

	Audited 2020	Audited 2022	Audited 2021	Audited 2023
	N'000	N'000	N'000	N'000
<b>Balance Sheet</b>				
Total Shareholders Equity	76,973,022	59,938,635	49,103,269	45,153,908
Total Debt	-	9,280,820	32,995,338	20,858,990
Total Liabilities	46,093,050	54,882,678	124,927,135	136,888,640
Total Assets	123,066,972	114,821,313	174,030,962	182,042,548
Current Assets	79,044,262	74,833,099	136,030,962	145,688,559
Account Receivables	73,045,064	70,146,503	76,944,928	48,065,048
Stock	725,978	5	506,175	639,072
Current Liabilities	39,873,389	38,868,753	48,448,681	70,936,787
Account Payables	39,360,272	30,427,393	48,475,953	48,376,319
Net Asset Value	2.67	2.09	1.393	1.330
<b>Income Statement</b>				
Total Revenue	53,676,666	70,956,864	47,619,370	82,908,807.00
Cost of sales	30,835,415	37,614,052	15,168,471	24,389,919.00
Gross Profit	22,841,251	33,342,812	32,450,899	58,518,888.00
Operating Income (EBITDA)	19,103,807	29,523,435	14,820,314	31,139,640.00
Profit Before Taxation(PBT)	20,648,737	29,512,423	15,168,471	24,389,919.00
Net Profit After Taxation(NPAT)	14,125,357	20,550,411	10,171,454	16,052,728.00
Finance Cost	26,945	959,076	7,325,577	14,547,595.00
Depreciation	4,274,646	4,611,308	2,556,178	2,578,752.00
<b>CashFlow Statement</b>				
Net Cashflow from Operating Activities	2,929,713.00	32,907,956	8,423,059	55,565,135.00
Net Cashflow from Investing Activities	1,350,003.00	(634,585)	1,138,462	5,318,748.00
Net Cashflow from Financing Activities	(683,644.00)	(33,101,275)	37,958,113	(42,761,565.00)

The above table and chart demonstrate the profitability of Geregu Power Plc in the three years under consideration. Gross Profit margin has consistently grown year on year. 2021 the operating profit did not perform optimally as seen in the subsequent years.

### Capital & Debt Structure

The debt-to-equity ratio is a key measure of the company's capital and debt structure. The proportion of debt and equity to its total equity is reflective of how the company is funded. The table and graph below show the capital structure of the company year on year.

#### Capital & Debt Structure

	2023	2022	2021
<b>Debt/Equity Ratio</b>	0.46195	0.67196	0.15484
<b>Total Liability to Equity</b>	3.03160	2.54417	0.91565
<b>Interest Service Cover Ratio</b>	2.1405	2.0231	30.78

The company proportion of debt funding the company operation reduced from 67.19% in 2022 to 46.20% in 2023. The company has successfully leverage off its listing in the Nigerian Stock exchange in the prior year to access more equity compared to debt in 2022. It is also worthy to note that the company have started enjoying EBITDA benefits from the acquisition of the company by Amperion as well as the access to more capital from the Nigerian Stock exchange. Their liability to equity has improved year on year with a slight bump in 2023. The company liabilities also slightly increased in 2023 which accounted for the bump in 2023. The interest cover ratio was better in 2021 and significantly declined in 2022 and improved slightly in 2023. The interest cover clearly shows that the company is able to cover its interest expense from earning for the three years under consideration. The company operating profits are sufficient to cover its interest payment

comfortably and is less likely to default on its loan obligations indicating healthy financial obligations.

The company's current ratio is healthy at an average of 2 times for the three years. The quick asset ratio is also very supportive of a healthy liquidity position of the company. This means the company is able to meet its short-term obligations with its short-term assets. This ratio is a positive for lenders, creditors, investors as the company's liquidity and short term financial health is good.

### Cash-flow

In 2023, the company recorded negative cash flow from financing activities which means that the company has spent more cash on financing activities such as debt repayment, payment of dividend or buying back stock than what it received. This number reflects the company's effort at reducing its debt in 2023, returning cash to shareholders and investing in its own stock.

The cash-flow from operation has significantly increased in 2023 compared to 2022 for obvious reasons. The force majeure declared by Shell in 2022 seriously impacted their topline and by extension cash-flow from operations. 2023 was a lot better and this explained the improvement we have seen in the cash-flow from operation. Again, the strategy of tapping the equity market also made it possible for the leap in cash-flow from investing activities in 2023.

## Appendix 4: Dangote Cement Plc Financials

### 4. Valuable, Rare, Imitability and Organised (VIRO) Framework:

#### Geregu's competitive and strategic Positioning

We would use the VRIO analysis to evaluate the strengths for competitive advantage for Geregu Power Plc in the Nigerian Power Generating Sector.

## Appendix 5: Detailed VRIO Analysis of Geregu Power Plc

Resources and Capability of Geregu Power Plc	Value (Does this customer produce value to customers?)	Rarity (Is this strength rare in the competitive space?)	Inimitability (Can this strength be easily imitated by their competitors?)	Organisation (If this strength is a competitive advantage, are you ready to put it to use?)	Competitive Implications
<b>Strong Market Position and Brand Recognition</b> <ul style="list-style-type: none"> <li>Top Ten Power Generating Company in Nigeria</li> </ul>	Yes	Yes	No	Yes.	The company is putting the size to use in competing in the market place.
<ul style="list-style-type: none"> <li>Large and Reliable Plant to Generate Power.</li> </ul>	Yes	Yes	No	Yes	The company in terms of size is ranked 8 <sup>th</sup> in the list of top ten Gencos in Nigeria.
<b>Strong Financial Position</b> <ul style="list-style-type: none"> <li>Access to cheap private capital</li> <li>Easily raise capital</li> </ul>	Yes	Yes	No	Yes	The company was the first Genco in Nigeria to be listed in the Nigerian Stock Exchange. In Q1, 2024, the company made it to the list of SWOOT in NGX.

<b>Experienced and Diverse Board and Workforce</b> <ul style="list-style-type: none"> <li>○ Is there corporate governance in place?</li> <li>○ Is the board diversified and well experienced?</li> </ul>	Yes	Yes	No	Yes	<p>The company is listed in the Nigerian Stock Exchange and NGX is very strict on corporate governance requirement prior and post listing in the NGX.</p> <p>The board of GPP is very diverse and well experienced.</p>
<b>Reputation for High-Quality work that exceeds market expectation.</b> <ul style="list-style-type: none"> <li>○ Brand Value</li> <li>○ High Quality and Reliable Products</li> </ul>	Yes	No	Yes	Yes	<p>Company is majorly owned by Billionaire businessman, Mr. Femi Otedola. He has a reputation of running profitable enterprises in Nigeria.</p>
<b>Ease of Access to Crucial Input.</b> <ul style="list-style-type: none"> <li>○ Access to cheaper gas sources for production</li> </ul>	Yes	Yes	No	Yes	<p>The company's main input is natural gas which is in abundance in Nigeria at over 200 Tcf of proven reserves.</p>
<b>Leveraging Technology for Innovation.</b>	Yes	Yes	No	Yes	<p>GPP uses cutting edge technology to deliver power to her customers. These technologies are available in the market though it is capital intensive.</p>
<b>Customer Loyalty</b>	Yes	Yes	No	Yes	<p>The company sales to Distribution companies through NBET, industrial consumers like Dangote Cement in Kogi and power trading companies.</p>

#### 4.1. Report

Report on The Organizational Performance and Sustainable Growth of Geregu Power Plc. After a thorough and patient research on the company, we are delighted to convey the outcome of our research on the operations and financial performance of the company. We believe this report and findings will be useful to the board and management team of the company for decision making purposes and other scholars and analysts for further research.

##### 1. Company Outlook

Geregu Power Plc has been evaluated using historical performance and a look ahead using the near term, short term, medium term and long-term aspirations and goals of the company.

- The research revealed that GPP is a company that is concerned with setting itself apart from competition by positioning itself as a unique solutions company in the power generating sector in Nigeria. It is now a new normal to expect some innovative ideas and bold move from the board and management team of the company. This trust is reflective in the company performance in the stock market as well as the financial performance and the overwhelming interest in the company by researchers, investors, regulators and customers and consumers of power.

- It is already public knowledge the successor Gencos from the unbundled power Holding Company of Nigeria, PHCN are performing better than the NDPHC club of Gencos. GPP has played a very prominent role in the overall performance of the PHCN successor companies. The ambitious plan to add additional plant capacity of 1,300 MW to the existing 414 MW will position the company for a phenomenal financial performance in the coming years when the plant comes online. This in addition to the brownfield power generating assets they are also looking to buy to enhance their capacity.
- The current government of President Bola Tinubu is a market friendly and commercially minded one. The move to hike the price of electricity for the Band A customers is a major catalyst for the sector. We strongly believe that the reforms will by the regulators would improve the commercial viability of Power projects in Nigeria attracting new investments and new entrants because of the abnormal profits they players will be earning.
- The company will continue to have un-fettered access to cheaper and long-term capital from the stock market for their capital expansion projects. The company balance sheet is also very robust giving its access to bank debt market to

augment their capital shorts or to support their capital expansion projects.

- v. The brand value will continue to be very strong chaperoned by strong corporate governance by virtue of the listing in the Nigerian stock market. This move has brought to the company world class standards in corporate governance, sustainability and business processes that discerning investors and stakeholders would easily sign off on.
- vi. The company has also placed priority on environmental, social and governance compliance on its operation and lacing it with sustainability. This positions the company as a model company for investors and partners that place high priority to ESG and Sustainability to support them company.
- vii. The majority shareholder, Mr. Femi Otedola is known for his business acumen and years of running successful businesses in Nigeria. This is a very positive addition to the brand and positive market sentiments towards the company.

## 2. Financial Outlook

i. There is an upside to the company enlistment in the Nigerian Stock Exchange. The company would easily access capital for its strategic business goal and objectives in the medium to long term. The opportunities in the sector is huge and I strongly believe the company would exercise this access cheap and long term capital to fund their business plan with attendant returns to shareholders.

ii. The government reforms remains a major catalyst to the sector and future financial performance. The government is keen on solving the power challenges in Nigeria and Geregu Power Plc will be a major beneficiary of this effort given their interest in the sector.

iii. The management of the company is well experienced and are willing and able to drive the future growth of the business. They have the pedigree and dedication to the growth of the business.

iv. The decision to increase the nameplate capacity by 1,300 and the continue pursuit of brownfield power plants for acquisition demonstrates that the company is still in its growth phase. The time to take equity position in Geregu Power Plc is now before it the stock appreciation plateaus in the coming years.

## 5. Conclusion

Geregu Power Plc places premium on customer service by ensuring that they deliver power on time, on budget and on time without fail to her customers. The company is very focused by electing to stay on the generation value chain and not pivoting into areas that is not their core business. We strongly believe that the board and management team of GPP is very bold, focused and deliberate in the strategy and same will deliver value to all the stakeholders in years to come.

## Endnotes

1. Geregu Power Plc. (2021). Annual Report. Lagos: Geregu Power Ltd.
2. Geregu Power Plc. (2022). Annual Report. Lagos: Geregu Power Ltd.
3. Geregu Power Plc. (2023). Annual Report. Lagos: Geregu Power Ltd.
4. de Bruin, L. (2016, August 3). Porter's Five Forces. Business to You.
5. Kenton, W. (2022, May 28). Strength, Weakness, Opportunities, and Threat (SWOT) Analysis. Investopedia.
6. Opuala-Charles, S. (2022). Starbucks Case Study. Port Harcourt: Unpublished.
7. TradingView. (2022, September 10). TradingView. Retrieved from TradingView Website: <https://www.tradingview.com>