



# DataPro

## **CORPORATE RATING REPORT**

## **UNITED CAPITAL PLC**

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September, 2022

# UNITED CAPITAL PLC

## Long-Term Rating:

**AA<sup>-</sup>**

**Short Term Rating:** A1

**Previous Rating:** A<sup>+</sup>

**Rating Outlook:** Stable

**Trend:** Up

**Currency:** Naira

**Date issued:** 8 Sept., 2022

**Valid Till:** 7 Sept., 2023

## Reference:

Abiodun Adeseyoju, FCA.  
Abimbola Adeseyoju  
Oladele Adeoye

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## EXECUTIVE SUMMARY

	2021 ₦ '000	2020 ₦ '000	2019 ₦ '000	2018 ₦ '000
Gross Income	18,065,183	12,873,897	8,591,929	9,259,398
Pre-tax-Profit	11,917,601	7,947,670	4,949,720	6,221,246
Equity	30,546,793	24,426,479	19,585,839	15,834,007
Investment Assets	367,940,839	149,648,841	94,142,345	88,182,725
Total Assets	453,597,954	222,748,295	150,464,375	148,697,064
Managed Funds	327,249,024	116,019,077	72,379,297	75,685,719

### Rating Explanation

The Short-Term Rating of **A1** indicates *Good Credit Quality* and satisfactory capacity for timely payment of financial commitments.

The Long-Term Rating of **AA<sup>-</sup>** indicates *Lower Risk*. It shows Excellent Financial Strength, Operating Performance and Business Profile when compared to the standard established by **DataPro**. This Company, in our opinion, has a very strong ability to meet its ongoing obligations.

## RATING SYNOPSIS

The Rating took into consideration all relevant qualitative and quantitative factors to arrive at the assigned risk indicator.

The qualitative information used were based on industry and market intelligence including public information. The quantitative information was obtained from the Company's Audited and Management Accounts.

The risk factors were assessed using the Company's Capitalization, Earnings Profile, Liquidity, Corporate Governance, Regulatory Compliance and Sustainability of its current healthy profile in the medium to long term period.

Overall, the following were observed:

### Strengths:

- Diversified Earnings Portfolio
- Improved Asset Quality
- Very Good Liquidity
- Experienced Management Team
- Good Investment Profile
- Strong Brand Presence

### Weakness:

- Low Asset Utilization

*This report does not represent an offer to trade in securities. It is a reference source and not a substitute for your own judgment. As far as we are aware, this report is based on reliable data and information, but we have not verified this or obtained an independent verification to this effect. We provide no guarantee with respect to accuracy or completeness of the data relied upon, and therefore the conclusions derived from the data. This report has been prepared at the request of, and for the purpose of, our client only and neither we nor any of our employees accept any responsibility on any ground whatsoever, including liability in negligence, to any other person. Finally, DataPro and its employees accept no liability whatsoever for any direct or consequential loss of any kind arising from the use of this document in any way whatsoever.*

## BACKGROUND

**United Capital Plc** (*"The Group" or "UCAP"*) formerly **UBA Capital Plc** was incorporated as a **Limited Liability Company** on March 14, 2002. It operated as the Investment Bank arm of **United Bank for Africa Plc** until 2013. Following a successful spin-off from the Bank, it became a Public Company and was subsequently listed on the Nigerian Stock Exchange in January, 2013.

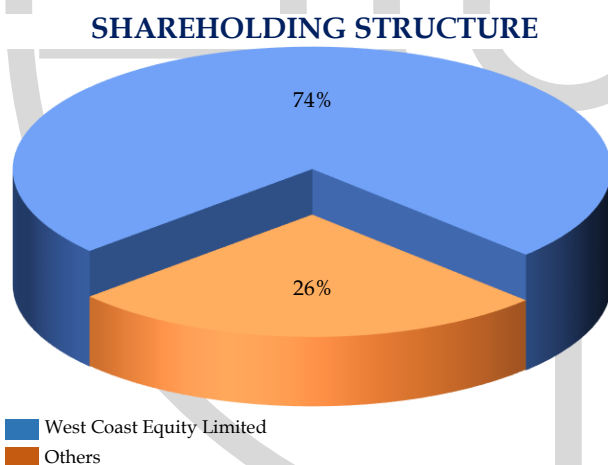
**The Group** comprises of four (4) subsidiaries which are wholly owned. They are: **United Capital Trustees Limited, United Capital Asset Management Limited, United Capital Securities Limited, and UC Plus Advance Limited.**

S/N	SUBSIDIARIES	DATE OF INVESTMENT	COUNTRY
1.	United Capital Securities Limited	2006	Nigeria
2.	United Capital Assets Management Limited	2013	Nigeria
3.	United Capital Trustees Limited	2013	Nigeria
4.	UC Plus Advance Limited	2019	Nigeria

**Source:** *United Capital Plc*

The Group through its subsidiaries provides additional services such as Trusteeship, Asset Management and Securities Trading. In the year 2020, **UCAP** acquired a 25% stake in **Heirs Insurance Limited** and **Heirs Life Assurance Limited.**

**UCAP** is the first Investment Bank to be listed on the **Nigerian Stock Exchange (NSE).**



**Source:** *United Capital Plc*

The Group operates diverse portfolio spanning Investment Banking, Corporate Investment Advisory Services, Project Finance, Debt Restructuring, Issuing House Services, Merger & Acquisition and Debt Capital Market. It has participated in over 75% of all States Bond Issuances in Nigeria between 2010 and 2017.

The major Shareholder of the Group is **West Coast Equity Limited** with 26% ownership.

Other shareholders accounted for the remaining 74%.

## DIRECTORS' PROFILE

The following served as directors during the year under review; **Chika Mordi-Chairman; Peter Ashade - Group Chief Executive Officer; Sunny Anene; Adim Jibunoh;**

*Emmanuel N. Nnorom; Sunny Iroche; Sir Stephen Nwadiuko; Hajiya Aisha Bello; Titus Oladipupo Fatokun; Tokunbo Ajayi and Oluleke Ogunlewe.*

Details of the Directors' profile is as follows:

1. **Name:** Chika Mordi  
**Position:** Chairman  
**Education:**
  - MPA. – Harvard Kennedy School
  - Masters– SAIS Johns Hopkins
  - American University, USA
  - Harvard Business School
  - MBA – IESE Business School
  - B.Sc. – University of Ilorin**Experience:**
  - CEO, Accender Africa, Washington D.C.
  - United Bank for Africa Plc
  - Standard Trust Bank Plc**Year of Board:** 2014  
**Appointment**
2. **Name:** Peter Ashade  
**Position:** Group Chief Executive Officer  
**Education:**
  - B. Sc.-Olabisi Onabanjo University
  - MBA – Obafemi Awolowo University
  - M. Sc – University of Lagos
  - Institute of Chartered Accountants of Nigeria
  - Chartered Institute of Bankers
  - Institute of Capital Market Registrars
  - Chartered Institute of Taxation of Nigeria
  - Institute of Directors**Experience:**
  - Africa Prudential Plc
  - Meristem Registrars & Probate Services Limited
  - Union Bank Plc**Year of Board:** 2018  
**Appointment**
3. **Name:** Sunny Anene  
**Position:** Group Executive Director  
**Education:**
  - MBA – University of Lagos
  - Chartered Institute of Stockbrokers
  - Institute of Chartered Accountants of Nigeria (ICAN)
  - Chartered Institute of Taxation of Nigeria
  - Certified Pension Institute of Nigeria**Experience:**
  - United Capital Asset Management Ltd
  - Zenith Pension Custodian
  - Chapel Hill Denham
  - United Capital Plc**Year of Board:** January 2019

- 4. Name:** Emmanuel N. Nnorom  
**Position:** Non-Executive Director  
**Education:** •Oxford University Templeton College  
•Institute of Chartered Accountants of Nigeria, ICAN  
•Chartered Institute of Bankers Nigeria (CIBN)  
**Experience:** •Heirs Holdings  
•Transcorp Corporation of Nigeria Plc  
•United Bank for Africa Plc  
**Year of Board Appointment:** January 2014
- 5. Name:** Adim Jibunoh  
**Position:** Non-Executive Director  
**Education:** •University of Port Harcourt  
•MBA - University of Lagos  
•Lagos Business School  
•Harvard Business School  
**Experience:** •Heirs Holdings  
•Transcorp Corporation of Nigeria Plc  
•United Bank for Africa Plc  
•Bank of Industry  
•Avon HMO  
**Year of Board Appointment:** January 2014
- 6. Name:** Stephen Nwadiuko  
**Position:** Non-Executive Director  
**Education:** •Chartered Institute of Bankers of Nigeria  
•Institute of Chartered Accountants of Nigeria  
•Compliance Institute of Nigeria  
•Certified Pension Institute of Nigeria  
**Experience:** •Central Bank of Nigeria  
•Federal Deposit Insurance Cooperation of the United States of America  
•First Guarantee Pension Limited
- 7. Name:** Sonny Iroche  
**Position:** Non-Executive Director  
**Education:** •B.Sc. - University of Nigeria, Nsukka  
•MBA - Roosevelt University, Chicago, Illinois  
**Experience:** •Transmission Company of Nigeria  
•Mutual Concept Limited  
•Economic Adviser to Abia State Government  
**Year of Board Appointment:** October 2018
- 8. Name:** Hajiya Aisha Bello



**Position:** Independent Director  
**Education:**

- M Sc. – Southern New Hampshire University, USA
- B.Sc. – University of Maiduguri

**Experience:**

- INFRAGAP
- Vista Resources
- DFID-Funded UK-Nigeria, infrastructure Advisory Fund

**Year of Board Appointment:** February, 2020

9. **Name:** Titus Oladipupo Fatokun  
**Position:** Independent Director  
**Education:**

- B. Sc. – University of Ilorin
- M. Sc. – University of Lagos
- Institute of Chartered Accountants of Nigeria
- Chartered Institute of Bankers of Nigeria

**Experience:**

- Central Bank of Nigeria
- Suleiman & Co

**Year of Board Appointment:** February, 2020

10. **Name:** Tokunbo Ajayi  
**Position:** Non-Executive Director  
**Education:**

- LL.B – University of Ife, Ile-Ife
- International Federation of Women Lawyers (FIDA) Nig.
- Business Recovery & Insolvency Practitioners Association of Nigeria (BRIPAN)
- Phillips Consulting, South Africa Senior Management Programme
- Columbia Business School High Impact Leadership Programme

**Experience:**

- United Capital Trustees Limited
- Nigerian Institute of Management and the British Council

**Year of Board Appointment:** February, 2021

11. **Name:** Oluleke Ogunlewe  
**Position:** Non-Executive Director  
**Education:**

- B. Sc. – University of Ibadan
- MBA – University of Lagos

**Experience:**

- Standard Chartered Bank
- United Bank for Africa Plc
- Royal Merchant Bank
- Manufacturers Merchant Bank Ltd (now Fidelity Bank Plc)
- City Trust Merchant Bank Ltd (now Union Bank)
- NAL Merchant Bank Plc (now Sterling Bank Plc)

**Year of Board Appointment:** February, 2021

## INDUSTRY REVIEW

The Nigerian financial services industry comprises of Banks and Non-Bank Financial Institutions. These include: Finance Companies; Primary Mortgage Institutions; Microfinance Banks; Insurance Companies; Bureau De Change; Investment Banks and Financial Technology Companies

Nigeria is the leading economy in Africa. It has a population exceeding 200 million. The Country's Gross Domestic Product (GDP) declined between Q4 2021 and Q1 2022 from 3.98% to 3.11%. However, The Q1 2022 growth rate was higher than the 0.51% growth rate recorded in Q1 2021 by 2.60% points. The Financial Sector of the Economy contributed 3.8% to the GDP. The sector grew at a rate of 32.29% which was greater than the rate of Q1 2021 at 30.14%.

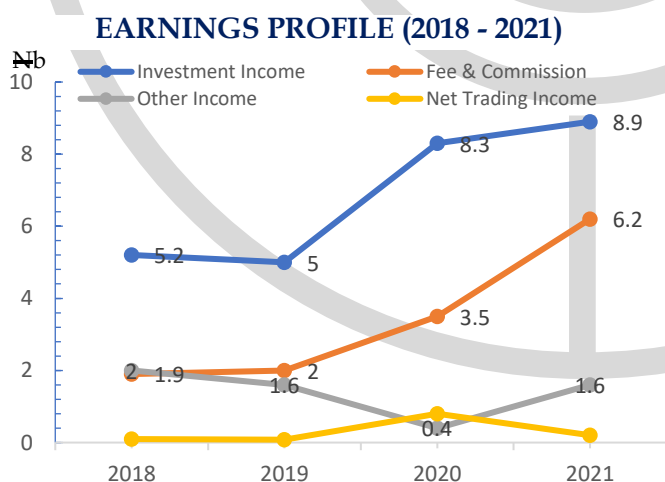
The Oil benchmark for the year 2022 budget is \$62 per barrel and 1.88 million barrel per day. This compares well with the current selling price of Oil which is above the benchmark (\$88 as at August 27th, 2022 according to oilprice.com).

The CBN after the Monetary Policy Committee meeting on May 25<sup>th</sup>, decided to raise the Monetary Policy Rate for the first time since October 2020 from 11.5% to 13.5%. The General Inflation Rate as at the month of June 2022 is 18.6% which is higher than the previous month figure of 17.71% in May. In a bid to further curtail inflation, the CBN increased the MPR to 14% in June. This could have the effect of limiting borrowing from Financial Institutions. Borrowers may have to find alternative sources of Finance. Currently, the official Exchange Rate to the dollar as at September 7<sup>th</sup> 2022 is ₦410 while the exchange rate at the parallel market stood at ₦710.

The **Group's** operation is largely in the Financial Services Sector. Consequently, improvements in the economy will support the **Group's** ability to generate Revenue.

## FINANCIAL PERFORMANCE

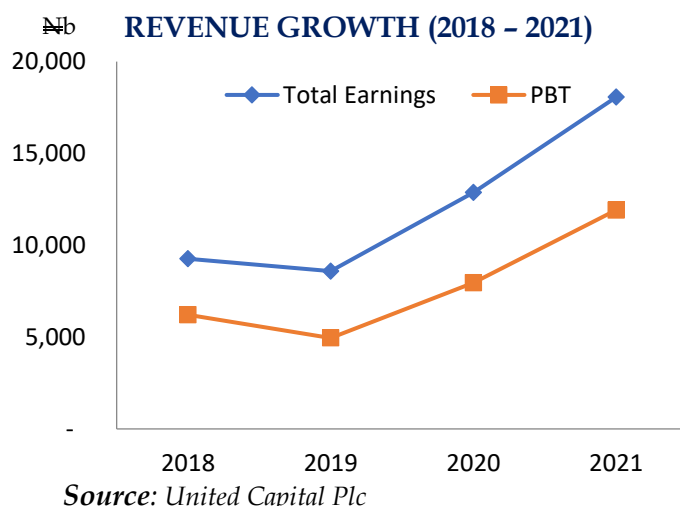
### • EARNING PROFILE



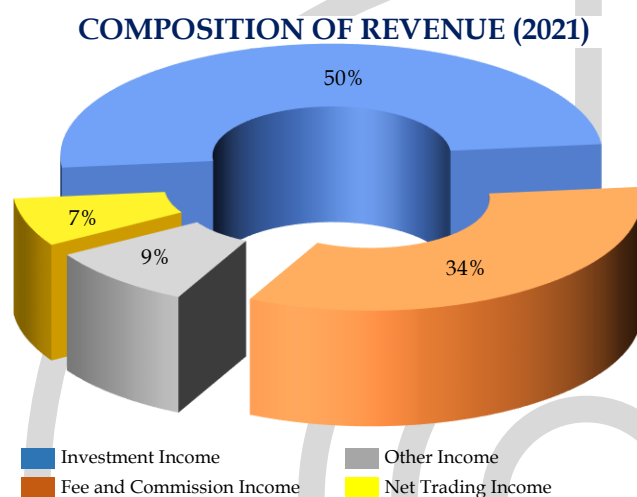
Source: United Capital Plc

The Group has a well-diversified Earnings portfolio. It derives its Revenue from four (4) main streams. These include; Investment Income, Fee and Commission Income as well as Trading Income.

The Group's Total Revenue surged by 40% in the year 2021. It grew to ₦18b from ₦12.8b (Yr. 20). All sources of income increased significantly and contributed to the Revenue growth in the year 2021.



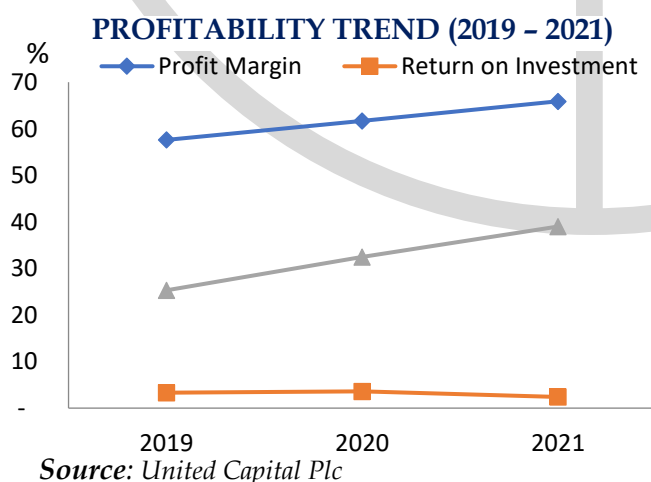
Investment Income which is the Group's major source of income grew from ₦8.3b (Yr. 20) to ₦9b (Yr. 21). This source of Revenue accounted for 50% of the Gross Earnings. Fee & Commission ranked next to Investment Income in terms of Revenue generation. These comprised of all fee-based earnings as well as Financial Advisory and Commissions Income. The Group earned 34% of its entire Earnings from these sources. Total income from Fee & Commission increased from ₦3.4b (Yr.20) to ₦6.2b (Yr.21) reflecting a change of 82%.



Other sources contributed an aggregate of 16% to Total Revenue. Income classified as Other Income include: Exchange Gains; Interest on Staff Loans; Gain on Disposal of Property, Plant & Equipment (PPE). Aggregate Earnings from these sources increased by over 100% from ₦398m (Yr.20) to ₦1.6b (Yr.21).

Net Trading Income arising from gains on the purchase and sale of financial instruments represented only 9% of the Total Revenue. It increased to ₦1.2b in the year 2021 from ₦753m in the year 2020.

## • PROFITABILITY



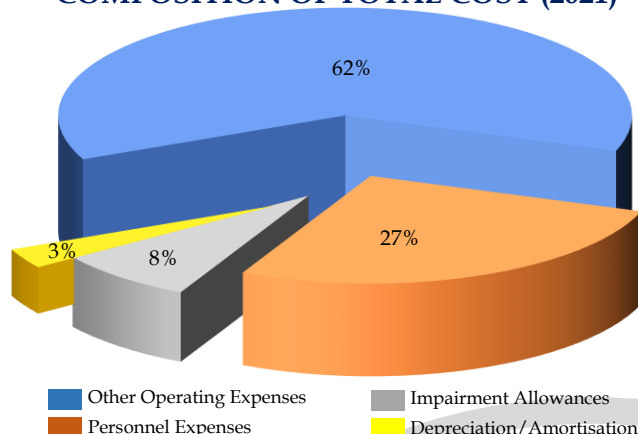
The Group recorded a Total Expenditure of ₦5.9b in the year 2022. This is an increase of 20% compared with the year 2021 Total Expenses. The growth in all its components, excluding Impairment for Credit Loss were the contributory factors to this change.

Total Expenses for the year was made up of Personnel, Depreciation,



Amortization, impairment for Credit Loss and Other Operating cost. Operating

### COMPOSITION OF TOTAL COST (2021)



Source: United Capital Plc

Expenses contributed 61% to the Group's Total Cost. It increased significantly from ₦2.7b in the year 2020 to ₦3.6b in year 2021.

The increase in the Gross Earnings recorded by the Group moderated the effect of the growth in Total Expenses. Consequently, Profit Before Tax went up from ₦7.9b (Yr.20) to ₦11.9b (Yr.21). Therefore, Profit Margin increased from 62% (Yr.20) to 66% (Yr.21).

## • INVESTMENT

The Investment Securities of the Group was ₦364b in the year 2021. This is a significant rise from ₦145b invested as at the year ended 2020. Financial Assets were measured at Amortised Cost (₦169b), at *Fair Value through Profit or Loss (FVPL)* (₦18b) and *Fair Value through Other Comprehensive Income (FVOCI)* (₦176b). The Non-Current portion of the Group portfolio was ₦315b, while the remaining value of ₦49b represented the Current portion.

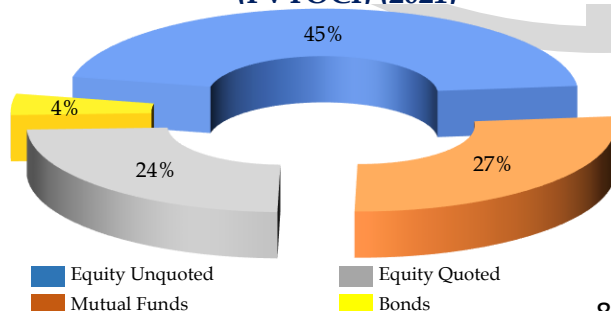
### BREAKDOWN OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

S/N	ITEM	2021 ₦ '000	%
1.	Investment in Long Term Placement	83,394,077	49
2.	Loans to Customers	30,592,996	18
3.	Treasury Bills	8,842,628	5
4.	FGN Bonds	8,057,445	4
5.	State Govt. Bonds	24,802,577	15
6.	Corporate Bonds	15,151,370	9
	<b>TOTAL</b>	<b>170,841,093</b>	<b>100</b>

Source: United Capital Plc

Most of the Investment Securities were Financial Assets at *FVPL* as it accounted for 49% of the total value. Also, it was the major contributor to the overall surge in Investments. It rose from ₦23b to ₦176b in the year 2020 and 2021 respectively.

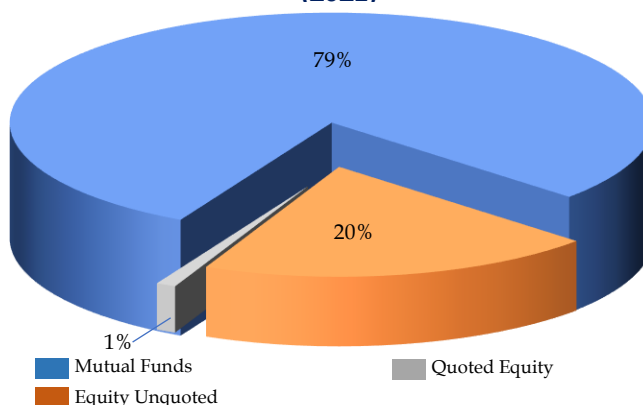
### FINANCIAL ASSETS MEASURED AT (FVTOCI) (2021)



Source: United Capital Plc

The Group's investment in Associates slightly decreased in the year under review. This went down from ₦4.5b (Yr.20) to ₦4.3b (Yr.21). The Group's Associates are *Heirs Insurance Limited* and *Heirs Life Assurance Limited*. The Group held 25% of the Associates Shares as at the year ended 2021.

### FINANCIAL ASSETS MEASURED AT (FVTPL) (2021)

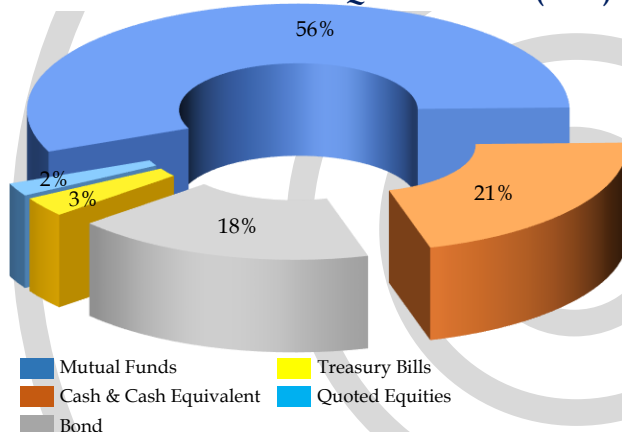


Source: United Capital Plc

## • LIQUIDITY

Liquid Assets of the Group represented 58% its Total Assets in the year 2021. The Liquid Assets increased by 119% compared with ₦119b recorded in the year 2020. Cash and Cash Equivalent, Bond, Treasury Bills, Mutual Funds and Quoted Equities were the components of Liquid Assets during the year under review.

### COMPOSITION OF LIQUID ASSET (2021)



Source: United Capital Plc

Although all its components grew in the year 2021, the significant increase is majorly attributable to the acquisition of more Financial Assets. Liquid Assets as a proportion of Total Liabilities was 62% (Yr.21) as against 60% (Yr. 20).

Managed Funds constituted the bulk of the Group's obligations in the year 2021 as it accounted for 77% of the Total Liabilities. It rose to ₦327b (Yr.21) from ₦116b (Yr.20).

Short-term Investments represented the largest part of Managed Funds. It grew from ₦67b (Yr.20) to ₦205b (Yr.21).

### BREAKDOWN OF MUTUAL FUNDS

S/N	ITEM	2021 ₦ '000	%
1.	Short Term Investments	204,940,905	62
2.	Ucap Investments	65,092,136	20
3.	Trust Funds	34,772,369	11
4.	Sinking Funds	19,943,655	6
5.	Payable on Trust Accounts	2,499,959	1
	<b>TOTAL</b>	<b>327,249,024</b>	<b>100</b>

Source: United Capital Plc

The Group accessed Interest Bearing Borrowings from Financial Institutions, Issued Debt (Bonds) and Commercial Papers. Loans from Financial Institutions represented 67% of the Total Borrowed

Funds and amounted to ₦53b in the year 2021. The aggregate Interest-Bearing Borrowings for the year 2021 was ₦79.6b and ₦72.6b (Yr.20).

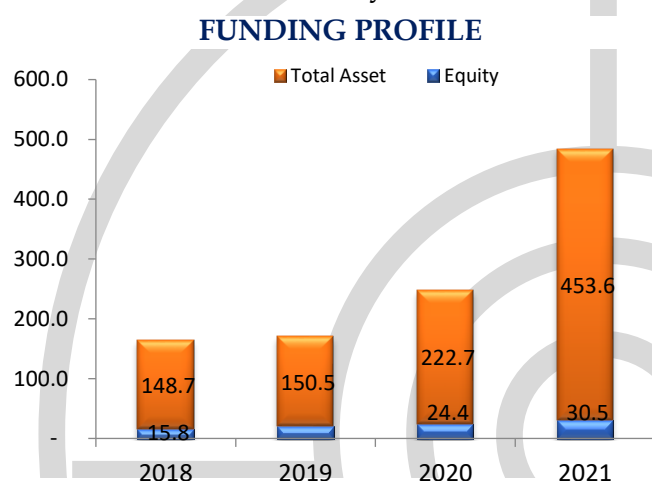
The Net Liquid Asset after deducting the Asset under Management from the Liquid Assets amounted to ₦120.9b (Yr.21) as against ₦101b (Yr.20).

## • CAPITAL ADEQUACY

The Group's Share Capital for the year 2021 remained unchanged from the prior year's balance of ₦3b. Also, Share premium remained same at ₦684m in the years 2020 and 2021.

However, there was a growth in the Total Shareholders Fund from ₦24.4b (Yr. 20) to ₦30.5b (Yr.21). The rise in Shareholders' Funds was driven by Retained Earnings, which grew by 32%.

Total Assets accelerated by 104% from ₦222.7b to ₦453.6b in the year 2020 and 2021.



Source: United Capital Plc

Financial Assets, Cash & Cash Equivalent and Investment Securities accounted for the major portion of Total Assets. As a result of the mismatch between the surge in Total Assets and Shareholders Fund, Equity Funding of Operations reduced by 38%.

*United Capital Plc* Shareholders' Funds of ₦30.5b is well above the Statutory minimum of ₦950m prescribed by the *Securities and Exchange Commission (SEC)* for its

operation.

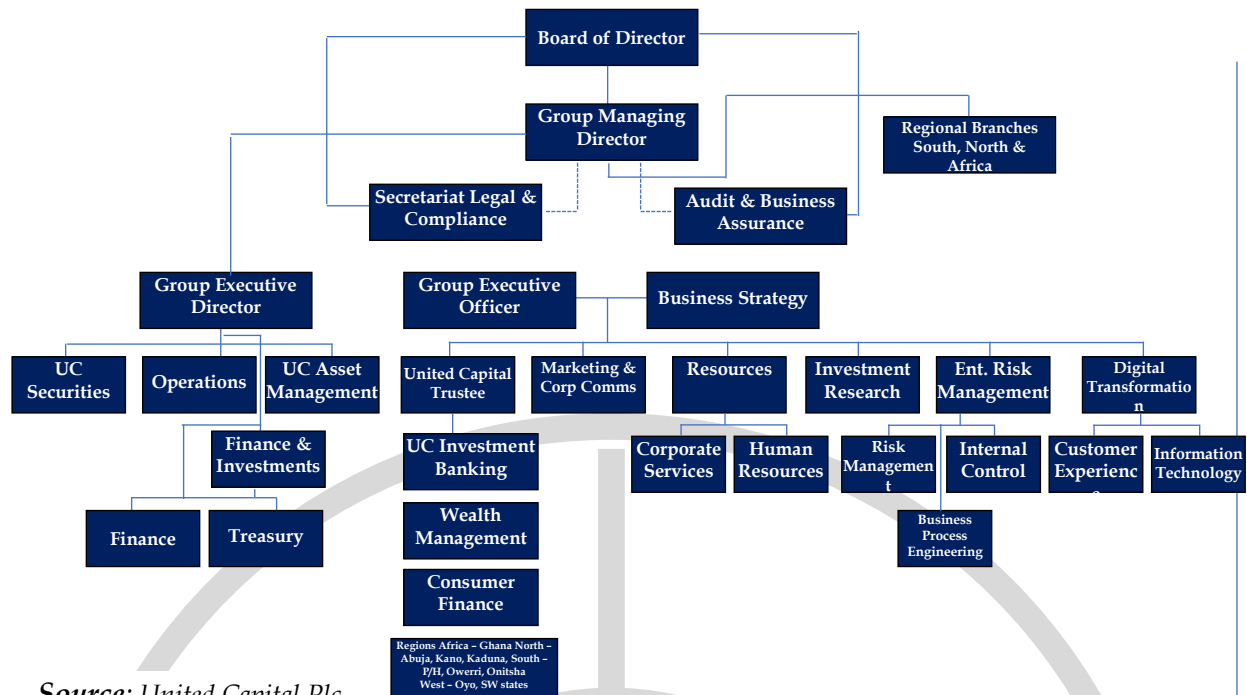
## CORPORATE GOVERNANCE & RISK MANAGEMENT

In order to strengthen the Board after the exit of two (2) Directors, the Group engaged new Non-Executive Directors in the year 2021. These are: *Ms. Tokunbo Ajayi* and *Mr. Oluleke Ogunlewe*. The Board comprised of three (3) Executive, six (6) Non-Executive and two (2) Independent Directors.

The Board provides overall guidance and formulate policy for the Management on behalf of the Shareholders. This is mostly carried out through its Board Committees which are; *Finance Investment and Risk Management Committee, Audit and Governance Committee and Statutory Audit Committee*.

The Group Structure is as presented:

## GROUP STRUCTURE



Source: United Capital Plc

## RISK FACTORS

In the course of our review, we observed the following significant risks:

- INTEREST RATE RISK**

This is the risk of loss to income arising from changes in interest rates.

Based on our review, the Group has significant investments in Bonds, Treasury Bills and Commercial Paper. Consequently, adverse movement in Interest Rate may affect income.

- FOREIGN EXCHANGE RISK**

This is the risk arising from loss of capital or earnings due to adverse movements in the Exchange Rates of assets or liabilities.

In the course of our review, the Group confirmed that there is Dollar components to its Transactions. Therefore, adverse movement in Exchange Rate may impact profitability.

- CREDIT RISK**

This is the risk arising from the inability of counterparties to honor their obligations as and when due. The Group invested in Corporate Bonds and Commercial Papers. This is in addition to granting of loans to customers. The credit quality of these Investments will significantly impact on the earning capability of the Group.

- **REPUTATIONAL RISK**

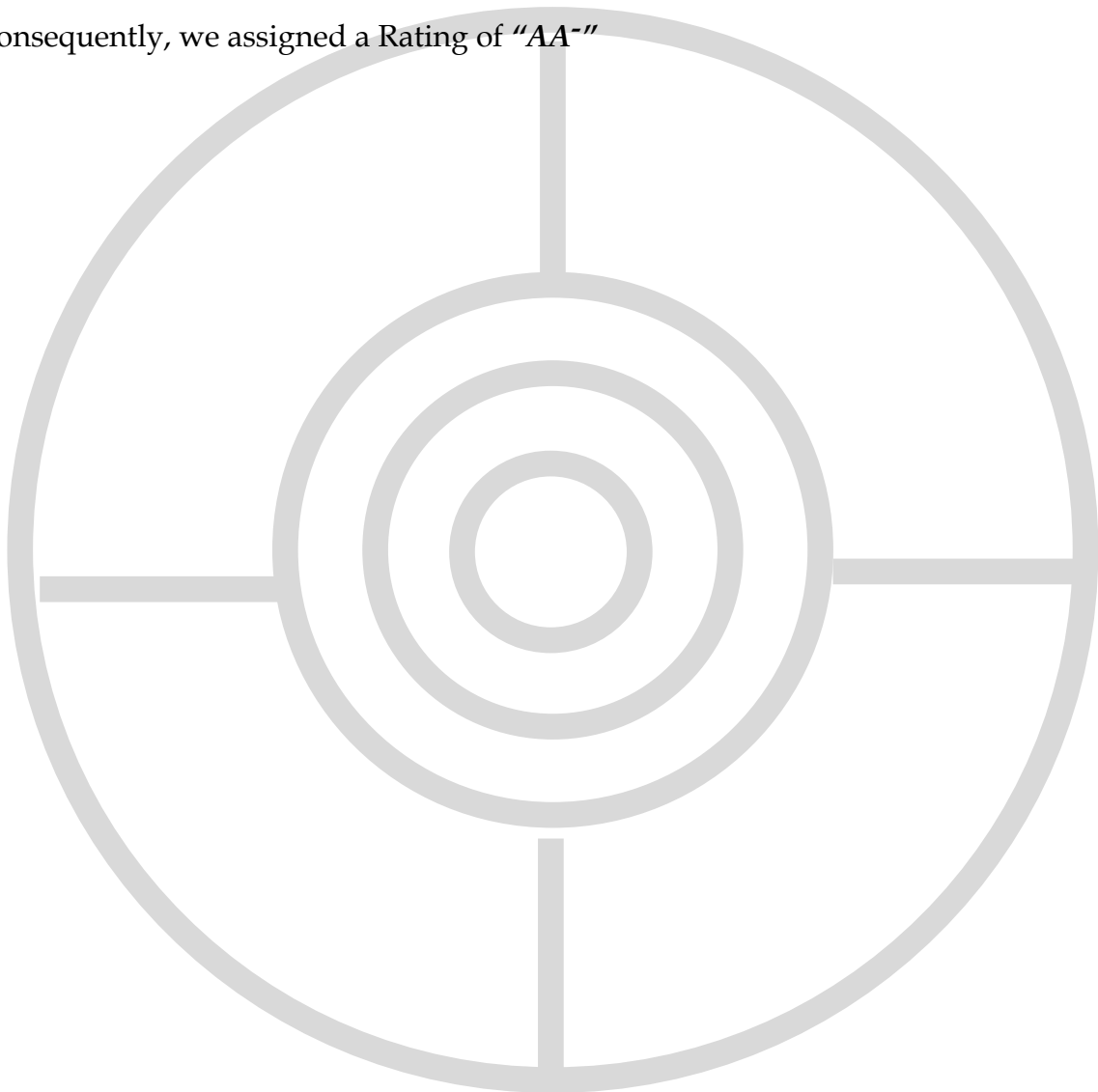
This is the risk that the Group may be exposed to reputational damage of its brand which may lead to loss of business.

In the course of our review, there was no negative public information or adverse press report against the Group & Parent Company.

## CONCLUSION

The Rating of the Group is supported by its Experienced Management Team, Very Good Asset Quality and Diversified Earnings Profile.

Consequently, we assigned a Rating of "AA-"





## FINANCES

Financial Position as at

	Dec, 2021 N'000	Δ%	Dec, 2020 N'000	Δ%	Dec, 2019 N'000
Cash and cash equivalents	53,661,848	23.59	43,420,443	44.10	30,132,099
Investment in financial assets	363,647,252	150.53	145,148,841	54.18	94,142,345
Trade and other receivables	30,919,246	5364.46	28,472,742	58.44	25,528,546
Right of use assets	212,819	406.53	283,694	-4.01	312
Intangible assets	78,595	-72.30	42,015	90827.56	43,771
Investments in associates	4,293,587	-84.92	4,500,000	11.53	
Property and equipment	471,852	49.92	565,824	20.97	357,118
Deferred tax assets	312,755		314,736		260,184
<b>TOTAL ASSETS</b>	<b>453,597,954</b>	<b>103.64</b>	<b>222,748,295</b>	<b>48.04</b>	<b>150,464,375</b>
<b>LIABILITIES</b>					
Managed Funds	327,249,024	182.06	116,019,077	60.29	72,379,297
Borrowed funds	79,691,116	9.67	72,661,645	42.82	50,876,737
Other liabilities	14,225,310	85.15	7,683,308	42.27	5,400,633
Current tax liabilities	1,803,211	-1.51	1,830,812	16.63	1,569,828
Deferred tax liabilities	82,500	-35.03	126,974	-80.53	652,041
<b>TOTAL LIABILITIES</b>	<b>423,051,161</b>	<b>113.32</b>	<b>198,321,816</b>	<b>51.53</b>	<b>130,878,536</b>
<b>EQUITY</b>					
Share capital	3,000,000	0.00	3,000,000	0.00	3,000,000
Share premium	683,611	0.00	683,611	0.00	683,611
Retained earnings	28,660,538	32.68	21,601,800	28.65	16,790,622
Other reserves	(1,797,356)	109.25	(858,932)	-3.32	(888,394)
<b>SHAREHOLDER'S FUND</b>	<b>30,546,793</b>	<b>25.06</b>	<b>24,426,479</b>	<b>24.71</b>	<b>19,585,839</b>
<b>TOTAL LIABILITIES AND CONTINGENT</b>	<b>453,597,954</b>	<b>103.64</b>	<b>222,748,295</b>	<b>48.04</b>	<b>150,464,375</b>
Gross earnings	18,065,183	40.32	12,873,897	49.84	8,591,929
Gross operating expenses	(5,941,170)	20.60	(4,926,227)	35.25	(3,642,209)
Share of profit of equity accounted investee					
<b>Operating profit before income tax</b>	<b>12,124,013</b>	<b>52.55</b>	<b>7,947,670</b>	<b>60.57</b>	<b>4,949,720</b>
Share of (loss)/profit in associate companies	(206,412)				
<b>Profit before income tax</b>	<b>11,917,601</b>	<b>49.95</b>	<b>7,947,670</b>	<b>60.57</b>	<b>4,949,720</b>
Income tax write back/(expenses)	(658,863)	382.71	(136,492)	-675.94	23,699
Profit for the year from continuing operations	<b>11,258,738</b>	<b>44.14</b>	<b>7,811,178</b>	<b>57.06</b>	<b>4,973,419</b>
Other comprehensive income for the year	(938,423)	-3285.20	29,462	-96.22	778,413
Total comprehensive income for the year	<b>10,320,315</b>	<b>31.63</b>	<b>7,840,640</b>	<b>36.32</b>	<b>5,751,832</b>

Signed:   
Name: **Oladele Adeoye**  
Designation: Chief Rating Officer  
Date: 8th September, 2022

For and on behalf of:  
**DataPro Limited**  
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## USER GUIDE

*DataPro's* credit rating is an opinion of an issuer's/issues overall creditworthiness and its capacity to meet its financial commitment.

Our *short-term* ratings have a time horizon of less than 12 months in line with industry standards reflecting risk characteristics. The ratings place greater emphasis on the liquidity to meet financial commitment in a timely manner.

The long-term risk indicator is divided into 8 bands ranging from AAA through DD. Each band could be modified by + or -. With + representing slightly less risk than -. Such suffixes are not added to the 'AAA' long -term rating category and to categories below 'CCC'. Or to short-term rating older than A1+.

### LONG-TERM RATING

#### Investment Grade

Indicator	Meaning	Explanation
AAA	Lowest Risk.	<i>(Superior)</i> Assigned to companies which have superior financial strength, operating performances and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion, have a Excellent ability to meet their ongoing obligations.
AA	Lower Risk	<i>(Excellent)</i> Assigned to companies which have excellent financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion, have a very strong ability to meet their ongoing obligations.
A	Low Risk	<i>(Very Good)</i> Assigned to companies which have very good financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion, have a strong ability to meet their ongoing obligation.
BBB	Slight Risk	<i>(Fair)</i> Assigned to companies which have fair financial strength, operating performance and profile when compared to the standards

established by *DataPro Limited*. These companies, in our opinion, have an ability to meet their current obligations, but their financial strength is vulnerable to adverse changes in economic conditions.

## Non-Investment Grade

### Indicator Meaning Explanation

BB	Moderate Risk	( <i>Marginal</i> ) Assigned to companies which have, marginal financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.
B	High Risk	( <i>Weak</i> ) Assigned to companies which have, weak financial strength, operating performance and profile when compared to the standard established by <i>DataPro Limited</i> . These companies, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.
CCC	Higher Risk	( <i>Poor</i> ) Assigned to companies, which have poor financial strength, operating performance and profile when compared to the standards established <i>DataPro Limited</i> . These companies, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions.
DD	Highest Risk	( <i>Very Poor</i> ) Assigned to companies, which have very poor financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These companies, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely

vulnerable to adverse changes in economic conditions.

## SHORT-TERM RATING

Indicator	Meaning	Explanation
A1+	Highest credit quality	Indicates the strongest capacity for timely payment of financial commitments. May have an added “+” to denote any exceptionally strong credit feature.
A1	Good credit quality	A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.
A2	Fair credit quality	The capacity for timely payment of financial commitments is adequate. However, near term adverse changes could result in reduction to non investment grade.
B	Speculative	Minimal capacity for timely payment of financial commitments, plus vulnerability to near term adverse changes in financial and economic conditions.
C	High default risk	Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon a sustained, favorable business and economic environment. Indicates an entity that has defaulted on all its financial obligations.