

C & I LEASING PLC

PRESS RELEASE
Lagos, Nigeria – 31 May 2019

C & I Leasing Plc ('C & I Leasing' or 'the Group') today announces its audited results and proposed dividend payment for the year ended 31 December 2018

Consolidated Income Statement

- Gross earnings of ₦28.2 billion, up 31.9% year-on-year (Dec 2017: ₦21.4 billion)
- Lease rental income of ₦19.4 billion, up by 38.7% year-on-year (Dec 2017: ₦14.0 billion)
- Personnel outsourcing income increased by 14.1% to ₦7.1 billion year-on-year (Dec 2017: ₦6.2 billion)
- Lease rental expense grew by 78.4% to ₦8.7 billion year-on-year (Dec 2017: ₦4.9 billion)
- Net operating income of ₦7.9 billion, up 7.5% year-on-year (Dec 2017:₦7.4 billion)
- Profit before tax of ₦1.5 billion, up 22.0% year-on-year (Dec 2017: ₦1.3 billion)
- Profit after tax of ₦1.2 billion, up 7.5% year-on-year (Dec 2017: ₦1.1 billion)
- Basic earnings per share of 81.42 kobo, up 23.6% year-on-year (Dec 2017: 65.85 kobo)
- Proposed dividend pay-out of 7.50 kobo for every ordinary share of 50 kobo. Upon approval at the Annual General Meeting, the dividend will be paid.

Consolidated Statement of Financial Position

- Total assets of ₦52.6 billion, up 17.0% year-on-year (Dec 2017: ₦45.0 billion)
- Operating lease assets of ₦30.7 billion, up 13.0% year-on-year (Dec 2017: ₦27.2 billion)
- Shareholders' funds of ₦11.8 billion, an increase of 30.0% year-to-date (Dec 2017: ₦9.1 billion)

Key Ratios

- EBITDA margin of 35.5% (Dec 2017: 36.4%)
- Net profit margin of 4.3% (Dec 2017: 5.2%)
- EBITDA/Interest expense of 2.1x (Dec 2017: 2.2x)
- Return on equity of 10.1% (Dec 2017: 12.1%)
- Net Interest-Bearing Liabilities / EBITDA of 3.2x (Dec 2017: 3.5x)
- Net Interest-Bearing Liabilities /Equity of 2.7x (Dec 2017: 3.0x)
- Net Interest-Bearing Liabilities /Total Capitalisation of 0.6x (Dec 2017: 0.6x)
- Total Interest-Bearing Liabilities /Total Capitalisation of 0.6x (Dec 2017: 0.6x)
- Asset turnover of 0.6x (Dec 2017: 0.5x)
- Capital adequacy ratio of 18.2% (Dec 2017: 9.68%) (CBN requirement: 12.5%)

Commenting on the results, the MD/CEO of C & I Leasing Plc, Mr. Andrew Otike-Odibi said:

"The Company recorded an increase of about 31.9% in revenue from ₦21.4 billion in the corresponding period of 2017 FYE to ₦28.2 billion in 2018 FYE and an improvement in our profit after tax (up by 7.5% from ₦1.1 billion in 2017 to ₦1.2 billion in 2018). Amidst the recovering macroeconomic environment, we remained strong while making steady progress towards fulfilling our commitment of creating increased wealth for our numerous shareholders.

Clearly, the performance in 2018 is a validation of our growth objectives of meeting and exceeding client's expectation and increasing demand for our products and services.

As at 31 December 2018, our capital adequacy ratio stood at 18.2%, well above the CBN minimum requirement of 12.5%."

2018 FYE Financial Review

Gross earnings increased by 31.9% to N28.2 billion (2017 FYE: N21.4 billion) driven by the growth of our lease rental income (69% of total gross earnings).

Personnel outsourcing earnings rose by 14.1% to ₦7.1 billion in 2018 FYE (2017 FYE: ₦6.2 billion) mainly due to the increase in price and volume of existing contracts and new contracts awarded following heightened demand for our services.

Lease rental income comprising Fleet Management earnings and Marine earnings was up 38.7% to ₦19.4 billion in 2018 FYE (2017 FYE: ₦14.0 billion). The rise in revenue is a result of increased operational efficiency from existing contracts, reduced vehicle downtime, increase in the capacity utilisation of our vessels and new contract wins towards the tail end of 2018.

Tracking income was up by 11.7% to ₦0.22 billion in 2018 FYE (2017 FYE: ₦0.20 billion) due to increase in demand for tracking services as customers switched to our devices.

Net operating income increased by 7.5% as a result of consolidated improvements in the respective businesses. Interest income and other operating income also increased to ₦1.5 billion[1] in 2018 FYE (2017 FYE: ₦1.0 billion). The growth in direct operating and interest expenses reflects the significant expansion in the volume of our business, especially marine, during the period under review; the vessel downtime previously mentioned; and the ongoing write-off of pre-operational expenses incurred on MV Bello. Going forward, we expect that a part of these pre-operational expenses will not re-occur again, and proactive maintenance of our owned and hired vessels will lead to higher profitability.

Indirect operating expenses increased by 12.5% to ₦6.9 billion in 2018 FYE (2017 FYE: ₦6.1 billion). Impairment charge was down by 97.2% due to better management of our receivables. Depreciation charge increased by 24.5% from ₦3.0 billion in 2017 FYE to ₦3.8 billion in 2018 FYE due to depreciation on the new vessel (EPIC) and acquisition of leased asset (LEASAFRIC). As part of the staff incentive and retention plan, a general review of salaries and promotion for some exceptional staff was done in the month of February 2018 with some personnel re-organisation also carried out at the same time. This explains the 17.2% growth in personnel cost from ₦1.2 billion in 2017 FYE to ₦1.4 billion in 2018 FYE while other administrative and general expenses grew by 12.5% from ₦6.1 billion in 2017 FYE to ₦ 6.9 billion in 2018 FYE due to fund raising activity.

In 2018 FYE, we recorded a ₦115.7 million provision for foreign exchange loss (2017 FYE: ₦421.6 million). At the moment, we do not anticipate any further depreciation in the value of the Naira as the foreign exchange market has relatively stabilised since the intervention of the CBN.

Profits before tax of ₦1.5 billion, up by 22.0% year-on-year, resulted in return on equity of 10.1% (2017 FYE: 12.1%) and return on assets of 2.5% (2017 FYE: 2.7%).

Interest-bearing liabilities grew by a total of 15.6% to ₦33.4 billion (2017 FYE: ₦28.9 billion) largely due to the issuance of the ₦7 billion Bond and inflow from CP notes. ₦4 billion of our existing expensive debt has been replaced with a portion of bond proceeds.

[1] Interest Income and other operating income comprises of interest income, other income and share of profit from joint venture

Year-on-year growth in total assets by 17.0% to ₦52.6 billion as at Dec 2018 FYE, was largely driven by growth in operating lease assets, proceeds from bond issuance, trade, and finance leases, business expansion plan, as well as other receivables and prepayments.

Key Developments Affecting our Business

- Our **Marine business** acquired two brand new Tugboats' named '*MV Chidiebube*' and '*MV Folashade*' with SIFAX MARINE LIMITED under the SIFAX C & I MARINE LIMITED joint venture arrangement. Both boats commenced work at the beginning of Q4 2018 with NLNG on a long-term contract. 2018 ended with an 86.8% utilisation of our other vessels. There was substantial increase in fleet utilisation in the fourth quarter due to the increase in demand from clients and temporary charter of vessels to cover for those which had maintenance issues, thereby eliminating downtime

  In July 2018, we concluded the buyout of 27.5% minority stake in C & I Petrotech Marine Limited – a Joint Venture company with 6 vessels contracted to Shell Petroleum Development Company (SPDC), thereby taking full ownership of the vessels. This is in furtherance of our commitment to restructure and reposition our marine business for enhanced profitability.

- We have continued to add new clients to our **Outsourcing business**, with existing client contracts also renewed. We have seen increased demand in HR Business Process requests especially for staff travel and logistics, as a result of which, we have closed the right partnerships to aid timely delivery. We recently launched a recruitment portal and job application site, "GETAJOBNG" just as a way of providing dream jobs to teeming Nigerians. The portal is planned to be a commercial web application which will be an additional source of revenue. We continue to up-skill our outsourced workforce with ongoing trainings via e-Learning, classroom training sessions and workshops. We are partnering with the Chartered Institute of Personnel Management for the upcoming 2019 National Conference in Abuja as a strategic business development initiative. In addition, we are seeing an uptick in new leads from Ghana from some of our existing clients who are setting-up operations in the region.

- Within our **fleet management business**, we saw a significant demand for certain brands of cars in the SUV/premium segment which were added to our fleet and have since been enjoying excellent patronage. Furthermore, we acquired new clients in Hospitality, Travel & Tours and Education, while we also deepend our wallet share from some of our existing clients especially in Abuja. Additionally, in Q3, we signed a new ₦4 bllion contract with a multinational client. This contract has been fully mobilized and is running successfully.

- The ₦7 billion fixed rate bond raised in Q2 was successfully listed on FMDQ in Q3, which was fully subscribed. Following receipt of management approval, Leasafric Ghana has commenced the process to raise a bond in Ghana. The plan is to raise a total of 100 million ghana cedi, in tranches of 20 million each.

- In September 2018, Mr Jacob Kholi resigned from the Board. Upon his resignation, Mr. El Khatib was appointed to fill his position subject to regulatory approval. The Board has made some propositions which will be announced when concluded.

- In October 2018, we got a regulatory approval to reconstruct our existing shares by issuing one new ordinary share for every 4 previously held by shareholders. The objective of the share reconstruction was to create headroom in our existing share capital base for more ordinary shares which can then be issued to new shareholders without increasing the authorized shares. This exercise was finally approved by the regulatory authorities and the newly consolidated shares are now being traded.

- In December 2018, Abraaj, a private equity fund, gave an indication of converting their $10 million loan stock to equity in the company. Abraaj invested $10 million in C & I Leasing in 2011 as a loan stock. With this conversion, Abraaj will become a significant shareholder in the Company. We interpret Abraaj's conversion decision as a vote of confidence in the Company and our business. We expect the process of conversion to be concluded during the course of 2019.

BUSINESS DESCRIPTION C & I LEASING PLC

C &I Leasing Plc is managed along three business lines, which are explained as follows:

C & I Fleet Management, with our Hertz car rental franchise both adequately supported by our owned service centre and our Citracks telematics solutions service - a one-stop brand where we offer superior fleet management service to our clients. This business provides technology-based, end-to-end tracking and other logistics and fleet management solutions for vehicles and various marine vessels. Our Ghanaian subsidiary, Leasafric Ghana, is the largest provider of outsourcing and fleet management services in Ghana. During the year, Leasafric launched a brand called “SWITCH” to strengthen the Ghana market. It was launched to explore and exhaust all market opportunities in Ghana Leasing Industry.

C & I Outsourcing specialises in human resource outsourcing for blue chip organisations along with our SDS training centre which focuses on human capacity development for existing outsourcing clients and others. In addition, the Company launched a recruitment portal and job application site, “GETAJOBNG”, operational with focus on providing employable candidates of the right quality to our clients and other interested corporate bodies at short notice.

C & I Marine, a division of C & I Leasing Plc is a duly certified marine entity with licenses to operate in the maritime sub-sector of the Nigerian oil and gas Industry. It possesses 20 owned vessels and 7 chartered. This unit is structured to provide a wide range of both onshore and offshore services to take advantage of the opportunities in the Nigerian Local Content laws. These services include line and hose handling, berthing and escort services, mooring support, fire-fighting, pollution control, security and floating and self-elevating platforms. To minimise downtime due to major maintenance and drydocking work on our boats, we ensure that well-structured maintenance plans are put in place with adequate stocking of spare parts to forestall stock-out.

Our focus across all our businesses is to leverage our superior service with cutting-edge technological solutions to manage risks associated with rapid growth, while diversifying our revenue streams and providing opportunities for client growth and retention.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	Group		Company	
	2018	2017	**2018**	2017
	N'000	N'000	**N'000**	N'000
Assets				
Cash and balances with banks	**1,712,543**	1,239,836	**1,419,542**	466,607
Loans and receivables	**387,148**	351,957	**387,151**	334,507
Trade receivables	**7,754,625**	6,584,292	**6,406,366**	5,302,008
Due from related companies	**-**	-	**10,384,926**	8,685,454
Finance lease receivables	**1,999,330**	1,515,030	**1,832,307**	1,508,560
Available-for-sale assets	**-**	26,180	**-**	26,180
Equity instruments at fair value through other comprehensive income	**26,054**	-	**26,054**	-
Investment in subsidiaries	**-**	-	**758,967**	758,967
Investment in joint ventures	**755,205**	52,634	**755,205**	52,634
Other assets	**5,098,160**	5,021,348	**4,769,369**	4,819,250
Inventories	**1,661,640**	512,379	**1,647,036**	512,378
Operating lease assets	**30,686,724**	27,167,387	**5,767,998**	4,764,100
Property, plant and equipment	**1,631,281**	1,584,522	**1,236,624**	1,186,743
Intangible assets	**45,169**	15,955	**3,758**	8,855
Current income tax assets	**-**	**55,178**	**-**	-
Deferred income tax assets	**854,607**	854,607	**854,607**	854,607
Total assets	**52,612,486**	44,981,305	**36,249,910**	29,280,850
Liabilities				
Balances due to banks	**883,917**	1,120,306	**847,441**	1,062,622
Commercial notes	**10,727,157**	9,672,506	**10,705,125**	9,643,606
Trade and other payables	**7,020,723**	6,621,125	**6,378,156**	5,957,998
Current income tax liability	**144,494**	139,275	**85,559**	139,275
Borrowings	**21,825,128**	18,125,421	**12,052,229**	6,444,123
Retirement benefit obligations	**54,251**	33,899	**54,251**	33,899
Deferred income tax liability	**129,214**	168,082	**-**	-
Total liabilities	**40,784,884**	35,880,614	**30,122,761**	23,281,523
Equity				
Share capital	**202,126**	808,505	**202,126**	808,505
Share premium	**1,285,905**	679,526	**1,285,905**	679,526
Retained earnings	**2,767,444**	1,960,108	**769,603**	657,899
Other equity reserves:				
- Deposit for shares	**1,975,000**	2,283,312	**1,975,000**	2,283,312
- Statutory reserve	**1,187,207**	1,121,580	**799,182**	733,555
- Statutory credit reserve	**373,682**	160,600	**373,682**	147,842
- Foreign currency translation reserve	**2,978,402**	1,126,805	**-**	-
- Fair value reserve	**5,161**	5,288	**5,161**	5,288
- Revaluation reserve .	**716,490**	683,400	**716,490**	683,400
	11,491,417	**8,829,124**	6,127,149	5,999,327
Non-controlling interest	**336,185**	271,567	**-**	-
Total equity	**11,827,602**	9,100,691	6,127,149	5,999,327
Total liabilities and equity	**52,612,486**	44,981,305	**36,249,910**	29,280,850

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018	2017	**2018**	2017
	N'000	N'000	**N'000**	N'000
Gross earnings	**28,181,993**	**21,371,697**	**20,338,710**	**16,314,946**
Lease income	**19,384,979**	**13,972,951**	**11,943,051**	9,187,192
Lease Expense	**(8,672,739)**	**(4,861,802)**	**(7,245,081)**	(5,084,007)
Net lease income	**10,712,240**	**9,111,149**	**4,697,970**	4,103,185
Outsourcing income	**7,108,035**	6,230,228	**7,108,035**	6,230,228
Outsourcing expenses	**(6,315,473)**	(5,525,571)	**(6,315,473)**	(5,525,571)
Net outsourcing income	**792,562**	704,657	**792,562**	704,657
Tracking income	**218,490**	195,660	**218,490**	195,660
Tracking expenses	**(81,390)**	(72,591)	**(81,390)**	(72,591)
Net tracking income	**137,100**	123,069	**137,100**	123,069
Interest income	**140,433**	60,285	**78,295**	773
Other operating income	**822,262**	876,748	**483,045**	665,268
Finance Cost	**(4,672,638)**	(3,500,610)	**(2,780,864)**	(1,708,019)
Net Operating Income	**7,931,959**	7,375,298	**3,408,108**	3,888,933
Impairment write back / (charge)	**(6,483)**	(235,325)	**185,864**	(235,325)
Depreciation and Amortization expense	**(3,782,011)**	(3,037,925)	**(985,393)**	(814,978)
Personnel expenses	**(1,438,454)**	(1,227,219)	**(1,058,617)**	(888,042)
Distribution expenses	**(15,218)**	(42,183)	**(11,816)**	(23,818)
Other operating expenses	**(1,657,353)**	(1,591,105)	**(1,377,600)**	(1,440,388)
Share of profit from joint venture	**507,794**	20,531	**507,794**	20,531
Profit on continuing operations before taxation	**1,540,234**	1,262,072	**668,340**	506,913
Income tax expense	**(342,470)**	(162,783)	**(230,827)**	(70,949)
Profit/(loss) for the year	**1,197,764**	**1,099,289**	**437,513**	**435,964**
Profit for the year from discontinued operation	**-**	15,294	**-**	15,294
Profit after tax and discontinued operation	**1,197,764**	**1,114,583**	**437,513**	**451,258**
Profit attributable to:				
Owners of the parent	**1,133,146**	1,064,854	**437,513**	451,258
Non-controlling interests	**64,618**	49,729	**-**	-
	1,197,764	1,114,583	**437,513**	451,258
Basic earnings per share [kobo]	**81.42**	**65.85**	**31.44**	**27.91**

Definition of terms

Gross Profit refers to Revenue minus Cost of sales.

Gross Profit Margin corresponds to Gross Profit as a % of Revenue.

Profit before Tax corresponds to EBIT minus Net finance (cost)/income and plus share of profit of associates and joint venture using the equity method.

Profit before Tax Margin corresponds to Profit before Tax as a % of Revenue.

Working capital is defined as Current Assets minus Current Liabilities.

Basic Earnings Per Share computed as profit after tax attributable to shareholders divided by the number of ordinary shares in issue

EBITDA margin computed as earnings before interest, tax, depreciation and amortisation divided by gross earnings multiplied by 100

Net Profit margin computed as profit after tax divided by gross earnings multiplied by 100

Return on average equity computed as profit after tax attributable to shareholders divided by the average opening and closing balances attributable to equity holders

Net Debt computed as total interest-bearing liabilities less cash and balances with banks and other cash equivalents

Total Debt computed as total current and non-current interest-bearing liabilities

Asset Turnover computed as revenue divided by average total assets

Capital Adequacy Ratio computed as total qualifying capital divided by total risk-weighted assets

-Notes to Editors –

The C & I Leasing group of companies is made up of three divisions: Fleet Management, Outsourcing and Marine divisions with two subsidiaries, Leasafric (Ghana) and EPIC International FZE (United Arab Emirates). With a Balance sheet of over ₦52.6 billion, a total[2] staff strength of over 5,590 people and operational offices in Lagos, Port Harcourt, Abuja, Enugu, Benin and Ghana, the Company takes pride in its track record of exceptional and qualitative service delivery. Today, the C & I Leasing plc brand can be felt in major sectors of the Nigerian economy, providing specialised services especially in Marine, Telecommunications, oil and gas, equipment rentals, manpower outsourcing and transportation.

C & I Leasing Plc has its share listed on the official list of the Nigerian Stock Exchange since 1997 and has been in operations since 1991.

For more information, please visit the Company's website www.c-ileasing.com

Cautionary note regarding forward looking statements

This release may contain forward-looking statements which reflect management's expectations regarding the Group's future growth, results of operations, performance, business prospects and opportunities. Wherever possible, words such as "anticipate", "believe", "expects", "intend", "estimate", "project", "target", "risks", "goals" and similar terms and phrases have been used to identify the forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to the Group's management. Certain material factors or assumptions have been applied in drawing the conclusions contained in the forward-looking statements. These factors or assumptions are subject to inherent risks and uncertainties surrounding future expectations generally. Forward-looking statements therefore speak only as of the date they are made.

C & I Leasing Plc cautions readers that a number of factors could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully, and undue reliance should not be placed on the forward-looking statements. For additional information with respect to certain of these risks or factors, reference should be made to the Group's continuous disclosure materials filed from time to time with the Central Bank of Nigeria as well as the Nigerian Stock Exchange. The Group disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise

[2] Includes both core and outsourced