

AXXELA LIMITED

2025 Final Corporate Rating Review Report

 **Agusto&Co.**

Research, Credit Ratings, Credit Risk Management

Axxela Limited

Issuer Rating:

Aa-

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

Outlook: Stable

Issue Date: 14 August 2025

Expiry Date: 30 June 2026

Previous Rating: A

Industry: Natural Gas

Outline	Page
Rationale	1
Company Profile	4
Ownership, Mgt & Staff	5
Financial Condition	7
Outlook	11
Financial Summary	13
Rating Definition	15

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RATING RATIONALE

Agusto & Co. hereby upgrades the rating assigned to Axxela Limited ('Axxela' or 'the Company') to "Aa-". The rating reflects the consistent improvement in the Company's financial performance, evidenced by its strong profitability, robust operating cash flow, adequate working capital and low leverage position. The rating is further strengthened by Axxela's sustained investment in critical gas infrastructure, reinforcing its leadership in Nigeria's expanding natural gas market, including its regional influence in gas distribution and cross-border trade. In addition, the rating considers the indexation of local gas prices to the US dollars and inflation, offering a natural hedge against currency risk and amplifying the Company's ability to price adequately. Operationally, Axxela also continues to benefit from exclusive distribution of gas within its franchise network, providing reasonable revenue assurance and preserving its margins from the potential effect of competition. Nonetheless, the rating is moderated by supply assurance risk arising from the Company's dependence on the Escravos-Lagos Pipeline network¹, which could impact its contractual performance in the event of a disruption.

Axxela Limited (along with its subsidiaries²) is a pioneer private sector developer of natural gas infrastructure in Nigeria. With over 360 kilometres of developed pipeline infrastructure and a throughput capacity of 236 million standard cubic feet per day, Axxela operates across the full spectrum of the natural gas value chain, delivering energy solutions to more than 200 industrial and commercial customers. The Company is also a designated shipper on the West African Gas Pipeline (WAGP) and a member of the West African Power Pool (WAPP), reinforcing its strategic role in regional gas distribution and cross-border energy trade.

In the financial year ended 31 December 2024 (FYE 2024), Axxela's revenue surged 2.5x to ₦466.6 billion, driven by positive foreign exchange (FX) differentials amid rapid depreciation of the Naira and marginal volume growth. During FYE 2024, the Company's direct cost to sales ratio was largely stable at 76.4% (2023: 77%), underpinned by its ability to pass on cost increases to customers. As a result, Axxela maintained a steady gross profit margin of 23.6% in FYE 2024 (2023: 23%). Despite rising cost pressures, the Company's operating profit margin (OPM) improved to 18.8% in FYE 2024 (2023: 15.6%) backed by superior growth in top line. In the same vein, the pre-interest, pre-tax profit margin in FYE 2024 rose to 19.1% (2023: 14.7%), supported by interest income on Axxela's bank balances, while its pre-tax profit margin improved to 18% (2023: 12.1%) as the growth in top line outpaced increase in

¹ Escravos-Lagos Pipeline Network is Axxela's single source supply of gas to its Lagos franchise area which accounts for up to at least 60% of the Company's revenue.

² Axxela Limited's operating subsidiaries are Gaslink Nigeria Limited (GNL), Central Horizon Gas Company Limited (CHGC), Gas Network Services Limited (GNSL) and Transit Gas Nigeria Limited (TGNL).

its interest expense. Overall, the Company's pre-interest, pre-tax return on assets (ROA) rose notably to 30.5% in FYE 2024 (2023: 13.6%), while its pre-tax return on equity (ROE) grew 2.5x to 69.8%, outperforming the yield on 364-day treasury bills. Given Axxela's sustained investment in gas infrastructure aimed at expanding its market coverage, coupled with the robust demand for natural gas, we anticipate continued improvement in the Company's revenue and profitability.

In the unaudited accounts for the six months ended 30 June 2025 (Jun'2025 YTD), Axxela's revenue stood at ₦230.6 billion. Annualised, this performance represented 68% of the sales forecast for 2025. During Jun'2025 YTD, the Company maintained a healthy gross profit margin of 27.3%, while its OPM of 19.3% exceeded our internal benchmark for natural gas operators. Supported by other income, which muted the impact of finance costs, the Company's pre-tax profit margin improved to 21.6% in Jun'2025 YTD. Overall, Axxela posted an annualised ROA and ROE ratios of 31.8% and 60.6% respectively.

Axxela's operating cash flow (OCF) grew by 6.3x to ₦133.6 billion in FYE 2024, primarily driven by strong earnings and suppliers' credit. As a result, the Company's OCF to sales ratio rose markedly to 28.6% in FYE 2024 (2023: 11.3%), exceeding our internal benchmark of 20%. Also, the reported OCF in FYE 2024 was more than adequate to cover the returns to providers of finance (RTPoF) of ₦11.1 billion, comprising dividend (54%) and interest payment (46%), by 12x. Similarly, the three-year (2022 – 2024) cumulative OCF of ₦160.1 billion was equally sufficient to meet the cumulative RTPoF of ₦29.2 billion, highlighting the strength of the Company's internal funding capacity. Anchored on the Company's expanding operations, we expect its OCF to continue to grow.

As at FYE 2024, Axxela recorded a short-term financing surplus of ₦27.6 billion and an available working capital of ₦8.5 billion, leading to an overall working capital surplus of ₦36.1 billion. Hinged on its strategy which aligns funding maturities to asset lifecycles, along with its favourable trade terms, we expect the Company to continue to maintain an adequate working capital position.

As at FYE 2024, Axxela's total liabilities, comprising non-interest-bearing debt (60%) and interest-bearing debt (40%), rose by 43% to ₦172.2 billion due to additional borrowings and increased trade obligations. As at the review date, the Company's net debt to average total assets ratio decreased to 58.3% (68.4%), supported by increased cash balance. In the same vein, interest-bearing debt to equity ratio improved to 56.6% (2023: 72.7%), driven by higher profit retention during the year. Despite increased borrowings, interest expense to sales ratio in FYE 2024 decreased to 1.1% (2023: 2.6%), backed by superior top line growth. During the year, OCF cover of interest expenses was also more than adequate at approximately 26x, highlighting overall improvement in the Company's debt repayment capacity. While we expect Axxela to take on new loans amid ongoing expansion, we believe its financial flexibility will be preserved given its well-balanced capital structure.

Looking ahead, Axxela is strategically positioned to lead Nigeria's energy transition through its investments in gas infrastructure, power generation and cleaner energy solutions. With a robust project pipeline, strong regional partnerships and a restructured business model, the Company is well-equipped to deliver sustainable growth and deepen its impact across West Africa's energy landscape.

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

Figure 1: Strengths, Weakness, Opportunities and Challenges



PROFILE OF AXXELA LIMITED

Axxela Limited is a pioneer private sector developer of natural gas infrastructure in Nigeria, originally established in 2001 as Oando Gas & Power Limited. In 2017, the Company rebranded to Axxela Limited following divestment by previous shareholders and subsequent emergence of its current owners – Helios Investment Partners and Sojitz Corporation. With more than 360 kilometres (Km) of pipeline infrastructure developed and a throughput capacity of 236 million standard cubic feet per day (mmscf/d), Axxela operates across the entire natural gas value chain, delivering energy solutions to over 200 industrial and commercial customers. Axxela is also a designated shipper on the West African Gas Pipeline (WAGP) and a member of the West African Power Pool (WAPP), positioning it as a key player in regional energy integration and cross-border gas trade. In 2018, Axxela entered into a contract with WAGP for the transportation of over 15 mmscf/d of natural gas via the 678 Km regional pipeline linking the Escravos-Lagos pipeline network in Nigeria to Takoradi in Ghana, with gas delivery laterals from the main line extending to Cotonou, Benin; Lome, Togo; and Tema, Ghana.

Until early 2025, Axxela conducted its business via its operating subsidiaries, including joint venture (“JV”) with third-parties:

Subsidiary	Business Focus
Gaslink Nigeria Limited (“GNL”)	GNL, in conjunction with the NNPC Gas Marketing Limited (NGML), operates an exclusive gas distribution franchise in the Greater Lagos area via a pipeline network of over 180 Km with a capacity of 130 mmscf/d. This concession arrangement accounts for 72% of Axxela’s natural gas distribution to industrial and commercial customers, reaching over 165 entities, including several blue-chip companies.
Central Horizon Gas Company Limited (“CHGC”)	CHGC distributes natural gas through a pipeline infrastructure of over 23 km to the Port Harcourt franchise area under a JV between Axxela, the Rivers State Government and TSL Logistics.
Gas Network Services Limited (“GNSL”)	GNSL is Axxela’s pioneer foray into the compressed natural gas (CNG) business. GNSL is now primarily focused on the trading of CNG following the sale of its 5.2 mmscf/d mother station to NGML.
Transit Gas Nigeria Limited (“TGNL”)	TGNL distributes natural gas to the Sagamu area under a JV with NGML.

In the first half of 2025, this structure was modified with the introduction of strategic business units (SBUs) tailored to enable the Company pursue growth opportunities across multiple verticals. These SBUs include:

SBU	Focus
Gas Distribution	Warehouses existing subsidiaries such as Gaslink, CHGC, TGNL, and GNSL, and focuses on driving Axxela’s gas distribution business
Gas Midstream Infrastructure	Develops infrastructure such as LNG and gas processing facilities to monetise stranded gas and strengthen supply security
Integrated Power	To continue and develop Axxela’s power business, including prospecting for new captive and embedded power generation opportunities.
Regional Business	Oversees cross-border gas trading and delivery, including the existing gas supply contract to the Togolese National Power Company - Compagnie Energie Electrique du Togo (CEET) and explore expansion into other West African markets

This restructuring is expected to improve decision-making, enhance accountability and drive synergies across the value chain, ultimately boosting Axxela’s operating performance and profitability.



Axxela has recently completed several high-impact projects, including the commissioning of the BUA Cluster pipelines, Ibafo Local Industrial Area and Segment 1A and 1B of the Victoria Island - Lekki Pipeline, which now supplies gas to Eko Atlantic. It also broke ground on a 20 mmscf/d mini-liquefied natural gas (LNG) plant in Ajaokuta and secured new gas distribution licenses for Gaslink and CHGC. These developments are expected to significantly expand Axxela’s market reach and revenue base. Ongoing projects such as the Sagamu Phase 2E pipeline, Victoria Island - Lekki Pipeline Segment 2 – 4, and the planned construction of compressed natural gas (CNG) stations across the six geopolitical zones in Nigeria are poised to unlock new demand and support the company’s long-term growth. As part of its long-term strategy to grow its power segment, Axxela is part of a consortium that won the bid to acquire a 60% equity stake in a leading electricity distribution company in Nigeria. Management intends to capitalise on this deal to drive gas sales, including capturing captive and embedded power generation opportunities by leveraging the distribution company’s infrastructure.

OWNERSHIP, MANAGEMENT & STAFF

On 24 July 2024, the Company converted its existing shareholder loans to equity, resulting in the issue of one million redeemable ordinary shares at 50 kobo each. Consequently, Axxela’s authorised share capital as at 31 December 2024 increased to ₦10.5 million, comprising 21 million units of ordinary shares at 50 kobo each. The Company is wholly owned by Glover Gas & Power B.V.³ (“Glover B.V”), a special purpose vehicle incorporated in the Netherlands by Helios Investment Partners. Glover B.V is in turn owned by Helios Investment Partners (HIP) Glover SCS (75%) and Sojitz Corporation (25%).

BOARD COMPOSITION AND STRUCTURE

As at the financial year ended 31 December 2024 (FYE 2024), the Company had an eight-member Board of Directors (the “Board”) comprising seven non-executive directors (NEDs), including the Chairman, and an executive director (ED). The Board is led by Mr Omoboyede Olusanya, as the Chairman, while Mr Mobolaji Osunsanya was the Chief Executive Officer until his retirement and transition to non-executive directorship in December 2024. He was subsequently replaced by Mr Ogbemi Ofuya, who later resigned from the Board following his exit from HIP. Mr Timothy Ononiwu was appointed as the Group Chief Executive Officer, effective 21 February 2025, replacing Mr Ogbemi Ofuya. Also, on 1 January 2025, Dr Lazarus Angbazo resigned from the Board as a non-executive director, while Mr Ali-Abbas Punjani was appointed as an NED with effect from 14 July 2025.

The Board carries out its oversight functions through three committees namely – the Governance and Remuneration Committee; the Safety, Audit and Risk Committee; and the Strategy and Finance Committee. Axxela’s Board is composed of a healthy blend of executive, non-executive and independent directors, reflecting strong compliance with corporate governance best practices. The inclusion of shareholder representatives ensures strategic alignment with investor interests, while independent directors provide balance and objectivity. We believe this structure supports governance integrity and enhances the Board’s effectiveness in providing strategic direction to the Company.

Table 1: Current Directors

Name	Designation	Representing	Nationality
Mr Omoboyede Olusanya	Chairman		Nigerian

³ Glover B.V held a 49% legal voting (100% economic interest) equity stake in Axxela Limited, while Mr. Tope Lawani (nominee of Helios) held a 51% (legal voting) equity stake in trust for Glover Gas & Power B.V as at the same date.



Mr Timothy Ononiwu	Group Chief Executive Officer		Nigerian
Mr Jeremy Bending	Independent Non-Executive Director		British
Ms Kaat Van Hecke	Independent Non-Executive Director		Belgian
Mr Mobolaji Osunsanya	Non-Executive Director		Nigerian
Mr Ali-Abbas Punjani	Non-Executive Director	Helios	Kenyan
Mr Nitin Kaul	Non-Executive Director	Helios	British
Mr Daisuke Sugiyama	Non-Executive Director	Sojitz	Japanese

Source: Axxela Limited's Management Presentation 2025

MANAGEMENT TEAM

The executive management team of the Company is led by the Group Chief Executive Officer, along with the directors of the SBUs, supported by fifteen other senior management personnel. Collectively, the team averages over 20 years of experience spanning oil and gas, gas infrastructure development, project finance, financial services, business development, accounting, legal services, economics, strategy and business restructuring, mergers and acquisition, information technology and human resource management. In our view, these individuals possess diverse experience and are suitably qualified for their respective roles.

Mr Timothy Ononiwu doubles as the Group Chief Executive Officer of Axxela Limited and the Managing Director of the Company's Regional Business SBU, with the latter role primarily delegated to Ms Olayide Williams (Head, Business Development – Regional Business). He is a seasoned executive with over 27 years of experience spanning project financing, financial advisory, capital raising, business development and project management. His career includes senior roles in global institutions such as BBVA Securities, Fitch Ratings and Dexia, as well as leadership positions in Nigeria's power and oil & gas sectors. Mr Ononiwu holds a Master of Business Administration in Finance and International Business from Columbia Business School, New York and has led key transactions including Axxela's ₦11.5 billion and ₦16.4 billion bond issuances listed on the Nigerian Exchange and FMDQ Exchange.

Table 2: Other Members of Axxela's Executive Management Team

Name	Designation
Mr Franklin Umole	Managing Director, Gas Midstream Infrastructure
Mr Timothy Ononiwu	Managing Director, Regional Business
Mr Kehinde Alabi	Managing Director, Gas Distribution
Mr Olufisayo Duduyemi	Managing Director, Integrated Power
Mr Tuoyo Ejueyitchie	Director, Corporate Operations

Source: Axxela Limited's Management Presentation 2025

In FYE 2024, the Company's staff strength increased to 99 employees (2023: 89 employees) driven by new hires amid ongoing expansion. During the year, the average cost per employee grew by 37.8% to ₦115.3 million, reflecting the cost of new hires and salary increase implemented during the year. Similarly, the average contribution per employee (measured as operating profit adjusted for staff cost) surged 2.4x to ₦1 billion in FYE 2024, driven by strong profit performance during the year. As a result, the average earnings per employee relative to average staff cost increased to 8.7x (2023: 4.9x), depicting strong staff productivity level.

FINANCIAL CONDITION

ANALYSTS' COMMENTS

Axxela Limited together with its operating subsidiaries - Gaslink Nigeria Limited (GNL), Central Horizon Gas Company Limited (CHGC), Gas Network Services Limited (GNSL) and Transit Gas Nigeria Limited (TGNL) - are referred to as the Axxela Group ("Axxela", "the Company" or "Axxela Limited"). These subsidiaries are now subsumed under its gas distribution strategic business unit (SBU). Other SBUs include the Gas Midstream Infrastructure, Integrated Power and the Regional Business. We have analysed the consolidated audited financial statements of Axxela Limited for the year ended 31 December 2023 and its management account for the six months ended 30 June 2025.

PROFITABILITY

Axxela Limited primarily generates revenue through the sale and distribution of natural gas to a diverse range of commercial and industrial clients. The Company delivers gas via an extensive network of physical pipeline infrastructure, complemented by a virtual pipeline system that utilises tube trailers to transport compressed natural gas (CNG) to off-grid customer locations. In addition to its core gas distribution business, Axxela also derives income from the sale of power, a growing segment that aligns with its broader energy solutions strategy. While Axxela operates predominantly within Nigeria's natural gas market, it also earns foreign exchange through cross-border gas supply under a Gas Sales and Purchase Agreement (GSPA) with the Togolese National Power Company - Compagnie Energie Electrique du Togo (CEET). This supply is facilitated through the 678 Km West African Gas Pipeline (WAGP), a key gas infrastructure connecting Nigeria, Ghana, Togo and Benin. Customer contracts are typically structured as long-term agreements with 'take-or-pay' clauses, covering 70 - 90% of the annual contracted volume, ensuring revenue predictability.

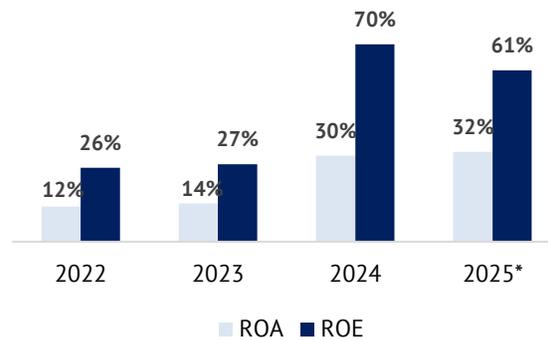
Given that the domestic price of natural gas is indexed to the US dollars, fluctuations in global gas prices and foreign exchange (FX) rates directly impact Axxela's top line, either positively or negatively. However, the impact of gas price movements within Nigeria is somewhat moderated by the existing domestic pricing framework, which is designed to promote affordability and stability in the local market. In the financial year ended 31 December 2024 (FYE 2024), the Company's revenue grew 2.5x to ₦466.6 billion, driven by positive FX differentials amid rapid depreciation of the Naira, including marginal increase in sales volume. Of the recorded revenue for the year, gas sales accounted for 82%, while the remaining 18% were from auxiliary businesses such as power sales, gas transport, pipeline construction and concession services. Geographically, the domestic business remained dominant, accounting for 78% of the Company's revenue, while inflows accruing from gas supply to CEET made up the remaining 22%. Axxela's gas network continues to expand as it intensifies investment in critical pipeline infrastructure. At the same time, its customer base across both its gas distribution zones and off-grid virtual networks is steadily growing, indicative of a deepening market penetration. We expect these developments to support top line growth over the near to medium term.

During FYE 2024, Axxela maintained a stable direct cost to sales ratio of 76.4% (2023: 77%), reflecting its ability to pass on cost pressures to consumers, including the inherent cost-recovery model associated with its business. As a result, the gross profit margin remained steady at 23.6% in FYE 2024 (2023: 23%), highlighting the naturally offsetting impact of FX differentials on gas pricing and its direct costs. The Company's operating profit margin (OPM) increased to 18.8% in FYE 2024 (2023: 15.6%) as superior top line growth muted the impact of rising operating cost pressures. The pre-interest, pre-tax profit margin rose to 19.1% in FYE 2024 (2023: 14.7%), supported by interest income on Axxela's bank balances. As a result, Axxela's pre-tax profit margin improved to 18% in FYE 2024 (2023: 12.1%) as the rise in top line outpaced increase in its interest

expense. Overall, the Company's pre-interest, pre-tax return on assets (ROA) rose markedly to 30.5% in FYE 2024 (2023: 13.6%), while its pre-tax return on equity (ROE) surged 2.5x to 69.8%, surpassing the yield on 364-day treasury bills.

In the unaudited accounts for the six months ended 30 June 2025 (Jun'2025 YTD), Axxela's revenue stood at ₦230.6 billion, representing 68% of its sales forecast for the period. Given that the FX rate is expected to remain largely stable for the rest of 2025, we believe volume growth would be critical in maintaining Axxela's strong topline growth. During Jun'2025 YTD, the Company's gross profit margin remained good at 27.3%, while its OPM of 19.3% exceeded our internal benchmark for operators in the Natural Gas Industry. Supported by other income, which muted the impact of finance costs, the pre-tax profit margin strengthened to 21.6% in Jun'2025 YTD. Overall, Axxela posted an annualised ROA and ROE of 31.8% and 60.6% respectively.

Figure 2: ROA & ROE (2022 – YTD Jun 2025)



Moving forward, we anticipate sustained top line growth as Axxela continues to optimise its expanding gas infrastructure to capture more value in the market. The Company's long-term contracts, underpinned by "take-or-pay" clauses, as well as the exclusivity of its operations within designated franchise areas remain critical enablers of revenue stability and business sustainability. Given the indexation of gas prices to the US dollar, coupled with the cost-recovery model embedded in customer contracts, we believe Axxela is well-positioned to maintain healthy profitability levels over the near to medium term.

In our view, the Company's overall profitability is good and sustainable.

CASH FLOW

Axxela mainly generates cash from the sale of natural gas to a wide range of industrial and commercial customers across Nigeria and Togo. In addition to its core gas distribution business, the Company also earns cash from the sale of power, gas transportation, meter rentals, construction and concessioning services. Under its long-term gas supply contracts, Axxela typically offers customers a credit period ranging from 15 to 30 days, while its payment terms with suppliers extend up to 30 days. In FYE 2024, the Company's average trade receivable period reduced to 32 days (2023: 43 days), highlighting improved collection efficiency. Despite the impact of FX on gas supply invoices received towards the end of the year, the average trade payable period still decreased notably to 45 days (2023: 68 days), reflecting a strengthened ability to meet trade obligations.

In FYE 2024, the Company's operating cash flow (OCF) surged 6.3x to ₦133.6 billion, largely driven by strong earnings and higher trade credits. Consequently, Axxela's OCF to sales ratio strengthened to 28.6% in FYE 2024 (2023: 11.3%), outperforming our internal benchmark of 20%. Also, the reported OCF in FYE 2024 was more than adequate to cover the returns to providers of finance (RTPoF) of ₦11.1 billion, comprising dividend (54%) and interest payment (46%), by 12x. Similarly, the three-year (2022 – 2024) cumulative OCF of ₦160.1 billion was equally sufficient to meet the cumulative RTPoF of ₦29.2 billion, which we consider good.



In the unaudited accounts for the six months ended 30 June 2025 (Jun'2025 YTD), the Company's OCF stood at ₦22.2 billion. During the period, the OCF to sales ratio remained good at 9.6%, while the OCF cover of RTPoF was more than adequate at 14x. Over the near to medium term, we expect Axxela's cash flow to be strengthened by increasing gas off-take and throughput supported by a growing client base across its distribution zones. The Company is also prospecting a new gas distribution zone in Abuja for the supply of gas to industrial and commercial consumers anchored on a GSPA with Rite Foods Limited and an embedded power generation arrangement with Abuja Electricity Distribution Company. Furthermore, Axxela is part of a consortium that won the bid to acquire a 60% equity stake in a leading electricity distribution company in Nigeria. Management plans to leverage this investment to boost gas sales and capture opportunities in captive and embedded power generation. Forging ahead, we expect these initiatives to strengthen Axxela's strategic entry into the Power Industry and contribute to future earnings and cash flow growth.

In our view, Axxela's overall cash flow position is good.

LIQUIDITY PROFILE

As at FYE 2024, Axxela's liquidity position stood at ₦46.6 billion, comprising cash and cash equivalent (97%) and inventory (3%). This amount was adequate to cover the Company's maturing short-term obligations 5.1x, highlighting a strong internal funding capacity. In addition, Axxela maintains relationships with twelve established banks, benefitting from committed credit lines which serve as reliable buffer of internal liquidity, if needed. Given the Company's strong earnings, credit history and track record in the debt capital market, we believe it would continue to enjoy access to competitively priced funds.

FINANCING STRUCTURE AND ADEQUACY OF WORKING CAPITAL

As at FYE 2024, Axxela Limited's working assets declined by 4.9% to ₦76.6 billion as collection of non-trade receivables muted the rise in trade debtors during the year. The main components of working assets as at FYE 2024 were trade debtors (54%), other debtors and prepayments (27%), deposit for FX (17%) and inventory (2%).

As at the review date, Axxela's spontaneous financing rose to ₦104.2 billion (2023: ₦59.9 billion), driven by increased trade payable balance and tax liabilities. The growth in trade payables reflects the impact of FX differentials on unsettled gas supply invoices, while the rise in tax liabilities corresponds with the Company's strong profit performance in FYE 2024. The major components of spontaneous financing were trade creditors (42%), tax liabilities (24%), other creditors and accruals (14%) and deferred taxation (9%). As at FYE 2024, spontaneous financing was sufficient to cover the working assets, resulting in a short-term financing surplus (STFS) of ₦27.6 billion.

Figure 3: Working Capital Surplus (2022 – YTD Jun 2025)



As at FYE 2024, the Company’s long-term assets grew by 58.3% to ₦170.6 billion, reflecting sustained investment in critical gas infrastructure in line with ongoing expansion initiatives. As at the same date, Axxela’s long-term funds of ₦179.1 billion, comprising equity (67%) and long-term borrowings (33%), were sufficient to cover the long-term assets, leaving an available working capital of ₦8.5 billion. Overall, the Company posted a working capital surplus of ₦36.1 billion.

The unaudited results as at 30 June 2025 showed a short-term financing surplus of ₦2.3 billion and an available working capital of ₦38.3 billion, leading to a working capital surplus of approximately ₦41 billion.

Axxela continues to leverage favourable trade terms to manage its working capital efficiently, while appropriately matching funding tenor to asset life cycle. This strategic approach is further complemented by a strong equity base, which continues to grow through consistent profit retention. Barring any changes to this funding model, we expect the Company to maintain an adequate working capital position.

In our view, the Company’s working capital position is adequate.

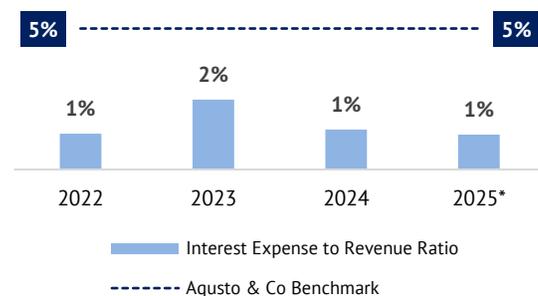
LEVERAGE

As at FYE 2024, the Company’s total liabilities, comprising non-interest-bearing debt (60%) and interest-bearing debt (40%), rose by 43% to ₦172.2 billion, driven by additional borrowings and increased trade obligations. The main components of non-interest-bearing debt (NIBD) were trade creditors (42%), tax liabilities (24%) and other creditors and accruals (14%).

In April 2024, Axxela Funding 1 PLC – a wholly owned subsidiary of Axxela Limited, raised a ₦16.4 billion 10-year 21% fixed rate bond under its ₦50 billion multi-instrument issuance programme. The net proceeds of the issue were on-lent to Axxela and its operating subsidiaries to fund ongoing business expansion. As a result, the Company’s interest-bearing debt (IBD) as at FYE 2024 increased to ₦68.1 billion (2023: ₦60.5 billion). The main components of the IBD were corporate bonds (34%), infrastructure credit line from Chapel Hill Denham (23%), intervention loans from the Central Bank of Nigeria⁴ (19%) and concessional loans from the Bank of Industry (13%).

As at the review date, Axxela’s net debt to average total assets ratio moderated to 58.3% (68.4%), supported by higher cash balances at year-end. In the same vein, the IBD to equity ratio improved to 56.6% as at FYE 2024 (2023: 72.7%), driven by profit retention during the year. Despite a rising debt stock, interest expense to sales ratio in FYE 2024 decreased to 1.1% (2023: 2.6%), boosted by superior top line growth. During the year, OCF cover of interest expenses was also more than adequate at approximately 26x, highlighting overall improvement in Axxela’s debt repayment capacity.

Figure 4: Interest Expense to Sales Ratio (2022 – 2025*)



⁴ Loans granted by the CBN via Stanbic IBTC under the National Gas Expansion Programme (NGEP)



As at 30 June 2025 (unaudited), the Company's total liabilities, comprising NIBD (53%) and IBD (47%), stood at ₦159.2 billion. As at the same date, Axxela's net debt to average total assets ratio of 44.6% was better than our internal benchmark, while its IBD to equity ratio of 45.9% was reflective of a well-balanced capital structure. Also, interest expense to sales ratio trended downwards to 0.7% in Jun'2025 YTD, supported by top line growth, while OCF cover of interest expenses remained adequate at 14x, highlighting Axxela's strong capacity to meet its obligations.

Among other initiatives, Axxela intends to continue expanding its pipeline network across Lagos, Sagamu and Port-Harcourt. Also, the Company plans to commence the construction of CNG facilities across the six geopolitical zones in the country in partnership with NNPC Gas Marketing Limited. While we expect these projects to necessitate additional debt funding, Axxela's existing capital structure provides sufficient headroom to conveniently accommodate new borrowings. Moreover, we believe the Company's strategic approach of aligning funding maturities with asset life cycles, combined with the use of structured debt financing, will continue to be crucial in managing the incremental financing costs from new loans.

In our view, the Company's leverage position is low.

OUTLOOK

The Natural Gas Industry in Nigeria is expected to continue to expand at a compounded annual growth rate (CAGR) of 16.6% through 2030⁵, anchored on a strong domestic demand. Over the past five years, adoption of gas as a key energy source in Nigeria continues to rise, driven by industrialisation, local power generation need and global energy transition pressures. Also, emerging application of gas for transportation, cooking and as feedstock for petrochemicals, further bolsters the demand for the commodity. Despite these significant market opportunities, a supply gap persists, underscoring the need for more investments to unlock Nigeria's vast gas reserves and meet growing demand. As the pioneer private sector player in the Industry, with about 360 Km of pipeline network, Axxela is well positioned to continue to take advantage of growth opportunities in the market.

In the first half of 2025, management re-organised its operations under strategic business units, enabling the Company to streamline its focus on critical areas of growth and develop across multiple verticals. This restructuring is intended to drive consolidation in Axxela's gas distribution business both locally and regionally, while actively developing infrastructure to optimise gas sourcing, including monetisation opportunities for stranded gas in the upstream segment of the Oil Industry. In addition, the Company continues to pursue captive and embedded power generation opportunities with existing gas supply customers, as well as on new pipeline development areas. Over the near to medium term, we expect these initiatives to contribute to top line growth and reinforce Axxela's leadership position in the market.

Nigeria's abundant natural gas resources continue to support cheap localised sourcing, contributing to cost stability. In addition, the practice of benchmarking local gas prices against the US dollar and inflation enhances Axxela's ability to price adequately and pass on cost pressures to customers. Furthermore, this pricing model

⁵ [NUPRC – Rising Gas Demand in Nigeria](#)



ensures the Company is naturally protected against currency risk, leading to a preservation of its margins. Operationally, Axxela continues to benefit from exclusive distribution of gas within its franchise network, shielding its bottom line from the potential effect of competition. Anchored on these factors, we expect the Company to maintain a healthy profitability.

Axxela's long-term contracts, operated on a "take or pay" basis, provide reasonable assurance of sustained cash inflows to the business. At the same time, we expect suppliers' credit and the alignment of its funding maturities to asset lifecycles to continue to underpin the Company's operating cash flow and working capital position. To finance ongoing investment in gas infrastructure, we expect Axxela to take on additional borrowings. However, the Company's balanced capital structure remains well optimised to accommodate new loans while maintaining financial stability.

Looking ahead, Axxela Limited is well-positioned to continue to harness the growing opportunities in Nigeria's natural gas market. With strategic investments in gas infrastructure, expanding throughput and flexible pricing models, the Company is poised to drive sustained revenue growth. Axxela's focus on industrial, transportation, and domestic energy solutions aligns with rising demand and Nigeria's broader energy goals. Ultimately, we expect the Company to continue to leverage its extensive pipeline network to capture greater value and ensure long-term profitability.

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

FINANCIAL SUMMARY

STATEMENT OF COMPREHENSIVE INCOME	31-DEC-22		31-DEC-23		31-DEC-24		30-JUN-25 (UNAUDITED)	
	₹'MNS		₹'MNS		₹'MNS		₹'MNS	
REVENUE	120,449	100.0%	188,083	100.0%	466,574	100.0%	230,553	100.0%
GROSS PROFIT	26,475	22.0%	43,239	23.0%	110,055	23.6%	62,893	27.3%
OPERATING PROFIT	18,481	15.3%	29,300	15.6%	87,753	18.8%	44,527	19.3%
INTEREST EXPENSE	(3,766)	-3.1%	(4,839)	-2.6%	(5,141)	-1.1%	(1,590)	-0.7%
PROFIT BEFORE TAXATION	13,263	11.0%	22,832	12.1%	83,945	18.0%	49,877	21.6%
TAX (EXPENSE) BENEFIT	(2,572)	-2.1%	(6,243)	-3.3%	(28,908)	-6.2%	(13,366)	-5.8%
PROFIT AFTER TAXATION	10,691	8.9%	16,589	8.8%	55,036	11.8%	36,511	15.8%
DIVIDEND	(7,818)	-6.5%	(7,607)	-4.0%	-	0.0%	-	0.0%
PROFIT RETAINED FOR THE YEAR	1,854	1.5%	6,898	3.7%	47,890	10.3%	36,511	15.8%
PROFIT RETAINED B/FWD	24,489		26,344		33,241		81,131	
PROFIT RETAINED C/FWD	26,344		33,241		81,131		117,642	

STATEMENT OF FINANCIAL POSITION	31-DEC-22		31-DEC-23		31-DEC-24		30-JUN-25 (UNAUDITED)	
	₹'MNS		₹'MNS		₹'MNS		₹'MNS	
ASSETS								
CASH & EQUIVALENTS	17,720	13.0%	15,344	7.5%	45,219	15.5%	40,979	12.7%
TOTAL TRADING ASSETS	36,318	26.6%	80,570	39.6%	76,618	26.2%	80,990	25.0%
TOTAL LONG-TERM ASSETS	82,529	60.4%	107,777	52.9%	170,592	58.3%	201,823	62.3%
TOTAL ASSETS	136,566	100.0%	203,691	100.0%	292,429	100.0%	323,792	100.0%
GROWTH	46.3%		49.2%		43.6%		10.7%	
LIABILITIES & EQUITY								
TOTAL INTEREST-BEARING LIABILITIES (TIBL)	42,436	31.1%	60,545	29.7%	68,068	23.3%	75,600	23.3%
TOTAL NON-INTEREST-BEARING LIABILITIES	43,566	31.9%	59,921	29.4%	104,178	35.6%	83,629	25.8%
TOTAL LIABILITIES	86,002	63.0%	120,466	59.1%	172,247	58.9%	159,229	49.2%
SHAREHOLDERS' EQUITY	50,564	37.0%	83,226	40.9%	120,182	41.1%	164,563	50.8%
TOTAL LIABILITIES & EQUITY	136,566	100.0%	203,691	100.0%	292,429	100.0%	323,792	100.0%

CASH FLOW STATEMENT FOR Y/E	31-DEC-22		31-DEC-23		31-DEC-24		30-JUN-25 (UNAUDITED)	
	₹'MNS		₹'MNS		₹'MNS		₹'MNS	
OPERATING ACTIVITIES								
POTENTIAL OPERATING CASH FLOW	15,913		47,310		79,376		47,151	
WORKING CAPITAL CHANGES:								
CASH FROM (USED BY) SPONTANEOUS FINANCING	5,973		18,189		50,241		(20,549)	
CASH FROM (USED BY) WORKING ASSETS	(16,604)		(44,252)		3,952		(4,372)	
CASH FROM (USED IN) OPERATING ACTIVITIES	5,282		21,247		133,569		22,230	
RETURNS TO PROVIDERS OF FINANCING (RTPOF)								
INTEREST PAID	(3,766)		(4,839)		(5,141)		(1,590)	
DIVIDEND PAID	-		(9,442)		(5,983)		-	
OPERATING CASH FLOW AFTER RTPOF	1,516		6,966		122,445		20,640	
CASH FROM (USED IN) INVESTING ACTIVITIES	(16,396)		(26,159)		(63,926)		(31,809)	
CASH FROM (USED IN) FINANCING ACTIVITIES	25,916		18,109		7,523		7,532	
CHANGE IN CASH INC/(DEC)	11,036		(2,376)		29,875		(4,240)	
OPENING CASH & MARKETABLE SECURITIES	6,684		17,720		15,344		45,219	
CLOSING CASH & MARKETABLE SECURITIES	17,720		15,344		45,219		40,979	

Axxela Limited

KEY RATIOS	31-DEC-22	31-DEC-23	31-DEC-24	30-JUN-25 (UNAUDITED)
PROFITABILITY				
SALES GROWTH	13.0%	56.2%	148.1%	-1.2%
OPERATING PROFIT MARGIN	15.3%	15.6%	18.8%	19.3%
RETURN ON ASSETS (PRE-INTEREST, PRE-TAX)	12.5%	13.6%	30.5%	31.8%
RETURN ON EQUITY (PRE-TAX)	26.2%	27.4%	69.8%	60.6%
CASH FLOW				
OCF AS % OF RETURNS TO PROVIDERS OF FINANCE	140%	149%	1201%	1398%
OCF AS % OF SALES	4%	11%	29%	10%
WORKING CAPITAL				
WORKING CAPITAL NEED (DAYS)	0	0	0	40
OVERALL WORKING CAPITAL DEFICIENCY (DAYS)	0	0	0	0
LEVERAGE				
NET DEBT AS % OF TOTAL ASSETS	66%	68%	58%	45%
TOTAL LIABILITIES TO EQUITY	170%	145%	143%	97%
OTHER ADDITIONAL INFORMATION				
STAFF COSTS (₺' MILLION)	4,868	7,446	11,412	7,444
AVERAGE NUMBER OF STAFF	59	84	99	99
STAFF COSTS PER EMPLOYEE (₺' MILLION)	82	89	115	75
CAPITAL EXPENDITURE (₺' MILLION)	2,613	5,539	2,560	3,268
DEPRECIATION AND AMORTISATION (₺' MILLION)	811	886	1,112	577
EBITDA (₺' MILLION)	20,119	31,234	92,477	54,248
AUDITORS				
	EY	EY	EY	N/A
OPINION	CLEAN	CLEAN	CLEAN	UNAUDITED

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 a 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 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.



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