

MBO Capital Management Limited

Final Rating Report

 **Agusto&Co.**

Research, Credit Ratings, Credit Risk Management

MBO Capital Management Limited

Issuer Rating:

Bbb-

Outlook: Stable

Issue Date: 16 June 2025

Expiry Date: 30 June 2026

Previous Rating: Bb*

**Expired 30 June 2024*

Industry:

Alternative Investment
Management

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RATING RATIONALE

Agusto & Co. hereby upgrades the rating assigned to MBO Capital Management Limited (“MCM” or “the Company”) to “**Bbb-**”. The upgrade is supported by MCM’s improving leverage and capitalisation, stable and experienced executive management team and nil non-performing loans (NPLs). We have also considered the capacity of the Company to divest from a healthy portfolio of investee companies, which should continue to support earnings in the near term. However, the rating is constrained by the MCM’s weak liquidity profile and concentration in the equity and debt portfolios. We have also considered the impact of the weak macro environment on credit risk management and the ability to identify exit channels for existing investments.

The Company focuses on facilitating access to funding for Small and Medium Scale Enterprises (SMEs) across sub-Saharan Africa through principal investments and providing advisory services. Since inception, MCM has deployed funds for principal investments in portfolio companies operating across the real estate, retail, healthcare, commodities trading and entertainment sectors. The funds are disbursed as either debts, equity or mezzanine finance. As at the 2024 FYE, the Company’s total assets stood at ₦39.8 billion reflecting a 37% reduction from prior year. This decline is primarily attributable to a substantial (94%) repayment of debt obligations, following the divestment of investment properties at Maiyegun Beach Estate and equity investment in Radix Pensions Limited in the year under review. The equity portfolio with investments across various sectors constituted a considerable 38.8% of total assets while debt investments made up a sizeable 34%. MCM’s satisfactory asset quality is supported by nil non-performing loans, and multiple proposals to sell stakes in investee companies. However, we note the high degree of concentration with exposures to the top five obligors equating to 57.5% of the debt portfolio and the largest exposure equating to 32% of MCM’s shareholders’ funds, which leaves the Company highly susceptible to the financial performance of a small number of investee companies.

In 2024, MCM generated net earnings of ₦3 billion, representing a significant 128.4% increase from the prior year largely due to the disposal of investment properties in a high brow area of Lagos. The Company recorded a profit before tax

of ₦1.7 billion (2023: ₦427.7 million), which translated to better pre-tax return on average assets (ROA) and pre-tax return on average equity (ROE) of 3.3% (2023: 0.7%) and 26.8% (2023: 15%), respectively. We believe that profitability can still be improved upon with MCM's ROE lower than the average inflation rate of 33.2% in 2024. Unaudited accounts for the three months ended 31 March 2025 indicated a loss before tax of ₦1 billion due to negative net earnings, which arises as a result of the seasonality of the Company's operations, the high cost of borrowings and impact of inflationary pressures on the business. Nonetheless, this aligns with our expectation of profitability given the historical seasonal nature of the Company's operations, where investments are typically made in the first half and exited in the second half of the year. Thus, we expect the profitability indicators to show moderate improvement in the latter half of the year.

As at 31 December 2024, MCM's shareholders' funds of ₦8.4 billion were substantially higher than the minimum of ₦150 million stipulated by regulation for private equity firms and portfolio managers. Our estimate of the Company's Basel I capital adequacy ratio (adjusted capital to risk-weighted assets) stood at 8% (2023: 3%), an improvement from the prior year. However, when we subject the capital to our proprietary stress test, the CAR stood lower at 6%, which is below our minimum threshold of 7% for alternative asset managers. MCM had a debt-to-equity (DTE) ratio of 3.72 times, which was better than our 5x threshold for private equity firms. Subsequent to the year end, as at 30 March 2025, the DTE ratio increased to 4.27x, which remains acceptable in our view.

As at the 2024 FYE, the Company had a liquid assets to total assets ratio of 5.5%, which was considerably below our 20% minimum benchmark for private equity firms. Liquid assets only covered 7% of total liabilities, which is below our 50% threshold and thus inadequate in our view. MCM had no effective liquidity contingency plan in place to cushion against a possible run in the business, which we view negatively.

As at the 2024 FYE, the Company's total liabilities funded 78.8% of total assets and primarily (82.8%) comprised clients' FuM while borrowings from a commercial bank made up the balance of (17.2%). MCM's funding mix resulted in a weighted average cost of borrowings of 22.3% for naira denominated funds and 11.9% for dollar denominated funds, which were satisfactory in our view given the elevated interest rate environment. Borrowings stood at ₦2.4 billion in the period under review, a 94% reduction from ₦38.7 billion in the prior year as the Company settled debt obligations with a commercial bank following the disposal of the investment properties at Maiyegun Beach Estate.

Based on the aforementioned, we hereby attach a “**stable**” outlook to the rating.

Table 1: Financial Data for MBO Capital Management Limited

	31-Dec-2022	31-Dec-2023	31-Dec-2024
Total Assets	₦52.6 billion	₦63.6 billion	₦39.8 billion
Net Earnings	₦863.7 million	₦1.3 billion	₦3 billion
Pre-tax return on average assets	1%	0.7%	3.3%
Pre-tax return on average equity	31.5%	15%	26.8%

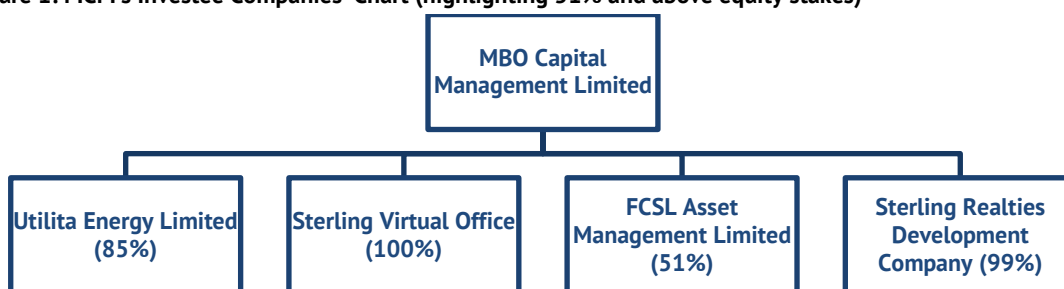
Figure 1: Strengths, Weaknesses and Challenges



COMPANY PROFILE

MBO Capital Management Limited (“MCM” or “the Company”) is a Securities and Exchange Commission (SEC) registered Private Equity Fund Manager, incorporated in Nigeria. The Company commenced operations on 13 March 2013 and has controlling stakes in three investee companies: Sterling Virtual Offices Limited (SVO), FCSL Asset Management Limited, Utilita Energy Limited (UEL) and Sterling Realities Development Company Limited (SRDC). MCM’s outstanding shares are closely held by six individuals and corporate investors including the Founder and Chief Executive Officer – Mr. Babajide Ogundare, who holds a majority 55% stake.

Figure 1: MCM’s Investee Companies’ Chart (highlighting 51% and above equity stakes)



Source: MBO Capital Management Limited

The Company focuses on facilitating access to funding for Small and Medium Scale Enterprises (SMEs) across sub-Saharan Africa through principal investments and advisory services. Since inception, MCM has made principal investments of more than ₦20 billion across various sectors including real estate, retail, power, entertainment and financial services.

Table 2: Board of Directors

Name	Position
Dr. Olufemi Lalude	Chairman/Non-Executive Director
Mrs. Eyamba Nzekwu	Non-Executive Director
Mr. Tomi Davies	Non-Executive Director (Independent)
Mr. Jide Ogundare	Chief Executive Officer
Mr. Adekunle Adebisi	Executive Director (Investments)

Source: MBO Capital Management Limited

The Company is governed by a five-member Board of Directors (“the Board”), which is chaired by Dr Olufemi Lalude. MCM had an average of 30 staff in 2024 (2023: 29 employees) including the Executive management team comprising the Founder/CEO – Mr Jide Ogundare and Mr Adekunle Adebisi, who is an Executive Director. The Company’s investments and operations are primarily Nigeria-based, with the registered office located at 20, Alexander Avenue, Ikoyi, Lagos.

Business Strategy

MCM is focused on becoming one of the leading financial intermediaries and advisers to SMEs that require growth capital across sub-Saharan Africa. The Company maintains a sector-agnostic investment strategy, however, eligible opportunities must align with at least one of five themes: job creation, women empowerment, export promotion, import substitution or local adoption of global standards. MCM also provides advisory services including business valuations, debt restructuring and mergers & acquisitions, which may serve as a gateway for principal investment opportunities. In the near term, the Company intends to prioritize investments in entities generating foreign currency (FCY) revenue including operators in the creative sector in Nigeria and businesses that offer a good thematic fit in the rest of sub-Saharan Africa. In its principal investment activities, MCM initially secures positions in investee companies and projects through debt financing, to evaluate the discipline of promoters before transitioning to equity or mezzanine financing.

The uncertainty in the macro environment and volatility of the foreign exchange markets have constrained the ability to raise funding internationally for private equity funds, thus the Company primarily obtains funding domestically through borrowings from banks, high net-worth Individuals (HNIs) and corporate investors. MCM is generally involved in the governance and appointment of the management of subsidiaries and typically seeks to exit investments in a pre-determined period usually within five to seven years. In the near term, the Company plans to drive business growth by tapping the enhanced values of investee companies and growing the franchise via the execution of major advisory mandates. MCM aims to drive growth in the medium term through ongoing investments in international businesses such as the South Africa-based Catapult Group, establishing a dedicated desk for the creative sector and launching SEC-registered mutual funds via subsidiary FSCL Asset Management Limited.

Business Structure

MCM's activities are carried out through seven core units: Investments, Legal & Compliance, Risk Management, Finance, Treasury Sales, Human Resources and Information Technology. The Investments unit is led by the Executive Director, who along with the heads of the other units save for risk management, reports to the Chief Executive Officer. The head of risk management reports to the Board, with a dotted reporting line to the Chief Executive Officer.

Information Technology

MCM uses Sage and SeamlessHR as the core enterprise applications for accounting and employee management respectively. The Company also uses Microsoft cloud-based solutions for storage, with the data backed up on hard drives daily. MCM has a physical disaster recovery site at Turnbull, where the hard drives with the backups of all documents are stored weekly.

MANAGEMENT TEAM

Mr. Babajide Ogundare has over 32 years of experience in the financial services industry. Prior to establishing the Company in 2012, he was an Executive Director and the Head, Retail Banking Division at Guaranty Trust Bank Plc, where he worked for 21 years. Mr. Ogundare serves as a director for Nosak Farm Produce Limited as well as a number of MCM's portfolio companies including AfyaCare Nigeria Limited¹, Retail Supermarkets Nigeria Limited² and FCSL Asset Management Limited.

Mr. Ogundare holds an MBA from Cardiff Business School and a first degree in Law from the School of Oriental and African Studies (SOAS), University of London. He was called to the Nigerian Bar in 1987.

Mr. Adekunle Adebisi is an Executive Director at MCM. He has over 20 years of experience across investment banking, consulting, telecoms, operations management and private equity. Prior to joining the Company, Mr. Adebisi was a corporate finance manager at PwC Nigeria, where he provided sell-side and buy-side financial advisory. He previously worked at Access Bank Plc as Head of Private Equity in the bank's asset management subsidiary and as a Team Lead in the Financial Markets Division. Mr. Adebisi also worked at Lehman Brothers in New York as an investment banking associate.

He holds a B.Sc. degree in Manufacturing Engineering from the University of Cambridge, UK and an MBA in Finance from the Kellogg School of Management (Northwestern University), USA.

Other members of MCM's senior management team include:

- Morin Jide-Ibironke Head, Treasury Sales
- Stella Maris Mordi Chief Finance Officer
- Damilola Adebayo Head, Human Resources
- Ademola Bademosi Head, Risk Management & Control
- Tambari Adooh Head, Legal & Compliance
- Ebenezer Awhanjinu Head, Information Technology

ANALYSTS' COMMENTS

OWNERSHIP, MANAGEMENT & STAFF

MCM is a privately held company, with outstanding shares owned by a handful of investors comprising four individuals and two corporate entities. Consequently, the Company's ownership structure showed some concentration, with the Founder and Chief Executive Officer – Mr Babajide Ogundare, holding a majority stake

¹ A company that invests in healthcare assets

² Operators of Shoprite stores in Nigeria

of 55%. The balance of MCM's outstanding shares was more evenly distributed among the remaining two institutional investors and three individuals. In our view, such significant control by the majority shareholder has the potential to limit the contribution of other parties in the decision-making process, thereby weakening the overall quality of governance.

Table 3: MCM's Shareholding Structure

Name of Shareholders	Percentage Holding
Babajide Ogundare	55%
Adcax Nominees Limited	15%
Le Finesse Nigeria Limited	10%
Iyabode Abigail Sholanke	10%
Eyamba Theresa Nzekwu	7.5%
Olufemi Lalude	2.5%

Source: MBO Capital Management Limited.

The Board comprises three non-executive directors (including an independent member), the Chief Executive Officer and the Executive Director. The members of the Board have over 36 years of experience on average in industries including petrochemical engineering, information technology, financial advisory, public relations, legal practice, commercial banking, investment banking, operations management and telecommunications, which we consider good. In our opinion, the Board has a good mix of non-executive and executive directors. However, we believe that the diversity of contributions and overall governance can be enhanced with the appointment of additional independent directors. We note that the Company is in the process of onboarding an independent non-executive director in Q2 2025. The Board has three committees: Audit & Risk Management Committee, Corporate Governance & Nominating Committee and Finance & General-Purpose Committee. We consider the committees to be adequately composed, with the independent director being a member of the Audit Committee and chairing the Corporate Governance & Nominating Committee.

The Chief Executive Officer and Executive Director are supported by six other senior management personnel, with an average of 12 years of experience across risk management, finance, treasury sales and legal services. In the 2024 FY, the Company had an average of 30 employees (2023: 29), while the staff productivity ratio was 5.1x (2023: 2.6x), which was better than our minimum benchmark of 3x. In our opinion, MCM's management team is well qualified and experienced while staff productivity is good.

Table 4: Staff Productivity Indicators

Staff Information	2023	2024
Staff Cost per Employee (₦'m)	17.2	19.5
Net Earnings per Staff (₦'m)	45.4	100.3
Net earnings/Staff Cost (Times)	2.6x	5.1x
Staff costs/Operating expenses	56.1%	45.6%

Source: MBO Capital Management Limited

ASSET QUALITY

Since inception, MCM has deployed funds for principal investments in portfolio companies operating across the real estate, retail, healthcare, commodities trading and entertainment sectors. These funds were disbursed as either debt (loans), equity or mezzanine finance (debt and equity), which is within the purview of a private equity manager's licence. As at 31 December 2024, the Company's total assets stood at ₦39.8 billion, reflecting a 37% year on year reduction. This decline is primarily attributable to a substantial (94%) repayment of debt obligations, following the divestment of investment properties at Maiyegun Beach Estate and equity investment in Radix Pensions Limited in the year under review.

The Company provides mezzanine finance by introducing debt and equity financing to investee companies. Thus, MCM may have equity investments in investee companies to which it has debt exposures. Nonetheless, the Company prefers to exit all investments within a pre-determined timeline of five to seven years. MCM's equity investments, which represented 38.8% of total assets, grew by 19.6% to ₦15.5 billion in 2024, despite the exit from Radix Pension Limited, which was carried at a sizeable ₦4.9 billion in the prior year. The growth in the equity portfolio was driven by the acquisition of a 7% stake in Catapult Group – a South African building materials manufacturer that distributes globally, and the appreciation of investments in X Arena, Afya Care and NBA Africa. However, the investment in Catapult Group constituted a significant 25% of the equity investment portfolio and 46% of shareholders' funds while the top three equity investments equated to a considerable 60.2% of the portfolio and 110.9% of shareholders' funds indicating concentration in the investment portfolio. In our view, this leaves the Company overly susceptible to the performance of a small number of investee companies. We also note that the equity portfolio is largely illiquid, which significantly constrains the ease of disposal within the preferred timeline. Furthermore, the investee companies are largely either at the early stage or approaching the break-even and in our opinion, will require a considerable amount of time and resources to generate commensurate returns or become stable enough for MCM to exit. Notwithstanding, we note that the Company has multiple proposals to exit the investee company in the retail in the near term. We believe that the likelihood of disposal of these investments is moderate to high given the fact that MCM has demonstrated the ability to successfully exit, for example, with the disposal of Radix Pension Limited in the review period.

As at the 2024 FYE, MCM held financial assets by way of debt financing granted to portfolio companies and other corporate entities. The debt investments stood at ₦13.5 billion and accounted for 34% of the Company's total assets. We are unable to ascertain the credit risk quality of the counterparties in the debt portfolio as the investee companies are largely in the early stages of development, which generally implies moderate to high default risk. Furthermore, the loan book showed concentration, with exposures to the top five obligors equating to 57.5% of the portfolio and the largest exposure equating to 32% of MCM's shareholders' funds, significantly above the 20% single exposure limit generally recommended by financial services regulators. This, in our view, leaves the Company overly susceptible to default by a small number of obligors. Nonetheless, we note that there were no non-performing loans in the review year as MCM closely monitors the business activities of its investee companies where it has credit exposures, ensuring timely repayment of loans by the obligors.

As at 31 December 2024, MCM had receivables of ₦7.8 billion, constituting 19.6% of total assets. A significant portion (77.8%) of this comprised amounts due from clients, while amounts due from related parties made up a smaller share (21.3%). We note that the receivables are significant and non-earning. However, when we consider the total receivables from clients relative to the revenue, the ratio stood at 0.3x, which we consider acceptable.

In our view, the Company's asset quality is satisfactory, supported by the nil non-performing loans and the significant activities to monitor, enhance and subsequently exit investee companies. However, the concentration and holdings of unrated entities in the loan book and equity portfolio leave MCM exposed to moderate to high financial risks. Furthermore, Nigeria's alternative investment management market remains in the early stages of development and thus lacks vibrant channels to exit investments, which may make it challenging to implement the Company's ideal exit strategy timeline.

RISK MANAGEMENT

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board undertakes this responsibility via the Audit and Risk Management (ARM) Committee, which consists of two directors including an independent member. The Head of Risk Management & Control, who is supported by a credit analyst and a risk officer, is responsible for the daily oversight of business activities. The credit analyst assesses the creditworthiness of portfolio companies and monitors the exposures, while the risk officer focuses on enterprise risk identification, assessment and mitigation and ensures compliance with regulations and the Company's policies.

Deals are sourced internally through MCM's network of contacts. However, some clients also reach out directly to the Company with requests for funding. The investments team evaluates all prospective deals to ensure alignment with MCM's strategies and policies. Preliminary screening is followed by additional qualitative assessments and financial analysis of the prospective investee company covering the corporate governance structure, quality of management, value chain, revenue, leverage, cash flow and profitability. These assessments are conducted using an excel based in-house model. For more complex deals, the Company leverages experienced external consulting companies.

Where a business opportunity meets the pre-defined minimum criteria, the investment team prepares an investment memorandum with the proposed deal structure, terms of investment, sensitivity analysis, valuation and exit strategies. The investment memorandum is first reviewed internally by the treasury sales, legal & compliance, and risk management teams to ensure cross-functional input and a well-rounded evaluation. The report is then submitted to the investment committee for the final investment decision. The head of risk management also conducts an independent review of the proposed deal with an analysis of the potential risks of the investment and prepares a one-pager risk management opinion to be submitted along with the investment memorandum to the investment committee. For debt transactions, the counterparty signs a loan agreement while the entity's promoter signs a share purchase agreement for equity transactions. The terms of

the agreement include a representative of MCM on the board of the investee company for adequate supervision and control.

Following the execution of the legal agreements, the investment team ensures the conditions precedent are fulfilled. An in-house meeting, including the Chief Executive Officer, legal officer and risk officer, is held to confirm the fulfilment of conditions precedent and determine any conditions subsequent. As part of monitoring, the Company maintains a risk register to capture all risk events and analyse potential risks. All the units at MCM have key risk indicators, which serve as benchmarks for monthly assessments conducted by the risk manager, who summarises and submits to the Board via the ARM Committee quarterly.

Agusto & Co. considers MCM's risk management process acceptable for the scale of operations. We however note significant concentration risk in MCM's exposures. In our view, establishing documented minimum risk acceptance criteria (RAC) for concentration would enhance the management of risk.

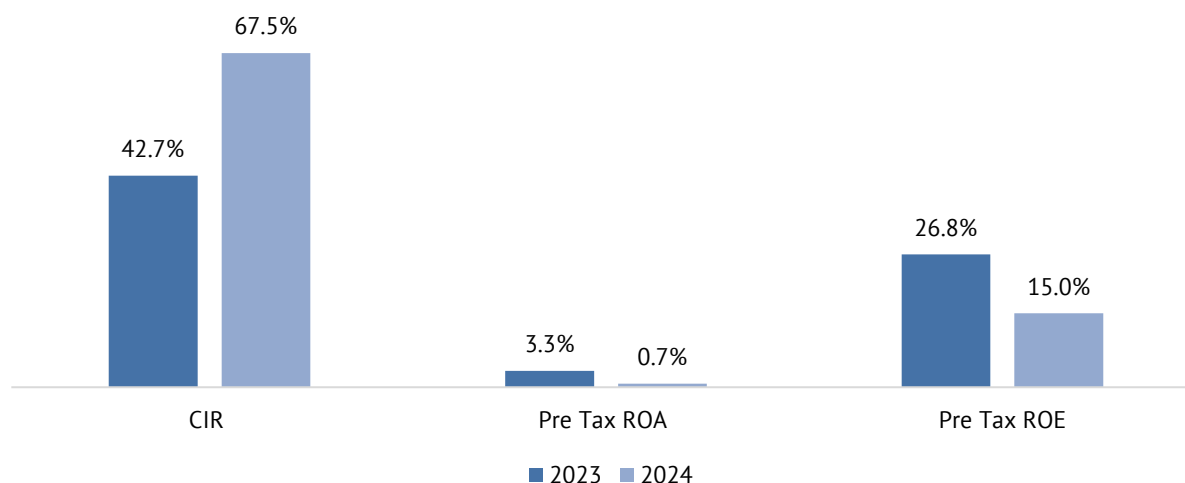
EARNINGS AND PERFORMANCE

MCM's core earnings are generated from the disposal of investments, interest income on loans granted to investee companies and through the provision of advisory and debt arrangement services to clients – including its portfolio companies. The Company also earns management fees from handling investors' funds. During the 2024 FY, MCM generated net earnings of ₦3 billion, representing a significant 128.4% increase from the prior year largely due to the disposal of investment properties in a high brow area of Lagos. Net investment income, largely representing proceeds from the disposal of investment properties at Maiyegun Beach Estate, contributed the bulk (143.6%) of net earnings while fees and commission, which comprise management fees and advisory & valuation fees accounted for a relatively small (16.5%). However, net interest income was negative (-60.1%) as borrowings were primarily deployed in the investment properties at Maiyegun Beach Estate as opposed to the generation of interest income from portfolio companies. Thus, we believe that the growth and size of MCM's earnings is unsustainable given the considerable contribution of the investment income earned on disposal of investment properties, which is non-recurring in nature. However, we recognise the Company's potential to generate substantial investment income from the divestment of investee companies in any given financial year. Notably, MCM is currently evaluating offers for the disposal of portfolio company within the retail sector in 2025. The Company also plans to continue investing in real estate transactions via investee company – Sterling Realities Development Company Limited.

Based on unaudited accounts for the first three months to 31 March 2025, the Company had negative net earnings of ₦486.6 million, largely due to the absence of the one-off investment income from the disposal of investment property. However, we note that MCM's business shows some seasonality, with the majority of investment and divestment transactions and advisory mandates executed in the latter half of the year. Thus, while we anticipate some moderation in earnings in 2025 given the sizeable investment property disposals in 2024, we expect the Company's earnings to remain robust in the near term supported by opportunities to exit matured portfolio companies and the execution of major advisory mandates in the pipeline. We also believe

that MCM’s expanded focus on the creative sector to invest in Nigerian music, fashion, art and food as well as movies will boost earnings in the near to medium term.

Figure 3: Profitability Trend Comparison



Source: MBO Capital Management Limited

In the review year, operating expenses amounted to ₦1.3 billion, a 44.4% year-on-year rise from the prior year due to an upward salary review and persistent inflationary pressures in the macro environment. Nevertheless, the Company’s cost to income ratio improved to 42.7% in the 2024 FY, compared to 67.5% in the prior year, due to the increase in net earnings in the review year. However, we expect the Company’s cost to income ratio to rise moderately in the near term given the anticipated moderation in earnings and considerable inflationary pressures in the macro environment.

In 2024, MCM recorded a profit before tax of ₦1.7 billion (2023: ₦427.7 million), which translated to pre-tax return on average assets (ROA) and pre-tax return on average equity (ROE) of 3.3% (2023: 0.7%) and 26.8% (2023: 15%), respectively. Despite the marked improvement, the Company’s ROE was lower than the average inflation rate of 33.2% in 2024, which we consider a rating negative. Unaudited accounts for the three months ended 31 March 2025 indicated a loss before tax of ₦1 billion due to the lower net earnings, the high cost of borrowings and impact of inflationary pressures on the business. Nonetheless, we expect the profitability indicators to show moderate improvement in the latter half of the year as investment and advisory transactions ramp up and drive increased earnings.

In our view, MCM’s profitability profile can be improved upon.

CAPITAL ADEQUACY & LEVERAGE

As at 31 December 2024, MCM's shareholders' funds stood at ₦8.4 billion, a 90.8% growth to due to accretion to retained earnings. Thus, the Company's capital was well above the minimum of ₦150 million stipulated by the SEC for registered portfolio managers and was sufficient to fund 21.2% of total assets. Given the significant increase in capital, as at the 2024 FYE, our estimate of the Company's Basel I³ capital adequacy ratio (adjusted capital to risk-weighted assets) was improved at 8% (2023: 3%). However, when we subject the Basel 1 Capital Adequacy ratio to a stress test, the CAR stood at 6%, which is below our minimum threshold of 7% for alternative asset managers. Subsequent to the year end, as at 31 March 2025, MCM's Basel I capital adequacy ratio deteriorated to 5%, as the loss recorded resulted in the erosion of capital. However, we anticipate that retained earnings will be shored up to support capitalisation as transactions ramp up in the latter half of 2025.

As at the 2024 FYE, the Company had a debt-to-equity (DTE) ratio of 3.72 times, which was better than our 5x threshold for private equity firms. Subsequent to the year end, as at 30 March 2025, MCM's DTE ratio increased to 4.27x, which remains acceptable in our view. We expect the Company's DTE ratio to rise moderately above our acceptable threshold in the near term given plans to issue a ₦5 billion bond in the second half of 2025.

Overall, we consider MCM's leverage to be acceptable while we expect capitalisation to be enhanced by future earnings.

FUNDING AND LIQUIDITY

MCM is largely funded by clients' Funds under Management. As at the 2024 FYE, the Company's total liabilities of ₦31.4 billion funded 78.8% of total assets and primarily (82.8%) comprised clients' FuM while borrowings from a commercial bank made up the balance (17.2%). MCM's funding mix resulted in a weighted average cost of borrowings of 22.3% for naira denominated funds and 11.9% for dollar denominated funds. Agosto & Co. expects the Company's average cost of borrowings to rise slightly in the near term given plans to grow the funding base through a debt issuance in the capital market in H2'2025.

MCM clients' FuM of ₦26 billion as at the 2024 FYE represented a considerable (62.5%) increase from ₦16 billion in the prior year due largely to the expansion of the sales force and thus strengthening of relationships with HNIs and institutional investors. Given the Company's wholesale funding focus, there was considerable concentration in clients' FuM, with the top 5 investors and the largest investor contributing 65% and 29%, respectively. In our view, this leaves MCM overly exposed to a significant funding gap should any of the large investors withdraw funds. Nonetheless, we note that the Company's planned bond issuance, if successful, will lead to further diversification of funding sources.

Borrowings stood at ₦2.4 billion as at the 2024 FYE, a 94% reduction from ₦38.7 billion in the prior year as MCM settled the debt obligations with a commercial bank following the disposal of the investment properties

³ MCM like other asset management companies is yet to implement the Basel tenets for capitalisation metrics

at Maiyegun Beach Estate. The outstanding balance, which stood at ₦2.4 billion which is payable to a commercial bank, represents the Company's only interest-bearing debt, denoting concentration in the liability profile in our view.

As at the 2024 FYE, MCM had a total of ₦2.2 billion in liquid assets and a liquid assets to total assets ratio of 5.5%, which was considerably below our 20% benchmark for private equity firms. In addition, the Company's liquid assets to FuM and liquid assets to total liabilities ratios stood at 8.4% and 7% respectively as at 2024 FYE, significantly below our minimum thresholds for alternative asset managers. MCM had no effective liquidity contingency plan in place to cushion against a possible run in the business, which we view negatively.

In our opinion, the Company's liquidity profile requires improvement while there is a need to diversify funding sources.

OUTLOOK

Given the Central Bank of Nigeria's (CBN) decision to maintain the Monetary Policy Rate (MPR) at 27.5% in an effort to curb persistent inflationary pressures, the risk-free rate remains elevated at 19.8% in Q2'2025. As a result, wholesale funders are increasingly attracted to securities offering relatively high returns with lower risk, thereby driving up the cost of funds for asset managers and private equity firms. Moreover, Nigeria's alternative investment management landscape is still in its developmental stages, lacking robust and liquid exit channels. This poses challenges for private equity managers in implementing timely and efficient exit strategies from equity investments in portfolio companies.

Notwithstanding, in line with the sector's growth potential, MCM plans to become a one-stop shop financial services firm that manages funds and facilitates capital raising. However, given the challenges in raising equity, the Company will continue to rely on borrowings to support investment activities. Nonetheless, in the near term, we expect that leverage would remain acceptable but liquidity will remain weak. We expect capitalisation will also remain acceptable. However, profitability will be constrained by the high borrowing costs in the near term in line with the rising interest rates and significant reliance on proceeds from exiting investments. Nevertheless, Agosto & Co. expects MCM's investment selection and decision process to remain adequate and thus asset quality to be satisfactory in the near term.

Based on the aforementioned, we hereby attach a **"stable"** outlook to the rating.

FINANCIAL SUMMARY

STATEMENT OF FINANCIAL POSITION AS AT	31-Dec-22		31-Dec-23		31-Dec-24	
	₦Million		₦Million		₦Million	
ASSETS						
Cash & bank balances	477.6	0.9%	545.9	0.9%	1,570.7	3.9%
Total loans	31,513.9	59.9%	38,814.7	61.1%	18,434.3	46.4%
Total other investments	18,325.1	34.8%	12,986.3	20.4%	15,535.8	39%
Total other assets	2,164.4	4.8%	54.8	0.1%	4,010.4	10.1%
Total Fixed Assets & Intangibles	173.7	0.3%	270.5	0.4%	246.5	0.6%
TOTAL ASSETS	52,654.7	100%	63,585.9	100%	39,797.7	100%
LIABILITIES & EQUITY						
Interest-bearing liabilities	37,043.6	70.4%	38,685.3	60.8%	2,426.2	6.1%
Total other liabilities	2,579.3	4.9%	4,499.7	7.1%	2,970.2	7.5%
Funds under management (FUM)	8,824.2	16.8%	15,977.7	25.1%	25,962.6	65.2%
Total liabilities	51,359.8	97.5%	59,162.7	93%	31,358.9	78.8%
Share Capital	150	0.3%	150	0.2%	150	0.4%
Share Premium	339.3	0.6%	339.3	0.5%	339.3	0.9%
Other Non-Distributable Reserves	750	1.4%	2,786.1	4.4%	4,868.5	12.2%
Revenue Reserve	55.7	0.1%	1,147.8	1.8%	3,081	7.7%
Shareholder's Equity	1,294.9	2.4%	4,423.1	7%	8,438.7	21.2%
TOTAL LIABILITIES & EQUITY	52,654.7	100%	63,585.9	100%	39,797.7	100%
Auditors	Wyse Concepts & Associates		Wyse Concepts & Associates		Kreston Pedabo	
Opinion	CLEAN		CLEAN		CLEAN	

INCOME STATEMENT FOR THE YEAR ENDED	31-Dec-22		31-Dec-23		31-Dec-24	
	₦'m		₦'m		₦'m	
Fees & commissions	1,377.7	59.1%	571	18.7%	102.4	7.5%
Other income	(109.2)	-4.7%	1,176	38.6%	4,321.9	65.4%
Net Investment Income	1,268.5	54.4%	1,747	57.3%	4,818.3	72.9%
Interest income	1,063.1	45.6%	1,298.7	42.6%	1,790.7	27.1%
Interest expense	(1,466.9)	-62.9%	(1,728)	-56.7%	(3,599.7)	-54.5%
Net interest income	(404.8)	-17.4%	429.3	-14.1%	(1,809)	-27.4%
Net earnings	863.7	37.1%	1,317.7	43.3%	3,009.4	45.5%
Staff costs	(311.6)	-13.4%	(499.6)	-16.4%	(585.8)	-8.9%
Depreciation expense	(41.6)	-1.8%	(50.6)	-1.7%	(88.2)	-1.3%
Other operating expenses	(139.9)	-6.0%	(339.8)	-11.2%	(610.8)	-9.2%
Total operating expenses	(493.1)	-21.2%	(890)	-21.3%	(1,284.8)	-19.4%
Profit (loss) before taxation	370.6	15.9%	427.7	14%	1,724.6	26.1%
Tax (expense)/benefit	(136.7)	-5.9%	55	1.8%	968	14.6%
Profit (loss) after taxation	233.9	10%	482.8	15.9%	2,692.6	40.7%
Gross earnings	2,330.6	100%	3,045.7	100%	6,609.1	100%

KEY RATIOS AS AT	31-Dec-22	31-Dec-23	31-Dec-24
PROFITABILITY			
Revenue growth	34.4%	52.6%	128.4%
Operating profit margin	15.9%	14%	26.1%
Operating expenses/net earnings	57.1%	67.5%	42.7%
Return on average equity (pre-tax)	31.5%	15%	25.8%
Return on average assets (pre-tax)	1%	0.7%	3.3%
Gross earnings/Total assets & contingents (average)	6%	5%	13%
LIQUIDITY & FUNDING			
Liquid assets/total assets	1%	1%	5.5%
Short Term Debt/Total Debt	7.3%	0%	0%
Long Term Debts/Total Debt	92.7%	100%	100%
Liquid assets/managed funds	5%	3.4%	6.9%
CAPITAL & LEVERAGE			
Gross debt/equity (times)	32.9x	9.8x	3.72x
Gross debt/adjusted equity (times)	-6x	37.9x	13x
Adjusted Capital/Risk weighted Assets	-25%	3%	8%
Interest Cover	1x	0.9x	1.2x
STAFF INFORMATION			
Average number of employees	20	29	30
Staff cost per employee (₹m)	15.6	17.2	19.5
Net earnings per staff (₹m)	43.2	45.4	100.3
Staff cost/net earnings	36%	38%	19%
Staff cost/operating expenses	63.2%	56.1%	45.6%
OTHER KEY INFORMATION			
Year operations started	2013	2013	2013
Age (in years)	9	10	11
Number of offices	1	1	1

RATING DEFINITIONS

Aaa	A financial institution of 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 financial institution of very good financial condition and strong capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.
A	A financial institution of good financial condition and strong capacity to meet its obligations as and when they fall due relative to all other issuers in the same country.
Bbb	A financial institution of 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 financial institution 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 financial institution 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 financial institution with very weak financial condition and very weak capacity to meet obligations as and when they fall due 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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