

### CREDIT RATING ANNOUNCEMENT

GCR assigns a national scale long-term Issue rating of A-(NG) to Sundry Foods Funding SPV Plc's NGN5.5Bn Series II Senior Unsecured Bonds.

#### Rating action

Lagos, 30 November 2023 - GCR Ratings (GCR) has assigned a national scale long-term Issue rating of A-(NG) to Sundry Foods Funding SPV Plc's NGN5.5Bn Series II Bonds, with the Outlook accorded as Positive.

Rated Issue	Rating class	Rating scale	Rating	Outlook
Sundry Foods Funding SPV Plc's NGN5.5Bn Series II Bonds	Long-term Issue	National	A-(NG)	Positive

#### Rating rationale

Sundry Foods Funding SPV Plc, the Issuer, is a special purpose vehicle owned and sponsored by Sundry Foods Limited (Sundry Foods or the Sponsor) as a funding entity, solely for the purpose of raising finance for its Sponsor. In May 2023, we affirmed Sundry Foods' national scale long-term Issuer rating of A-(NG), underpinned by its competitive strengths, good earnings, and sound gearing metrics. Please see [the rating announcement on the Sponsor](#).

In 2021, the Sponsor registered a NGN20Bn Multi-Instrument Issuance Programme (the Programme) with the Securities and Exchange Commission, under which NGN2.5Bn in Series I Bonds was successfully issued. The Issuer further raised additional NGN5.5Bn in Series II Bonds (the Bonds) under the Programme in October 2023. The Bonds have a tenor of five (5) years, with 12 months moratorium on principal repayment, and legal maturity date of October 2028. Principal repayment is on an amortising basis, payable semi-annually following the expiration of the moratorium. The coupon is 16% fixed rate, payable semi-annually in arrears, and commencing from the issue date up to and including the maturity date.

The net proceeds from the Bonds are being utilised for store expansion, debt financing and working capital. The Series II Bonds constitute direct, unconditional, senior, unsubordinated, and unsecured obligations of the Issuer and at all times rank *pari passu* and without preference among themselves. Sundry Foods, the Issuer and the Bond Trustees have an existing covenant, where Sundry Foods acts in the capacity of the guarantor, absolutely, irrevocably, and unconditionally guarantees the timely and full repayment of all debt and obligations owed by the Issuer under the Programme.

Given that Sundry Foods offers timely and full coverage of all payments due to the bondholders under the Series II Bonds through the Deed of Undertaking, the Bonds bear the same default risk as its Sponsor and would reflect similar recovery prospects to senior unsecured creditors in the event of default. Therefore, the long-term rating of the Series II Bonds is equivalent to the Sponsor's long-term rating.

#### Outlook statement

The positive outlook reflects our expectation that the Sponsor will sustain the strong growth in earnings and maintain robust cash flows, which should keep leverage metrics at a moderate level over the next 12-18 months.

#### Rating triggers

Given that the Bonds' rating is intrinsically linked to Sundry Foods' long-term rating, any change in the rating assigned to Sundry Foods will directly affect the Issue rating.

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## Related criteria and research

Criteria for the GCR Ratings Framework, January 2022

Criteria for Rating Corporate Entities, January 2022

GCR Ratings Scales, Symbols & Definitions, May 2023

GCR Country Risk Scores, November 2023

GCR Nigeria Corporate Sector Risk Scores, April 2023

Sundry Foods Limited's Credit Rating Announcement, May 2023

## Ratings history

### Sundry Foods Funding SPV Plc's NGN5.5Bn Series II Bonds

Rating class	Review	Rating scale	Rating	Outlook	Date
Long-term Issue	Initial/Last	National	A-(NG)	Positive	November 2023

## Glossary

Arrears	An overdue debt, liability or obligation. An account is said to be 'in arrears' if one or more payments have been missed in transactions where regular payments are contractually required.
Coupon	The interest paid on a bond expressed as a percentage of the face value. If a bond carries a fixed coupon, the interest is usually paid on an annual or semi-annual basis. The term also refers to the detachable certificate entitling the bearer to the interest payment.
Debt Financing	Raising capital by selling debt instruments such as bonds, bills or notes.
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.
Default Risk	The probability or likelihood that a borrower or issuer will not meet its debt obligations. Credit Risk can further be separated between current credit risk (immediate) and potential credit risk (deferred).
Guarantee	An undertaking in writing by one person (the guarantor) given to another, usually a bank (the creditor) to be answerable for the debt of a third person (the debtor) to the creditor, upon default of the debtor.
Guarantor	A party that gives the guarantee.
Issue Date	The date of issue of a new security. Often used as the date from which interest begins to accrue.
Issuer	The party indebted or the person making repayments for its borrowings.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.
Moratorium	A period of time in which an activity is suspended until such time as a change in circumstances permits its removal. For example, a borrower can declare a moratorium on the repayments of the principal, and sometimes the interest, on a loan.
Obligation	The title given to the legal relationship that exists between parties to an agreement when they acquire personal rights against each other for entitlement to perform.
Obligor	The party indebted or the person making repayments for its borrowings.
Principal	The total amount borrowed or lent, e.g. the face value of a bond, excluding interest.
Proceeds	Funds from issuance of debt securities or sale of assets.
Repayment	Payment made to honour obligations in regards to a credit agreement in the following credited order: 3.) Satisfy the due or unpaid interest charges; 4.) Satisfy the due or unpaid fees or charges; and 5.) To reduce the amount of the principal debt.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Senior	A security that has a higher repayment priority than junior securities.
Tenor	The time from the value date until the expiry date of an instrument, typically a loan or option.
Trustee	An individual or firm that holds or administers property or assets for the benefit of a third party.
Unconditional	Not subject to any conditions.
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, and therefore, GCR has been compensated for the provision of the ratings.

The rated entity participated in the rating process via face-to-face management meetings, as well as other written 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:

- 2022 audited draft financial statements, and prior four years audited financial statements;
- 9M 2023 Income statement and Debt profile
- Programme Trust Deed
- Programme Deed of Undertaking
- Series II Pricing Supplement
- Series II Trust Deed; and
- Legal Opinion on Series II Bonds

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