GCR GLOBAL CREDIT RATING CO.
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Axxela Limited

Nigeria CorporateAnalysis **December 2020**

Rating class	Rating scale	Rating	Rating outlook	Expiry date
Long term	National	BBB+(NG)	Stable	September 2021
Short term	National	A2(NG)		

Financial data:

(USD'm comparative)*

	31/12/18	31/12/19
N/USD (avg.)	305.6	306.4
N/USD (close)	306.5	306.5
Total assets	194.5	204.1
Total debt	107.8	103.4
Total capital^	(1.2)	20.0
Cash & equiv.	9.4	13.0
Turnover	185.7	245.2
EBITDA	43.1	48.1
NPAT	11.7	21.3
Op. cash flow	19.0	5.0
Market cap	n.a	

*Based on Central Bank of Nigeria's exchange rates.
^Net of goodwill arising from acquisition.

Rating history:

Initial rating (September 2018)
Long-term: BBB+(NG)
Short-term: A2(NG)
Rating outlook: Stable

Last rating (October 2019)
Long-term: BBB+(NG)
Short-term: A2(NG)
Rating outlook: Stable

Related methodologies/research:

Global Master Criteria for Rating Corporate Entities, updated February 2018

Axxela Limited Issuer rating report 2018-19

Glossary of Terms/Ratio, February 2018.

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Summary rating rationale

- The ratings accorded to Axxela Limited ("Axxela" or "the Group") reflect its leading position within the Nigerian natural gas distribution market, supported by long term distribution franchise in Lagos and Port-Harcourt granted by Nigerian Gas Marketing Company and the Rivers State Government respectively. Other key strengths which have underpinned stability of earnings and cash flows include long term agreements with suppliers and customers as well as license on the West African Gas Pipeline to supply gas to African countries.
- The Nigerian gas distribution industry exhibits below average cyclicality as demand for gas is relatively stable even in a changing economic environment. High barriers to entry due to its capital intensive nature (especially for large gas distribution business) further insulate established players, but counterbalanced by its exposure to supply disruptions and regulatory uncertainty. Nevertheless, Axxela evidenced resilient performance in 3Q FY20 despite the COVID-19 disruptions.
- Axxela has reported strong revenue growth over the review period underpinned by a larger client base, rising volumes, and firmer selling prices. While management expected earnings to increase by 39% in FY20, interim performance had been moderated by a delay in the Benin operations, lost sales caused by a shortage of gas supply and negative impact of COVID-19 on some customers, but future earnings should be supported by its take' or pay' contracts, rising economic activity and clientele with over 80% customers in the essential business category.
- Cost pressures have seen earnings margins moderated, with EBITDA margin falling below 20% since FY19. While management expects FY20 to reflect FY19 position, GCR expects this to moderate to around 16% due to rising inflationary pressure albeit still strong and expected to remain within the range over the next 12 months.
- Axxela reported positive but lower operating cash flow in FY19, attributable to high working capital utilisation and finance costs. Accordingly, operating cash flow coverage of total debt has remained within the lowest range and is expected to remain so over the rating horizon attributable to rising working capital pressure in view of the expanding business.
- Gross debt (including the shareholder loan) increased sharply at 3Q FY20 following a bond issue and an additional bank facility. This saw gross debt to EBITDA spike to 291% at 3Q FY20, albeit after adjusting for the shareholder loan (essentially treating it as equity), gross debt to equity was more moderate at 49%. GCR expects debt to EBITDA to improve, supported both by the expected reduction in debt and rise in EBITDA.
- Axxela reflects moderate liquidity coverage with sources of funds estimated to exceed uses by 1x over 15 months to December 2021. However, much is dependent on Axxela's ability to generate strong cash flows, as well as the receipt of funding from the intervention fund, bank borrowings and bond issuance, which if not forthcoming will necessitate a pullback in capex spend.

Factors that could trigger a rating action may include

Positive change: An upward rating action is dependent on maintaining a strong capital structure. Attainment of forecasts, would see improved earnings and debt serviceability over the medium term.

Negative change: The rating could come under pressure if earnings and cash flow deteriorate as a result of delay in rolling out projects and/or reduction in sale volumes. Excessive debt utilisation would see credit protection deteriorate.

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Company profile and recent development[1]

Axxela is a leading private gas distribution company in Nigeria. The Group is a wholly owned subsidiary of Helios Investment Partners ("Helios") through Glover Gas & Power B.V. ("GGP"). Helios is a leading Africa-focused investment firm, managing funds in excess of USD3bn, with 19 portfolio companies operating in over 30 countries in Africa, including seven existing investments in Nigeria.

Axxela engages in the development of gas and power infrastructure, and distribution of natural gas to industrial and commercial customers. It operates its Lagos business through service concession arrangement with Nigerian Gas Marketing Company ("NGMC"). Being the first private company to do so, Axxela has developed over 300km in pipeline infrastructure, mainly covering Western and Eastern markets. It currently delivers approximately 70 million standard cubic feet per day ("mmscfd") of natural gas to over 175 customers. It also has a Compressed Natural Gas ("CNG") facility situated in Lagos.

Operations are currently conducted through four main group companies including Gaslink Nigeria Limited ("Gaslink"), Central Horizon Gas Company Limited ("CHGC"), Transit Gas Nigeria Limited ("TGNL") and Axxela Limited (Regional business). Gaslink is the largest subsidiary, historically accounting for over 85% of the Group's revenue. It operates a pipeline network of over 163km, with over 165 industrial customers in the Greater Lagos Industrial Area. Gaslink has an operating subsidiary, Gas Network Service Limited ("GNSL"), which supplies CNG to customers outside the existing gas pipeline infrastructure, using mobile trailers. CHGC operates an exclusive franchise to distribute natural gas in the Greater Port Harcourt Area. TGNL is in a Joint Venture arrangement with NGMC to develop a natural gas distribution network of over 135km spanning through Sagamu to Iwopin and its environs, and also in the Lekki and Lagos Free Trade Zone area.

The Group has developed a pipeline of projects to be executed in the short to medium term, in line with its vision to power Africa with innovative energy solutions. Accordingly, Axxela has embarked on the development of mini liquefied natural gas ("LNG") facility in conjunction with NGMC2. The mini LNG will supply gas for captive power plants, embedded generation, and industrial clusters in the Northern region, as well as prospective customers in the South. While the Group has started supplying gas to the Togo market (under the CEET3 contract), trading in Benin Republic has not commenced due to the delay in finalising the Gas Sale and Purchase Agreement ("GSPA"). Similarly, a number of other projects are expected to be completed in the short to medium term to boost earnings. These include Sagamu pipeline project (with the first phase completed and commissioned in Q4 2019) and floating storage and regasification unit project, among others.

Corporate governance and shareholding

Axxela's corporate governance framework and composition of the Board of Directors complies with the relevant requirements of the Companies and Allied Matters Act, and is in line with the Financial Reporting Council of Nigeria's Codes of Corporate Governance. The directors comprise people from diverse backgrounds and professional competencies. Adherence to selected aspects of corporate governance is set out in the table below.

Table 1: Corporate governance summary	
Board composition	
Number of Directors	7
Non-Executive Directors ("NED")	4 (Including the Chairman)
Independent NED	2
Executive Directors	1 (the Managing Director/CEO).
Tenure of NED	Subject for re-election at regular intervals at least once every three (3) years.
Separation of the chairman	Yes.
Frequency of meetings	At least four times a year.
Board committees	Safety, Audit and Risk Committee, Governance and Remuneration Committee, and Strategy and Finance Committee.
Independent auditor	Ernst and Young

Changes to the board during 2019 include the appointment of Mr O. Olusanya (as the Chairman) and Mrs Kaat Van Hecke (as Non-executive director) following the resignation of Mr J.A. Tinubu and Mr M. Boyo from their respective posts on the Board.

Industry overview and competitive position

Nigeria is the largest gas producer in Africa, and ranks as the 9^{th} largest proven gas reserves in the world. However, domestic gas consumption is very low when compared with other developing countries. The country still flares much of its natural gas since most of the fields lack the infrastructure to produce and market associated natural gas. Apart from dearth of infrastructure, the absence of a coordinated regulatory and policy framework is another challenge within the industry. The various policy and regulations (such as Nigeria Gas Policy and Gas Master Plan) for gas distribution have been somewhat disjointed. A new petroleum industry bill which seeks to address these inconsistencies and provide policy certainty has been long delayed.

Having resolved the militant activities of 2016 which caused disruption of gas pipelines, industry revenue rebounded. In a bid to mitigate supply risk, some of the major players (including Axxela) are focusing on LNG.

[1] Please refer to previous rating report for detailed background on the business profile and operating model.

[2] A subsidiary of Nigerian National Petroleum Corporation

[3] Compagnie Energie Electrique du Togo (Electric Power Company of Togo)

LNG is liquefied into 700 times the volume of natural gas, enabling an even wider distribution network.

Industry prospects are supported by Nigeria's huge proven gas reserves, the current low commercial gas consumption, and the shift towards relatively cheaper pipeline gas by commercial industries. However, possible production and supply disruption, and regulation uncertainties remain major downside risks to the industry.

Competitive position

Gas Distribution Companies in Nigeria exhibits below average cyclicality as demand for gas is relatively stable and performance are not impacted to a noticeable extent by changes in economic environment. Large scale gas distribution business is highly capital intensive, requiring a huge financial outlay for the construction of gas pipelines. Axxela is one of the dominant players within the Nigerian gas distribution market, with highest gas pipeline capacity of 211mmcfd, followed by Shell Gas Nigeria and Falcon Petroleum. In addition to Axxela's exclusive franchise within its designated areas, other competitive advantages include flexible product offering (natural gas and CNG), quality of customers, long term distribution agreement with NGMC, regional trading business that generates inflow in USD and strong relationship with suppliers and technical partners. Its competitors within the CNG space include Gasco Marine Limited, Powergas Africa Limited, Green Gas Limited, among others. It is difficult to quantify market shares of the various players, as none is currently listed on The Nigerian Stock Exchange. Notwithstanding the competitive advantages, Axxela's over dependence on NGMC for gas supply remains a concern.

Financial performance and diversification

A five-year financial synopsis, together with a 9-month management account to 30 September, 2020 is reflected on page 7 of this report, supplemented by the commentary below. Axxela's audited consolidated financial statements for FY17 to FY19 were prepared in accordance with International Financial Reporting Standards, as well as the requirements of CAMA, and the Group's external auditor, Ernst and Young, issued clean audit opinion on the financial statements.

The Group has reported strong revenue progression since FY17, underpinned by rising sales volumes on the back of long-term distributions agreement and expanding clientele, complimented by firmer prices. However, revenue growth in FY19 lagged forecast due partly to the delay in the commencement of trading in Benin Republic.

Into FY20, COVID-19 restrictions had an adverse impact on demand from a few customers, while sales were also lost because of a shortage of supply caused by maintenance on the gas facility. This had a negative impact on revenue growth at 3Q FY20, but as restrictions have been relaxed and economic activity recovers, GCR expects full year revenue growth in 5%-7% range, against management's much higher expectation of 39%. Furthermore, proposed commencement of gas supply to Benin Republic and the planned expansion into other West Africa countries over the medium term should continue to support future revenue generation.

Table 2: Income statement (N'm)	**FY17**	**FY18**	**FY19**	**3Q FY20**
Revenue	42,172	56,739	75,114	58,980
Gross profit~	12,608	16,767	20,501	15,123
EBITDA	**9,601**	**13,347**	**14,740**	**10,871**
Depreciation	(2,383)	(1,986)	(2,454)	(1,848)
Op. profit	**7,218**	**11,361**	**12,286**	**9,022**
Net interest	(3,254)	(3,758)	(3,171)	(2,649)
Foreign exch.& fair val. Mov.	726	(2,453)	(2,538)	(92)
NPBT	**4,690**	**5,150**	**6,576**	**6,282**
Key ratios (%):				
Revenue growth	34.8	34.5	32.4	4.7
Gross margin	29.9	29.6	27.3	25.6
EBITDA margin	22.8	23.5	19.6	18.4
Op. margin	17.1	20.0	16.4	15.3

~normalised for depreciation and amortization charged to cost of sales.

Although Axxela's gross margin remains relatively strong, this has reduced somewhat due to volatility in Make-up gas revenue. The narrower gross margin filtered through to EBITDA margin, which was further impacted by rising administrative costs. While management expects margins to remain around 3Q FY20 levels on the back of higher economies of scale, given the planned expansion into other West African countries, GCR anticipates additional pressures in view of the high inflationary environment.

The Group's profitability has also been moderated by foreign exchange losses and high impairments in recent periods. These impairments relate to credit losses on trade receivables, and fair value of subsidiary and goodwill, which are non-recurrent charges. Management has put measures in place to support collection of receivables, but GCR expects this to remain high given the challenging operating conditions, which has impaired debtors' ability to service their obligations timeously. This notwithstanding, the Group registered higher NPBT of N6.6bn in FY19 (FY18: N5.2bn). After accounting for a normalised N53.6m in tax, net profit after tax registered at a review period high of N6.5bn.

Cash flows, Leverage and Capital Structure

Axxela has reported positive operating cash flow over the years, but this has been moderated by high working capital utilisation, interest charges and taxes. Working capital utilisation has been mainly driven by trade payables and other non-trading activities, including prepayment, deposit for imports of equipment for its expansion drive and other provisions. The Group is expected to report further high working capital absorptions into FY21 given its expanding business, but this should moderate thereafter as scale increases.

Table 3: Movement in working capital (N'm)	FY17	FY18	FY19	3Q FY20
Inventories	(111.4)	111.8	(230.8)	(211.4)
Trade receivables	(4,571.6)	1,263.2	(536.0)	(3,978.2)
Trade payables	(1,010.9)	4,141.3	(1,429.6)	5362.3
Total Operating WC	**(5,693.9)**	**5,516.3**	**(2,196.4)**	**1,172.7**
Other receivables and prepayments	(56.9)	(1,669.5)	(1,128.7)	(6,397.1)
Other payables and accruals	309.9	(4,726.5)	(1,057.2)	1,049.5
Other working capital adjustment	610.2	(1,007.7)	278.7	(839.9)
Total Non-operating WC	**863.2**	**(7,403.7)**	**(1,907.2)**	**(6,187.5)**
Movement in WC	**(4,830.7)**	**(1,887.4)**	**(4,103.7)**	**(5,014.8)**

Accordingly, the ratio of operating cash flow to total debt declined to 4.9% in FY19 (FY18: 25.9%) albeit still moderate. While Axxela expects this to improve to 25.2% by FY20 on the back of lower working capital absorption and a reduced interest charge, GCR considers this unattainable, given the persistent high working capital utilisation as well as additional interest charge falling due on Bond Issue towards the year end.

While dividends accruing to the majority shareholders (GGP) are used to offset intercompany payables, dividends paid over the years largely represent amount paid by Gaslink to its minority shareholders. However, as the intercompany payables have reduced, dividend payment to GGP has resumed. A larger N4.7bn was declared and is expected to be paid in FY20 after given consideration to prevailing financial results in line with the Group's dividend policy.

Table 4: Gearing profile (N'm)	FY18	FY19	3Q FY20
Short term	676	2,716	717
Long term	5,912	5,458	16,539
External loan	**6,588**	**8,174**	**17,256**
Shareholder loan	26,441	23,515	24,938
Total debt	**33,029**	**31,689**	**42,193**
Cash	(2,887)	(3,987)	(16,079)
Net Debt	**30,142**	**27,702**	**26,114**
Adjusted net debt	3,701	4,187	1,177
EBITDA	13,347	14,740	10,871
Equity	(372)	6,108	11,002
Key ratios (%):			
Total debt: EBITDA	247.5	215.0	291.1
Net debt: EBITDA	225.8	187.9	180.2
Adj. total debt: EBITDA#	49.4	55.5	158.7
Adj. net debt: EBITDA#	27.7	28.4	10.8
Total debt: reported equity*	278.7	173.8	190.3
Net debt: reported equity*	254.3	151.9	117.8
Adj. total gearing#	25.3	27.6	49.3
Adj. net gearing#	14.2	14.1	3.4

*Using actual equity as per AFS.
#All adjusted positions reflect GGP's shareholder loan being treated as equity, with gearing metrics recomputed.

Axxela utilised substantial debt to fund its operating activities in FY16. Following the investment, there was little change in debt between FY17 and FY19. Of this, cN22.3bn was provided as a shareholder loan by GGP, with Chapel Hill Denham providing facilities of c.N5.8bn.

However, debt increased sharply at 3Q FY20 to N42bn following an additional loan of N3.5bn from RMB and N11.5bn raised through a bond. The new debt saw gross debt to EBITDA spike to 291% at 3Q FY20 debt, albeit after adjusting for the shareholder loan (essentially treating it as equity), gross debt to equity was more moderate at 49%. As the proceeds of the Series 1 Bond Issuance has yet to be utilised, cash holding were high at N16.1bn at 3Q FY20 and thus net debt metrics much lower, However, as the cash is earmarked to be utilised over the next 12 months, GCR has based its analysis on gross metrics. GCR expects future debt to EBITDA to improve, supported by the expected reduction in debt and rise in EBITDA in view of the expanding business. To this end management indicated that Debt is expected to reduce to N38bn by financial year-end FY20.

Table 5: Debt profile				
Bank/Credit sources	**Currency**	**Interest rate**	**3Q FY20 (N'm)**	**Maturity**
External loans				
Chapel Hill	Naira	10yr FGN Bond+3%	1,129	Jun-27
RMB	Naira	15%	3,500	Mar-23
Bond	Naira	14.3%	11,500	May-27
Lease liability	Naira	Varies	1,222	
Internal loan				
Glover Gas & Power	USD	8%	24,842	Dec-21
Gross debt			**42,193**	

Despite the increase in debt, net interest coverage remained firm at 4.1x at 3Q FY20. However, given that interest will accrue on the higher debt for the full year in FY21, GCR expects that coverage may come under some pressure, particularly if earnings fall short of expectations.

Liquidity profile

Table 6: Analysis of liquidity (Uses vs. Sources)	15M to 2021	2022
Sources		
Operating cash flow	18,982	24,435
Cash on hand	16,079	1,384
Facilities - commited		
Facilities - non-commited	5,000	
Additional loan		1,658
Intervention fund/Bonds	20,000	
Total sources	**60,061**	**27,477**
Uses		
Debt redemption	3,757	7,158
Capex	44,051	5,144
Investments	963	66
Dividends	9,243	9,774
Other uses		
Total uses	**58,014**	**22,142**
Uses versus sources - 15 months	1.04	1.24#
Uses versus sources - 27 months	1.05	1.09^

#Liquidity coverage over 12-month period.
^Liquidity coverage over 24-month period.

GCR considers the Group to evidence moderate liquidity coverage over the 15-month to December 2021. However much is dependent on Axxela's ability to generate strong cash flows, as well as the receipt of funding from the intervention fund, bank borrowing and proposed bond issuance. If this is not forthcoming then it is unlikely that the group will be able to carry out its large capex plans. Positively, the lengthening of the maturity, with just 2% falling due within 12-month period does significantly reduce refinancing risk.

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Axxela Limited

(Naira in millions except as noted)

Statement of comprehensive income -Year end: 31 December	Pro-forma consolidation 2015	2016	Actual consolidation 2017	2018	2019	3Q 2020^
Turnover	34,016.3	31,275.3	42,171.6	56,739.3	75,114.0	58,979.7
EBITDA	**7,551.4**	**6,989.7**	**9,601.1**	**13,346.8**	**14,739.8**	**10,870.7**
Depreciation and amortisation	(912.8)	(1,478.6)	(2,383.5)	(1,986.1)	(2,453.8)	(1,848.3)
Operating income	**6,638.6**	**5,511.1**	**7,217.7**	**11,360.7**	**12,286.0**	**9,022.5**
Net finance charge	645.5	(203.4)	(3,254.3)	(3,758.3)	(3,171.2)	(2,648.7)
Foreign exchange and fair value movements	0.0	(150.3)	726.2	(2,453.2)	(2,538.4)	(91.8)
Other gains/(losses)	0.0	775.1	0.0	0.9	0.0	0.0
NPBT	**7,284.1**	**5,932.5**	**4,689.5**	**5,150.2**	**6,576.4**	**6,281.9**
Taxation charge	(2,629.9)	(439.2)	(208.0)	(1,583.9)	(53.6)	(1,234.2)
NPAT	**4,654.2**	**5,493.3**	**4,481.5**	**3,566.2**	**6,522.8**	**5,047.7**
Cash Flow Statement						
Cash generated by operations	**7,551.4**	**5,605.5**	**9,332.5**	**13,180.5**	**13,481.8**	**10,857.2**
Utilised to increase working capital	(2,574.3)	1,967.3	(4,830.7)	(1,887.4)	(4,103.7)	(5,014.8)
Net interest paid	(564.3)	(1,213.7)	(2,360.1)	(799.3)	(6,617.4)	(1,822.5)
Taxation paid	(1,833.1)	(1,838.1)	(1,419.7)	(1,924.5)	(1,214.1)	(1,557.5)
Operating cash flow	**2,579.6**	**4,520.9**	**722.0**	**8,569.3**	**1,546.7**	**2,462.4**
Maintenance capex*	(912.8)	(1478.6)	(2383.5)	(1,972.7)	(2,087.0)	(1,314.6)
Discretionary cash flow	**1666.8**	**3042.3**	**(1661.5)**	**6,596.6**	**(540.3)**	**1,147.8**
Dividends paid	(165.9)	(128.5)	(211.9)	(212.2)	(142.3)	(164.3)
Retained cash flow	**1500.9**	**2913.7**	**(1873.4)**	**6,384.3**	**(682.6)**	**983.5**
Net expansionary capex	(6009.9)	(2549.4)	(390.8)	0.0	0.0	0.0
Investments and other	0.0	(21,582.3)	0.0	0.0	0.0	0.0
Proceeds/(losses) on sale of assets/investments	0.0	3.1	0.8	1.4	0.0	0.0
Retained cash	**(4,509.0)**	**(21,214.8)**	**(2,263.4)**	**6,385.7**	**(682.6)**	**983.5**
Borrowings: increase/(decrease)	1,715.0	22,611.9	2,517.0	(6,355.8)	(14.0)	12,909.4
Increase/(decrease) in cash	**(2,794.0)**	**1,397.0**	**253.6**	**29.9**	**(696.7)**	**13,892.9**
Balance Sheet						
Ordinary shareholders equity	4,339.3	(8,132.5)	(3,857.8)	(2,266.6)	4,204.1	8,914.7
Outside shareholders equity	159.6	1,920.6	1,927.6	1,894.4	1,903.9	2,086.9
Total shareholders' equity	**4,498.9**	**(6,211.9)**	**(1,930.1)**	**(372.3)**	**6,107.9**	**11,001.6**
Short term debt	2,951.4	25,264.8	8,296.7	3,634.6	4,540.6	716.7
Long term debt	5,524.0	4,656.8	23,977.5	29,394.2	27,148.4	41,476.5
Total interest-bearing debt	**8,475.4**	**29,921.6**	**32,274.2**	**33,028.9**	**31,689.0**	**42,193.3**
Interest-free liabilities	19,186.7	30,642.2	29,403.5	26,948.3	24,767.5	31,733.5
Total liabilities	**32,161.0**	**54,351.9**	**59,747.6**	**59,604.9**	**62,564.4**	**84,928.4**
Fixed assets	3,643.9	7,850.9	8,231.0	8,557.0	8,435.6	8,005.5
Cash and cash equivalent	1,352.8	2,603.2	2,856.8	2,886.6	3,986.8	16,078.8
Other assets	27,164.3	43,897.8	48,659.8	48,161.3	50,142.0	60,844.1
Total assets	**32,161.0**	**54,351.9**	**59,747.6**	**59,604.9**	**62,564.4**	**84,928.4**
Ratios						
Cash flow:						
Operating cash flow : total debt (%)	30.4	15.1	2.2	25.9	4.9	7.8
Discretionary cash flow : total debt (%)	neg	neg	neg	20.0	neg	3.6
Profitability:						
Turnover growth (%)	13.2	(8.1)	34.8	34.5	32.4	4.7
Gross profit : revenues (%)	29.2	33.7	29.9	29.6	27.3	25.6
EBITDA : revenues (%)	22.2	22.3	22.8	23.5	19.6	18.4
Operating profit margin (%)	19.5	17.6	17.1	20.0	16.4	15.3
EBITDA : average total assets (%)	22.4	16.9	17.7	23.5	25.6	22.7
Return on equity (%)	74.0	(289.6)	(74.8)	(116.5)	673.3	102.6
Coverage:						
EBITDA : gross interest (x)	12.0	9.7	2.9	3.5	4.4	3.7
EBITDA : net interest (x)	n.a	34.4	3.0	3.6	4.6	4.1
Operating income : net interest (x)	(10.3)	27.1	2.2	3.0	3.9	3.4
Activity and liquidity:						
Trading assets turnover (x)	(16.5)	(16.1)	(36.6)	(53.3)	(27.6)	(35.5)
Days receivable outstanding (days)	69.3	83.5	80.5	70.4	51.4	59.6
Current ratio (:1)	0.8	0.2	0.5	0.6	0.7	1.3
Capitalisation:						
Net debt : equity (%)	158.3	(439.8)	(1,524.1)	(8,097.2)	453.5	237.4
Total debt : equity (%)	188.4	(481.7)	(1,672.1)	(8,872.6)	518.8	383.5
Total debt : EBITDA (%)	112.2	428.1	336.2	247.5	215.0	291.1
Net debt : EBITDA (%)	94.3	390.8	306.4	225.8	187.9	180.2

*Depreciation used as a proxy for maintenance of capex expenditure.
~Normalised for depreciation charged to cost of sales (excluding pro-forma consolidation)
**Net of goodwill arising from acquisition.
#9-months management accounts to 30 September 2020.

SALIENT POINTS OF ACCORDED RATINGS

GCR affirms that a.) no part of the rating process was influenced by any other business activities of the credit rating agency; b.) the rating was based solely on the merits of the rated entity, security or financial instrument being rated; c.) such rating was an independent evaluation of the risks and merits of the rated entity, security or financial instrument; and d.) the ratings are valid till September 2021.

Axxela Limited participated in the rating process via teleconferences and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible.

The credit rating/s has been disclosed to Axxela.

The ratings above were solicited by, or on behalf of, the rated client, and therefore, GCR has been compensated for the provision of the ratings.

The information received from Axxela Limited and other reliable third parties to accord the credit ratings included:
- 2017-2019 audited annual financial statements, and two years pro-forma annual financial statements;
- 9-months management accounts to 30 September 2020;
- Internal and/or external management reports;
- A completed rating questionnaire containing additional information on Axxela Limited and its subsidiaries;
- Industry comparative data and regulatory framework and a breakdown of facilities available and related counterparties; and
- Information specific to the rated entity and/or industry was also received.

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