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Operator: Good morning and good afternoon ladies and gentlemen, and welcome to the C&I Leasing Plc H1 2019 Unaudited Results Conference Call. The Speakers for today will be the Managing Director and Chief Executive Officer Mr. Andrew Otike-Odibi, and Executive Director and Chief Financial Officer Alex Mbakogu. There will be a question and answer session at the end of today's presentation. I will now like to hand over to the Managing Director and CEO Mr. Andrew Otike-Odibi. Please, go ahead.

CEO: Good afternoon everybody. Thank you for calling in and taking time out to listen to our H1 Results for 2019. As we have said in the slides, our growth earnings for 2019 increased by 27% to 15.3 billion driven by the growth in our lease rental income which represents 70% of our gross total earnings. The growth in lease rental income is attributed mainly to the growth in the marine business and the fleet management business.

We saw a growth in the fleet management business which essentially has two arms, open rental which grew by 33.8% and the contract arm which grew by 25%. Now this surge translated also in our growth in the operating profit for the year. For the marine business, we saw a surge also in the turnover which also affected the bottom line. This came from our drive to improve our assets utilization, that moved from an average of 78% last year to 92% this year.

Now if you look at our PBT, our PBT grew by 27.1%, PAT grew by 27.1% which was as a result of these changes that I just mentioned. Our basic earnings per share increased as a result of the reconstruction that was done in our shares. Recall we reconstructed our shares last year from 1.6 billion units to 404 million units. This was done to create more room for us to issue more shares out to shareholders in a bid to raise additional equity. We have in the last 29 years of the business, tried to develop extensive relationships with our clients and that has created stability in our cash flows.

Now if you look at our slide six (6), shows us how the gross earnings and our Ebitda margins have moved between 2018 and 2019. Notably is our net operating income that moved by 24.7%, our total assets moved by 8.7% driven by investments in the marine business mainly. We brought in some vessels which started work late last year and these vessels were captured in our book as at H1 [20]. The cost to total income saw an increase as a result of the legal and professional expenses resulting from perfecting collateral in our 7 billion bond that we issued.

Ebitda margin dropped because of the increase in our operations and expense, additional bond charges which resulted from the issue of the N7 billion bond. Our net operating income increased by 24.7% to N4.6 billion as at H1 2019 underscoring the growth in gross earnings across the various business units. The total debts increased as a result of acquiring more loans to support the expansion of the business in acquiring new fleets, cars and vessels. Notably, there were three major acquisitions towards the end of last year which affected the marine business.

If you look at our slide seven (7), slide seven (7) gives you a profile of our client base. We tried to focus our business towards what we call the A-rated clients who have steady cash flows and we have had clients on our books who have been our clients for the last 15 years. If you take [Prosafe] which is now BW offshore, [schlumberger] has been there for about 20 years, Shell has been there for about the same period. So we tend to maintain good relationships with our clients in order to foster growth for both our organization and our client's organization.

Now across our clients, we provide different services. Our fleet management service, the marine service and the personnel outsourcing service. Cut across the different sectors of the economy, the oil and gas sector is where we provide the largest service to where we currently do - about 56% of our business goes to oil and gas sector, our financial services just 13%, and telecoms just 13%. So in terms of the growth sectors of the economy, we are playing in the growth sectors of the economy currently.

Going to slide eight (8), you will note that we are heavily borrower in our Balance Sheet and that's because we like to think that we are high quality borrowers. The Bond Issued last year was fully subscribed and that's because we are able to generate cash flows from our assets which are used to fund or to repay these debts. So all our investments in the assets are all income generating and because we have long contract - minimum of four (4) years and we have the longest contract for Fifteen (15) years, it makes our cash flows bankable.

We have a strong and stable management team. The average age of our management and part of the team is currently eleven (11) years and that has helped us grow the business because every member of that team has seen the business through thick and thin. We have seen the rough days and we've also seen very good days in the business.

We have strong complete positioning across all the segments we're currently operate in. You will note that for C & I Leasing in the marine business, we're one of the notable indigenous contractors in the marine space in the oil and gas industry, for the fleet management business with a fleet size of 1,500 vehicles in Nigeria. We are also one of the major players in that space. And for the outsourcing business with a staff size of about 5,000. We are also major players in that space.

So what we try to do is wherever we are playing we tend to want to play a dominant role in that sector. If you look at our subsidiary in Ghana Leasafric, Leasafric currently has a about a 1,000 vehicles in Ghana and they are the biggest player in the fleet management business in Ghana as well. So its our philosophy to dominate in our area of expertise where we provide service and also maintain long lasting relationships with our clients.

If you look at our cash flow like I mentioned before, our cash flows are very predictable because the investments are in income generating assets, and since the contracts are medium and long term, the cash flows are actually bankable. We intend to invest and play in sectors of the economy that has potential for growth. If you look at the sectors we currently play in, oil and gas, telecommunications, power, those are the growth sectors in the Nigerian economy currently.

Yes, we are looking to grow in other sectors but it depends on the opportunities that come up in those sectors. I think that at this point I would like to invite the Chief Financial Officer, Alex Mbakogu to take you from this point. Thanks.

Alex: Okay. Thank you Andrew. Good afternoon everybody. We are on page 10 and that's a snapshot of our income statement. Like earlier mentioned, the group for half year ended June, the gross earnings for the group was 16.2 billion compared to 12.7 billion the prior year, representing 27.2% increase. And the Lease Rental Income was 11.4 billion against 8.7 billion prior year, 30.9% increase.

Our outsourcing income also grew by 22.6%. Our Lease Rental expense also grew by 36% which is also commensurate with and has a linear relationship with increase in gross earnings. Same with our indirect operating expenses, also as our revenue was growing, also the expenses that we had incurred to earn those revenues also grew in the same proportion.

So at the end of the period, the company recorded a profit before tax of 909 million against 723 million prior year same period representing 26% growth, and the profit after tax is 867 million against 618 million prior year. I will take us to the next page which also is a graphical representation of the performances which shows the growth comparative to prior year. So it's shows the movement in graphical terms.

Page 12 is our Balance Sheet. The Group Balance Sheet size as at 30th June 2019 is 57 billion against 52.6 billion prior year, representing 8.7% growth. Operating Lease is 31.7 billion. Here it seems flattened but it's not because there has been depreciation but the contract, the cash flow and tenure are unchanged. So it may look flat but it's actually not flat.

The Shareholders fund as at June is 12.2 billion against 11.8 billion prior year. The Company's interest gained liability grew - of course those liabilities were generated to fund the asset acquisition. The net interest bearing liability against Ebitda also shows a decline which is in positive direction because what it shows is that your Ebitda margins grew.

Then the net interest bearing liabilities of equity also shows 2.6x against 2.7, also shows that your equity also grew for you to record that decline. The net interest bearing liability over [CAPTA], total capitalization also remains flat, and then the total interest bearing liability to total capitalization is also flat. So above all we've seen our Balance Sheet, that within the period under discussion, has shown some tremendous growth and then the Ebitda margin and so on also were improved as a result of those majors surge that the MD earlier said that were put in place.

Also on page 13, it's also a graphical representation of those growth in Balance Sheet, total Assets, Shareholder's fund and total liability. So they have already mentioned the number. On 14, we have a pie chart representing the interest bearing liabilities, some are from Banks. We borrowed from banks. We have commercial papers which are issued, we have redeemable bonds, we have term loans, we have finances Lease facilities. So it's a well-balanced loan portfolio. So it's not concentrated. It's a good mix. It's all a way of managing your exposures to ensure that there are no concentrations on any major sources of finance.

On the far right is the interest bearing which is also what we've already mentioned. So that is all for the Balance Sheet and I will give it back to Andrew to continue the next part on strategy and outlook. Thank you very much.

Andrew: Okay. Thank you very much. Now this is the part that really interests us, and I imagine that as investors you'll also be interested in what's the outlook of the business. Now if you look at our historical figures, the last H1 figures, you'd see that our growth in gross earnings went up by 27.2% and our profitability also went up significantly.

Now, questions would be asked why such a jump in six months? Like I have mentioned earlier some of the things we did in 2018, some investments we made in 2018 kicked in potentially in 2019 and that impacted positively on the turnover and also on the profitability. But in addition to that we also took some initiatives in trying to strengthen our back office and improve cost efficiency. one of which was, we took a deliberate step to develop a supply chain unit.

Previously we were running what we called a procurement unit, and so we decided to take actions to develop a supply chain unit. And in a bid to do this, we brought in a consultant, somebody who has spent all his life in running supply chain unit across different industries. And the consultant helped us to develop that.

Now we also recruited somebody who is going to head that unit. She resumes 1st of September. So we've taken steps to computize some of the positive changes we've made in our cost structure, and that we'll start to see more of I believe in 2020. In a bid to maintain the growth that we have seen over time, we're also investing heavily in Human Capital Development because we believe that the business can only grow with the people.

So a lot is going into training for our people at all levels including myself even though I thought I wasn't trainable in the past. But the company think that there is still hope for me. So we're looking a lot to develop our people and within the different business units, we're looking to further bring out value. Now if you look at the fleet management unit for example, we are putting a lot behind IT development to make the service offering a lot more user friendly for different users, from corporate to individual users.

and the effect of this we would start to bring out to the market towards the last quarter of the year. Also on outsourcing side, we have branched out into a job search engine called getajobng which we are test running currently with our current client and the results are very very encouraging. We haven't launched this product officially yet. We hope to do that sometime about October-November - and the impact also we hope to see.

So, Yes, these are for existing businesses. In addition to this, we are going into some alliances and partnership. Recently we were in the news talking about OCS NG - OCS is an international company that provides expatriate services and operate and maintain services to all oil-field facilities - Now we have entered into Joint Venture with OCS to grow our, it's going to be part of our outsourcing business. That should help improve the margins in our outsourcing business, and its focused only primarily at the oil and gas industry, and it's supposed to help grow the margins in that sector.

Our marine business. The plan also is to grow the marine business into Ghana. Currently, in Ghana, we only do one of the fleet management business which is doing very well but we intend to make that business a lot more profitable by introducing our marine services to that country. We have put the platform in place and I will say that we are set to go on, that's so. We should start the results of that towards the end of this year but more into 2020.

In a bid to sustain the growth that we're experiencing and take more advantage of opportunities in the economy as we see them, we intend to raise equity and additional debt over the next medium term maybe 18-24 months. That would help the business immensely to further entrench its growth and take advantage of the opportunities that we see in the market. We have been very lucky to work with very good financial advisers and so we intend to continue to take the advice of our financial advisers in looking at different aspects of the market and how to best form our operations at the most cost effective manner.

If you look at our CAR, we've exceeded the minimum of 12.5% which we intend to keep to it and stay way above that in the next medium term. We are currently at 18.5% which is way higher than what the Central Bank expects us to be. So thank you very much for your time. We would take questions now.

Operator: Thank you. We will now open the lines for questions. To ask a question, please press "0" on your phone's keypad or "7" to cancel your question request. Once again to ask a question, please press "0" on your phone's keypad or "7" your question request. Thank you. Your first question is from Babatunde Ogunleye. Please, go ahead.

Babatunde: Good afternoon and thanks for the opportunity. I want to find out the impact of IFRS 16 in terms of how you derived your depreciation and your finance cost. That's for the first question. The second question is on the Marine sector. Despite the investment in the marine sector, we are still seeing the ROE at negative 2.1%. Is there anything that is responsible for this? And then what is going to be the turnaround strategy for it to be able to yield an adequate investment.

For the third question, it's on your debt to equity. So your debt to total capital around 73% and then you're still considering raising additional debt within the next 24 months? By raising additional debts, the first question is, are you looking at TB, Bank Borrowings or raising a bond. That's for the first question. And the second question, the interest you're going to be paying on this set, wont it enrich share holders value? That's all thank you.

Alex: Hello Tunde? Yes. On the IFRS 16, essentially for us, IFRS 16 is not affecting us as lessor, it affects more as the lessee but as a business, our business is to ensure that our customers and our clients extract values - there are value on the table for them. So we are always discussing the best way to ensure that the values are maximized. But ours as a company, IFRS 16 does not affect us at all. On debt to equity, we would come back on ROE but debt to equity, you know that as we are a living company and we are asset carrying company, and we have a leverage. Our leverage I think is for every N1 equity, you can generate times 8x debt.

So if you look at our equity, you find out that we haven't even gone half of our leverage which is what even the CBN, our regulator allows us. So there is so much room for us to borrow but being a company, we have been very very mindful of the fact that we wouldn't allow our cost on borrowed funds to wipe off whatever is due to shareholders. So we are mindful but I can assure you that our debt to equity level is very very commendable it's within the limits that is expected. Thank you very much.

Andrew: Okay, Tunde, let me address your concerns on the ROE for the marine business. The marine business is profitable. I'm sure you are looking at slide 19 where you have the ROE for marine as -2.1%. Now to access our marine business, you have to take our UAE company Epic and then add it up to the marine. Right, because Epic is essentially an asset holding company for the marine business and so it also houses there some of the profits for the marine business. So the combine ROE for the marine business essentially is 14% and not -2.1% like its recorded here.

Operator: Thank you. Your next question is from Emmanuel Adeleke. Please, go ahead.

Emmanuel: Hi. Thanks for taking my question. I have just basically one question to ask. Can you just highlight what is expected as the major driver for earnings for the rest of 2019? Thanks.

Andrew: Hello, Emmanuel. Thanks for your question. In the course of our presentation, we had said that the fleet management unit have grown its earnings as a result of our investments in that sector. We've had to bring in over 400 cars in the last six months. And so we are going to see that also continue to push up the revenues in that area. And also for the marine business, we haven't brought in any new boats this year but we are going to sustain our utilization level at 92%. So we are likely to see that level of growth being sustained between now and the end of the financial year.

Operator: Thank you. Once again to ask a question, please press "0" on your phone's keypads or "7" to cancel your question request. Thank you. Your next question is from Franca Namca. Please, go ahead.

Frank: All right. Thank you for having this call. My question is around Abraaj loan conversion…

Andrew: Can you please speak up?

Frank: Can you hear me now?

Andrew: I can hear you. You have to ask the question all over again.

Frank: Okay. Good afternoon and thanks for having me on the call. My question is this: concerning Abraaj loan to stock conversion. Last year during investors forum, the guidance you have us was that by Q1 2019 we're going to see some [?] and I'm expecting it and up till now nothing has happened. So I will like to know the recent update around that. Thank you.

Andrew: Okay Frank. Well, you're not entirely correct when you said nothing has happened. Abraaj has given us their intentions, there notice to convert, which has been submitted to the Central Bank and has been approved by the Central Bank. And we have full approval from both the Central Bank and SEC for the conversion. I think all the regulatory authorities have approved the conversions of the loan stock to shares. We are just going through internal processes for that to take place. I imagine that before the end of the year we should have that fully completed.

Operator: Thank you. Your next question is from Esther Eniobong. Please, go ahead. Esther your line is unmuted. Please, ask your question.

Esther: Okay. Good afternoon. Thanks for having me. can you hear me? Hello?

Andrew: Yes. Yes. we can hear you. Esther go ahead we can hear you.

Operator: Esther can you unmute your line, please? Thank you.

Esther: I said my question is regarding the capital raising exercise you mentioned. You mentioned that you're looking to raise equity and additional debt. So can you shed more light on that like the amount of debt you're looking to raise and the tenure? I didn't really get that. Hello?

Andrew: Yes. Esther. Thanks for your question. Equity, We have approval from our board to do a Right Issue. We are working with our financial advisers for that to conclude that on the pricing and the structure of the Right Issue. So we should have that concluded and in the market latest by next month. On the debts, you know we have a N20 billion approval and we've only drawn 7 billion from that in the Bond market. So we intend to go back to the market after the equity raise to raise additional loan capital.

Operator: Thank you. Your next question is from Babatunde

Ogunleye. Please, go ahead.

Babatunde: Thank you very much. So, I want to confirm something. You made a note about further IT developments in your fleet services, and from what the MD was saying initially, the fleet services actually contributes a lot to your revenue. So can you give us a bit of an idea to what these IT developments are and vis-a-vis what it's going to say to your books cost wise? That's one. Then the second thing. Do we have anything around ESG consideration? Thank you.

Andrew: Sorry. I didn't get the second thing you said.

Babatunde: ESG (Environmental, social and governance) considerations.

Andrew: Okay. Thanks. Thanks again, Tunde. Now for the IT development for the fleet management business, it's going to affect us on two sides. On the cost side, it's going to help us track our vehicles more efficiently in terms of cost of running the vehicles, so we are able to spot expensive vehicles and quickly sell them or do diagnostic work on the vehicles. On the revenue side it is going to make it a lot easier for users to rent our vehicles. Currently I'm sure you use the Uber or the boat platform, now what we are coming up with, we are coming up with something similar but which is going to be focused on our vehicles alone. So you will be able to download our app from Play Store or iOS and then call up our vehicles whenever you require them.

So it's going to help grow the revenue and the costs and then impact profitability. Now on the environmental side, we are quite particular about safety and environment in the business. So most of these you will see mainly in our marine business. So things like, we have a policy not to throw lume oil or AGO into the water, we have policy to impact operating environment positively.

So you don't have spills within our operating environments that will impact negatively on the society. On the development side as well, we also try to give back to society especially in the Bonny axis where we're operating heavily. So we have quite a number of initiatives going on in that area that are positive to the development of the society and the environment there. Thank you.

Operator: Thank you. Your next question is from Frank Nnamka. Please go ahead.

Frank: Thank you. Just a follow up to those question I asked on Abraaj. I would like to know the conversion, what the dilution effect will be on book to debt and going forward your debt to equity ratio. Thank you.

Alex: Hello. Frank. You are talking about the conversion and the holding.

Frank: Yes. Both. Yes.

Alex: Based on the conversion matrix and parameters, of course the conversion may most likely grant Abraaj some significant holding. Yes, There are also other discussions as to the best to go about it and the best way to handle that but it will offer Abraaj a significant holding in the group based on the parameters, Yes.

Frank: So going forward, your debt to equity ratio. I would like to know just a guidance going forward.

Alex: Debt to equity?

Frank: Yes. Question, Yes.

Alex: Yes. You know at the moment Abraaj is not debt. It’s already classified as deposit for shares. So it gives us a favourable debt equity ratio because it's no longer debt. If you check our books, it’s under equity. Its moved from Tier2 down to Tier1. So it's part of equity. It's no longer debt.

Frank: So can you give us a likely forward indication on the dilution effect. What is the look like?

Alex: Delusion effect in terms of the - it will give them significant holding probably; I need to work that out. But they will become a majority shareholder. Yes. That's it.

Frank: Okay. All right. Thanks for the insight.

Operator: Thank you. Once again to ask a question, please press "0" on your phone's keypad. Thank you. Your next question is from Gbolahun Olukunro. Please, go ahead.

Gbolahun: Hello. Good afternoon. Okay. Thank you for taking my question. My question is bothering on your capital raising exercise. So you mentioned you're looking at exploring debt and equity. So as regards debts, do you intend to probably make use of your subsidiary in United Arab Emirates to sort of borrow money internationally and if you are going to borrow that money in USD, how do you intend to mitigate the Dollar exposures arising from that loan?

That's if you are going to make use of that subsidiary in borrowing from the international market. Thank you.

Andrew: Gbolahun, thank you. For the debt, currently our subsidiary in UAE does most of the borrowing for the marine business because with that subsidiary we are able to borrow USD at single digit rate. Now, that has impacted positively on the overall performance of the business because when you compare it to the borrowing cost in Nigeria, it's a significant savings.

So part of what the Shareholders are seeing is the impact of that borrowing from UAE. Yes, we will borrow again from UAE but it is going to be tied to Assets that are tied to contracts. So most of our contracts in the - in fact all our contracts in the oil and gas industry which is where the marine business plays, are Dollar denominated so you don't have the risk of exchange rates risks for repayment for facilities.

We've borrowed money over the last four-five years using our UAE subsidiary and we have actually fully repaid on some of those loans using our proceeds from the contracts where the assets were deployed. So there's no exchange rates risks at all.

Operator: Thank you. Once again to ask a question, please press "0" on your phone's keypad. Thank you. There are currently no questions at this time. You may please continue with your closing remarks. Thank you.

Andrew: Okay. Thank you everybody for dialing in and for the time we've taken to listen to us and in closing I will just like to say that the business focuses its investments in growth sectors. If you look at where we play currently, the oil and gas sector, telecoms, power sector, FMCG, those are the growth sectors of the economy, and those are areas that we continue to look for additional opportunities.

Yes. There are some other sectors that we are yet to come up with the right products for like the health sector and in some areas agricultural sectors. But where we're currently playing, we consider those high good areas and we continue to look for opportunities in those areas to add value to the business.

In addition, you will look at our business and you will notice that in and out of seasons we make money, and when the economy booms we make money on the fleet management side and the marine side when the businesses are making money. When there's a downturn like we've experienced with the vehicles and fleet management sector of the economy, we are also making money because where people can no longer buy cars for their organizations, they come to us to lease cars to them and with the IT support we put in place we are virtually able to manage the fleet for them.

An example is if you have a company that used to run a fleet of 20 cars to support its marketing operations, we can with the software we're bringing on board, we can actually help you optimize that and you run the 15 cars to 20 cars. So we bring value to the table not just providing a service. We bring value to the table that sees the customers as customers running at very cost-efficient levels and also see the company making money providing that service. So it’s win-win for us in every field we play in and that's what we like to pride ourselves with. We are not shylock who just want to extort money or collect money from people's wallet. We put value on the table and that's how come we have kept our customers, some for about 20 years, some 15 years. We keep acquiring new customers who we like to always leave excited.

So once again, thank you for your time. If you have any further questions, you can always send an email to me or the CFO Alex. Our emails and our phone numbers are on the slides we have sent to you and we will be glad to provide you with the information. Have a lovely day and I hope the day is not as hot as it is on this side of the town? Thank you very much.

Operator: Thank you. That concludes today's C&I Leasing Plc H1 2019 Results Conference Call. You may now disconnect. Thank you.

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