

JIMCOL RESOURCES NIGERIA LIMITED

Final 2024 Corporate Rating Report

 **Agusto&Co.**

Research, Credit Ratings, Credit Risk Management

JIMCOL RESOURCES NIGERIA LIMITED

Issuer Rating:

Bbb+

A company with satisfactory financial condition and adequate capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.

Outlook: Stable

Issue Date: 1 July 2024

Expiry Date: 30 June 2025

Previous Rating: N/A

Industry: Oil and Gas Servicing

Outline	Page
Rationale	1
Industry Overview	4
Company Profile	5
Ownership, Mgt & Staff	6
Financial Condition Review	8
Outlook	13
Financial Summary	14
Rating Definition	16

Analysts:

Ndianabasi Udondian

ndianabasiudondian@agusto.com

Isaac Babatunde

isaacbabatunde@agusto.com

Agusto & Co. Limited

UBA House (5th Floor)

57, Marina

Lagos

Nigeria

www.agusto.com

RATING RATIONALE

Agusto & Co. hereby assigns a “Bbb+” rating to Jimcol Resources Nigeria Limited (“Jimcol” or “the Company”). The assigned rating reflects the Company’s adequate capacity to meet its maturing obligations, supported by its ability to attract patronage in an industry facing declining investments. The rating also considers Jimcol’s dollar-denominated earnings, its ability to protect its margins via effective cost optimization strategies, and the critical nature of its core service offerings to the oil and gas upstream operators. The rating is however constrained by concentration risk given that Jimcol earns the bulk of its revenue from two clients, significant security risks due to the volatile nature of the oil production hubs where the Company operates, and Jimcol’s concentrated ownership structure.

Jimcol Resource Nigeria Limited offers asset integrity and maintenance services, drilling support services, and training and consultancy services to the Nigerian oil and gas market. Since its inception in 1990, the Company has completed over 25 major contracts for leading international oil companies including ExxonMobil, Chevron and Shell Petroleum Development Company. Jimcol operates in the oil-rich Niger Delta region, known for its volatile security situation. Consequently, the company faces significant security risks, including potential threats to life and property and the possibility of failing to meet contract obligations. The Company mitigates these risks via corporate social responsibility (CSR) activities and targeted recruitment exercises to onboard host community members as staff.

In the financial year ended 31 December 2023 (FYE 2023), Jimcol grew revenue by 83% to ₦3.7 billion. This was attributable to the acquisition of new contracts resulting from increased business development efforts and a competitive bidding strategy. During the same year, Jimcol’s cost-of-sales-to-revenue ratio declined to 33.2% (2022: 41.6%) due to the Company’s ability to optimize its most significant direct cost item – personnel cost. The replacement of expatriates with in-house staff for most of its contracts, and increased productivity per staff led to significant cost-savings. Also, despite inflationary pressures causing a surge in operating costs, the Company’s operating cost-to-sales ratio remained relatively flat at 27.8% (2022: 28.1%), due to revenue growth. Jimcol reported a profit before tax of ₦2.1billion in 2023 (2022: ₦592 million), with foreign exchange gains contributing 46% of this figure. Consequently, the Company’s pre-tax, pre-interest return on asset (ROA) increased to 42% (2022: 24%) and pre-tax return on equity grew to 94% (2022: 55.8%). Discounting exchange gains, the Company’s ROE and ROA in 2023 remained good at 51% and 20% respectively. In the three years between 2021 and 2023, Jimcol has recorded a

weighted average return on assets (ROA) of 47% and return on equity (ROE) of 78%, underscoring its good earning capacity.

In the year ended 31 December 2023, Jimcol's operating cash flow (OCF) increased by 156% to ₦1.7 billion, primarily driven by higher post-tax profits. The Company's OCF was sufficient to cover returns to providers of finance 6 times, which we consider adequate. Also, Jimcol's OCF to sales ratio was 48% (2022: 34%), surpassing our benchmark. In the first quarter of 2024 (Q1 2024), the Company's OCF increased to ₦490 million (Q1 2023: 77.5 million) despite a spike in trade receivables attributable to typical first quarter payment delays by clients as they finalize their budgets and accounts. The Company's OCF was sufficient to cover returns to providers of finance 3x. In the near term, we expect Jimcol to continue to generate positive OCF, supported by good earnings and moderate levels of receivables.

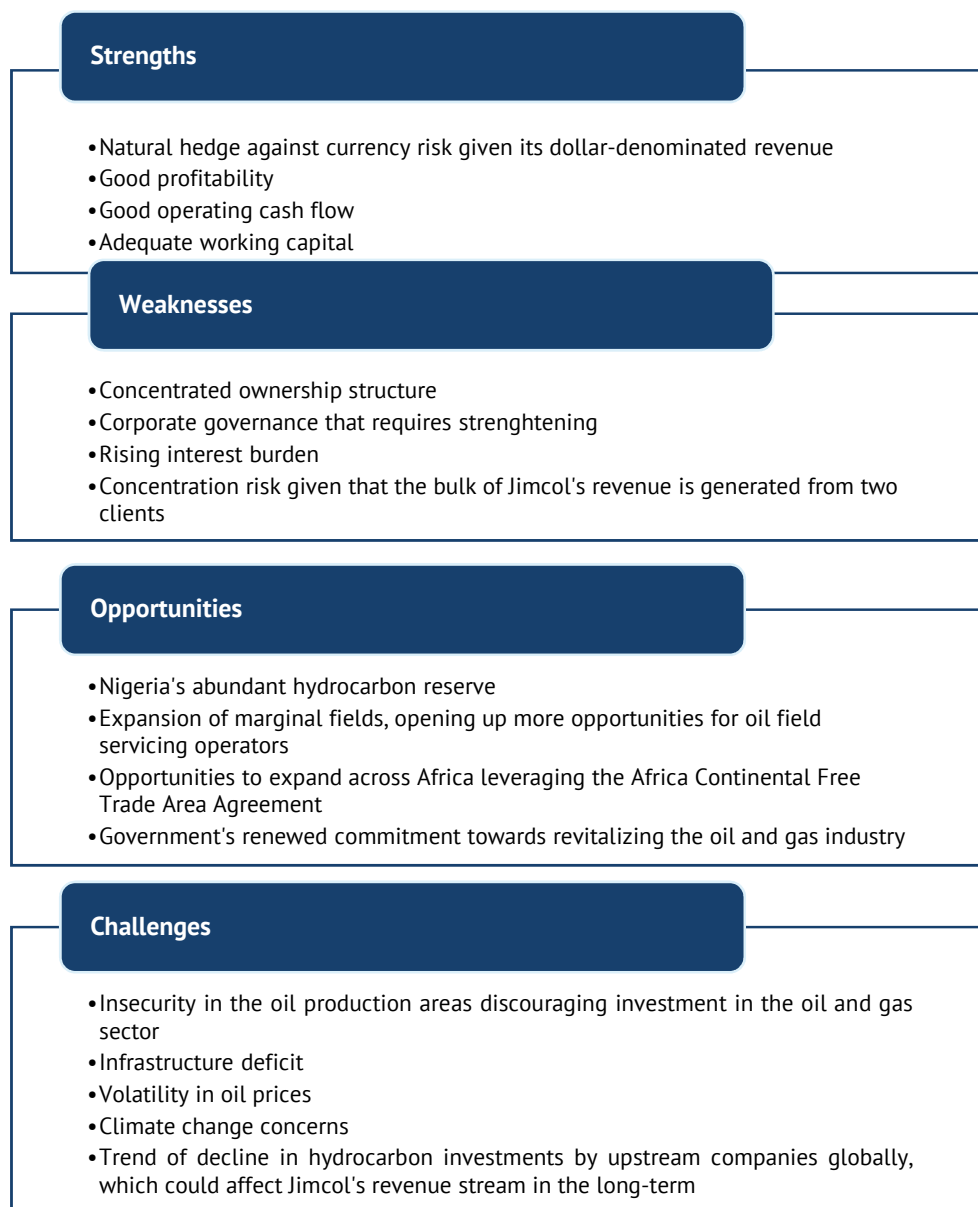
As at FYE 2023, Jimcol's spontaneous financing outstripped its trading assets resulting in a financing surplus of ₦121 million, driven majorly by high levels of taxation and other payables. Similarly, the Company recorded working capital available of ₦112 million, leading to an overall working capital surplus of ₦233 million. In the near term, we expect Jimcol's working capital to remain adequate supported by moderate receivables, and significant levels of long-term funds.

In November 2022, Jimcol obtained a term loan of ₦836 million for the purchase of specialized equipment and logistics assets. As a result, Jimcol's finance cost to sales ratio increased to 8% in 2023 (2022: 6%), exceeding our threshold. However, the Company's interest-bearing debt to equity ratio was only 0.4%, and interest cover was 6x, indicating good capacity to meet its maturing obligations. Given Jimcol's plan to raise ₦3 billion in debt capital in the near term to fund the acquisition of a Diving Support Vessel, we expect significant increase in the Company's leverage position.

Jimcol Resources Nigeria Limited plans to deepen its penetration in the subsea segment of the asset integrity and maintenance business. This is expected to increase the Company's earnings especially with the prospect for enhanced scale from the purchase of a Diving Support Vessel. However, the issuance of a ₦3 billion bond to fund the purchase of this vessel will increase the Company's finance cost significantly, thus exerting pressures on its margins. Notwithstanding, we do not anticipate any impairments in the Company's abilities to meet its maturing obligations owing to the weight of its subsisting contracts and the quality of its client base. Also, considering ongoing reforms in the Nigerian oil and gas industry, we expect increased activities by upstream oil and gas companies. This should translate to more opportunities for oil servicing companies. Jimcol, with its track record of executing contracts for key industry players and improved capacity from its expanded equipment and skilled workforce, is positioned to take advantage of these emerging opportunities.

Based on the above, we attach a **stable** outlook to Jimcol Resources Nigeria Limited.

Figure 1: Company's Strengths, Weaknesses, Opportunities and Challenges



OVERVIEW OF THE OIL AND GAS SERVICING INDUSTRY IN NIGERIA

The oil and gas servicing industry covers all the products and services that relate to the oil and gas exploration and production process, including the maintenance and repairs of equipment utilised in the extraction and transportation of oil and gas products, and the provision of services such as seismic testing, well building and production, among others. Based on the nature of operations, the Industry is categorised into: Drilling and Dredging; Engineering, Procurement, Construction and Commissioning (EPCC); Geophysics and Geological; Marine Logistics and Manufacturing and Supply. Performance of the oil and gas servicing industry hinges on the activities of oil field operators, which are heavily influenced by current and future oil and gas price expectations.

The Nigerian oil and gas industry is challenged by oil theft, vandalism and broader security concerns that stifle production activities. As a result, Nigeria has been unable to meet its Organization of the Petroleum Exporting Countries' (OPEC) production quota, which currently stands at 1.5 million barrels per day (mbpd), for the past three years, and is far from attaining its 2024 budgetary benchmark of 1.7 mbpd. Consequently, the Nigerian oil and gas servicing industry ("the Industry") faces difficulties as exploration and production companies reduce their investments in the Nigerian market, redirecting funds to other nations within the continent. According to the Nigerian Upstream Regulatory Commission (NUPRC), annual upstream capital expenditure dropped from about \$27 billion in 2014 to \$6 billion in 2022. Furthermore, Nigeria attracted only 5% of the over \$70 billion in gas investments made in Africa between 2012 and 2022, despite holding 33% of the continent's gas reserves¹.

In line with global commitment towards environmental responsibility and climate action, a regulatory framework for energy transition, decarbonisation and carbon monetisation for upstream operations in Nigeria has been developed by the NUPRC, emphasising seven key pillars including; natural gas shift, zero routine gas flaring & methane abatement, carbon market development, technology and innovation, upstream operations efficiency, incentive mechanisms, collaboration and risk management². The Gas Flaring, Venting and Methane Emissions (Prevention of Waste and Pollution) Regulations, 2023, provides the legislative backing for the implementation of this framework. This legislation stipulates a fine of \$3.50 per thousand cubic feet (mcf) of gas flared, vented or wasted without commission approval and a fine of \$10,000 for failure to submit gas data or install metering equipment. Nigeria's Gas Flare Commercialisation Program (NGFCP), aims to reduce Nigeria's flares by 50% and curtail approximately 6-7 million tonnes of CO₂ emissions annually³ upon full implementation. However, given the current strategic focus on increasing oil output, and attracting investment into the oil and gas sector, we do not expect the implementation of this framework to negatively impact the activities of upstream oil and gas companies in the medium term.

The Nigerian oil and gas servicing industry, though now boasting local dominance, still depends on imports for equipment, machineries and in some cases expatriates. This exposes the Industry to significant foreign exchange risks. Nonetheless, with payments for contracts being largely dollar-denominated, the Industry is substantially hedged against this risk. Furthermore, ongoing reforms in the broader oil and gas industry aimed at boosting Nigeria's oil production to 2 mbpd by year end, hold promise for the performance of the oil and gas servicing industry in the near to medium term. In addition, the resurgence of in-country refining has broadened the scope of work for the Industry players, thereby creating new opportunities.

Based on the above, we attach a **stable** outlook to the oil and gas servicing industry in Nigeria.

¹ <https://www.vanguardngr.com/2022/03/foreign-investments-nigeria-loses-to-other-african-countries-in-oil-gas-2/>

² <https://www.nuprc.gov.ng/cop28-nuprc-unveils-regulatory-framework-for-energy-transition/>

³ <https://leadership.ng/cop28-nigerias-gas-flare-monetisation-targets-50-carbon-emission-reduction-nuprc/>

COMPANY PROFILE

Jimcol Resources Nigeria Limited (“Jimcol” or “the Company”) was incorporated in 1990 as a diversified service provider in the Oil and Gas Industry. The Company’s core business lines include asset integrity and maintenance services covering non-destructive testing (NDT) and rope access services; drilling support services (majorly mudlogging); and training and consultancy services. The Company operates primarily in Nigeria with offices in Rivers, Lagos and Akwa Ibom States. However, in 2023, the Company incorporated in Guyana as part of its geographic diversification plan. The Company’s Chairman, Mr Nwagbara Ugwuezi Ngozi Uche, served as Director of Oil and Gas at the Revenue Mobilization Allocation and Fiscal Commission between 2009 and 2023.

Since its inception, the Company has completed over 25 major contracts and currently has 7 active contracts. Jimcol’s clientele includes international oil companies and leading local players such as ExxonMobil, Shell Petroleum Development Company, TotalEnergies, Seplat Energy, Nigerian LNG Limited and Chevron Nigeria, among others. The Company is a major player in the mudlogging subsegment of the drilling and dredging services business, as well as in topside asset integrity and maintenance services. However, in the area of subsea asset maintenance, the Company remains a fringe player, having only begun offering this service in August 2022. Given the nature of the oil and gas servicing industry, most service providers, including Jimcol, typically operate as price-takers.

Jimcol’s competitive advantage lies in its capacity to provide training and consultancy services. The Company has leveraged its training facility and the good relationship it has with original equipment manufacturers to develop an in-house workforce capable of replacing expatriates in most of its operations. This has enhanced Jimcol’s cost management and provided a significant edge in the contract bidding process. In the medium term, Jimcol plans to operate its training and consultancy arm as a stand-alone subsidiary serving both the private and public sectors. In 2020, Jimcol was one of two companies commissioned by the Nigerian Content Development and Monitoring Board (NCDMB) to provide the American Society for Non-Destructive Testing (ASNT) Level III Training and Certification for select Nigerians.

In August 2022, the Company secured a major contract with Chevron Nigeria which effectively launched its expansion into subsea asset integrity services. This contract involves the underwater inspection of Chevron’s offshore facilities and requires the deployment of a Diving Support Vessel affixed with equipment, facilities, parts and spares to carry out the exercise. Jimcol currently leases a vessel to conduct this service but plans to purchase a Diving Support Vessel in the near term. To fund the purchase of this vessel, Jimcol will be making its debut into the Nigerian debt market to raise a ₦3 billion bond.

Jimcol operates in the oil-rich Niger Delta region, known for its volatile security situation. Consequently, the company faces significant security risks, including potential threats to life and property and the possibility of failing to meet contract obligations. To mitigate these risks, Jimcol has developed a Corporate Social Responsibility (CSR) framework aimed at fostering strong relationships with its host communities. Additionally, the company conducts periodic recruitment to onboard members of these communities as staff, further strengthening these relationships. Management considers this approach successful, as Jimcol has stated that it has not experienced any disruptions to work or loss of life or property due to host community issues since its inception.

Jimcol holds certifications from several accreditation bodies including Bureau Veritas and Lloyd’s Register for thickness measurement of hull structure, DNV for thickness measurement of all types and classes of ships, and ABS for the provision of ESP Hull Gauging, validating its expertise in the provision of asset integrity and maintenance services. The Company also has the requisite permit from regulatory authorities to conduct its businesses in Nigeria.

OWNERSHIP, GOVERNANCE, MANAGEMENT AND STAFF

As at Financial Year End (FYE) 2023, Jimcol Resources Nigeria Limited had an authorized, issued and fully paid up share capital of ₦2 million composed of two million ordinary shares at ₦1 each. The Company's shares were held by Mr. Ndubuisi Chimaroke Nwagbara (45%), Mr. Nwagbara Uche Ugwuezi (40%) and Mr. Nwagbara Emeka (15%), who are fraternal relations. In our opinion, Jimcol's ownership structure is concentrated.

Jimcol has a nine-member Board of Directors ("the Board"), comprising the Chairman, four executive directors and four non-executive directors (including three independent non-executive directors). Mr. Nwagbara Uche Ugwuezi is the Board Chairman while Mr. Ndubuisi Chimaroke Nwagbara serves as the Managing Director. The three independent non-executive directors and two of the executive directors were appointed to the Board during the 2023 financial year. The strength of the Board therefore remains untested. The Board operates through three committees; the Governance, Remuneration, Establishment and General-Purpose Committee, the Audit and Risk Management Committee and the Strategy, Investment and Finance Committee. We note that the Chairman, Managing Director and Non-Executive Director have familial relations, which could adversely impact the independence of the Board's decision-making process.

Table 2: Jimcol's Board of Directors

Name	Role
Mr. Nwagbara Uche Ugwuezi	Chairman
Mr. Ndubuisi Chimaroke Nwagbara	Managing Director
Mr. Agwere Josiah Ogehekaro	Executive Director
Mr. Preye Birigeni	Executive Director
Mrs. Queen Enweremchi Kanu	Executive Director
Dr. Nwagbara Emeka	Non-Executive Director
Mr. Eteh Enyinnaya Chinenye	Independent Non-Executive Director
Mr. Ananaba Azubuike Kemakolam	Independent Non-Executive Director
Mr. Udeh Alexander Ofomedu	Independent Non-Executive Director

Source: *Jimcol Resources Nigeria Limited's Management Presentation*

The Managing Director is supported by a team of nine senior management professionals, responsible for overseeing finance, corporate services, human resources, asset integrity services, drilling support services, quality assurance, and health, safety and environment, for the Company. On average, the team has over 15 years of relevant experience in the oil and gas industry. In our opinion, Jimcol's management team has the expertise required to provide strategic direction for the Company.

Management Team

Mr. Ndubuisi Chimaroke Nwagbara is the Managing Director (MD) of Jimcol Resources Nigeria Limited. He holds a Masters of Business Administration (MBA) in Oil and Gas from Robert Gordon University, United Kingdom (UK), and a Bachelor of Engineering (B. Eng.) in Civil Engineering from the Federal University of Technology Owerri. Additionally, he has completed the General Management Program (GMP 28) at Harvard Business School and the Export Management Program at Lagos Business School. Prior to his current role, Mr. Nwagbara worked as a Quality Control/Assurance Engineer at Shell Petroleum Development Company. He has about 30 years of experience in the oil and gas industry.

Mr. Agwere Josiah Oghenekaro is the Executive Director, Operations at Jimcol Resources Nigeria Limited. He holds a B.Eng. in Mechanical Engineering from the Federal University of Technology, Owerri, and an MBA from Lagos Business School. Before joining Jimcol, Mr. Agwere served as a maintenance engineer with Schlumberger Geco-Prakla, and as a senior maintenance engineer with Schlumberger Sedco-Forex. He has over 25 years of experience in the oil and gas industry.

Table 3: Other Members of Jimcol Resources Nigeria Limited's Management Team

Name	Position
Mrs. Queen Enweremchi Kanu	ED, Corporate Services
Mr. Birgeni Preye	ED, Technical Services
Mr. Christian Nwadibia	Chief Financial Officer
Mr. Imoh Umoren	Manager, Asset Integrity Services
Mr. Christian Ebinum	Manager, Drilling Support Services
Mr. Pius Okosun	Manager, Procurement and Business Development
Mr. Chibueke Ajuzieogu	Quality and HSE Manager
Mr. Ikenna Agbanike	Quality Advisor

Source: Jimcol Resources Nigeria Limited's Management Presentation

As at 31 December 2023, Jimcol had a staff strength of 145 employees (2022: 92 employees). The Company's average cost per employee was ₦7 million, and total employee expense represented 29% of revenue (2021: 39%). Jimcol recorded an average contribution per employee of ₦26 million which was sufficient to cover the average cost per employee 3.5x. Given that labour expenses represent Jimcol's highest direct cost item due to the nature of its operations, we consider this productivity level to be good.

FINANCIAL CONDITION REVIEW

ANALYSTS' COMMENTS

We have analysed the audited financial statements of Jimcol Resources Nigeria Limited for the three years ended 31 December 2023 and unaudited management accounts for the three months to 31 March 2024.

PROFITABILITY

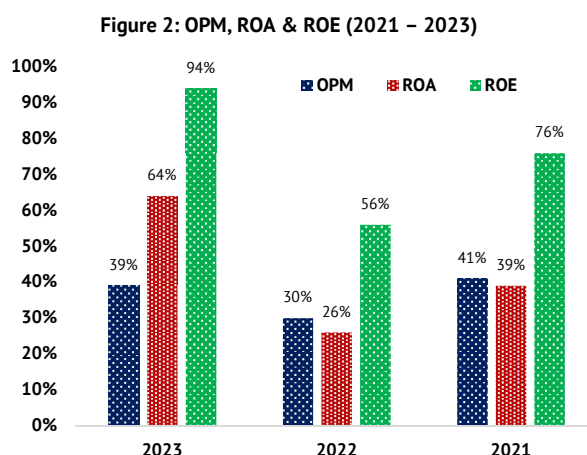
Jimcol Resources Nigeria Limited generates revenue by providing support services to companies in the oil and gas industry. These services include: asset integrity and maintenance, covering topsides, subsea assets and inspection services, drilling support, as well as training and consultancy services.

In the financial year ended (FYE) 31 December 2023, Jimcol Resources Nigeria Limited's revenue grew by 83% to ₦3.7 billion (2022: ₦2 billion). This upswing was driven by the expansion of the Company's market share via the acquisition of new contracts, resulting from increased business development efforts, and favourable foreign exchange rates. During the year, the Company onboarded TotalEnergies and Seplat Energy as part of its clientele, and expanded the scope of work for existing customers. Consequently, Jimcol provided support for the drilling and completion of 18 wells in 2023, a substantial increase from the previous average of 5 wells. Furthermore, the Company's asset maintenance services, its highest revenue earner (accounting for 87% of revenue in 2022), recorded an 83% increase year-on-year, boosted majorly by a new contract with Chevron Nigeria Limited, for underwater inspection of its assets. The demand for Jimcol's asset maintenance services is driven by the deteriorating condition of industry assets, necessitating enhanced inspection and maintenance activities to ensure integrity. This demand is further sustained by regulatory requirements mandating periodic inspection and maintenance of upstream assets to prevent costly accidents. Given the stable revenue from Jimcol's subsisting contracts, the potential for continuous business expansion due to ongoing reforms in the oil and gas sector and the Company's business development activities, we expect Jimcol's revenue to continue on its growth trajectory in the near to medium term.

Being a service company, Jimcol's direct cost consists predominantly of labour expenses. In the financial year ended 31 December 2023, labour cost, which accounted for 68% of total direct cost, increased by 28% due in part to workforce expansion to manage the Company's newly acquired contracts, and an upward salary review in response to inflation. However, Jimcol's cost-of-sales to revenue ratio declined to 33.2% in 2023 (2022: 41.6%), as revenue growth outpaced growth in direct cost, due to the Company's cost optimization strategies. Jimcol has significantly reduced its reliance on expatriates for most services, leading to cost savings. This, it achieved by leveraging its training arm and relationships with original equipment manufacturers to develop in-house talent. The Company now has in-house capacity to carry out its drilling support services, top-side asset inspection services, and the non-diving component of its subsea services. There is an ongoing personnel development program for the diving aspect of its subsea services, intending to attain full capacity by year-end. In the 2023 financial year, Jimcol's operating cost to sales ratio moderated slightly to 27.8% (2022: 28.1%) despite a near doubling of operating expenses year-on-year due to inflationary pressures. Consequently, the Company recorded an operating profit margin of 39% (2022: 30.3%) which surpassed our benchmark for companies in the oil and gas servicing industry. In the near term, we expect Jimcol to continue to post good operating margins supported by stable revenue from its subsisting contracts.

Jimcol's contracts are quoted in United States dollars (USD), with payments split between Naira and USD. Typically, about 60% of contract amount is paid in USD, whilst 40% is paid in naira at the CBN exchange rate on payment date. In the financial year ended 31 December 2023, Jimcol Resources Nigeria Limited earned ₦968.5 million in other income, 99.4% of this, being foreign exchange gains. The Company's other income represented a significant 26.1% of revenue in the period. Given ongoing efforts by the government to reduce volatilities in the foreign exchange market, we do not consider this income stream to be sustainable.

Jimcol's profit before tax (PBT) increased by 265% to ₦2.1 billion in the year ended 31 December 2023 (2022: ₦592 million), supported by the nearly ₦1 billion earned in foreign exchange gains. This translated to a pre-tax profit margin of 57.2% (2022: 29.1%). Consequently, the Company's pre-tax, pre-interest return on asset (ROA) increased to 42% (2022: 24%) and pre-tax return on equity grew to 94% (2022: 55.8%). Discounting exchange gains, the Company's ROE in 2023 was 51%. We note favourably that over the last 3 years, Jimcol has recorded a weighted average ROA of 47% and ROE of 78%, underscoring its good earning capacity.



Based on Jimcol's management account for Q1 2024, the Company's revenue grew by 274% to ₦2.1 Billion (Q1 2023: 572 million) driven largely by revenue from the Chevron subsea asset maintenance contract, as well as expanded contracts with existing clients including Mobil Producing Nigeria Unlimited and Shell Petroleum Development Company of Nigeria. The Company's gross profit margin also increased to 76% (Q1 2023: 59%), and pre-tax margin for the period was 76.6% (Q1 2023: 55.4%), which exceeded our benchmark for companies in the oil and gas servicing industry.

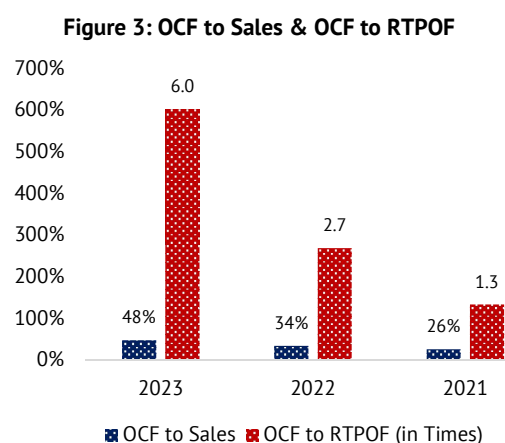
Agusto & Co. notes that Jimcol earned about 80% of its revenue in 2023 from just two clients. This poses significant concentration risk for the Company. However, given that by industry standards, contracts are awarded for an initial period of two (plus one) years, with an open-ended renewal option, Jimcol's subsisting contracts guarantee a steady flow of revenue at least in the near term to medium. Also, its in-house talents, beyond the cost optimization advantage, has enhanced the Company's competitive advantage in the contract bidding process. Additionally, the Company is currently in the process of purchasing a Diving Support Vessel, which it currently charters from third parties. This acquisition is expected to improve service delivery, thereby driving growth in revenue. However, we anticipate that increased finance cost from the planned bond issuance will pressure the Company's margins, especially given the prevailing high interest environment.

In our view, Jimcol Resources Nigeria Limited's profitability is good.

CASH FLOW

Jimcol Resources Nigeria Limited primarily generates cash through the provision of asset integrity and maintenance services and drilling support services to upstream oil and gas companies. These services are rendered largely on credit, with invoicing done monthly, based on completed work. Payments are expected within 60 days after the customer receives the invoices and accompanying documents, including timesheets, with options for expedited payments under certain conditions. In 2023, the Company's receivable days was 54, indicating adherence of clients to payment terms. However, in the past three years (2021 to 2023), the Company's receivable days averaged 95, to reflect the delays that could occur during invoicing and document collation, especially for complex projects, while payables days averaged 53 in the same period. Notwithstanding, the impact of such delays on the Company's cashflows is often minimized as the monthly invoicing cycle ensures regular cash inflows from clients.

In the year ended 31 December 2023, Jimcol's operating cash flow (OCF) increased by 156% to ₦1.7 billion (2022: ₦691 million), boosted by the 265% year-on-year leap in post-tax profits. The OCF was sufficient to cover returns to providers of finance (RTPOF), comprising solely interest payments, 6 times, exceeding our benchmark. Between 2021 and 2023, the Company has consistently posted positive OCFs, which cumulatively, was able to cover RTPOF 3 times, to underscore its robust cash-generating capacity. Furthermore, the Company's OCF to sales ratio in the year under review was 48% (2022: 34%) which surpassed our internal benchmark of 20%.



In Q1 2024, Jimcol's OCF increased by 450% to ₦490 million (Q1 2023: ₦77.5 million), despite a significant rise in the level of trade receivables during the period. According to management, this spike in receivables was due to typical first quarter payment delays by clients as they finalize their budgets and accounts. The Company's OCF was sufficient to cover returns to providers of finance 3 times, which we consider adequate. In the near term, we expect Jimcol Resources Nigeria Limited to continue to generate positive operating cash flows, supported by its good earning capacity, and an anticipated moderation in trade receivables as payment cycles stabilize from the second quarter onward.

In our view, Jimcol's cash flow position is good.

LIQUIDITY PROFILE

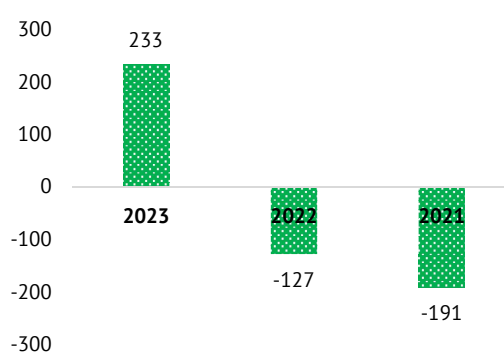
As at 31 December 2023, Jimcol's liquidity position comprised mainly cash as it keeps minimal inventory and has no overdraft facilities due to the nature of its operations. The Company's cash balance increased by 486% to ₦541 million in 2023 (2022: ₦92 million) supported by favourable foreign exchange rates, and a strategic decision to withhold dividends due to expansion plans. As a result, the Company's liquidity position was sufficient to cover its maturing short-term obligations 1.8x, which we consider to be adequate. Given the Company's strong earning capacity, and its steady cash flow from subsisting contracts, we do not anticipate any challenges with meeting its maturing debt obligations as and when due.

FINANCING STRUCTURE AND ADEQUACY OF WORKING CAPITAL

Jimcol Resources Nigeria Limited’s working assets comprise mainly receivables due to the nature of its operations. As at 31 December 2023, the Company’s working assets stood at ₦830 million, representing a 21% decline from 2022 (₦1 billion). This decline was primarily due to a 53% year-on-year decline in other receivables.

As at FYE 2023, Jimcol’s spontaneous financing increased marginally to ₦951 million (2022: ₦882 million), due to an increase in tax payable, and a significant level of deferred taxation. The company’s spontaneous financing, was sufficient to cover its working assets, leaving a financing surplus of ₦121 million. We note however that Jimcol’s spontaneous financing has been historically low relative to its working assets, as the nature of Jimcol’s business does not support significant levels of trade payables. Nonetheless, the Company’s working capital position has remained adequate over the years buoyed by good equity support.

Figure 4: Overall Working Capital Position (₦Millions)



As at 31 December 2023, the Company’s long-term assets, which composed solely of property, plant and equipment (PPE), increased by 131% to ₦4.3 billion (2022: ₦1.8 billion). This increment was driven majorly by the revaluation of the Company’s land and marine equipment, by Ora Egbunike and Associates, giving a revaluation surplus of over ₦1.8 billion. As at FYE 2023, Jimcol’s long term funds, composed of equity (95%) and long-term borrowings (5%) was sufficient to cover its long-term assets, leaving a working capital of ₦112 million. On the whole, Jimcol Resources Nigeria Limited closed the year with a working capital surplus of ₦233 million.

As at 31 March 2024 (unaudited), the Company’s spontaneous financing of ₦970 million was not sufficient to cover the sharp increase in its level of working assets owing to the surge in trade receivables. The Company therefore had a working capital need of ₦1.3 billion. However, the Company’s long-term funds of ₦5.8 billion was more than sufficient to cover its long-term assets and working capital needs, leaving an overall working capital surplus of ₦196 million. Given the Company’s continuous ability to bolster its equity position via profit accretion, and ongoing plans to fund further expansion using debt finance, we do not anticipate any deterioration in the Company’s working capital position in the short term.

Jimcol’s working capital is adequate in our view.

LEVERAGE

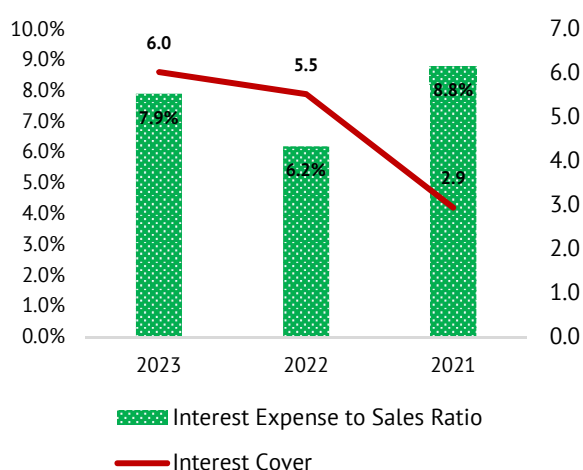
As at 31 December 2023, Jimcol's funding structure comprised interest bearing liabilities (15%), non-interest-bearing liabilities (25%) and equity (60%), indicating a strong equity cushion in our opinion. However, given the Company's plans to raise ₦3 billion via bond issuance in the near term, we expect its equity cushion to weaken considerably.

In November 2022, Jimcol took a term loan of ₦836 million from a commercial bank for the purchase of mudlogging and other specialized equipment and logistics asset. The loan, which has a 3-year tenor, comprised a ₦720 million Development Bank of Nigeria (DBN) loan obtained via Fidelity Bank and priced at 21% per annum, and a ₦116 million term loan directly from Fidelity Bank priced at 33% per annum. As at Q1 2024, total outstanding balance from these loan facilities was ₦473.9 million. In the financial year ended 31 December 2023, Jimcol's finance cost to sales ratio increased to 8% (2022: 6%) due to the burden of servicing these loans, and was above our 5% threshold. However, the Company's interest-bearing debt net of cash represented only 0.4% of its equity (net of revaluation surplus). Furthermore, the Company's interest cover increased to 6x in 2023 (2022: 4x), exceeding our internal benchmark, and indicating good capacity to meet existing obligations.

In Q1 2024, Jimcol's finance cost to revenue ratio remained flat at 8%. However, interest cover declined to 3x due to the impact of high trade receivables on the Company's OCF attributable to typical first quarter payment delays by clients as they finalize their budgets and accounts, but remained in line with our acceptable threshold. We expect an improvement in the Company's interest cover from Q2 Onwards as payment cycles stabilize, especially given the quality of the counterparties. With the planned injection of debt capital via the issuance of a ₦3 billion bond to fund the purchase of a Diving Support Vessel, we expect the Company's leverage to rise considerably in the near term.

Jimcol Resources Nigeria Limited's leverage is moderate in our opinion.

Figure 5: Interest Expense to Sales Ratio & Interest Cover



OUTLOOK

The Nigerian oil and gas industry is fraught with challenges, including oil theft, vandalism, and insecurity. These issues have led to the divestment from onshore and shallow water fields to offshore locations, particularly by international oil companies, and a reduction in production volumes. Consequently, the oil and gas servicing sector, which relies on the activity levels in the oil fields, has been adversely affected. However, renewed commitment by the current administration to revamp the oil and gas sector presents a notable upside for the oil and gas servicing industry.

Jimcol Resources Nigeria Limited has continued to post increased revenue and profit despite the broader industry challenges. This is due to the critical nature of its core service offerings, particularly its asset maintenance and inspection services, which are necessary for the operational integrity of oil production assets. In addition, the Company's business development activities and increased access to contracts supported by the Nigerian Content Development Act has provided support to its revenue generating capacity. The Company plans to sustain this growth by expanding its geographical coverage and service offerings, deepening its business development efforts and continuously fine-tuning its competitive advantage in the bidding process.

In 2023, Jimcol incorporated in Guyana, a growing hub for the oil and gas industry, with plans to expand into Tanzania or Uganda in the medium term. Also, the Company ventured into subsea asset maintenance services in 2023, and is in the process of acquiring a Diving Support Vessel to support the delivery of this service. Jimcol is also focused on further minimizing its reliance on expatriates and international companies for equipment maintenance and the delivery of its contractual obligations, via continuous training and development of in-house personnel. The Company is constructing an equipment maintenance facility, expected to be operational by 2024 year-end. By collaborating with original equipment manufacturers, Jimcol aims to maintain its own equipment and support other companies that currently ship equipment overseas for maintenance services.

Given the expected revenue from Jimcol's existing jobs and potential for new contracts, coupled with its cost optimization strategies, and improved service delivery from the planned acquisition of a Diving Support Vessel, we expect the Company to continue growing its revenue and profits in the near to medium term. With sustained profitability, minimal inventory levels, and an expected moderation in receivables from Q2 2024 onwards, we expect that Jimcol will continue to maintain positive OCF. However, considering the Company's plan to raise a ₦3 billion bond in the near term, we expect significant increase in the Company's debt profile. Nonetheless, we expect the Company's working capital position to remain adequate, supported by a strong equity base from increased profit accretion, and low levels of working assets.

Based on the above, we attach a **stable** outlook to Jimcol Resources Nigeria Limited.

FINANCIAL SUMMARY

STATEMENT OF COMPREHENSIVE INCOME	31-Dec-21		31-Dec-22		31-Dec-23		31-Mar-24 (Unaudited)	
	₦'million		₦'million		₦'million		₦'million	
REVENUE	1,376	100%	2,030	100%	3,712	100%	2,144	100%
GROSS PROFIT	852	62%	1,186	58%	2,479	67%	1,638	76%
OPERATING PROFIT	565	41%	615	30%	1,448	39%	1,429	67%
INTEREST EXPENSE	(122)	-9%	(125)	-6%	(294)	-8%	(169)	-8%
PROFIT BEFORE TAXATION	550	40%	592	29%	2,123	57%	1,644	77%
TAX (EXPENSE) BENEFIT	(83)	-6%	(91)	-5%	(298)	-8%	-	0%
PROFIT AFTER TAXATION	467	34%	500	25%	1,826	49%	1,644	77%
DIVIDEND	(148)	-11%	(132)	-6%	-	0%	-	0%
PROFIT RETAINED FOR THE YEAR	319	23%	369	18%	1,826	49%	1,644	77%
OTHER APPROPRIATIONS/ ADJUSTMENTS	(408)		(32)		(636.23)		-	
PROFIT RETAINED B/FWD	811		722		1,059		2,248	
PROFIT RETAINED C/FWD	722		1,059		2,248		3,893	

STATEMENT OF FINANCIAL POSITION	31-Dec-21		31-Dec-22		31-Dec-23		31-Mar-24 (Unaudited)	
	₦'million		₦'million		₦'million		₦'million	
ASSETS								
CASH & EQUIVALENTS	35	2%	92	3%	541	9%	427	6%
TOTAL TRADING ASSETS	778	40%	1,053	35%	830	15%	2,287	31%
TOTAL LONG-TERM ASSETS	1,153	59%	1,876	62%	4,333	76%	4,576	63%
TOTAL ASSETS	1,967	100%	3,021	100%	5,704	100%	7,290	100%
<i>Growth</i>	14.2%		53.6%		89%		28%	
LIABILITIES & EQUITY								
TOTAL INTEREST-BEARING LIABILITIES	378	19%	836	28%	551	10%	474	7%
TOTAL NON-INTEREST-BEARING LIABILITIES	622	32%	882	29%	951	17%	970	20%
TOTAL LIABILITIES	999	51%	1,718	57%	1,502	26%	1,444	20%
SHAREHOLDERS' EQUITY	967	49%	1,304	43%	4,202	74%	5,847	80%
TOTAL LIABILITIES & EQUITY	1,967	100%	3,021	100%	5,704	100%	7,290	100%

CASH FLOW STATEMENT	31-Dec-21		31-Dec-22		31-Dec-23		31-Mar-24 (Unaudited)	
	₦'million		₦'million		₦'million		₦'million	
OPERATING ACTIVITIES								
POTENTIAL OPERATING CASH FLOW		702		707		1,480		1,927
WORKING CAPITAL CHANGES:								
CASH FROM (USED BY) SPONTANEOUS FINANCING		354		260		69		19
CASH FROM (USED BY) TRADING ASSETS		(289)		(275)		223		(1,456)
CASH FROM (USED IN) OPERATING ACTIVITIES		766		691		1,772		490
RETURNS TO PROVIDERS OF FINANCING (RTPOF)								
INTEREST PAID		(122)		(125)		(294)		(169)
DIVIDEND PAID		(148)		(132)		0		0
OPERATING CASH FLOW AFTER RTPOF		497		435		1,479		321
CASH FROM (USED IN) INVESTING ACTIVITIES		(34)		(836)		(745)		
CASH FROM (USED IN) FINANCING ACTIVITIES		(21)		458		(285)		(77)
CHANGE IN CASH INC/(DEC)		34		57		449		(114)
OPENING CASH & MARKETABLE SECURITIES		0		35		92		541
CLOSING CASH & MARKETABLE SECURITIES		34		92		541		427

KEY RATIOS	31-Dec-21	31-Dec-22	31-Dec-23	3/31/2024 (Unaudited)
PROFITABILITY				
SALES GROWTH	194%	48%	83%	-42%
OPERATING PROFIT MARGIN	41%	30%	39%	67%
RETURN ON ASSETS (PRE-INTEREST PRE-TAX)	39%	26%	64%	34%
RETURN ON EQUITY (PRE-TAX)	76%	56%	94%	42%
CASH FLOW				
OCF AS % OF RETURNS TO PROVIDER OF FINANCING	284%	269%	604%	290%
OCF AS % OF SALES	56%	34%	48%	23%
WORKING CAPITAL				
WORKING CAPITAL NEED (DAYS)	0	0	0	0
LEVERAGE				
NET DEBT AS % OF AVERAGE TOTAL ASSETS	46%	57%	24%	17%
TOTAL LIABILITIES TO EQUITY	138%	162%	67%	37%
OTHER ADDITIONAL INFORMATION				
STAFF COSTS (₦' MILLION)	65	783	1,059	265
AVERAGE NUMBER OF STAFF	49	92	145	145
STAFF COSTS PER EMPLOYEE (₦' MILLION)	1	9	7	2
CAPITAL EXPENDITURE (₦' MILLION)	70	836	187	736
DEPRECIATION AND AMORTISATION (₦' MILLION)	114	114	187	187
EBITDA (₦' MILLION)	785	830	2,604	2,001
AUDITORS	E. D. Uwojeya & Co.	E. D. Uwojeya & Co.	E. D. Uwojeya & Co.	Unaudited
OPINION	CLEAN	CLEAN	CLEAN	N/A

RATING DEFINITIONS

Aaa	A company with the best financial condition and strongest capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
Aa	A company with very good financial condition and a strong capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.
A	A company with good financial condition and a strong capacity to meet its obligations relative to all other issuers in the same country.
Bbb	A company with satisfactory financial condition and adequate capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.
Bb	A company with satisfactory financial condition but limited capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
B	A company with weak financial condition and weak capacity to meet obligations as and when they fall due relative to all other issuers in the same country.
C	A company with very weak financial condition and very weak capacity to meet obligations as and when they fall due are relative to all other issuers in the same country.
D	In default.

Rating Category Modifiers

A "+" (plus) or "-" (minus) sign may be assigned to ratings from 'Aa' to 'C' to reflect comparative position within the rating category. Therefore, a rating with + (plus) attached to it is a notch higher than a rating without the + (plus) sign and two notches higher than a rating with the - (minus) sign.

THIS PAGE HAS BEEN LEFT BLANK INTENTIONALLY



www.agusto.com

© Agosto & Co.
UBA House (5th Floor)
57 Marina Lagos
Nigeria.
P.O Box 56136 Ikoyi
+234 (1) 2707222-4
+234 (1) 2713808
Fax: 234 (1) 2643576
Email: info@agusto.com





DataPro



CORPORATE RATING REPORT

JIMCOL RESOURCES NIGERIA LIMITED

Ground Floor, Foresight House
163-165 Broad Street,
By Marina Water Front
Lagos, Nigeria
☎ 234-802 220 5312, 8055303677
Email: info@datapronigeria.net
dataprong@gmail.com
Website: www.datapronigeria.com

June, 2024

JIMCOL RESOURCES NIGERIA LIMITED

Long-Term Rating:

A⁻

Short Term Rating: A2

Rating Outlook: Stable

Trend: UP

Currency: Naira

Date Issued: 4 June, 2024

Valid Till: 3 June, 2025

Reference:

Abiodun Adeseyoju, FCA.
Abimbola Adeseyoju
Oladele Adeoye

This report is provided by DataPro subject to the Terms & Condition stipulated in our Terms of Engagement

EXECUTIVE SUMMARY

	2023 N'000	2022 N'000	2021 N'000	2020 N'000	2019 N'000
Gross Earning	3,711,913	2,030,398	1,375,769	468,663	2,217,253
Profit before Tax	2,123,417	591,634	549,671	(205,295)	707,579
Total Asset	5,704,156	3,021,456	1,966,681	1,663,340	1,871,641
Equity	4,202,128	1,303,510	967,220	1,055,698	1,129,751
Total Liabilities	1,502,028	1,717,947	999,461	607,642	741,890
Fixed Asset	4,332,812	1,875,710	1,153,487	1,233,251	1,120,042

Rating Explanation

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

The Long-Term Rating of **A⁻** indicates *Low Risk*. It shows very good Financial Strength, Operating Performance and Business Profile when compared to the standard established by *DataPro*. This Company, in our opinion, has 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:

Positive Rating Factors:

- Experienced Management Team
- Good Liquidity
- Good Revenue Profile
- Very Good Profitability

Negative Rating Factor:

- Clients Concentration Risk

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

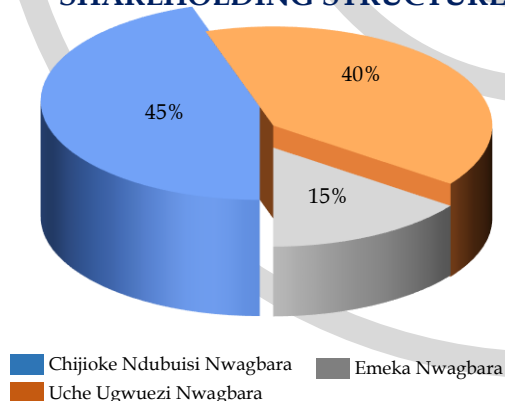
Jimcol Resources Nigeria Limited (“The Company”) was incorporated in Nigeria on 5th December, 1990 and commenced business on the same day.

The Company is a diversified Oil & Gas Service provider in Nigeria. It provides support services to Oil exploration companies in Nigeria. Its clients include: *Mobil Producing Unlimited, Shell Petroleum Development Company and Chevron Nigeria Ltd.* The Company recently added *First Exploration & Petroleum Development Company, Heritage Oil Limited and Nigeria Liquidified Natural Gas (NLNG).* The operations of the Company is regulated by *Nigeria Upstream Petroleum Regulatory Commission (NUPRC).*

Specifically, it renders services such as: Asset Integrity Management which covers both topside and subsea, Drilling Support, Training and Consultancy Services.

It is focused on developing Capacity to provide Subsea Services to the Oil & Gas industry by partnering with training organizations across the world including Europe, Asia and the USA. The target of the Company is to domesticate international certification training in Nigeria by partnering with Global bodies that are responsible for certifying Oil & Gas workers. These partners include: *Association of Non-Destructive Testing Practitioners (ANTEP), American Society of Non-Destructive Testing (ASNT), British Institute for Non-Destructive Testing (BINDT) and Oil & Gas Trainer Association of Nigeria (OGTAN).*

SHAREHOLDING STRUCTURE



The Company currently controls 3% of the market share in its Underwater Subsea Services. However, its market share in the provision of topside services is presently at 11%.

The registered office of the Company is in Port Harcourt, Nigeria with an average number of 145 employees in the year 2023.

Source: Jimcol Resources Nigeria Limited

The ownership of its shares is distributed between *Ndubuisi Chimaroke Nwagbara, Emeka Nwagbara and Uche Ugwuezi Nwagbara.*

DIRECTORS' PROFILE

The following are serving members of the Board; *Ugwuezi Ngozi Uche Nwagbara-Chairman; Mr. Ndubuisi Chimaroke Nwagbara -Managing Director; Agwere Josiah Oghenekaro; Emeka Nwagbara; Preye Birigeni; Queen Kanu Enweremchi; Eteh Enyinnaya Chinenye; Ananaba Azubuike Kemakolam and Udeh Alexander Ofornedu;*

The Directors' profile is as follows.

1. **Name:** Ugwuezi Ngozi Uche Nwagbara
Position: Chairman
Profession: Geologist
Years of Experience: 30 years
Education/Professional Qualification:
 - MBA - Coventry University, United Kingdom
 - B.Sc. (Geology) - University of Port Harcourt**Work Experience:**
 - Baker Hughes, Port Harcourt
 - Baker Hughes EHO, Dubai UAE
 - Director, Oil & Gas - Revenue Mobilization Allocation and Fiscal Commission

2. **Name:** Ndubuisi Chimaroke Nwagbara
Position: Managing Director/ CEO
Profession: Engineer
Years of Experience: 30 years
Education:
 - Nigerian Society of Engineers (NSE) - Project Management Professional
 - Havard Business School, Boston, USA
 - Export Management Program (EMP) - Lagos Business School
 - AgriBusiness Management Program (AgMP) - Lagos Business School
 - MBA (Oil & Gas Management) - Robert Gordon University, Aberdeen, UK
 - B.Sc. (Civil Engineering)- Federal University of Technology, Owerri, Nigeria**Experience:**
 - Shell Petroleum Development Company
 - Mobil Producing Unlimited

3. **Name:** Josiah Agwere Oghenekaro
Position: Executive Director
Profession: Engineer
Years of Experience: 30 Years
Education/Professional

- Qualification:**
- Nigeria Society of Engineers (NSE) – Project Management Professional
 - Executive MBA – Lagos Business School
 - B.Eng - Federal University of Technology, Owerri
- Work Experience:**
- Schlumberger Geco-Prakla
 - Schlumberger Sedco-Forex

4. **Name:** Dr. Emeka Nwagbara
Position: Non-Executive Director
Profession: Medical Doctor
Years of Experience: 35 years
Education:

- MBBS- University of Ibadan
- Dive Physician & Practice- UK & Australian Medical Board

Year of Board Membership: 1990

5. **Name:** Preye Birigeni
Position: Executive Director
Profession: Engineer
Years of Experience: 12 Years
Education/Professional Qualification

- M.Sc. (Asset Integrity Management) - Robert Gordon University
- Postgraduate Degree, NExT Schlumberger, European Learning Centre, France.

Work Experience:

- Hillside Building and Electrical Contractors
- Heineken Breweries
- Adold Engineering Company Limited
- Ben and Sons Constructions

Year of Board Membership: 2022

6. **Name:** Queen Kanu Enweremchi
Position: Executive Director, Corporate Services
Profession: Business Administration
Years of Experience: 10 years
Education/Professional Qualification

- MSC - Robert Gordon University, Aberdeen, UK
- MBA – University Canada West, Vancouver, BC
- B.Sc in Business Administration

Work Experience:

- Jimcol Resources Nigeria Limited

7. **Name:** Eteh Enyinnaya Chinyere
Position: Independent Non-Executive Director
Profession: Geoscience Applications Consultant
Years of Experience: 30 years
Education/Professional Qualification

- M.Sc., Applied Geophysics- Rivers State University of Science & Technology

- Work Experience:**
- B.Sc., Geology- UniPort
 - Shell Petroleum
 - G&G Consultant
 - Nigeria Agip Oil Company

8. **Name:** Ananaba Azubuikem Kemakolam
Position: Independent Non-Executive Director
Profession: Lawyer
Years of Experience: 30 years
Education/Professional Qualification
- LL.B. - Abia State University, Nigeria
 - B.L. - Nigerian Bar
 - Law Society of British Columbia
 - Law Society of Ontario, Canada (formerly Law Society of Upper Canada)
- Work Experience:**
- Youth Service: Completed in Sokoto State, Nigeria
 - Chukwuemeka Nwosu & Company
 - C.O.C Izima & Company
 - Ananaba & Associates
 - Ananaba Law Office, Toronto, Canada

9. **Name:** Udeh Alexander Ofornedu
Position: Independent Non-Executive Director
Profession: Engineering and Technology
Years of Experience: 30 years
Education/Professional Qualification
- Government Technical College
 - B. Eng (Mech) Degree- Federal University of Technology (Owerri)
- Work Experience:**
- Air Liquide
 - Michelin Nigeria Limited
 - Vikens Limited
 - Baywood Continental Limited

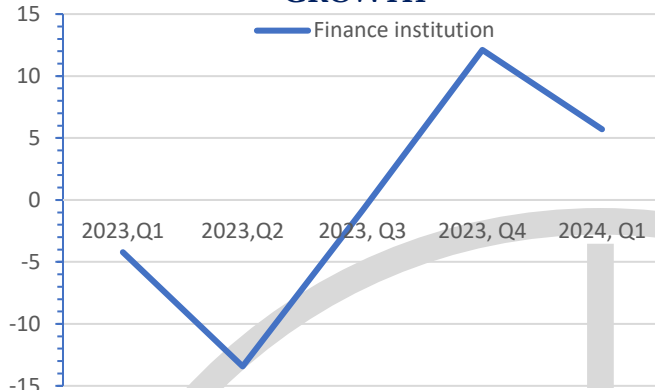
SECTOR REVIEW

Nigeria is the leading economy in Africa, with a population of over 200 million people. In the first quarter of 2024, the country's Gross Domestic Product (GDP) demonstrated a real-term growth of 2.98% year-on-year, higher than the 2.31% recorded in the same quarter of 2023 but lower than 3.46% from the fourth quarter of 2023. Notably, the Services sector propelled this growth, contributing 58.04% to the overall GDP with a growth rate of 4.32%.

According to the data released by the NBS, the Crude Petroleum and Natural Gas Sectors' growth in real terms totaled 5.7% (Q1 2024), higher by 9.91% points from the rate recorded in Q1 2023 and lower by 6.41% points from the rate recorded in Q4 2023. Quarter-on-quarter growth in real terms stood at 13.77%. The contribution of the

Sector to real GDP totaled 6.38%, higher than the contribution of 5.35% recorded in Q1 2023 and Q4 2023 which recorded 6.21% and 4.70% respectively.

REAL OIL & GAS SECTOR YEAR-ON-YEAR GROWTH



Source: Nigeria Bureau of statistic

The Oil benchmark for the year 2024 budget is \$77.96 per barrel at 1.78 million barrel per day. This compared well with the current selling price of Oil which is above the benchmark (\$84.81 as at 29th of May, 2024 according to oil price.com). In the first Quarter of 2024, Nigeria recorded an average daily Oil Production of 1.57 million barrels per day (mbpd). This is higher than the daily average production of 1.51 mbpd recorded in the same

quarter of 2023 by 0.06 mbpd and higher than the fourth quarter of 2023 production volume of 1.55 mbpd by 0.02 mbpd.

Following the economic sanctions by a coalition of western Countries on Russia and Russia’s counter-sanctions on the coalition Countries, crude oil and gas supplies from Russia to Europe were impacted just as agricultural produce from Ukraine to the entire world were disrupted. In response to this breach of energy security, there has been a heightened interest and development initiatives to secure new fossil fuel energy sources other than from Russia as Oil and Gas prices continues to soar and retain high yields.

The elevated prices of Crude Oil and Gas in the last two years has watered the appetite of investors to invest more capital in Oil and Gas field developments across the world and Nigeria. The World rig count rose from 642 in January, 2022 prior to the Russian invasion to 729 by the end of 2023. Nigeria’s rig count moved from 6 to 15 within the same reference period according to *Y Charts*, an Oil and Gas Investment Research Agency.

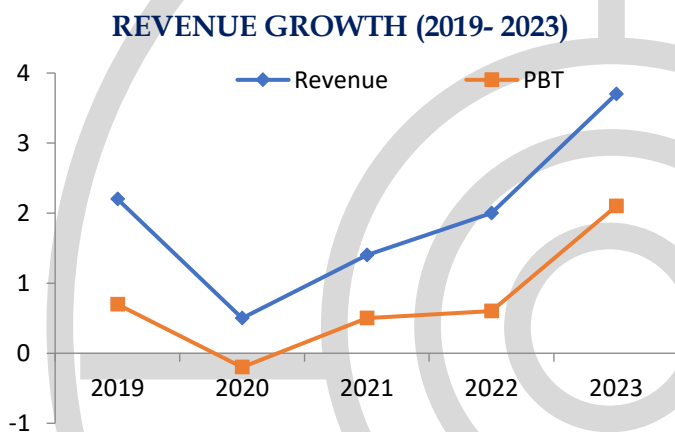
Nigeria is battling with the challenge of foreign currency scarcity arising from lower Oil receipt and limited export capacity of the Country. The Naira exchanged against the Dollar at the official market was ₦1,474.69/\$1 as at May 30th, 2024, while the parallel market value was an average of ₦1,600/\$1. In June 2023, the Central Bank of Nigeria floated the naira after unifying all segments of the forex market, which resulted in significant devaluation of the local currency.

The Monetary Policy Committee (MPC) of the CBN at its meeting on 21st May 2024, raised the Monetary Policy Rate (MPR) by 150bps to 26.25%. This marks a departure from the previous rate of 24.75% maintained since March, 2024. This is the third consecutive MPR hike this year, showing the CBN’s focus on price stability. Other parameters remained unchanged. The Apex Bank retained the Cash Reserve Ratio

(CRR) at 45%, while retaining the Liquidity ratio at 30%. The increase in MPR was done to manage inflation which has been on a steady rise. Headline Inflation rose to 33.69% in April 2024 from 33.20% in March, 2024. 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.

Operators in Oil & Gas Services Sector earned a significant portion of their revenue in US Dollars. This provide a short-term benefit of foreign exchange gain arising from local currency devaluation. However, operators’ services could be disrupted by possible adverse decision of the International Oil Companies to seek alternative investment destination outside Nigeria. Therefore, critical success factor is the ability to diversify income sources.

FINANCIAL PERFORMANCE

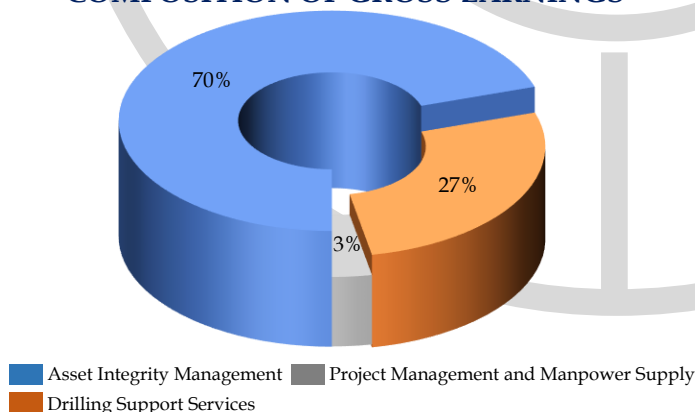


Source: Jimcol Resources Nigeria Limited

We reviewed the Company’s Audited Financials for the past five (5) years of its operations (2019 - 2023). The Company maintained positive growth trend in Revenue throughout this period.

The Company’s revenue recorded significant increase of 82% during the year 2023. The Revenue sources included: Asset Integrity and Maintenance Services, Non-Destructive Testing Services, Rope Access Services, Drilling Support Services, Mudlogging Services, Engineering, Construction, Training and Consultancy Services. Total Earnings from these activities amounted to ₦3.7b (Yr. 23).

COMPOSITION OF GROSS EARNINGS



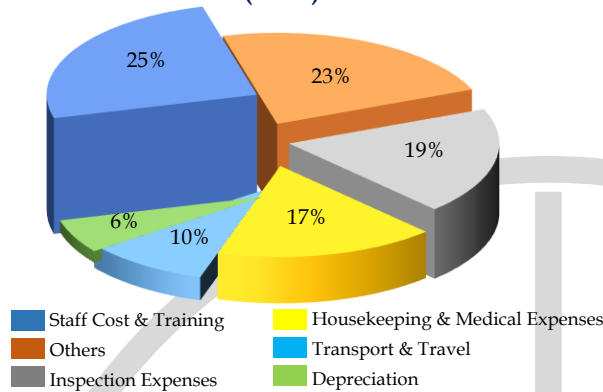
Source: Jimcol Resources Nigeria Limited

The US Dollar component of the Company Revenue was about 60%. Therefore, Revenue in the year 2023 was significantly impacted by exchange rate movements. Consequently, foreign exchange

contribution to profit in the year 2023 was 26%.

In the last 5 years, Inspection income from its Asset Integrity business retained its top position in revenue and profit generation as it contributed over 80% of the revenue in the period.

COMPOSITION OF OPERATING EXPENSES (2023)



Source: Jimcol Resources Nigeria Limited

The Management Account for the 3-month period ended March, 2024 showed a 275% increase in revenue from ₦572.3m (Q1. 23) to ₦2.1b (Q1. 24)

Cost of operation increased during the year by 46% to ₦1.2b. This included Direct Material Cost, Direct Labour Cost, Depreciation and Other Overhead.

In absolute term, Gross Profit recorded over 100% increase to ₦2.5b, leading to an improvement in cost efficiency. This was reflected in Gross Profit Margin growth from 58% (Yr. 22) to 67% (Yr. 23).

• PROFITABILITY

The Company’s operation has been impacted by inflationary pressures. Total Operating Expenses almost doubled from ₦568.6m (Yr. 22) to ₦1.0b (Yr.23).

Staff costs, Inspection, Transport, Travel, Housekeeping and Medical expenses were major items of administrative expenses incurred during the year. Finance Cost also increased from ₦124.9m to ₦293.5m during the period. Other Income earned by the Company during the year included Foreign Exchange gain of ₦963.6m.

This led to an increase in Pre-Tax Profit from ₦591.6m (Yr. 22) to ₦2.1b (Yr. 23). Similarly, the operating result of the first quarter in March, 2024 revealed a Pretax Profit ₦1.6b. Net Profit margin doubled from 29% in the year 2022 to 57% in year 2023 and 76% (Q1. 24). This reflects a possible strong profitability closure in the year 2024.

• CAPITALIZATION

Shareholders’ Fund has consistently increased over the last five years. This is as a result of the Company’s profitability.

Item	₦’000	%
Non-Current Assets	4,332,812	76
Current Assets	1,371,344	24
Total Assets	5,704,156	100

Source: Jimcol Resources Nigeria Limited

The Company also recorded revaluation surplus of ₦1.7b on its PPE, increasing Equity Capital by 222% from ₦1.3b (Yr. 22) to ₦4.2b (Yr. 23). However, Issued Share Capital

remained at ₦2m in the years 2022 and 2023.

As at the financial year ended 31st December, 2023, the Company recorded Total Assets amounting to ₦5.7b. This was 89% above the prior year's value. Current Assets comprised Cash (39%), Trade and other Receivables (60%), and Inventory (1%). As a whole, Current Assets grew by 17% to ₦1.4b mainly due to significant increase in Bank Balances.

Fixed Assets comprised of Property, Plants and Equipment (PPE) during the year, amounting to ₦4.3b (Yr. 23). This accounted for 76% of Total Assets, an increase from the 72% contribution recorded in the year 2022.

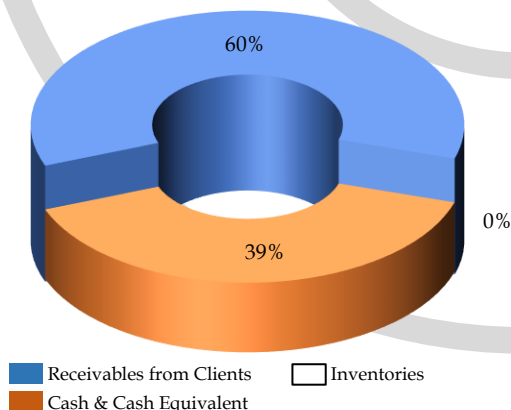
Total Liability funding comprising Current and Non-Current liability was ₦1.5b, as against ₦1.7b recorded in the prior period. A bulk (71%) of Total Liabilities were current in nature. Current Liabilities declined slightly to ₦1.1b (Yr. 23) due to the reduction in the amount owed to Suppliers. Other items of Current Liabilities comprised Borrowings and Current Income Tax Payable. Non-Current Liabilities also declined from ₦616.4m (Yr. 23) to ₦432.6m (Yr. 23) as a result of repayments of Borrowings made during the year.

The Company's funding mix changed significantly in the year under review. This was due to the revaluation surplus and retained earnings recorded. Equity Funding grew from 43% (Yr.22) to 74% (Yr. 23).

• **ASSET UTILITY**

The business of the Company is capital intensive with Non-Current Assets contributing 76% of the Total Asset base during the year. It also contributed largely to its increase.

COMPOSITION OF CURRENT ASSETS



The increase in the carrying amount of PPE was due to the additional investments in Marine and Office Equipment made during the year. This was in addition to the Revaluation of Marine Equipment. In total, PPE grew by 131% to ₦4.3b (Yr. 23).

Major components of Current Assets included Cash and Trade Receivables. Inventories was less than 1% of the current Assets. It

Source: Jimcol Resources Nigeria Limited

amounted to ₦1.4b (Yr. 23) and grew by 20% compared with the prior year balance.

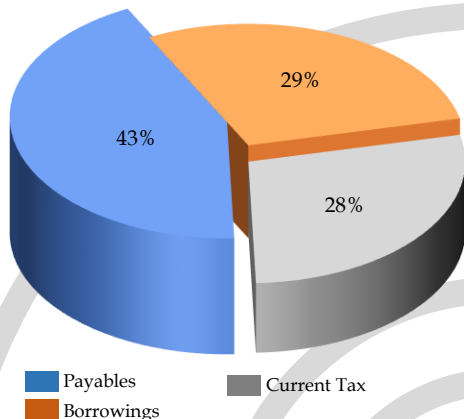
The ability of the Company to effectively utilize Assets for the purpose of generating Revenue declined marginally from 67% (Yr. 22) to 65% (Yr. 23). However, the

efficiency of the Company at utilizing its Assets to generate Profit improved from 20% (Yr. 22) to 37% (Yr. 23).

• **LIQUIDITY**

As at December, 2023 the Company’s liquidity position comprised Cash and Bank Balance of ₦426.9m, Receivables of ₦2.3b and Inventory of ₦6.8m.

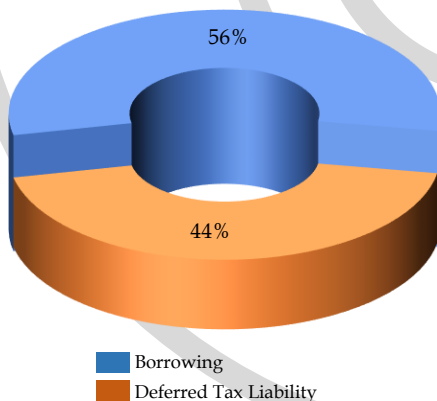
COMPOSITION OF CURRENT LIABILITIES



Source: Jimcol Resources Nigeria Limited

The Company obtained ₦836m loan from *Fidelity Bank Plc* in November 2022 to finance the purchase Mudlogging and other specialized equipment including logistics assets majorly for contract execution. This Loan comprised of ₦720m facility obtained at the rate of 21% from *Development Bank of Nigeria (DBN)* and Term loan of ₦116m from *Fidelity Bank* at a cost of 33% per annum. The Loans had a tenor of 36 months with quarterly repayment of interest and principal. The facility was secured with all asset debenture on the assets owned by the Company.

COMPOSITION OF NON-CURRENT LIABILITIES



Source: Jimcol Resources Nigeria Limited

The current portion of this loan amounted to ₦308.2m, making up for 29% of the Company’s short-term funding in the year 2023. Other items of short-term funding included Trade and Income Tax Payables. In total, it decreased marginally to ₦1.1b (Yr. 23)

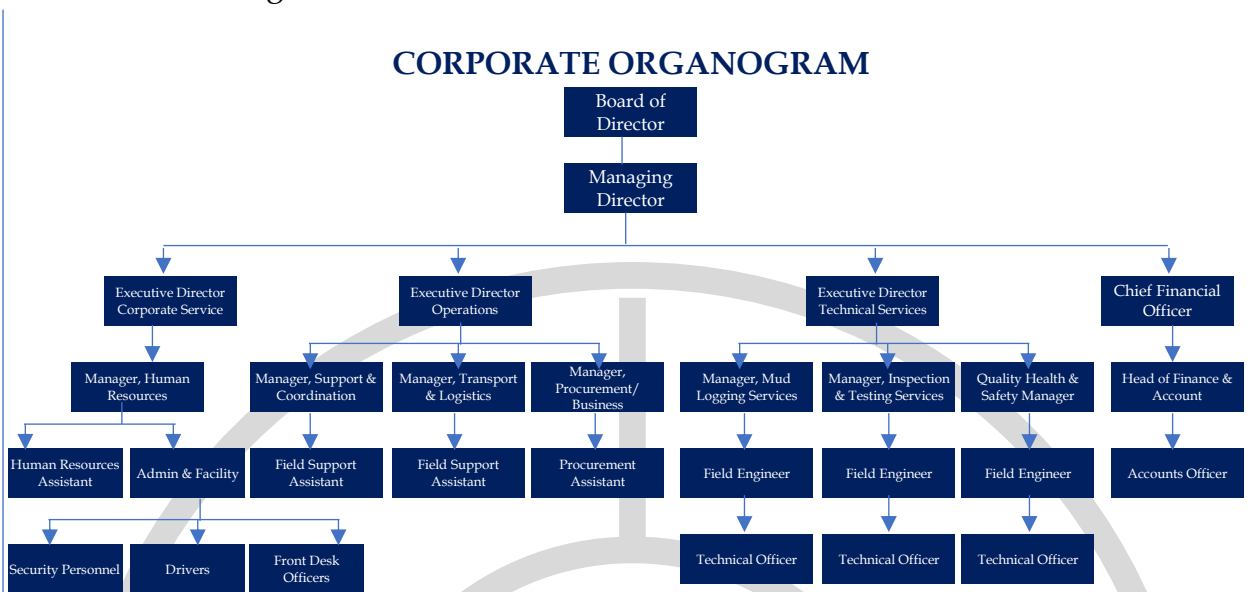
The Company recorded Operating Cash inflow of ₦1.5b (Yr. 23) as against ₦566.4m recorded in the year 2022. Cash Balance also

increased significantly. Ability to settle short term obligations using Current Assets was more than adequate. It improved from 104% (Yr.22) to 128% (Yr.23).

CORPORATE GOVERNANCE & RISK MANAGEMENT

The affairs of the Company are directed by the Board of Directors which consists of the Chairman, four Executives and four Non-Executives.

The Company recognizes that its operation is exposed to Market, Liquidity, Credit, Operational, Reputational and Foreign Exchange Risks. The Company has in place measures to mitigate these risks.



Source: Jimcol Resources Nigeria Limited

RISK FACTORS

- REGULATORY RISK**

This is the risk to operation arising from inability of the Company to meet Regulatory requirements. The Sector in which the Company operates (Oil and Gas Sector) is highly regulated and the impact of non-compliance with National & International Laws could lead to penalties and loss of reputation.

Therefore, the inability of the Company to comply with required regulations may affect Revenue.

- LEGAL RISK**

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

Based on our review, the Company is only involved in one case as a claimant with potential claim of ₦24.5m awarded to it since 2021.

- REPUTATIONAL RISK**

This is the risk that the Company 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 Company or its Board of Directors.

- **LIQUIDITY RISK**

This is the risk arising from the inability of the Company to settle its obligations as and when due.

Based on our review, the Company maintained adequate coverage for its short-term liabilities using its current assets. This was 128% in the year under review.

- **CREDIT RISK**

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

Based on our review, the Company is exposed to credit risk through its Financial Assets and Receivables. Receivables amounted to ₦2.3b as at the first quarter of 2024, translating to 32% of its Total Assets. Therefore, inability of its trading partners to pay as and when due may affect the Company's profitability.

- **OPERATIONAL RISK**

This is the risk arising from the failure of process, people and equipment which may adversely affect operation and impair revenue and profitability.

Based on our review, the Company is largely depended on its people and machinery with significant exposure to security and operational hazard. Therefore, the operation of the Company may be adversely affected if any of these risks occurred. However, we note that the Company observe high operating safety standards to ensure that this risk is significantly minimized.

- **CLIENT CONCENTRATION RISK**

This is the risk of threat to Revenue generation arising from rendering services to significantly few clients.

Based on our review, the Company currently services few clients contributing significantly to its Revenue. Adverse decision from this Clients may impact its Revenue. However, we note that the Company is already engaging with new clients in the year 2024 with a view to diversity its client base.

FUTURE OUTLOOK

- The Company's development plan for the next five years is focused on developing capacity to provide Subsea Services to the Oil & Gas industry by

leveraging the company's current multi-year contract with Chevron Nigeria Limited to provide Underwater Inspection Services.

- In respect of Subsea diving equipment, it has procured and ordered approximately 75% of equipment resources required to cover available scope of work for the current client. The Company also intends to acquire 100% of subsea inspection equipment before the end of the year 2024.
- Ultimately, The Company plans to achieve membership of the top 10 service providers in the area of subsea inspection and maintenance within the next five years with annual revenue contribution of \$12m to the business.
- The Company also advanced its 5-year Strategic Development Plan to diversify its operation geographically by incorporating *Jimcol (Guyana) Incorporated*. This is to enable it take advantage of business opportunity in the *Cooperative Republic of Guyana*.

CONCLUSION

The Rating is supported by Good Liquidity, Good Revenue Profile and Experienced Management Team and Board.

Consequently, we assigned a Rating of "A-"

FINANCES

Financial Position as at

	Dec., 2023		Dec., 2022		Dec., 2021
	N'000	Δ%	N'000	Δ%	N'000
ASSETS					
Property and Equipment	4,332,812	131.00	1,875,710	62.61	1,153,487
Receivables	823,647	(21.19)	1,045,124	35.48	771,407
Inventory	6,825	(17.58)	8,281	27.09	6,516
Cash and cash equivalent	540,872	485.73	92,341	161.80	35,271
	5,704,156	88.79	3,021,456	53.63	1,966,681
Liabilities					
Borrowings	242,764	(60.62)	616,436	308.00	151,089
Deferred Tax Liabilities	189,895	#####	-	#####	-
Trade and Other Payables	463,529	(41.36)	790,477	46.60	539,190
Short Term Borrowings	308,218		219,564		226,633
Current Income Tax Payable	297,622	225.38	91,469	10.81	82,549
Total Liabilities	1,502,028	(12.57)	1,717,946	71.89	999,461
Net Asset	4,202,128	222.37	1,303,510	34.77	967,220
Share and reserves					
Share capital	2,000	-	2,000	-	2,000
Retained earning	2,248,100	112.38	1,058,533	46.56	722,243
Revaluation Reserve	1,952,028		242,977		242,977
Shareholders funds	4,202,128	112	1,303,510	47	967,220
Profit & Loss Account					
Total revenue	3,711,913	82.82	2,030,398	47.58	1,375,769
Profit before income tax	2,123,417	258.91	591,634	7.63	549,671
Profit for the year	1,825,795	265.04	500,164	7.07	467,122
Trasfer to retained earnings	1,825,795	265.04	500,164	7.07	467,122

Signed: 
Name: Oladele Adeoye
Designation: Chief Rating Officer
Date: 4th June, 2024

For and on behalf of:
DataPro Limited
Ground Floor, Foresight House
By Marina Water Front
163/165 Broad Street, Lagos Island, Lagos.
Tel: 234-1-4605395, 4605396
Cell: 0805-530-3677
Email: info@datapronigeria.net, dataprong@gmail.com
Website: www.datapronigeria.net

©
DataPro 2024
All right reserved.

*This report is provided for your internal business use only and may not be reproduced or re-distributed in any manner whether mechanical or without the permission of **DataPro**.*

*Whilst **DataPro** attempts to ensure that the information provided is accurate and complete, however due to the immense quantity of detailed matter used in compiling the information and the fact that some of the data are supplied from sources not controlled by **DataPro**, we will not be responsible for any omission therefrom.*

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.