AXXELA LIMITED

Final 2026 Corporate Rating Review Report

Agusto&Co.

Research, Credit Ratings, Credit Risk Management

AXXELA LIMITED

Long-Term Rating:

Aa-

Short-Term Rating:

A1+

Outlook: Stable
Issue Date: 24 June 2026
Expiry Date: 30 June 2027

Previous Rating: Aa-

Industry: Natural Gas

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A company with very good financial condition and strong capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.

RATING RATIONALE

Agusto & Co hereby affirms the **"Aa-"** (long-term) and **"A1+"** (short-term) ratings assigned to Axxela Limited ("Axxela" or "the Company"). The rating affirmation reflects the Company's strong financial profile, underpinned by healthy profitability, robust cash flow generation and low leverage. The ratings also consider Axxela's foreign exchange earnings from gas exports to the Togolese National Power Company and the dollar-linked nature of domestic gas pricing, which provide a natural hedge against foreign exchange risk. Furthermore, the ratings take into account the take-or-pay provisions embedded in its gas supply contracts, which enhance revenue predictability. In addition, Agusto & Co. views favourably the Company's concession arrangement with NNPC Gas Marketing Limited (NGML), which has facilitated the rapid expansion of its gas distribution infrastructure and reinforced its leadership position within Nigeria's gas midstream and downstream segments. Axxela's exclusive gas distribution franchise in the Greater Lagos area also moderates competitive pressures and supports margin stability. Nonetheless, the ratings are constrained by supply assurance risk arising from dependence on the Escravos-Lagos Pipeline System, as well as the capital-intensive nature of the gas infrastructure business, which exposes the Company to project execution and funding risks.

Axxela Limited is one of Nigeria's leading private-sector gas infrastructure companies, operating an integrated gas and energy platform across the natural gas value chain. Axxela develops, owns and operates gas transmission and distribution networks, undertakes natural gas processing and trading activities, provides gas-fired power solutions and participates in regional gas transportation across West Africa. Through subsidiaries including Gaslink Nigeria Limited, Transit Gas Nigeria Limited, Central Horizon Gas Company Limited, Gas Network Services Limited, Gasnexus Limited and Axxela Ghana, the Company maintains over 400 kilometres of pipeline infrastructure serving more than 200 industrial and commercial customers.

In the financial year ended 31 December 2025 (FYE 2025), Axxela reported revenue of ₦527.7 billion, representing a 13.1% year-on-year growth, underpinned by an 8.8% increase in gas volumes, higher gas prices and favourable exchange rate movements. The Company's direct cost-to-revenue ratio improved marginally to 75.4% in FYE 2025 (2024: 76.4%), reflecting stronger contributions from higher-margin subsidiaries, resulting in a gross profit margin of 24.6% (2024: 23.6%). Although operating cost-to-revenue ratio increased by 70 basis points to 5.5% largely due to higher personnel expenses, operating profit margin rose slightly to 19.1% in FYE 2025 (2024:18.8%). Overall, Axxela's profit before tax (PBT) margin improved to 19.4% in FYE 2025 (2024: 18%). However, return on

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assets (ROA) and return on equity (ROE) ratios moderated to 32.3% and 73.3% respectively (2024: 35.2% and 82.5%), but remained comfortably above our internal benchmarks.

In the three months ended 31 March 2026 (Q1 2026), Axxela reported revenue of ₦117.7 billion, representing 79% of its Q1 budget and a 10.8% decline on an annualised basis, primarily reflecting the impact of adverse exchange rate movements. The Company's gross profit margin improved to 25.4% in Q1 2026, while operating profit margin moderated to 16.2%, due to the lower revenue base. Axxela posted a PBT margin of 16.3%, with annualised ROA and ROE at 22.5% and 42%, respectively, all remaining above our internal benchmarks. Axxela continues to expand its clientele and geographic footprint through customer acquisitions and pipeline network expansion. These are expected to support volume growth, enhance revenue generation and sustain profitability over the near to medium term.

In FYE 2025, Axxela's operating cash flow (OCF) declined to ₦75.9 billion (2024: ₦138.8 billion), primarily reflecting higher cash outflows towards tax payment, as well as a decline in trade credits. Notwithstanding, the Company's OCF represented 14% of revenue, and was sufficient to cover returns to providers of finance totalling ₦26.9 billion, 2.8x, which was adequate. In the near term, we expect the Company's robust earnings and favourable working capital dynamics to continue to support good cash flow generation.

As at FYE 2025, Axxela's spontaneous financing increased by 13.4% to ₦124.1 billion, boosted primarily by an increase in payables to other vendors and withholding tax liabilities. This was sufficient to cover the Company's working assets, resulting in a short-term financing surplus of ₦37.3 billion, consistent with the prior year. As at the same date, Axxela's long-term funds totalling ₦225.8 billion was insufficient to cover its long-term assets, resulting in a long-term financing need of ₦8.3 billion. This was offset with the short-term financing surplus, creating a funding mismatch. However, the Company had a working capital surplus of ₦29 billion as at FYE 2025.

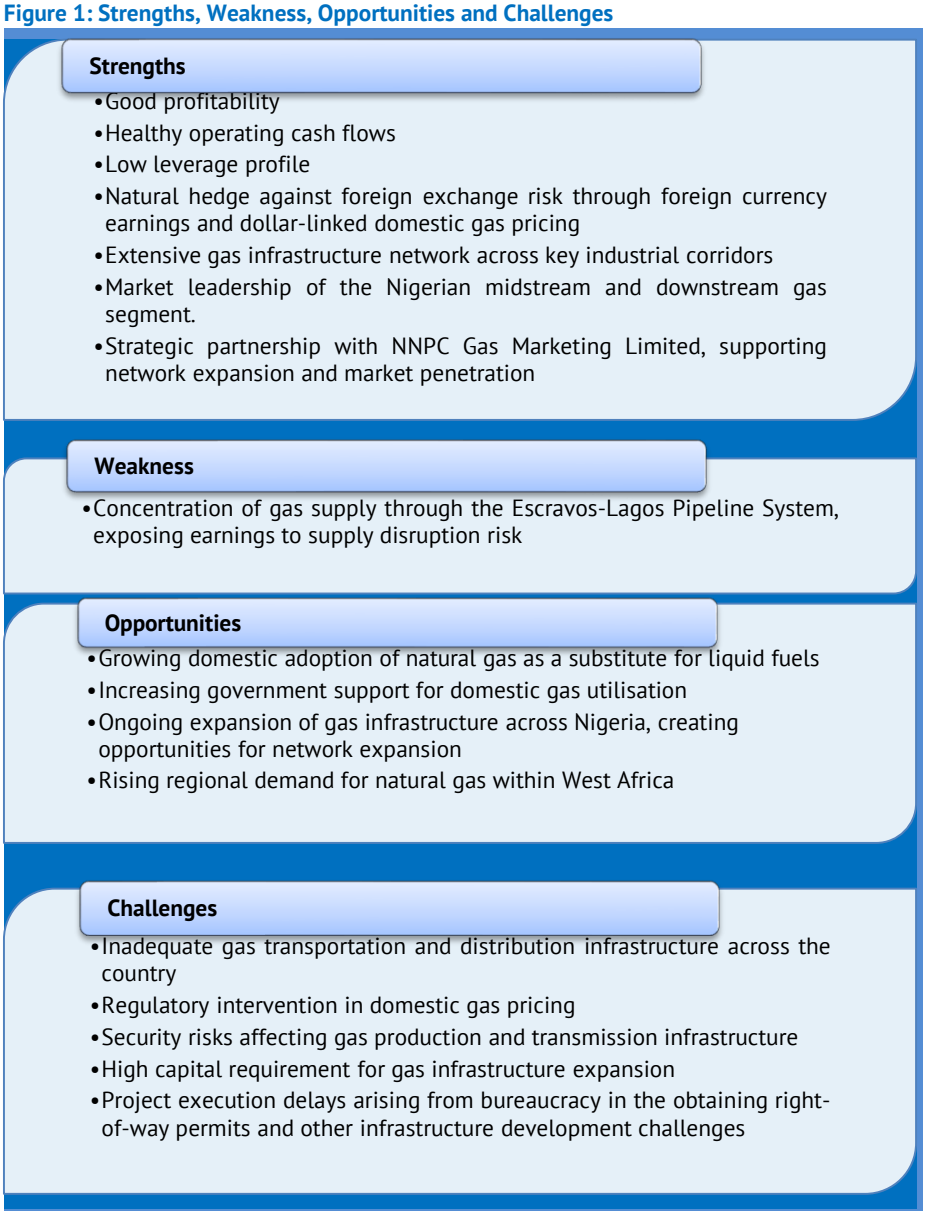
As at 31 December 2025, Axxela's interest-bearing debt consisted of infrastructure credit facilities from Chapel Hill Denham (49%), outstanding balances on the Company's Series 1 & 2 bonds (27%), loans obtained under the Central Bank of Nigeria's Nigerian Gas Expansion Programme (15%) and concessionary facilities from the Bank of Industry (10%). The Company's interest expense to revenue ratio moderated to 0.7% in FYE 2025 (2024: 1.1%), with interest cover at 21x, far exceeding our benchmark of 3x. Furthermore, the Company's earnings before interest, tax, depreciation and amortisation (EBITDA) of 112.7 billion, was sufficient to cover its interest expense, 31.3x, which was strong. Axxela's interest-bearing debt to equity and net debt as a percentage of average total assets ratios aligned with our benchmarks at 49% and 57% respectively (2024: 52% and 58%), depicting a low leverage profile.

Axxela continues to strengthen its market position through customer acquisition and strategic investments across the gas value chain. Between 2025 and 2026, the Company executed Gas Sales and Purchase Agreements (GSPAs) with 30 new customers. Over the same period, 18 customer connections were completed, while connection activities remain ongoing for a further eight

customers. The Company has also continued to expand its distribution footprint through projects in Lagos, Sagamu, the Federal Capital Territory and Northern Nigeria. We expect these developments to support volume growth, deepen market penetration and sustain margins over the near term.

Based on the above, we attach a **stable** outlook to Axxela Limited.

Figure 1: Strengths, Weakness, Opportunities and Challenges



PROFILE OF AXXELA LIMITED

Axxela Limited ("Axxela" or "the Company") is a pioneer private sector developer of natural gas infrastructure in Nigeria. The Company was originally established in 2001 as Oando Gas & Power Limited, and was rebranded to Axxela Limited in 2017 following the acquisition of controlling interest by Glover Gas & Power B.V. – a jointly owned investment vehicle of Helios Investment Partners and Sojitz Corporation. Effective 31 December 2025, Axxela became a subsidiary of BlueCore Gas Infraco Limited following the acquisition of the shareholding interests of Helios Investment Partners and Sojitz Corporation in Glover Gas & Power B.V. BlueCore Gas Infraco Limited is a consortium composed of Afrigaz Energie LLP, Levene Energy Development Limited, Energy& LLP and emPERSAND Limited.

Axxela operates as an integrated gas and energy infrastructure platform across the natural gas value chain through four strategic business units (SBUs), namely Gas Distribution, Integrated Power, Regional Operations and Gas Midstream Infrastructure. Through these business segments, the Company develops, owns and operates gas transmission and distribution infrastructure, undertakes natural gas processing and trading activities, provides gas-fired power solutions and participates in regional gas transportation operations across West Africa. Axxela maintains over 400 kilometres of gas pipeline infrastructure and serves more than 200 industrial and commercial customers across Nigeria and West Africa through its subsidiaries namely; Gaslink Nigeria Limited, Gas Network Services Limited, Central Horizon Gas Company Limited, Transit Gas Nigeria Limited and Gasnexus Limited

Under the Gas Distribution SBU, Axxela develops and operates pipeline and virtual gas distribution infrastructure across industrial clusters in Lagos, Sagamu and Port Harcourt. Gaslink Nigeria Limited operates a 234.1-kilometre pipeline network within the Greater Lagos area with delivery capacity of about 130 million standard cubic feet of gas per day (MMscf/d), with a significant portion of its network developed under Build-Operate-Transfer (BOT) arrangements with NNPC Gas Marketing Limited (NGML). Transit Gas Nigeria Limited (TGNL) operates a 68.4-kilometre pipeline network serving industrial customers in Sagamu, Ogun State, with capacity of approximately 150MMscf/d. In addition, Central Horizon Gas Company Limited (CHGC) distributes natural gas within the Greater Port Harcourt area through a 23.3-kilometre pipeline network with throughput capacity of 50MMscf/d in partnership with the Rivers State Government, while Gas Network Services Limited (GNSL) extends the Company's reach to off-grid customers through compressed natural gas (CNG) virtual pipeline infrastructure.

Through its Integrated Power SBU, Axxela develops and operates gas-fired captive and embedded power solutions for industrial customers. The Company developed and commissioned the 5.8MW Cadbury Independent Power Project ("IPP"), which commenced operations in December 2022, and subsequently entered into a power purchase agreement with Evans Industries Limited to optimise plant utilisation. Axxela previously developed captive power assets with aggregate installed capacity of approximately 22.55MW in Lagos State, which have since been divested. The Company also holds a minority indirect interest in Eko Electricity Distribution Company (EKEDC) through its participation in the consortium acquisition vehicle – Transgrid Enerco.

Within its regional operations, Axxela undertakes cross-border natural gas trading and transportation activities and is recognised as the first independent and non-affiliated shipper on the West African Gas Pipeline. The Company is also a member of the West African Power Pool and commenced regional gas delivery operations to Compagnie Énergie Électrique du Togo - the Togolese National Power Company - in 2019 through the West African Gas Pipeline network.

OWNERSHIP, GOVERNANCE, MANAGEMENT & STAFF

As at 31 December 2025, Axxela Limited had an issued share capital of ₦10.5 million, comprising 20.9 million ordinary shares of ₦0.50 each. Effective 31 December 2025, BlueCore Gas Infraco Limited acquired the shareholding interests of Helios Investment Partners and Sojitz Corporation in Glover Gas & Power B.V., thereby becoming the sole shareholder of Axxela. BlueCore Gas Infraco Limited is a consortium comprising Afrigaz Energie LLP, Levene Energy Development Limited, Energy& LLP and emPERSAND Limited.

As part of the ownership transition completed on 31 December 2025, Axxela Limited undertook a reconstitution of its Board of Directors ("the Board"), resulting in the retention of only two of the eight pre-transaction Board members. The period also witnessed a transition in executive leadership following the retirement of the erstwhile Group Chief Executive Officer, with Mr. Moshood Olajide appointed as his successor. As at 31 March 2026, the Board comprised seven members, including the Chairman, Mr. Nzan Ogbe; the Group Chief Executive Officer; and five Non-Executive Directors, two of whom are Independent Directors. All current Board members were appointed following the acquisition, with the exception of Mr. Kaat Hecke and Mr. Jeremy Bending, who remained on the Board post-acquisition.

The Board discharges its oversight responsibilities through three standing committees, namely – the Governance and Remuneration Committee; the Statutory Audit and Risk Committee; and the Strategy and Finance Committee. In our opinion, the Board is composed of a diverse group of professionals with extensive industry experience necessary to guide the Company's strategic direction. Furthermore, the predominance of Non-Executive Directors on the Board is consistent with established corporate governance principles and supports independent oversight.

Table 1: Current Directors

Name	Designation	Nationality
Mr. Nzan Ogbe	Chairman	Nigerian
Mr. Moshood Olajide	Group Chief Executive Officer	Nigerian
Mr. Jeremy Bending	Independent Non-Executive Director	British
Ms. Kaat Van Hecke	Independent Non-Executive Director	Belgian
Mr. Dolu Olugbenjo	Non-Executive Director	Nigerian
Mr. Olufemi Okin	Non-Executive Director	Nigerian
Mr. Eric idiahi	Non-Executive Director	Nigerian

Source: Axxela Limited

Management Team

The Group Chief Executive Officer of Axxela Limited is supported by seven professionals who lead the subsidiaries and oversee key areas of the business including operations, marketing, finance and corporate services. The Company's management team possesses an average of 22 years of relevant experience between them. In our opinion, Axxela Limited's management team has the requisite experience required to steer its affairs.

Mr. Moshood Olajide was appointed Group Chief Executive Officer (CEO) of Axxela Limited in 2026, following the retirement of the erstwhile CEO. He has over 15 years of experience spanning legal advisory, corporate governance, finance, taxation and regulatory services. Prior to joining Axxela in 2026, Mr. Olajide served as the Managing Director of Ardova Plc. He was previously a Partner and General Counsel for West Market Area at PricewaterhouseCoopers (PwC)

and began his professional career as an Associate at Aluko & Oyebode. Mr. Olajide holds a Bachelor or Law (LL.B.) degree from Obafemi Awolowo University and a Master of Laws (LL.M.) degree from Columbia Law School.

Table 3: Other Members of Axxela Limited's Management Team

S/N	Name	Role
1	Mr. Kehinde Alabi	MD, Gas Distribution and Marketing
2	Mr. Frank Umole	MD, Gas Infrastructure and Midstream
3	Mr. Tuoyo Ejueyitchie	Director of Corporate Operations
4	Mr. Olufisayo Duduyemi	MD, Integrated Power
5	Ms. Yetunde Demuren	Chief Financial Officer
6	Ms. Olayide Williams	Head, Regional Business Operations
7	Mr. John Chibueze	General counsel and Company Secretary

Source: Axxela Limited

As at 31 December 2025, Axxela Limited's staff strength grew to 107 personnel, from 97 in 2024, in line with its ongoing expansions. The Company's staff cost increased by 36.5% to ₦15.6 billion in the financial year ended 31 December 2025, reflecting the increase in headcount and upward adjustments in salaries. Consequently, Axxela's average cost per employee rose to ₦145.5 million in 2025 (2024: ₦115.3 million). During the same year, the Company's average contribution per employee stood at ₦1.1 billion (2024: ₦1 billion) and was sufficient to cover the average cost per employee 7x, indicating a strong staff productivity level.

FINANCIAL CONDITION

ANALYSTS' COMMENTS

We have analysed the audited financial statements of Axxela Limited for the three years ended 31 December 2025, as well as its management accounts for the three months ended 31 March 2026.

PROFITABILITY

Axxela Limited generates revenue primarily from the sale and distribution of natural gas to industrial and commercial customers across Nigeria and West Africa. The Company delivers gas through an extensive pipeline network as well as a virtual pipeline system that utilises compressed natural gas (CNG) tube trailers to serve off-grid locations. Axxela also earns income from the development of gas transmission infrastructure under concession arrangements with NNPC Gas Marketing Limited (NGML), whereby it finances and constructs pipeline infrastructure and subsequently recovers the related investment over time through agreed allocations from customer gas invoice collections. Additional revenue streams include income from power sales through its integrated power operations, transport income earned from gas delivery logistics and meter rental charges for gas metering infrastructure. Furthermore, Axxela earns foreign exchange through cross-border gas supply under a Gas Sales and Purchase Agreement (GSPA) with Compagnie Énergie Électrique du Togo (CEET) - the Togolese National Power Company - via the 678-kilometre West African Gas Pipeline connecting Nigeria, Ghana, Togo and the Republic of Benin. Gas sales remain the highest revenue driver, contributing 81% of the total in 2025. Revenue predictability is supported by long-term customer contracts, which typically incorporate take-or-pay provisions covering between 70% and 90% of annual contracted volumes.

Given that domestic gas pricing in Nigeria is linked to the U.S. dollar and regulated under the framework of the Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA), Axxela's revenue performance is largely influenced by the volume of gas sold, prevailing domestic gas prices, international gas market dynamics and fluctuations in exchange rates. In the financial year ended 31 December 2025 (FYE 2025), the Company reported revenue of ₦527.7 billion, representing a 13.1% increase over the prior year. The growth was underpinned by an 8.8% increase in the volume of gas sold, a marginal improvement in average realised gas prices to US$8.86/mmscm from US$8.75/mmscm in 2024, as well as the favourable impact of exchange rate movements. Revenue from the Nigerian market accounted for 79.2% of the total, while gas sales to CEET contributed the remaining 20.8%. Within the domestic gas distribution business, the Greater Lagos gas distribution network, operated through Gaslink Nigeria Limited, remained the largest contributor to the Gas Distribution SBU, accounting for over 65% of segment revenue.

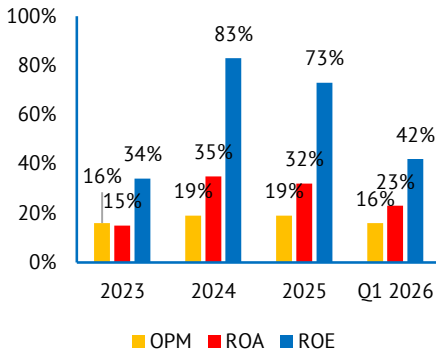
Axxela continues to expand its customer base and distribution footprint. During 2025 and up to the review date in 2026, the Company executed Gas Sales and Purchase Agreements (GSPAs) with 30 new customers. Over the same period, 18 customer connections were completed, while connection activities remain ongoing for a further eight customers. The Company is also extending its pipeline network into new markets, notably through the Sagamu Phase 2E project, which expands coverage to prospective customers beyond its existing service area. The project was completed and commissioned in the first quarter of 2026 and had secured its first customer on the Sagamu axis as at the review date. We expect these initiatives to support continued growth in the Company's customer base and revenue generation over the near term.

Axxela's direct cost is largely driven by expenses on gas procurement, which accounted for approximately 82% of the total in 2025. Other components include costs incurred in the construction and maintenance of spur lines connecting

customers to the Company's distribution network, as well as depreciation charges on existing and new gas and power infrastructure. In FYE 2025, the Company's direct cost-to-revenue ratio improved marginally to 75.4% (2024: 76.4%), reflecting stronger contributions from higher-margin subsidiaries, particularly Central Horizon Gas Company Limited (CHGC) and Transit Gas Nigeria Limited (TGNL). Consequently, gross profit margin increased to 24.6% in FYE 2025 from 23.6% in the prior year. Operating cost-to-sales ratio, however, inched up to 5.5% in FYE 2025 (2024: 4.8%), largely due to higher personnel expenses and a one-off charge of ₦1.4 billion arising from the write-off of project development expenditure associated with discontinued or commercially unviable projects. Nevertheless, the Company recorded a modest improvement in operating profit margin to 19.1% in FYE 2025 from 18.8% in 2024, supported by stronger margins from the gas distribution SBU.

Axxela reported net non-operating income of ₦5.6 billion (2024: ₦1.3 billion) in FYE 2025, comprising interest income on bank balances, recoveries from joint venture partners, contributions from gas connections, pressure reduction and metering station rental charges, and miscellaneous refunds, net of a foreign exchange loss of ₦0.4 million. Net non-operating income represented 1.1% of revenue during the period. Given that about 90% of the Company's non-operating income was derived from interest earned on cash balances, we do not consider this to be a sustainable contributor to earnings, as its recurrence will depend largely on the Company's liquidity position and treasury management decisions.

Figure 2: OPM, ROA & ROE



Axxela's finance costs declined by 30% to ₦3.6 billion in FYE 2025, primarily due to the conversion of a ₦39 billion shareholder loan into equity in 2024 through the issuance of one million redeemable ordinary shares. Consequently, the Company no longer incurred interest expense on the dollar-denominated facility, reducing the finance cost-to-revenue ratio to 0.7% in FYE 2025 (2024: 1.1%), well below our 5% threshold.

Overall, Axxela's profit before tax (PBT) margin improved to 19.4% in FYE 2025 (2024: 18%). The Company's pre-tax, pre-interest return on assets (ROA) and pre-tax return on equity (ROE) ratios moderated to 32.3% and 73.3%, respectively (2024: 35.2% and 82.5%), as the growth in assets and shareholder funds outpaced increase in earnings during the year. Notwithstanding, both metrics remained comfortably above our internal benchmarks.

In the three months ended 31 March 2026 (Q1 2026), Axxela reported revenue of ₦117.7 billion, representing 79% of budgeted performance and a 10.8% decline on an annualised basis, primarily reflecting the impact of adverse exchange rate movements. The Company's gross profit margin improved to 25.4% in Q1 2026, supported by a higher contribution from the Group's better-margin subsidiaries. However, operating expense-to-revenue ratio increased to 9.2%, largely due to the lower revenue base, resulting in an operating profit margin of 16.2%. In Q1 2026, non-operating income, comprising primarily finance income, represented 0.8% of revenue, while the finance cost-to-revenue ratio remained low at 0.7%, below our internal threshold. The Company posted a PBT margin of 16.3% in Q1 2026. Axxela's annualised ROA and ROE stood at 22.5% and 42%, respectively, both remaining above our internal benchmarks

In addition to its customer acquisition and pipeline expansion initiatives, Axxela is establishing a presence in the Federal Capital Territory through the development of a gas distribution network and has executed a GSPA with an Annual Contract Quantity (ACQ) of 11.5MMscm, while discussions with other prospective customers are still in progress.

These endeavours should support volume growth, enhance revenue generation and sustain profitability over the near to medium term.

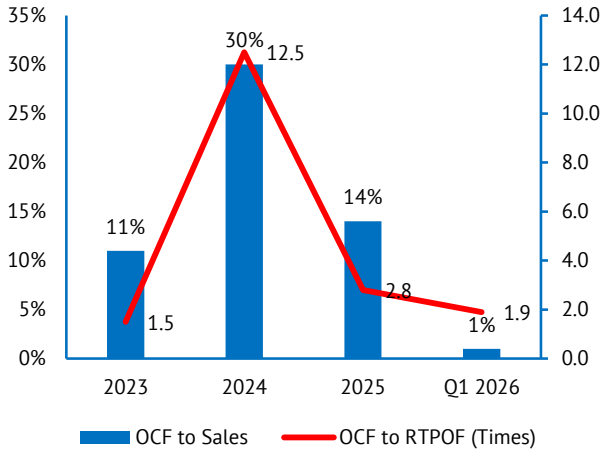
In our opinion, Axxela Limited's profitability is good and sustainable.

CASH FLOW

Axxela Limited generates cash primarily from the sale and distribution of natural gas to industrial and commercial customers across Nigeria and West Africa through its pipeline and virtual gas distribution infrastructure. The Company also generates cash flows from the development of gas transmission infrastructure under concession arrangements with NNPC Gas Marketing Limited, power sales through its integrated power operations, transportation services, meter rental charges and cross-border gas supply to Compagnie Énergie Électrique du Togo under a Gas Sales and Purchase Agreement. Customer contracts are generally structured with credit periods ranging from 15 to 30 days, while supplier obligations are typically settled within 30 to 45 days. As at FYE 2025, the Company's trade receivables and payables days stood at 31 and 33 days respectively, closely aligning with its established trade terms.

In FYE 2025, Axxela's operating cash flow (OCF) declined to ₦75.9 billion (2024: ₦138.8 billion), primarily reflecting higher cash flows towards tax payment, as well as a decline in trade credits. Notwithstanding, the Company's OCF represented 14% of revenue, and was sufficient to cover returns to providers of finance (RTPOF) totalling ₦26.9 billion, and comprising dividend distributions (87%) and interest payments (13%), 2.8x, which was adequate. Historically, Axxela has demonstrated a strong capacity to generate sufficient cash flows to meet its obligations to providers of finance. Over the three years from 2023 to 2025, the Company generate a cumulative OCF of ₦235.9 billion, which was sufficient to cover total RTPOF of ₦52.3 billion, 4.5x. We expect this trend to continue in the near term.

Figure 3: OCF to Sales & OCF to RTPOF



In Q1 2026, Axxela Limited's operating cash flow declined to ₦1.5 billion, reflecting lower levels of spontaneous financing arising from reductions in payables to other vendors and withholding tax liabilities. Nonetheless, the Company's OCF remained sufficient to cover returns to providers of finance, comprising solely interest payments, 1.9x, which was satisfactory. In the near term, we expect the Company to continue to generate positive operating cash flows, supported by robust earnings and favourable working capital dynamics.

In our opinion, Axxela Limited's cash flow position is good.

LIQUIDITY

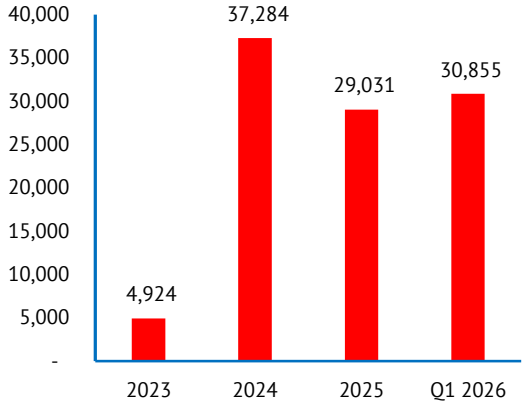
As at 31 December 2025, Axxela Limited's internally generated liquidity position amounted to ₦43.5 billion, comprising 95% in cash and equivalent and 5% in inventory, adjusted to reflect estimated realisable value. This was adequate to cover the Company's short-term maturing obligations of ₦12.5 billion 3.5x, which was good. In addition, the Company had access to committed but undrawn credit facilities totalling ₦12 billion from two commercial banks, providing an additional buffer against potential short-term liquidity pressures.

FINANCING STRUCTURE AND ADEQUACY OF WORKING CAPITAL

As at FYE 2024, Axxela Limited's working assets increased by 13.4% to ₦86.9 billion, driven by higher levels of trade and other receivables. The Company's working assets comprised trade receivables (50.9%), other debtors (31.7%), foreign exchange purchased for imports (14.8%) and inventory (2.5%).

As at the same date, Axxela Limited's spontaneous financing increased by 13.4% to ₦124.1 billion, boosted primarily by an increase in payables to other vendors and withholding tax liabilities. This was sufficient to cover the Company's working assets, resulting in a short-term financing surplus of ₦37.3 billion, consistent with the prior year. In the near term, we expect the favourable trade terms with suppliers and customers to continue to support the Company's working capital position.

Figure 5: Overall Working Capital Position (₦' Million)



As at FYE 2025, Axxela's long-term assets increased by 37.1% to ₦234 billion, primarily driven by additions to assets from the ongoing pipeline expansion projects, particularly within Gaslink's network through Build-Operate-Transfer ("BOT") arrangements with NNPC Gas Marketing Limited. As at the same date, the Company's long-term funds totalled ₦225.8 billion, and comprised equity (71%) and long-term debt (29%). Axxela's long-term funds were insufficient to cover its long-term assets, resulting in a long-term financing need of ₦8.3 billion which was offset with the short-term financing surplus, creating a funding mismatch. Notwithstanding, the Company had a working capital surplus of ₦29 billion as at FYE 2025.

As at Q1 2026, Axxela's spontaneous financing of ₦90.7 billion was sufficient to cover its working assets, leaving a short-term financing surplus of ₦21.1 billion. As at the same date, the Company's long-term funds totalled ₦250.4 billion, and was sufficient to cover its long-term assets, resulting in a working capital available of ₦9.8 billion, and an overall working capital surplus of ₦30.9 billion.

Axxela has generally maintained an appropriate match between the maturity profile of its funding sources and the economic life of the assets financed, supported by favourable working capital dynamics and a strong equity base that

continues to benefit from retained earnings. The long-term funding gap recorded as at FYE 2025 was attributable to elevated capital expenditure associated with the Company's expansion programme. This position normalised in Q1 2026 following further earnings retention, which strengthened shareholders' funds and restored full coverage of long-term assets by long-term funding sources. However, given the capital-intensive nature of the Company's growth strategy, we believe that additional long-term funding would be required in the near term to maintain a balanced capital structure.

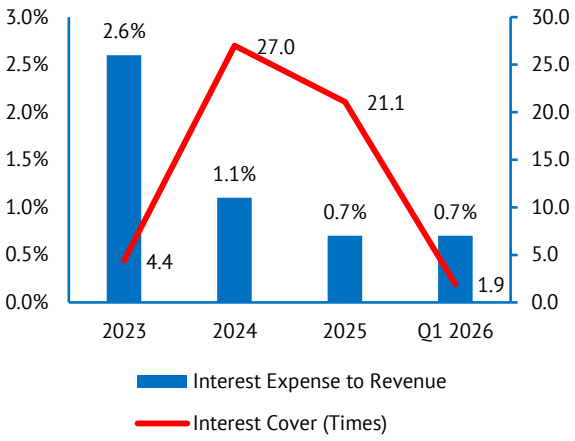
In our opinion, Axxela Limited's working capital is adequate for its operations.

LEVERAGE

As at 31 December 2025, Axxela's total liabilities increased by 17.8% to ₦202.9 billion, comprising 39% interest-bearing and 61% non-interest-bearing obligations. The Company's non-interest-bearing liabilities were primarily made up of trade credits (29%), other payables and accruals (28%) and taxation payable (11%), with the balance attributable to customer advances and obligations under unfunded pension schemes. The Interest-bearing debt consisted of infrastructure credit facilities from Chapel Hill Denham (49%), outstanding balances on the Company's ₦11.5 billion and ₦16.4 billion bond issuances (27%), loans obtained under the Central Bank of Nigeria's Nigerian Gas Expansion Programme (15%) and concessionary facilities from the Bank of Industry (10%). As at FYE 2025, Axxela's assets were funded by equity (44%), non-interest-bearing liabilities (34.3%) and interest-bearing debt (21.7%), depicting a healthy equity cushion in our opinion.

Axxela's interest expense to revenue ratio moderated to 0.7% in FYE 2025 (2024: 1.1%), reflecting easing debt service pressures following the conversion of its foreign-currency denominated shareholders' loan to equity. The interest-expense to revenue ratio remained significantly below our 5% threshold. Similarly, interest cover was robust at 21x in FYE 2025, far exceeding our 3x benchmark. The Company's interest-bearing debt (net of cash and equivalents) to equity and net debt as a percentage of average total assets ratios aligned with our benchmarks at 49% and 57% respectively (2024: 52% and 58%), depicting a low leverage profile.

Figure 6: Interest Expense to Revenue & Interest Cover



Based on unaudited accounts as at 31 March 2026, the Company's interest-bearing debt increased marginally to ₦80.9 billion reflecting additional borrowing. The Company's interest expense to revenue ratio remained low at 0.7% while interest cover moderated to 1.9x due to lower levels of OCF resulting from the settlement of outstanding tax obligations, but stayed satisfactory. Axxela's interest-bearing debt to equity and net debt to total asset ratios remained within acceptable limits at 44% and 41% respectively.

Axxela has several expansion projects underway, including the planned construction of a 54.5km pipeline linking the Escravos–Lagos Pipeline System to the Lekki Free Trade Zone and a 45km pipeline connecting Lagos Business School to Lekki Airport. Both projects are expected to be fully financed through debt. The Company also plans to develop compressed natural gas mother stations across seven locations covering the six geopolitical zones of Nigeria, to be financed through a 51:49 debt-to-equity structure. While these projects are expected to increase the Company's leverage profile, the associated infrastructure investments are anticipated to drive additional gas volumes and revenue generation, thereby enhancing debt-servicing capacity over the medium term. Furthermore, the proposed equity contribution to selected projects, together with the continued accretion of earnings to shareholders' funds, should provide additional equity buffer and preserve financial flexibility.

In our opinion, Axxela Limited's leverage is low.

OUTLOOK

The Natural Gas Industry remains a critical component of Nigeria's energy transition agenda and industrialisation strategy, supported by the country's vast gas reserves, increasing domestic gas utilisation and government-led initiatives aimed at deepening gas penetration across the economy. Industry demand is driven by the growing adoption of natural gas as a lower-cost and cleaner alternative to liquid fuels by industrial, commercial and power sector customers, as well as ongoing investments in gas distribution, processing and transportation infrastructure. The operating environment continues to benefit from policy support under the Decade of Gas Initiative, the Nigerian Gas Expansion Programme and the Petroleum Industry Act, which seek to encourage domestic gas development and consumption. However, the industry remains exposed to infrastructure deficits, security challenges affecting gas supply, foreign exchange volatility and the significant capital requirements associated with network expansion. Notwithstanding these challenges, we expect demand for natural gas to remain robust over the near to medium term, supported by rising energy needs, continued fuel substitution by industrial users and ongoing investments across the domestic gas value chain.

Axxela is positioning itself to maintain its dominant position in Nigeria's gas midstream and downstream market by leveraging its concession arrangement with NNPC Gas Marketing Limited to accelerate the expansion of its gas distribution network. The Company has a number of growth initiatives underway, including the development of additional gas pipeline infrastructure across Lagos, Sagamu and Abuja, as well as the establishment of mini-LNG plants to facilitate the delivery of natural gas to underserved markets in Northern Nigeria through virtual pipeline solutions. In addition, Axxela is pursuing a range of strategic opportunities aimed at strengthening gas supply security, expanding processing capacity and broadening its presence across domestic and regional markets. These efforts are expected to enhance the Company's ability to meet growing customer demand, increase gas throughput, diversify revenue streams and strengthen its competitive position. We believe the successful execution of these initiatives will enhance the Company's gas volumes, diversify its revenue streams, strengthen supply security and support earnings growth over the medium term.

We expect the Company's operating cash flow to remain robust over the near term, supported by strong earnings and favourable trade terms with customers and suppliers. Axxela plans to finance its expansion projects primarily through

debt, supplemented by equity funding in selected cases. The anticipated capital injections are expected to strengthen the Company's long-term funding position. While the incremental borrowing is expected to elevate the Company's debt profile, we believe that the additional earnings from these investments should enhance debt-servicing capacity. Furthermore, continued profit accretion, together with capital contributions to selected projects, should provide an additional buffer to absorb the potential increase in leverage.

Based on the above, we hereby attach a **stable** outlook to Axxela Limited

FINANCIAL SUMMARY

STATEMENT OF COMPREHENSIVE INCOME	31-DEC-23		31-DEC-24		31-DEC-25		31-MAR-26 (UNAUDITED)	
	₦'MILLION		₦'MILLION		₦'MILLION		₦'MILLION	
REVENUE	188,083	100%	466,574	100%	527,679	100%	117,715	100%
GROSS PROFIT	43,239	23%	110,055	24%	129,722	25%	29,894	25%
OPERATING PROFIT	29,300	16%	87,753	19%	100,543	19%	19,054	16%
INTEREST EXPENSE	(4,839)	-3%	(5,141)	-1%	(3,600)	-1%	(792)	-1%
PROFIT BEFORE TAXATION	22,832	12%	83,945	18%	102,538	19%	19,155	16%
TAX (EXPENSE) BENEFIT	(6,243)	-3%	(28,908)	-6%	(27,616)	-5%	(5,252)	-4%
PROFIT AFTER TAXATION	16,589	9%	55,036	12%	74,921	14%	13,903	12%
DIVIDEND	(7,607)	-4%	-	0%	(23,312)	-4%	-	0%
PROFIT RETAINED FOR THE YEAR	6,898	4%	47,890	10%	42,410	8%	13,903	12%
OTHER APPROPRIATIONS/ ADJUSTMENTS	-		-		-		-	
PROFIT RETAINED B/FWD	26,344		33,241		81,131		123,541	
PROFIT RETAINED C/FWD	**33,241**		**81,131**		**123,541**		**137,444**	

STATEMENT OF FINANCIAL POSITION	31-DEC-23		31-DEC-24		31-DEC-25		31-MAR-26 (UNAUDITED)	
	₦'MILLION		₦'MILLION		₦'MILLION		₦'MILLION	
ASSETS								
CASH & EQUIVALENTS	15,344	8%	45,219	15%	41,528	11%	43,706	12%
TOTAL TRADING ASSETS	80,570	40%	76,618	26%	86,863	24%	69,585	20%
TOTAL LONG-TERM ASSETS	107,777	53%	170,592	58%	234,005	65%	240,576	68%
TOTAL ASSETS	**203,691**	**100%**	**292,429**	**100%**	**362,395**	**100%**	**353,867**	**100%**
GROWTH	*49.2%*		*43.6%*		*24%*		*-2%*	
LIABILITIES & EQUITY								
TOTAL INTEREST-BEARING LIABILITIES	60,545	30%	62,804	21%	78,752	22%	80,984	23%
TOTAL NON-INTEREST-BEARING LIABILITIES	59,921	29%	109,443	37%	124,144	34%	90,656	26%
TOTAL LIABILITIES	120,466	59%	172,247	59%	202,896	56%	171,640	49%
SHAREHOLDERS' EQUITY	83,226	41%	120,182	41%	159,500	44%	182,227	51%
TOTAL LIABILITIES & EQUITY	**203,691**	**100%**	**292,429**	**100%**	**362,395**	**100%**	**353,867**	**100%**

CASH FLOW STATEMENT	31-DEC-23	31-DEC-24	31-DEC-25	31-MAR-26 (UNAUDITED)
	₦'MILLION	₦'MILLION	₦'MILLION	₦'MILLION
OPERATING ACTIVITIES				
POTENTIAL OPERATING CASH FLOW	47,310	79,376	71,409	17,739
WORKING CAPITAL CHANGES:				
CASH FROM (USED BY) SPONTANEOUS FINANCING	18,189	55,505	14,701	(33,488)
CASH FROM (USED BY) TRADING ASSETS	(44,252)	3,952	(10,245)	17,278
CASH FROM (USED IN) OPERATING ACTIVITIES	**21,247**	**138,834**	**75,865**	**1,530**
RETURNS TO PROVIDERS OF FINANCING (RTPOF)				
INTEREST PAID	(4,839)	(5,141)	(3,600)	(792)
DIVIDEND PAID	(9,442)	(5,983)	(23,312)	-
OPERATING CASH FLOW AFTER RTPOF	**6,966**	**127,710**	**48,953**	**738**
CASH FROM (USED IN) INVESTING ACTIVITIES	**(26,159)**	**(63,926)**	**(65,559)**	**(12,541)**
CASH FROM (USED IN) FINANCING ACTIVITIES	**18,109**	**2,259**	**15,948**	**2,232**
CHANGE IN CASH INC/(DEC)	(2,376)	29,875	(3,691)	2,178
OPENING CASH & MARKETABLE SECURITIES	17,720	15,344	45,219	41,528
CLOSING CASH & MARKETABLE SECURITIES	**15,344**	**45,219**	**41,528**	**43,706**

KEY RATIOS	31-DEC-23	31-DEC-24	31-DEC-25	31-MAR-26 (UNAUDITED)
PROFITABILITY				
SALES GROWTH	56%	148%	13%	-11%
OPERATING PROFIT MARGIN	16%	19%	19%	16%
RETURN ON ASSETS (PRE-INTEREST PRE-TAX)	15%	35%	32%	23%
RETURN ON EQUITY (PRE-TAX)	34%	83%	73%	42%
CASH FLOW				
OCF AS % OF RETURNS TO PROVIDER OF FINANCING	NA	NA	282%	193%
OCF AS % OF SALES	11%	30%	14%	1%
WORKING CAPITAL				
WORKING CAPITAL NEED (DAYS)	40	-	-	-
OVERALL WORKING CAPITAL DEFICIENCY (DAYS)	-	-	-	-
LEVERAGE				
NET DEBT AS % OF AVERAGE TOTAL ASSETS	68%	58%	57%	41%
TOTAL LIABILITIES TO EQUITY	145%	143%	127%	94%
OTHER ADDITIONAL INFORMATION				
STAFF COSTS (₦' MILLION)	7,446	11,412	15,572	3,484
AVERAGE NUMBER OF STAFF	89	99	107	107
STAFF COSTS PER EMPLOYEE (₦'MILLION)	84	115	146	33
CAPITAL EXPENDITURE (₦'MILLION)	5,539	2,560	6,239	226
DEPRECIATION AND AMORTISATION (₦'MILLION)	3,424	4,039	6,611	3,045
EBITDA (₦' MILLION)	31,094	93,125	112,750	22,992
AUDITORS	EY	EY	EY	UNAUDITED
OPINION	CLEAN	CLEAN	CLEAN	NA

LONG-TERM RATING DEFINITIONS

Aaa	A company with the best financial condition and strongest capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
Aa	A company with very good financial condition and strong capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.
A	A company with good financial condition and strong capacity to meet its obligations relative to all other issuers in the same country.
Bbb	A company with satisfactory financial condition and adequate capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.
Bb	A company with satisfactory financial condition but limited capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
B	A company with weak financial condition and weak capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
C	A company with very weak financial condition and very weak capacity to meet obligations as and when they fall due are relative to all other issuers in the same country.
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.

SHORT-TERM RATING DEFINITIONS

A1+	A company with the strongest capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country
A1	A company with a strong capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country
A2	A company with adequate capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country
A3	A company with limited capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country
B	A company with weak capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country
C	A company with very weak capacity to meet short-term obligations as and when they fall due relative to other issuers/obligations in the same country
D	A company in default

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