

**MCM Funding SPV Plc's Series I £5 billion 3-Year  
Fixed Rate Senior Unsecured Bond**

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**Final Indicative Rating Report**

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 **Agusto&Co.**

*Research, Credit Ratings, Credit Risk Management*

# MCM Funding SPV Plc's Series I ₦5 billion 3-Year Fixed Rate Senior Unsecured Bond (under the ₦50 billion Debt Issuance Programme)

Issue Rating:

*Satisfactory quality with moderate credit risk; adequate capacity to pay returns and principal on debt in a timely manner.*

**Bbb-\***

## RATING RATIONALE

*\*This Issue rating is indicative. A final rating will be assigned upon receipt of all duly executed transaction documents.*

Agusto & Co. hereby assigns a “Bbb-” rating to MCM Funding SPV Plc’s (“MCM SPV” or “the Issuer”) Series I ₦5 billion 3-Year Fixed Rate Senior Unsecured Bond (“the Bond” or “the Issue”). The Issuer was established to finance MBO Capital Management Limited (“MCM”, “the Company” or “the Sponsor”) by issuing debt securities to the general public. Thus, the Issue is backed by the Sponsor’s undertaking to fulfil MCM SPV’s payment obligations to the bondholders. Consequently, the Bond rating mirrors Agusto & Co.’s “Bbb-” credit rating of the Sponsor. MCM’s rating reflects improved leverage and capitalisation in the financial year ended 31 December 2024 (2024 FYE), stable and experienced executive management team and nil non-performing loans (NPLs). We also considered the capacity of the Company to divest of a healthy portfolio of investee companies, which should continue to support earnings in the near term. However, the rating is constrained by the Sponsor’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.

**Outlook: Stable**

**Issue Date: 24 Sep 2025**

**Expiry Date:**

*The rating is subject to annual review throughout the life of the bond*

**Bond Tenor: 3 years**

**Industry: Alternative Investment Management**

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MCM SPV plans to issue a ₦5 billion three-year fixed-rate unsecured bond, marking Series I of a ₦50 billion programme. The net proceeds will fund a 20 megawatt (MW) Independent Power Project in Delta State, designed to provide reliable power to a data centre. The project will be executed by Utilita Energy Limited, a subsidiary of the Sponsor. Priced at ₦1,000 per unit and fully guaranteed by the Sponsor, the Issue ranks pari passu with the existing and future senior unsecured obligations of the Issuer. MCM SPV will pay semi-annual coupons that will be met from the Sponsor’s cash flows, while principal will be amortised and repaid on a semi-annual basis after a one-year moratorium. The Sponsor will fund a Debt Service Account, managed by Vetiva Trustees Limited and ARM Trustees Limited, on or five days before each semi-annual coupon payment date.

MCM is a Securities and Exchange Commission (SEC) registered private equity firm. Since inception, the Sponsor has invested in the real estate, retail, healthcare, agriculture and entertainment sectors via debt, equity, or mezzanine financing, under its private equity manager’s license. The Company may hold both debt and equity in the same investee company. All investments are typically exited within five to seven years. As at 2024 FYE, the Sponsor’s total assets stood at ₦39.8 billion, down 37% year-on-year due to debt repayment following the sale of investment properties and equity in Radix Pensions Limited. Despite this, MCM’s equity investments rose 19.6% to ₦15.5 billion, making up 38.8% of total assets. The growth followed the acquisition of a 7% stake in a South African building materials firm, which alone accounted for 25% of the equity portfolio and 46% of shareholders’ funds, highlighting portfolio concentration. The largely illiquid equity holdings and early-stage investee companies suggest extended timelines and resource needs for exit.

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## TRANSACTION PARTIES

### Issuer:

MCM Funding SPV Plc

### Sponsor:

MBO Capital Management Limited

### Lead Issuing House:

Chapel Hill Denham Advisory Limited

### Joint Issuing Houses:

FCSL Asset Management Ltd  
 Afrinvest Capital Ltd  
 ARM Securities Ltd  
 Coronation Merchant Bank Ltd

### Joint Trustees:

Vetiva Trustees Limited  
 ARM Trustees Limited

### Solicitor to the Issue:

Banwo & Ighodalo

### Solicitor to the Issuer:

Aluko & Oyeboade

### Reporting Accountant:

Pricewaterhouse Coopers

### Auditor:

Kreston Pedabo

### Registrar:

CardinalStone Registrars Ltd

## TRANSACTION STRUCTURE

### Repayment Structure:

The Issue's coupon will be payable semi-annually while the principal will be amortised and repaid semi-annually after a one-year moratorium.

### Bond Ranking:

The Bond will rank *pari passu* with other existing senior unsecured obligations of the Issuer.

### Use of Proceeds:

Proceeds will be used to fund a 20MW Independent Power Project in Delta State

However, the Company has several near-term exit proposals in the retail sector, and past success such as the sale of Radix Pensions Limited, which support a moderate to high likelihood of execution.

As at the 2024 FYE, the Sponsor's loans totalled ₦13.5 billion, representing 34% of total assets. The credit quality of these early-stage investee companies is uncertain, implying moderate to high default risk. The loan portfolio is concentrated, with the top five obligors accounting for 57.5% and the largest single exposure at 32% of shareholders' funds, well above the typical 20% regulatory limit. This raises vulnerability to defaults. However, none of the loans were non-performing at the end of the review year, reflecting active monitoring and timely repayments. Overall, we view asset quality as satisfactory, backed by a clean loan book and a strong exit track record but concerns persist regarding concentration risk and exposure to unrated entities. Limited exit options in Nigeria's emerging alternative investment market may also delay timely divestments.

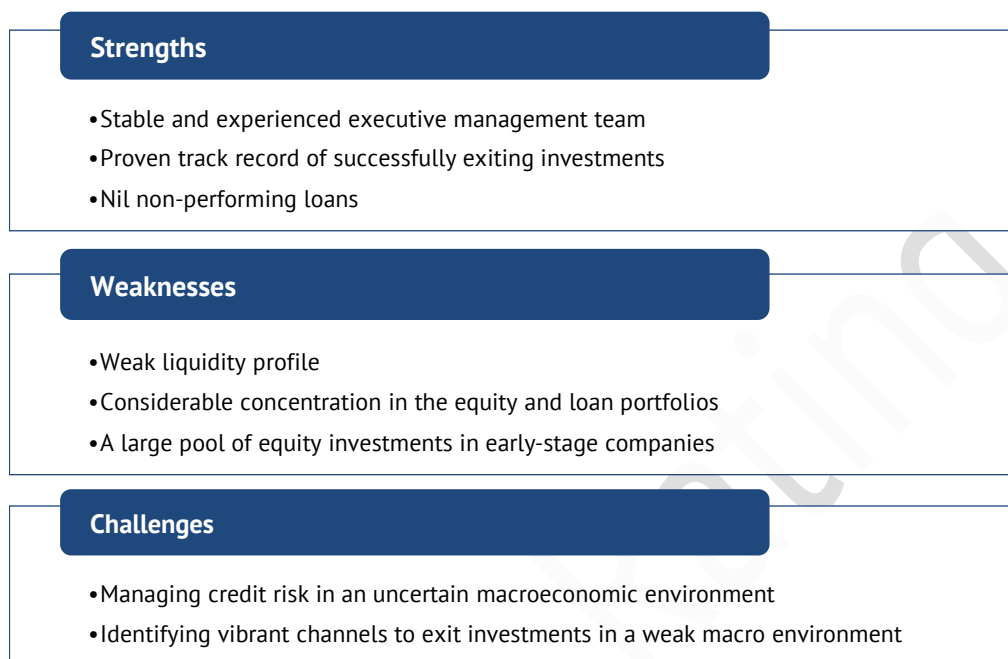
As at the 2024 FYE, the Company had a liquid assets to total assets ratio of 5.5%, which was considerably below our 20% benchmark for private equity firms. MCM also had no effective liquidity contingency plan in place to cushion against a possible run in the business, which we view negatively.

In 2024, the Sponsor recorded net earnings of ₦3 billion, up 128.4% from the previous year, driven by the sale of investment properties in a prime Lagos location. Pre-tax return on assets (ROA) and return on equity (ROE) rose to 3.3% and 26.8% respectively (2023: 0.7% and 15%), though with ROE below the 33.2% inflation rate in 2024. Unaudited results for Q2 2025 showed a ₦1.6 billion pre-tax loss due to negative earnings, high borrowing costs, and inflation. Nevertheless, profitability is expected to improve moderately in the second half of the year as transaction volumes increase.

As at 31 December 2024, the Company's shareholders' funds stood at ₦8.4 billion, well above the ₦150 million regulatory minimum for private equity firms. However, our stressed Basel I capital adequacy ratio for MCM was low at 6%, slightly below our minimum threshold of 7% for alternative asset managers denoting a need for improvement. As at the 2024 FYE, the Sponsor's total liabilities funded 78.8% of total assets and primarily (82.8%) comprised clients' funds under management (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 is high in our view despite the elevated interest rate environment. The Company recorded a debt-to-equity (DTE) ratio of 3.72 times, which was better than our 5x threshold for private equity firms. However, as at 30 June 2025, the DTE ratio increased to 6.4x, exceeding our benchmark. This increase is particularly concerning given MCM's limited access to financing, which could pose a risk to its viability in a stressed market environment.

The 20MW Independent Power Project is expected to generate ₦7.9 billion in profit over the Bond's 3-year tenor, covering approximately 0.8x of the ₦10.3 billion total debt service obligations at an estimated 24% coupon rate. Based on the aforementioned, we hereby assign a **stable** outlook to MCM Funding SPV's Series I ₦5 billion 3-Year Fixed Rate Senior Unsecured Bond. However, our rating and outlook for the Bond will be revised accordingly to reflect any changes in the financial condition of the Sponsor.

**Figure 1: Strengths, Weaknesses and Challenges**



**Table 1: Financial Data for MBO Capital Management Limited**

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

**This report should be read in conjunction with Agusto & Co.'s 2025 credit rating report for MBO Capital Management Limited**

## PROFILE - ISSUER

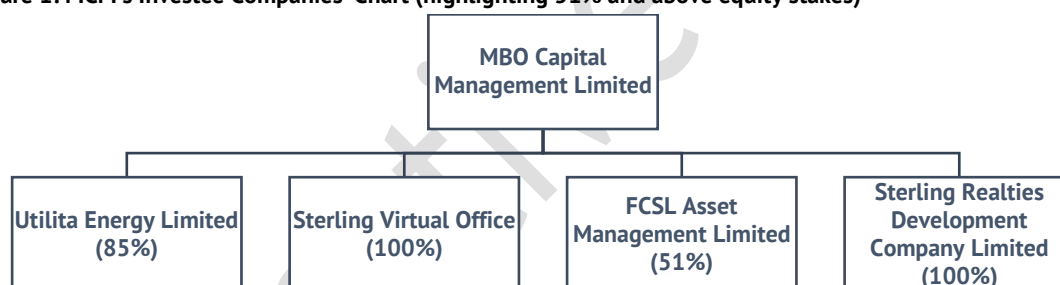
MCM Funding SPV Plc ('MCM SPV' or 'the Issuer') is a special purpose vehicle that was established to finance MBO Capital Management Limited ('MCM', 'the Company' or 'the Sponsor') by issuing debt securities to the general public. MCM SPV is a separate and distinct entity with no employees or operations.

The Issuer was incorporated in May 2023, with authorised share capital of ₦10 million (10 million ordinary shares of ₦1 each). Vetiva Trustees Limited holds a 51% equity stake in MCM SPV while Mrs Theresa Orji, who is the Managing Director of Vetiva Trustees Limited, owns the balance of 49%.

## PROFILE – SPONSOR

MCM 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 four investee companies: Sterling Virtual Offices Limited (SVO), FCSL Asset Management Limited, Sterling Realities Development Company Limited and Utilita Energy Limited (UEL). The Sponsor'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

MCM focuses on facilitating access to funding for Small and Medium Scale Enterprises (SMEs) across sub-Saharan Africa through principal investments, private equity funds and advisory. Since inception, the Sponsor has made principal investments of more than ₦20 billion across various sectors including real estate, retail, power, entertainment and financial services. The Company is governed by a five-member Board of Directors, which is chaired by Dr. Olufemi Lalude. MCM's registered office is located at 20, Alexander Avenue, Ikoyi, Lagos.

**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. Babajide Ogundare | Chief Executive Officer              |
| Mr. Adekunle Adebisi  | Executive Director (Investments)     |

## THE ISSUE

### Structure of the Issue and Repayment Pattern

The Issuer intends to undertake a ₦5 billion debt issuance (“the Bond” or “the Issue”), which will constitute Series I under a ₦50 billion bond issuance programme (“the Programme”). The Issue is to be executed as a three-year fixed rate unsecured debt instrument at a par value of ₦1,000. Coupon payments will be made from the Sponsor’s cash flows semi-annually, throughout the tenor of the Bond, while the principal will be amortised and repaid semi-annually albeit, after one-year moratorium.

### Purpose of the Issue

The Issue’s estimated net proceeds of ₦4,894,375,000 (following the deduction of the estimated cost of issuance) will be utilised to fund a 20MW Independent Power Project in Delta State which aims to provide consistent off grid power supply to Green Flare, a data centre company. Green Flare will offtake up to 16MW of power to ensure project bankability under a power purchase agreement (PPA). The project will be executed by Utilita Energy Limited, a subsidiary of the Sponsor. Utilita recently executed the 16MW PPA with Green Flare and is mobilising select task teams and engineering contractors (in Lobcom Engineering Limited). Funds sought will be used to immediately develop the project which should be completed by February 2026.

**Table 3: Estimated Capital Expenditure for the 20MW Power Plant**

|    | Category           | Description  | Amount                | Percentage of Net Proceeds |
|----|--------------------|--|-----------------------|----------------------------|
| 1. | Electrical Works   | This includes (but is not limited to) cables (500mm), 6300A 400V ACB panels, earthing and accessories for installation                                       | ₦2,580,000,000        | 53%                        |
| 2. | Gas Works          | This includes (but is not limited to) the provision of gas scrubbers, booster pumps, a 6” gas pipeline installation (150m long) and buffer tank              | ₦1,029,500,000        | 21%                        |
| 3. | Civil Works        | This includes (but is not limited to) the provision of corrugated metal fences separating the area for future expansion and other infrastructure development | ₦650,000,000          | 13%                        |
| 4. | Installation Costs | Cost to install project infrastructure   | ₦634,875,000          | 13%                        |
|    | <b>Total</b>       |  | <b>₦4,894,375,000</b> | <b>100%</b>                |

**Table 4: Estimated Profits from the Ughelli 20MW Project**

|                                 | Year 1       | Year 2       | Year 3       | Year 4       | Year 5       | Year 6       | Year 7       | Year 8       | Year 9       | Year 10    |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|
| <b>Revenue (N 'Mn)</b>          | 13,624       | 13,624       | 13,624       | 13,624       | 13,624       | 13,624       | 13,624       | 13,624       | 13,624       | 13,624     |
| <b>Direct Costs (N 'Mn)</b>     | 9,300        | 9,486        | 9,676        | 9,869        | 10,067       | 10,268       | 10,473       | 10,683       | 10,896       | 11,114     |
| <b>Operating Costs ((N 'Mn)</b> | 272          | 278          | 283          | 289          | 295          | 301          | 307          | 313          | 319          | 326        |
| <b>Depreciation ((N 'Mn)</b>    | 1,240        | 1,240        | 1,240        | 1,240        | 1,240        | 1,240        | 1,240        | 1,240        | 1,240        | 1,240      |
| <b>Profit</b>                   | <b>2,812</b> | <b>2,620</b> | <b>2,425</b> | <b>2,226</b> | <b>2,023</b> | <b>1,815</b> | <b>1,604</b> | <b>1,388</b> | <b>1,168</b> | <b>944</b> |

## Security and Covenants

A Debt Service Account (DSA) will be created in accordance with the provisions of the trust deed and managed by Vetiva Trustees Limited and ARM Trustees Limited (“the Trustees”). The Issuer will also establish the Debt Service Reserve Account (“DSRA”). On or about the Issue Date, the Sponsor will deposit the minimum reserve balance into the DSRA. The Sponsor will ensure that at least five (5) Business Days before a relevant payment date, the DSA is fully funded with the debt service amount for that payment date. If the DSA is not fully funded with the debt service amount for that payment date, the Trustees will fund the shortfall from the existing balance in the DSRA. The Bond shall constitute direct, unconditional, senior and unsecured obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves, and at least pari passu with all other senior unsecured obligations of the Issuer, present and future. The Bonds are backed by a Deed of Covenant issued by MCM in favour of the Trustees acting on behalf of Bondholders.

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**ANALYSTS' COMMENTS**

## THE SPONSOR'S FINANCIAL CONDITION

### **Satisfactory asset quality, supported by a successful exit and zero non-performing loans**

Since inception, MCM has deployed funds for principal investments in portfolio companies operating across the real estate, retail, healthcare, agriculture 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. Thus, the Sponsor 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.

As at 31 December 2024, the Company's total assets stood at ₦39.8 billion, reflecting a 37% year on year decline largely attributable to a substantial (94%) repayment of debt obligations, following the divestment of investment properties at Maiyegun Beach Estate and sale of the equity investment in Radix Pensions Limited in 2024. Nonetheless, as at the same date, MCM's equity investments represented the largest portion (38.8%) of total assets, growing by 19.6% to ₦15.5 billion in 2024, despite the exit from Radix Pension Limited. The growth in the equity portfolio followed 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 (an early stage investment in sports), Afya Care and NBA Africa. 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 Sponsor 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 an investee company in the retail sector in the near term. We believe that the likelihood of disposal of these investments is moderate to high given the fact that the Sponsor has demonstrated the ability to successfully exit investments.

As at the 2024 FYE, MCM's loan 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 loan 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 amounting to 32% of the Sponsor's shareholders' funds, significantly above the 20% single exposure limit generally recommended by financial services regulators. In our view, this leaves the Company overly susceptible to defaults 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.

In our view, the Sponsor's asset quality is satisfactory, supported by zero non-performing loans and a track record of value creation and exits. However, exposures to unrated entities and portfolio concentration heighten financial risk. Additionally, Nigeria's nascent alternative investment market limits exit options, potentially delaying the Company's ideal exit timelines.

### **Profitability remains pressured by elevated inflation and potential delays in achieving timely exits**

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, the Sponsor 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. Nonetheless, we believe that gains on disposal of investment properties are unsustainable as it is non-recurring in nature. However, we recognise MCM's potential to generate substantial investment income from the divestment of investee companies in any given financial year.

Based on the unaudited accounts for the first six months to 30 June 2025, the Company recorded negative net earnings of ₦204.8 million, largely due to the absence of gains on disposal. Nevertheless, we note that the Sponsor's business typically shows some seasonality, with the majority of investment and divestment transactions and advisory mandates executed in the latter half of the year.

In the review year, the Sponsor's 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 (CIR) 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, following the disposal of investment properties. We expect the CIR ratio to rise moderately in the near term given persistent inflationary pressures and a more moderate earnings base.

In 2024, MCM recorded a profit before tax (PBT) of ₦1.7 billion (2023: ₦427.7 million), which translated to improved 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 six months ended 30 June 2025 indicated a loss before tax of ₦1.6 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 is expected to be enhanced in the near term while leverage should rise**

As at 31 December 2024, MCM's shareholders' funds stood at ₦8.4 billion, a 90.8% growth due to accretion to retained earnings. Thus, the Sponsor'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, our estimate of the Company's Basel I<sup>1</sup> capital adequacy ratio (adjusted capital to risk-weighted assets) improved to 8% (2023: 3%). However, when we subject the Basel 1 capital adequacy ratio to a stress test, it drops to 6%, which is below our minimum threshold of 7% for alternative asset managers. Subsequent to the year-end, as of 30 June 2025, MCM's Basel I capital adequacy ratio remained steady at 8%, supported by revaluation gains. 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<sup>2</sup> (DTE) ratio of 3.7 times, which was better than our 5x threshold for private equity firms. Subsequent to the year end, as at 30 June 2025, MCM's DTE ratio increased to 6.4x, above our expectation. This increase in DTE ratio is particularly concerning given the Company's limited access to financing, which could pose a risk to its viability in a stressed market environment. We expect the Sponsor's DTE ratio to rise moderately above our acceptable threshold in the near term given plans to issue a Bond in the second half of 2025. Overall, we consider MCM's leverage to be acceptable for a PE firm while we expect capitalisation to be enhanced by future earnings.

### **Liquidity should improve and funding diversified, following the successful issuance of the Bond**

MCM is largely funded by clients' Funds under Management (FuM). 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%). The clients' FuM base of ₦26 billion showed significant concentration as the top 5 investors and the largest investor contributed 65% and 29% respectively, which in our view leaves the Sponsor exposed to a big funding gap should funds be withdrawn. Nonetheless, the Company's planned bond issuance, if successful, should diversify the funding base.

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 debt obligations with a commercial bank following the disposal of the investment properties at Maiyegun Beach Estate. The outstanding amount payable to the commercial bank represents the Company's only borrowings, denoting concentration in the liability profile in our view. Overall, the Sponsor'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 is high despite the elevated interest rate environment. We expect the WACF 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.

As at the 2024 FYE, MCM had a total of ₦2.2 billion in liquid assets and a liquidity ratio (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, 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 view, the Sponsor's liquidity profile needs strengthening. In addition, MCM requires greater diversification of funding sources.

<sup>1</sup> MCM like other asset management companies is yet to implement the Basel tenets for capitalization metrics

<sup>2</sup> Total liabilities to equity

## OUTLOOK

Private equity firms in Nigeria are poised to benefit in the near term from ongoing economic reforms and targeted opportunities across key sectors. Recent fiscal and monetary adjustments such as exchange rate unification and fuel subsidy removal have begun to restore investor confidence and could, if sustained, boost macro-economic stability and reduce FX volatility, a key obstacle to successful exits in the past. Nigeria's underfunded SME landscape also offers fertile ground for growth capital and operational value-add, particularly in agri-business, logistics and renewable energy. For the Sponsor, any opportunity must align with at least one of its select themes – job creation, women empowerment, export promotion, import substitution, or local adoption of global standards, which we believe should translate to profitable and sustainable ventures. Nonetheless, we note that persistent challenges including inconsistent regulatory enforcement and political risks as well as an underdeveloped secondary sale or exit market continue to constrain deal flow and realisation.

Given the challenges in raising equity, MCM is expected to continue relying on borrowings to fund its investment activities. The Sponsor's weighted average cost of funds is likely to rise slightly in the near term, reflecting plans to expand the funding base through a capital market debt issuance in H2'2025. Profitability is expected to remain constrained due to high borrowing costs, consistent with the elevated interest rate environment and the Company's dependence on proceeds from investment exits. Capitalisation, however, should improve over time, supported by future earnings. In the near term, leverage is expected to remain at an acceptable level for a private equity firm, though liquidity will likely remain weak, given the ongoing deployment of funds into new investment. Nonetheless, asset quality should remain satisfactory in the near term given MCM's adequate investment selection and decision process.

The 20MW Independent Power Project is projected to generate approximately ₦7.9 billion in profit over the 3-year tenor of the Bond. At an estimated coupon rate of 24%, this is expected to cover approximately 0.8x of the total debt service obligations—comprising both interest and principal repayments totalling ₦10.3 billion. Based on the aforementioned, we hereby assign a **stable outlook** to MCM Funding SPV's Series I ₦5 billion 3-Year Fixed Rate Senior Unsecured Bond.

**This report should be read in conjunction with Agusto & Co.'s 2025 credit rating report for MBO Capital Management Limited**

## FINANCIAL SUMMARY

| STATEMENT OF FINANCIAL POSITION AS AT | 31-Dec-22        |              | 31-Dec-23         |             | 31-Dec-24         |              |
|---------------------------------------|------------------|--------------|-------------------|-------------|-------------------|--------------|
|                                       | ₦'Million        |              | ₦'Million         |             | ₦'Million         |              |
| <b>ASSETS</b>                         |                  |              |                   |             |                   |              |
| 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%         |
| <b>TOTAL ASSETS</b>                   | <b>52,654.7</b>  | <b>100%</b>  | <b>63,585.9</b>   | <b>100%</b> | <b>39,797.7</b>   | <b>100%</b>  |
| <b>LIABILITIES &amp; EQUITY</b>       |                  |              |                   |             |                   |              |
| Borrowings                            | 37,043.6         | 70.4%        | 38,685.3          | 60.8%       | 2,426.2           | 6.1%         |
| 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                     | <b>51,359.8</b>  | <b>97.5%</b> | <b>59,162.7</b>   | <b>93%</b>  | <b>31,358.9</b>   | <b>78.8%</b> |
| 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%        |
| <b>TOTAL LIABILITIES &amp; EQUITY</b> | <b>52,654.7</b>  | <b>100%</b>  | <b>63,585.9</b>   | <b>100%</b> | <b>39,797.7</b>   | <b>100%</b>  |
| <b>Auditors</b>                       | Wyse<br>Concepts |              | Kreston<br>Pedabo |             | Kreston<br>Pedabo |              |
| <b>Opinion</b>                        | <b>CLEAN</b>     |              | <b>CLEAN</b>      |             | <b>CLEAN</b>      |              |

| 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%         |
| <b>Net Investment Income</b>        | <b>1,268.5</b> | <b>54.4%</b>  | <b>1,747</b>   | <b>57.3%</b>  | <b>4,818.3</b>   | <b>72.9%</b>  |
| 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%        |
| <b>Net interest income</b>          | <b>(404.8)</b> | <b>-17.4%</b> | <b>429.3</b>   | <b>-14.1%</b> | <b>(1,809)</b>   | <b>-27.4%</b> |
| <b>Net earnings</b>                 | <b>863.7</b>   | <b>37.1%</b>  | <b>1,317.7</b> | <b>43.3%</b>  | <b>3,009.4</b>   | <b>45.5%</b>  |
| 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%         |
| <b>Total operating expenses</b>     | <b>(493.1)</b> | <b>-21.2%</b> | <b>(890)</b>   | <b>-21.3%</b> | <b>(1,284.8)</b> | <b>-19.4%</b> |
| 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%         |
| <b>Profit (loss) after taxation</b> | <b>233.9</b>   | <b>10%</b>    | <b>482.8</b>   | <b>15.9%</b>  | <b>2,692.6</b>   | <b>40.7%</b>  |
| <b>Gross earnings</b>               | <b>2,330.6</b> | <b>100%</b>   | <b>3,045.7</b> | <b>100%</b>   | <b>6,609.1</b>   | <b>100%</b>   |

| KEY RATIOS AS AT                                    | 31-Dec-22 | 31-Dec-23 | 31-Dec-24 |
|---|-----------|-----------|-----------|
| <b>PROFITABILITY</b>                                |           |           |           |
| 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%       |
| <b>LIQUIDITY &amp; FUNDING</b>                      |           |           |           |
| 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%      |
| <b>CAPITAL &amp; LEVERAGE</b>                       |           |           |           |
| 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      |
| <b>STAFF INFORMATION</b>                            |           |           |           |
| 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%     |
| <b>OTHER KEY INFORMATION</b>                        |           |           |           |
| Year operations started                             | 2013      | 2013      | 2013      |
| Age (in years)                                      | 9         | 10        | 11        |
| Number of offices                                   | 1         | 1         | 1         |

## RATING DEFINITIONS

|            |  |
|------------|--|
| <b>Aaa</b> | Highest quality debt issue with minimal credit risk; strongest capacity to pay returns and principal on debt in a timely manner.       |
| <b>Aa</b>  | High-quality debt issue with very low credit risk; very strong capacity to pay returns and principal on debt in a timely manner.       |
| <b>A</b>   | Good quality debt issue with low to moderate credit risk; strong capacity to pay returns and principal on debt in a timely manner.     |
| <b>Bbb</b> | Satisfactory quality with moderate credit risk; adequate capacity to pay returns and principal on debt in a timely manner.             |
| <b>Bb</b>  | Below average quality with moderate to high credit risk; speculative capacity to pay returns and principal on debt in a timely manner. |
| <b>B</b>   | Weak quality with high credit risk; speculative capacity to pay returns and principal on debt in a timely manner.                      |
| <b>C</b>   | Very weak capacity to pay returns and principal. Debt instrument with very high credit risk.   |
| <b>D</b>   | 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.

Indicative Rating

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