

C&I Leasing Plc

Nigeria Corporate Analysis

October 2020

Rating class	Rating scale	Rating	Rating outlook	Expiry date
Long term	National	BBB _(NG)	Negative	October 2021
Short term	National	A3 _(NG)		

Financial data:

(USD'm comparative)[#]

	31/12/2018	31/12/2019
NGN/USD (avg.)	305.6	306.4
NGN/USD (close)	306.5	306.5
Total assets	171.5	183.4
Total capital	109.1	120.7
Total debt	32.0	31.9
Cash & equiv.	5.6	6.5
Revenue	87.4	101.0
EBITDA	31.4	33.7
NPAT	3.9	3.1
Op. cash flow	16.6	6.7
Market cap.*	N34.8bn/USD11.3m	
Market share	n.a	

[#] Central Bank of Nigeria exchange rates

* As at 09/10/2020 @ N379/USD.

Rating history:

Initial rating (June 2006)

Long term rating: BBB_(NG)Short term rating: A3_(NG)

Rating outlook: Stable

Last rating (February 2020)

Long term: BBB_(NG)Short term: A3_(NG)

Rating outlook: Stable

Related methodologies/research:

Global Criteria for Rating Finance and Leasing Companies, updated March 2017

Global Master Criteria for Rating Corporate entities, updated February 2018

C&I rating reports (2006-2020)

Glossary of Terms/Ratios (February 2017)

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Summary rating rationale

- The ratings take into consideration C&I Leasing Plc's ("C&I" or "the Group") entrenched brand in the equipment leasing and logistics sector, as well as the relative stability of revenue (underpinned by rapid business growth and expansion). However, of major concern is the high level of leverage and significant liquidity pressure displayed at FY19 and 1H FY20.
- The rating has been placed on Negative Outlook given that the impact of the COVID-19 pandemic is considered high (particularly for the Group), based on its business focus in transportation and logistics. Also, a sizeable portion of C&I's clientele base operate in the susceptible oil and gas sector. However, long-term business growth potential for the sector is considered strong.
- Revenue grew consistently throughout the five years of review, displaying a compounded annual growth rate ("CAGR") of 21.8% in FY19. Growth has been largely driven by business expansion and strategic alliance opportunities undertaken across the Group between FY15 and FY18. While management had expected revenue growth to be sustained over the short medium-term, current year revenue have been impacted by movement restrictions across the globe due to the COVID-19 pandemic. In as much as the decline in revenue is likely to be sustained for the rest of FY20, this is expected to bounce back in the medium to long-term.
- Profit margins were unstable in the five years to FY19, albeit remained within strong range for most of the period. Particularly performance has been largely constrained by the continuous increase in finance cost, exacerbated by current macroeconomic challenges. As such, pre-tax profit declined year-on-year (y/y) by 34% in FY19 and by annualised 25% at 1H FY20. In the interim, management has embarked on cost curtailment initiatives to contain profitability pressures.
- Sourcing of long-term funding remains a major challenge across the sector and for the Group in particular. As such, the Group financed a substantial portion of its business expansion through short-term debt, which could further strain the liquidity position. Resultantly, operating cash flow coverage of debt declined to 6%, which is considered low. Positively, C&I is currently in the process of raising up to N10bn, via issuance of bonds, to refinance some of the short-term debts and ease liquidity pressure.
- Gearing metrics remain elevated, as net debt to EBITDA is sustained at 336% at 1H FY20 (FY19: 339%) and likely to remain within current range in the short-term. However, the fact that management does not plan for any major capex for the next three years is expected to see gearing metrics slowly taper down over the medium term.
- C&I has grown its capital base over the review period through a combination of retained earnings and capital raises. Accordingly, the capital adequacy ratio ("CAR") improved to 22% at 1H FY20 (FY19: 20%, FY18: 18%), following an additional capital injection through rights Issuance of up to N2.3bn during the period. Furthermore, a loan stock of about N2bn is expected to be converted to equity before the end of FY20.

Factors that could trigger a rating action may include

Positive change: Ability of the Group to successfully raise longer tenored fund such that funding profile and gearing metrics improves significantly. Also, an improvement in profitability over the medium-term would also support firmer credit protection metrics.

Negative change: Further deterioration in profitability and liquidity metrics, such that weakens operating cash flow and/or interest rate coverage, could result in rating downgrade.

Business profile¹ and recent development

C&I was incorporated in 1990 as a limited liability company and commenced operations in June 1991. The company was licensed by Central Bank of Nigeria (“CBN”) as a finance company in 1993, offering operating and finance leases and other ancillary services. Following a major restructuring and diversification exercise in 1997, the company was converted to a public limited company with its shares listed on The Nigerian Stock Exchange (“NSE”). Consequently, C&I is regulated by CBN, The NSE and Securities and Exchange Commission (“SEC”).

Group structure

C&I has three subsidiaries, namely: (i) Leasafri Ghana Limited (“Leasafri”); (ii) Epic International FZE (“Epic”); and (iii) C&I Leasing FZE. The principal activities of C&I and its subsidiaries (“the Group”) include provision of equipment leasing services, logistics solution (in form of car and marine vessel rentals), fleet management and automobile distribution.

Leasafri

Leasafri commenced operation in 1994, as a non-bank financial institution licensed by the Bank of Ghana, with the primary activity of carrying on finance leasing alongside other ancillary services. It is the largest leasing company in Ghana based on its significant 40% market share by balance sheet size. This subsidiary contributed 14% to the Group’s earnings as FY19.

Epic

Epic, in an asset-based subsidiary, incorporated in 2011. It is a free trade zone establishment in the United Arab Emirates, licensed to trade in boats/ships, spare parts, components and automobiles. Epic contributed 11% to the group’s gross earnings at FY19.

C&I leasing FZE

C&I leasing FZE which commenced operation in 2019, is a free zone enterprise registered in Lekki Free Trade Zone, Lagos Nigeria. The company is licensed to provide marine services along the zone.

C&I Leasing

C&I is the parent and the largest operating entity within the Group, accounting for 75% of gross earnings at FY19. C&I is operationally structured along four strategic business units (“SBU’s”):

- Fleet Management – involves provision of long and short-term rental of vehicles to a wide range of clients across various sectors. The short-term rentals is done through the Hertz car rental franchise and the long-term rental done through the C&I fleet management brand.
- Marine – offers various forms of marine services to both onshore and offshore terminals (mostly pertaining to the oil and gas sector).

- Citracks – provides technology-based solutions, end-to-end tracking, and other logistics and fleet management solutions for vehicles and marine vessels.
- Outsourcing – provides personnel management, human resource outsourcing, consultancy, personnel evaluation and training and manpower development services. A new initiative called “get a job” is being developed to boost revenue generation for this unit.

Major milestones attained during FY19 include the launch of a new Joint Venture (“JV”) arrangement with OCS Integrated Services Nigeria Limited (“OCSISNL”), an integrated local service company. The new business is to focus on providing operations and maintenance of offshore assets (including manpower solutions).

Shareholding and corporate governance

C & I’s governance structure is considered in line with relevant applicable codes of corporate governance for publicly listed companies. The Board of Directors comprises of seasoned professionals with several years of experience in different fields, including finance, accounting and insurance. Recent information from management indicates that two new non-executive directors were appointed during FY20, which increases the board size to 11 at 1H FY20 (FY19: 9). Table 1 provides a summary of key governance practices at C&I as at September 2020.

Table 1: Corporate governance summary

No. of directors	11
Executive	2
Non-executive	9, of which one is independent
Separation of chairman	Yes, the chairman is separate from the CEO
Board committees	4, namely: Operations Committee, Risk Committee, Audit Committee and Nomination, Remuneration & Corporate Governance Committee.
Board rotation policy	Maximum of 3 terms of 4 years. Independent Dir. – max. 8 years.
External auditor	PKF Professional Services. A clean audit was provided in respect of the FY19

C&I has a diverse shareholding structure, comprising both institutional and individual investors. Table 2 highlights the major shareholders with more than 5% stake in the company as at 31 December 2019 and the previous year. The slight change in shareholding was due to rights issue that took place during 2019.

Table 2: Major shareholders (%)	FY18	FY19
CIL Acquico Limited	13.3	18.1
Leadway Assurance Co. Limited	8.7	8.7
Petra Properties Limited	5.7	6.3
Other	72.3	66.9
Total	100.0	100.0

¹ Refer to previous rating reports for a detailed background.

Operating environment

Economic overview

The Nigerian economy sustained growth momentum in 2019, with the gross domestic product (“GDP”) expanding by 2.27% y/y, up from 1.91% registered in 2018. The recorded growth was largely underpinned by the curtailed pipeline vandalism, calmness in the oil-producing regions, and the relative stability in global crude oil prices and foreign exchange (“FX”) market. While the oil sector registered a robust growth of 4.59% (2018: 0.97%), the non-oil sector improved slightly by 2.06% in 2019 relative to 2% recorded in 2018. However, the Nigerian economy is currently witnessing a sharp slowdown (with GDP contracting y/y by 6.1% in Q2 2020) due to the coronavirus disease (“COVID-19”) pandemic, which is being compounded by the weak global crude oil demands and the relatively low prices at the international market. In a bid to stimulate prices, Organisation of Petroleum Exporting Countries (OPEC) and its allies in mid-April 2020 agreed to a global production cut of about 10 million barrels per day. This production cut, coupled with the gradual easing of lockdown across most countries resulted in an uptick in global crude oil prices, which hovered between USD40/barrel and USD45/barrel in July 2020, compared to USD19.8/barrel in mid-April 2020.

The headline inflation rate increased to 13.22% in August 2020, for the twelfth consecutive month owing to supply constraints, higher input costs and increased system liquidity. However, the sustained FX liquidity pressures, coupled with CBN’s efforts to unify the exchange rate at both the official and NAFEX window, necessitated a further depreciation in FX rate to N380/USD in July 2020 from N360/USD at the official window. Similarly, the external reserves declined to USD35.9bn at end-July 2020 from USD38.6bn as at 31 December 2019, with further contractions expected over the short term on account of the relatively low FX earnings. Given that the Nigerian economy is heavily dependent on the oil sector, which has over time accounted for over 90% of foreign exchange earnings and over 60% of government budgetary revenues, the soft global crude oil price remains a major concern.

The National budget estimate was based on an oil benchmark of USD57/barrel, a daily production output of 2.18mbpd, new value added tax rate of 7.5% (from 5% previously), *inter alia*. In light of the current macroeconomic challenges, the FGN reviewed the oil benchmark downwards to USD28/barrel, daily production output to 1.8mbpd, while also indicating external borrowing plans to cushion the economic impact of the pandemic. GCR however, expects the continuing slowdown in economic activities to have significant implications for budget implementation and its already elevated credit risk profile.

The Nigerian Stock Exchange (“NSE”) All-Share Index (“ASI”) sustained a negative trend in 2020, contracting by 7.9% as at end-July 2020. The bearish stock market

performance was largely driven by the challenges in the macroeconomic landscape, underwhelming trends in foreign portfolio investments as well as profit takings.

Industry overview

According to industry data, Nigerian leasing industry grew by 13.5% to N1.9tn in FY19, underpinned by increased awareness and demand for leasing services as a form financing instrument, necessitated by the rising cost assets, as well as increased entrants of new players into the industry. While finance lease continued to dominate the market and accounted for about 65% of current market offerings, operating lease has also begun to gain more traction and a preferred option for most corporates particularly with respect to transportation and logistics. Nevertheless, the finance company subsector is highly fragmented, given the array of activities permitted by the revised guidelines. As such, a meaningful peer comparison among finance companies operating in Nigeria is constrained by the uniqueness of the business model as well as scope of operations of each player. C&I’s competitive position is supported by strong brand recognition and extensive experience in marine and fleet management segment.

The lack of medium to long term funding continues to pose a challenge to industry players. Shorter tenor credit facility has constrained players’ capacity to finance large transactions due to their expensive nature and remained a major constrain to growth in the sector.

Earnings diversification

Earnings grew steadily across most of the business lines throughout the five-year review period to FY19, underpinned by rapid business expansion and strategic alliances undertaken between FY15 and FY18. However, cognisance is taken of the fact that a significant portion of these have been targeted towards the international oil companies, which indicates a concentration to the sector, although the fact that most of such contracts are based on operating lease arrangement serves as a risk mitigant.

Table 3: Revenue diversification*	FY18	FY19	1H FY20
Lease rental income	19,385	22,331	9,429
Outsourcing	7,108	8,534	5,013
Tracking	218	79	96
Total	26,711	30,944	14,538

*The Group’s revenue, based on the main sources of income.

Lease rental income remained the predominant source of earnings to the Group, given its entrenched brand dominance in finance and operating lease arrangements. Marine services accounted for a substantial 47% of gross earnings in FY19 (FY18: 44%), followed by personnel outsourcing at about 33% (FY18: 35%). However, given the restriction in movement across most countries in 1H FY20 (due to the COVID-19 pandemic), income mix for the first time switched to the outsourcing services, as the largest contributor to earnings at 44% in 1H FY20, while marine ranked second at 37% of earnings. Fleet management services is the third largest contributor at about 19% in FY19,

while the earnings from tracking remain negligible. Geographical distribution of earnings indicates that a substantial 75% emanated from Nigeria (which houses about 77% of the group's asset), while an approximately 14% and 11% were sourced from Ghana and United Arab Emirates ("UAE") respectively. Distribution pattern was largely the same at 1H FY20.

Overall, while the pandemic appears to have impacted all business lines, management has informed GCR of new opportunities arising from the use of technology with the expectation that these will drive businesses going forward. Also, the gradual resumption of economic activities across most countries is expected to improve business volumes in the near term.

Financial performance

A five-year financial summary, together with the six months unaudited results to 30 June 2020, is reflected at the back of this report, and commentary follows hereafter. The Group (consolidated) figures have been used in this analysis. Audited financial statements were prepared in accordance with CAMA, the Banks and Other Financial Institutions Act, International Financial Reporting Standards ("IFRS") and in compliance with the Financial Reporting Council of Nigeria Act.

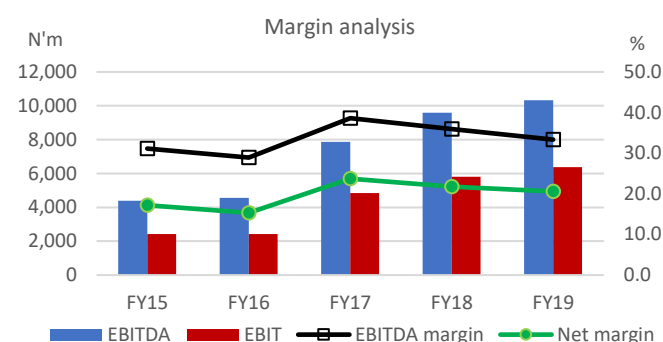
The group had maintained an upward growth trajectory in revenue throughout the five years of review, increasing y/y by 15.8% in FY19, and ended at a four-year CAGR of 21.8% in FY19. However, due to COVID-19 pandemic and restrictions across most countries, revenue declined by an annualised 6% in 1H FY20, representing 74% of budget.

Table 4: Income statement (N'm)	FY18	FY19	Budget FY20	1H FY20
Revenue	26,712	30,944	39,144	14,538
Gross Profit	11,642	12,734	16,812	5,202
EBITDA	9,591	10,323	13,872	4,539
Depreciation	(3,782)	(3,943)	(5,611)	(1,242)
Op. Profit	5,809	6,380	8,260	3,297
Net interest charge	(4,532)	(5,562)	(4,122)	(2,933)
Other operating expenses	271	44	-	15
Foreign exch. gain/(loss)	(7)	149	-	-
NPBT	1,540	1,013	4,139	379
Key ratios (%)				
Revenue growth	30.9	15.8	26.5	(6.0)
Gross margin	43.6	41.2	42.9	35.8
EBITDA margin	35.9	33.4	35.4	31.2
Operating profit margin	21.7	20.6	21.1	22.7
Net interest cover (x)	1.3	1.1	2.0	1.1

Profit margins were unstable in the five-year review period to FY19, albeit remained within strong range for most of the period. Specifically, EBITDA margin peaked at 39% in FY17 from 29% in FY16 and then contracted for the second consecutive period to 33% in FY19. Operating expenses (excluding depreciation) increased by 17% to N3.6bn, comprised largely staff cost and administrative expenses, and accounted for a relatively stable 12% of revenue.

Performance as at 1H FY20 reflect a further contraction in EBITDA margin to 31% (a little below budget), margin contraction was minimised by cost curtailment

initiatives by management. Also, cognisance is taken of the decline in administrative cost (such as fuelling and travelling expenses), a function of the restriction in movement due to the pandemic.



Net interest charge ended at a higher N5.6bn in FY19, underpinned by increase in expensive short-term borrowings, thus suppressing profit. Although net foreign exchange gain was reported in FY19, pre-tax profit ended down at N1bn in FY19, representing a y/y 34.3% decline and lagged budget by 61%.

Asset quality

Gross receivables increased by 21% to N12.7bn in FY19, with majority emanating from both the operating and finance lease services. However, C&I's collection policy has proven effective in minimizing credit losses, this attested to by the reported relatively stable gross impaired credit ratio of 1.8% in FY19. Also, stage 3 impairment provision coverage is considered adequate at 76% (FY18: 69%).

Table 5: Asset quality (N'm)	FY18	FY19
Gross receivables	10,436	12,651
Loan and advance receivables	401	572
Finance lease receivables	2,014	3,106
Trade and other receivables*	8,021	8,973
Gross receivables by performance	10,436	12,651
Performing	10,250	12,420
Stage 3	186	231
Impairment allowance	(292)	(287)
Stage 1 & 2 allowance	(164)	(111)
Stage 3 allowance	(128)	(176)
Gross NPL ratio (%)	1.8	1.8

*Largely operating lease service receivables. Others include trade receivables and account receivables, which are negligible.

Cashflow, Leverage and Capital Structure

Operational cash flows fluctuated throughout the five-year review period, underpinned by high working capital absorption and finance cost. To attain the rapid business expansion that took place between FY15 and FY18, a substantial level of debt was deployed across the Group, with continuous need for working capital. Accordingly, gross debt grew by 11% to N37bn at FY19, mainly driven by increase in short-term debts. As such, operating cash flow coverage of debt fell to just 6% (FY18: 16%), constituting a rating negative. Though total debt has remained relatively flat at N37bn at 1H

FY20, the decline in operational cash inflow as a result of the pandemic saw debt coverage decline further to 4%. That said, the Group continues to manage liquidity risk through available credit lines from banks, as well as issuance of short-term commercial notes, in the interim while seeking opportunities for long-term finance opportunities.

The long-term debt pool includes a 5-year N7bn Series 1, senior secured bond, issued in 2018 at a fixed rate of 16.54%. However, management is in the process of issuing the series 2 bonds, of up to N10bn before the end of FY20. The debt is to refinance some of the existing short-term debts and to support working capital requirement.

Table 6: Funding profile (N'm)	FY18	FY19	1H FY20
Short term debt	17,162	22,060	23,185
Long term debt	16,274	14,920	13,738
Total Debt	33,436	36,980	36,923
Cash	1,713	1,990	4,656
Net Debt	31,724	34,991	32,267
Equity	9,807	9,780	12,762
Key ratios (%):			
Total debt: equity	340.9	378.1	289.3
Net debt: equity	323.5	357.8	252.8
Total debt: EBITDA	348.6	358.2	385.0
Net debt: EBITDA	330.8	339.0	336.4

Total equity ended relatively flat at N9.8bn at FY19, and increased by 31% to N12.8bn at 1H FY20, following an additional equity injection of N2.3bn through rights Issue. The rights Issue was undertaken in the fourth quarter of FY19 but approvals and allotment took place in the first quarter of FY20. Consequently, capital adequacy ratio improved to 22% at 1H FY20 from 20% at FY19. This remains well above the 12.5% regulatory minimum for finance companies in Nigeria. Furthermore, management has informed GCR of the ongoing effort to convert the outstanding balance of N2bn on a loan stock (from Aureos Africa LLC) to equity. This is expected to take place before the end of FY20 and further enhance the capital structure.

Outlook

Earnings are expected to increase steadily over the next three years, with the newly acquired vessels and recent business alliances (such as the JV with OCSISNL) as key performance drivers. Additionally, C&I is currently exploring new opportunities arising from information technology to drive growth across all existing business lines over the short to medium term. The Group did not plan for any major capex over the next three years, as new debt are mainly to refinance existing debts and optimise capital structure.

C&I Leasing Plc

(Naira millions except as noted)

Statement of Comprehensive Income	2015	2016	2017	2018	2019	1H 2020
Revenue	14,076.0	15,783.9	20,398.8	26,711.5	30,943.7	14,538.0
EBITDA	4,384.8	4,565.5	7,878.2	9,590.8	10,323.1	4,538.6
Depreciation & Amortization	(1,968.9)	(2,147.6)	(3,037.9)	(3,782.0)	(3,942.6)	(1,241.7)
Operating income	2,416.0	2,417.9	4,840.2	5,808.8	6,380.5	3,297.0
Net finance charges	(2,173.5)	(2,741.2)	(3,440.3)	(4,532.2)	(5,561.5)	(2,932.9)
Net forex gain/(loss)	(123.4)	1,094.6	(286.0)	(7.1)	149.2	0.0
Other operating income/(expense)	346.6	264.9	148.2	270.8	44.5	14.6
NPBT	465.6	1,036.2	1,262.1	1,540.2	1,012.7	378.6
Taxation paid	(316.9)	(115.4)	(162.8)	(342.5)	(73.2)	(110.6)
Profit from continuing operations	148.8	920.9	1,099.3	1,197.8	939.4	268.0
Profit/loss from discontinued operations			0.0	0.0	0.0	0.0
Net income	148.8	920.9	1,114.6	1,197.8	939.4	268.0
Statement of cash flows						
Cash generated by operations	9,503.7	8,756.6	15,597.5	17,930.4	5,142.0	3,761.3
Utilised to increase working capital	(5,678.7)	(5,237.4)	(8,187.3)	(12,374.0)	(2,937.9)	791.3
Net interest paid	(2,173.5)	(2,741.2)	(3,440.3)	(3,847.1)	0.0	(2,918.4)
Taxation paid	(41.0)	(394.9)	(128.3)	(284.7)	(144.5)	0.0
Cash flow from operations	1,610.5	383.1	3,841.6	1,424.6	2,059.6	1,634.2
Maintenance capex [†]	(1,968.9)	(2,147.6)	(3,037.9)	(3,782.0)	(3,942.6)	(1,241.7)
Discretionary cash flow from operations	(358.4)	(1,764.4)	803.6	(2,357.4)	(1,883.0)	392.5
Dividends paid	(124.6)	(82.9)	0.0	0.0	(30.3)	0.0
Retained cash flow	(483.0)	(1,847.4)	803.6	(2,357.4)	(1,913.3)	392.5
Net expansionary capex	(3,603.6)	(3,710.9)	(4,954.1)	(3,786.2)	(222.8)	(1,006.8)
Investments and other	0.0	0.0	0.0	0.0	(658.9)	501.1
Proceeds on sale of assets/investments	278.8	126.6	130.3	259.5	219.0	70.4
Shares issued	0.0	0.0	0.0	0.0	0.0	2,264.4
Cash movement: (increase)/decrease	52.2	434.6	(256.7)	(472.7)	(277.0)	(2,666.4)
Borrowings: increase/(decrease)	3,755.5	4,997.0	4,276.8	6,356.8	2,853.0	444.7
Net increase/(decrease) in debt	3,807.8	5,431.7	4,020.2	5,884.1	2,576.0	(2,221.6)
Statement of financial position						
Ordinary shareholders interest	3,024.2	5,377.5	6,529.9	9,471.2	9,523.7	12,516.3
Outside shareholders interest	176.9	221.8	271.6	336.2	256.3	245.4
Pref shares and conv debentures	0.0	0.0	0.0	0.0	0.0	0.0
Total shareholders' interest	3,201.1	5,599.4	6,801.4	9,807.4	9,780.0	12,761.7
Current debt	9,752.7	12,470.6	15,631.2	17,162.0	22,060.3	23,185.0
Non-current debt	9,921.2	12,200.3	13,287.0	16,274.3	14,919.9	13,738.2
Total interest-bearing debt	19,673.9	24,670.9	28,918.2	33,436.2	36,980.1	36,923.2
Interest-free liabilities	6,368.7	8,073.8	9,245.7	9,323.8	9,452.4	9,801.3
Total liabilities	29,243.7	38,344.1	44,965.4	52,567.5	56,212.5	59,486.2
Property, Plant and Equipment	1,418.3	1,479.7	1,584.5	1,631.3	1,579.2	1,520.0
Investments and other non-current asset	17,058.0	23,963.4	28,411.3	32,750.0	32,750.7	32,750.7
Cash and cash equivalent	1,417.8	983.2	1,239.8	1,712.5	1,989.5	4,655.9
Other current assets	9,349.6	11,917.7	13,729.7	16,473.7	19,893.1	20,626.0
Total assets	29,243.7	38,344.1	44,965.4	52,567.5	56,212.5	59,486.2
Ratios						
Cash flow:						
Operating cash flow : total debt (%)	8.2	1.6	13.3	4.3	5.6	4.4
Discretionary cash flow : net debt (%)	neg	neg	2.9	neg	neg	2.4
Profitability:						
Turnover growth (%)	6.5	12.1	29.2	30.9	15.8	(6.0)
Gross profit margin (%)	48.4	45.7	48.7	43.6	41.2	43.6
EBITDA : revenues (%)	31.2	28.9	38.6	35.9	33.4	31.2
Operating profit margin (%)	17.2	15.3	23.7	21.7	20.6	22.7
EBITDA : average total assets (%)	17.7	14.0	19.4	20.3	19.6	8.3
Return on equity (%)	4.6	21.9	18.7	15.0	9.9	15.0
Coverage:						
Operating income : gross interest (x)	1.1	0.9	1.4	1.2	1.1	1.2
Operating income : net interest (x)	1.1	0.9	1.4	1.3	1.1	1.3
Activity and liquidity:						
Trading assets turnover (x)	29.4	44.1	61.5	25.7	n.a.	n.a
Days receivable outstanding (days)	0.9	0.9	0.4	0.1	0.9	0.0
Current ratio (:1)	0.8	0.7	0.7	0.7	0.7	0.0
Capitalisation:						
Net debt : equity (%)	570.3	423.0	407.0	323.5	357.8	323.5
Total debt : equity (%)	614.6	440.6	425.2	340.9	378.1	340.9
Net debt : EBITDA (%)	416.3	518.8	351.3	330.8	339.0	710.9
Total debt : EBITDA (%)	448.7	540.4	367.1	348.6	358.2	813.5

SALIENT FEATURES OF ACCORDED RATINGS

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; c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument; and d.) the validity of the ratings is for a maximum of 12 months, or earlier as indicated by the applicable credit rating document.

The ratings were solicited by, or on behalf of, C&I Leasing Plc, and therefore, GCR has been compensated for the provision of the ratings.

C&I Leasing Plc participated in the rating process via face-to-face management meetings and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible.

The credit ratings above were disclosed to C&I Leasing Plc with no contestation of/changes to the ratings.

The information received from C&I Leasing Plc and other reliable third parties to accord the credit ratings included:

- the latest audited annual financial statements at 31 December 2019 (plus four years of comparative numbers);
- latest internal and/or external auditor's report to management;
- full year detailed budget for 2020;
- Management accounts to 30 June 2020; and
- information specific to the rated entity and/or industry.

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