



## Credit Rating Announcement

GCR affirms C&I Leasing Plc's Long and Short-term National Scale Issuer Ratings of BBB<sub>(NG)</sub> and A3<sub>(NG)</sub> respectively, Outlook Evolving.

### Rating Action

Lagos, 31 January 2022 - GCR Ratings ("GCR") has affirmed C&I Leasing Plc's national scale long-term and short-term issuer ratings of BBB<sub>(NG)</sub> and A3<sub>(NG)</sub> respectively, with an Evolving Outlook.

Rated Entity	Rating class	Rating scale	Rating	Outlook / Watch
C&I Leasing Plc	Long Term Issuer	National	BBB <sub>(NG)</sub>	Evolving Outlook
	Short Term Issuer	National	A3 <sub>(NG)</sub>	

### Rating Rationale

The ratings of C&I Leasing Plc ("C&I") reflects its strong earnings metrics and competitive position as one of the top leasing companies in Nigeria. However, this is partly offset by the moderate cashflow, leverage, and liquidity metrics. The evolving outlook reflects our view of the recent acquisition of majority stake in the company by an individual shareholder and the potential impact of such acquisition on the credit profile of C&I going forward.

C&I is one of the top players in equipment leasing, logistics and outsourcing in Nigeria, with track record of up to three decades. The group comprises; C&I as the parent, with the subsidiaries, namely: Leasafric Ghana Limited, EPIC International FZE, United Arab Emirates and C&I Leasing FZE, Nigeria. Also, C&I has interest in two Joint Ventures, SIFAX C&I Marine Limited, Nigeria and SIFAX C&I Leasing Marine Limited, Seychelle, East Africa. The company is licenced by the Central Bank of Nigeria as a finance company and currently offers both operating and finance leasing services across its various markets. Competitive position is considered sound, given the good level of diversification displayed across its operation in terms of geography, business, and product lines. However, this was moderated by the concentration of services to the oil and gas sector. We expect the competitive position to remain strong, albeit concentration in clientele base may remain unchanged over the short to medium term.

While we consider management and governance to be neutral at this time of the review, management has informed us of the likelihood of a major shareholder emerging (with over 60% in interest) over the next 12-18 months, given a recent share transfer between two existing shareholders. As such, we intend to monitor the implication of this on the credit profile and business strategy going forward.

Earnings is considered strong in support of the rating. EBITDA margin appears strong, largely supported by continuous business expansion and investments. Cognisance is taken of the fact that despite the strong EBITDA margin, overall profitability is constrained by high interest expense and depreciation charge. Management is currently exploring the use of information technology to improve service delivery on existing business lines and potential opportunities within the industry to improve earnings and profitability going forward. Risk exposure is considered moderate, given its minimal credit losses and non-performing loan ratios of not more than 2%. We expect earnings metrics and risk exposures to remain sound over the next 12-18months.

Cashflow and leverage is considered to be at an intermediate range. While leverage position measured by net debt to EBITDA and fund from operation to debt ranged within the intermediate band, interest expense coverage of EBITDA

appears low. Further supporting the accorded risk score is the fact that C&I's regulatory leverage falls within tolerable limit. Going forward, we expect cashflow to remain sufficient to support risk exposures over the next 12 to 18 months.

Liquidity is considered neutral to the rating, albeit supported significantly by unutilised credit lines. While the company may currently be able to meet its day-to-day liquidity requirements, a sudden withdrawal of some of the available credit lines or short tenored funds may result in liquidity pressure. Thus, management needs to raise more stable funds in form of equity or long-term funds to minimise liquidity pressure going forward.

## Outlook Statement

The Evolving outlook reflects our expectation that a new strategy or ultimate parent may evolve following the onboarding of the new majority shareholder, which could materially impact the credit profile of the group positively or negatively over the short to medium term. Also, our expectation is that management will continue to manage liquidity to support operations.

## Rating Triggers

The ratings may be downgraded should gearing or cashflow metrics fall below the set ranges within our criteria or should C&I be consolidated with another entity with no available credit support. However, the ratings may move upward following a sizeable equity raise and /or reduction in overall gearing levels.

## Analytical Contacts

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## Related Criteria and Research

Criteria for the GCR Ratings Framework, January 2022  
Criteria for Financial Services Companies, May 2019  
GCR Ratings Scale, Symbols & Definitions, May 2019  
GCR Country Risk Scores, December 2021  
GCR Financial Institutions Sector Risk Score, December 2021

C&I Leasing Plc					
Rating class	Review	Rating scale	Rating	Outlook/Watch	Date
Long-term	Initial	National	BBB <sub>(NG)</sub>	Stable Outlook	June 2006
Short-term		National	A3 <sub>(NG)</sub>		
Long term	Last	National	BBB <sub>(NG)</sub>	Negative Outlook	November 2020
Short-term		National	A3 <sub>(NG)</sub>		

## Risk Score Summary

Rating Components & Factors	Risk scores
<b>Operating environment</b>	<b>7.00</b>
Country risk score	4.25
Sector risk score	2.75
<b>Business profile</b>	<b>-0.50</b>
Competitive position	-0.50
Management and governance	0.00
<b>Financial profile</b>	<b>0.00</b>
Cash flow and Leverage	-1.50
Earnings vs. Risk	1.50
Liquidity	0.00
<b>Comparative profile</b>	<b>0.00</b>
Group support	0.00
Peer analysis	0.00
<b>Total Score</b>	<b>6.50</b>

## Glossary

Capital	The sum of money that is invested to generate proceeds.
Cash	Funds that can be readily spent or used to meet current obligations.
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
Credit Rating	An opinion regarding the creditworthiness of an entity, a security or financial instrument, or an issuer of securities or financial instruments, using an established and defined ranking system of rating categories.
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
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.

## Salient Points of Accorded Ratings

GCR affirms that a.) no part of the ratings were 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 rating has been disclosed to C&I Leasing Plc. The rating above was solicited by, or on behalf of, the rated entity, and therefore, GCR has been compensated for the provision of the rating.

Subsequent to an appeal by the rated entity, the rating was revised as reflected in the announcement.

C&I Leasing Plc participated in the rating process via telephonic management meetings, and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from C&I Leasing Plc and other reliable third parties to accord the credit ratings included:

- Audited financial results as at 31 December 2020;
- Unaudited financial results as at 30 September 2021 and
- Other publicly available information.

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