

RUSSELSMITH NIGERIA LIMITED

Final 2025 Corporate Rating Report

 **Agusto&Co.**
Research, Credit Ratings, Credit Risk Management

RUSSELSMITH 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: 29 August 2025

Expiry Date: 30 June 2026

Previous Rating: Bbb

Industry: Oil and Gas Servicing

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Analysts:

Ndianabasi Udondian

ndianabasiudondian@agusto.com

Christian Obiezu

christianobiezu@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 affirms the “Bbb” rating assigned to RusselSmith Nigeria Limited (“RusselSmith,” “RNL” or “the Company”). The rating reflects the Company’s good profitability, underpinned by its substantial contract portfolio with international oil companies (IOC), as well as its adequate working capital position. The rating also considers RNL’s dollar-denominated earnings, which serve as a natural hedge against currency risk, along with the prospects of its additive manufacturing (AM) division, anticipated to broaden income streams across upstream oil and gas and other industries. However, the rating is constrained by the Company’s elevated debt profile, driven by recent borrowings to finance machinery and equipment for the additive manufacturing division and a corporate governance framework that requires strengthening.

RNL was incorporated in July 2001 and began operations in July 2005 as an integrated oil field services provider focused on asset integrity management within Nigeria’s oil and gas industry. The Company delivers services across both topside and subsea assets. According to management, RNL has executed over 800 contracts since inception and currently maintains active engagements with ExxonMobil, Nigeria LNG Limited (NLNG) and Shell Nigeria Exploration and Production Company Limited (SNEPCo). In 2023, RusselSmith launched its additive manufacturing division, establishing itself as a pioneer in the Nigerian market. RNL is currently the only company certified by the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) to provide AM services within the oil and gas industry.

In the financial year ended 31 December 2024 (FYE 2024), RNL’s revenue grew by 89% to ₦9.8 billion, supported by the commencement of its contract with SNEPCo and favourable exchange rates. The direct cost-to-revenue ratio rose to 34.5% in FYE 2024 (2023: 31.9%), reflecting the reliance on expatriates for execution of the SNEPCO contract, resulting in a gross profit margin of 65.5% (2023: 68.1%). Operating cost-to-revenue ratio also increased to 55.9% in FYE 2024 (2023: 42.7%), due to provisions made for directors’ retirement benefits, including retroactive accumulations that had not been previously accounted for. Consequently, operating profit margin declined to 9.6% in FYE 2024 (2023: 25.4%) but remained within acceptable limits. The Company’s interest expense-to-revenue ratio improved to 6.9% in 2024 (2023: 16.3%) on account of higher revenue. However, profit before tax (PBT) margin moderated to 9.1% in FYE 2024 (2023: 13.3%) due to elevated operating costs. RusselSmith posted a return on assets (ROA) of 13.8% in FYE 2024, which we consider good and a return on equity (ROE) of 26%, outperforming the average yield on a 365-day treasury bill in the same year. This was however lower than the average inflation rate of 33.2% in 2024.

In the six months ended 30 June 2025 (H1 2025), RNL reported a 9% year-on-year growth in revenue to ₦5.3 billion. Direct cost-to-sales ratio rose to 40.2% in H1 2025 (H1 2024: 34.5%) due to higher contractor and subcontractor costs, moderating gross profit margin to 59.8% (H1 2024: 65.5%). However, operating cost-to-sales ratio declined to 35.8% (H1 2024: 49.9%), translating to an improved operating profit margin of 24% in H1 2025 (H1 2024: 15.6%). RNL's interest expense to revenue ratio worsened to 14.6% in H1 2025, due to higher debt levels. Nonetheless, PBT margin rose to 9.5% in H1 2025 (H1 2024: 8.7%) on account of lower operating cost. The Company's annualised ROA and ROE stood at 12.6% and 46.5%, respectively, which we consider good. In the near term, we expect sustained growth in RNL's revenue and profits, supported by three planned maintenance shutdown projects for SNEPCo and ExxonMobil, scheduled between Q3 2025 and Q2 2026 and the commencement of its contract with NLNG.

In FYE 2024, RusselSmith's operating cash flow increased by 175% to ₦5.9 billion, driven by higher trade payables and a decline in other receivables, particularly withholding tax credit notes. RNL's OCF represented 60.1% of revenue and was sufficient to cover returns to providers of finance (solely debt service) 8.6x, which we consider good. In the near term, we expect the positive cash flow position to be sustained, supported by expected increase in earnings.

As at FYE 2024, RNL's spontaneous financing increased by 95% to ₦6.9 billion, boosted by year-end credit purchases. This was sufficient to cover its working assets, leaving a short-term financing surplus of ₦4.3 billion. As at the same date, the Company's long-term funds - comprising solely of equity - stood at ₦3.4 billion and was insufficient to cover its long-term assets, resulting in a long-term financing need of ₦4.5 billion. Thus, the Company recorded an overall working capital deficiency of ₦235 million. As at H1 2025, RNL's spontaneous financing declined to ₦4.3 billion following the settlement of some of these trade payables, resulting in a working capital need of ₦2.4 billion. As at the same date, the Company's long-term funds totalling ₦12.4 billion, was sufficient to cover its long-term assets and offset the working capital need, resulting in an overall working capital surplus of ₦3.7 billion. In our opinion, RNL's working capital is adequate for its operation.

As at FYE 2024, RNL's interest-bearing liabilities solely comprised the outstanding balance on a ₦1 billion bridge finance which was obtained as an interim funding arrangement pending the issuance of its commercial paper. The Company's interest-expense to revenue ratio declined to 6.9% in 2024 (2023: 16.3%), following the liquidation of some of its interest-bearing obligations, but remained above our threshold of 5%. Similarly, net-debt as a percentage of average total assets was elevated at 115% in FYE 2024. However, interest bearing debt (IBD) to equity ratio was within our acceptable range at 33% in FYE 2024. Subsequent to the year-end, RusselSmith raised ₦3.7 billion under its ₦10 billion commercial paper programme and secured an \$8 million facility from the Bank of Industry. Consequently, IBD as a percentage of equity and net-debt as a percentage of average total assets were both elevated at 338% and 112% respectively, depicting a high debt profile.

RusselSmith is planning to commence additive manufacturing at its omnifactory facility by Q4 2025, following the successful completion of its pilot phase. The Company has a partnership with the Ministry of Defence to provide consulting services for the development of the Ministry's

additive manufacturing capabilities and supply the required metal powders. RNL is also in the process of finalizing a contract with the Defence Industries Corporation of Nigeria (DICON) for the production of military components. In addition, RNL is at an advanced stage of securing pioneer status incentive, which would grant a three-to-five-year tax holiday on its additive manufacturing operations. These developments, together with the three scheduled maintenance shutdown projects and the expected commencement of the NLNG contract, are expected to support sustained revenue growth and profitability over the near to medium term.

Based on the foregoing, we attach a **stable** outlook to RusselSmith Nigeria Limited.

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



COMPANY PROFILE

RusselSmith Nigeria Limited (“RusselSmith”, “RNL” or “the Company”) was incorporated on 26 July 2001 and commenced operations in July 2005 as an integrated energy services provider, with a primary focus on asset integrity management within Nigeria’s Oil and Gas Industry. The Company’s services span both topside and subsea assets. According to management, RusselSmith has executed over 800 contracts since inception and currently has active jobs with ExxonMobil, Nigeria LNG Limited (NLNG) and Shell Nigeria Exploration and Production Company Limited (SNEPCo). RNL is headquartered in Lagos, with regional offices in Abuja and Port Harcourt.

The Company’s operations are predominantly located within the oil-rich but volatile Niger Delta region. To mitigate potential disruptions, RusselSmith strategically prioritizes deep offshore projects, which are relatively insulated from security-related threats. For onshore activities, the Company has established a structured community liaison framework, underpinned by project-specific community relations. This approach is designed to enhance stakeholder engagement and minimise the risk of security incidents.

In 2023, RusselSmith Nigeria Limited launched its Additive Manufacturing (AM) division - positioning itself as a pioneer in the Nigerian AM space. The division was established to address a critical gap among upstream operators, many of whom manage aging assets that are no longer supported by original equipment manufacturers. Through reverse engineering, the Company provides tailored component and part replacement solutions to extend the operational life of such assets. RusselSmith is currently the only company certified by the Nigerian Upstream Petroleum Regulatory Commission (NUPRC) to provide additive manufacturing services within the Nigerian oil and gas industry. Beyond oil and gas, RNL’s additive manufacturing has applications in defence, marine, aviation and other industries. Its service offerings span digitization, manufacturing, materials and equipment supply. The Company leverages strategic partnerships with global industry leaders such as SPEED3D, BLT, Chronicle, Pelagus 3D and Composite Additive Manufacturing (CEAD) to ensure effective solution delivery. In addition, RusselSmith has established local collaborations to drive adoption of its AM solutions, notably with the Nigerian Defence Headquarters and the Defence Industries Corporation of Nigeria (DICON).

RNL is adopting a phased strategy to scale its AM division, following a successful pilot programme which involved the replacement of critical components for SNEPCo and TotalEnergies - both of which have been validated as effective in-field - as well as demonstrations for diverse stakeholders. The Company is currently constructing an Omnifactory certified by DNV, with commissioning targeted for the fourth quarter of 2025. Machineries and equipment required for the factory have been procured, leveraging a facility from the Bank of Industry and are expected to be delivered by October 2025. In preparation for the third phase of its AM rollout, RNL has secured a site for the development of a large-scale digital manufacturing facility which is expected to be completed within the next 24 months.

RNL holds certifications from Lloyd’s Register and DNV for thickness measurement of hull structures and vessels of all types and sizes. The Company is licensed by the NUPRC to provide offshore pipeline laying, non-destructive testing, and corrosion control services and is certified by the Standards Organization of Nigeria to deliver integrated energy services, including topside and subsea operations, production support, and UAV inspections. RNL is a strategic partner of the Commonwealth Enterprise and Investment Council (CWEIC), with its CEO serving on the Global Advisory Council. The Company is also a member of the Manufacturers Association of Nigeria (MAN), the Industrial Rope Access Trade Association (IRATA), and the Additive Manufacturing Green Trade Association (AMGTA).

OWNERSHIP, GOVERNANCE, MANAGEMENT AND STAFF

As at 31 December 2024, RusselSmith Nigeria Limited had an authorized share capital of ₦100 million composed of 100 million ordinary shares at ₦1 each. Subsequent to the year end, the Company issued 900 million shares of ₦1 each, bringing its total share capital to ₦1 billion. The Company's shares are equally held by Mr. Lesile Oghomienor (50%) and Mr. Oluwakayode Adeleke (50%).

RusselSmith has a five-member Board of Directors ("the Board"), comprising the Chairman and four executive directors. Mr. Leslie Oghomienor leads the Board as the Chairman while Mr. Oluwakayode Adeleke serves as the Managing Director. Management has disclosed ongoing plans to increase the Board membership to thirteen by the fourth quarter of 2025, comprising eight executive and five non-executive directors. Board committees are also expected to be formed within the same timeline.

Table 2: RusselSmith Nigeria Limited's Board of Directors

Name	Role
Mr. Leslie Oghomienor	Chairman
Mr. Oluwakayode Adeleke	Managing Director/Chief Executive Officer
Ms. Chinedu Aiaegbu	Director, Corporate Services
Mr. Divakar Puri	Director, Finance
Mr. Livinus Ojefua	Director, Business Sustainability

Source: RusselSmith Nigeria Limited

The Managing Director is supported by a team of five professionals, each overseeing critical areas including digital solutions, advanced manufacturing, asset integrity, supply chain management and Niger Delta affairs. The team possesses an average of 20 years of relevant industry experience and has served with RusselSmith for an average of 13 years. In our view, the Company is led by a technically competent and experienced management team.

Management Team

Mr. Oluwakayode Adeleke is the Managing Director/Chief Executive Officer of RusselSmith Nigeria Limited. He holds a Bachelor's degree in Computer Science from the University of Ibadan and dual Master's degrees in Business Administration and Information Systems from Southeastern University, Washington, D.C. With over 23 years of experience - primarily within the oil and gas industry. Mr. Adeleke has led and contributed to several high-impact projects, including advisory engagements with the World Bank. He is a member of the Global Advisory Council of the Commonwealth Enterprise and Investment Council (CWEIC), a certified Internal Quality Auditor and a Fellow of the Institute of Management Consultants. He is also affiliated with the Institute of Directors and the Sustainability Professionals Institute of Nigeria. Mr. Adeleke is the founding President of the RusselSmith Toastmasters Club.

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

Name	Position
Mr. Sooravan Tharmalingam	Senior Vice President/Divisional Chief Executive Officer, Asset Integrity Division
Mr. Effiong Okwong	Vice President/Executive Divisional Head, Digital Solutions / Head, AM Adoption
Mr. Mohammed Mazhar	Vice President/Executive Divisional Head, Facilities, Services & Supply Chain Management
Mr. Mudiaga Agege	Vice President/Executive Divisional Head, Niger-Delta Regional Division
Mr. Madhu Madathil	Chief Operating Officer, Advanced Manufacturing Division

Source: RusselSmith Nigeria Limited

As at 31 December 2024, RusselSmith's staff headcount remained flat at 53 personnel. Similarly, the average cost per employee was stable at ₦19 million. During the same year, RusselSmith recorded an average operating profit per employee (adjusted for staff cost) of ₦37 million. This was sufficient to cover the average cost per employee 1.9x, which fell short of our internal benchmark of 3x.

FINANCIAL CONDITION

ANALYSTS' COMMENTS:

We have analysed the audited financial statements of RusselSmith Nigeria Limited for the three years ended 31 December 2024 and its management account for the six months ended 30 June 2025.

PROFITABILITY

RusselSmith Nigeria Limited generates revenue from the provision of asset integrity management services to clients in the oil and gas industry. Its service portfolio encompasses topside and subsea asset integrity solutions, operations and production support, and aerial inspection services. The Company is currently diversifying its portfolio to include additive manufacturing, with a focus on clients in the upstream oil and gas, aviation, maritime, and other industrial sectors.

In the financial year ended 31 December 2024 (FYE 2024), RusselSmith Nigeria Limited recorded a total revenue of ₦9.8 billion, representing an 89% increase from its 2023 performance. This growth was driven by the commencement of work under a contract secured in September 2023 with Shell Nigeria Exploration and Production Company Limited (SNEPCo), for the provision of maintenance, engineering and project support services on the BONGA Floating Production, Storage and Offloading (FPSO) vessel. The favourable exchange rate environment also contributed to top line growth, given that approximately 60% of the Company's revenue is dollar-denominated. In May 2024, RNL signed a 5-year contract with Nigeria Liquefied Natural Gas Limited (NLNG) for the provision of marine facilities inspection and assurance services. The implementation of this contract was earlier scheduled to commence in the first quarter of 2025. However, due to the strategic decision to execute both topside and subsea components of the job concurrently, the commencement timeline was adjusted to Q3 2025, to align with safer subsea operating conditions. In addition, the Company is preparing for three upcoming maintenance shutdowns¹ - two under its contract with ExxonMobil, scheduled for Q3 and Q4 2025, and one under the SNEPCo contract, expected in Q2 2026. Shutdown projects are typically more resource-intensive and generate higher revenue compared to routine maintenance activities. These developments are anticipated to drive revenue growth for the Company in the near term.

RusselSmith's direct costs are primarily driven by labour expenses, which aligns with its status as a service-based company. In FYE 2024, the Company's direct cost-to-revenue ratio increased to 34.5% from 31.9% in the prior year, primarily driven by the reliance on expatriates for the execution of the SNEPCo contract. This contributed significantly to the leap in subcontractor costs, by approximately 920% year-on-year to ₦1.5 billion. While RNL possesses the internal capability to execute most of its contracts, expatriates are engaged when specialised expertise is required or when mandated by client specifications. Operating cost-to-revenue ratio also increased to 55.9% in FYE 2024 (2023: 42.7%), primarily driven by provisions for directors' retirement benefits, including accumulations from prior years for which no provisioning had been made. Consequently, operating profit margin dipped to 9.6% in 2024 (2023: 25.4%), but remained within our acceptable threshold.

¹ A shutdown in the oil and gas industry is when a facility's operations are completely halted for maintenance, safety reasons, or equipment failures

In FYE 2024, RusselSmith Nigeria Limited earned other income of ₦626 million - primarily from foreign exchange gains - representing 6.4% of revenue for the year. During the same year, interest expense declined by 19% to ₦678 million. Consequently, RusselSmith's interest expense-to-revenue ratio improved to 6.9% in FYE 2024 (2023: 16.3%), reflecting a decline in interest-bearing obligations and a higher revenue base. Nonetheless, the ratio remained above our 5% threshold.

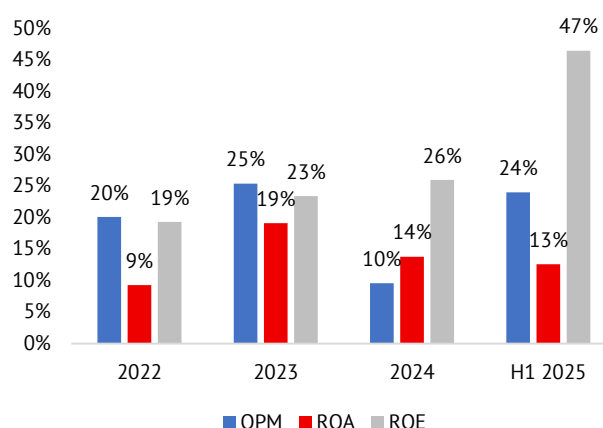
RusselSmith's profit before tax margin moderated to 9.1% in 2024 (2023: 13.3%), primarily due to the surge in operating cost. Consequently, the Company's pre-interest, pre-tax return on assets (ROA) moderated to 13.8% in 2024 (2023: 19.1%), but remained within acceptable limits. However, the Company's pre-tax return on equity (ROE) increased to 26% (2023: 23.4%), outperforming the average yield on a 365-day treasury bill in the same year. This was however lower than the average inflation rate of 33.2% in 2024.

In the six months ended 30 June 2025 (H1 2025), RusselSmith Nigeria Limited recorded a 9% year-on-year increase in revenue to ₦5.3 billion, driven primarily by ongoing execution of the SNEPCo contract, which commenced in Q2 2024. The Company's direct cost-to-sales ratio rose to 40.2% in H1 2025 (H1 2024: 34.5%), reflecting elevated contractor and subcontractor expenses associated with the contract. This resulted in a compression of gross profit margin to 59.8% in H1 2025 (H1 2024: 65.5%). Conversely, operating cost-to-sales ratio declined to 35.8% in H1 2025 from 49.9% in the corresponding period of 2024, reflecting the absence of the one-off directors' compensation charge recorded in the prior year. This translated to an operating profit margin of 24% in H1 2025 (H1 2024: 15.6%). However, interest expense-to-revenue ratio increased to 14.6% in H1 2025 (H1 2024: 6.9%) on account of increased borrowings. The Company posted a profit before tax (PBT) margin of 9.5% in H1 2025 (H1 2024: 8.7%), translating to annualised ROA and ROE ratios of 12.6% and 46.5% respectively.

RusselSmith Nigeria Limited is making significant progress in the development of its newly established additive manufacturing (AM) division. The Company expects to commence operations at its omnifactory facility - located at its Victoria Island headquarters - by Q4 2025. Within the same timeline, RusselSmith anticipates formalising its partnership with the Defence Industries Corporation of Nigeria (DICON) for the production and supply of military components within Nigeria and the broader West African region. The Company is also in the final stages of securing a pioneer status incentive from the Nigerian Investment Promotion Commission (NIPC), which, if granted, will confer a tax holiday of three to five years on its AM operations. These initiatives, along with the three upcoming maintenance shutdown projects and the expected commencement of the NLNG contract, are projected to sustain the Company's profitability in the near to medium term.

In our opinion, RusselSmith Nigeria Limited's profitability is good.

Figure 2: OPM, ROA and ROE



CASH FLOW

RusselSmith Nigeria Limited generates cash from the provision of topside and subsea asset integrity management services, as well as operations and production support to international oil companies (IOCs). Services are largely rendered on credit, with payment expected within 45 days of invoicing. Conversely, the Company benefits from up to 60 days of supplier credit and matches expatriate salaries with the receipt of payments from IOCs, reflecting favourable trade terms. As at 31 December 2024, the Company's receivable days stood at 56, which was slightly above the allowable credit term, reflecting delays often associated with preparing the requisite documentation for invoicing, particularly for complex projects. Towards the 2024 year-end, RusselSmith purchased some materials and equipment on credit to support the execution of subsisting contracts under its asset integrity management division, resulting in a surge in trade payables. Consequently, payable days rose to 501 at FYE 2024, partly reflecting the timing of these purchases.

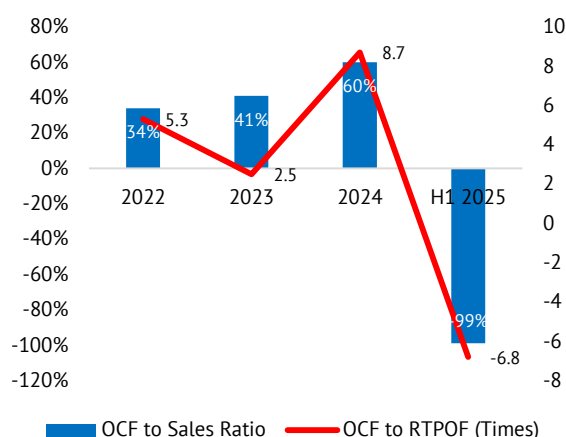
In FYE 2024, RusselSmith Nigeria Limited recorded a 175% increase in operating cash flow (OCF) to ₦5.9 billion, driven by a sharp rise in trade payables and a reduction in other receivables, particularly withholding tax credit notes. The Company's OCF in FYE 2024 accounted for 60.1% of revenue and was sufficient to cover returns to providers of finance (solely debt financiers), 8.6x, which we consider good. Over the three-year period between 2022 and 2024, the Company generated a cumulative OCF of ₦8.9 billion, which was sufficient to cover the total returns to providers of finance of ₦1.7 billion, 5.7x, underscoring a good debt-repayment capacity.

In H1 2025, RusselSmith reported a negative OCF of ₦5.3 billion, due to a significant increase in trade receivables and a reduction in trade payables. The rise in receivables was largely due to bureaucracies in the invoicing process, which resulted in delayed payments. Consequently, all key cash flow metrics for the period were negative.

We note that oil and gas servicing companies commonly experience negative mid-year cash flows, largely due to delayed invoice settlements by IOCs. This typically reflects a timing gap between service delivery and cash receipt. Based on historical trends, the outstanding invoices are expected to be settled by year end.

In our view, RusselSmith's cash flow position requires improvement.

Figure 3: OCF to Sales & OCF to RTPOF



LIQUIDITY PROFILE

As at 31 December 2024, RusselSmith's liquidity position comprised ₦742 million in cash and equivalents and ₦2 billion in trade receivables. This was sufficient to cover the Company's short-term maturing obligations of ₦977

million, 2.8x, which we consider good. Furthermore, the ₦7 billion unutilized portion of RNL’s ₦10 billion commercial paper programme provides additional liquidity buffer.

In our opinion, RusselSmith Nigeria Limited’s liquidity position is good.

FINANCING STRUCTURE AND ADEQUACY OF WORKING CAPITAL

As at 31 December 2024, RusselSmith’s working assets declined by 21% to ₦2.7 billion, driven primarily by moderation in other receivables following the application of its withholding tax credits to settle some of its outstanding tax liabilities. The Company’s working assets comprised trade receivables (85%), other debtors and prepayments (12%) and related party debts (3%).

As at FYE 2024, RNL’s spontaneous financing increased by 95% to ₦6.9 billion, due to increment in trade payables, attributable to the year-end acquisition of equipment to support the execution of contracts under its asset integrity division. The Company’s spontaneous financing was sufficient to cover its working assets, leaving a short-term financing surplus of ₦4.3 billion.

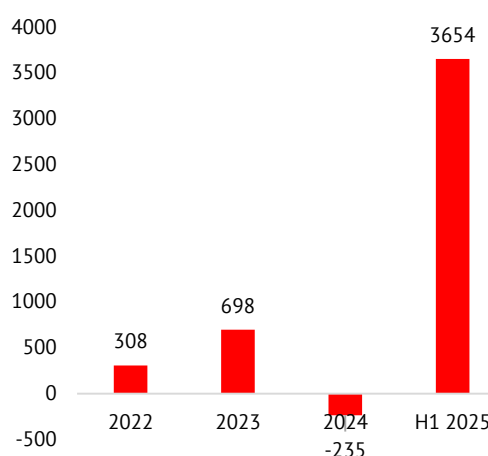
As at 31 December 2024, RusselSmith’s long-term assets grew by 100.5% to ₦7.9 billion, driven primarily by deposits for buildings, plant and machinery related to its additive manufacturing division. As at the same date, the Company’s long-term funds - comprising solely equity, stood at ₦3.4 billion and was insufficient to cover its long-term assets, resulting in a long-term financing need of ₦4.5 billion. This was funded through a combination of its short-term financing surplus and borrowings, leading to a funding mismatch.

As at H1 2025, RNL’s working assets surged to ₦6.7 billion, driven by an increase in trade receivables due to bureaucracies in invoicing for some of its contracts, resulting in delayed payments. As at the same date, the Company’s spontaneous financing declined to ₦4.3 billion, following the partial settlement of trade payables, resulting in a working capital need of ₦2.4 billion.

As at 30 June 2025, RNL’s long-term assets stood at ₦6.3 billion. As at the same date, the Company’s long-term funds totalled ₦12.4 billion, comprising 83% in long-term debts from an \$8 million facility obtained from the Bank of Industry and 17% in equity. The Company’s long-term funds were sufficient to cover its long-term assets, leaving a working capital of ₦6.1 billion. This amount was sufficient to offset the working capital need, resulting in an overall working capital surplus of ₦3.7 billion.

In our opinion, RusselSmith Nigeria Limited’s working capital is adequate for its operations.

Figure 4: Overall Working Capital Position (₦Millions)



LEVERAGE

As at 31 December 2024, RusselSmith Nigeria Limited's liabilities totalled ₦7.9 billion, comprising 12% interest-bearing and 88% non-interest-bearing obligations. The Company's interest-bearing liabilities solely consisted of the outstanding balance on a ₦1 billion bridge finance which was obtained as an interim funding arrangement pending the issuance of its commercial paper. The non-interest-bearing liabilities comprised trade payables (66.7%), other creditors and accruals (16.5%), taxation payable (14.4%) and deferred taxation (2.5%).

As at FYE 2024, the Company's total assets were funded by non-interest-bearing liabilities (61.3%), equity (30.1%) and interest-bearing liability (8.6%). Following the injection of substantial debt capital subsequent to year-end, the Company's equity cushion weakened significantly to 10.6% as at H1 2025.

In FYE 2024, RusselSmith's interest-expense to revenue ratio declined to 6.9% (2023: 16.3%), following the liquidation of some of its interest-bearing obligations, but remained above our 5% threshold. Similarly, net-debt as a percentage of average total assets was elevated at 115% as at FYE 2024. However, interest cover in FYE 2024 was 8.6x, which we consider good. Also, RNL's interest bearing debt (net of cash and equivalents) as a percentage of equity (net of revaluation surplus) was within our acceptable range at 33%.

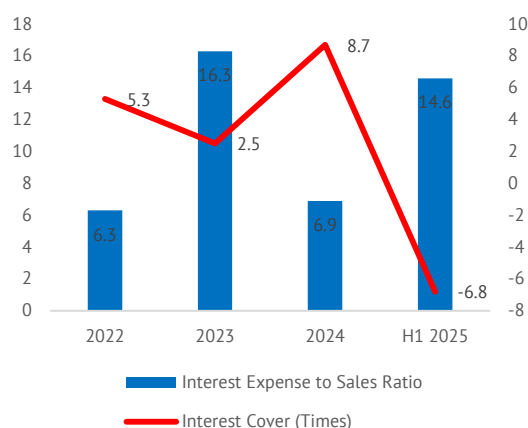
On 6 March 2025, RusselSmith raised ₦3.7 billion under its ₦10 billion commercial paper programme for 270 days at a yield of 31.5%. In addition, the Company secured an \$8 million facility from the Bank of Industry to support the acquisition of machineries and equipment for its additive manufacturing division as well as to finance ongoing contracts with SNEPCo and NLNG. The facility comprises \$6 million for asset finance with a five-year tenor and \$2 million for contract finance with a three-year tenor. Both components of the debt carry an all-in interest rate of 8% and benefit from a 12-month moratorium on principal repayment. Given that approximately 60% of RNL's earnings are denominated in U.S. dollars, we consider it to be reasonably hedged against foreign exchange risk associated with this facility.

In H1 2025, RusselSmith's interest-expense to revenue ratio rose to 14.6%, significantly exceeding our 5% threshold, to reflect the increased debt service burden from the additional borrowings. The Company posted a negative OCF of ₦5.3 billion, resulting in a negative debt coverage ratio. Furthermore, interest-bearing debt as a percentage of equity and net-debt as a percentage of average total assets were both elevated at 338% and 112% respectively, depicting a high debt profile.

The Company's commercial paper is set to mature on 1 December 2025. The liquidation of this facility is anticipated to reduce its interest-bearing obligations. However, given the scale of this debt relative to the Company's total exposure, we do not expect this liquidation to significantly moderate the Company's leverage metrics.

In our opinion, RusselSmith Nigeria Limited's leverage is high.

Figure 5: Interest Expense to Sales Ratio & Interest Cover



OUTLOOK

The recovery recorded in Nigeria's oil and gas industry has largely been driven by continued reliance on aging assets. This has sustained the demand for oil and gas servicing companies, who serve to ensure that these legacy assets remain operational. With the current administration's commitment to ramp up crude oil production to over 2 million barrels per day, the need to maintain and optimise existing assets is expected to underpin continued demand for servicing activities. Furthermore, the upstream oil and gas industry has recently attracted significant investment commitments, including a \$5 billion final investment decision (FID) by SNEPCo, a \$550 million commitment by TotalEnergies and a \$122 million FID by Shell Petroleum Development Company of Nigeria. These developments are expected to translate into increased project activity, further supporting revenue growth for oil and gas servicing companies.

RusselSmith specialises in the provision of asset integrity management services to the oil and gas industry - a critical niche given the prevalence of aging infrastructure within the industry. The Company's asset integrity division is scheduled to execute three maintenance shutdown projects between Q3 2025 and Q2 2026. Given that shutdown projects typically attract higher contract values, these are expected to boost the Company's revenue and margins in the near term. Furthermore, RNL has recently diversified into additive manufacturing, a strategic move positioned to further support the oil and gas industry. With many legacy upstream assets no longer supported by their original equipment manufacturers, RNL's additive manufacturing capabilities enable the reverse-engineering and production of replacement parts, thereby extending the operational life of these critical assets.

RusselSmith is strategically positioning its additive manufacturing division to serve a broader range of industries beyond oil and gas. The Company has already secured a partnership with the Ministry of Defence and is in the process of executing a contract with the Defence Industries Corporation of Nigeria (DICON) for the production of military components. It also plans to extend its services to the aviation and marine sectors, having completed a successful test phase. The machines and equipment for the additive manufacturing facility have been purchased and are scheduled for delivery by Q4 2025. We anticipate that the additive manufacturing division will also contribute to revenue growth and profitability for the Company in the near to medium term. In addition, RusselSmith is at an advanced stage of securing pioneer status for the division, which is expected to provide a tax holiday of three to five years, further enhancing earnings potential.

We expect the Company's operating cash flow to improve in the near term, supported by the projected earnings growth and a moderation in trade receivables. However, given the significant debt levels and the absence of any plans to inject equity in the near term, we expect the Company's leverage to remain elevated. Nonetheless, the Company's working capital position is anticipated to continue to be adequate, underpinned by its substantial long-term borrowings.

Based on the foregoing, we attach a **stable** outlook to RusselSmith Nigeria Limited.

FINANCIAL SUMMARY

<u>STATEMENT OF COMPREHENSIVE INCOME</u>	31-Dec-22		31-Dec-23		31-Dec-24		30-Jun-25 (Unaudited)	
	₦'MILLION		₦'MILLION		₦'MILLION		₦'MILLION	
REVENUE	2,686	100%	5,171	100%	9,760	100%	5,320	100%
GROSS PROFIT	1,648	61%	3,520	68%	6,395	66%	3,182	60%
OPERATING PROFIT	539	20%	1,312	25%	937	10%	1,279	24%
INTEREST EXPENSE	(170)	-6%	(842)	-16%	(678)	-7%	(776)	-15%
PROFIT BEFORE TAXATION	495	18%	685	13%	885	9%	503	9%
TAX (EXPENSE) BENEFIT	(136)	-5%	(316)	-6%	(419)	-4%	(166)	-3%
PROFIT AFTER TAXATION	358	13%	369	7%	466	5%	337	6%
DIVIDEND	-	0%	-	0%	-	0%	-	0%
PROFIT RETAINED FOR THE YEAR	358	13%	369	7%	466	5%	337	6%
OTHER APPROPRIATIONS/ ADJUSTMENTS	-		-		-		-	
PROFIT RETAINED B/FWD	(596)		(237)		132		598	
PROFIT RETAINED C/FWD	(237)		132		598		935	

<u>STATEMENT OF FINANCIAL POSITION</u>	31-Dec-22		31-Dec-23		31-Dec-24		30-Jun-25 (Unaudited)	
	₦'MILLION		₦'MILLION		₦'MILLION		₦'MILLION	
ASSETS								
CASH & EQUIVALENTS	309	4%	698	9%	742	7%	7,357	36%
TOTAL TRADING ASSETS	2,376	33%	3,348	42%	2,653	23%	6,726	33%
TOTAL LONG-TERM ASSETS	4,497	63%	3,946	49%	7,910	70%	6,291	31%
TOTAL ASSETS	7,182	100%	7,992	100%	11,305	100%	20,374	100%
<i>Growth</i>	77.4%		11.3%		41%		80%	
LIABILITIES & EQUITY								
TOTAL INTEREST-BEARING LIABILITIES	2,378	33%	1,510	19%	977	9%	13,897	68%
TOTAL NON-INTEREST-BEARING LIABILITIES	2,246	31%	3,554	44%	6,925	61%	4,314	89%
TOTAL LIABILITIES	4,624	64%	5,065	63%	7,902	70%	18,212	89%
SHAREHOLDERS' EQUITY	2,558	36%	2,927	37%	3,403	30%	2,162	11%
TOTAL LIABILITIES & EQUITY	7,182	100%	7,992	100%	11,305	100%	20,373	100%

<u>CASH FLOW STATEMENT</u>	31-Dec-22		31-Dec-23		31-Dec-24		30-Jun-25 (Unaudited)	
	₦'MILLION		₦'MILLION		₦'MILLION		₦'MILLION	
OPERATING ACTIVITIES								
POTENTIAL OPERATING CASH FLOW		575		1,798		1,796		1,406
WORKING CAPITAL CHANGES:								
CASH FROM (USED BY) SPONTANEOUS FINANCING		346		1,309		3,371		(2,610)
CASH FROM (USED BY) TRADING ASSETS		(17)		(972)		696		(4,073)
CASH FROM (USED IN) OPERATING ACTIVITIES		904		2,134		5,862		(5,278)
RETURNS TO PROVIDERS OF FINANCING (RTPOF)								
INTEREST PAID		(170)		(842)		(678)		(776)
DIVIDEND PAID		-		-		-		-
OPERATING CASH FLOW AFTER RTPOF		734		1,292		5,184		(6,053)
CASH FROM (USED IN) INVESTING ACTIVITIES		(826)		(36)		(4,616)		1,326
CASH FROM (USED IN) FINANCING ACTIVITIES		48		(868)		(523)		13,812
CHANGE IN CASH INC/(DEC)		(44)		389		45		6,615
OPENING CASH & MARKETABLE SECURITIES		352		309		698		742
CLOSING CASH & MARKETABLE SECURITIES		308		698		742		7,357

KEY RATIOS	31-Dec-22	31-Dec-23	31-Dec-24	30-Jun-2025 (Unaudited)
PROFITABILITY				
SALES GROWTH	45%	93%	89%	9%
OPERATING PROFIT MARGIN	20%	25%	10%	24%
RETURN ON ASSETS (PRE-INTEREST PRE-TAX)	29%	18%	8%	13%
RETURN ON EQUITY (PRE-TAX)	297%	125%	31%	47%
CASH FLOW				
OCF AS % OF RETURNS TO PROVIDER OF FINANCING	531%	253%	865%	-680%
OCF AS % OF SALES	34%	41%	60%	-99%
WORKING CAPITAL				
WORKING CAPITAL NEED (₦' MILLION)	-130	-	-	-2,411
OVERALL WORKING CAPITAL DEFICIENCY (₦' MILLION)	-	-	-235	-
LEVERAGE				
NET DEBT AS % OF AVERAGE TOTAL ASSETS	135%	166%	105%	112%
TOTAL LIABILITIES TO EQUITY	-3349%	2191%	1118%	941%
OTHER ADDITIONAL INFORMATION				
STAFF COSTS (₦' MILLION)	642	1,008	1,024	1,024
AVERAGE NUMBER OF STAFF	53	53	53	53
STAFF COSTS PER EMPLOYEE (₦' MILLION)	12	19	19	19
CAPITAL EXPENDITURE (₦' MILLION)	481	-	329	-
DEPRECIATION AND AMORTISATION (₦' MILLION)	130	587	652	293
EBITDA (₦' MILLION)	795	2,114	2,215	1,572
AUDITORS	Lawal Olofin & Co.	Paul Fadairo & Co.	Paul Fadairo & Co.	Unaudited
OPINION	CLEAN	CLEAN	CLEAN	NA

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.

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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





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