GCR GLOBAL CREDIT RATING CO.
Local Expertise • Global Presence

C&I Leasing Plc N20bn Debt Issuance Programme (Series 2 Bonds)

Nigeria Bond Analysis **December 2020**

Security class	Amount	Rating Scale	Rating#	Outlook#	Expiry date
Senior Secured	N10bn	National	BBB+$_{(NG)}$	Negative	August 2021

Key Counterparties:

Issuer: C&I Leasing Plc

Issuer's long-term national scale credit rating: BBB$_{(NG)}$; Outlook: Negative.

Trustees to the Bondholders:

Cordros Trustees Limited, GTL Trustees Limited, UTL Trust Management Services Limited, and STL Trustees Limited

Security Trustee

UTL Trust Management Services Limited

Lead Issuing House:

Cordros Capital Limited

Joint Issuing Houses:

Financial Derivative Company Limited, Coronation Merchant Bank Limited, FCMB Capital Markets Limited, FSDH Capital Limited and Planet Capital Limited

Summary of Transaction:

Programme limit:		N20bn
Previous Issue:	Series 1	N7bn*
Current Issue:	Series 2	N10bn
Ranking:		Senior/Secured

*Initial offer size

Rating History:

Initial/last rating: (December 2020)

Related Methodologies/Research:

Global Criteria for Rating Finance and Leasing Companies, updated March 2017

Global Criteria for Rating Corporate Entities, updated February 2017

Global Structurally Enhanced Corporate Bonds Rating Criteria", updated November 2017

C&I rating report, 2020

Glossary of Terms/Ratios, February 2016

GCR Contacts:

Primary analyst:

Funmilayo Abdulrahman

Senior Credit Analyst

funmilayo@gcrratings.com

Committee Chairperson:

Dave King

Analyst location: Nigeria

Tel:+2341 904 9462-3

Website: www.globalratings.com.ng

Transaction summary

C&I Leasing Plc's ("C&I" or "the Issuer") N10bn Series 2 Bonds are the second series of bonds to be issued under the N20bn Debt Issuance Program ("DIP") embarked upon by the Issuer in 2018. The Issuer is authorized, through an enabling resolution of its Board of Directors ("board"), to issue the fixed rate redeemable Bonds by way of a book build within such periods and under different terms and conditions as the company may deem appropriate. The first series of bonds issued under the DIP (Series 1 Bonds), issued in 2018 constituted senior secured obligation of the Issuer. The Series 1 Bonds raised a sum of N7bn, with N4.8bn being the outstanding balance on the principal as at November 2020. On the other hand, the Series 2 Bonds is being proposed for a seven-year period, with a two-years moratorium on principal. The Series 2 Bonds will constitute direct, senior, secured and unconditional obligations of the Issuer, and rank *pari-passu* without preference with other outstanding senior secured obligations of the Issuer (existing and future).

Summary rating rationale

- The Issuer is a leading brand in the equipment leasing and logistics sector in Nigeria, underpinned by its wide market coverage and entrenched experience. Global Credit Rating Company Limited affirmed the long-term national scale rating of C&I as BBB$_{(NG)}$ in October 2020; with the outlook accorded as Negative.
- The indicative rating of the Series 2 Bonds is derived by applying a notching approach, starting from the unsubordinated unsecured credit rating of the Issuer. The accorded indicative rating reflects the unsubordinated and secured nature of the Bonds to be issued, which will rank at par with all senior secured indebtedness of the Issuer. Accordingly, the Series 2 Bonds have been accorded an *indicative, public national scale long-term rating* of BBB+$_{(NG)}$, which is one notch higher than the unsubordinated unsecured credit rating of the Issuer, based on the estimated "Good Recovery Prospects" of the Security in an enforcement scenario, based on the recovery rate calculations on page 3 of this report relying on the covenant by the Issuer to secure from the relevant third-party, a deed of release in respect of the encumbered vessels on the date of repayment of all outstanding obligations to the third party.
- A legal opinion from the solicitor to the Trustees (G.Elias & CO.) of the Series 2 Bonds confirms that the transaction documents are legal, valid, binding and enforceable against the Issuer by third parties and any insolvency official. Also, the security deed is stated to be enforceable notwithstanding the bankruptcy or insolvency of the Issuer.

Factors that could trigger a rating action may include:

Positive change: A positive movement in the rating of the Issuer could trigger a positive rating action.

Negative change: A significant change in the final transaction structure, non-compliance with covenants, and/or a downgrade of the Issuer's rating, would trigger a negative rating action.

Indicative rating and outlook, to be converted to a final rating and outlook upon the receipt of all final transaction documents.

Details of the Bonds in issue

C&I intends to raise the sum of N10bn through the issuance of fixed rate Series 2 Bonds. Table 1 reflects the basic features of the Issue.

Table 1: Basic features	Series 2
Amount	N10bn
Maturity profile (legal)	7 years
Par value	N1,000
Coupon rate	**{To be determined}**
Method of offer	Book Build
Ranking	Senior Secured
Initial minimum subscription#	5,000 units

Thereafter, multiples of 1,000

Source: Source: Series 2 pricing supplement.

Status of the bonds

When issued, the Series 2 Bonds will constitute direct, senior, secured and unconditional obligations of the Issuer, and rank *pari-passu* without preference with other outstanding senior secured obligations of the Issuer (existing and future).

Use of proceeds

Per the offer documents, the Issuer intends to utilise the net proceeds of the Series 2 Bonds to refinance existing short-term loans (loans and commercial paper). Table 2 shows the breakdown of the use of proceeds.

Table 2: Utilisation of offer proceeds	
Purpose	**% of proceeds**
Repayment of existing short-term loans	97.71
Issue expenses	2.29
Total	**100.00**

Source: Series 2 Bonds pricing supplement.

Security

The Issuer, by way of continuing security, intend to create a lien over 15 vessels (comprising 10 unencumbered and 5 encumbered assets) for the payment, repayment, performance and discharge of its secured obligations. As such, the Issuer charges the unencumbered vessels in favour of the Security Trustee by way of first priority fixed charge ranking *pari passu* with the security created over the unencumbered vessels for the benefit of the Series 1 Bondholders.

Covenant in respect of the encumbered vessels

The Issuer confirms to the Security Trustee that the encumbered vessels are subject to an existing mortgage in favour of a third party and undertakes to repay the third party by August 2021. C&I also covenants as follows:

- ◊ To secure from the third-party, a deed of release in respect of the encumbered vessels on the date of repayment of all outstanding obligations to the third party (the "release date");
- ◊ Obtain and provide the Security Trustee with evidence of the perfection of the deed of release within seven business days from the release date;
- ◊ Within three business days of the release date, create in favour of the Security Trustee a first ranking priority fixed charge over the encumbered vessels by executing a security deed with similar terms and conditions with the unencumbered vessels.
- ◊ Within seven business days of executing the new security deed, perfect the first ranking fixed charge over the encumbered vessels for the benefit of the Security Trustee in accordance with security deed.

According to the certificate of value, issued by Ubosi Eleh & Company (a certified firm of Estate Surveyor & Valuer), dated September 2020, the fair market value ("FMV") of the unencumbered and encumbered assets amounted N11.65bn and N5.54bn respectively. Table 3 shows list of the vessels and the FMVs as at 22 September 2020 by the valuer.

Table 3: Details of security assets	Type of vessel	FMV (N'bn)
Unencumbered		
M.V. Charis	Tug	1.01
M.V. Eliezer	Tug	1.01
M.V. Ephrahim	Tug	1.01
M.V. Deborah	Crew	1.04
M.V. Perez	Crew	1.01
M.V. Ahuva	Crew	1.01
M.V. Defender	Patrol	1.29
M.V. SUR Defender	Patrol	1.28
M.V. Magen defender	Crew	1.49
M.V. Masud defender	Crew	1.49
Total		**11.65**
Encumbered		
M.V. Helam	Patrol	1.34
M.V. Helez	Patrol	1.34
M.V. Eran	Patrol	1.34
M.V. Eluzai	Patrol	1.34
M.V. Rhib	Sea Boat	0.18
Total		**5.54**

Source: Valuer's report.

Rating Methodology of the Series 2 Bonds

The rating of the Series 2 Bonds is derived by applying a notching approach, starting from the long term unsubordinated unsecured corporate credit rating of C&I. In determining the appropriate number of rating notches to be applied, Global Credit Rating Company Limited ("GCR") compares the estimated overall recovery rate after a potential default of the Series 2 Bonds with an assumed average corporate senior secured debt obligation recovery rate. If overall estimated recoveries are higher than the assumed average recovery rate, a notching uplift may be applicable.

Based on GCR's Criteria for Secured Bonds, the calculated overall recovery rate of 55.86% (using both the encumbered and unencumbered assets) carries the qualification "*Good Recovery Prospects*". Accordingly, the Series 2 Bonds have been accorded a *public, indicative* long term 'BBB+$_{(NG)}$' rating.

Table 4: Recovery rate calculations	NGN
Principal amount outstanding upon default*	14,841,784,578
Assumed missed interest upon default*	1,050,415,585
Assumed missed interest to give time to realise recoveries*	2,100,831,169
Aggregate exposure Senior Noteholders	**17,993,031,332**
Assumed recoveries on sale of Securities	-11,167,000,000
Assumed sales and legal costs	1,116,700,000
Unsecured claim on Issuer	**7,942,731,332**
Assumed recovery on unsecured claim	NA
Remaining claim	**7,942,731,332**
Overall estimated recovery rate	55.86%

* Refers to both Series 1 and Series 2 Bonds.

In calculating the above, GCR made the following conservative assumptions:

- One coupon payment (six months) of missed interest payments per annum upon default of C&I.
- Thereafter GCR assumed a further two semi-annual interest payment would be missed on the Senior Secured Bonds.
- GCR used the coupon rate of 16.54% for the Series 1 Bonds and assumed 13% per annum for Series 2 Bonds, in calculating the missed interest.
- A 10% legal cost on recoveries in the event of default.
- A haircut of 35% has been applied on the FMV of the security assets.

Other key features

Maturity profile
The Series 2 Bonds will have a tenor of seven years, with effect from the date of issue.

Coupon payment
Interest on the Series 2 Bonds will accrue from the date of Issue and be payable in arrears on a semi-annual basis.

Principal repayment
The principal amounts on the Series 2 Bonds is to be repaid on an amortised basis, with two-year moratorium commencing from the date of issuance.

Receiving Banks
The appointed receiving banks in respect of the Series 2 Bonds are First City Monumental Bank Limited and Stanbic IBTC Bank Limited, both with investment grade rating by GCR.

Sinking fund account
The transaction mechanics required the maintaining of a sinking fund account, to be controlled by the Trustees, into which the Issuer will make monthly payments of not less than N100m**,** such that on the next payment date, the total amount is equal to the amount required to make coupon payments and principal repayments (if any) on the Series 2 Bonds. Such payments into the sinking fund account by the Issuer will be applied to meet the obligations of the Issuer in the following priority; (ii) coupon payment on each coupon payment date, (ii) principal repayments on each principal repayment date, (iii) payment of Trustees' fees and expenses, (iv) premium payments, if any, and (iv) any credit balance in the sinking fund account after due discharge of all the Issuer's obligations in respect of the Series 2 Bonds will be paid over to the Issuer. The sinking fund account will be maintained with (**Bank yet to be provided)**

Listing status
The Series 2 Bonds will be listed on the FMDQ[1] OTC and The Nigerian Stock Exchange.

Covenants
The Issuer covenants with the Trustees to:

- Comply with terms and conditions of the Programme Trust Deed;
- Conduct its affairs in a proper and efficient manner and ensure that all proceeds of the Issue are utilised in the manner specified in the Series 2 Bond Pricing Supplement and Trust Deed;
- Keep proper books of account and ensure that the same will (at all reasonable times) be available for inspection by the Trustees and any person appointed by the Trustees in writing for the purpose;
- Provide to the Trustees, within ten business days of receipt of request, all such documents and information as the Trustee may from to time require in connection with the performance by the Trustees of their obligations under this Deed;
- Ensure that the security interest created under the Series 2 is a continuing security and will remain in full force and effect until the satisfaction, performance and discharge of all of the Issuer's obligations under the Deed;
- Upon the release of any existing security or encumbrance on the Security Assets, transfer and keep in the custody of the Trustees, the documents of title to the Security Assets,
- Issue to the Trustees (through the reporting accountant) in each year in which any amount due on the Bond remains outstanding, a certificate stating that all funds required during the next financial year to meet repayment and payment obligations of the Issuer have been duly provided for by the Issuer.
- Ensure that the obligations of the Issuer to the Series 2 Bondholders under the Programme documents are direct, general and unconditional obligations of the Issuer and rank at least *pari passu* with all other present

[1] FMDQ OTC Plc ("FMDQ") is a Securities and Exchange Commission ("SEC") licensed over-the-counter ("OTC") market securities exchange.

and future secured or unsubordinated financial indebtedness, if any, of the Issuer;

- Pay or procure to be paid to or to the order of the Trustee, in immediately available funds, all monies due on the Series 2 Bonds as at when due. Where payment is not made to the Trustees on or before the due date or improperly withheld or refused by the Issuer, interest will continue to accrue on the principal amount outstanding at the default rate up to and including the date on which the Trustees determine to be the date on and after which payment is made to the Bondholders.
- Repay the principal sum in instalments as set out in the amortisation schedule, which shall commence on the second anniversary of the Series 2 Bonds.

A breach of any of these covenants could result in an early redemption of the Series 2 Bonds.

Events of Default in relation to the Series 2 Bonds include the following situations:

- Failure of the Issuer to pay any amount due on the Series 2 Bonds on the due date (unless such failure is caused by disruption event) and the breach continues for more than five business days;
- The Issuer fails to perform or comply with any of the terms and conditions stipulated in the Series 2 Bond Trust Deed or other offer documents (where such failure can be remedied, it remains remedied for 30 days after the Trustees have given notice of it to the Issuer requiring the same to be remedied, and the Trustees have certified that such failure is materially prejudicial to the interest of the Bondholders);
- Any representation or warranty of the Issuer in any of the offer documents proves to have been materially incorrect at the time it was made or deemed to have been made;
- Any other financial indebtedness of the Issuer above N200m is not paid within ten business days of its (i) due date or (ii) end of any applicable period grace period, whichever is later
- If the Issuer is unable to pay its debts as they fall due to financial difficulties and commences negotiations such creditor(s) with a view to rescheduling such financial indebtedness;
- Any corporate action, legal proceedings is taken in relation to indebtedness, winding-up, dissolution, reorganisation of the Issuer other than a solvent liquidation or reorganisation;
- Any event which has material adverse effect on Issuer occurs

Acceleration of the bond

Once an event of default occurs and the breach continues for a period of 5 business days, the Trustees may in their discretion and without notice, institute proceedings and or take other action against or in relation to the Issuer or any other person (as it may deem fit) to enforce the obligations of the Issuer under the Series 2 Bonds, as contained in the Series 2 Bonds Trust Deed.

Key transaction parties

Issuing Houses

The appointed joint Issuing Houses in respect of the Series 2 Bonds are Cordros Capital Limited, Coronation Merchant Bank Limited, Financial Derivative Company Limited, FSDH Capital Limited, FCMB Capital Markets Limited, and Planet Capital Limited, with Cordros Capital Limited being the Lead Issuing House.

Trustees to the Bondholders

The appointed joint Trustees are GTL Trustees Limited, STL Trustees Limited, UTL Trust Management Services Limited and Cordros Trustees Limited. The joint trustees are well experience, with good track record in the industry.

Security Trustee

Security trusteeship responsibility will be performed by UTL Trust Management Services Limited. UTL is also the Security Trustee in respect of C&I Leasing Plc's Series 1 Bonds.

Registrar

The appointed registrar is Cordros Registrars Limited. The registrar is approved by SEC and well experienced in the local market.

Issuer

C&I was incorporated as a limited liability company under the Companies and Allied Matters Act ("CAMA") in December 1990, and commenced operations in June 1991. The company was subsequently licensed by the Central Bank of Nigeria ("CBN") in June 1993, to provide leasing (operating and finance) and other ancillary services. C&I is listed on The Nigerian Stock Exchange.

Ownership

C&I has a diverse shareholding structure, comprising both institutional and individual investors. Table 5 highlights the major shareholders with more than 5% stake in the company as at 31 December and June 2020. The change in shareholding was due to rights issue that took place during 2019.

Table 5: Major shareholders (%)	FY19	1H FY20
Peace Capital Market	-	21.0
CIL Acquico Limited	18.1	20.0
Leadway Assurance Limited	8.7	<5.0
Petra Properties Limited	6.3	8
Others	66.9	51.0
Total	**100.0**	**100.0**

Operational structure

C&I has three subsidiaries, namely: (i) Leasafric Ghana Limited ("Leasafric"); (ii) Epic International FZE ("Epic"); and (iii) C&I Leasing FZE. The principal activities of C&I and its subsidiaries ("the Group") include provision of equipment leasing services, logistics solution (in form of car and marine vessel rentals), fleet management and automobile distribution.

Leasafric

Leasafric commenced operation in 1994, as a non-bank financial institution licensed by the Bank of Ghana, with the primary activity of carrying on finance leasing alongside other ancillary services. It is the largest leasing company in Ghana based on its significant 40% market share by balance sheet size. This subsidiary contributed 14% to the Group's earnings as FY19.

Epic

Epic, is an asset-based subsidiary, incorporated in 2011. It is a free trade zone establishment in the United Arab Emirates, licensed to trade in boats/ships, spare parts, components and automobiles. Epic contributed 11% to the group's gross earnings at FY19.

C&I leasing FZE

C&I leasing FZE which commenced operation in 2019, is a free zone enterprise registered in Lekki Free Trade Zone, Lagos Nigeria. The company is licensed to provide marine services along the zone.

Corporate governance

C&I's corporate governance structure is in line with CBN and Securities and Exchange Commission ("SEC") codes of good corporate governance. The board comprises a number of seasoned professionals with several years of experience in different fields, including finance, accounting, and insurance (*inter alia*).

Financial reporting

The Group (consolidated) figures have been used in this analysis. C&I's financial statements were prepared in accordance with CAMA, the Banks and Other Financial Institutions Act, International Financial Reporting Standards ("IFRS") and in compliance with the Financial Reporting Council of Nigeria Act.

Performance update

A five-year financial synopsis, including the unaudited financial statements as at 30 June 2020, is reflected on page 7 of this report, supplemented by the commentary below.

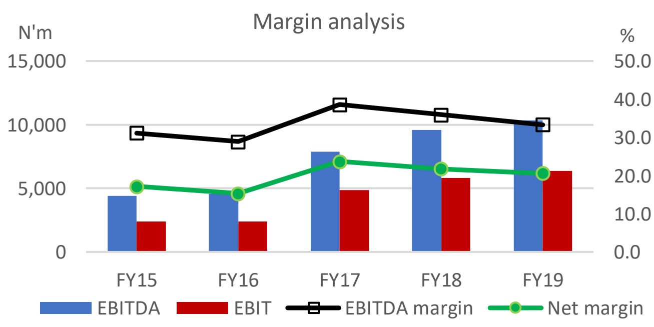
The group had maintained an upward growth trajectory in revenue throughout the five years of review, increasing y/y by 15.8% in FY19, and ended at a four-year CAGR of 21.8% in FY19. However, due to COVID-19 pandemic and restrictions across most countries, revenue declined by an annualised 6% in 1H FY20, representing 74% of budget.

Profit margins were unstable in the five-year review period to FY19, albeit remained within strong range for most of the period. Specifically, EBITDA margin peaked at 39% in FY17 from 29% in FY16 and then contracted for the second consecutive period to 33% in FY19. Operating expenses (excluding depreciation) increased by 17% to N3.6bn, comprised largely staff cost and administrative expenses, and accounted for a relatively stable 12% of revenue.

Table 6: Income statement (N'm)	**FY18**	**FY19**	**Budget FY20**	**1H FY20**
Revenue	26,712	30,944	*39,144*	14,538
Gross Profit	11,642	12,734	16,812	5,202
EBITDA	9,591	10,323	**13,872**	**4,539**
Depreciation	(3,782)	(3,943)	(5,611)	(1,242)
Op. Profit	5,809	6,380	**8,260**	**3,297**
Net interest charge	(4,532)	(5,562)	(4,122)	(2,933)
Other operating exp.	271	44	-	15
Foreign exch. gain/(loss)	(7)	149	-	-
NPBT	**1,540**	**1,013**	**4,139**	**379**
Key ratios (%)				
Revenue growth	30.9	15.8	26.5	(6.0)
Gross margin	43.6	41.2	42.9	35.8
EBITDA margin	35.9	33.4	35.4	31.2
Operating profit margin	21.7	20.6	21.1	22.7
Net interest cover (x)	1.3	1.1	2.0	1.1

Performance as at 1H FY20 reflect a further contraction in EBITDA margin to 31% (a little below budget), margin contraction was minimised by cost curtailment initiatives by management. Also, cognisance is taken of the decline in administrative cost (such as fuelling and travelling expenses), a function of the restriction in movement due to the pandemic.

Figure 1



Cashflow, Leverage and Capital Structure

Operational cash flows fluctuated throughout the five-year review period, underpinned by high working capital absorption and finance cost. To attain the rapid business expansion that took place between FY15 and FY18, a substantial level of debt was deployed across the Group, with continuous need for working capital. Accordingly, gross debt grew by 11% to N37bn at FY19, mainly driven by increase in short-term debts. As such, operating cash flow coverage of debt fell to just 6% (FY18: 16%), constituting a rating negative. Though total debt has remained relatively flat at N37bn at 1H FY20, the decline in operational cash inflow as a result of the pandemic saw debt coverage decline further to 4%. That said, the Group continues to manage liquidity risk through available credit lines from banks, as well as issuance of short-term commercial notes, in the interim while seeking opportunities for long-term finance opportunities.

The long-term debt pool includes a 5-year N7bn Series 1, senior secured bond, issued in 2018 at a fixed rate of 16.54%. However, management is in the process of issuing the Series 2 bonds, of up to N10bn before the end of FY20. The debt is to refinance some of the existing short-term debts and to support working capital requirement.

Total equity ended relatively flat at N9.8bn at FY19, and increased by 30.5% to N12.8bn at 1H FY20, following an additional equity injection of N2.3bn through rights Issue. The rights Issue was undertaken in the fourth quarter of FY19 but approvals and allotment took place in the first quarter of FY20. Consequently, capital adequacy ratio improved to 22% at 1H FY20 from 20% at FY19. This remains well above the 12.5% regulatory minimum for finance companies in Nigeria.

Rating considerations

Legal opinion

GCR received and reviewed a signed legal executed copy of the legal opinion prepared by Nigerian transaction counsel (G.Elias & CO.). GCR understands, among others, from the legal opinion that:

- All the transaction parties have the power, capacity and authority to enter into and perform their respective obligations under the transaction documents;
- All the transaction documents to which the transaction parties are party, constitute legal, valid and enforceable obligations against the relevant party;
- All transaction documents, when duly signed, are legal, valid, binding and enforceable in line with their terms;
- The Series 2 Bonds constitute legal, valid and binding obligations of the Issuer and enforceable in accordance with its terms;
- The security as reflected in the Security Deed is insolvency remote and will withstand an insolvency of the Issuer;
- The security granted to the Bondholders is not yet perfected. However, it shall upon it being duly perfected become legal, valid, biding and enforceable against third parties and any insolvency official;

Meaning of the Rating of the Series 2 Bonds

The rating accorded to the Series 2 Bonds is an *indicative, public national scale long-term rating*. GCR has reviewed the draft transaction documentation.

The *indicative public rating* accorded to the Series 2 Bonds is an expected loss rating (which is a function of probability of default and loss severity), and relates to an assessment of the ability to meet ultimate (as opposed to timely) payment of principal and interest. Should the rating of the Sponsor change, the rating of the Series 2 Bonds may also change, but not necessarily in the same quantum.

The suffix code identifies to which country the rating relates; 'NG' means Federal Republic of Nigeria. A rating outlook indicates the likely direction of a rating change over the medium term, typically a one or two year period. The rating of the Series 2 Bonds will be monitored, and thereafter GCR will perform regular surveillance on the transaction. Surveillance reports will be made available to subscribers to GCR's information services.

Rating Criteria application

The methodology used here is the "Global Criteria for Rating Finance and Leasing Companies", updated March 2017, Global Criteria for Rating Corporate Entities, updated February 2017 and and the "Global Structurally Enhanced Corporate Bonds Rating Criteria", updated November 2017; these documents (and any amendments made from time to time) is available on GCR's website at *globalratings.com.ng.*

Information provided

Below is a list of all relevant information required/ provided.

Table 7: Series 2 Bonds general transaction documents

Description of documents	Data provided
Audited accounts of the Issuer at FY19	Yes
Unaudited accounts of the Issuer as at 1H FY20	Yes
Programme Trust Deed (Draft)	Yes
Shelf Prospectus for the Programme	Yes
Pricing supplement for Series 2 Bonds (Draft)	Yes
Series 2 Trust Deed (Draft)	Yes
Security Deed (Draft)	Yes
Certificate of Value of security assets	Yes
Legal opinions on the transaction documents	Yes
Final/signed transaction documents	Not yet

Disclaimer

Note that GCR is not a legal, tax or financial adviser, and only provides a credit opinion of the rated securities. For example, a rating does not cover a potential change in laws nor can it be regarded as an audit. Moreover, GCR is not a party to the transaction documents. Users of our credit rating should familiarise themselves with the transaction (including the legal opinion), and should form their own views in this respect. They should not rely on GCR for legal, tax or financial advice, and are encouraged to contact the relevant advisers.

C&I Leasing Plc

(Naira millions except as noted)

Statement of Comprehensive Income	2015	2016	2017	2018	2019	1H 2020
Revenue	14,076.0	15,783.9	20,398.8	26,711.5	30,943.7	14,538.0
EBITDA	**4,384.8**	**4,565.5**	**7,878.2**	**9,590.8**	**10,323.1**	**4,538.6**
Depreciation & Amortization	(1,968.9)	(2,147.6)	(3,037.9)	(3,782.0)	(3,942.6)	(1,241.7)
Operating income	**2,416.0**	**2,417.9**	**4,840.2**	**5,808.8**	**6,380.5**	**3,297.0**
Net finance charges	(2,173.5)	(2,741.2)	(3,440.3)	(4,532.2)	(5,561.5)	(2,932.9)
Net forex gain/(loss)	(123.4)	1,094.6	(286.0)	(7.1)	149.2	0.0
Other operating income/(expense)	346.6	264.9	148.2	270.8	44.5	14.6
NPBT	**465.6**	**1,036.2**	**1,262.1**	**1,540.2**	**1,012.7**	**378.6**
Taxation paid	(316.9)	(115.4)	(162.8)	(342.5)	(73.2)	(110.6)
Profit after tax	**148.8**	**920.9**	**1,099.3**	**1,197.8**	**939.4**	**268.0**
Statement of cash flows						
Cash generated by operations	**9,503.7**	**8,756.6**	**15,597.5**	**17,930.4**	**5,142.0**	**3,761.3**
Utilised to increase working capital	(5,678.7)	(5,237.4)	(8,187.3)	(12,374.0)	(2,937.9)	791.3
Net interest paid	(2,173.5)	(2,741.2)	(3,440.3)	(3,847.1)	0.0	(2,918.4)
Taxation paid	(41.0)	(394.9)	(128.3)	(284.7)	(144.5)	0.0
Cash flow from operations	**1,610.5**	**383.1**	**3,841.6**	**1,424.6**	**2,059.6**	**1,634.2**
Maintenance capex‡	(1,968.9)	(2,147.6)	(3,037.9)	(3,782.0)	(3,942.6)	(1,241.7)
Discretionary cash flow from operations	**(358.4)**	**(1,764.4)**	**803.6**	**(2,357.4)**	**(1,883.0)**	**392.5**
Dividends paid	(124.6)	(82.9)	0.0	0.0	(30.3)	0.0
Retained cash flow	**(483.0)**	**(1,847.4)**	**803.6**	**(2,357.4)**	**(1,913.3)**	**392.5**
Net expansionary capex	(3,603.6)	(3,710.9)	(4,954.1)	(3,786.2)	(222.8)	(1,006.8)
Investments and other	0.0	0.0	0.0	0.0	(658.9)	501.1
Proceeds on sale of assets/investments	278.8	126.6	130.3	259.5	219.0	70.4
Shares issued	0.0	0.0	0.0	0.0	0.0	2,264.4
Cash movement: (increase)/decrease	52.2	434.6	(256.7)	(472.7)	(277.0)	(2,666.4)
Borrowings: increase/(decrease)	3,755.5	4,997.0	4,276.8	6,356.8	2,853.0	444.7
Net increase/(decrease) in debt	**3,807.8**	**5,431.7**	**4,020.2**	**5,884.1**	**2,576.0**	**(2,221.6)**
Statement of financial position						
Ordinary shareholders interest	3,024.2	5,377.5	6,529.9	9,471.2	9,523.7	12,516.3
Outside shareholders interest	176.9	221.8	271.6	336.2	256.3	245.4
Pref shares and conv debentures	0.0	0.0	0.0	0.0	0.0	0.0
Total shareholders' interest	**3,201.1**	**5,599.4**	**6,801.4**	**9,807.4**	**9,780.0**	**12,761.7**
Current debt	9,752.7	12,470.6	15,631.2	17,162.0	22,060.3	23,185.0
Non-current debt	9,921.2	12,200.3	13,287.0	16,274.3	14,919.9	13,738.2
Total interest-bearing debt	**19,673.9**	**24,670.9**	**28,918.2**	**33,436.2**	**36,980.1**	**36,923.2**
Interest-free liabilities	6,368.7	8,073.8	9,245.7	9,323.8	9,452.4	9,801.3
Total liabilities	**29,243.7**	**38,344.1**	**44,965.4**	**52,567.5**	**56,212.5**	**59,486.2**
Property, Plant and Equipment	1,418.3	1,479.7	1,584.5	1,631.3	1,579.2	1,520.0
Investments and other non-current asset	17,058.0	23,963.4	28,411.3	32,750.0	32,750.7	32,750.7
Cash and cash equivalent	1,417.8	983.2	1,239.8	1,712.5	1,989.5	4,655.9
Other current assets	9,349.6	11,917.7	13,729.7	16,473.7	19,893.1	20,626.0
Total assets	**29,243.7**	**38,344.1**	**44,965.4**	**52,567.5**	**56,212.5**	**59,486.2**
Ratios						
Cash flow:						
Operating cash flow : total debt (%)	8.2	1.6	13.3	4.3	5.6	8.9
Discretionary cash flow : net debt (%)	neg	neg	2.9	neg	neg	2.4
Profitability:						
Turnover growth (%)	6.5	12.1	29.2	30.9	15.8	(6.0)
Gross profit margin (%)	48.4	45.7	48.7	43.6	41.2	35.8
EBITDA : revenues (%)	31.2	28.9	38.6	35.9	33.4	31.2
Operating profit margin (%)	17.2	15.3	23.7	21.7	20.6	22.7
EBITDA : average total assets (%)	17.7	14.0	19.4	20.3	19.6	8.3
Return on equity (%)	4.6	21.9	18.7	15.0	9.9	2.4
Coverage:						
Operating income : gross interest (x)	1.1	0.9	1.4	1.2	1.1	1.1
Operating income : net interest (x)	1.1	0.9	1.4	1.3	1.1	1.1
Activity and liquidity:						
Trading assets turnover (x)	29.4	44.1	61.5	25.7	n.a.	n.a
Days receivable outstanding (days)	0.9	0.9	0.4	0.1	0.9	0.0
Current ratio (:1)	0.8	0.7	0.7	0.7	0.7	0.8
Capitalisation:						
Net debt : equity (%)	570.3	423.0	407.0	323.5	357.8	252.8
Total debt : equity (%)	614.6	440.6	425.2	340.9	378.1	289.3
Net debt : EBITDA (%)	416.3	518.8	351.3	330.8	339.0	355.5
Total debt : EBITDA (%)	448.7	540.4	367.1	348.6	358.2	406.8

SALIENT FEATURES OF ACCORDED RATINGS

GCR affirms that a.) no part of the rating 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; c.) such rating was an independent evaluation of the risks and merits of the rated entity, security or financial instrument; and d.) the validity of the rating is for a maximum of 12 months, or as indicated by the applicable credit rating document.

The rating was solicited by, or on behalf of, C&I Leasing Plc, and therefore, GCR has been compensated for the provision of the rating.

C&I Leasing Plc participated in the rating process via face-to-face management meetings, teleconferences and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible.

The credit rating was disclosed to and not contested by C&I Leasing Plc.

The information received from C&I Leasing Plc to accord the credit rating included the C&I Leasing Plc's 31 December 2019 audited annual financial statements (plus four years of comparative numbers), the unaudited management accounts of C&I Leasing Plc for 6 month period (up to June 2020), the draft Programme Trust Deed, the draft Series 2 Trust Deed, the draft Shelf Prospectus for the Programme, the draft Series 2 pricing supplement, the draft Security Deed, and the Certificate of Value of security assets.