

Axxela Limited

2021 Corporate Final Rating Review Report

 **Agusto&Co.**

Research, Credit Ratings, Credit Risk Management

Axxela Limited

Rating Assigned:

A-

This is a company with good financial condition and strong capacity to repay obligations on a timely basis

Outlook: Stable

Issue Date: 5 July 2021

Expiry Date: 30 June 2022

Previous Rating: Bbb+

Industry: Natural Gas

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RATING RATIONALE

- Agusto & Co. hereby upgrades the rating assigned to Axxela Limited ('Axxela' or 'the Company') to "A-" to reflect the consistent improvement in profitability performance bolstered by ongoing regional diversification of gas distribution to clients in West Africa, satisfactory and sustainable operating cash flow upheld by favourable terms of trade with gas suppliers and industrial customers evidenced by long term gas contracts, as well as a modest improvement in leverage metrics owing to good funding mix largely supported by refinancing of expensive bank borrowings with a bond issuance at a cheaper interest rate and longer tenor. In addition, the assigned rating reflects our opinion on the Company's adequate working capital buoyed by short term financing surpluses over the last three years, satisfactory equity cushion, stable and experienced management team and strong parental support from Helios Investment Partners – a private equity firm with over \$3.6 billion funds under management. However, the rating is tempered by supplier risk owing to reliance on gas supply from Escravos-Lagos pipeline which is prone to vandalism, as well as the negative impact of COVID-19 pandemic on Axxela's customer's operations due to the slow restart of business activities.
- Axxela Limited (along with its subsidiaries¹) is a leading player in the natural gas processing, marketing and distribution value chain in Nigeria, providing gas to top-tier industrial consumers in Lagos, Port Harcourt and Sagamu-Benin axis and also exports natural gas to the Togolese National Electric Power Company through the West African gas pipeline network. The Company has developed over 300 kilometres (km) of gas pipeline infrastructure and delivers about 70 million meters standard cubic feet per day (mmscf/d) to over 180 industrial and commercial customers in Nigeria. In line with Axxela's strategic intent to continuously diversify revenue sources, the Company plans to scale gas supply up to 500 mmscf/d in the medium term through the provision of gas pipeline services as well as captive and embedded power projects solutions to industrial customers across West Africa.
- In the financial year ended 31 December 2020 (FYE 2020), Axxela Limited recorded a 10% growth in revenue to ₦82.6 billion, due to a marginal rise in the volume of gas sold by 2% to 621.8 million metric standard cubic meters as well as an increase in gas price in the review period. The pipeline gas distribution segment remained the largest accounting for 77% of turnover, while the gas

¹ Axxela Limited's operating subsidiaries are Gaslink Nigeria Limited (GNL), Central Horizon Gas Company Limited (CHGC), Gas Network Services Limited (GNSL) and Transit Gas Nigeria Limited (TGNL).

Axxela Limited

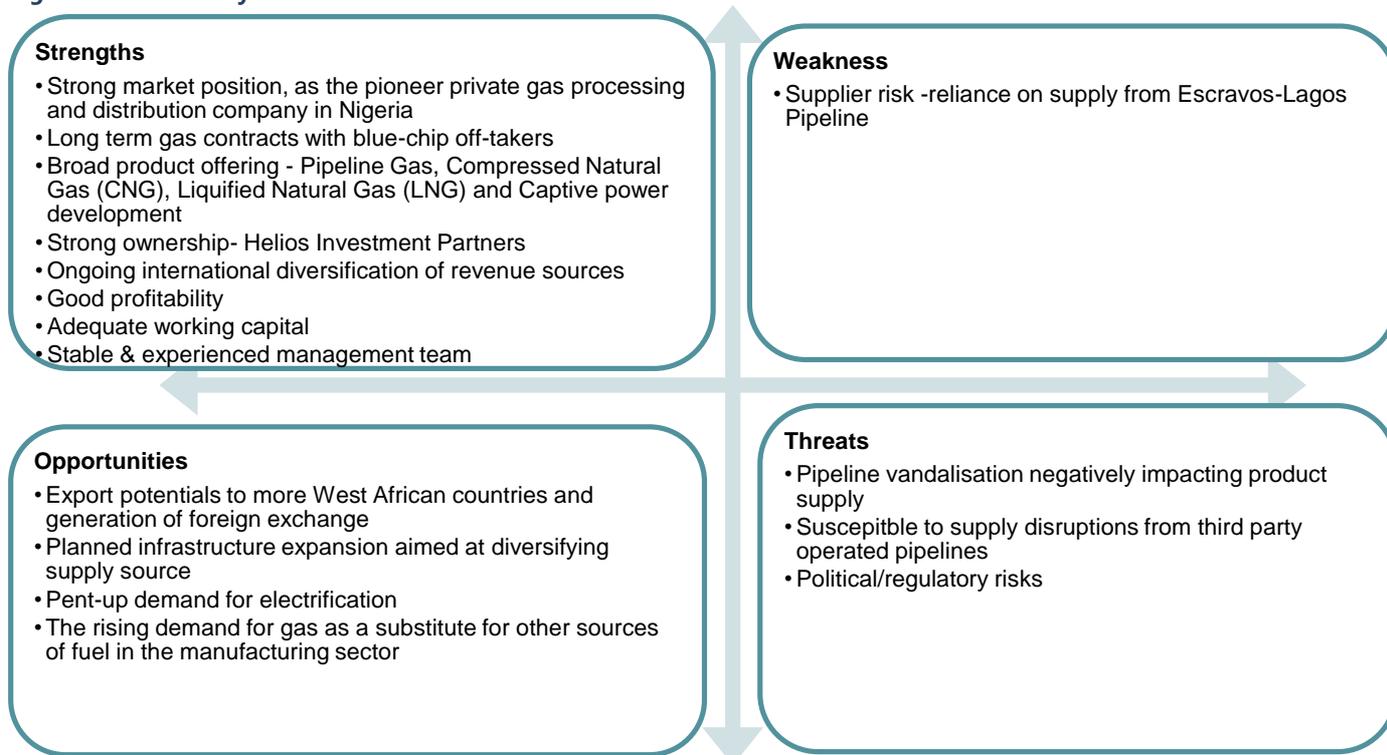
wholesaling segment (export of gas to Compagnie Energie Electrique du Togo - CEET) accounted for 19% in the period under review. Overall, Axxela's profitability metrics etched higher with improvement in profit before tax margin, return on assets and return on equity at 12.7%, 15.5% and 25% respectively in FYE 2020.

- In FYE 2020, the Company recorded an operating cash flow (OCF) of ₦9.7 billion, which was sufficient to cover returns to providers of finance of ₦7.1 billion (comprising interest payment of ₦3.5 billion and dividend of ₦3.6 billion), estimated mandatory capital expenditure of ₦0.95 billion and current portion of long-term borrowings amounting to ₦0.68 billion. In the same period, Axxela Limited recorded an improved operating cash flow to sales ratio of 11.7% (2019: 7.4%) and a three-year average (2018 - 2020) of 9.9%, which we consider to be satisfactory.
- Supported by favourable terms of trade with gas suppliers and industrial customers, Axxela Limited posted a short-term financing surplus of ₦9.8 billion in 2020, similar to the last three years. Also, the Company recorded working capital available of ₦28.4 billion, culminating into an overall working capital surplus of ₦38.2 billion for FYE 2020.
- Agosto & Co. notes that the Series 1 Bond (₦11.5 billion 7-year 14.3% Series 1 Bond obtained through a special purpose vehicle - Axxela Funding 1 Plc - in May 2020) proceeds were used to refinance existing commercial bank loans and fund the construction of Sagamu pipeline project Phase I which has been completed, while the commercial bank facility (₦3.5 billion 3-Year 15% commercial bank loan taken by TNGL) was used to fund the ongoing Sagamu Phase II franchise pipeline project. Axxela's interest expense to sales ratio improved marginally to 4.3% (FYE 2019: 4.5%) and we expect to see the full finance cost savings impact in FYE 2021. As at 2020 year-end, the Company's IBL (net of cash) to equity ratio and net debt (total debt less cash) as a percentage of total assets stood at 14% and 45% respectively, reflecting a satisfactory leverage profile.
- The Company's unaudited accounts for the three months ended 31 March 2021 (Q1'2021) reveals marked improvement as top-line remained resilient growing by 35% to ₦23 billion when compared to Q1'2020. In addition, Axxela's operating profit margin improved to 16.2%, while annualised ROA of 15% and ROE of 25.5% in Q1'2021 were all in line with our expectations. Similarly, the Company's operating cash flow was satisfactory at ₦4.9 billion (representing 21% of sales), while working capital remained adequate and leverage metrics further improved (interest expenses to sales of 3.7%, IBL to equity ratio of 12% and net debt to total assets of 43%) as at 31 March 2021.
- Going forward, Axxela's management intends to complete ongoing pipeline construction and commence gas distribution within the Sagamu-Benin axis to identified large-scale industrial customers by Q4'2021. In addition to the existing gas supply to the Togolese National Electric Power Company, management has disclosed the execution of an agreement with CEET for an incremental supply of 11,200 mmbtu/d of gas to the Kekeli 60MW greenfield power project in Togo

with gas offtake expected to commence from 1 July 2021. In our view, the Company's pursuit to diversify revenue sources by geography and also enhance its earnings by offering new energy solutions will positively impact the overall performance in the medium term.

- Based on the above, Agusto & Co. hereby attaches a **stable** outlook to the rating of Axxela Limited.

Figure 1: SWOT Analysis



COMPANY PROFILE

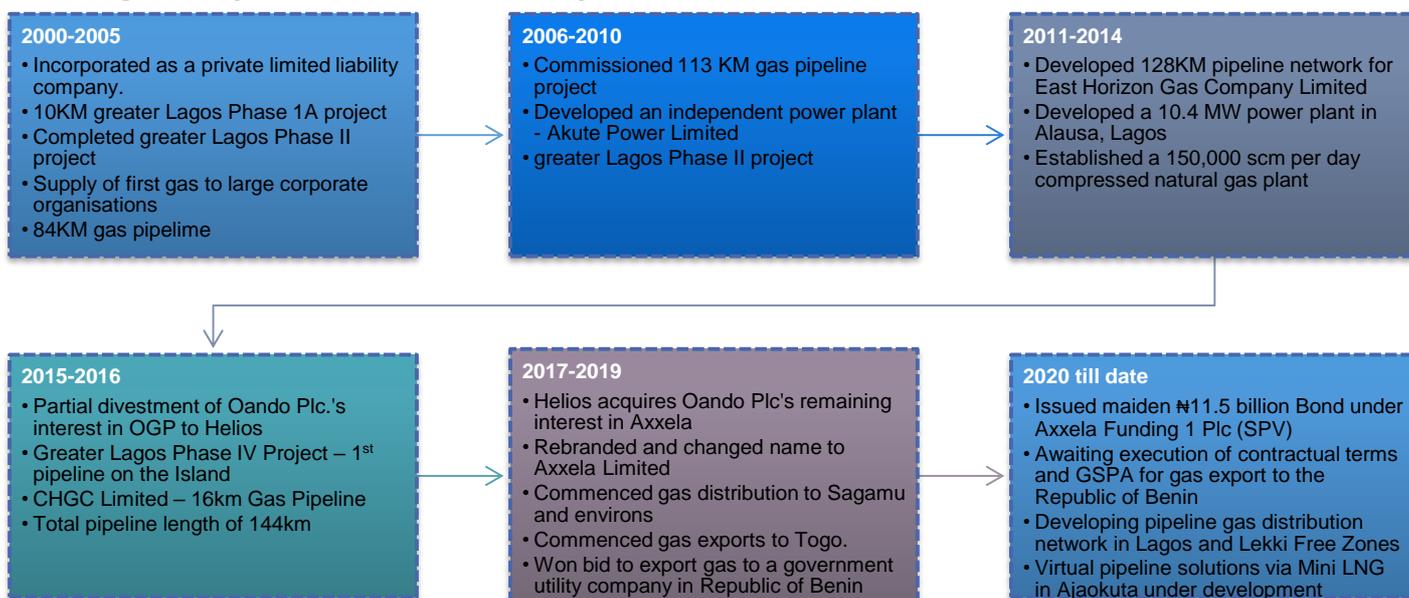
Background

Axxela Limited ("Axxela" or "Company") is currently owned 100% by Glover Gas & Power BV, a vehicle fully owned by Helios Investment Partners LLP ("Helios" or "HIP") through its fund called Helios Investors III, LP. Helios initially partially acquired Axxela Limited, formerly known as Oando Gas and Power Limited ("OGP") in 2016 and the remaining portion in April 2019. OGP was rebranded as Axxela Limited in December 2017. Axxela Limited is a wholly-owned Helios portfolio company. Helios is a leading Africa-focused private investment firm managing funds estimated at US\$3.6 billion, spread across 19 portfolio companies operating in over 30 countries in Africa.

The Company pioneered the development of natural gas distribution network in the country and is now the largest private-sector gas distributor in Nigeria delivering 70MMscf/d to over 180 industrial and commercial customers. Also, Axxela is a designated natural gas shipper on the West African Gas Pipeline (WAGP) to neighbouring west-African countries. The Company is involved in natural gas processing, transmission and distribution as well as the provision of alternative power generation and distribution solutions such as captive and embedded power. These services are provided through the following operating entities - Gaslink Nigeria Limited (GNL), Central Horizon Gas Company Limited (CHGC), Gas Network Services Limited (GNSL), Transit Gas Nigeria Limited (TGNL) and Axxela Limited (used for regional operations).

Axxela is a leader in the natural gas value chain having developed over 300KM of pipeline infrastructure to supply gas to industrial and commercial customers in Lagos, Port Harcourt and Sagamu. In addition, the Company supplies gas to Compagnie Energie Electrique du Togo (CEET) under a Gas Sales and Purchase Agreement (GSPA) with the Togolese National Power Company with plans to further expand supply to other West African countries. Axxela has gas pipeline capacity to deliver up to 254 MMscf/d in Nigeria and plans to scale gas supply up to 500 MMscf/d in the medium term across Nigeria and West Africa. The Company has long term supply agreements with the Nigerian Gas Marketing Company (NGMC) with exclusive right to distribute NGMC pipeline gas to designated areas and long-term distribution contracts to supply gas to the Industrial centres of Lagos, Port Harcourt and Sagamu-Benin axis.

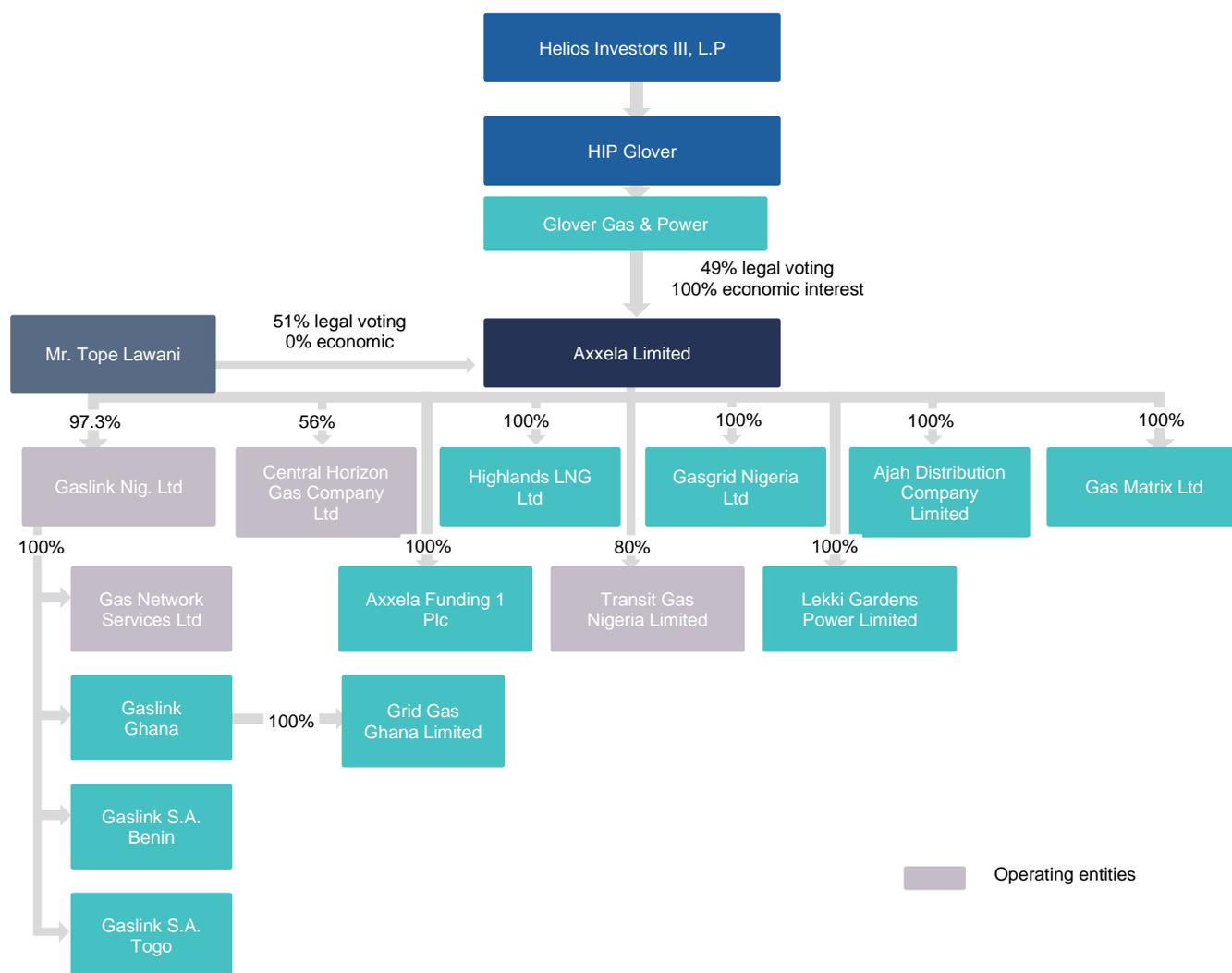
Figure 2: Key Milestones in Axxela's History



Ownership Structure

As at 31 December 2020, Axxela Limited's economic interest was wholly owned by Glover Gas & Power B.V. ("Glover B.V"), a special purpose vehicle incorporated in the Netherlands by Helios Investment Partners. However, Glover B.V held a 49% (legal voting) equity stake in Axxela Limited, while Mr Tope Lawani² (nominee of Helios) held a 51% (legal voting) equity stake in trust for Glover Gas & Power B.V as at the same date. Ultimately, Axxela Limited is wholly owned by Helios Investment Partners.

Figure 3: Group/Ownership Structure as at 31 December 2021



² Mr. Tope Lawani is Co-Founder and Managing Partner of Helios Investment Partners.

Board Composition and Structure

As at 31 December 2020, Axxela Limited's Board of Directors remained unchanged with seven members comprising the Chairman, one Executive Director, three Non-Executive Directors and two Independent Directors. The Company's Board of Directors is led by Mr Boye Olusanya, as the Chairman, while Mr Bolaji Osunsanya is the Chief Executive Officer. Subsequent to FYE 2020, Mr Tope Lawani resigned as a Non-Executive Director and was replaced by Mr Lazarus Angbazo in April 2021.

Table 1: Members of Axxela Limited's Board of Directors as at 31 May 2021

Name	Designation	Representing
Mr Boye Olusanya	Chairman	Helios
Mr Bolaji Osunsanya	Chief Executive Officer	Axxela
Mr Jeremy Bending	Independent Director	
Ms Kaat Van Hecke	Independent Director	
Mr Ogbemi Ofuya	Non-Executive Director	Helios
Mr Lazarus Angbazo	Non-Executive Director	Helios
Mr Nitin Kaul	Non-Executive Director	Helios

Source: Axxela Limited's Management Presentation June 2021

The Company's Board of Directors operates through the following committees namely; Governance and Remuneration Committee, Safety, Audit and Risk Committee and Strategy and Finance Committee. In the financial year ended 31 December 2020, the members of the committees remain unchanged and the Board met four times during the year.

Operating Entities

During the financial year ended 31 December 2020, the Company had four operating subsidiaries, namely Gaslink Nigeria Limited, Central Horizon Gas Company Limited, Gas Network Services Limited and Transit Gas Nigeria Limited. In 2018, Axxela Limited sponsored the incorporation of a special purpose vehicle, Axxela Funding 1 Plc, to raise funds from the debt capital market to finance Axxela and its subsidiaries projects.

Gaslink Nigeria Limited (GNL)

GNL operates an exclusive 20-year franchise (expiring 2039) to distribute natural gas in the Greater Lagos area, covering all the industrial areas of the city, delivering gas to over 165 industrial and commercial customers. The company has over 163 km gas distribution network in Lagos with a capacity of 129 million meters standard cubic feet per day ("mmscf/d").

Central Horizon Gas Company Limited (CHGC)

CHGC operates an exclusive 30-year franchise (expiring 2041) to distribute natural gas to the Greater Port-Harcourt area to over 10 industrial customers. The company has over 16km gas distribution network with a current capacity of 50 mmscf/d.

Gas Network Services Limited (GNSL)

GNSL handles the compressed natural gas (CNG) business of Axxela. The company has a CNG plant situated at Ilasamaja, Lagos, with a capacity of 150 mscm/d. The CNG is typically transported to customers' locations within a 250km radius of the facility using CNG tube trucks. The CNG plant also has the capacity and dispensing equipment for filling CNG-fuelled cars and buses.

Transit Gas Nigeria Limited (TGNL)

TGNL is in a joint venture arrangement with the Nigerian Gas Marketing Company (NGMC) to develop a natural gas distribution pipeline network that would serve the industrial clusters along the Sagamu-Benin expressway and environs. The first phase of the project was completed in Q4'2019, while the second phase is due for completion by Q4'2021. In addition, TGNL has a joint venture agreement with NGMC to develop

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a natural gas distribution network to cover Lekki and Lagos free trade zones and environs. TGNL and MGMC are in the process of developing a Mini-LNG plant in Ajaokuta with a capacity of 5 mmscf/d to supply natural gas to industrial customers all over the country, with expected completion in Q1'2023.

Axxela Funding 1 Plc

Axxela Funding 1 Plc (“the Issuer”) was set up as a special purpose vehicle by Axxela Limited in 2018 with the sole aim of raising finance for members of the Axxela Group. In May 2020, Axxela Funding 1 Plc issued a ₦11.5 Billion Series 1 Seven-Year 14.3% Fixed Rate Bond Due 2027 to purchase Notes issued by Axxela Limited, Gaslink Nigeria Limited and Transit Gas Nigeria Limited, while the Co-Obligors utilised the proceeds to refinance existing debts and fund Sagamu and Lekki Free Zone pipeline construction projects. The Bond coupon is being paid semi-annually over the seven-year tenor of the Issue, while the principal will be repaid half- yearly following the expiration of a two-year moratorium (from November 2022).

Other Information

As at 31 December 2020, Axxela Limited’s total assets and liabilities stood at ₦90.2 billion and ₦48 billion respectively, while total shareholders’ fund was ₦42 billion. In the financial year ended 31 December 2020, the Company generated a turnover of ₦82.6 billion (up by 10% from the prior year) and recorded a profit after tax of ₦7.1 billion (FYE 2019: ₦6.5 billion). In the same period, Axxela had an average of 72 persons in its employment compared to 69 persons in the previous year.

Table 2: Background Information as at 31 December 2020

Authorised Share Capital	₦10 million
Paid-up Capital	₦10 million
Shareholders’ Funds ³	₦42 billion
Registered Office	The Wings Office Complex (East Tower), 17A Ozumba Mbadiwe Avenue, Victoria Island, Lagos
Principal Business	Natural Gas processing, transmission and distribution
Auditors	Ernst & Young

Source: Axxela Limited 2020 Annual Report

³ This includes Shareholder’s loan of ₦23.9 billion, which we have classified as quasi-equity due to its convertibility option.

FINANCIAL CONDITION

ANALYSTS' COMMENTS

- Axxela Limited together with its operating subsidiaries - Gaslink Nigeria Limited (GNL), Central Horizon Gas Company Limited (CHGC), Gas Network Services Limited (GNSL) and Transit Gas Nigeria Limited (TGNL) - are referred to as the Axxela Group ("Axxela", "the Company" or "Axxela Limited").
- We have analysed the consolidated financial statements of Axxela Limited for the year ended 31 December 2020 to capture the scope of the business operations as well as the entirety of the natural gas value chain.

PROFITABILITY

Axxela Limited's principal activities involve pipeline marketing, distribution and processing of natural gas as well as the sale of compressed natural gas (CNG) to industrial consumers in Nigeria. As at the end of 2020, the Company is the largest private-sector gas distributor in Nigeria delivering about 70mmscf/d to over 180 industrial and commercial customers through a network of over 300 km of gas pipeline infrastructure developed by Axxela across West Africa. Although Axxela has in the past operated a captive power solution under which it provides 22.55 megawatts (MW) to residents in Lagos State, the Company is poised to diversify into new captive and embedded power solutions.

In the financial year ended 31 December 2020, Axxela's total revenue remained resilient growing by 10% year-on-year to ₦82.6 billion, despite the negative impact of the Covid-19 pandemic on businesses and households globally. This growth was precipitated by a marginal rise in the volume of gas sold by 2% to 621.8 million metric standard cubic meters as well as an increase in average gas price⁴ in the period under review. Furthermore, we note positively that during the Covid-19 pandemic induced lockdown mainly in the second quarter of 2020, the Company was classified as one of the essential service companies and thus continued gas distribution to its customers⁵ (the bulk of which are in the Food and Beverage and Power sectors and were also designated as essential service providers). Axxela's long term gas contracts (take or pay arrangement) with top tier industrial customers coupled with its strong internal operating systems (SCADA - which allows remote measurement of customer's gas consumption data and invoice electronically and the new ERP - integration with online payment solutions) ensured that there were minimal disruptions to operations during the Covid-19 induced lockdown period.

A breakdown of Axxela's FYE 2020 revenue by business segment showed that pipeline gas distribution⁶ remained the most dominant segment (growing 8% year on year) accounting for 77%, while gas wholesaling segment (sale of gas to Compagnie Energie Electrique du Togo - CEET) and compressed natural gas business represented 19% and 4% respectively. While we recognise the positive foreign currency gains from the ongoing diversification of gas supplies to Togo, we note that the Gas Sales and Purchase Agreement (GSPA) signed with the national electric power company in the Republic of Benin is yet to commence as at 31 May 2021 and we expect this to further provide foreign currency buffer for the Company. A further review of revenue contribution by companies in the Axxela Group in 2020 revealed that GNL (operating the Greater Lagos pipeline distribution) accounted for the largest portion at 78%, while Axxela responsible for gas wholesaling to CEET represented 17%, CHGC providing gas distribution in Port Harcourt area printed at 4%, CNG and TGNL (which commenced operations in 2019 in the Sagamu/Lagos axis) each accounted for less than 1%.

During the financial year ended 31 December 2020, Axxela Limited's cost of sales to revenue ratio inched up marginally to 76.1% (2019: 75.2%), on account of the higher cost of gas purchased in the period. Despite the higher operating expense (rising 9% y-o-y in absolute terms due to increase in staff salaries and bonuses and higher depreciation charge), Axxela maintained a flat operating expense to sales ratio of

⁴ In 2020, the average price on gas sale increased to \$7.92/mscf from \$7.81/mscf in the prior year.

⁵ Axxela's management disclosed that about 81% of its clients operate in the Food and Beverage and Power Sectors, hence enjoyed the essential service status during the Covid-19 pandemic

⁶ This comprises revenue generated from Pipeline distribution franchises from Lagos, Port Harcourt and Sagamu, which is related to the operating companies - Gaslink Nigeria Limited, Central Horizon Gas Company Limited and Transit Gas Nigeria Limited

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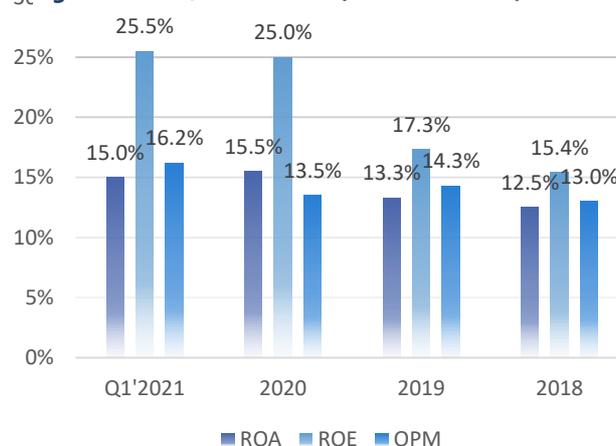
10.4% with the prior year, thus resulting in an operating profit margin of 13.5% (2019: 14.3%), which we consider to be satisfactory. Furthermore, we consider Axxela Limited's three year (2018 – 2020) average operating profit margin of 13.6% to be in line with our expectation.

In the period under review, Axxela reported other income of ₦2.8 billion (representing 3.5% of revenue) mainly from foreign exchange gain, unrealised gain on non-deliverable forward (NDF) contracts valuation and finance income. Whilst other income is on the rise given the hedging techniques adopted by the Company for its Shareholder's loan and the attendant devaluation of the local currency, we note that this is not a sustainable income source as the Shareholder's loan is due for conversion into preference shares within the next 6 months (subject to a one-year extension, which management confirms has been extended). In FYE 2020, Axxela's interest expense to sales ratio dipped marginally to 4.3% driven by the refinancing of some expensive borrowings with the Series 1 bond proceeds at a cheaper rate but remained high in our opinion.

The Company reported an improved profit before tax of ₦10.5 billion in 2020 (2019: ₦6.6 billion), representing 12.7% of turnover, which is in line with our expectation. In FYE 2020, Axxela's pre-interest pre-tax return on assets (ROA) of 15.5% and the three year (2018 – 2020) weighted average of 14% are both considered to be good when compared to the industry average. In the same vein, the Company's pre-tax return on equity (ROE) of 25% in FYE 2020 and the three-year (2018 – 2020) weighted average of 21%, were both in line with our expectations.

In the three months ended 31 March 2021 (unaudited), the Company's top line remained resilient growing by 35% to ₦23 billion, when compared to Q1'2020 but lower than the Q1'2021 budget by 11%. The key driver was the rise in gas consumption by industrial customers on account of increased productive activities fuelled by the gradual reopening of the economy. Axxela continued its cost efficiency campaign to rein in direct and operating expenses despite the higher inflationary pressures and this resulted in an improved operating profit margin of 16.2% and profit after tax margin of 8.7% in the three months ended 31 March 2021. In the same vein, Axxela recorded an annualised ROA of 15% and ROE of 25.5% which were both in line with our expectations.

Figure 4: OPM, ROA & ROE (2018 - Q1'2021)



With a positive outlook for most businesses and commercial activities for the remaining part of 2021, Axxela's management intends to complete ongoing pipeline construction and increase gas distribution within the Sagamu axis to identified large-scale industrial customers by Q4'2021. In addition to the existing gas supply to the Togolese National Electric Power Company, management has disclosed the execution of a side letter to the CEET GSPA for the incremental supply of 11,200 mmbtu/d of gas to the Kekeli 60MW greenfield power project with gas offtake expected to commence from Q3'2021. Agusto & Co. recognises positively the Company's pursuit to diversify revenue sources by geography and also enhance its earnings, given that Axxela will generate foreign exchange income, which would have a positive impact on the overall performance of the Company in the future.

In our opinion, Axxela's profitability level is good.

CASH FLOW

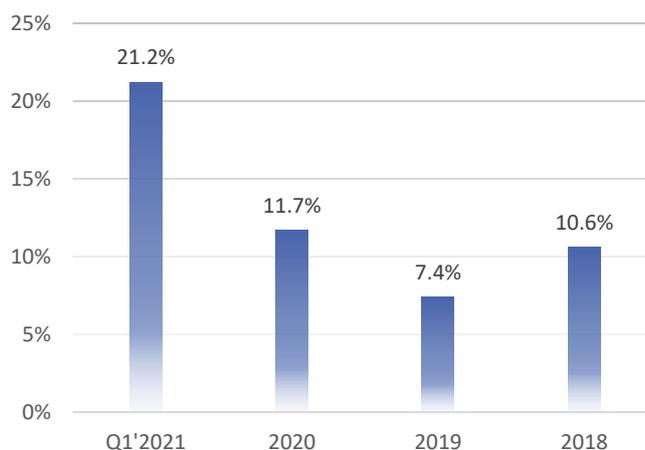
Axxela Limited continues to enjoy favourable terms of trade with its suppliers on account of the 75 days credit provided by its major gas suppliers (Nigerian Gas Marketing Company (NGMC) and Shell Petroleum Development Company). In FYE 2020, the Company recorded an average trade credit of 76 days but lower than 84 days in the prior year. Axxela extends trade credit of between 30 and 60 days to blue-chip industrial and commercial customers operating in key sectors of the economy in Lagos and Rivers State, thus ensuring that its cash cycle and operations are positive. In FYE 2020, the Company's trade receivable days stood at 55 days (2019: 53 days) which was within the average trade period.

In the financial year ended 31 December 2020, Axxela Limited recorded an operating cash flow (OCF) of ₦9.7 billion (2019: ₦5.5 billion) mainly attributed to higher net income and non-cash adjustments on unrealised foreign exchange loss as well as increase in other creditors and accruals primarily vendor payables. In FYE 2020, Axxela's OCF was sufficient to cover returns to providers of finance comprising interest payment of ₦3.5 billion and dividend⁷ of ₦3.6 billion. Furthermore, the Company's net operating cash flow was sufficient to cover the estimated mandatory capital expenditure of ₦0.95 billion and the current portion of long-term borrowings amounting to ₦0.68 billion. Axxela Limited recorded an improved operating cash flow to sales ratio of 11.7% in FYE 2020 (2019: 7.4%) and a three-year average (2018 - 2020) of 9.9%.

The unaudited accounts for the three months ended 31 March 2021 showed a positive operating cash flow of ₦4.9 billion (representing 21.2% of sales) spurred by higher net income as well as a rise in trade payables in the period. This OCF was sufficient to cover return to providers of finance (consisting of interest payment of ₦0.8 billion and dividend⁸ of ₦1.16 billion) and adequate to meet the estimated mandatory capital expenditure of ₦0.97 billion and current portion of long-term borrowings amounting to ₦0.75 billion within the period.

In our opinion, Axxela's overall cash flow position is satisfactory.

Figure 5: Operating cash flow to Sales ratio (2018 – Q1'2021)



⁷ This is the first time Axxela is paying dividend to its shareholders in the last five years as the Company has historically ploughed back all the profits into the business.

⁸ This represents outstanding dividend payment from prior year.

FINANCING STRUCTURE AND ADEQUACY OF WORKING CAPITAL

As at 31 December 2020, Axxela Limited's working assets stood at ₦21.2 billion, up by 45% from the prior year, on account of the rise in trade receivables from a TGNL customer due to ramp up in gas consumption, the impact of exchange rate on CEET's invoice⁹ and increase in other debtors and prepayments¹⁰. The major components of the Company's working assets as at 31 December 2020 were trade debtors (58%), other debtors and prepayments (37%) and inventory of materials and spares to be used for gas pipeline construction and maintenance (3%).

As at FYE 2020, Axxela Limited's spontaneous financing (non-interest-bearing liabilities) rose by 17% to ₦31.1 billion elicited by higher vendor payables, unremitted VAT on gas invoices¹¹ and rise in dividend payables¹² as at year-end. As at the same date, the Company's spontaneous financing mainly consisted of trade payables to gas suppliers (42%), other creditors & accruals (23%) and deferred taxation (15%). Axxela's spontaneous financing was sufficient to finance working assets, leaving a short-term financing surplus of ₦9.8 billion as at 31 December 2020. Agosto & Co. notes positively that Axxela's business strategy which pivots on maintaining favourable trade terms with major gas suppliers continues to be the bedrock of its sustained short term financing surpluses over the last five years.

As at 31 December 2020, the Company's long-term assets grew marginally by 4% to print at ₦57.9 billion, mainly comprising intangibles such as rights to pipeline assets¹³, goodwill and assets under construction (85%) and plant, property and equipment (15%). As at the same date, Axxela's long term funds comprising equity (72%) and long-term borrowings¹⁴ (28%) of ₦58.4 billion, were adequate to finance the total long-term assets leaving a working capital available of ₦0.43 billion. Thus, Axxela's reported an overall working capital surplus (short term financing surplus plus working capital available) of ₦10.2 billion for FYE 2020, evidencing a robust working capital structure.

Based on IFRIC 12 (Service Concession Agreements), Axxela's rights to pipeline assets (amounting to ₦28 billion as at the 2020 year-end) qualify as cash-generating assets as they are valued based on the expected cash flows and capital recoveries made over the life of the concession. Therefore, we have made analyst's adjustment by stripping the cash-generating value of intangibles from the long-term assets and consequently, the Company recorded an improved working capital available of ₦28.4 billion and an overall working capital surplus of ₦38.2 billion as at 31 December 2020.

In the three months ended 31 March 2021 (unaudited), Axxela Limited recorded an improved short term financing surplus of ₦11.7 billion and an adjusted working capital available of ₦27 billion, ultimately resulting in an overall working capital surplus of ₦38.7 billion.

In our view, the Company's working capital is adequate and its financing structure is well matched for the current business operations.

⁹ Average exchange rate in 2020 was ₦359.91/\$ compared to ₦306.93/\$1 in 2019. This impacted the amount of receivables due from CEET Togo as at 2020 year end.

¹⁰ This includes a ₦3.2 billion receivable from NGMC as part of the joint venture arrangement with Transit Gas Nigeria Limited and ₦2.2 billion unearned valuation gain on one-year Non-Deliverable Forward (NDF) contract contracted as a hedge for Axxela's shareholder's loan denominated in USD.

¹¹ This arose as a result of conflicting publication by FIRS on VAT on gas invoices compared to the VAT modification Act which became operational from February 2020.

¹² The approved dividend of circa ₦1.2 billion was yet to be remitted to Glover Gas and Power BV as at 2020 year end.

¹³ These pipeline assets are developed by Axxela on behalf of Nigerian Gas Marketing Company (NGMC) based on a concession arrangement to fund, design and construct gas pipelines. The NGMC's contract, which concedes the rights to Axxela to recover the cost incurred from a proportion of gas sales to customer will expire in 2039.

¹⁴ Out of the total long term borrowing of ₦16.9 billion (inclusive of the Series 1 Bond) as at FYE 2020, ₦0.68 billion is due within the next one year.

LEVERAGE

In December 2016, Axxela Limited obtained a US\$64.5 million 5-year 8% loan from its principal shareholder (Glover B.V) for general corporate purposes. The terms of the Shareholder's Loan Agreement (as amended), stipulates that the tenor can be extended by one year upon maturity and also grants Axxela the right, before or at the expiration of the loan's tenor, to convert the outstanding principal including all applicable accrued interest into preference shares redeemable at the instance of the Company only. Based on the convertibility option resting solely with Axxela, we view the Shareholder's loan as quasi-equity and have made analyst adjustment by classifying it as part of equity. As at 31 December 2020, the Shareholder's Loan had an outstanding balance of ₦23.9 billion (2019: ₦21.7 billion) and is due to mature in December 2021, subject to a one-year extension. The rise in the Shareholder's loan balance as at FYE 2020 despite partial repayment of ₦1.88 billion was due to the devaluation of the currency in the year under review.

As at 31 December 2020, Axxela Limited's total liabilities¹⁵ stood at ₦48 billion, representing a 31% rise from the prior year. Non-interest-bearing liabilities (NIBL), mainly comprising trade creditors (42%), other creditors & accruals (23%) and deferred taxation (15%), accounted for 65% of Axxela's total liabilities as at FYE 2020, while interest-bearing liabilities (IBL) represented the balance. As at the same date, Axxela's interest-bearing liabilities (excluding shareholder's loan) which stood at ₦16.9 billion (2019: ₦9.9 billion) consisted of two new facilities - ₦11.5 billion 7-year 14.3% Series 1 Bond obtained through a special purpose vehicle (Axxela Funding 1 Plc) and a ₦3.5 billion 3-Year 15% commercial bank loan taken by TNGI – and the outstanding balance on existing CHGC term loan. The proceeds of the Series 1 Bond were used to refinance existing loans and fund the construction of the Sagamu pipeline project which will enable the Company to provide gas to select industrial and commercial companies operating within the Sagamu axis in Ogun State. Also, the proceeds of the TNGI's ₦3.5 billion loan were used to fund the Sagamu Phase II franchise pipeline construction project. Agusto & Co. notes that as at end of 2020, all Axxela's borrowings were in local currency and secured against various assets (fixed and floating charges) of the Axxela Group.

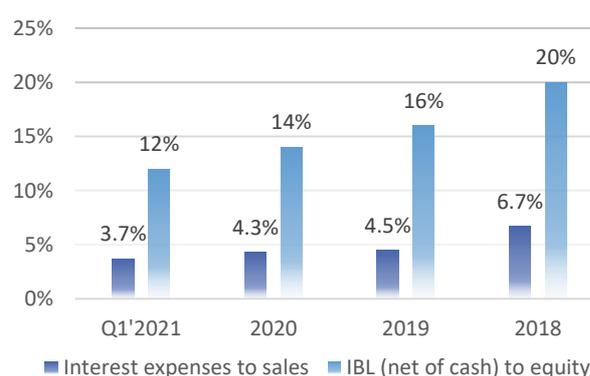
Premised on the successful issuance of the Series 1 Bond in May 2020 and the subsequent repayment of expensive borrowings (GNL's long term loan and overdraft facility), Axxela's interest expense as a percentage of revenue improved marginally to 4.3% (2019: 4.5%) and we expect to see the full finance cost savings impact in 2021.

As at 31 December 2020, Axxela's total assets was funded by interest-bearing liabilities (19%), non-interest-bearing liabilities (34%) and adjusted shareholders' funds (47%), thus depicting a satisfactory equity cushion. Similarly, the Company's IBL (net of cash) to equity ratio at 14% and net debt (total debt less cash) as a percentage of average total assets at 45% as at 2020 year-end were both in line with our expectations, reflecting a satisfactory leverage level.

Subsequent to FYE 2020, Axxela Limited's leverage metrics as at 31 March 2021 (unaudited) improved as interest expenses to sales fell to 3.7%, equity cushion remained satisfactory at 45%, IBL (net of cash) to equity ratio printed lower at 12% and net debt (total debt less cash) as a percentage of total assets remained in line with our expectation at 43%.

Going forward, the Company intends to obtain Federal Government of Nigeria intervention funding at concessionary rates to finance pipeline and gas distribution expansion projects. In our view, Axxela Limited's leverage position is satisfactory and we expect further improvement in the medium term.

Figure 6: Interest expenses to Sales and IBL to Equity



¹⁵ We made analyst adjustments to total liabilities to exclude shareholder's loan estimated at ₦23.9 billion as at FYE 2020, which was re-classified to equity, on account of its convertibility option.

OWNERSHIP, MANAGEMENT & STAFF

As at 31 December 2020, the Company had an authorised share capital of ₦10 million divided into 20,000,000 ordinary shares at fifty kobo each. As at the same date, Axxela's authorised shares were fully issued and paid up with Glover Gas & Power B.V. (Netherlands) holding 49% and Mr Temitope Lawani (the co-founder and Managing Partner of Helios Investment) holding the remaining 51% in trust for Glover Gas & Power B.V. Ultimately, Glover Gas & Power B.V (a vehicle fully owned by Helios Investment Partners LLP) holds 100% economic interest in Axxela Limited.

Glover Gas & Power B.V (Netherlands) is a special purpose vehicle ("SPV") incorporated in the Netherlands by Helios Investment Partners ('HIP' or 'Helios') - an Africa-focused private equity investment firm based in London, United Kingdom. Helios which was founded in 2004 is one of the leading providers of equity and debt financing to African businesses with Funds under Management of US\$3.6 billion. Helios has an interest in 19 portfolio companies operating across over 30 African countries, including notable investments in Nigerian firms such as Interswitch Limited and OVH Energy Limited.

Axxela Limited is governed by a seven-member Board of Directors consisting of the six Non-Executive Directors and one Executive Director. Mr Boye Olusanya is the Chairman of the Board, while Mr Bolaji Osunsanya is the Chief Executive Officer (CEO) of the Company. The CEO is supported by 12 members of the executive management team with requisite work experience spread across different business interests such as oil & gas, banking & finance, power, consulting and project management, amongst others. In the period under review, Mrs Yetunde Demuren and Mrs Olayide Williams joined the Axxela management team as Head, Corporate Finance/Treasury Management and Head of Business Origination respectively. The majority of the members of the Axxela management team have been with the Company for more than five years, depicting a stable management team.

As at 31 December 2020, the Company had 72 full-time staff compared to 69 persons in the previous year. Axxela's average cost per employee rose by 3% to ₦52.7 million due to annual remuneration adjustment for inflation as well as payment of performance bonuses during the year. In the same period, operating profit contribution per staff remained flat at ₦207 million with the prior year. Consequently, Axxela Limited's staff productivity level (operating profit per staff divided by cost per staff) of 3.9 times is above our benchmark of 3 times and considered to be good.

Overall, Axxela has a qualified and experienced Board and Management team and also a good staff productivity level.

Management Team

Mr Bolaji Osunsanya is the pioneer Chief Executive Officer of Axxela Limited, a position he has held since the inception of the Company. Mr Osunsanya has overseen Axxela's expansion programmes in the West African sub-region. Following an extensive career spanning consulting with Arthur Anderson, banking with Guaranty Trust Bank Plc and Access Bank Plc, where he rose to the position of Executive Director (Corporate Banking). Mr Osunsanya has held positions within the Oando Group ranging from Head of Lubes and Specialties to Chief Marketing Officer of Oando Marketing. He holds a Bachelor's and Master's degrees in Economics from the Obafemi Awolowo University in 1985 and the University of Lagos in 1987 respectively.

Mr Rasheed Olaoluwa is Chief Operating Officer of Axxela Limited. Prior to his appointment in June 2019, he founded Niche Capital Limited in 2016 as an investment company to make minority equity stakes in early-stage, high growth technology and tech-based companies in Africa. Mr Olaoluwa is the immediate past Managing Director/CEO of the Bank of Industry (BOI). Prior to joining BOI in 2014, he was the Director, Financial Services at Heirs Holdings Limited after spending about a decade in United Bank for Africa (UBA). He has held various positions such as Managing Director/CEO, United Capital Plc; CEO, UBA Africa; Executive Director, UBA Nigeria South; Director, Strategy & Business Transformation; Director, Corporate & Investment Bank; Regional Bank Head, Ikeja, among others. He has over thirty years of experience in the banking industry. Mr Olaoluwa holds a First-Class honours degree in Civil Engineering from the Obafemi Awolowo University and an Executive MBA from the International Graduate School of Management (IESE), Spain. He is also a Member of the Institute of Chartered Accountants of Nigeria (ICAN).

Mr Timothy Ononiwu is the Chief Financial Officer of Axxela Limited. Prior to joining Axxela in 2018, he held senior management positions in various financial and non-financial institutions including Executive Director and Head of Thermal Power and Oil & Gas, Project Finance North America at BBVA Securities, Co-Head of Energy and Industrials at Fitch Ratings (NY), Director and Head of Thermal/Oil & Gas at Dexia. His transactions have won ‘Deal of the Year’ awards from Project Finance International and Euromoney publications, both industry-leading magazines. He is an accomplished finance executive with extensive experience spanning Project Financing, Financial Advisory, Capital Raising, Business Development and Project Management across the energy, environmental and infrastructure sectors. Timothy has an MBA in Finance and International Business from the Columbia Business School.

Table 3: Other Members of Axxela’s management team as at 31 May 2021

Name	Position
Mr Franklin Umole	Director, Business Development
Mr Olufisayo Duduyemi	Chief Strategy Officer
Mr Tuoyo Ejueyitchie	General Counsel & Company Secretary
Mrs Ngozika Achebe	Head, Human Resources
Mr Babatunde Baba-Agba	Head, Sales and Marketing
Mr Uchenna Okpala	EHSSQ Manager
Mr Chukwuma Ezeike	Head, Operations
Mr Kehinde Alabi	Financial Controller
Mrs Yetunde Demuren	Head, Corporate Finance and Treasury Management
Mrs Olayide Williams	Head, Business Origination

Source: Axxela Limited Management Presentation – June 2021

OUTLOOK

Axxela's management has presented the 2021 forecast seeking to surpass the 2020 performance across all indicators. The 2021 budget estimates revenue to increase by 36% to ₦112.5 billion and profit before tax to rise markedly by 63% to ₦17.1 billion, on the back of increased demand from existing gas customers and commencement of gas sales to industrial customers in the Sagamu-Benin axis following the completion of ongoing pipeline expansion projects phase I & II. Also, management projects total assets to rise to ₦110 billion mainly from additions to pipeline assets and acquisition of new property, plant and equipment, while operating cash flow is estimated to close at a record high of ₦20.4 billion. Agosto & Co. notes that the 2021 forecast is very optimistic as the Q1'2021 performance falls below comparable budgeted figures. Nonetheless, we believe that the Company remains well-positioned to improve performance in the short to medium term due to the ongoing capital expansion initiatives, long term gas contracts with suppliers and customers, sustained diversification of revenue sources as well as continued parental support from Helios.

Going forward, Axxela has adopted a 5-pronged growth strategy focused on the expansion of existing assets (pipeline gas distribution for Lagos and Sagamu), new market development (Lekki Free Zone pipeline gas distribution, virtual pipeline solutions and regional gas pipeline distribution), sustainability of existing demand (captive power generation and compressed natural gas back-up solutions), power development and marketing (embedded power generation) and new frontier development (natural gas vehicles, renewables, electric vehicles and energy storage). The actualization of this strategy is expected to propel the planned ramp-up of gas capacity to deliver 129mmscf/d in Nigeria and scale up to 500mmscf/d in the medium term across the West African region.

Agusto & Co. notes that growth in domestic gas consumption is driven by increasing investments in electrification, rising demand for gas by manufacturing industries as a cost-effective source of fuel and growing population with the attendant need for energy consumption. We believe that Axxela is well-positioned to benefit from such burgeoning opportunities given its growing network of gas pipeline distribution in Nigeria and West Africa as the Company remains the leading private-sector provider of gas supply and market access through gas wholesaling, virtual pipeline and gas distribution solutions.

Overall, we expect Axxela's profitability performance to improve in the short term albeit slower than the 2021 budget estimates. Furthermore, we believe that the Company's earnings potential will remain strong on the back of ongoing geographical diversification to generate foreign exchange income while operating cash flow is projected to be satisfactory mainly supported by favourable terms of trade with gas suppliers and industrial customers. Also, Axxela Limited's working capital will continue to be adequately bolstered by long term financing options of FGN concessionary intervention funding and access to long term Bond issuance, while the leverage level is expected to remain satisfactory in the short term.

Based on the aforementioned, we hereby attach a **stable** outlook to the rating of Axxela Limited.

FINANCIAL SUMMARY

STATEMENT OF FINANCIAL POSITION AS AT	UNAUDITED 31-Mar-21		31-Dec-20		31-Dec-19	
	N'000		N'000		N'000	
ASSETS						
IDLE CASH	12,155,749	12.8%	10,957,202	12.1%	3,986,779	5.3%
MARKETABLE SECURITIES & TIME DEPOSITS	-		-		-	
CASH & EQUIVALENTS	12,155,749	12.8%	10,957,202	12.1%	3,986,779	5.3%
FX PURCHASED FOR IMPORTS	-		341,032	0.4%	270,015	0.4%
ADVANCE PAYMENTS AND DEPOSITS TO SUPPLIERS	-		-		-	
STOCKS	610,817	0.6%	627,943	0.7%	543,541	0.7%
TRADE DEBTORS	14,691,172	15.5%	12,424,616	13.8%	10,855,010	14.5%
DUE FROM RELATED PARTIES	-		-		-	
OTHER DEBTORS & PREPAYMENTS	8,091,252	8.5%	7,873,086	8.7%	3,036,867	4.1%
TOTAL TRADING ASSETS	23,393,241	24.6%	21,266,677	23.6%	14,705,433	19.7%
INVESTMENT PROPERTIES	-		-		-	
OTHER NON-CURRENT INVESTMENTS	-		-		-	
PROPERTY, PLANT & EQUIPMENT	9,714,391	10.2%	8,884,889	9.8%	7,154,811	9.6%
SPARE PARTS, RETURNABLE CONTAINERS, ETC	-		-		-	
GOODWILL, INTANGIBLES & OTHER I T ASSETS	49,723,129	52.3%	49,107,321	54.4%	48,842,270	65.4%
TOTAL LONG TERM ASSETS	59,437,520	62.6%	57,992,210	64.3%	55,997,081	75.0%
TOTAL ASSETS	94,986,510	100.0%	90,216,089	100.0%	74,689,293	100.0%
LIABILITIES & EQUITY						
SHORT TERM BORROWINGS	-		-		1,796,785	2.4%
CURRENT PORTION OF LONG TERM BORROWINGS	755,110	0.8%	686,596	0.8%	2,743,799	3.7%
LONG-TERM BORROWINGS	16,399,393	17.3%	16,308,243	18.1%	5,457,726	7.3%
TOTAL INTEREST BEARING LIABILITIES (TIBL)	17,154,503	18.1%	16,994,839	18.8%	9,998,310	13.4%
TRADE CREDITORS	16,184,060	17.0%	13,060,489	14.5%	13,024,513	17.4%
DUE TO RELATED PARTIES	-		-		-	
ADVANCE PAYMENTS AND DEPOSITS FROM CUSTOMERS	21,325	0.0%	24,025	0.0%	239,160	0.3%
OTHER CREDITORS AND ACCRUALS	6,831,804	7.2%	7,066,723	7.8%	5,139,330	6.9%
TAXATION PAYABLE	3,454,686	3.6%	2,625,021	2.9%	2,276,449	3.0%
DIVIDEND PAYABLE	1,300,131	1.4%	1,235,870	1.4%	102,450	0.1%
DEFERRED TAXATION	4,872,818	5.1%	4,813,828	5.3%	3,985,579	5.3%
OBLIGATIONS UNDER UNFUNDED PENSION SCHEMES	-		-		-	
MINORITY INTEREST	2,479,025	2.6%	2,274,836	2.5%	1,903,862	2.5%
REDEEMABLE PREFERENCE SHARES	-		-		-	
TOTAL NON-INTEREST BEARING LIABILITIES	35,143,849	37.0%	31,100,792	34.5%	26,671,343	35.7%
TOTAL LIABILITIES	52,298,352	55.1%	48,095,631	53.3%	36,669,653	49.1%
SHARE CAPITAL	23,939,165	25.2%	23,939,165	26.5%	21,700,675	29.1%
SHARE PREMIUM	-		-		-	
IRREDEEMABLE DEBENTURES	-		-		-	
REVALUATION SURPLUS	-		-		-	
OTHER NON-DISTRIBUTABLE RESERVES	-		-		-	
REVENUE RESERVE	18,748,993	19.7%	18,181,293	20.2%	16,318,965	21.8%
SHAREHOLDERS' EQUITY	42,688,158	44.9%	42,120,458	46.7%	38,019,640	50.9%
TOTAL LIABILITIES & EQUITY	94,986,510	100.0%	90,216,089	100.0%	74,689,293	100.0%

STATEMENT OF COMPREHENSIVE INCOME	UNAUDITED		31-Dec-20		31-Dec-19	
	31-Mar-21					
	₦'000		₦'000		₦'000	
TURNOVER	23,046,201	100.0%	82,600,804	100.0%	75,114,035	100.0%
COST OF SALES	<u>(17,626,934)</u>	<u>-76.5%</u>	<u>(62,878,270)</u>	<u>-76.1%</u>	<u>(56,505,840)</u>	<u>-75.2%</u>
GROSS PROFIT	5,419,267	23.5%	19,722,534	23.9%	18,608,195	24.8%
OTHER OPERATING EXPENSES	<u>(1,677,648)</u>	<u>-7.3%</u>	<u>(8,612,206)</u>	<u>-10.4%</u>	<u>(7,904,131)</u>	<u>-10.5%</u>
OPERATING PROFIT	3,741,619	16.2%	11,110,328	13.5%	10,704,064	14.3%
OTHER INCOME/(EXPENSES)	<u>(170,574)</u>	<u>-0.7%</u>	<u>2,882,629</u>	<u>3.5%</u>	<u>(749,342)</u>	<u>-1.0%</u>
PROFIT BEFORE INTEREST & TAXATION	3,571,045	15.5%	13,992,957	16.9%	9,954,722	13.3%
INTEREST EXPENSE	<u>(853,161)</u>	<u>-3.7%</u>	<u>(3,517,710)</u>	<u>-4.3%</u>	<u>(3,378,292)</u>	<u>-4.5%</u>
PROFIT BEFORE TAXATION	2,717,884	11.8%	10,475,247	12.7%	6,576,430	8.8%
TAX (EXPENSE) BENEFIT	<u>(715,454)</u>	<u>-3.1%</u>	<u>(3,376,831)</u>	<u>-4.1%</u>	<u>(53,613)</u>	<u>-0.1%</u>
PROFIT AFTER TAXATION	<u>2,002,430</u>	<u>8.7%</u>	<u>7,098,416</u>	<u>8.6%</u>	<u>6,522,817</u>	<u>8.7%</u>
NON-RECURRING ITEMS (NET OF TAX)	-		-		-	
MINORITY INTERESTS IN GROUP PAT	<u>(204,189)</u>	<u>-0.9%</u>	<u>(535,488)</u>	<u>-0.6%</u>	<u>(151,780)</u>	<u>-0.2%</u>
PROFIT AFTER TAX & MINORITY INTERESTS	1,798,241	7.8%	6,562,928	7.9%	6,371,037	8.5%
DIVIDEND	<u>(1,230,541)</u>	<u>-5.3%</u>	<u>(4,700,600)</u>	<u>-5.7%</u>	-	
PROFIT RETAINED FOR THE YEAR	<u>567,700</u>	<u>2.5%</u>	<u>1,862,328</u>	<u>2.3%</u>	<u>6,371,037</u>	<u>8.5%</u>
SCRIP ISSUES	-		-		-	
OTHER APPROPRIATIONS/ ADJUSTMENTS						
PROFIT RETAINED B/FWD	18,181,293		16,318,965		9,947,928	
PROFIT RETAINED C/FWD	18,748,993		18,181,293		16,318,965	
ADDITIONAL INFORMATION	<u>31-Mar-21</u>		<u>31-Dec-20</u>		<u>31-Dec-19</u>	
Staff costs (₦'000)	1,056,144		3,795,679		3,516,499	
Average number of staff	72		72		69	
Staff costs per employee (₦'000)	14,669		52,718		50,964	
Staff costs/Turnover	4.6%		4.6%		4.7%	
Capital expenditure (₦'000)	1,202,194		2,373,877		539,320	
Depreciation expense - current year (₦'000)	373,998		643,250		663,707	
(Profit)/Loss on sale of assets (₦'000)	-		-		-	
Number of 50 kobo shares in issue at year-end ('000)	47,878,330		47,878,330		43,401,350	
Auditors			EY		EY	
Opinion	UNAUDITED		CLEAN		CLEAN	

CASH FLOW STATEMENT FOR YEAR ENDED	31-Mar-21	31-Dec-20	31-Dec-19
	=N='000	=N='000	=N='000
OPERATING ACTIVITIES			
Profit after tax	2,002,430	7,098,416	6,522,817
ADJUSTMENTS			
Interest expense	853,161	3,517,710	3,378,292
Minority interests in Group PAT	(204,189)	(535,488)	(151,780)
Depreciation	373,998	643,250	663,707
(Profit)/Loss on sale of assets	-	-	-
Other non-cash items	-	<u>2,238,490</u>	<u>(1,791,672)</u>
Potential operating cash flow	3,025,400	12,962,378	8,621,364
INCREASE/(DECREASE) IN SPONTANEOUS FINANCING:			
Trade creditors	3,123,571	35,976	(1,429,610)
Due to related parties	-	-	-
Advance payments and deposits from customers	(2,700)	(215,135)	19,173
Other creditors & accruals	(234,919)	1,927,393	390,147
Taxation payable	829,665	348,572	991,407
Deferred taxation	58,990	828,249	(2,151,910)
Obligations under unfunded pension schemes	-	-	-
Minority interest	<u>204,189</u>	<u>370,974</u>	<u>9,488</u>
Cash from (used by) spontaneous financing	3,978,796	3,296,029	(2,171,305)
(INCREASE)/DECREASE IN WORKING ASSETS:			
FX purchased for imports	341,032	(71,017)	25,893
Advance payments and deposits to suppliers	-	-	-
Stocks	17,126	(84,402)	(230,825)
Trade debtors	(2,266,556)	(1,569,606)	(536,012)
Due from related parties	-	-	-
Other debtors & prepayments	<u>(218,166)</u>	<u>(4,836,219)</u>	<u>(159,367)</u>
Cash from (used by) working assets	<u>(2,126,564)</u>	<u>(6,561,244)</u>	<u>(900,311)</u>
CASH FROM (USED IN) OPERATING ACTIVITIES	<u>4,877,632</u>	<u>9,697,163</u>	<u>5,549,748</u>
RETURNS TO PROVIDERS OF FINANCING			
Interest paid	(853,161)	(3,517,710)	(3,378,292)
Dividend paid	<u>(1,166,280)</u>	<u>(3,567,180)</u>	-
CASH USED IN PROVIDING RETURNS ON FINANCING	<u>(2,019,441)</u>	<u>(7,084,890)</u>	<u>(3,378,292)</u>
OPERATING CASH FLOW AFTER PAYMENTS TO PROVIDERS OF FINANCING	2,858,191	2,612,273	2,171,456
NON-RECURRING ACTIVITIES			
Non-recurring items (net of tax)	-	-	-
CASH FROM (USED IN) NON-RECURRING ACTIVITIES	-	-	-
INVESTING ACTIVITIES			
Capital expenditure	(1,202,194)	(2,373,877)	(539,320)
Sale of assets	(1,306)	549	1,277,771
Purchase of other long term assets (net)	(615,808)	(265,051)	(2,261,573)
Sale of other long term assets (net)	-	-	-
CASH FROM (USED IN) INVESTING ACTIVITIES	<u>(1,819,308)</u>	<u>(2,638,379)</u>	<u>(1,523,122)</u>
FINANCING ACTIVITIES			
Increase/(Decrease) in short term borrowings	-	(1,796,785)	(1,837,851)
Increase/(Decrease) in long term borrowings	159,664	8,793,314	2,289,650
Proceeds of shares issued	-	-	-
CASH FROM (USED IN) FINANCING ACTIVITIES	<u>159,664</u>	<u>6,996,529</u>	<u>451,799</u>
CHANGE IN CASH INC/(DEC)	1,198,547	6,970,423	1,100,133
OPENING CASH & MARKETABLE SECURITIES	<u>10,957,202</u>	<u>3,986,779</u>	<u>2,886,646</u>
CLOSING CASH & MARKETABLE SECURITIES	12,155,749	10,957,202	3,986,779

RATING DEFINITIONS

Aaa	This is the highest rating category. It indicates a company with impeccable financial condition and overwhelming ability to meet obligations as and when they fall due.
Aa	This is a company that possesses very strong financial condition and very strong capacity to meet obligations as and when they fall due. However, the risk factors are somewhat higher than for Aaa obligors.
A	This is a company with good financial condition and strong capacity to repay obligations on a timely basis.
Bbb	This refers to companies with satisfactory financial condition and adequate capacity to meet obligations as and when they fall due.
Bb	This refers to companies with satisfactory financial condition but capacity to meet obligations as and when they fall due may be contingent upon refinancing. The company may have one or more major weakness (es).
B	This refers to a company that has weak financial condition and capacity to meet obligations in a timely manner is contingent on refinancing.
C	This refers to an obligor with very weak financial condition and weak capacity to meet obligations in a timely manner.
D	In default.

Rating Category Modifiers

A "+" (plus) or "-" (minus) sign may be assigned to ratings from 'Aa' to 'C' to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.

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