



FMDQ Boot Camp for Corporates in the Nigerian Debt Capital Markets

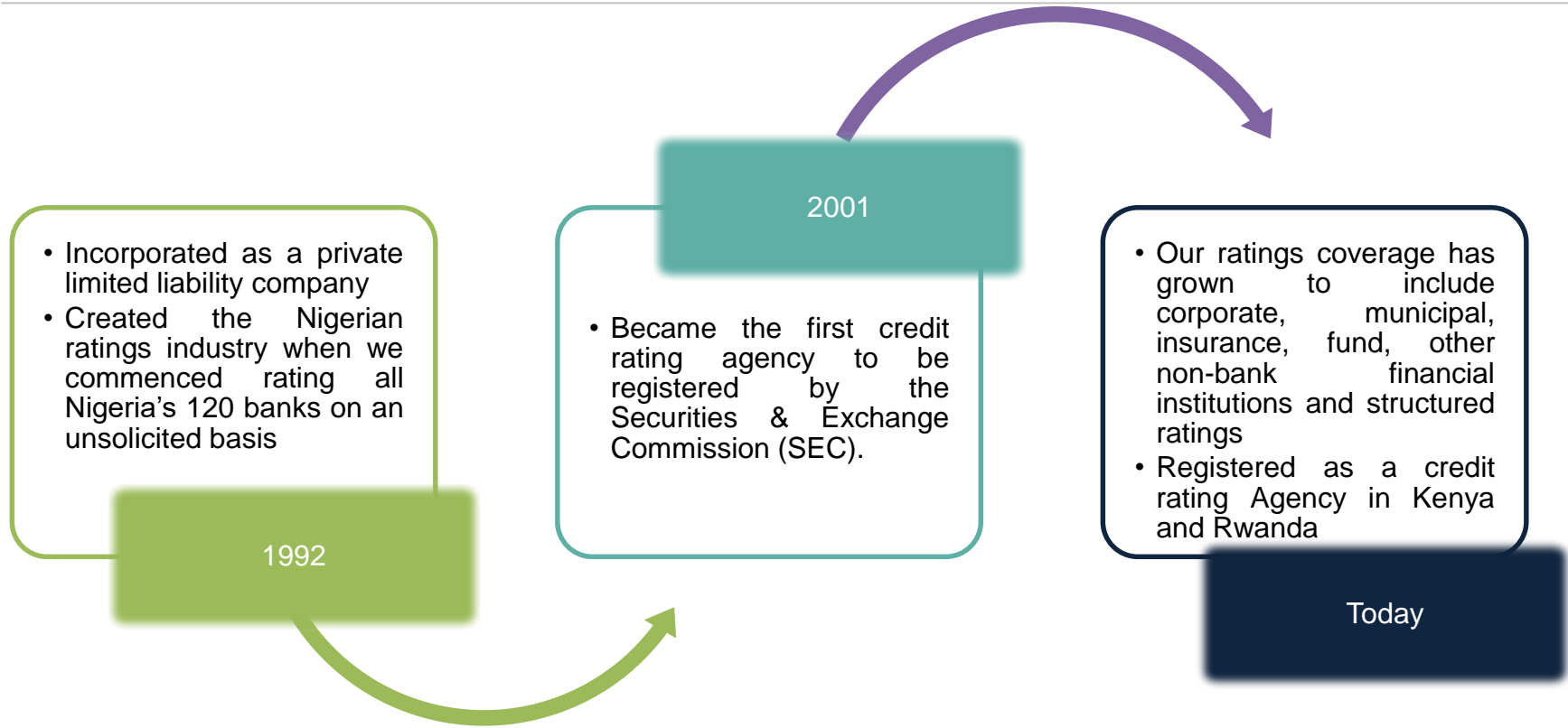
Credit Ratings & the Nigerian Debt Capital Markets

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October 2018



Agusto & Co. – Over 1500 Risk Ratings







A Credit Rating is an **independent** objective assessment an obligor's creditworthiness; its capacity to meet its obligations as and when due.



Credit Ratings are **OPINIONS** on credit risk by experienced professionals who evaluate and interpret information from issuers and other reliable sources.



Credit Ratings can only be provided when there sufficient information to form a credible opinion, and after applicable quantitative and qualitative analysis are performed.



Globally Rating opinions are conveyed in a simple well recognized alphabetic scale, for easy reference and comparability.



A Credit Rating is not a recommendation to purchase, sell or hold a financial obligation and is not a measure of asset value.



Credit Ratings are not investment advice and are just one factor investors may consider when making investment decisions



A Credit Rating is not an audit



A Credit Rating is not an equity opinion and therefore does not assess the ability of a company to create value for its shareholders.

Objective of Credit Ratings



Credit ratings are one of several tools investors use when making decisions to purchase bonds or other fixed income securities



Credit ratings lends credence to financial and other representation from borrowers



Credit ratings encourages greater information disclosure



Helps intermediaries in discharging their functions associated to debt issues



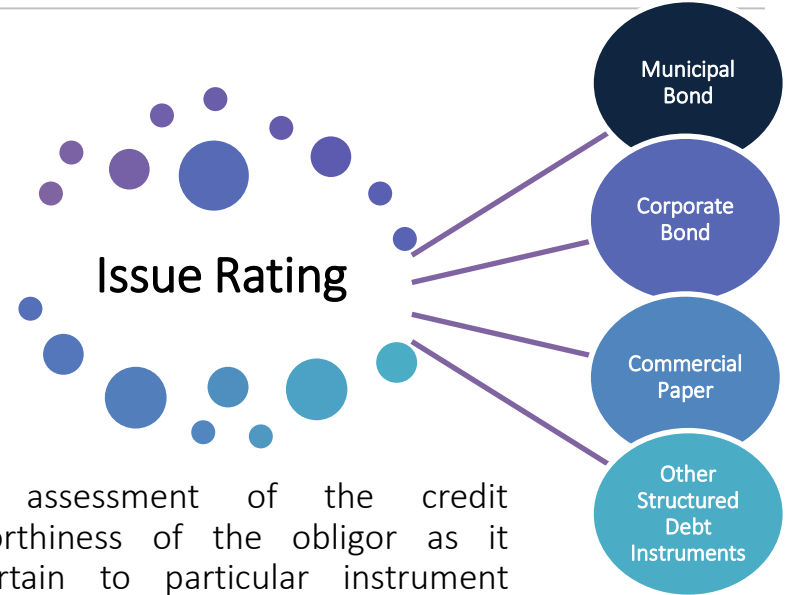
May reduce cost of borrowing for highly rated entities



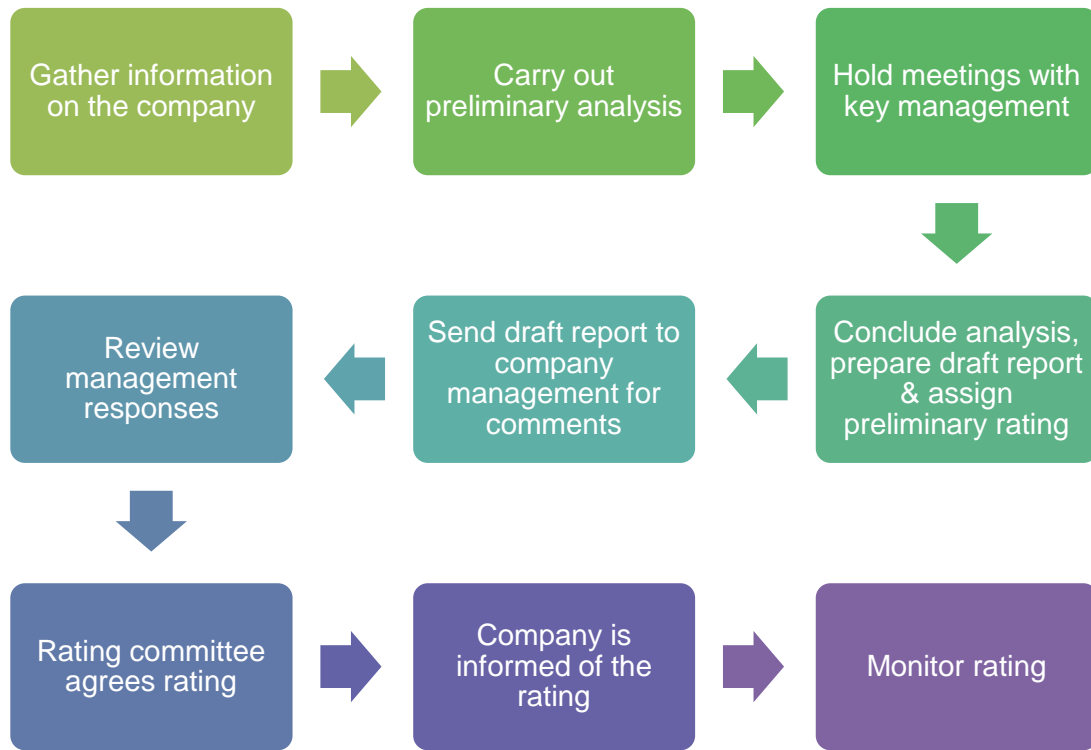
- Ultimately, a Credit Rating Agency's recognition as a Rating Agency is dependent on investors' willingness to accept its judgment



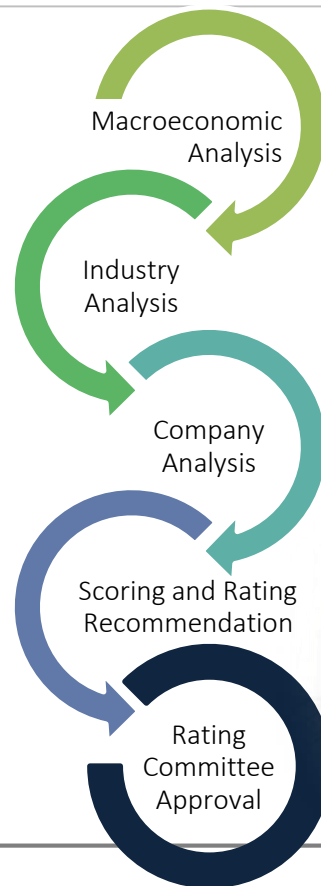
- An independent unbiased opinion on the general creditworthiness of a borrower
- Focus is on the company's capacity to meet all financial commitments as they fall due
- Not specific to any particular debt



- A assessment of the credit worthiness of the obligor as it pertain to particular instrument which it intends to issue or has outstanding
- May reflect the creditworthiness of guarantors or other forms of credit enhancement on the obligation



We adopt a top-down approach in our analysis.



Agusto & Co. Ratings considers both **qualitative** and **quantitative** factors in the following broad areas:

Macro-economic Analysis

- Impact of key macro-economic variables the industry

Industry Analysis

- Size and strategic importance
- Regulation
- Financial Condition
- Key Success Factors
- Major Risk Areas

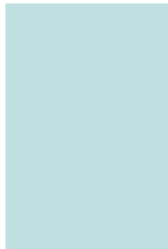
Company (Obligor) Analysis

- Industry Position
- Strategy
- Ownership Structure, Profitability
- Working Capital and working asset management
- Adequacy of Cash flow
- Financial Leverage and efficiency in the use of debt
- Management & Staff

Other criteria considered include:




Financial forecasts



Credit enhancement
including guarantees,
collaterals, and insurance.



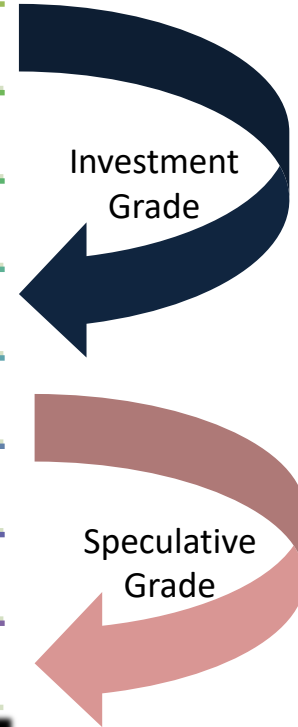
Management/shareholder
conflict



Any other issues that
Agusto & Co. believes will
significantly affect the
repayment capacity of the
company's debt obligations

Issuer Rating Definitions

Aaa	This is the highest rating category. It indicates a company with impeccable financial condition and overwhelming ability to meet obligations as and when they fall due
Aa	This is a company that possesses very strong financial condition and 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 good financial condition and strong capacity to repay obligations on a timely basis
Bbb	This refers to companies with satisfactory financial condition and adequate capacity to meet obligations as and when they fall due
Bb	This refers to companies with satisfactory financial condition but 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 very weak financial condition and weak capacity to meet obligations in a timely manner
D	Obligor 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)

Issue Rating Definitions

Aaa	Bonds rated 'Aaa' are judged to offer highest safety of timely payment of interest and principal .
Aa	Bonds rated 'Aa' are judged to offer high safety of timely payment of interest and principal . They differ in safety from 'AAA' issues only marginally
A	Bonds rated 'A' are judged to offer adequate safety of timely payment of interest and principal ; however, changes in circumstances can adversely affect such issues more than those in the higher rated categories
Bbb	Bonds rated 'Bbb' are judged to offer sufficient safety of timely payment of interest and principal for the present ; however, changing circumstances are more likely to lead to a weakened capacity to pay interest and repay principal than higher rated categories
Bb	Bonds rated 'Bb' are judged to carry inadequate safety of timely payment of interest and principal ; while they are less susceptible to default than other speculative grade securities in the immediate future, the uncertainties that the issuer faces could lead to inadequate capacity to make timely interest and principal payments
B	Bonds rated 'B' are judged to have greater susceptibility to default ; while currently interest and principal payments are met, adverse business or economic conditions would lead to lack of ability or willingness to pay interest or principal
C	Bonds rated 'C' are judged to have factors present that make them vulnerable to default; timely payment of interest and principal is possible only if favourable circumstances continue
D	Bonds rated 'D' are in default and in arrears of interest or principal payments or are expected to default on maturity. Such bonds are extremely speculative and returns from these bonds may be realized only on reorganisation or liquidation



Rating Category Modifiers

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Company (Issuer or Obligor)



Independent and internationally recognized way of communicating the financial strength of an entity to lenders and the public



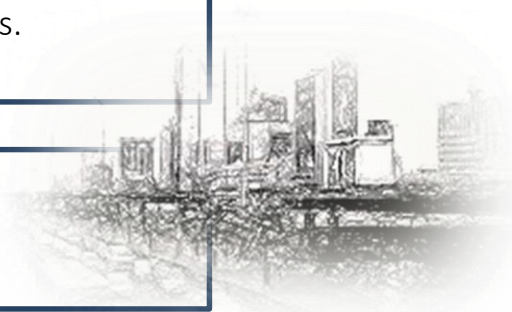
A rating enhances the ability of an entity to access funds from the money and capital markets



May reduce interest cost for highly rated entities.



Improves Corporate image



Company (Issuer or
Obligor)



Good for less popular companies



A good way of getting “Consulting Advice” as it provides management with an independent opinion on the organization and its operations



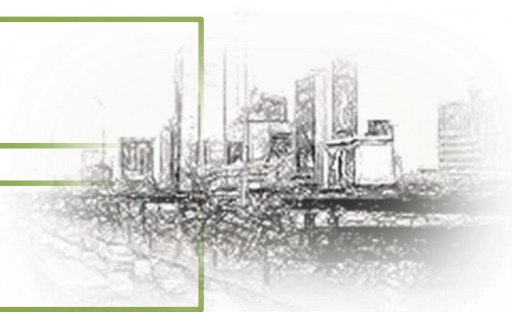
Wider audience for borrowing








Acts as a marketing tool.

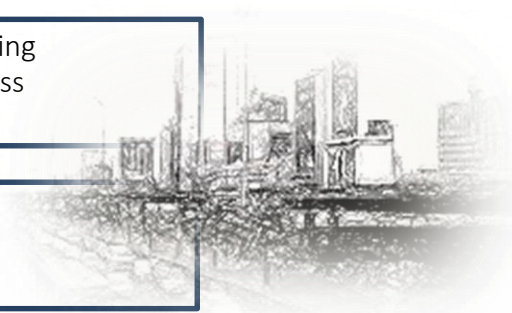


Imposes healthy discipline on borrowers



Investors & Lenders

-  Provides an independent credit evaluation
-  Increased transparency
-  Provides a common language for debt markets and a basis to compare securities with similar credit risks
-  The Ratings and accompanying analysis help in disseminating information and imparting transparency to all, including less sophisticated investors
-  Saves investor time and effort



Financial System



Fosters the development of the capital and money markets.



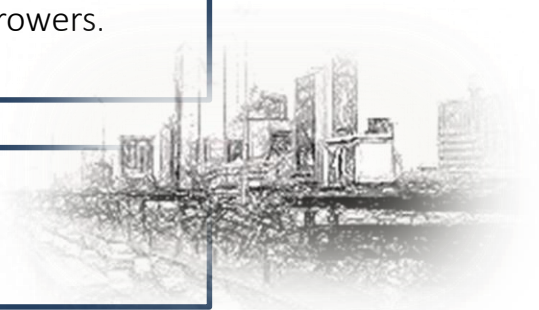
Promotes transparency



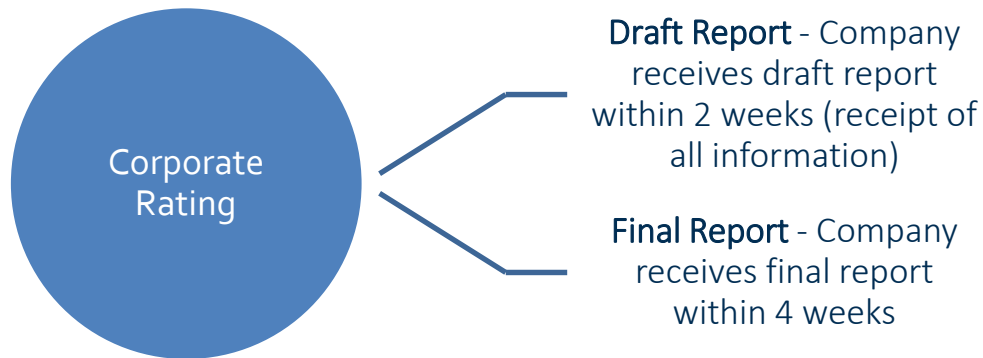
Broaden the investor base and the range of borrowers.




Promotes merit based access to funding



Agusto & Co. estimates that the rating exercise will take 4 weeks, following receipt of the required information from the company. This is broken down into two weeks to produce a draft report, one week for the Company to review the draft report and respond with comments and one week to conclude and send final report.



Why Augusto & Co.?



Understanding of the local business terrain and network of contacts

Database spans various industries and sectors of the Nigerian economy

Track record and reputation

Assigned over 1,500 risk ratings to corporate and municipals

Technically sound people

Extensive research on the Nigerian economy

Agusto & Co. Core Values

Character free of doubt

Deep knowledge of the economy we operate in

Independence and impartiality of mind

Transparent and objective rating procedures

Confidentiality

Highly qualified Analysts

Sound financial condition

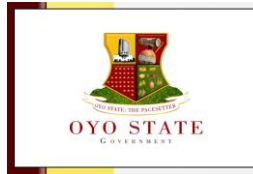
Select Clients



UACN Property Development Company (UPDC)



Select Clients



Ebonyi State

Government of Nigeria

Salt of the Nation



- Vivien Shobo (Mrs)
 - Chief Executive Officer
 - 0708 884 4444
 - vivienshobo@agusto.com
- Isaac Babatunde
 - Executive Director
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 - +234 808 718 3900
 - isaacbabatunde@agusto.com

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*Thank
you*

