



PAN AFRICAN TOWERS LIMITED

2021 Final Corporate Rating Report



Pan African Towers Limited

Rating Assigned:
Bbb-

This refers to a company with a satisfactory financial condition and adequate capacity to meet obligations as and when they fall due.

Outlook: Stable
Issue Date: 2 September 2021
Expiry Date: 30 June 2022

Industry: Telecoms
Infrastructure

Outline	Page
Rationale	1
Overview of the Industry	5
Company Profile	7
Financial Condition	8
Ownership, Mgt & Staff	14
Outlook	15
Financial Summary	17
Rating Definition	21

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RATING RATIONALE

Agusto & Co. hereby assigns a “Bbb-” rating to Pan African Towers Limited (“Pan African Towers”, “PAT” or the Company). The rating reflects the Company’s good profitability level, adequate working capital and position as a leading indigenous player in the telecommunication tower infrastructure industry as well as its qualified management team. Furthermore, the rating is underpinned by the strong business fundamentals on the back of the Company’s aggressive growth plan occasioned by the substantial telecom infrastructure deficit in Nigeria in addition to the regulatory authority’s support for local content in the industry. Furthermore, the Company’s management is in the process of finalising the merger (subject to regulatory approval) of PAT and SWAP Technologies and Telecoms Plc (SWAP), which would eliminate the high level of receivables from related parties post-merger. Nonetheless, the rating is tempered by the Company’s weak cash flow and high leverage position.

Pan African Towers, a leading indigenous player in the telecommunication tower infrastructure industry was incorporated in 2013 and commenced operations in 2017 after obtaining its operating licence from the Nigerian Communications Commission (NCC). The Company provides telecoms colocation¹ and infrastructure sharing services to Mobile Network Operators (MNOs) and other Internet Service Providers (ISPs) through its 607 active sites, serving key regions in the country. PAT currently has a total of 984 tenants across its 607 active tower network with a colocation ratio of 1.62 times.

Despite the challenging macroeconomic environment in the country precipitated by the advent of the COVID-19 pandemic in 2020, the telecommunication sector experienced significant growth attributable to the upsurge in demand for voice and data services triggered by the work from home measures due to the movement restrictions imposed by the government to stem the spread of the virus. As a result, the Company’s revenue grew by 33% to ₦8.2 billion as MNOs and ISPs required additional tower and connectivity infrastructure to meet the rise in demand for data and voice services. In the same vein, the Company’s operating profit rose by 57% to ₦2.7 billion, translating to an operating profit margin (OPM) of 32.8% (2019: 27.8%), however, the profit before tax (PBT) to sales ratio declined to 15.6% (2019: 21.8%) due to the rise in interest expense on borrowings in the year under review. Pan African Towers achieved a pre-tax-pre-interest return on assets (ROA) of 10% and a three-year (2018 – 2020)

¹ This refers to the practice of locating multiple wireless broadcast facilities/providers within the same facility. It is a cost reduction model that allows telecom infrastructure operators to provide services to various customers on using one tower.

weighted average ROA of 14%, both of which are satisfactory in our opinion. The Company posted a pre-tax return on equity (ROE) of 27%, which was good in our view. Going forward, we expect the Company's profitability level to be sustained on the back of the opportunities in the Nigerian telecommunication sector due to the growing urban population as well as the rising adoption of mobile phones that support 3G and 4G networks, resulting in the increased demand for internet services (which stood at 140m active subscribers at the end of June 2021, based on data released by the Nigerian Communications Commission²).

In the financial year ended (FYE) 31 December 2020, Pan African Towers recorded a negative operating cash flow (OCF) of ₦14.8 billion attributable to the rise in amounts due from related parties. The relationship with related parties is on account of the Master Sharing and Colocation Agreement (MSCA) PAT signed with SWAP Technologies and Telecoms Plc for the lease of SWAP's towers. In the year under review, PAT advanced ₦19.68 billion to SWAP, which resulted in the deterioration of the Company's operating cash flow. In the six months ended 30 June 2021, the Company recorded a positive OCF position of ₦335 million, which was insufficient to cover interest payments of ₦1.3 billion. In our opinion, the Company's cash flow position as at 31 December 2020 requires improvement.

In the year under review, the Company recorded a short term financing need (STFN) of ₦19.5 billion due to the large amount advanced to the related party. However, the working capital available of ₦21.5 billion was sufficient to meet the STFN resulting in an overall working capital surplus of ₦2 billion. In our opinion, Pan African Tower's working capital position is satisfactory.

In FYE 2020, Pan African Towers' total liabilities stood at ₦26.3 billion comprising largely of interest-bearing liabilities (IBL) at 85%. In the year under review, PAT's finance cost on borrowings increased to ₦1.03 billion translating to an interest expense to sales ratio of 12.5%, which is higher than our benchmark of not more than 5%. The growth in the interest expense is due to the ₦19.3 billion obtained from the Nigeria Infrastructure Debt Fund managed by Chapel Hill Denham 2020. The Company's total debt less cash as a percentage of average total assets and IBL (net of cash) to equity ratio of 126% and 296% respectively in 2020 are not in line with our benchmarks. In the six months ended 30 June 2021, the Company's leverage position remained high as the interest expense to sales ratio and IBL (net of cash) to equity ratio of 14% and 296% respectively were not in line with our benchmarks. In our opinion, the Company's leverage position is high and we expect this to continue in the near term on the back of the loan obtained from the Nigerian Infrastructure Development Fund (NIDF) as well as the planned debt capital raise program the Company is undertaking to finance its growth plans. Nonetheless, we note that the Company can repay its debt obligations on the back of its strong cash-generating capacity and history of servicing other borrowings obtained from the NIDF, Fidelity Bank and FSL Securities Limited.

² <https://www.ncc.gov.ng/statistics-reports/industry-overview#total-by-technology>

Agusto notes that subsequent to FYE 2020, Pan African Towers has applied to the Federal Competition and Consumer Protection Commission (FCCPC) to obtain regulatory approval for a proposed change in the Company's existing ownership structure due to the impending equity takeover of the Company by Chapel Hill Denham. Upon receipt of the regulatory approval from the FCCPC, Chapel Hill Advisory Partners Limited will hold 67% of the Company's equity, while the balance of 33% will be owned by Prime Infrastructure West Africa Limited (PIWA).

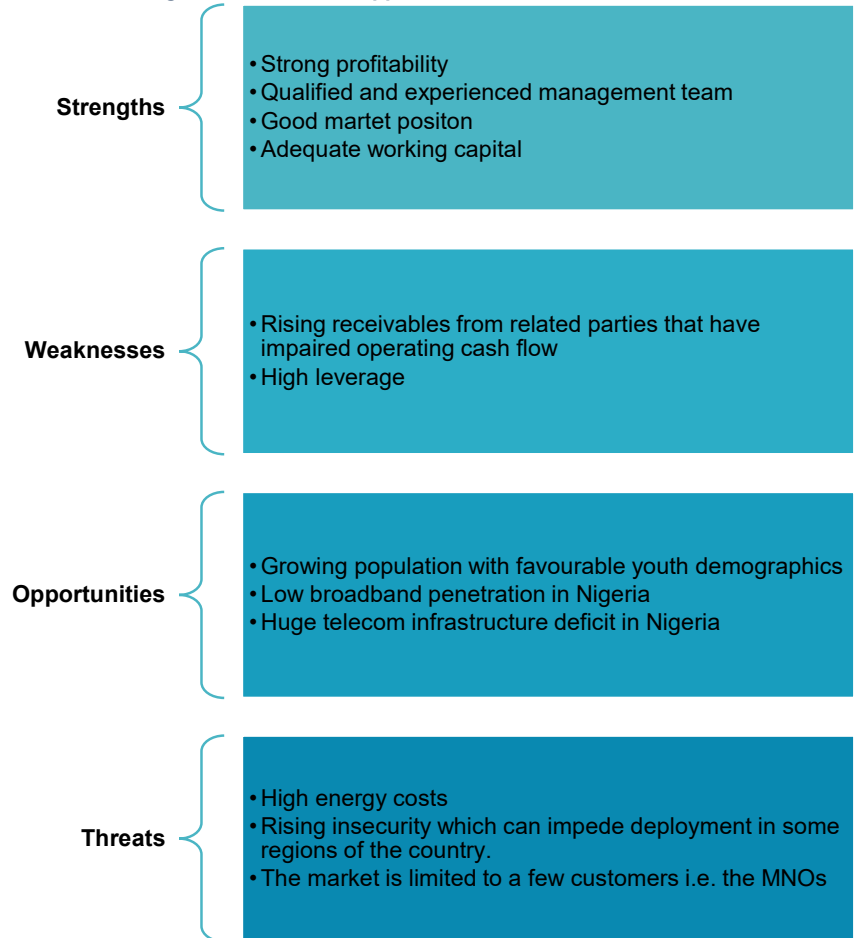
Pan African Towers intends to reduce the existing telecom infrastructure gap in the country through the deployment of up to 3,300 greenfield sites to new and underserved communities by the end of 2023 rising to 5,000 locations in 2025 while continuing to leverage energy-efficient power solutions for its operations³. In addition, the relative stability of the Company's contracts with the Mobile Network Operators (MNOs) as well as the large telecom infrastructure deficit in the country provides room for growth in the near to medium term.

We expect the Company's profitability and working capital levels to remain strong at the end of FYE 2021, while the cash flow position should rebound after the completion of the merger between PAT and SWAP. Nonetheless, in our opinion, the Company's leverage will remain high attributable to the loans obtained from the NIDF and the ongoing debt capital raise program.

Based on the aforementioned, we have attached a **stable** outlook to PAT.

³ The Company currently has 50 tower sites that are powered by renewable energy solutions and there are plans to add another 100 sites before the end of 2021 to reduce diesel costs in line with the Company's cost leadership strategy.

Figure 1: PAT's Strengths, Weaknesses, Opportunities & Threats



OVERVIEW OF THE NIGERIAN TELECOM TOWER INFRASTRUCTURE INDUSTRY

The performance of the telecom tower infrastructure industry (“the Industry”) mirrors that of the telecommunication and information services sector (“the Sector”). The telecommunication and information sector has been on an upward trajectory since the introduction of the General System for Mobile Communication (GSM) in 2001 on the back of the deregulation of the Sector as prescribed by Decree No. 75 of 1992. Furthermore, the Federal Government of Nigeria (FGN) liberalised the Sector through the launch of the National Telecommunications Policy (NTP) in 2000, followed by the National Communications Act (NCA) in 2003, which brought the NTP into legal force.

The Sector consists of the regulatory agency – Nigerian Communications Commission (NCC), Mobile Network Operators (MNOs), Internet Service Providers (ISPs), Original Equipment Manufacturers (OEMs) - that produce, install and maintain telecom equipment, Infrastructure providers that offer colocation amenities as well as other outsourcing players that handle engineering work and facility management.

Since 2001, the Sector has also been buoyed by various policies and reforms that have helped in attracting the required domestic and foreign investments to drive growth – one of which is the Strategic Vision Plan (SVP) implemented by the NCC. The SVP which covered 2015 – 2020 was hinged on an eight-point agenda - facilitating broadband penetration, improving quality usage and benefits of spectrum usage, promoting innovation and investment opportunities in the Sector, enabling strategic collaboration and partnerships, protecting and empowering consumers, promoting fair competition and inclusive growth while ensuring regulatory excellence and operational efficiency.

Furthermore, the advent of the COVID-19 pandemic in 2020 resulted in substantial growth in the Sector, as the Sector grew by 18% to account for 12% of the Nigerian real gross domestic product (GDP) in the year under review. On the back of movement restrictions imposed by the Nigerian government to stem the spread of the virus, the demand for voice and data services grew exponentially as many employers implemented work-from-home procedures, thus driving the growth of players in the Sector. As a result, telecommunication operators (“Telcos”) required more infrastructural services thus, resulting in the growth of players in the Industry.

The Industry is largely dominated by international players such as IHS Nigeria Limited (IHS) and American Tower Company Limited (ATC). The players in the Industry, particularly entities that provide colocation⁴ and other infrastructure services, compete based on the number of towers each operator controls and this forms the basis for determining market share. As a result, the international tower operators, as well as Globacom Nigeria Limited (Glo) that have been in operation for a significant number of years, control the largest market share - with IHS, Globacom and ATC owning 51%, 22% and 18% of the towers in the country while the other players account for the balance of 9%. Going forward, we expect the local content policy⁵ of the FGN in the Industry in addition to the granting of Pioneer Status Incentives⁶ (PSI) to new players to result in an increase in the number of indigenous infrastructure companies in the near to medium term.

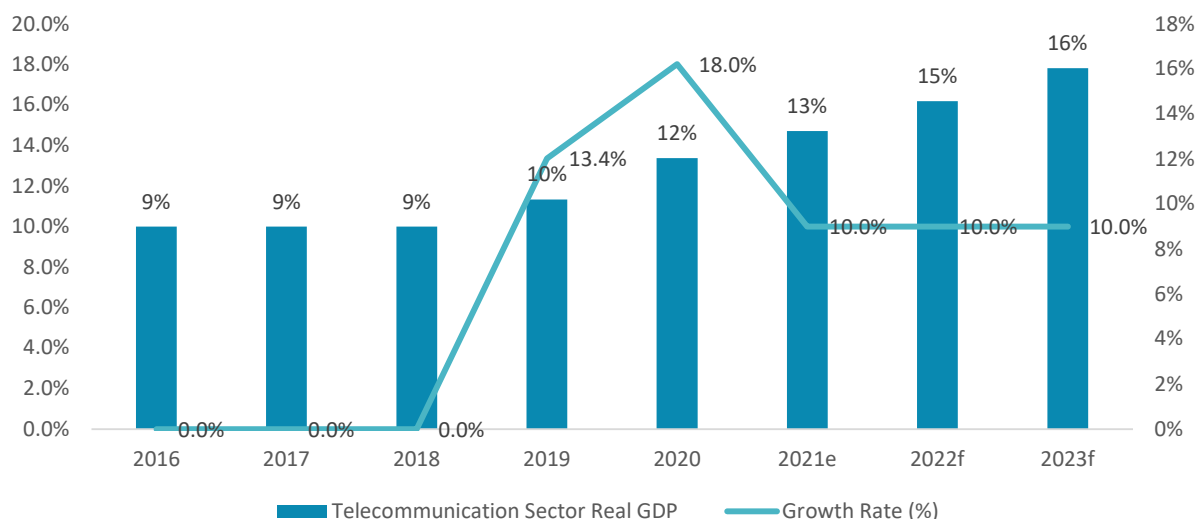
Since the liberalisation of the telecommunication sector in 2001, it has consistently contributed positively to the gross domestic product (GDP) of the country (see Figure 2). Going forward, we expect this trend to continue particularly with the impending introduction of the 5G network in the country coupled with the continuous rise in ISPs on the back of the ever-increasing demand for internet services as well as the sustained regulatory support by the NCC.

⁴This refers to the practice of locating multiple wireless broadcast equipment within the same facility. It is a process through which multiple networks are located on a single telecom facility, which is owned and maintained by one service provider.

⁵<https://www.ncc.gov.ng/docman-main/legal-regulatory/legal-other/987-national-policy-on-the-promotion-of-indigenous-content/file>

⁶The Pioneer Status Incentive (“PSI”) is aimed at attracting investments into critical sectors of the Nigerian economy. It was created under the Nigerian Industrial Development (Income Tax Relief) Act (“IDA”) to incentivize qualifying entities operating in specific industries.

Figure 2: Telecommunication Sector Real Gross Domestic Product (GDP)



Source: National Bureau of Statistics and Agusto & Co. Research.

The Industry is saddled with various challenges – multiple taxations; Quality of Service (QoS)⁷ problems; Right of Way (RoW)⁸ issues that hinder construction of new masts, towers and equipment; epileptic power supply, damage to telecommunications infrastructure during road construction; vandalism; insecurity as well as the high cost of doing business in Nigeria

Nonetheless, the FGN remains committed to growing the sector evidenced by the NCC’s launch of the National Digital Economy Policy and Strategy (NDEPS) to fast-track Nigeria’s progress towards becoming a leading economy providing high-quality digital services to all. The NDEPS aims to provide the required regulatory environment to promote growth in the sector while ensuring the necessary infrastructure is in place as well as enhancing local content initiatives⁹. In the same vein, the 2020 – 2025 Nigerian National Broadband Plan (NNBP), which replaced the erstwhile NNBP launched in 2013 seeks to deliver data download speed across the country at a minimum of 25 megabytes per second (MBPS) in urban areas and 10MBPS in rural communities with effective coverage available to at least 90% of the population by 2025. The 2020 – 2025 NNBP is hinged on 4 pillars – infrastructure, policy initiatives, demand drivers and funding & incentives¹⁰. We expect these policies as well as the RoW Charge Agreement to drive growth in the sector while also providing opportunities for players in the Industry to increase their portfolio of telecom infrastructure service offerings.

Based on the aforementioned, we have attached a **stable** outlook to the Nigerian telecom tower infrastructure industry.

⁷Quality of Service (QoS) is a set of technologies that work on a network to guarantee its ability to dependably run high-priority applications and traffic under limited network capacity.

⁸RoW charge is levied by state governments, permitting telecommunication companies to dig up the roads and install telecommunications hardware. The RoW agreement approved by the Nigerian Governors Forum requires telecom infrastructure companies to pay ₦145 per linear metre to lay fibre cable anywhere in Nigeria.

⁹ <https://www.ncc.gov.ng/docman-main/industry-statistics/policies-reports/883-national-digital-economy-policy-and-strategy/file>

¹⁰ <https://www.ncc.gov.ng/docman-main/legal-regulatory/legal-other/880-nigerian-national-broadband-plan-2020-2025/file>



COMPANY PROFILE

Overview & Background

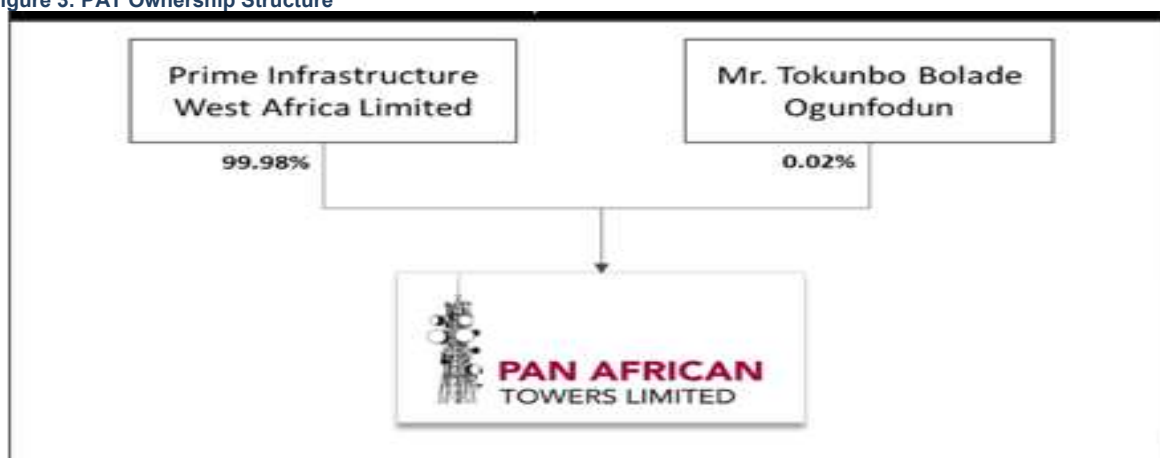
Pan African Towers Limited (“Pan African Towers”, “PAT” or “the Company”) was incorporated as a private limited liability company in Nigeria in 2013 and commenced operations in 2018 after the Company obtained its operating licence from the Nigerian Communications Council (NCC).

The principal activities of the Company include the provision of telecommunication colocation and infrastructure sharing services. In the same vein, PAT also provides managed services to third-party owned towers, acquisition of towers in strategic locations to meet the growing demand for broadband services in addition to distributed antenna solution (DAS).

Pan African Towers is one of the largest indigenous tower service providers in Nigeria with 1,000 tower sites in the country, out of which 607 are active serving key regions and markets in the country. In 2018, PAT entered into a “Managed Services and Colocation Agreement” (MSCA) with an existing telecommunication company (TowerCo) to manage a portfolio of tower sites in Nigeria. PAT has a total of 984 tenants across its 607 active tower networks with a colocation ratio of 1.62 times, which is above the Industry average of 1.5 times.

Ownership Structure & Board of Directors Composition

Figure 3: PAT Ownership Structure



Source: Pan African Towers Limited

As at 31 December 2020, Pan African Towers was 99.98% owned by Prime Infrastructure West Africa Limited (PIWA) while the balance of 0.02% was held by Mr Tokunbo Bolade Ogunfodun. PIWA shares are 80% held by Olatunde Titilayo while Olufunso Emmanuel Soyoye controls the balance of 20%. At an Extraordinary General Meeting in December 2020, a Special Resolution was proposed and passed for the transfer of the 100,000 shares held by Mr Ogunfodun to Prime Infrastructure West Africa Limited. During the year under review, PAT also issued a Call Notice to Prime Infrastructure West Africa Limited to subscribe for the 335 million outstanding shares out of the 490 million shares allotted to PIWA, which PIWA elected not to take up. On the back of this, Chapel Hill Advisory Partners Limited (CHAPS) paid ₦2.8 billion for the unsubscribed 335 million ordinary shares forfeited by PIWA. Furthermore, Chapel Hill Denham also invested ₦21.3 billion under the Nigerian Infrastructure Development Fund to Pan African Towers Limited¹¹.

¹¹ The Nigerian Infrastructure Development Fund is regulated the Securities and Exchange Commission and is managed by Chapel Hill Denham.

Subsequent to FYE 2020, Pan African Towers applied to the Federal Competition and Consumer Protection Commission (FCCPC) to obtain regulatory approval for a proposed change in the Company's existing ownership structure on the back of the equity finance injected by CHAPS. The Company has also obtained a "No Objection" from the NCC concerning CHAPS proposed acquisition of Pan African Towers. Upon receipt of the regulatory approval from the FCCPC, CHAPS will hold 67% of the Company's shares while the balance of 33% will be owned by PIWA. Also, Pan African Towers Limited owns 100% equity of Pan African Towers B2S Limited, which is yet to commence operations.

As at 31 December 2020, PAT had an eight-member Board of Directors, which comprised the Chairman, one Executive Director, four Non-Executive Directors and two Independent Non-Executive Directors. Mr Oluwole Adeleke leads the Board as Chairman, while Mr Sumanta Kumar Ray is the acting Chief Executive Officer/Chief Technical Officer.

Table 3: PAT's Board of Directors as at 31 December 2020

Name	Position
Mr Oluwole Adeleke	Chairman
Mrs Oghenekaro Akaba	Executive Director
Mr Tunde Titilayo	Non-Executive Director
Mr Philip Southwell	Non-Executive Director
Mr Mobolaji Balogun	Non-Executive Director
Mr Tumi Tiamiyu	Non-Executive Director
Mr Oke Maduewesi	Independent Director
Mr Hamza Atta	Independent Director

Source: Pan African Towers Limited

Other Information

As at 31 December 2020, Pan African Tower's total assets and liabilities stood at ₦33.1 billion (2019: ₦8.7 Billion) and ₦26.3 billion (2019: ₦6.1 billion) respectively, while shareholders' funds amounted to ₦6.8 billion (2019: ₦2.6 billion). In the financial year ended 31 December 2020, the Company reported revenue of ₦8.2 billion and recorded a profit after tax of ₦1.29 billion (2019: ₦1.35 billion). In the same period, the Company had an average staff strength of 38 employees (2019: 29 employees).

Table 4: Background information on PAT as at 31 December 2020

Authorised Share Capital	₦500 million
Paid-Up Capital	₦165 million
Shareholders' Funds	₦6.83 billion
Registered Office	10A, Tokunbo Omisore Street, Lekki Phase 1, Lagos
Principal Business	Telecoms Colocation and Infrastructure Sharing Services
Auditors	Ernst & Young

Source: PAT's 2020 Audited Financial Statement

FINANCIAL CONDITION

ANALYSTS' COMMENTS

We have analysed the audited financial statements of Pan African Towers Limited for the three years ended 31 December 2020 and annualised the H1'2021 management accounts to recognise the impact of the impending merger between the Company and SWAP Technologies and Telecoms Plc.

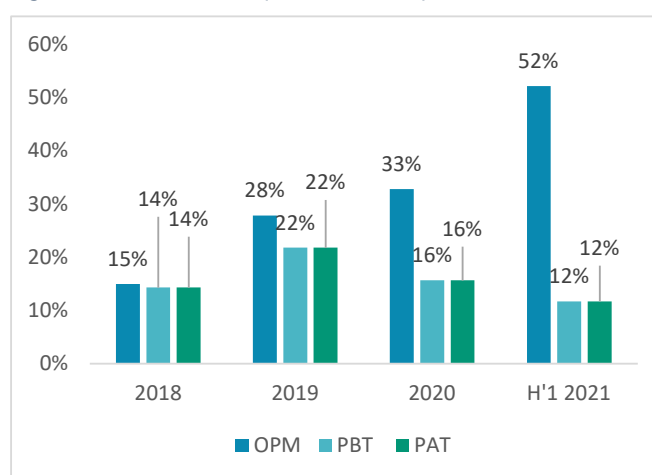
PROFITABILITY ANALYSIS

Pan African Towers generates revenue from the provision of telecoms colocation and infrastructure sharing services to Mobile Network Operators (MNOs) and Internet Service Providers (ISPs) as well as the design and deployment of built to suit tower (BTS) solutions at key locations that meet the specifications of the Company's clientele base. Despite the advent of the COVID-19 pandemic in 2020, the telecommunication sector in Nigeria experienced significant growth on the back of movement restrictions imposed by the FGn to curtail the spread of the virus. As a result of the movement restrictions, demand for data and voice-related services spiked¹² in the country as consumers depended on these services to work from home (WFH), maintain social ties, access entertainment and training amongst others. In the same vein, businesses also relied on these services to sustain remote working protocols and skeletal operations.

On the back of the increased demand for telecoms services, PAT's revenue for the year ended (FYE) 31 December 2020 grew by 33% to ₦8.24 billion as MNOs and ISPs required additional infrastructure to sustain the quality and reliability of their operations. In the year under review, Pan African Towers' cost of sales to revenue ratio improved to 48% (FYE 2019: 57%) due to a higher sales growth than cost increases, and we expect this to continue going forward as PAT is currently deploying energy-efficient power solutions to reduce its diesel expenses. As a result, PAT recorded an improved gross profit margin of 52% in FYE 2020 (FYE 2019: 43%), which we expect to continue on the back of the sustained increase in the demand for calls and internet services, which will continue to drive the need for colocation and support infrastructure.

During the FYE 2020, the Company's operating expenses to sales ratio increased to 19.2% (FYE 2019: 15.2%) due to higher depreciation and amortisation expenses, rise in staff costs coupled with the Nigerian Investment Promotion Council (NIPC) levy for the Pioneer Status Incentive (PSI)¹³ granted to PAT. Consequently, the Company reported an operating profit of ₦2.4 billion (FYE 2019: ₦1.7 billion), translating to an operating profit margin (OPM) of 33% (FYE 2019: 28%) while the three years (2018 – 2020) cumulative OPM of 28% is considered to be good.

Figure 4: OPM, PBT, PAT (2018 – H1' 2021)



¹² According to the NCC, the number of active internet subscribers grew to 154 million at the end of December 2020 from 136 million in March 2020.

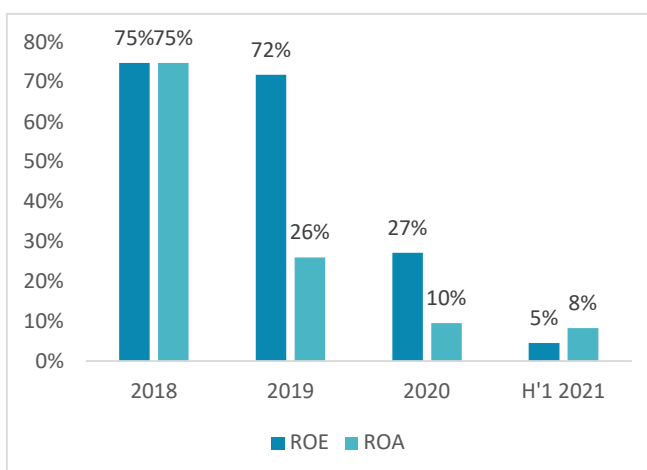
¹³ The PSI was granted for an initial period of three years that expired on the 31st of July 2021. The Company is currently processing the PSI for an additional period of two years.

In the year under review, Pan African Tower’s other income comprising inflows from ancillary services grew by 5% to ₦9.6 million, while other expenses which included impairment allowance on trade receivables and interest expense on lease liabilities amounted to ₦396 million (FYE 2019 ₦198 million). The Company’s interest expense on borrowings grew by 457% to ₦1.03 billion on account of the ₦19.3 billion loans obtained from the Nigeria Infrastructure Debt Fund in 2020, resulting in an interest expense to sales ratio of 12.5%, which is above our benchmark of not more than 5%. As a result, the Company’s profit before tax (PBT) declined to ₦1.28 billion, translating to a PBT margin of 15.6% (FYE 2019: 28%). Nonetheless, we note that Pan African Towers did not incur any income tax expense in the year under review as the Company is currently enjoying the PSI, which exempts it from Companies Income Tax (CIT).

In FYE 2020, the Company reported a pre-tax return on assets (ROA) of 10% and a three year (2018 – 2020) weighted average ROA of 14%, both of which are in line with our expectations. Pan African Towers also recorded a pre-tax return on equity (ROE) of 27% in 2020 and a three-year (2018 – 2020) average ROE of 37%, which we considered good.

In the half-year ended 30 June 2021 management accounts, the Company’s operating profit margin improved markedly to 52% due to the decline in operating expenses on account of the ongoing cost reduction strategies, hinged on reducing the diesel costs used to power its telecommunication towers. Nonetheless, the Company’s annualized ROA and ROE declined to 5% and 8% respectively largely due to the rise in interest costs associated with the existing borrowings for the ongoing business expansion.

Figure 5: Pre-tax ROA & ROE (2018 – H1’ 2021)



Going forward, we expect Pan African Towers’ profitability to remain strong underpinned by the strong growth prospects attributable to the substantial telecom infrastructure deficiency in the country, medium to long term contracts with the top MNOs and ISPs in addition to the cost reduction measures being implemented. The Company has naira denominated long term contracts¹⁴ with three of the four MNOs – MTN Nigeria Communications PLC (MTN), Airtel Network Limited (Airtel) and 9mobile Limited (9mobile) to provide infrastructural services, with these organisations constituting 95% of Pan African Towers’ revenue sources. This guarantees the stability and predictability of the Company’s income streams and there are plans to increase the number of sites by an additional 300 built-to-suit (BTS) sites out of which 200 locations have been delivered as at half-year 2021. Furthermore, Pan African Towers is in the process of increasing its colocation sites by an additional 170 by 2021 year-end (133 have been delivered as at the end of July 2021) on the back of increased demand. In addition, we note that as at the end of July 2021, the Company had 50 tower sites that are powered by renewable energy solutions and there are plans to add another 100 sites before the end of 2021 to reduce diesel costs, decrease carbon emissions and improve network access in line with the Company’s cost leadership strategy.

In our opinion, the Company’s profitability level is good and we expect this to be sustainable going forward.

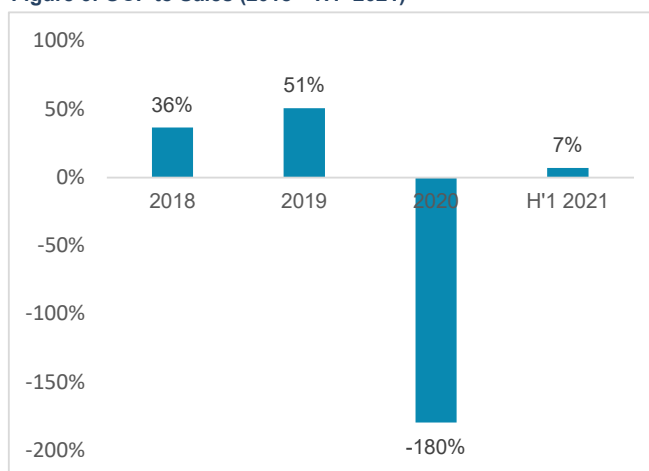
¹⁴ The contracts with MTN and Airtel are for 5 years while that of 9mobile is for 10 years.

CASH FLOW ANALYSIS

Pan African Towers Limited generates cash from the provision of telecommunication colocation and infrastructure facilities in addition to other ancillary services, with the Company requiring 30% payment in advance before the provision of required services to customers while the balance of 70% is paid after completion. In the year under review, Pan African Towers' average trade receivables collection period declined to 2 days from the 20 days recorded in 2019, while the average trade creditors payment period stood at 64 days (FYE 2019: 119 days). of improved cash collection from customers.

In FYE 2020, Pan African Towers posted a negative operating cash flow (OCF) of ₦14.8 billion representing a significant decline from the positive OCF of ₦3.1 billion in the previous year. The decline in OCF is largely attributable to the increase in amounts due from related parties and other debtors and prepayments, which grew by 100% and 81% respectively year on year. The increase in amounts due from related parties is principally on account of the ₦19.68 billion advances made to SWAP Technologies and Telecoms Plc (SWAP) to defray its liabilities to a consortium of lenders while other debtors largely comprised contract assets, withholding tax (WHT) receivables, and other prepayments. Pan African Towers signed a Master Sharing and Colocation Agreement (MSCA) with SWAP, which required PAT to make royalty payments to SWAP for the use of its towers. However, since the advances were made to SWAP, PAT now controls the 551 towers under the MSCA agreement and also ceased any form of royalty payments. If we adjust for the amounts due from related parties, Pan African Towers would have reported a positive operating cash flow in FYE 2020 and we expect this to be the case after the merger of PAT and SWAP.

Figure 6: OCF to Sales (2018 – H1' 2021)



Over the past three years (2018 – 2020), the Company recorded a cumulative negative OCF of ₦10.6 billion largely due to the impact of the current year negative OCF. Augusto & Co. expects the cash flow position to rebound in the near term on account of the proposed scheme of merger between PAT and SWAP, which will result in the cancellation of the loan made to SWAP. In the same vein, Augusto & Co. notes that PAT has a healthy cash-generating capacity evidenced by the Company's low trade debtors in addition to the lower levels of receivables collection period and we expect this to continue going forward.

A review of the 2021 half-year management account indicated an improvement in the Company's cash flow metrics as PAT recorded a positive OCF of ₦335 million, although this was insufficient to cover the returns to providers of finance (RTPOF) of ₦1.3 billion comprising interest payment. Nonetheless, Augusto & Co. notes that should an adjustment be made for the impending merger between PAT and SWAP, the OCF position would improve markedly.

In our opinion, Pan African Towers' cash flow position at the end of 2020 requires improvement, although, we expect significant enhancement at the end of FYE 2021 following the completion of the merger.

FINANCING STRUCTURE AND ADEQUACY OF WORKING CAPITAL

As at 31 December 2020, PAT's working assets stood at ₦23.5 billion representing a significant increase from the prior year, largely attributable to the upsurge in amounts due from related parties, although, we expect the amounts due from related to reduce in the near term on the back of the proposed merger between PAT and SWAP. The Company's working assets mainly comprised amounts due from related parties (84%) and other debtors and prepayments (15%). The rise in the amounts due from related parties is occasioned by the advances (obtained from the Nigerian Infrastructure Development Fund) made to SWAP to settle its existing liabilities owed to a consortium of secured lenders led by Afrexim Bank and other unsecured creditors while other debtors comprise contract assets, WHT and Value Added Tax (VAT) receivables as well as other prepayments.

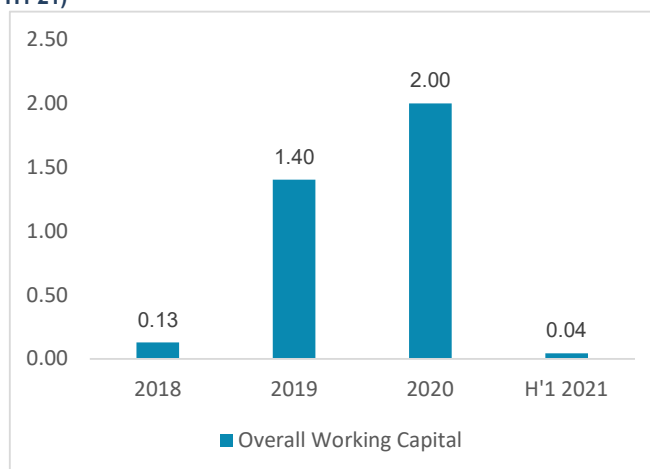
As at FYE 2020, the Company's spontaneous financing (non-interest-bearing liabilities) rose to ₦4 billion (FYE 2019: ₦3.3 billion) largely due to the increase in other creditors and accruals, which grew by 55%. The growth in other creditors and accruals is attributable to the rise in VAT payable in addition to the increase in accrued expenses. The drivers of the Company's spontaneous financing in the year under review were other creditors and accruals (82%), trade creditors (17%) and amounts due to related parties (1%). As at FYE 2020, the Company's spontaneous financing was insufficient to cover the working assets, resulting in a short term financing need (STFN) of ₦19.5 billion.

As at the same date, the Company's long-term funds of ₦29 billion, which comprised long-term borrowings (77%) and shareholder's equity (23%) were sufficient to cover the long-term assets, leaving a working capital available of ₦21.5 billion, which is consistent with the prior years. Agosto & Co. notes that long term borrowings are loans obtained from the NIDF. The working capital available was sufficient to cover the STFN, leaving an overall working capital surplus of ₦2.05 billion.

In the six months ended 30 June 2021, Pan African Towers recorded A STFN of ₦21.28 billion, which was attributable to the amounts due from related parties. PAT also recorded a working capital of ₦21.32 billion translating to an overall working capital surplus of ₦0.04 billion.

In our opinion, the Company's working capital position is adequate.

Figure 7: Overall Working Capital Surplus in ₦'billions (2018 – H1'21)



LEVERAGE ANALYSIS

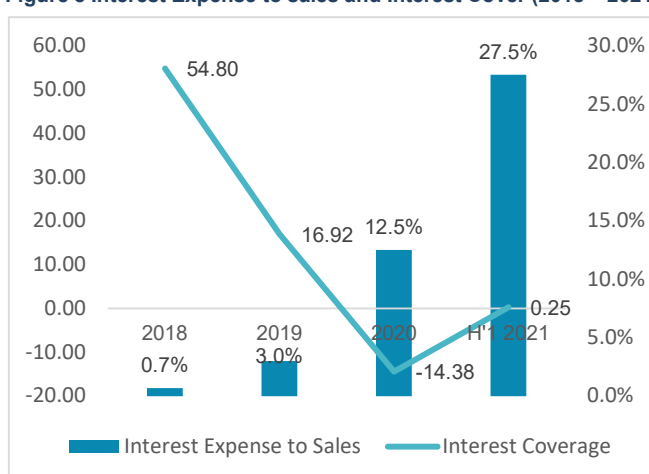
As at FYE 2020, Pan African Tower's total liabilities stood at ₦26.3 billion (FYE 2019: ₦6.1 billion), comprising interest-bearing liabilities (IBL) 85% (FYE 2019: 46%) and non-interest-bearing liabilities (NIBL) 15% (FYE 2019: 54%). The Company's IBL, which increased by 692% year-on-year comprised – long term borrowings of ₦19.8 billion and the current portion of long term loans of ₦2.4 billion. The long term borrowings of ₦19.8 billion comprise the loans obtained from the Nigerian Infrastructure Debt Fund (NIDF) managed by Chapel Hill Denham, split into tranches 1, 2 and 3, while the current portion of long term loans relates to advances obtained from Fidelity Bank, NIDF and FSL Securities Limited payable within 12 months

from 31 December 2020. The debt investment obtained from NIDF in tranches 1 and 2 were used to construct additional built-to-suit (BTS) sites and have tenors of 27 and 26 quarterly instalments respectively. The tranche 3 loans formed part of the advances made to SWAP in 2020 and are payable over 30 quarterly instalments commencing 30 September 2021.

As at FYE 2020, the Company's NIBL consisted of other creditors and accruals (82%), trade creditors (17%) and amounts due to related parties (1%). Other creditors largely consist of lease liabilities recognised under IFRS 16, WHT and VAT payable and other accruals while trade creditors relate to unpaid expenses incurred to lease and maintain cell sites.

During the year under review, the Company's finance cost increased by 457% to ₦1.03 billion on account of the rise in interest expense on borrowings, representing 12.5% of sales, which is higher than our benchmark of 5%. The rise in finance cost was mainly due to ₦19.3 billion tranches 1,2 and 3 loans obtained from the NIDF managed by Chapel Hill Denham in 2020. The loans are repayable in 27, 26 and 30 months quarterly instalments respectively while the interest payments are based on the quarterly average yield on the FGN 10-year Bond plus a credit spread of 450 basis points.

Figure 8 Interest Expense to sales and Interest Cover (2018 – 2021)



In the year under review, the Company recorded an interest coverage¹⁵ ratio of negative 14.38 times (FYE 2019: 16.92 times), which is attributable to the negative OCF posted in FYE 2020. The Company's interest cover in 2018 and 2019 amounted to 54.8 times and 16.92 times respectively. As at 31 December 2020, the Company's total assets were financed by total liabilities (79.4%) and shareholder's funds (20.6%) reflecting a low equity cushion, although, we note that this is typical of companies in the growth phase using debt capital to finance expansion programmes. As at the same date, the Company's total debt less cash as a percentage of average total assets and IBL (net of cash) to equity ratio of 126% and 296% respectively were higher than our benchmarks. We expect the Company's leverage position to remain high in the near to medium term due to the loan obtained from the NIDF as well as the debt capital raising program PAT is undertaking to finance its growth plans.

In the six months ended 30 June 2021, Pan African Towers' leverage position remained high evidenced by an interest expense to sales ratio of 14% with the Company's total debt less cash as a percentage of average total assets and IBL (net of cash) to equity ratio amounting to 78% and 290% respectively, which are not in line with our expectations. Nonetheless, the Company recorded an interest coverage ratio of 0.25 time, which is an improvement on the negative 14.38 times recorded in FYE 2020, but significantly less than our benchmark of 3 times.

In our opinion, Pan African Towers' leverage position is high.

¹⁵ Interest cover is calculated as OCF divided by finance cost on borrowings

OWNERSHIP, MANAGEMENT & STAFF ANALYSIS

As at 31 December 2020, Pan African Towers had an authorized share capital of 500,000,000 ordinary shares of ₦1 each, out of which 165,000,000 was issued and fully paid up. As at the same date, Prime Infrastructure West Africa Limited (PIWA) held 99.98% of the Company's paid-up share capital, while the balance of 0.02% was held by Mr Tokunbo Bolade Ogunfodun, thus depicting an ownership structure that is in our opinion concentrated. However, Pan African Towers has applied to the Federal Competition and Consumer Protection Commission (FCCPC) to obtain regulatory approval for a proposed change in the Company's existing ownership structure due to the impending equity takeover of the Company by Chapel Hill Denham. Upon receipt of the regulatory approval from the FCCPC, Chapel Hill Advisory Partners will hold 67% of the Company's equity, while the balance of 33% will be owned by PIWA.

As at 31 December 2020, Pan African Towers had an eight-member Board of Directors, which comprised five Non-Executive Directors, two Independent Directors and one Executive Director. Mr Oluwole Adeleke leads the Board as the Chairman, while Mr Sumanta Kumar Ray is the acting Chief Executive Officer (CEO). Augusto & Co. notes that the Company experienced significant changes at the Board level in the second half of 2020 occasioned by the change in the ownership structure of the Company.

The Board operates through three committees – the Governance & Remuneration Committee, Finance and Investment Committee in addition to the Audit & Risks Committee.

Pan African Tower's management team consists of the acting Chief Executive Officer and six senior management personnel covering various segments of the business. As at 31 December 2020, PAT's staff strength grew to 38 employees (2019: 29 employees) on the back of increased demand for the Company's services due to the COVID-19 pandemic. The Company's average cost per employee stood at ₦8.7 million in 2020, while the net earnings per staff of ₦61 million were sufficient to cover average staff cost 7 times, which is higher than our benchmark of 3 times. In our view, Pan African Towers has a qualified management team and the staff productivity is good.

Management Team

Mr Sumantar Kumar Ray is the acting Chief Executive Officer of Pan African Towers Limited. Mr Ray holds a Bachelor of Technology (B.Tech) degree in electrical engineering from the Veer Surendra Sai University of Technology in India and has attended various professional and management training and workshops throughout his career. Mr Ray has worked for several organisations including the Indian Air Force, Lucent Technologies in Singapore, Vodafone, Bonsal Networks India, Huawei Technologies amongst others. Before joining Pan African Towers as the acting CEO, Mr Ray was working with ITES Companies in India in a strategic business advisory role.

Mrs Oghenekaro Akaba is the Chief Commercial Officer of Pan African Towers Limited. She is a graduate of Cell Biology & Genetics from the University of Lagos and also holds a Masters of Business Administration (MBA) from the same institution. Mrs Akaba is also an ISO 9001:2015 certified auditor, with extensive experience in project and sales account management. She is a seasoned sales executive with over 12 years of experience in the Nigerian telecommunications sector. Before joining Pan African Towers Limited, she worked at Helios Towers, Prime Infrastructure and Engineering Services and SWAP.

Ife-Olorun Ajayi is the acting Chief Financial Officer (CFO) of Pan African Towers Limited. Mr Ajayi is a Chartered Accountant with over 27 years of experience in Finance, Audit, Treasury, Stockbroking, Operations amongst others. Mr Ajayi holds a Bachelor of Science (B.Sc) in Accounting from Olabisi Onabanjo University and an MBA from Lagos State University. Before joining PAT, he worked at Chapel Hill Denham, City Securities Ltd, Greenwich Trust Ltd, Lafarge as well as Ernst & Young.

Table 5: Other Members of PAT’s Management Team

Name	Position
Gbemisola Tella	Head, Human Resources
Mr Jolayemi Adesoji John	Head, Internal Audit & Revenue Assurance
Mr Temidayo Olaoluwa Adeleke	Head, Corporate Services
Mr Babatunde Olaniyan	Head, Regulatory & Contracts

Source: PAT’s Management Presentation

OUTLOOK

The Nigerian telecommunication sector recorded significant growth in 2020 largely due to the upsurge in the demand for data and voice services, which was precipitated by the COVID-19 pandemic. As a result of the pandemic, the sector grew by 18% when compared to the prior year to account for 12% of Nigeria’s real GDP on the back of movement restrictions imposed by the government to curtail the spread of the virus, which resulted in the majority of the citizenry requiring additional voice and data services to work from home, maintain social ties, access entertainment and training amongst others. Furthermore, the rapid rise in Nigeria’s population and particularly the significant youth demographics had also resulted in a surge in the demand for call and internet services before the pandemic and we note that there is immense potential for growth in data services.

Industry growth has also been driven by favourable policies implemented by the regulator – NCC coupled with the FGN’s willingness to digitalise the economy, as well as the relative progress made in the implementation of the Right of Way (RoW) initiative¹⁶. Furthermore, the low broadband penetration in the country in addition to the aggressive rollout of 4G in Nigeria as well as the increasing willingness of MNO’s and ISP’s to collocate, provide opportunities for tower operators to grow their businesses.

During the year under review, Pan African Towers’ performance was characterised by good profitability, adequate working capital and a qualified and experienced management team. Nonetheless, the Company’s financial condition was in our opinion tempered by high leverage and a cash flow position that requires improvement.

Going forward, the Company intends to position itself to close the existing gap in the telecom tower infrastructure industry through – the aggressive roll-out of up to 3,300 greenfield sites to new and underserved communities in the country by the end of 2023 rising to 5,000 locations in 2025, deploy new small cell sites and distributed antenna solution (DAS) to improve network coverage and quality, while continuing to leverage energy-efficient power solutions for its operations¹⁷. In the same vein, we note that 95% of the Company’s revenue is generated from three of the four MNO’s in the country – MTN (55%), Airtel (32%) and 9mobile (8%) which is in line with the Industry structure and this ensures the stability and predictability of Pan African Tower’s income streams in the near term

The Company’s business model is hinged principally on 4 strategic areas (see figure 8). Pan African Towers intends to reduce its capital expenditure going forward by providing increased collocation services due to the preference of these amenities by the MNOs. In addition, PAT plans to achieve quick and improved network coverage on its facilities without having to build new towers to service its clientele through - increased levels of collocation, which reduces carbon emissions while also attaining better operational efficiencies.

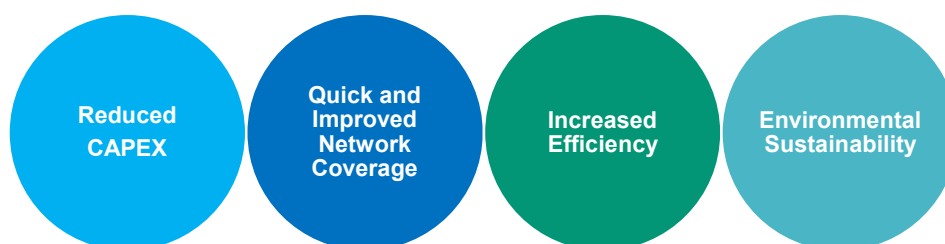
¹⁶ The ROW initiative is hinged on securing the participation of states governments to waive the RoW fee or maintain the fee at the minimum amount of ₦145 per linear metre to lay fibre anywhere in Migeria

¹⁷ The Company currently has 50 tower sites that are powered by renewable energy solutions and there are plans to add another 100 sites before the end of 2021 to reduce diesel costs in line with the Company’s cost leadership strategy.



We believe that the Company’s business model provides a pathway to meet the demand offerings of MNOs and ISPs to achieve sustained growth. Also, the Company’s position as a leading indigenous player in the Industry, wide coverage across Nigeria, efficient technology and infrastructure coupled with the better than Industry average colocation ratio of 1.6 times provide optimism for PAT’s growth prospects. Finally, we note the Company’s plans to evolve into a full-fledged infrastructure company offering fibre services at its tower sites as well as becoming a power firm providing mini-grids, hybrid solutions amongst others to similar industries to diversify its revenue base.

Figure 8: Pan African Towers Limited Business Model for sustained growth



Source: Pan African Towers Limited management presentation

In the near term, we expect the Company’s profitability to remain strong on the back of the growth opportunities in the telecoms sector while the cash flow position will improve due to the proposed merger of SWAP Technologies and Telecoms Plc and PAT. Agusto & Co. also expects the working capital position to remain adequate in line with the prior years, while the leverage position will remain high in our opinion.

Based on the aforementioned, we have attached a **stable** outlook to Pan African Towers Limited.

FINANCIAL SUMMARY

STATEMENT OF FINANCIAL POSITION AS AT	31-Dec-20		31-Dec-19		31-Dec-18	
	N'000		N'000		N'000	
ASSETS						
IDLE CASH	2,047,956	6.2%	1,404,614	16.1%	127,687	4.8%
MARKETABLE SECURITIES & TIME DEPOSITS						
CASH & EQUIVALENTS	2,047,956	6.2%	1,404,614	16.1%	127,687	4.8%
FX PURCHASED FOR IMPORTS					-	
ADVANCE PAYMENTS AND DEPOSITS TO SUPPLIERS	235,506	0.7%	-			
STOCKS						
TRADE DEBTORS	46,449	0.1%	333,632	3.8%		
DUE FROM RELATED PARTIES	19,683,075	59.5%				
OTHER DEBTORS & PREPAYMENTS	3,522,138	10.6%	1,943,546	22.2%	1,471,270	55.8%
TOTAL TRADING ASSETS	23,487,168	70.9%	2,277,178	26.1%	1,471,270	55.8%
INVESTMENT PROPERTIES						
OTHER NON-CURRENT INVESTMENTS	800	0.0%	800	0.0%	800	0.0%
PROPERTY, PLANT & EQUIPMENT	4,487,887	13.6%	3,028,393	34.7%	952,487	36.1%
SPARE PARTS, RETURNABLE CONTAINERS, ETC						
GOODWILL, INTANGIBLES & OTHER I T ASSETS	3,081,665	9.3%	2,025,831	23.2%	82,579	3.1%
TOTAL LONG-TERM ASSETS	7,570,352	22.9%	5,055,024	57.9%	1,035,866	39.3%
TOTAL ASSETS	33,105,476	100.0%	8,736,816	100.0%	2,634,823	100.0%
<i>Growth</i>	278.9%		231.6%		27203.9%	
LIABILITIES & EQUITY						
SHORT TERM BORROWINGS						
CURRENT PORTION OF LONG-TERM BORROWINGS	2,404,070	7.3%	1,689,916	19.3%		
LONG-TERM BORROWINGS	19,838,784	59.9%	1,120,216	12.8%	188,132	7.1%
TOTAL INTEREST-BEARING LIABILITIES	22,242,854	67.2%	2,810,132	32.2%	188,132	7.1%
TRADE CREDITORS	687,691	2.1%	1,146,228	13.1%	1,018,383	38.7%
DUE TO RELATED PARTIES	54,124	0.2%				
ADVANCE PAYMENTS AND DEPOSITS FROM CUSTOMERS						
OTHER CREDITORS AND ACCRUALS	3,289,393	9.9%	2,123,798	24.3%	326,140	12.4%
TAXATION PAYABLE						
DIVIDEND PAYABLE						
DEFERRED TAXATION						
OBLIGATIONS UNDER UNFUNDED PENSION SCHEMES						
MINORITY INTEREST	-		-		-	
REDEEMABLE PREFERENCE SHARES						
TOTAL NON-INTEREST-BEARING LIABILITIES	4,031,208	12.2%	3,270,026	37.4%	1,344,523	51.0%
TOTAL LIABILITIES	26,274,062	79.4%	6,080,158	69.6%	1,532,655	58.2%
SHARE CAPITAL	165,000	0.5%	10,000	0.1%	10,000	0.4%
SHARE PREMIUM			-		-	
IRREDEEMABLE DEBENTURES						
REVALUATION SURPLUS						
OTHER NON-DISTRIBUTABLE RESERVES	3,615,447	10.9%	884,447	10.1%	679,451	25.8%
REVENUE RESERVE	3,050,967	9.2%	1,762,211	20.2%	412,717	15.7%
SHAREHOLDERS' EQUITY	6,831,414	20.6%	2,656,658	30.4%	1,102,168	41.8%
TOTAL LIABILITIES & EQUITY	33,105,476	100.0%	8,736,816	100.0%	2,634,823	100.0%

Pan African Towers Limited

STATEMENT OF COMPREHENSIVE INCOME	31-Dec-20		31-Dec-19		31-Dec-18	
	₦'000		₦'000		₦'000	
TURNOVER	8,240,491	100.0%	6,195,189	100.0%	2,905,175	100.0%
COST OF SALES	(3,951,943)	-48.0%	(3,529,699)	-57.0%	(2,092,498)	-72.0%
GROSS PROFIT	4,288,548	52.0%	2,665,490	43.0%	812,677	28.0%
OTHER OPERATING EXPENSES	(1,583,706)	-19.2%	(942,288)	-15.2%	(378,333)	-13.0%
OPERATING PROFIT	2,704,842	32.8%	1,723,202	27.8%	434,344	15.0%
OTHER INCOME/(EXPENSES)	(386,586)	-4.7%	(188,738)	-3.0%	-	
PROFIT BEFORE INTEREST & TAXATION	2,318,256	28.1%	1,534,464	24.8%	434,344	15.0%
INTEREST EXPENSE	(1,029,500)	-12.5%	(184,970)	-3.0%	(19,277)	-0.7%
PROFIT BEFORE TAXATION	1,288,756	15.6%	1,349,494	21.8%	415,067	14.3%
TAX (EXPENSE) BENEFIT	-		-		-	
PROFIT AFTER TAXATION	1,288,756	15.6%	1,349,494	21.8%	415,067	14.3%
NON-RECURRING ITEMS (NET OF TAX)	-		-		-	
MINORITY INTERESTS IN GROUP PAT						
PROFIT AFTER TAX & MINORITY INTERESTS	1,288,756	15.6%	1,349,494	21.8%	415,067	14.3%
DIVIDEND	-		-		-	
PROFIT RETAINED FOR THE YEAR	1,288,756	15.6%	1,349,494	21.8%	415,067	14.3%
SCRIP ISSUES						
OTHER APPROPRIATIONS/ ADJUSTMENTS	-		-		-	
PROFIT RETAINED B/FWD	1,762,211		412,717		(2,350)	
PROFIT RETAINED C/FWD	3,050,967		1,762,211		412,717	
ADDITIONAL INFORMATION	31-Dec-20		31-Dec-19		31-Dec-18	
Staff costs (₦'000)	331,615		140,388		24,116	
Average number of staff	38		29		14	
Staff costs per employee (₦'000)	8,727		4,841		1,723	
Staff costs/Turnover	4%		2%		1%	
Capital expenditure (₦'000)	2,058,669		2,375,232		1,014,254	
Depreciation expense - current year (₦'000)	595,985		271,368		61,767	
(Profit)/Loss on sale of assets (₦'000)	-		-		-	
Number of 50 kobo shares in issue at year-end ('000)	330,000		20,000		20,000	
Market value per share of 50 kobo (year-end)	-		-		-	
Market capitalisation (₦'000)	-		-		-	
Market/Book value multiple	-		-		-	
Non-operating assets at balance sheet date (₦'000)	800		800		800	
Market value of tradeable assets (₦'000)						
Revaluation date - Investment properties						
Revaluation date - Other properties						
Average age of depreciable assets (years)	1		1		-	
	800		800		800	
Sales at constant prices - base year 1985 (₦'000)	19,496		16,964		8,908	
Auditors	EY		EY		EY	
Opinion	CLEAN		CLEAN		CLEAN	

Pan African Towers Limited

CASH FLOW STATEMENT FOR Y/E	31-Dec-20	31-Dec-19	31-Dec-18
	₦'000	₦'000	₦'000
OPERATING ACTIVITIES			
Profit after tax	1,288,756	1,349,494	415,067
ADJUSTMENTS			
Interest expense	1,029,500	184,970	19,277
Minority interests in Group PAT	-	-	-
Depreciation	595,985	271,368	61,767
(Profit)/Loss on sale of assets	-	-	-
Other non-cash items	2,731,000	204,996	679,451
Potential operating cash flow	5,645,241	2,010,828	1,175,562
INCREASE/(DECREASE) IN SPONTANEOUS FINANCING:			
Trade creditors	(458,537)	127,845	1,018,383
Due to related parties	54,124	-	-
Advance payments and deposits from customers	-	-	-
Other creditors & accruals	1,165,595	1,797,658	324,140
Taxation payable	-	-	-
Deferred taxation	-	-	-
Obligations under unfunded pension schemes	-	-	-
Minority interest	-	-	-
Cash from (used by) spontaneous financing	761,182	1,925,503	1,342,523
(INCREASE)/DECREASE IN WORKING ASSETS:			
FX purchased for imports	-	-	-
Advance payments and deposits to suppliers	(235,506)	-	-
Stocks	-	-	-
Trade debtors	287,183	(333,632)	-
Due from related parties	(19,683,075)	-	-
Other debtors & prepayments	(1,578,592)	(472,276)	(1,461,620)
Cash from (used by) working assets	(21,209,990)	(805,908)	(1,461,620)
CASH FROM (USED IN) OPERATING ACTIVITIES	(14,803,567)	3,130,423	1,056,465
RETURNS TO PROVIDERS OF FINANCING			
Interest paid	(1,029,500)	(184,970)	(19,277)
Dividend paid	-	-	-
CASH USED IN PROVIDING RETURNS ON FINANCING	(1,029,500)	(184,970)	(19,277)
OPERATING CASH FLOW AFTER PAYMENTS TO PROVIDERS OF FINANCING	(15,833,067)	2,945,453	1,037,188
NON-RECURRING ACTIVITIES			
Non-recurring items (net of tax)	-	-	-
CASH FROM (USED IN) NON-RECURRING ACTIVITIES			
INVESTING ACTIVITIES			
Capital expenditure	(2,058,669)	(2,375,232)	(1,014,254)
Sale of assets	3,190	27,958	-
Purchase of other long term assets (net)	(1,055,834)	(1,943,252)	(83,379)
Sale of other long term assets (net)	-	-	-
CASH FROM (USED IN) INVESTING ACTIVITIES	(3,111,313)	(4,290,526)	(1,097,633)
FINANCING ACTIVITIES			
Increase/(Decrease) in short term borrowings	-	-	-
Increase/(Decrease) in long term borrowings	19,432,722	2,622,000	188,132
Proceeds of shares issued	155,000	-	-
CASH FROM (USED IN) FINANCING ACTIVITIES	19,587,722	2,622,000	188,132
CHANGE IN CASH INC/(DEC)	643,342	1,276,927	127,687
OPENING CASH & MARKETABLE SECURITIES	1,404,614	127,687	-
CLOSING CASH & MARKETABLE SECURITIES	2,047,956	1,404,614	127,687

Pan African Towers Limited

PROFITABILITY	Dec-20	Dec-19	Dec-18
PBT as % of Turnover	15.6%	21.8%	14.3%
Return on equity	27.2%	71.8%	74.8%
Sales growth	33%	113.2%	N/A
CASH FLOW			
Interest cover (times)	-14.3	16.92	54.8)
Principal payback (years)	-	-	-
WORKING CAPITAL			
Working capital need (days)	679-	-	-
Working capital deficiency (days)	-	-	13
LEVERAGE			
Interest bearing debt to Equity	326%	106%	17%
Total debt to Equity	385%	229%	139%
IBD net of cash and Equiv. as a % of Equity without rev.	296%	53%	5%
Net Debt/Avg Total Assets Exc. Cash and Rev. Surplus	126%	95%	112%

RATING DEFINITIONS

Aaa	This is the highest rating category. It indicates a company with an impeccable financial condition and overwhelming ability to meet obligations as and when they fall due.
Aa	This is a company that possesses a very strong financial condition and a very strong capacity to meet obligations as and when they fall due. However, the risk factors are somewhat higher than for Aaa obligors.
A	This is a company with a good financial condition and a strong capacity to repay obligations on a timely basis.
Bbb	This refers to a company with a satisfactory financial condition and adequate capacity to meet obligations as and when they fall due.
Bb	This refers to a company with a satisfactory financial condition but the capacity to meet obligations as and when they fall due may be contingent upon refinancing. The company may have one or more major weakness (es).
B	This refers to a company that has weak financial condition and capacity to meet obligations in a timely manner is contingent on refinancing.
C	This refers to an obligor with a very weak financial condition and a weak capacity to meet obligations in a timely manner.
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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