

INVESTOR REPORT

2020

Q2

JUNE 2020



PROFILE AT A GLANCE



Unlocking Long Term Local Currency Infrastructure Finance in Nigeria

InfraCredit is a specialised financial guarantor established by the Nigeria Sovereign Investment Authority in collaboration with GuarantCo to provide guarantees to enhance the credit quality of local currency debt instruments issued to finance eligible infrastructure related assets in Nigeria.

RATINGS



AAA ^(NG)
June 2021

GCR / **AAA** ^(NG)
June 2021

CAPITAL PROVIDERS



CAPITAL

TARGET CAPITAL

200^m
USD

CORE CAPITAL

50^m
USD
(NGN EQUIVALENT)

SUBORDINATED CAPITAL

61^m
USD

CALLABLE CAPITAL

25^m
USD

IMPACT



TOTAL SIZE OF GUARANTEED BONDS

N31.5bn



15

NUMBER OF PENSION FUND INVESTORS



UP TO

15 yrs
TENOR



4

INFRASTRUCTURE PROJECTS THAT REACHED FINANCIAL CLOSE

WE PROMOTE

Financial inclusion

By bringing first-time issuers to the domestic bond market

Financial deepening

By extending bond tenors for corporates, and by broadening pension fund investor bases

Financial innovation

By introducing new fixed income instruments such as green bonds

ELIGIBILITY CRITERIA

- Naira denominated Debt Issues
- Eligible Infrastructure Activity
- Debt Tenor of up to 20 years
- Acceptable Credit Profile based on InfraCredit's internal credit assessment

- Asset value is not directly linked to oil
- Minimum 'Bbb-' investment grade rating
- Adequate Security Package

- Debt Tenor of up to 20 years
- Satisfies InfraCredit's Environmental and Social Safeguards Standards
- Is not on IFC's Project Exclusion List
- Issuer is PENCOM Compliant

ELIGIBLE SECTORS

- Energy
- Electricity Generation, Transmission and Distribution
- Gas transportation, distribution and storage

- Agricultural Infrastructure
- ICT/Telecoms
- Inputs to Infrastructure
- Power

- Transportation
- Urban infrastructure including social & economic infrastructure e.g. housing, hospitals
- Water Distribution and Treatment
- Waste Management Services

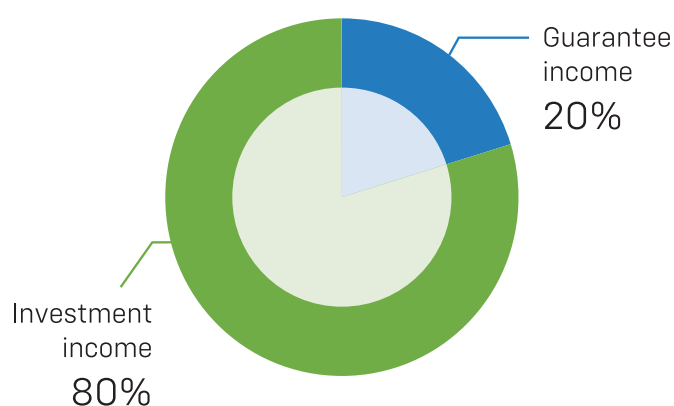
DEVELOPMENT PARTNERS



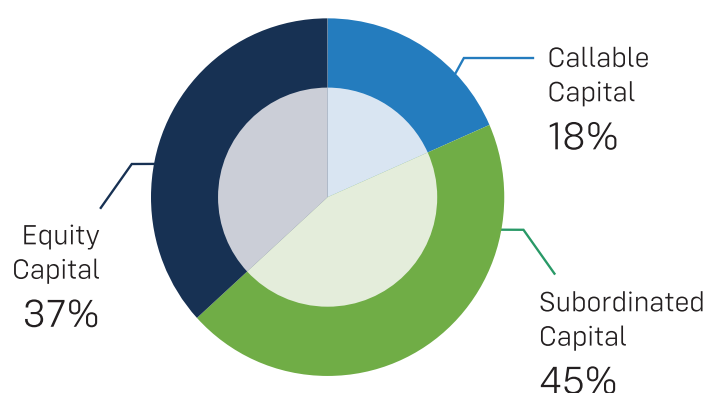
Financial Highlights

Key Items		June 2020	June 2019	YoY% Change
Comprehensive income & Profit trend (N'000)	Gross revenue	1,934,606	1,397,510	38.4%
	Net Guarantee fee income	351,039	180,395	94.6%
	Net investment income	868,194	776,322	11.8%
	Exchange gains/(losses)	904,742	(168,194)	637.9%
	Total operating expenses	673,924	358,022	88.2%
	Profit before tax	1,450,050	430,501	236.8%
Efficiency & Profitability ratios	Cost to income ratio	32%	45%	48.2%
	Operating margin	68%	55%	51.8%
	PBT growth	237%	268%	-11.6%
		June 2020	June 2019	YTD% Change
Financial position trend (N'000)	Total assets	47,897,952	33,315,455	43.8%
	Unsecured subordinated debt capital	24,425,272	13,064,286	87.0%
	Total equity	20,189,130	18,135,026	11.3%
	Total Paid in Capital	44,614,402	31,199,312	43.0%
	Total Qualifying capital¹	54,264,402	40,316,812	34.6%

Revenue Contribution



Capital Structure

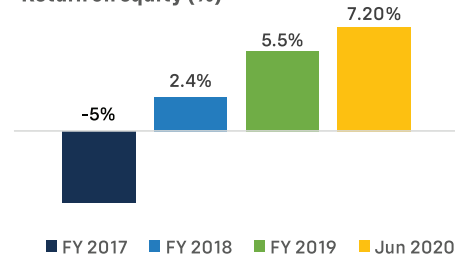


¹ Total Qualifying Capital includes the US \$25million Callable Capital Facility

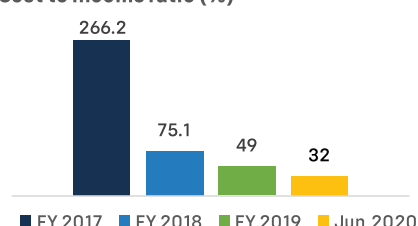
Key Financial Highlights

- InfraCredit's profitability witnessed a remarkable 237% year on year growth to N1.5 billion in Q2 2020 on the back of the increase in guarantee fee income and investment income, which demonstrate the strong revenue generation potential of our business.
- InfraCredit's cost to income ratio stood at 32% in Q2 2020, well below our FY 2020 budgeted ratio of 67%. This reduction was driven by the impressive growth in operating income due to the spike in investment income and foreign exchange (FX) gains. In addition, we have continued to maintain a moderate cost profile despite rising inflationary pressures.
- As at 30 June 2020, Total capitalisation amounted to N54.3 billion, rising by 34.6% over the N40 billion position as at H2 2019 on the back of the growth in retained earnings and translation gains from the impact of the recent local currency devaluation, demonstrating the strength of our capital base and ability to meet current business risks.
- Despite the heightened 'Covid 19' related macroeconomic headwinds in Q2 2020, with its attendant downside effects on business earnings, our performance reflects the resilience of our business model and the guarantee portfolio that includes infrastructure companies that mainly provide essential services with stable cashflows.

Return on equity (%)



Cost to income ratio (%)



Key Strategic Pillars

Increase Guarantee Portfolio

Based on InfraCredit's business plan and budget, it is expected to issue additional contracted guarantees of up to N60 billion this year. However this is under review in light of COVID 19 impact

Increase Capital (core tier 1 capital)

Aiming to conclude negotiations to raise up to \$65 million in a combination of \$30 million in subordinated capital and up to \$35 million in core tier 1 equity respectively, from potential equity investors and DFIs by Q3 2020.

Execution of New Guarantee Products

Launch of new products e.g Annuity PPP, Contingent Refinancing Guarantee and Private Corporate Bonds, in order to increase the predictability of deal flow, and deepen market penetration

Implement Risk Sharing

Aim to grow guarantee capacity through risk sharing/participation arrangement via ongoing negotiation of risk sharing co-guarantees and re-guarantees with DFIs (AFDB, USAID, AFREXIM)

Developmental Impact

Implement the development impact framework and refined 'Theory of Change' to leverage technical assistance and capacity building to strengthen its intermediation capacity and unlock blended finance tools for sustainable infrastructure development and SDGs

Project Development

Build strategic partnerships to unlock capital for project development that will catalyse more bankable infrastructure projects and expand the market for good quality operating infrastructure projects for InfraCredit

Updates on Strategic Pillars²

A sizable guarantee project amounting to N12 billion is expected to reach financial close by Q3 2020 while another project with a size of N10 billion will close in Q4 2020

InfraCredit is about to close capital raise with two prospective investors for an additional equity injection of up to \$28 million and subordinated debt of \$10m in line with InfraCredit's capital raising plan

InfraCredit made significant progress on piloting early stage implementation of the new Annuity PPP guarantee products by supporting a sub-national government with technical assistance for project preparation and has commenced due diligence review of the project

InfraCredit has continued to engage a few DFIs to co-guarantee projects during the year and subsequently in line with our risk sharing strategy. We have secured a grant from a DFI to fund a feasibility study for a gas project, in line with our project development strategy.

InfraCredit has up to date secured a \$1.6m technical assistance facility to provide high quality and cost-effective support to fill market gaps in the areas of project preparation, development support and cover first time issuance costs.

InfraCredit successfully completed the development impact framework within the quarter and is preparing a handbook/manual for its implementation.

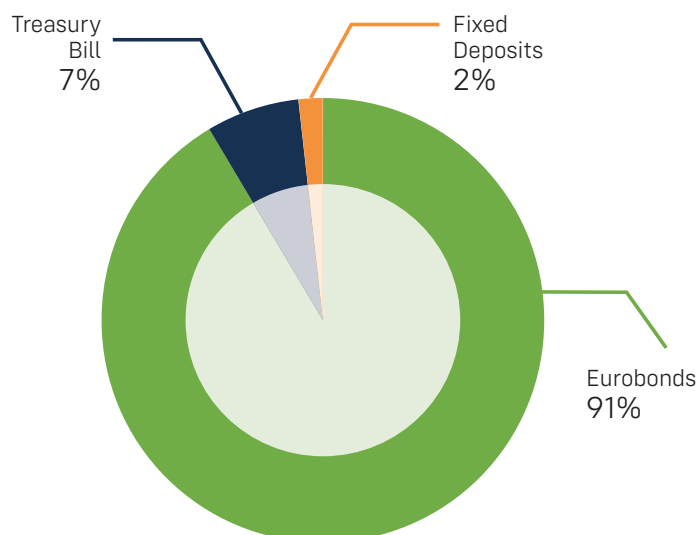
² Implementation of strategic pillars may be impacted by the effects of Covid 19 pandemic

Summary of Investment Portfolio

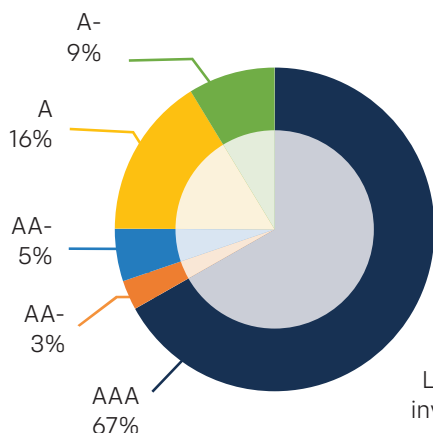
As at June 30th, 2020, InfraCredit's investment portfolio amounted to N43.7 billion and accounted for 91.3% of its total assets.

The portfolio comprised investments in high quality government securities and securities of investment-grade financial institutions. InfraCredit has adopted an investment strategy that ensures not less than 89% of total assets are kept in foreign currency securities to hedge against emerging FCY risks, given that 95% of funded capital is denominated in USD.

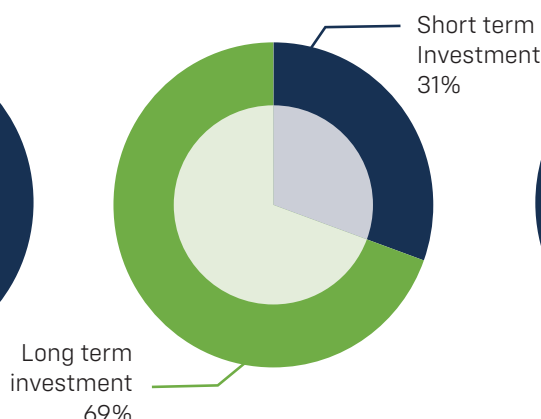
Investment Portfolio Mix



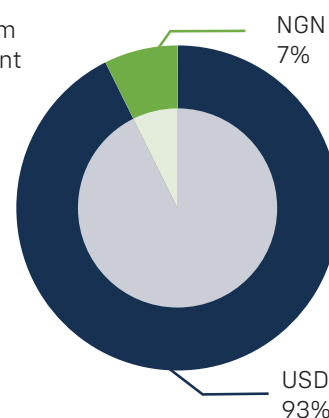
Classification by Rating



Classification by Term



Classification by Currency



Performance Outlook

In line with our investment strategy, we will continue to deploy our capital into high quality liquid investment securities to maintain an investment portfolio that is both long term and short-term in nature to limit the impact of interest rate volatilities.

Strong double-digit growth is expected from the investment portfolio on the back of attractive yields on FCY instruments, which will further support InfraCredit's operations while the guarantee portfolio grows in line with our forecasts barring any macroeconomic constraints.

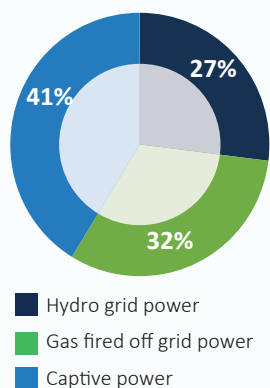
Eurobonds compose 90% of the investment portfolio, this is part of a diversification strategy to hedge against foreign currency (FCY) risks and take advantage of current attractive yields on FCY instruments

Summary of Guarantee portfolio

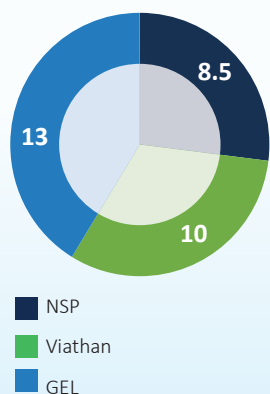
Portfolio at a glance

Aggregate Portfolio Size	NGN31.5bn
Weighted Average Tenor (principal)	10.2 yrs
Average Portfolio Credit Rating	"BBB"
Portfolio Performance	Performing
InfraCredit Capitalisation	USD136 m (NGN53.0 bn)
InfraCredit Net (PaR) Leverage (June 30)	0.39x
Target Leverage for 2020	1.4X
External Credit Rating	"AAA"
Rating Agencies	:: Augusto&Co. GCR

SECTOR SPLIT



PORTFOLIO SIZE (NGN' billion)



Executive Summary

The Guarantee Portfolio covered in this report is for the period ended Q2 2020 consists of 3 issuers all of which are in the Power Sector. These amount to a combined exposure of NGN31.5bn.

Portfolio Overview

InfraCredit commenced full operations in July 2017, the aggregate portfolio size of guarantees issued by InfraCredit as at 30th June 2020 is NGN31.5 billion composed of 3 energy projects; the weighted average tenor of guaranteed debt (principal) is 10.2 years.

The average portfolio rating is "BBB". The portfolio performance to date has experienced no incident of payment default.

InfraCredit's total capitalisation is c. US\$136 million (NGN54 bn) as at 30th June 2020 translating to a net leverage ratio of 0.39x. InfraCredit targets a net leverage ratio of 1.4x in 2020.

InfraCredit's net leverage ratio remains well below our internal limit, providing head room for growing the guarantee portfolio..

Potential Pipeline Transactions³

Infrastructure Segment	Amount (N' billion)
1 Agro-processing (fertiliser)	30.0
2 Gas (processing)	19.5
3 ICT/Telecoms (base stations, towers)	30.0
4 Inputs to infra (meters)	10.0
5 Off-grid power (Gas, Solar)	14.5
6 On-grid power (hydro)	2.1
7 Social infra (healthcare)	1.7
8 Transportation (logistics, port, toll road)	73.0
Total	180.8

³ These are transactions that have received NBC approval and/ or have signed a mandate letter with InfraCredit

Viathan Group - Transaction Summary

Viathan Group

Viathan Group ('Viathan' or 'the Group') develops and operates captive and embedded (off-grid) power solutions for governmental, commercial and residential off-takers across Nigeria. In 2017, the Group through Viathan, raised N10 billion via senior guaranteed fixed rate bonds, the first corporate infrastructure bond issued in the Nigerian debt capital markets. The bond proceeds have been used to expand its generation capacity by 7.5 MW, construct a 104,800 scm/day Compressed Natural Gas (CNG) Plant and refinance short term bank debts.

Issuer	Viathan Funding Plc
Issue Date	15th December 2017
Amount (NGN)	10,000,000,000
Sector	Off grid power
Tenor	10 years

**Financial Year End:**

31 December

Sector: Off-grid

Power generation & Compressed Natural Gas (CNG) production.

**Issue/Bond Rating**

(2019) Long-term: AAA(NG) (Agusto & Co. and GCR)

Rating outlook: Stable

North South Power Company Limited- Transaction Summary

North South Power Company Limited

North South Power Company Limited ('NSP' or 'the Company') was established in 2012 to own and operate a diverse and growing portfolio of electricity generation businesses across Africa. In 2019, NSP issued the first certified corporate green bond and the longest tenored corporate bond in the Nigerian debt capital markets approved by SEC. This facility enables the company to deliver on its business targets and pursue its power generation expansion plan.

Issuer	NSP-SPV Powercorp Plc
Issue Date	27th February 2019
Amount (NGN)	8,500,000,000
Sector	On-grid power
Tenor	15 years

**Financial Year End:**

31 December

Sector: On-grid Power generation

**Issue/Bond Rating**

(June 2019) Long-term: AAA(NG) (Agusto & Co. and GCR)

Rating outlook: Stable

GEL Utility limited - Transaction Summary

GEL Utility limited

GEL Utility Limited ('GEL') is an independent power producer focusing on providing quality and reliable power to commercial and industrial clients. In 2019, GEL issued a 15-year series 1 senior guaranteed fixed rate bond under a N50 billion debt issuance programme for the purpose of achieving its target of evacuating up to 14MW of electricity to customers within the Port Harcourt axis.

Issuer	GEL Utility Funding Plc
Issue Date	28th August 2019
Amount (NGN)	13,000,000,000
Sector	Off-grid power
Tenor	15 years

**Financial Year End:**

31 December

Sector: Off-grid Power generation

**Issue/Bond Rating**

(June 2019) Long-term: AAA(NG) (Agusto & Co. and GCR)

Rating outlook: Stable

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