



DataPro



CORPORATE RATING REPORT

ALPHA MEAD FACILITIES AND MANAGEMENT SERVICES COMPANY

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March, 2024

ALPHA MEAD FACILITIES AND MANAGEMENT SERVICES LIMITED

Long-Term Rating:

BBB

Short Term Rating: A2

Rating Outlook: Positive

Trend: UP

Currency: Naira

Date Issued: 13 Mar., 2024

Valid Till: 12 Mar., 2025

Reference:

Abiodun Adeseyoju, FCA.
Abimbola Adeseyoju
Oladele Adeoye

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EXECUTIVE SUMMARY

	2023*	2022	2021	2020	2019
	₦'000	₦'000	₦'000	₦'000	₦'000
Turnover	2,780,952	3,516,771	2,940,583	2,573,639	3,680,832
Pre-Tax Profit	574,275	109,152	334,074	359,176	393,349
Equity	1,929,134	1,293,931	1,301,279	1,187,328	964,826
Property Plant & Equipment	80,034	95,602	29,504	34,652	72,059
Total Asset	4,528,247	4,009,928	3,337,871	2,800,540	2,869,164
Liabilities	2,599,113	2,715,997	2,036,592	1,613,212	1,904,338

Rating Explanation

for the year ended 31st December, 2023

The Short-Term Rating of **A2** indicates *Fair Credit Quality* and adequate capacity for timely payment of financial commitments.

The Long-Term Rating of **BBB** indicates *Slight Risk*. It shows Fair Financial Strength, Operating Performance and Business Profile when compared to the standard established by **DataPro**. This Company, in our opinion, has the ability to meet its ongoing obligations, but its financial strength is vulnerable to adverse changes in economic conditions.

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 were 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:

Positive Rating Factors:

- Stable Management
- Diversified Earnings Profile
- Strong Brand Presence
- Good Liquidity Profile

Negative Rating Factors:

- High Credit Risk Exposure
- Macro-Economic Constrains

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BACKGROUND

AlphaMead Facilities and Management Services Limited ("The Company") was incorporated on the 24th January, 2006 as a Private Limited Liability Company. It commenced operations in the year 2007.

The Company is involved in facility management operations & consultancy services. It provides technical & operational support to large scale, long-term, complex and multi serviced facilities across Africa.

Its services include but not limited to the following: Routine Cleaning, Fumigation & Disinfection, Building Fabric Maintenance & Engineering, Security Surveillance and Prevention, HSE & Building Continuity as well as Office & Administrative Support services.

Presently, its corporate headquarters is situated in Lagos State, Nigeria. However, it maintains a network of seven branches across various-states within the country based on the spread of its clients. Some of the states include: Lagos, Kano, Enugu, Rivers, Yobe, Borno as well as Abuja FCT. Aside Nigeria, the Company also maintains operations through local partnerships in countries such as: Ghana, Cameroon, Senegal and Tanzania. It currently services its 55 clients through 800 employees.

The Company is a Subsidiary of the *Alpha Mead Group*, with 99% of its shares held by *Alpha Mead Resources & Investment Ltd*. Other companies within the Group are: *Alpha Mead Development Company* and *Alpha Mead Healthcare Services*.

DIRECTORS' PROFILE

The following served as directors during the year under review; *Ademola Onanuga - Chairman; Wole Olufore - Managing Director; Engr. Solomon Dada Thomas; Olufemi Mosuro; Ndubisi Chuks Nwasike and Victor Udora.*

The Directors' profile is as follow.

1. **Name:** Ademola Onanuga
Position: Chairman
Education:
 - MBA- University of Wales, Cardiff
 - B.Pharm- University of Ife**Job Experience:**
 - Basscomm Nigeria
 - Bolton Projects**Years of Experience:** Over 30 years
Board Membership: Since 2019

2. **Name:** Wole Olufore
Position: Managing Director
Education:
 - MBA- Southampton Solent University**Years of Experience:** Over 23 years

Job Experience:

- Shell Nigeria
- Centrica Resources

Board Membership: Since 2017

3. **Name:** Engr. Solomon Dada Thomas
Position: Non-Executive Director
Education:

- B.Eng–Loughborough University of Technology, UK

Years of Experience: Over 44 years
Job Experience:

- Frontier Oil Limited
- Shell Group
- Tri-Ocean Nigeria Engineering Limited
- Fairshores Limited

4. **Name:** Dr. Olufemi Mosuro
Position: Non-Executive Director
Education:

- Postgraduate Medical College of Nigeria
- Diploma in Anaesthesia- University of Lagos
- M.B.B.S- University of Ibadan

Years of Experience: Over 22 years
Job Experience:

- Quality Health International Services Limited
- Shell Petroleum Development Company of Nigeria

Board Membership: Since 2013

5. **Name:** Ndubisi Chuks Nwasike
Position: Non-Executive Director
Education:

- Nigerian Law School
- University of Nigeria, Nsukka

Years of Experience: Over 33 years
Job Experience:

- First Counsel Firm

6. **Name:** Victor Udora
Position: Executive Director
Education:

- Executive MBA- Wharton Executive Education
- MBA- University of Benin
- BE, Mechanical Engineering - University of Nigeria Nsukka

Job Experience:

- Shell Group
- Restov Consulting

Board Membership: Since 2009

SECTOR REVIEW

Nigeria is the leading economy in Africa, with a population of over 200 million. In the fourth quarter of 2023, the country's Gross Domestic Product (GDP) demonstrated a real-term growth of 3.46% year-on-year, lower than the 3.52% recorded in the same quarter of 2022 and higher than 2.54% from the third quarter of 2023. Notably, the

Services sector propelled this growth, contributing 56.55% to the overall GDP with a growth rate of 3.98%. This growth was recorded following a rise in Oil output.

The Oil benchmark for the year 2024 budget is \$77.96 per barrel and production projection of 1.78 million barrel per day. This compared well with the current selling price of Oil which is above the benchmark (\$82.45 as at March 12th, 2024 according to oilprice.com). However, Nigeria is battling with the challenge of foreign currency scarcity arising from lower Oil receipt and limited export capacity of the country.

The country has been battling with a lingering forex shortage due to a decline in oil production and foreign inflows. The value of the Naira to the Dollar at the official market is N1,612.68/\$1 as at March 8th, 2024, while the parallel market value was ₦1,750/\$1. In June 2023, the Central Bank of Nigeria floated the naira after unifying all segments of the forex market, which has resulted in significant devaluation of the local currency.

The Monetary Policy Committee (MPC) of the CBN at its meeting in February 2024, raised the Monetary Policy Rate (MPR) by 400bps to 22.75%. This marked a significant departure from the previous rate of 18.75% maintained since July, 2023. This was done to manage inflation which has been on a steady rise. Headline Inflation rose to 29.90%, a near 28-year high in January, 2024. The inflation rate showed an increase of 0.98% points when compared to the 28.90% recorded in December, 2023. The rise in MPR could have the effect of limiting borrowing from Financial Institutions due to the high costs and lead borrowers to find alternative sources of finance.

Facility Management is a rapidly growing industry in Nigeria, as more businesses and organizations recognize the importance of maintaining and managing their facilities effectively. Some of the major drivers of facility management industry in Nigeria is increasing demand for high quality office spaces in major cities such as Lagos and Abuja. This is in addition to the increasing awareness of the importance of environmental sustainability and energy efficiency.

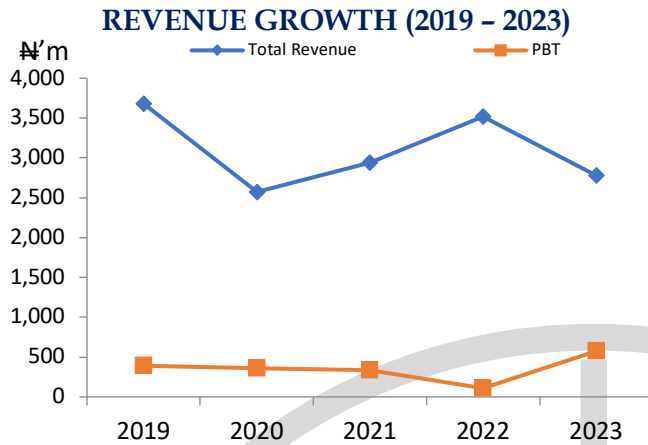
The recent growing rate of urbanization in Nigeria for government owned properties and private owned properties, coupled with the expansion of the tourism sector, institutional buildings and hotels presents a great opportunity in facility management industry. This will enable companies to increase their operations and grow demand for facilities management services, increase revenue and expand customer base.

A deep understanding of the macro-economic trends and ability to creatively take advantage of market opportunities remain the critical success factors for operators.

FINANCIAL PERFORMANCE

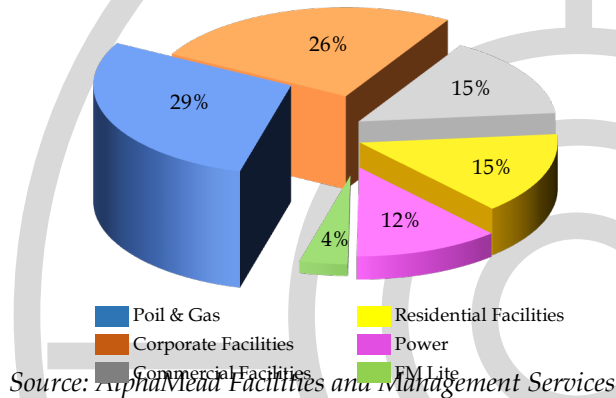
The reviewed Financials of the Company covered the four-year period spanning 2019-2022. This is in addition to the Management Accounts for the twelve months ending December 2023.

- **EARNINGS PROFILE**



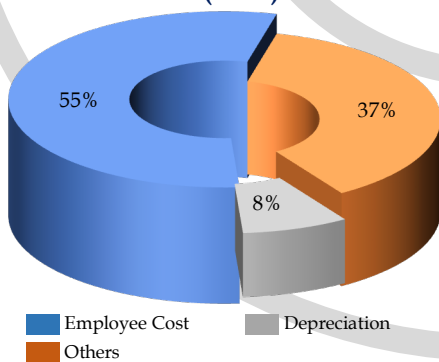
Source: AlphaMead Facilities and Management Services

CLASSIFICATION REVENUE BY SEGMENTS



Source: AlphaMead Facilities and Management Services

COMPOSITION OF OPERATING EXPENSES (2023)



Source: AlphaMead Facilities and Management Services

The Company derives its Revenue from rendering services such as routine cleaning, fumigation & disinfection, building fabric maintenance & engineering, security surveillance and prevention, HSE & building continuity, office and administrative support services. Over the last 3 years, the Company has maintained a consistent trajectory of increasing Revenue, following its recovery from the impact of the Covid-19 Pandemic. In the year 2022, Earnings grew by 20%, a trend driven by the enhanced Revenue from its Oil and Gas facilities.

Revenue accrued during the year 2022 were majorly Reimbursables which accounted for about 94% of the total. Other sources of Revenue include Facility Management and Training Fees.

Based on its service lines, Revenue from Oil and Gas project contributed 29% of Total Revenue in the year 2022. The balance was distributed among Commercial Facilities (18%), Corporate Facilities (26%), Residential Facilities (15%) and Power (12%).

The improved performances of the business divisions enhanced Gross Revenue, growing from ₦2.9b (Yr. 21) to ₦3.5b (Yr.22). However, in the twelve months period ended December 2023, Revenue dipped to

₦2.8b.

Direct operating expenses include project expenses incurred in the provision of facility management and sale of security equipment. This grew by 15% to ₦2.2b (Yr.22).

The Company reported a Gross Profit of ₦1.3b, representing a 28% growth compared to the previous year. This reflected an improvement in cost management as Gross Profit Margin improved from 34%(Yr.21) to 37% (Yr. 22) and 42% in the year 2023.

• PROFITABILITY

The Company earned Sundry Income of ₦17.9m (Yr. 21) as against ₦58.5m recorded in year 2022. It reported a decline in Operating Profit from ₦411.6m (Yr.21) to ₦317.5m (Yr.22) stemming majorly from the surge in Employee costs and the Company's share of Group's cost. Generally, Administrative Expenses rose from ₦661.4m (Yr.22) to ₦1.0b (Yr.22). This class of Expenses however, dropped significantly to ₦399.3 in the period to December, 2023.

The Company held interest bearing Liabilities amounting to ₦660.7m in the year 2022. These are borrowings from Banks and other Financial Institutions. Consequently, Finance Cost more than doubled to ₦208.4m. Profit Before Tax (PBT) deteriorated by 68% from ₦334.1m (Yr.21) to ₦109.2m (Yr.22). The double-digit decline reflected the impact of the surge in operating expenses.

The Management account for December, 2023 recorded a growth in PBT to ₦574.3m following the significant drop in Expenses. Consequently, Net Profit Margin improved significantly from 3% (Yr.22) to 21% (Yr.23).

CAPITALIZATION

Total Assets comprised of Current and Non-Current Assets. The Company recorded

BREAKDOWN OF TOTAL ASSETS

Item	2022 ₦'000	%	2021 ₦'000	%
Current Assets	3,402,616	85	2,800,957	84
Non-Current Assets	607,312	15	536,914	16
Total Assets	4,009,928	100	3,337,871	100

Source: AlphaMead Facilities and Management Services

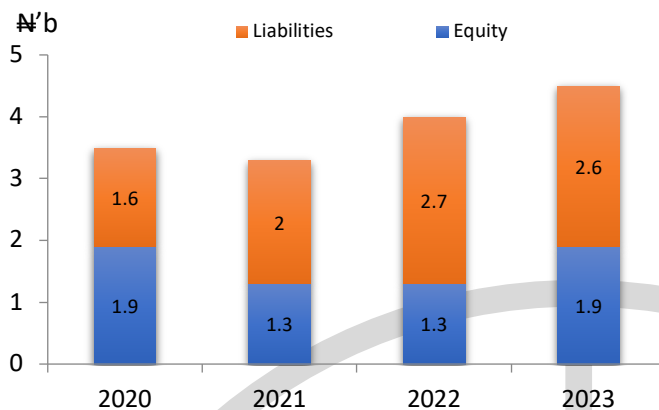
significant growth in Total Assets from ₦3.3b (Yr.21) to ₦4.0b(Yr.22). Current Assets contributed majorly to the increase, accounting for 85% and 87% of Total Assets in the financial years 2022 and 2023 respectively. It increased by 24% from ₦2.8b (Yr.21) to

₦3.4b(Yr.22).

Non-Current Assets grew marginally by 13% from ₦536.1m (Yr.21) to ₦606.5m (Yr.22). This was due to the additional investment of about ₦100m in Property, Plants and Equipment. Trade and Other receivables accounted for 80% of Total Assets.

Share Capital and Premium remained the same at ₦100m and ₦136.2m respectively, as at the year ended December, 2022. Equity also remained relatively same at ₦1.3b in the year 2022 due to dividend payment out of Retained Earnings. However, in the year 2023, it improved significantly to ₦1.9b.

FUNDING OF OPERATIONS (2020 - 2023)



Source: AlphaMead Facilities and Management Services

The Company incurred only Short-Term Liabilities in the year 2022. This comprised of Income Tax (8%), Borrowings (24%) and Payables (68%). The debt profile demonstrated a growth rate of 33% amounting to a value of ₦2.8b (Yr.22). This is majorly traceable to increased payables.

Borrowings were largely short-termed in nature, maturing between 6-12 months with interest rates ranging between 4.5% to 30%. It

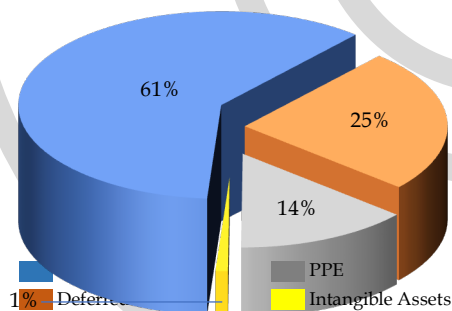
amounted to ₦149.9m (Yr. 22), lower than ₦235.3m recorded in the prior year.

Equity as a proportion of Total Assets was 32% in the year 2022 a decline from 39% recorded in the preceding year. This however, improved to 43% in the year 2023 following the increase in Shareholders' Fund.

• ASSET UTILITY

The Company deployed assets valued at ₦4.0b to operations in the year 2022. Total Assets were dominated largely by Current Assets to the tune of 85%. Inventories, Cash, Receivables and Prepayments were the components of the Company's Current

COMPOSITION OF NON-CURRENT ASSETS



Source: AlphaMead Facilities and Management Services

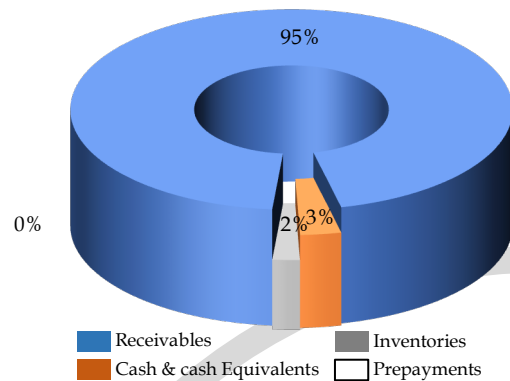
Assets. Receivables in the same year accounted for nearly 80% of Total Assets. The increases across these components translated to the growth of Current Assets from ₦2.8b (Yr.21) to ₦3.4b (Yr.22).

In the year 2022, the Board of Directors approved Investments into Alpha Mead Development Company (AMDC) Limited in line with its intention to ensure that AMDC retains more capital in its

business. The value of Investments recorded during the year amounted to ₦357.5m (Yr. 22).

The composition of Non-Current Assets included: Property, Plants & Equipment (PPE), Intangible Assets, Investment and Deferred Taxation.

COMPOSITION OF CURRENT ASSETS



Source: AlphaMead Facilities and Management Services

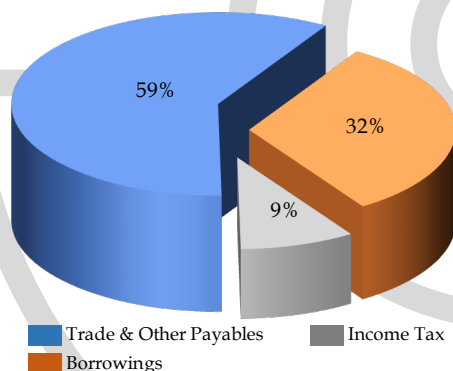
Non-Current Asset went up from ₦536m (Yr. 21) to ₦606m (Yr. 22). Additional investments in *PPE* significantly aided the increase in Non-Current Assets in the year 2022. The Company's efficiency in utilizing Assets to generate Revenue stood at 88% for the years 2021 and 2022. However, ability of the Company to deploy its Assets profitably dropped to 3% (Yr.22) from 10% (Yr.21).

Total Cost incurred on staff during the year 2022 was ₦420.1m. This translated to ₦0.6m per staff as against ₦0.4m (Yr.21). However, Revenue per staff increased marginally from ₦4.8m (Yr.21) to ₦4.9m (Yr.22).

• LIQUIDITY

Liabilities within the Company's Financial structure were divided into two main categories:

COMPOSITION OF CURRENT LIABILITIES



Source: AlphaMead Facilities and Management Services

Non-Interest-Bearing Liabilities (35%) and Interest-Bearing Liabilities (65%). Trade and Other Payable were significant components, contributing 45% of the Total Liabilities. Majority of the Liabilities were short termed during the year under review.

The Total Debt Value went up by 72% from ₦312.9b (Yr. 22) to ₦537.5b (Yr. 23). This growth was primarily driven by the increases in Trade payables and Borrowings of ₦192b (Yr.23). Short Term Loans and other maturing obligations within the year amounted to ₦443.9b.

LOAN PORTFOLIO (2023)

S/N	INSTITUTION	AMOUNT OUTSTANDING (₦'000)
1	CP's (Private Placement)	565,000
2	FCMB	39,500
3	Titan Trust Bank	100,000
4	First Bank of Nigeria	100,000
Total		804,500

Source: AlphaMead Facilities and Management Services

The Company's Current Assets constituted 67% of the Total Assets, totaling ₦486b. Total Current Assets surpassed Total Current Liabilities by ₦42b in the year 2023. The Company's ability to meet

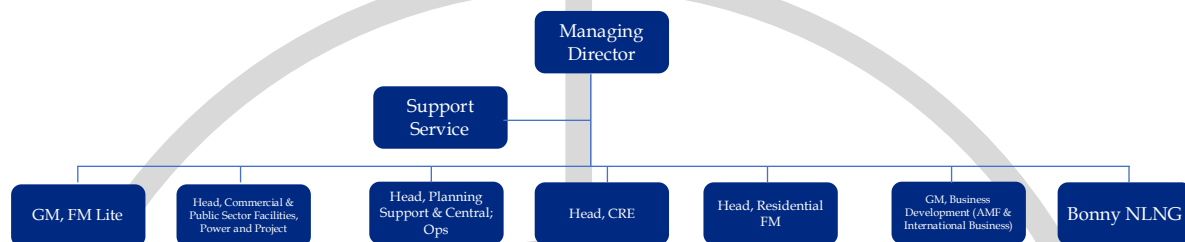
short-term maturing obligation as measured by the current ratio, stood at 110% (Yr.23) less than 125% obtained in the previous year.

CORPORATE GOVERNANCE & RISK MANAGEMENT

The Board consists of a Non-Executive Chairman including two (2) Executive and three (3) Non-Executive Directors. Governance of the Company is carried out by the Board and its various Committees.

The Board Corporate Governance structure is as presented:

CORPORATE ORGANOGRAM



Source: AlphaMead Facilities and Management Services

RISK FACTORS

The Company recognizes that it has Business, Financial, Operational, Reputational and Compliance risks. In line with details contained in its Annual Report, the Company has in place measures to deal with its various risks.

However, in the course of our review, we observed the following significant risks.

- **LEGAL RISK**

This is the risk that the Company will be exposed to legal actions that may lead to payment of significant fees.

As at the year-end 2023, the Company is currently involved in two pending litigations with a total of ₦16,641,336 in its favor.

- **INTEREST RISK**

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

The total Interest-Bearing Borrowings of the Company amounted to ₦843.1m (Yr. 23), which are totally short-termed. This is in addition to interest earning assets of the Company. Consequently, adverse changes in interest rate may affect its profitability.

- **CREDIT RISK**

This is the risk arising from the inability of counterparties to honor their obligations as and when due.

In the year 2023, Trade and Other Receivables represented 83% of the Company's Total Asset.

FUTURE OUTLOOK

In Nigeria, the Company plans to increase the scope of expansion on current contracts and secure new contracts based on a pipeline of over two billion naira.

Internationally, the Company plans to expand its operations to other countries through the acquisition of entities in key markets, partnership with local providers and leveraging of multinational contracts. The plan will help the company to increase its revenue and grow its operations both locally and internationally in addition to better customer service delivery.

CONCLUSION

The Company is an industry leader with significant market share. The Rating of the Company is supported by its Strong Brand Presence, Experienced Management Team and Diversified Income Sources.

Consequently, we assigned a Rating of **"BBB"**

FINANCES

Financial Position as at

	Dec., 2023 N'000	Δ%	Dec., 2022 N'000	Δ%	Dec., 2021 N'000
ASSETS EMPLOYED					
Non-Current Assets	590,919	-2.70	607,312	13.11	536,914
Current assets	3,937,328	15.71	3,402,616	21.48	2,800,957
Total Assets	4,528,247	12.93	4,009,928	20.13	3,337,871
Current liabilities	2,599,113	-4.30	2,715,997	33.36	2,036,592
Total Liabilities	2,599,113	-4.30	2,715,997	33.36	2,036,592
Total equity	1,929,134	49.09	1,293,931	-0.56	1,301,279
Total equity and liabilities	4,528,247	12.93	4,009,928	20.13	3,337,871
Profit & Loss and Other Comprehensive Income					
Revenue	2,780,952	-20.92	3,516,771	19.59	2,940,583
Profit before taxation	574,275	426.12	109,152	-67.33	334,074
Taxation		-100.00	16,500	-76.10	69,030
Profit from continuing operations	574,275	519.82	92,652	-65.04	265,044
Discontinued operations					
Profit for the year	14,173,904	-35.04	21,819,816	8.17	20,172,489
Retained income for the year	14,173,904	-35.04	21,819,816	8.17	20,172,489

Signed: 
Name: Oladele Adeoye
Designation: Chief Rating Officer
Date: 13th October, 2023

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 <i>DataPro Limited</i> . 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.