AXXELA FUNDING 1 PLC

₦16.4 Billion Series 1 Ten-Year 21% Fixed Rate Bond Due 2034
Under the ₦50 Billion Multi-Instrument Issuance Programme

Final 2026 Bond Rating Review Report

Agusto&Co.

Research, Credit Ratings, Credit Risk Management

Axxela Funding 1 PLC

₦16.4 Billion Series 1 Ten-Year 21% Fixed Rate Bond Due 2034 Under the ₦50 Billion Multi-Instrument Issuance Programme

Issue Rating:

Aa-

High quality debt issue with very low credit risk; very strong capacity to pay returns and principal on local currency debt in a timely manner.

Outlook: Stable
Issue Date: 24 June 2026
Expiry Date: 12 April 2027

The Issue rating is subject to annual renewals on the anniversary of the Bond.

Sponsor's Rating: Aa-
Expiry Date: 30 June 2027

Analysts:
Ndianabasi Udondian
ndianabasiudondian@agusto.com

Christian Obiezu
christianobiezu@agusto.com

Agusto & Co. Limited
UBA House (5th Floor)
57, Marina
Lagos
Nigeria

www.agusto.com

RATING RATIONALE

- Agusto & Co. hereby affirms the **"Aa-"** rating assigned to Axxela Funding 1 Plc's ("Axxela Funding 1" or "the Issuer") ₦16.4 billion 10-Year 21% Fixed Rate Bond Due 2034 ("Series 1 Bond", "the Bond" or "the Issue"), under the ₦50 Billion Bond Multi-Instrument Issuance Programme**.** The rating mirrors the standalone rating of Axxela Limited ("the Sponsor"), reflecting the Sponsor's irrevocable and unconditional commitment of its operating cash flows towards the servicing of the Bond obligations. Axxela is rated **"Aa-"** by Agusto & Co., supported by its leading position within Nigeria's gas midstream and downstream segments, healthy profitability, strong cash flow generation and balanced capital structure.

- On 12 April 2024, Axxela Funding 1 Plc issued a ₦16.4 billion Series 1 Ten-Year 21% Fixed Rate Bond Due 2034 under its ₦50 billion Multi-Instrument Issuance Programme. The Bond proceeds were utilised to purchase Notes issued by Gaslink Nigeria Limited and Transit Gas Nigeria Limited, both of which, together with Axxela Limited, are designated as "Co-Obligors" under the transaction. The Co-Obligors subsequently applied the funds to finance gas infrastructure projects across Lagos and Sagamu. The Bond carries a 21% fixed coupon rate, payable semi-annually on 12 April and 12 October throughout its tenor. Principal repayment is scheduled to commence on 12 October 2026, following the expiration of a 24-month moratorium from the issue date, and will continue on a half-yearly basis until maturity on 12 April 2034.

- In line with the Trust Deed, a Payment Account under the control of the Bond Trustees was established and is being funded from the operating cash flows of the Co-Obligors. The Issuer is required to maintain sufficient funds in the account no later than five business days before each repayment date to meet upcoming Bond obligations. Furthermore, a Minimum Reserve Account (MRA) which could be drawn upon in the event of any shortfall in meeting Bond obligations, was established. This provides an additional buffer for Bondholders.

- The Series 1 Bond constitutes senior, unsecured, and unconditional obligations of the Issuer and Co-Obligors, and rank pari passu with all other existing and future senior unsecured and unsubordinated obligations of the Co-Obligors, except those that are mandatorily preferred by law.

- The Series 1 Bond will be redeemed from the consolidated operating cash flows of the Co-Obligors, supported by an irrevocable and unconditional undertaking to jointly and severally

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TRANSACTION PARTIES

Issuer:
Axxela Funding 1 PLC

Sponsor:
Axxela Limited

Co-Obligors:
Axxela Limited
Transit Gas Nigeria Limited
Gaslink Nigeria Limited

Lead Issuing Houses/Book Runner:
Stanbic IBTC Capital Limited

Joint Issuing Houses/Book Runners:
Afrinvest Capital Limited
FBNQuest Merchant Bank Limited
Rand Merchant Bank Nigeria Limited
Chapel Hill Denham Advisory Limited
Vetiva Advisory Services Limited
FCMB Capital Markets Limited

Bond Trustee:
ARM Trustees Limited
STL Trustees Limited

Solicitors to the Issuer:
The New Practice (TNP)

Solicitors to the Issue:
Aluko & Oyebode

Registrars & Payment Agent:
GTL Registrars & Data Solutions Limited

***Auditors*:**
Ernst & Young

Reporting Accountants:
PricewaterhouseCoopers

Stockbrokers to the Issue:
Afrinvest Securities Limited

Receiving Banks:
Eco Bank of Nigeria PLC
Stanbic IBTC Bank PLC

settle all outstanding principal and coupon obligations in accordance with the executed Master Notes Subscription Agreement

- In the financial year ended 31 December 2025 (FYE 2025) and based on unaudited results as at 31 March 2026 (Q1 2026), Axxela Limited maintained a strong financial profile, underpinned by healthy profitability, robust cash flow generation, adequate working capital and a low leverage position. During FYE 2025, the Company's revenue grew by 13.1% to ₦527.7 billion, driven by higher gas sales volumes, improved realised gas prices and favourable exchange rate movements. Profitability also strengthened, with profit before tax margin improving to 19.4% from 18% in the prior year, while return on assets and return on equity remained comfortably above our internal benchmarks. Although operating cash flow moderated to ₦75.9 billion in FYE 2025 (2024: ₦138.8 billion) due primarily to higher tax payments and lower trade credit balances, it remained sufficient to cover the principal due on outstanding borrowings, as well as interest obligations 8.5 times, which was good.

- The Company has continued to expand its customer base by executing Gas Sales and Purchase Agreements (GSPAs) with 30 new customers between 2025 and 2026, while commissioning the Sagamu Phase 2E pipeline project and advancing its entry into the Federal Capital Territory. Supported by its ongoing infrastructure development initiatives, growing customer base and strong market position within Nigeria's gas midstream and downstream segments, we expect the Sponsor's earnings and cash-generating capacity to remain robust, supporting its ability to meet the Series 1 Bond obligations as they fall due.

- As at 31 May 2026, the Issuer had made four half-yearly coupon payments amounting to ₦6.9 billion, to the Series 1 Bondholders. The next coupon payment and the commencement of principal redemption are scheduled for 12 October 2026. Given its strong profitability, healthy cash flow generation and robust debt-servicing capacity, we expect the Sponsor to continue to honour its obligations to Bondholders as and when due.

- Based on the above, we attach a **stable** outlook to Axxela Funding 1 PLC's ₦16.4 Billion Series 1 Ten-Year 21% Fixed Rate Bond Due 2034.

Figure 1: Strengths, Weakness, Opportunities and Challenges

Strengths

- Sponsor's strong financial condition supported by good profitability, low leverage and healthy cash flow generation
- The Sponsor's extensive gas infrastructure network across key industrial corridors, providing a competitive advantage
- Adequately funded minimum reserve account which provides additional buffer against potential debt service shortfalls
- Sponsor's revenue visibility from long-term supply contracts with embedded take-or-pay provisions

Weakness

- Concentration of gas supply through the Escravos-Pipeline System exposing earnings to supply disruption risk

Opportunities

- Growing domestic adoption of natural gas as a cleaner and more cost-effective alternative to liquid fuels across industrial, commercial and power assets
- Expansion of gas infrastructure across Nigeria, creating opportunities for network growth and market penetration
- Significant unmet electricity demand, with gas expected to remain the primary fuel for power generation
- Growing regional demand for natural gas in West Africa, supported by export opportunities through the West African Gas Pipeline (WAGP)

Challenges

- Inadequate gas transportation and distribution infrastructure, constraining market development and last-mile connectivity
- Regulatory and policy uncertainty, including intervention in domestic gas pricing
- Security challenges and community-related disruptions affecting gas production, transmission and infrastructure operations
- High capital intensity of gas infrastructure projects, requiring significant upfront investment and long payback periods
- Delays in project execution arising from right-of-way acquisition, permit requirements and other infrastructure development bottlenecks

BOND STRUCTURE & ADEQUACY OF PAYMENT ACCOUNT

On 12 April 2024, Axxela Funding 1 PLC ("Axxela Funding 1 Plc" or "the Issuer") issued a ₦16.4 billion Series 1 Ten-Year 21% Fixed Rate Bond Due 2034 ("Series 1 Bond", "the Bond" or "the Issue") under its ₦50 Billion Multi-Instrument Issuance Programme. The Bond carries a 21% fixed coupon rate, payable semi-annually on 12 April and 12 October throughout its tenor. Principal repayment is scheduled to commence on 12 October 2026 following a 24-month moratorium from the issue date and will be made on a half-yearly basis until maturity on 12 April 2034.

The net proceeds from the Bond were applied by Axxela Funding 1 Plc towards the acquisition of Notes issued by Gaslink Nigeria Limited and Transit Gas Nigeria Limited both of which, together with Axxela Limited, are designated as "Co-Obligors" under the transaction. These funds were subsequently utilised by the Co-Obligors to finance gas infrastructure projects targeted at expanding the Group's gas distribution network and supporting future volume growth.

Table 1: Use of proceeds

Activity/Project	Beneficiary	Amount (₦m)	% of Proceeds	Completion Status
Sagamu Phase 2E	Transit Gas Nigeria Limited	2,751	16.8%	Completed
Construction of VI–Lekki Backbone Gas Pipeline (Phases 1–4)	Gaslink Nigeria Limited	4,140	25.2%	Ongoing – To be completed in Q3 2026
Construction of Transmission Pipeline System (Ibafo–Lagos Industrial Area)	Gaslink Nigeria Limited	5,900	36.0%	Has achieved mechanical completion. Commissioning is scheduled for Q4 2026
Oil Pipeline License Renewal	Gaslink Nigeria Limited	213	1.3%	Completed
Connection of Customer Spurlines	Gaslink Nigeria Limited	688	4.2%	Completed
Replacement of Pressure Regulation and Metering Station (PRMS)	Gaslink Nigeria Limited	135	0.8%	Completed
Construction of pipeline Mile 2 to Trade Fair (Greater Lagos S Phase 1)	Gaslink Nigeria Limited	104	0.6%	Completed
Installation of Microturbine	Gaslink Nigeria Limited	165	1.0%	Completed
Installation of Gas Scrubber for Lagos Industrial Area City Gate	Gaslink Nigeria Limited	221	1.4%	Completed
Engineering, Procurement, Construction and Installation Water Bath Gas Heater	Gaslink Nigeria Limited	63	0.4%	Completed
Bond Issue Expenses	Axxela Funding PLC	294	1.8%	Immediate
Minimum Reserve Account	Axxela Funding PLC	1,727	10.5%	Immediate
Total		**16,400**	**100.0%**	

Source: Series 1 Bond Pricing Supplement and Axxela Limited

The Series 1 Bond constitutes senior, unsecured and unconditional obligations of the Issuer and the Co-Obligors, and rank pari passu with all other present and future senior unsecured and unsubordinated obligations of the Co-Obligors, except those accorded preference by law. The Bond also benefits from a negative pledge covenant, which restricts the Issuer and the Co-Obligors from creating or permitting security

interests over their assets to secure other financial indebtedness, unless such security qualifies as Permitted Security or is approved by the Bond Trustees (ARM Trustees Limited and STL Trustees Limited).
Under the transaction structure, debt service obligations are met from the operating cash flows of the Co-Obligors. To facilitate this, a dedicated Payment Account under the exclusive control of the Bond Trustees was established. In accordance with the Series 1 Trust Deed, the Co-Obligors are required to fund the account with sufficient amounts to meet upcoming coupon and/or principal payments at least five business days before each due date. As an additional credit enhancement, a Minimum Reserve Account (MRA) was established. The MRA is required to maintain a balance sufficient to cover at least one coupon payment during the moratorium period, thereby providing a liquidity buffer against potential payment delays or shortfalls. As at 31 May 2026, the MRA balance stood at ₦2.5 billion.

The Bond also incorporates an optional early redemption feature, which permits the Issuer to redeem the entire outstanding principal together with accrued coupon obligations from the fifth year onward, subject to at least 20 days' prior notice to Bondholders. The call prices of the Bond vary depending on the year of redemption as provided below:

Table 2: Call Prices

Period	Date	Price
Year 5 - 6	9th payment date to 12th payment date, both dates inclusive	101.00% of par value
Year 7 - 8	13th payment date to 16th payment date, both dates inclusive	100.50% of par value
Year 9 – 10	17th payment date to 20th payment date, both dates inclusive	100.00% of par value

The call option provides the Issuer with financial flexibility, allowing it to refinance or redeem the Bond ahead of maturity in response to changing funding requirements or market conditions.

As at 31 May 2026, the Issuer had paid a total of ₦6.9 billion to Bondholders, comprising four semi-annual coupon payments. The next coupon payment date, together with the commencement of principal redemption, is on 12 October 2026. Given the Sponsor's strong earnings and robust cash-generating capacity, we expect the Issuer to continue meeting its obligations to Bondholders as and when due.

OUTLOOK

Natural gas is expected to remain central to Nigeria's energy transition and industrial development agenda over the near to medium term. Demand continues to be supported by the increasing adoption of gas by industrial and commercial consumers seeking lower-cost and cleaner alternatives to liquid fuels, as well as ongoing efforts to deepen gas penetration across the economy. The operating environment also benefits from continued policy support aimed at encouraging domestic gas utilisation and investment in gas infrastructure. Nevertheless, industry participants remain exposed to supply disruptions, infrastructure bottlenecks, foreign exchange volatility and the substantial capital commitments required to expand distribution networks and processing capacity. Notwithstanding these challenges, we expect gas consumption and infrastructure investment to continue growing, supported by Nigeria's vast gas reserves and increasing demand for reliable energy solutions.

Axxela has continued to consolidate its position within Nigeria's gas midstream and downstream segments through sustained investments in gas infrastructure and customer acquisition. Leveraging its strategic partnership with NNPC Gas Marketing Limited (NGML), the Company has expanded its distribution footprint across key industrial corridors and increased gas volumes delivered to industrial and commercial customers. These efforts have translated into strong financial performance, with revenue growing at a compound annual growth rate (CAGR) of 45% over the last five years while profitability and cash flow generation remained healthy. The Company has also diversified its earnings streams through investments in gas-fired power generation and regional gas operations, reducing its reliance on any single business line.

Management remains focused on deepening market penetration and expanding the Company's infrastructure base. Current initiatives include additional pipeline developments across Lagos, Ogun and the Federal Capital Territory, as well as mini-LNG projects aimed at supplying gas to underserved markets in Northern Nigeria. Beyond Nigeria, the Company is evaluating opportunities to expand its presence in neighbouring West African markets. We expect these initiatives to support future gas volumes, enhance earnings capacity and strengthen the Company's competitive position over the near to medium term.

Based on the above, we attach a **stable** outlook to Axxela Funding 1 PLC's ₦16.4 Billion Series 1 Ten-Year 21% Fixed Rate Bond Due 2034, premised on the irrevocable and unconditional undertaking of the Co-Obligors to jointly and severally repay the Bond obligations.

This rating report should be read in conjunction with the 2026 Corporate Rating Report of Axxela Limited

RATING DEFINITIONS

Aaa	Highest quality debt issue with minimal credit risk; strongest capacity to pay returns and principal on local currency debt in a timely manner.
Aa	High quality debt issue with very low credit risk; very strong capacity to pay returns and principal on local currency debt in a timely manner.
A	Good quality debt issue with low to moderate credit risk; strong capacity to pay returns and principal on local currency debt in a timely manner.
Bbb	Satisfactory quality debt with moderate credit risk; adequate capacity to pay returns and principal on local currency debt in a timely manner.
Bb	Below average quality with moderate to high credit risk; speculative capacity to pay returns and principal on local currency debt in a timely manner.
B	Weak quality with high credit risk; speculative capacity to pay returns and principal on local currency debt in a timely manner.
C	Very weak capacity to pay returns and principal. Debt instrument with very high credit risk.
D	In default.

Rating Category Modifiers

A "+" (plus) or "-" (minus) sign may be assigned to ratings from 'Aa' to 'C' to reflect a 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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© Agusto&Co.
UBA House (5th Floor)
57 Marina Lagos
Nigeria.
P.O Box 56136 Ikoyi
+234 (1) 2707222-4
+234 (1) 2713808
Fax: 234 (1) 2643576
Email: info@agusto.com