

Mixta Real Estate Plc

Nigeria Corporate Analysis

August 2019

Rating class	Rating scale	Rating	Rating outlook	Expiry date
Long term	National	BBB ^{-(NG)}	Stable	July 2020
Short term	National	A3 ^(NG)		

Financial data:

(USD'm Comparative)*

	31/12/17	31/12/18
N/USD (avg.)	305.3	305.6
N/USD (close)	305.5	306.5
Total assets	436.8	469.3
Total debt	113.0	140.4
Total capital	225.6	218.3
Cash & equiv.	6.9	9.1
Turnover	19.9	22.9
EBITDA	(1.1)	(3.2)
NPAT	21.8	4.4
Op. cash flow	(18.2)	(9.1)

*Based on Central Bank of Nigeria's exchange rate.

Market cap n.a

Rating history:

Initial rating (June 2016)

Long term: BBB^(NG)

Short term: A3^(NG)

Rating outlook: Stable

Last rating (June 2018)

Long term: BBB^(NG)

Short term: A3^(NG)

Rating outlook: Stable

Related methodologies/research:

Global Master Criteria for Rating Corporate Entities, updated February 2018

Glossary of Terms/Ratio, February 2018

Mixta Real Estate Plc Issuer rating reports (2016-18)

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Summary rating rationale

- The ratings of Mixta Real Estate Plc ("Mixta Nigeria" or the "Group") are supported by its sizeable land bank, shareholder support and strong technical alliances with major industry players. Offsetting these key rating drivers is the Group's inability to scale up project delivery amidst high debt profile, heightening concern on debt serviceability.
- The Nigerian real estate industry's performance has been curtailed by the challenging operating conditions, characterised by constrained consumer spending, higher lending rates and weak access to funding. Accordingly, while Mixta Nigeria achieved revenue growth of 15% to N7bn in FY18, this was 53% below budget. Management intends to more than double the top line by FY19, supported by bulk land sales and timely project delivery. GCR, however, considers the budget aggressive given the vagaries of the operating environment and the comparatively low FY18 revenue base. This is borne out by 1H FY19 revenue registering at just N4.7bn, well behind an annual target of N15.4bn.
- Since FY17, the depreciation of the Naira has driven significant escalation in construction costs, as well as material distortions in land and property values. This has seen a marked erosion of Mixta Nigeria's gross margin to just 11% (FY17: 9%), from highs ranging between 30-40% in FY15 and FY16. This underpinned a succession of operating losses in FY17 and FY18. Although the Group reported gross and operating margins of 28% and 13% respectively in 1H FY19, GCR notes the historically observed turnaround from interim to full year results due to year-end adjustments. That said, the Group's ability to timeously develop and deliver large scale projects on a consistent basis will smooth out future margins somewhat.
- Gross debt has risen consistently over the years, registering at N43.1bn at 1H FY19 (FY18: N43bn) from just N17.5bn at FY14. The marked increase reported in FY17 and FY18 in particular, was due to highly leveraged development cycle. As such, the loan to value ("LTV") has doubled over the period under review to 32% at 1H FY19 (FY18: 31%). Net debt to EBITDA and interest cover, however, have been volatile, reflecting the significant earnings drag. Both metrics are expected to remain weak or erratic (with interest cover projected at 0.6x and 1.0x for FY19 and FY20 respectively) unless earnings realised from properties completed and sold stabilises.
- Mixta Nigeria continues to present a lumpy debt maturity profile, with around 68% of the total expected to fall due within one year, and a further 32% after FY20. The high short term maturity amidst persistently negative/weak discretionary cash flows suggests imminent refinancing risk, and is a key rating concern.

Factors that could trigger a rating action may include

Positive change: The ability to develop and successfully deliver large scale projects on a consistent basis will support improved margins. This should also lead to strong internal cash generation and less reliance on debt, with earnings-based gearing improving to sustainable levels.

Negative change: The ratings remain sensitive to further delays in project delivery, which materially curtail the group's cash generative capacity, and further constrain its ability to service obligations.

Company profile and recent developments¹

Having commenced operation in February 2006 as a real estate investment fund promoted by Asset & Resource Management Company Ltd (“ARM”), Mixta Nigeria has evolved into a leading real estate development company. Mixta Nigeria provides property development and investment services, with operations spanning the residential, commercial and retail property segments. The operations of Mixta Nigeria were consolidated in Mixta Africa S.A. (“Mixta Africa”) in 2015, following the acquisition of Mixta Africa by ARM². Mixta Africa provides administrative support to Mixta Nigeria under a long-term Management Service Agreement (dated 31 December 2016).

The Group’s e projects are mostly housed in special purpose vehicles (“SPVs”) that are directly owned by Mixta Nigeria or *via* joint arrangements with passive/financial partners. According to management, other projects outside of the land bank will be developed in conjunction with land owners. The SPVs provide legal form for the acquisitions, and to secure financing and delivery of specific real estate projects. Mixta Nigeria provides resourcing and project management services to the SPVs. During 2018, Mixta Nigeria acquired a 100% stake in Townsville Properties Limited from ARM Company Limited. It also incorporated two subsidiaries namely Edo Affordable Properties Limited and Farapark II Limited. Overall, the number of subsidiaries has increased to eight (8), from six (6) in FY17.

Table 1: Subsidiaries/associate	Shareholding (%)
Toll Systems Development Ltd.	88.0
Summerville Golf Club Ltd	67.9
Oakland Properties Limited	99.9
Adiva Properties Ltd	99.9
Crosstown Malls Properties Ltd	99.9
Townsville Properties Limited	100
Farapark II Limited	100
Edo Affordable Properties Limited	70
Garden City Golf Estate Development Ltd	51.0

The Group has ongoing developments in Lagos, Edo State and Port Harcourt. It also has an undeveloped land bank of 9.4 million sqm valued at N84.8bn at FY18. As land costs average around 40% of development costs in the Lagos real estate market, the Group’s vast land bank and off-plan sales present a key competitive advantage. Mixta Nigeria also benefits from internal project management expertise and strong relationships with major industry players, which has enabled the Group to secure a substantial project pipeline. Since 2015, it has delivered over 3,200 units (homes, plots and retail outlets/centres) to end-buyers. The Group delivered 177 homes and 64 lands in FY18, against a target of 612 and 98 respectively. The upper mid-market segment is expected to remain the largest contributor to Group revenue.

Corporate governance and shareholding structure

Mixta Nigeria’s corporate governance structure complies with the requirements of Companies and Allied Matters Act. The Group’s governance framework is supported by internal and external risk management and audit functions. The Board of directors (“the Board”) comprises people from diverse backgrounds, with a diverse range of professional competencies. The Board’s oversight functions are carried out through Board and Management Committees at Mixta Africa level.

Table 2: Corporate governance summary

No. of directors	
Independent non-executives	1
Non-independent non-executives	4 (including the Chairman)
Executives	2 (including the Managing Director).
Separation of the chairman	Yes
Frequency of meetings	Minimum of quarterly. <i>Ad hoc</i> meetings are also convened when necessary.
Board and Management Committees	Board Audit and Risk Committee; Investment Committee; Nomination, Remuneration and Human Resources Committee; Project Monitoring Committee and Business Review Committee
External auditor*	Deloitte & Touche, appointed during FY18.

*formerly KPMG Professional Services.

The shareholding structure remained unchanged at FY18. Shares closely held, with ARM Holdings and related parties accounting for 89.4%. With no listing anticipated, no material changes (barring restructuring of the balance sheet) are anticipated.

Table 3: Shareholding structure as at 31 December 2018	Number of shares	Holding (%)
ARM Holdings Limited	4,354,936,143	44.31
Gairloch Limited	3,789,776,811	38.56
Mixta Africa S.A	644,009,407	6.55
Other investors*	1,039,547,754	10.58
Total	9,828,270,115	100.00

*Comprises institutional and individual investors with less than 5% shareholding.

Financial reporting

Mixta Nigeria’s financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), the requirements of Company and Allied Matters Act 2004, and the Financial Reporting Council of Nigeria Act 2011. Deloitte issued a clean audit opinion on the 2018 financial statements. The previous external auditor also issued clean audit opinion on all the prior years’ financial statements.

Operating environment

Real GDP expanded at 1.93% in 2018 compared to 0.8% reported in 2017, underpinned by increase reported in the non-oil sector. However, growth was constrained by a number of domestic challenges, including the resurgence of Boko-Haram attacks in the North-East region, clashes between herdsmen and farmers, and the uncertain political environment. Moreover, heightened capital outflows due to rising yields in the United States and United Kingdom were experienced. Positively, the inflation rate declined from a high of 18.7% in January 2017 to 11.2% in June 2019 (May 2019: 11.4%). This has been supported by the continued tighter monetary

¹ Please see Mixta Nigeria’s previous issuer rating reports for a detailed background on business profile, subsidiaries and strategic overview.

² ARM is an asset management firm, managing total assets of c.N1.1trn as at 31 December 2018.

policies of Central Bank of Nigeria (“CBN”). While CBN has left the monetary policy rate unchanged at 14% since July 2016, the rate was reviewed downward to 13.5% in March 2019. Cash reserve and liquidity ratios have been maintained at 22.5% and 30% respectively.

The first half of 2019 was dominated by the elections. As such, significant policy changes and implementation are only expected in the second half. Most corporates’ earnings were under pressure in 1H 2019. However, the level of economic activity is expected to pick up in the second half. This level is, however, dependent on Nigeria addressing security challenges and improvements within key sectors. In real terms, the nation’s GDP increased y/y by 2% in 1Q 2019 (1Q 2018: 1.9%) but contracted by 0.4% q/q.

Industry overview and competitive position

Performance within the Nigerian real estate industry is largely correlated to the nation’s economic performance. The decline in government spending, and the non-implementation of the various policies and programmes on the delivery of affordable housing have exacerbated the national housing backlog. In addition, the significant Naira devaluation of 2016 continues to affect the performance of the industry, with reduced consumer spending, higher lending rates, reduced volume and value of investment, distortions in valuations, and high vacancy rates. Construction costs have remained high, making housing expensive and limiting affordability. Other challenges facing the industry include land title issues, rigorous/strict land policies, inadequate access to competitive long-term funding, and the paucity of mortgage facilities to prospective home owners. Consequently, the real estate sector contracted for the third consecutive year, by 4.7% in FY18 (FY17: 4.3% decline), compared with 5.1% growth in 2015, according to the National Bureau of Statistics (“NBS”). On the other hand, the construction sector grew for the second consecutive year by 2.3% in FY18 (FY17: 1%), from a decline of 5.95% in FY16 due to traction on public sector projects.

To address the significant housing deficit in Nigeria, the FGN established the Family Homes Fund (“FHF”) in 2016. The scheme was expected to provide developers with debt at concessionary rates to support delivery and uptake of affordable housing. Land was also meant to be made available for the development of housing under a capped sales price program. While most industry players (including Mixta Nigeria) had significantly relied on this initiative to boost earnings, it is yet to be adequately funded by FGN. Positively, state governments are now partnering with industry players to also address the housing needs.

Although the sector is fragmented, certain real estate developers have strong niche positions, supported by a record of high quality developments. Industry players compete on various factors including positioning, cost, quality, execution, flexibility of payment plans and after sales services. Mixta Nigeria’s competitors include, *inter*

alia; Lekki Gardens Ltd, UACN Property Development Company Plc (“UPDC”), Haven Homes, and Megamound Investments Ltd. It is difficult to quantify market shares of the various players, as only UPDC is currently listed on The Nigerian Stock Exchange, albeit with a different business model from Mixta Nigeria.

Table 4 highlights the performance indicators of UPDC and Mixta Nigeria. While Mixta Nigeria is ostensibly larger, both entities continue to reflect weak earnings profiles and negative discretionary cash flows.

	UPDC		Mixta Nigeria	
	FY17	FY18	FY17	FY18
Revenue	3,983	2,303	6,080	7,013
Gross profit	600	(862)	544	755
EBITDA*	(267)	(1,915)	(345)	(978)
Operating income	(304)	(1,944)	(568)	(1,203)
Fair value gains	(147)	(1,274)	12,388	7,891
NPBT	(3,057)	(9,215)	7,945	2,159
Total assets	64,578	46,467	133,433	143,855
Total debt	19,291	18,558	34,528	43,029
Less: Cash	(860)	(507)	(2,094)	(2,793)
Net debt	18,431	18,051	32,434	40,236
Equity	33,638	18,055	68,915	66,918
Key ratios:				
Gross margin	15.1	neg	8.9	10.8
Operating margin	neg	neg	neg	neg
Total debt : equity	57.3	102.8	50.1	64.3
Net debt : equity	54.8	100.0	47.1	60.1
Total debt : EBITDA	neg	neg	neg	neg
Net debt : EBITDA	neg	neg	neg	neg

*Excludes fair value gains/losses.

Overall, the long-term prospects of the residential real estate market are underpinned by the significant housing deficit. That said government would have to provide an enabling environment (through, *inter alia*; adequate funding and effective policies) to support delivery.

Financial performance

A five-year financial synopsis, together with a 6-month management results to 30 June 2019, is reflected at the end of this report, supplemented by the commentary below. Mixta Nigeria’s financial year was changed from February to December, effective 2015, to harmonise it with ARM’s revised reporting date and the calendar year. As such, the YTD 2014 results represent 10-months’ financial performance to December 2014.

Group revenue grew by 15% to N7bn in FY18, well behind a budget of N14.9bn. Management indicated that the slow growth was due to delays in project delivery, slow uptake of developments, and non-execution of the FHF scheme signed with FGN, amongst other challenges facing the industry. While the Group had expected around N6.2bn and N8.6bn from land and homes sales, only N1.8bn and N5.2bn were reported respectively. N4.4bn was reported in deferred income, representing income realised from off-plans sales.

Management expects revenue to be significantly higher at N15.4bn and N26.6bn in FY19 and FY20, on the back of bulk land sales and timely delivery of housing. Land sales are expected to account for 62%, while housing will contribute 38%. GCR, however, considers the budgets

aggressive, a view borne out by the comparatively low revenue generated in 1H FY19.

Table 5: Project pipeline*	Sales units		Revenue (N'm)	
	2019	2020	2019	2020
Lakowe: The Cove*	-	63	-	2,506.2
Adiva Plots & Homes – Phase III	-	110	-	1,770.0
ELMS Estate - Plots	200	229	1,600.0	1,909.6
RDP at Lagos Phase I Stage I*	23	-	326.0	-
RDP at Lagos Phase II - Housing	-	158	-	2,235.7
Beechwood Plots Phase II	3	-	43.9	-
Plots at Lakowe Phase I	36	34	1,398.0	1,320.3
Plots at Lakowe Phase II	-	14	-	810.1
The Enclave - Housing	10	-	330.0	-
The Village – Housing	10	-	970.3	-
Townsville Extension Plots	50	13	240.9	62.6
Farah Park II Homes & Land	87	35	1,328.0	534.3
Edo State Affordable Housing	202	511	2,873.8	8,312.8
Urban Land Nigeria - Plots	555	629	6,250.0	7,166.7
Total	1,176	1,797	15,361	26,628

*Homes

Note: Projects range from affordable, mid-market, upper mid-market to premium.

The Group has witnessed significant margin pressure in recent years due to the complexity of projects and a progressively weaker Naira, which continue to elevate overall construction costs. The Group also provides for the cost of committed works linked to ongoing projects. As such, the gross margin registered at just 11% in FY18 (FY17: 9%), against highs between 30%-40% achieved in FY15/16. An overall increase in overheads, partly due to improve capacity and security, translated to a deeper operating loss in FY18.

Table 6: YTD and Income forecasts (N'm)	1H FY19	FY19	FY20
Revenue	4,712.8	15,361	26,628
Gross profit	1,319.4	4,429	7,743
EBITDA	616.9	2,802	5,313
Depreciation	(170.4)	(235)	(232)
Op. profit	446.5	2,567	5,081
Gross interest	2,022	4,728	5,560
Net finance charges	(158.3)	(4,362)	(5,194)
Fair value movement/others	70.8	5,181	3,324
NPBT	359.1	3,385	3,211
Key Ratios (%)			
Gross margin	28.0	28.8	29.1
EBITDA margin	13.1	18.2	20.0
Op. margin	9.5	16.7	19.1
Net int. cover (x)	2.8	0.6	1.0

Renewed focus on the timely completion of projects and further market penetration (supported by linkages with ARM) are expected to support a gross margin of c.29% over the rating horizon. While GCR notes the proximity of the interim margin to this level, year-end adjustments has historically seen marked variations between half and full year results. In this regard, the Group will have to achieve consistent project rollout (and manage down the cost of debt) are also required to stabilise its earnings and improve debt service metrics.

The gross finance charge rose to N4.4bn in FY18 (FY17: N2.2bn) following additional interest accruing from bonds and Commercial Paper (“CP”), while net interest more than doubled to N3.3bn. A sizeable portion of the

gross charge (N3.2bn) relates to ongoing projects, and continues to be capitalised (FY17: N2.1bn). Notwithstanding the impact of N1.7bn in interest income on 1H FY19 net interest, finance costs are expected to remain elevated, translating to weak interest coverage metrics. This points to the Group’s moderately limited headroom to further leverage its project cycle until a number of ongoing projects are completed and sold.

Similar to previous year, the Group reported a significant fair value gain of N7.9bn (FY17: N12.4bn) in FY18, related to the revaluation of the land bank in Lekki. The property was revalued by Messrs CBRE Excellerate. This underpinned a pre-tax profit N2.2bn (FY17: N7.9bn, 1H FY19: N359m). That said, substantial impairments continue to arise from equity accounted investment and receivables.

Cashflows

Mixta Nigeria has reported significant non-cash adjustments in relation to fair value gains, provisions and unrealised foreign currency movements since FY15. Due to limited disclosure, these have not been adjusted for in line with GCR’s standard criteria, although underlying cash generation/outflows has trended with EBITDA/cash losses reported on the income statement over the years under review. Prior to FY18, the Group evidenced significant working capital absorptions, mainly driven by related party and retention debtors, prepayments and properties under construction. However, pressures eased in FY18, with a working capital release of N1.1bn (1H FY19: N5bn), supported by advances and other upfront support from contractors. This notwithstanding, delays and cost pressures from ongoing projects may again trigger working capital pressures.

After accounting for interest and tax payments, the Group reported operating cash outflows of N2.7bn in FY18 (FY17: N5.6bn). Given the substantial project cycle requirements, and the need to settle outstanding borrowings, the moratorium on dividends that began in FY18 is expected to remain in place until FY20. In 1H FY19, N1.8bn (FY18: N102m) was spent on the acquisition of subsidiaries, stakes in JVs, and/or improvements to investment properties.

Funding profile

Despite reporting a net profit of N1.3bn in FY18, equity declined 3% due to an IFRS 9 (Financial instruments) transition expected credit loss of N3.3bn on loans and receivables. Overall the proportion of equity to total funding declined to 46.5% at FY18 from 51.6% at FY17, while related gearing weakened from the FY17 position, which was supported by substantial revaluation surpluses.

Gross debt has risen substantially in recent years to finance various projects, registering at N43bn at 1H FY19, from just N17.5bn at FY14. More recently, Mixta Nigeria raised an initial N4.5bn Series 1 Bonds from the debt capital market in January 2017 under its N30bn bond programme. A further N3bn and N2.3bn under

Series 2 Tranche A Guaranteed Bonds and Series 2 Tranche B Secured Bonds Issue respectively in September 2018, at a fixed annual interest rate of 16.5% and 17.75% each.

Table 7: Funding profile (N'm)	FY16	FY17	FY18	1H FY19
ST debt	9,370	22,478	26,405	29,145
LT debt	15,796	12,050	16,624	13,999
Total debt	25,167	34,528	43,029	43,144
Cash	(657)	(2,094)	(2,793)	(973)
Net Debt	24,510	32,434	40,236	42,171
Equity	28,705	68,915	66,918	69,571
Assets	105,975	119,914	129,789	131,721
Key ratios (%):				
Net debt: equity	85.4	47.1	60.1	60.6
Total debt: equity	87.7	50.1	64.3	62.0
Net loan to value	23.1	27.0	31.0	32.0
Gross loan to value	23.7	28.8	33.2	32.8
Net debt : EBITDA (%)	2,421.7	n.a	n.a	n.a
Gross debt : EBITDA (%)	2,486.6	n.a	n.a	n.a

The net bond proceeds were utilised for debt refinancing (76%) and affordable housing projects (24%). Interest payment on the Series 2 Bonds commenced in March 2019, with the amortisation of the principal scheduled for October 2023, after a two-year moratorium. N11.2bn was also raised from in 6-month CP in November 2018, part of which was recently rolled over. Related party loans therefore comprised 38% of interest-bearing debt at 1H FY19 (FY18: 33%), well off highs of 67% at FY16, proving improved access to capital somewhat. Related party loans are usually contracted at commercial rates and at arms-length.

The Group, however, continues to present a lumpy, front-loaded debt maturity profile, with around 68% of the total expected to fall due within one year, and a further 32% after FY20. This, points to significant liquidity pressure, especially when considered together with negative/weak discretionary cash flows.

Table 8: Debt profile	CCY	Interest rate (%)	FY18 (N'm)	Maturity
External			28,776.3	
Summerville Notes	NGN	14-16	1,834.9	Apr-19
Summerville Preferred Notes	USD	7-8.0	1,593.9	Sep-19
Access Bank Plc	NGN	21.0	4,154.8	March-22
Various investors - CP	NGN	17.8	11,228.4	May-19
MODD family	NGN	17.0	142.2	Sep-19
Series 1 and 2 Bonds	NGN	17.0	9,822.1	Jan-22/Oct 23
Related party loans			14,252.5	
ARM Trustees	NGN	18	11.3	Nov-19
Garden City Golf Estate	NGN	20.08	1,076.2	June-19
Beechwood Properties Ltd	NGN	18.0	560.8	Apr-19
ARM	NGN	3.5	7.1	Call
ARM Investment Mgr	NGN	17-21	12,543.6	Nov-18
Fara Park	NGN	18.0	53.5	Apr-19
Total			43,028.8	

Secured debt included an Access Bank facility, which has tripartite legal mortgage on a 150ha parcel of land on

Lekki Epe expressway, and an all asset debenture on the fixed and floating assets of Summerville Golf Club Ltd. The Series 2 Tranche B Bond Issue is also secured against a 76ha parcel of land, while the Series 1 Tranche A bond is secured by guarantee from GuarantCo.

Overall, the loan to value ("LTV") has doubled over the period under review to 32% at 1H FY19 (FY18: 31%). Net debt to EBITDA, however, has been very volatile, mostly due to the significant earnings drag of a lumpy project rollout and the amplified effect of any delayed delivery (as the debt would have already been drawn).

In this regard, earnings based gearing and discretionary cash flows are thus expected to remain weak/negative until efficiencies are entrenched into the system to allow for consistent release of capital from the project pipeline. As value largely remains vested in the land bank (with a slow realisation of value through developments), Group operations also remain vulnerable to exogenous pressures. Interest and currency volatility in particular are likely to continue to adversely impact credit risk metrics at the current levels of gearing despite management interventions. As such, the ratings remain significantly constrained until Mixta Nigeria is able to realise and sustain positive free cash flows that will reduce its reliance on further debt and enhance its debt serviceability.

Table 10: Gearing forecasts (N'm)	FY19	FY20
Total debt	47,983	44,233
Cash and cash equivalent	(19,744)	(21,299)
Net debt	28,239	22,934
<i>Equity</i>	<i>70,994</i>	<i>71,809</i>
Key ratios (%):		
Total debt: equity	67.6	61.6
Net debt: equity	39.8	31.9
Total debt :EBITDA	1,712.7	832.6
Net debt: EBITDA	1,007.9	431.7

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Mixta Real Estate Plc

(Naira in millions except as noted)

Year end: 31 December	December					YTD**
Income statement	YTD 2014*	FY15	FY16	FY17	FY18	1H 2019
Turnover	6,503	3,683	4,924	6,080	7,012.9	4,712.8
EBITDA	485	710	1,012	(345)	(978.3)	616.9
Depreciation	0	(223)	(239)	(223)	(224.9)	(170.4)
Operating income	485	486	773	(568)	(1,203.3)	446.5
Net finance income/(charge)	28	(63)	(1,303)	(1,604)	(3,340.4)	(158.3)
Other gains/losses inc. fair value movements	942	976	1,846	12,317	7,908.2	0
Other operating income/expense	0	(30)	(59)	(2,199)	(1,205.6)	70.8
NPBT	1,454	1,370	1,257	7,945	2,159.0	359.1
Taxation charge	(477)	(300)	(292)	(1,283)	(813.7)	0.0
Profit after tax from continued operations	977	1,071	965	6,662	1,345.3	359.1
Statement of cash flows						
Cash generated by operations	613	1,812	2,359	937	(1,570.2)	(2,707.6)
Utilised to increase working capital	(831)	(3,544)	(3,527)	(4,316)	1,112.7	5,046.4
Net finance charges	36	33	(806)	(2,078)	(2,013.7)	(785.4)
Taxation paid	(14)	(65)	(272)	(110)	(298.4)	(203.5)
Cash flow from operations	(197)	(1,764)	(2,246)	(5,566)	(2,769.6)	1,350.0
Maintenance capex [†]	0	(106)	(30)	(36)	(73.8)	(33.8)
Discretionary cash flow from operations	(197)	(1,870)	(2,276)	(5,602)	(2,843.4)	1,316.2
Dividends paid	(286)	(337)	(387)	(303)	0.0	0.0
Retained cash flow	(483)	(2,207)	(2,664)	(5,905)	(2,843.4)	1,316.2
Net expansionary capex	0	0	0	0	0.0	0.0
Investments and other	(119)	0	(102)	(87)	(101.7)	(1,827.7)
Proceeds on sale of assets/investments	0	0	0	0	0.0	0.0
Shares issued/Deposit for share	0	0	0	(1)	0.0	0.0
Cash movement: (increase)/decrease	(1,108)	1,259	192	(1,437)	(698.7)	1,725.4
Borrowings: increase/(decrease)	1,710	948	2,574	7,431	2,907.5	(1,214.0)
Net increase/(decrease) in debt	602	2,207	2,765	5,993	2,208.7	511.5
Statement of financial position						
Ordinary shareholders interest	21,214	21,484	21,851	62,008	60,272.6	61,998.1
Outside shareholders interest	6,179	6,643	6,854	6,907	6,645.5	7,572.9
Total shareholders' interest	27,393	28,127	28,705	68,915	66,918.2	69,571.0
Short term debt	13,997	14,299	9,370	22,478	26,405.3	29,145.1
Long term debt	3,456	5,963	15,796	12,050	16,623.5	13,999.1
Total interest-bearing debt	17,452	20,263	25,167	34,528	43,028.8	43,144.2
Interest-free liabilities	67,724	69,563	64,755	29,990	33,908.2	31,117.7
Total liabilities	112,569	117,952	118,626	133,433	143,855.1	143,832.9
Fixed assets	12,406	12,336	11,613	16,276	11,273.7	11,139.3
Properties	82,292	87,769	90,538	100,362	107,883.8	113,619.4
Investments and other	7,318	7,681	7,486	9,500	13,384.0	13,857.9
Cash and cash equivalent	2,108	848	657	2,094	2,792.9	972.8
Other current assets	8,446	9,318	8,333	5,201	8,520.7	4,243.4
Total assets	112,569	117,952	118,626	133,433	143,855.1	143,832.9
Ratios						
Cash flow:						
Operating cash flow : total debt (%)	neg	neg	neg	neg	neg	6.3
Discretionary cash flow : net debt (%)	neg	neg	neg	neg	neg	6.2
Profitability:						
Turnover growth (%)	5,996.2	(43.4)	33.7	23.5	15.3	34.4
Gross profit margin (%)	11.8	39.1	34.0	8.9	10.8	28.0
EBITDA : revenues (%)	7.5	19.3	20.6	neg	neg	13.1
Operating profit margin (%)	7.5	13.2	15.7	(9.3)	(17.2)	9.5
EBITDA : average total assets (%)	0.6	0.6	0.9	neg	neg	0.9
Return on equity (%)	1.6	5.0	4.5	15.9	2.2	1.2
Coverage:						
Operating income : gross interest (x)	0.9	0.7	0.4	neg	neg	0.2
Operating income : net interest (x)	n.a	7.7	0.6	neg	neg	2.8
Activity and liquidity:						
Trading assets turnover (x)	1.0	0.2	0.2	0.2	0.3	0.4
Days receivable outstanding (days)	448.0	880.1	654.3	394.8	640.1	247.1
Current ratio (:1)	1.0	1.0	1.3	0.8	0.8	1.1
Capitalisation:						
Net debt: equity (%)	56.0	69.0	85.4	47.1	60.1	60.6
Total debt: equity (%)	63.7	72.0	87.7	50.1	64.3	62.0
Net debt: EBITDA (%)	2,636.3	2,735.8	2,421.7	n.a	n.a	3,418.0
Total debt: EBITDA (%)	2,998.4	2,855.4	2,486.6	n.a	n.a	3,496.8

[†]Depreciation used as a proxy for maintenance of capex expenditure.

*10 months period to December 2014.

**6 months management accounts to 30 June 2019.

SALIENT POINTS OF ACCORDED RATINGS

GCR affirms that a.) no part of the rating was influenced by any other business activities of the credit rating agency; b.) the rating was based solely on the merits of the rated entity, security or financial instrument being rated; c.) such rating was an independent evaluation of the risks and merits of the rated entity, security or financial instrument; and d.) the ratings expire in July 2020.

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

The credit ratings have been disclosed to Mixta Real Estate Plc.

The information received from Mixta Real Estate Plc and other reliable third parties to accord the credit rating included:

- the 2018 audited annual financial statements and audited comparative results for the preceding four years,
- revised budgeted financial statements for the year 2019 and 2020,
- 6-month unaudited management accounts to 30 June 2019,
- a breakdown of facilities available and related counterparties as at 30 June 2019,
- a completed rating questionnaire containing additional information of Mixta Real Estate Plc.

The ratings above were solicited by, or on behalf of, the rated client, and therefore, GCR has been compensated for the provision of the ratings.

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