

## RATING ANNOUNCEMENT

### GCR affirms Veritasi Homes & Properties Plc's ratings of BBB<sub>(NG)</sub>/A3<sub>(NG)</sub>, Outlook Stable

#### Rating action

Lagos, 27 June 2025 - GCR Ratings (GCR) has affirmed Veritasi Homes & Properties Plc's national scale long-term and short-term issuer ratings of BBB<sub>(NG)</sub> and A3<sub>(NG)</sub>, respectively, with a Stable Outlook.

Rated entity	Rating class	Rating scale	Rating	Outlook
Veritasi Homes & Properties Plc	Long-term issuer	National	BBB <sub>(NG)</sub>	Stable
	Short-term issuer	National	A3 <sub>(NG)</sub>	

#### Rating rationale

The affirmation of Veritasi Homes & Properties Plc's (Veritasi or the company) ratings is supported by its well-established market position within the Nigerian property development sector and diversified income streams which has supported still sound earnings despite recent pressures. Also supportive of the ratings is the company's conservative leverage levels, which although are expected to rise on the back of new projects should remain moderate over the rating horizon as earnings improve. Refinancing risk remains high arising from the persistently high short-term debt which continues to constrain the liquidity position.

Having operated for only seven years, Veritasi has evolved as one of the leading mid-to-large scale property development companies in Nigeria. This is anchored on its diverse product offerings and short cash conversion cycle relative to peers, which have fostered diverse revenue streams and relatively consistent cash flows. The company has delivered over 3,000 housing units (318 units delivered in 2024) since inception. Although this is small relative to peers, a key competitive advantage is that Veritasi has access to a sizeable land bank which provides operating flexibility in terms of monetising land sales or longevity to future projects, or both. The company has a good pipeline of residential building projects, including 232 units with 82 units expected from its proposed EKO Atlantic project, of which 52 units are pre-sold. Over the medium to longer term, Nigeria's huge housing deficit given the growing population and expanding urbanisation, is expected to sustain growth opportunities, while Veritasi may look to also diversify into commercial property via the development of student accommodation in public and private universities across Nigeria to expand its footprint and enhance earnings stability.

The company reported lower, but still sound earnings in financial year 2024, ended 31 December. Revenue declined by 24.6% to NGN20.5 billion (USD13.6 million) in 2024 due to constrained demand for properties, pressurising land sales and construction services. This was attributable to the escalated cost of construction and significant Naira devaluation amid the general inflationary pressures which made property prices more expensive. Similarly, EBITDA fell to NGN2.5 billion, with the margin narrowing to 12.3% in 2024 (2023: 15.8%) due to lower land sales. Nevertheless, earnings compare favourably to peers and Q1 2025 performance indicated a rebound in sales volume, particularly higher margin product. We expect these trends to continue given the broadly more stable economic environment, while cost control initiatives should support a firmer EBITDA margin. Additionally, the company's focus on increasing foreign currency earnings from local off takers and diaspora investments is expected to support earnings stability and mitigate currency risks.

Gross debt reduced to NGN3.9 billion in 2024 from NGN7.4 billion in 2023, which against earnings pressures resulted into net debt to EBITDA contained below 1x. Operating cash flow coverage remains volatile but positive, reflecting the movement in working capital utilisation mainly driven by inventory procurement, while interest coverage improved to 5.0x in 2024 (2023: 4.4x) supported by lower net finance charges. Veritasi is in the process of raising a NGN10 billion secured bond from the debt capital markets to support its proposed EKO Atlantic project. While this is expected to escalate gross debt well above historical levels, the net debt position for 2025 is projected to remain conservative as a large portion of the funds will still be retained in cash by the year end. This, in addition to the expected improvement in earnings should contain the overall leverage metrics within the current band.

Liquidity remains pressured due to sustained refinancing risk arising from NGN2.7 billion in short-term debt. Additional estimated liquidity needs include project cost outlays of around NGN11 billion over the next 18 months. This is viewed against cash holdings of NGN3 billion as of March 2025, improved operating cash flows, milestone deposits from pre-sold units and the planned bond issuance of NGN10 billion proceeds. Accordingly, liquidity coverage is tight at just above 1x over the next 12-month and 24-month period. Positively, we take cognizance of the company's relatively short cash conversion cycle and good access to funding sources, which should continue to support its liquidity requirements.

## Outlook statement

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The Stable Outlook reflects our expectation that Veritasi's diversified product offering and ongoing expansion projects will support enhanced cash flows, ensuring adequate leverage levels and liquidity over the construction phase.

## Rating triggers

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Upward rating movement could follow timely project execution as well as the successful delivery of various anticipated units that support substantial improvement in revenue growth and cash flow generation, in line with the company's projections. This would allow Veritasi to fund its expansion internally and strengthen leverage metrics and liquidity. Furthermore, a material reduction in near-term maturities on a sustained basis would be positively considered.

Conversely, a downward rating movement could follow consecutive earnings underperformance due to weaker than anticipated sales or delays from the completion of projects or collections, which result in operating cash flows below projections. In addition, the ratings could be lowered if debt rises materially, placing pressure on leverage metrics and weakens liquidity.

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## Related criteria and research

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Criteria for the GCR Ratings Framework, May 2024

GCR Country Risk Scores, June 2025

Criteria for Rating Corporate Entities, May 2024

GCR Ratings Scales, Symbols & Definitions, May 2023

GCR Nigeria Corporate Sector Risk Scores, June 2024

## Ratings history

### Veritasi Homes & Properties Plc

Rating class	Review	Rating scale	Rating	Outlook	Date
Long-term issuer	Initial/last	National	BBB <sub>(NG)</sub>	Stable	September 2024
Short-term issuer	Initial/last	National	A3 <sub>(NG)</sub>	--	

## Risk score summary

### Rating Components & Factors

	Score
<b>Operating environment</b>	<b>5.25</b>
Country risk score	3.50
Sector risk score	1.75
<b>Business profile</b>	<b>0.50</b>
Competitive position	0.50
Sustainability	0.00
<b>Financial profile</b>	<b>0.25</b>
Earnings	0.50
Leverage & cash flow	0.00
Liquidity	(0.25)
<b>Comparative profile</b>	<b>0.00</b>
External support	0.00
Peer analysis	0.00
<b>Total Risk Score</b>	<b>6.00</b>

## Glossary

Affirmation	See GCR Rating Scales, Symbols and Definitions.
Coverage	The scope of the protection provided under a contract of insurance.
Currency Risk	The potential for losses arising from adverse movements in exchange rates.
Interest Cover	Interest cover is a measure of a company's interest payments relative to its profits. It is calculated by dividing a company's operating profit by its interest payments for a given period.
Leverage	With regard to corporate analysis, leverage (or gearing) refers to the extent to which a company is funded by debt.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Operating Cash Flow	A company's net cash position over a given period, i.e. money received from customers minus payments to suppliers and staff, administration expenses, interest payments and taxes.
Proceeds	Funds from issuance of debt securities or sale of assets.
Recovery	The action or process of regaining possession or control of something lost. To recoup losses.
Refinancing	The issue of new debt to replace maturing debt. New debt may be provided by existing or new lenders, with a new set of terms in place.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Short Term	Current; ordinarily less than one year.
Working Capital	Working capital usually refers to the resources that a company uses to finance day-to-day operations. Changes in working capital are assessed to explain movements in debt and cash balances.

### Salient points of accorded rating

GCR affirms that a.) no part of the rating process was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; and c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit ratings have been disclosed to the rated entity.

The ratings above were solicited by, or on behalf of, the rated entity.

The rated entity participated in the rating process via in person interaction and/or via online virtual interaction and/or via electronic and/or verbal communication and correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from the rated entity and other reliable third parties to accord the credit ratings included:

- 2024 audited annual financial statement, and prior four years annual financial statements;
- Three-month management account to 31 March 2025;
- Internal and/or external management reports;
- Industry comparative data and regulatory framework and a breakdown of facilities available and related counterparties;
- Information specific to the rated entity and/or industry was also received.
- Exchange Rate Source: Central bank of Nigeria. Average exchange rate for 2024: NGN1479.68/USD.

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