

CREDIT RATING ANNOUNCEMENT

GCR downgrades Global Accelerex Limited's National Scale issuer ratings to BBB_(NG) / A3_(NG) on the back of weak financial profile, Outlook Rating Watch Evolving.

Rating action

Lagos, 20 December 2024 – GCR Ratings (GCR) has downgraded Global Accelerex Limited's national scale long and short-term issuer ratings to BBB_(NG) and A3_(NG) respectively from BBB+_(NG) and A2_(NG). Concurrently, GCR has downgraded Accelerex SPV Plc's NGN2.275 billion Series 1 Senior Unsecured Bonds' national scale long-term issue rating to BBB_(NG). The Outlooks on the ratings have been revised to Rating Watch Evolving from Evolving.

Rated entity / Issue	Rating class	Rating scale	Rating	Outlook / Watch
Global Accelerex Limited	Long Term	National	BBB _(NG)	Rating Watch Evolving
	Short Term	National	A3 _(NG)	
NGN2.275 billion Series 1 Senior Unsecured	Long Term	National	BBB _(NG)	Rating Watch Evolving

Rating rationale

Global Accelerex Limited (Global Accelerex or the company) is a wholly owned subsidiary of Accelerex Holdings, a non-operating holding company based in Mauritius, with subsidiaries in Kenya, Rwanda, Tanzania, Ghana and DR Congo. Although subsidiaries operate independently, the consolidated position is expected at the end of 2024 financial year. In this regard, we have adopted the standalone analytical approach in assigning the national scale issuer ratings to Global Accelerex.

The ratings downgrade reflects Global Accelerex's weak earnings which continues to constrain leverage and liquidity metrics. While our assessment is largely hinged on a 12-month forward-looking approach, the rating watch evolving reflects the potential downward pressure on the rating if the planned growth strategies fail to support earnings and overall financial profile at sound levels. The rating outlook also reflects potential changes in Global Accelerex's credit profile post-consolidation at the group level.

Global Accelerex's competitive position is considered modest as the company remains a niche player within the broader Nigerian financial services industry. The company has over the years expanded its operations by partnering with banks within Nigeria, and recently expanded to East Africa to drive growth and business diversification. In about a decade of existence, the company has deployed c.160,000 POS terminals and has a network of c.20,000 agents spread across Nigeria. Although the market is highly competitive with low barriers to entry, Global Accelerex's expansion to East Africa and other African countries as well as its strategic partnership with top banks in Nigeria is expected to support growth going forward. However, Global Accelerex's operations remain susceptible to the weak operating environments in most African countries.

Global Accelerex's earnings was pressured due to slow revenue growth, high operating expenses as well as impact of naira devaluation, all stemming from the weak and challenging operating environment. As of 31 October 2024, the company registered a loss of NGN351.8 million and a low EBITDA margin of 3.2% (December 2023: 21.1%). However, going into financial year 2025, the management highlighted some growth strategies which could support moderately good earnings. As per management, Global Accelerex plans to significantly scale its business in East and Central Africa with deals expected in Tanzania and Democratic Republic of Congo while also enhancing partnership with Nigerian banks to further drive growth. The company has established clear strategies to double its transaction income and grow annuity like management fees and commission to support earnings stability. As such, we expect the growth strategy and contained cost structure to support EBITDA margin of 15.0% for the financial year 2025. However, the growth strategies remain susceptible to macroeconomic dynamics of the countries which the company operates.

Cashflow and leverage assessment was impacted by low earnings despite the moderation in debt level following repayment. Net debt to EBITDA registered at 6.0x, funds from operations to debt was 28.2%, while EBITDA coverage of interest expenses registered at a low level at 1.1x as of 31 October 2024. However, given the growth strategies highlighted, we forecast improvement in the company's leverage metrics for financial year 2025 predicated on improved earnings and good working capital management.

Liquidity is positive to the ratings, supported liquidity sources covering anticipated liquidity uses at 1.7x as of 31 October 2024 and is expected to remain above 1.5x over the rating horizon predicated on projected improvement in earnings and operating cash flows.

The NGN2.275 billion Series 1 Bond (the Series 1 Bonds) was issued in June 2022, under Accelerex SPV Plc's (the Issuer) NNG20 billion Debt Issuance Programme. The Issuer is a special purpose vehicle owned and sponsored by Global Accelerex Limited (the Sponsor) as a funding entity, solely for the purpose of raising finance. The Series 1 Bonds constitute senior, direct, unconditional, and unsecured obligations of the Issuer and rank *pari passu* without any preference or priority among themselves. Given that Global Accelerex offers timely and full coverage of all payments due to the bondholders under the Series 1 Bonds through the Deed of Covenant, the Series 1 Bonds bear the same credit risk as its Sponsor and would reflect similar recovery prospects to senior unsecured creditors in the event of a default. As a result, the long-term rating for the Series 1 Bonds is equalised with Global Accelerex's national scale long term issuer rating of BBB_(NG).

The latest performance reports received from the Bond Trustees, dated October 2024, indicated that there has been no breach of covenants by the sponsor on the Bond since inception up till the report date.

Outlook Statement

The Evolving Outlook reflects a possible positive or negative impact from the results of the management's growth strategies as well as the group financial statement consolidation on our assessment of Global Accelerex's credit profile over the rating horizon. In addition, we recognise potential upsides to the company's expansion into other African markets; however, diversification risks could emanate from the weak operating environment of most African countries. We expect anticipated improvement in earnings to support liquidity and leverage metrics.

Rating triggers

A positive rating movement could follow a material improvement in earnings, translating to stronger profitability metrics, with the EBITDA margin registering above 35% on a sustainable basis. Also, if the improvement in earnings translate to stronger leverage metrics, with EBITDA covering interest expenses over 5x, net debt to EBITDA of less than 1x and FFO to debt of over 100%, a rating upgrade could result. We could positively consider the strong fundamentals of the enlarged Group post-consolidation.

Conversely, a rating downgrade could follow a further deterioration in earnings which adversely impacts profitability and liquidity metrics, with EBITDA margin and liquidity ratio registering below 15.0% and 1x. Further deterioration in leverage metrics, with EBITDA coverage of interest expenses of 2x, net debt to EBITDA of 3x and FFO to debt of less than 50.0%, could trigger a rating downgrade. Additionally, a ratings downgrade could stem from an adverse impact of our assessment of the consolidated group on Global Accelerex's credit profile.

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Related Criteria and Research

Criteria for the GCR Ratings Framework, May 2024
Criteria for Rating Financial Services Companies, May 2024
GCR Rating Scales, Symbols & Definitions, May 2023
GCR Country Risk Scores, August 2024
GCR Financial Institutions Sector Risk Scores, August 2024

Ratings History

Global Accelerex Limited					
Rating class	Review	Rating	Rating	Outlook	Date
Long term Issuer	Initial	National	BBB+(NG)	Stable	November 2020
Short Term Issuer	Initial	National	A2(NG)		
Long term Issuer	Last	National	BBB+(NG)	Evolving	December 2023
Short Term Issuer	Last	National	A2(NG)		
NGN2.275 billion Series 1 Senior Unsecured Bonds	Initial	National	BBB+(NG)	Stable	December 2022
NGN2.275 billion Series 1 Senior Unsecured Bonds	Last	National	BBB+(NG)	Evolving	December 2023

Risk score summary

Rating Components & Factors	Risk Scores
Operating environment	5.50
Country risk score	3.50
Sector risk score	2.00
Business profile	(2.00)
Competitive position	(2.00)
Sustainability	0.00
Financial profile	2.50
Cash flow and Leverage	1.50
Earnings vs Risk	0.25
Liquidity	0.75
Comparative profile	0.00
Group support	0.00
Government support	0.00
Peer analysis	0.00
Total Score	6.00

Glossary

Affirmation	See GCR Rating Scales, Symbols and Definitions.
Agent	An agreement where one party (agent) concludes a juristic act on behalf of the other (principal). The agent undertakes to perform a task or mandate on behalf of the principal.
Bond	A long term debt instrument issued by either a company, institution or the government to raise funds.
Bondholder	Investor of capital market securities.
Capital	The sum of money that is invested to generate proceeds.
Cash Flow	The inflow and outflow of cash and cash equivalents. Such flows arise from operating, investing and financing activities.
Cash	Funds that can be readily spent or used to meet current obligations.
Covenant	A provision that is indicative of performance. Covenants are either positive or negative. Positive covenants are activities that the borrower commits to, typically in its normal course of business. Negative covenants are certain limits and restrictions on the borrowers' activities.
Credit	A contractual agreement in which a borrower receives something of value now, and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company
Creditor	A credit provider that is owed debt obligations by a debtor.
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Deed	A legal document that is signed and delivered, especially one regarding the ownership of property or legal rights.
Default	A default occurs when: 1.) The Borrower is unable to repay its debt obligations in full; 2.) A credit-loss event such as charge-off, specific provision or distressed restructuring involving the forgiveness or postponement of obligations; 3.) The borrower is past due more than typically 90 days on any debt obligations as defined in the transaction documents; 4.) The obligor has filed for bankruptcy or similar protection from creditors.
Diversification	Spreading risk by constructing a portfolio that contains different exposures whose returns are relatively uncorrelated. The term also refers to companies which move into markets or products that bear little relation to ones they already operate in.
Equity	Equity is the holding or stake that shareholders have in a company. Equity capital is raised by the issue of new shares or by retaining profit.
Financial Statements	Presentation of financial data including balance sheets, income statements and statements of cash flow, or any supporting statement that is intended to communicate an entity's financial position at a point in time.
Income	Money received, especially on a regular basis, for work or through investments.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Issuer Ratings	See GCR Rating Scales, Symbols and Definitions.
Issuer	The party indebted or the person making repayments for its borrowings.

Leverage	With regard to corporate analysis, leverage (or gearing) refers to the extent to which a company is funded by debt.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Loss	1. A tangible or intangible, financial or non-financial loss of economic value. 2. The happening of the event for which insurance pays (insurance).
Margin	A term whose meaning depends on the context. In the widest sense, it means the difference between two values.
Market	An assessment of the property value, with the value being compared to similar properties in the area.
Obligation	The title given to the legal relationship that exists between parties to an agreement when they acquire personal rights against each other for entitlement to perform.
Operating Cash Flow	A company's net cash position over a given period, i.e. money received from customers minus payments to suppliers and staff, administration expenses, interest payments and taxes.
Pari Passu	Side by side; at the same rate or on an equal footing. Securities issued with a pari passu clause have rights and privileges that are equivalent to those of existing securities of the same class.
Proceeds	Funds from issuance of debt securities or sale of assets.
Rating Horizon	The rating outlook period
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Recovery	The action or process of regaining possession or control of something lost. To recoup losses.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Senior	A security that has a higher repayment priority than junior securities.
Short Term	Current; ordinarily less than one year.
Special Purpose Vehicle	An entity that is created to fulfil specific objectives. An SPV is normally bankruptcy/insolvency remote and created to isolate financial risk.
Spread	The interest rate that is paid in addition to the reference rate for debt securities.
Trust	A third party that acts in the best interest of another party, according to the trust deed, usually the investors. Owner of a securitisation vehicle that acts in the best interest of the Noteholders.
Trustee	An individual or firm that holds or administers property or assets for the benefit of a third party.
Unconditional	Not subject to any conditions.
Upgrade	The rating has been raised on its specific scale.
Working Capital	Working capital usually refers to the resources that a company uses to finance day-to-day operations. Changes in working capital are assessed to explain movements in debt and cash balances.

Salient points of accorded rating

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

The credit ratings have been disclosed to the rated entity.

The ratings above were solicited by, or on behalf of, the rated entity.

The rated entity participated in the rating process via in person interaction and/or via online virtual interaction and/or via electronic and/or verbal communication and correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from the rated entity and other reliable third parties to accord the credit ratings included:

- The audited financial results to 31 December 2023
- Unaudited management accounts as of 31 October 2024
- Four years of comparative audited financials
- Other related documents
- Exchange rate source: Central Bank of Nigeria USD1.00 = NGN899.0 (31 December 2023), NGN1,669.97 (31 October 2024)

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