

## SFS Capital Nigeria Limited

Rated entity	Rating class	Rating scale	Rating	Outlook
SFS Capital Nigeria Limited	Long Term Issuer	National	A-(NG)	Stable
	Short Term Issuer	National	A2(NG)	

### Analytical entity

SFS Capital Nigeria Limited (SFS Capital or the asset manager) was incorporated in 2007 and licensed by Securities and Exchange Commission (SEC) to provide financial advisory, fund and portfolio management services to retail and corporate clients. SFS Capital is a wholly owned subsidiary of SFS Group (the group), a non-operating parent company. SFS Group has two wholly owned subsidiaries: SFS Capital and SFS Financial Services Limited, with both entities operating independently, and their financial statements not currently consolidated. As such, GCR has adopted a standalone credit analysis in assigning the national scale issuer ratings to SFS Capital.

As of 31 December 2024, the group's major shareholders were Zigmund Investment Alliance and Mr. Patrick Ilodiana (the managing director) with 90% and 10% equity stakes respectively.

### Credit profile summary

#### Strengths

- Core expertise in Real Estate Investment Trust (REIT) management
- Good leverage and cashflow, supported by an ungeared balance sheet
- Strong liquidity coverage, underpinned by a good mix of liquid assets
- Sound earnings profile, with EBITDA margin registered at 31.7% in December 2024

#### Weaknesses

- Modest competitive position as a result of limited scale
- Sustained fundholder concentration, with the single largest fundholder accounting for 34.1% of assets under management (AUM) as of 31 December 2024

### Rating summary

The ratings affirmation on SFS Capital reflects a moderate competitive position supported by expertise in REIT, an ungeared balance sheet, sound liquidity and stable earnings.

### Outlook statement

<sup>1</sup> The last rating announcement was in March 2025. Rating reports are updated at least once a year from the date of the last announcement.

The Stable Outlook reflects our expectation that SFS Capital will continue to maintain a robust financial profile, underpinned by good earnings, strong liquidity coverage and an ungeared balance sheet. In addition, the successful launch of a new REIT and dollar fund in the near term could further support the asset manager's financial profile.

## Rating triggers

A rating upgrade could result from material growth in AUM, leading to a market share above 5.0% and significant fundholder diversification. Additionally, an upgrade could stem from stronger earnings, with an EBITDA margin above 50.0% while maintaining liquidity coverage above 2x. Conversely, the rating could be downgraded if a) there is a sustained decline in market share, b) subdued earnings from high operating costs, c) liquidity metrics falling below 2x or d) the introduction of debt on the balance sheet, which pressures leverage metrics.

## Risk score summary

Rating components & factors	Risk Score
<b>Operating environment</b>	<b>5.50</b>
Country risk score	3.50
Sector risk score	2.00
<b>Business profile</b>	<b>(2.00)</b>
Competitive position	(2.00)
Sustainability	0.00
<b>Financial profile</b>	<b>4.00</b>
Cashflow and Leverage	2.00
Earnings and Risk	1.25
Liquidity	0.75
<b>Comparative profile</b>	<b>0.00</b>
Peer comparative	0.00
Group support	0.00
Government support	0.00
<b>Total risk score</b>	<b>7.50</b>

## Analytical contacts

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## Related criteria and research

Criteria for the GCR Ratings Framework, May 2024

Criteria for Rating Asset Managers, November 2019\* appendix to the Criteria for Financial Services Companies

GCR Rating Scale, Symbols & Definitions, May 2023

GCR Country Risk Scores, August 2024

GCR Financial Institutions Sector Risk Score, August 2024

## Ratings history

SFS Capital Nigeria Limited					
Rating class	Review	Rating scale	Rating	Outlook	Date
Long Term Issuer	Initial	National	A <sub>(NG)</sub>	Stable	March 2021
Short Term Issuer	Initial	National	A2 <sub>(NG)</sub>		March 2021
Long Term Issuer	Last	National	A <sub>(NG)</sub>	Stable	March 2024
Short Term Issuer	Last	National	A2 <sub>(NG)</sub>		March 2024

## Operating environment

### Country risk

Nigeria's country risk score of '3.50' balances a well-diversified economic base and low debt levels against the recent compression in USD GDP per capita, variability in policy direction, and weak human development indicators. Although the economy is diversified, Nigeria remains vulnerable to commodity price volatility and geopolitical disruptions that impact productivity, as crude oil remains the dominant source of foreign currency inflows. The country has adopted key structural reforms with mixed fortunes. Changes that included (amongst others) removing fuel subsidies were followed by major reversals, such as food support from state grain reserves, fertilizer subsidies, removal of VAT on diesel, and a cap on retail fuel and electricity prices. Although relaxation of some austerity measures was made to relieve pressure on both rural and urban communities, this could push out the timeline for attainment of a balanced budget.

For full details, please see GCR's Country Risk Score report. The Country Risk Scores are available for download at [GCR Ratings](#).

### Sector risk

The Nigerian Financial Institutions Risk Score of '3.50' reflects a growing and diversified competitive landscape supported by an increased adoption of the holding company structure which permits financial institutions to offer various financial services through subsidiaries. This could strengthen the sector's financial profile in the medium term. The Nigerian banking sector is dominated by the five largest operators out of 36 as of April 2024 which collectively account for about 70% of total assets and revenues. Funding remains stable and largely customer deposits based, while local currency liquidity (LCY) is strong. Foreign currency (FCY) illiquidity, however, persists due to challenges with oil production which is the country's main source of foreign currency. Positively, major banks continue to sustain comfortable levels of FCY funding through operations outside Nigeria, domiciliary accounts, and international financial institutions.

The standard negative 1.5 adjustment for NBFIs was applied for SEC-regulated entities. For full details, please see GCR's Financial Institutions Sector Risk Score report. The Sector Risk Scores are available for download at [GCR Ratings](#).

## Business profile

### Competitive position

SFS Capital is a mid-tier player within the Nigerian asset management segment, with total AUM of NGN113.4 billion (USD73.1 million) as of 31 December 2024, and an estimated market share of 2.5%. Over the years, the asset manager has demonstrated core strength and expertise in REIT management, currently managing two of the three publicly listed REITs, which consistently deliver good returns relative to other REITs. SFS Capital's AUM is fairly diversified, comprising one privately managed fund, four public mutual funds and two REITs, which are managed on a discretionary and non-discretionary basis. Fundholder concentration persists, with the largest investor-Asset Management Corporation of Nigeria (AMCON Fund), accounting for 34.1% of AUM as of December 2024 (December 2023: 41.7%).

**Exhibit 1: AUM Breakdown (NGN'million)**

	December 2024	December 2023	December 2022
AMCON Fund	38,652	38,652	38,652
<b><u>Fixed Income Clients</u></b>			
Individuals	28,396	16,912	12,308
Corporates	22,824	14,166	8,796
Staff Scheme/ Cooperatives/ Reserve Funds	1,883	1,856	2,358
VIP/ Back up cash	497	458	557
<b><u>Publicly traded funds</u></b>			
SFS Fixed Income Fund	7,671	7,127	6,586
SFS REIT	2,781	2,594	2,445
UH REIT	10,592	10,860	9,973
<b>Total</b>	<b>113,396</b>	<b>92,625</b>	<b>81,675</b>

Source: SFS Capital Nigeria Limited

SFS Capital's distributes its products through in-person interactions, deployment of USSD platform and a mobile app as well as an accessible website. In a bid to drive geographic expansion beyond Lagos, the asset manager in 2024 established branch offices in Abuja and Port Harcourt, which is expected to serve as in-road into the northern and southern regions of the country. Looking ahead, we expect the asset manager's imminent plans to launch a new REITs fund and a dollar-denominated fund to support AUM growth and diversification over the rating outlook.

## Sustainability

Sustainability assessment is neutral to the ratings. As of 31 December 2024, the asset manager's Board composition was in line with the required corporate governance standards. The Board was made up of five members, comprising two Non-Executive Directors and three Executive Directors (including the Managing Director). The Board exercises oversight through two standing committees namely; Board Risk Management, Audit and Finance Committee and General-Purpose Committee. The management team has considerable years of combined experience in investment and portfolio management. For the financial year 2023, SFS Capital received an unqualified audit opinion from Sterling Partners & Co. While the 2024 financial statements were being audited at the time of this report, we consider the level of transparency and disclosure in the prior year's financial statements and related documents to be adequate.

## Financial profile

### Cashflow and leverage

SFS Capital's cashflow and leverage position is a key rating strength, underpinned by an ungeared balance sheet and a solid capital base. While SFS Capital has privately managed funds on its balance sheet, these are adequately matched with liquid assets. Specifically, SFS Capital indicated there are no guaranteed returns on these funds, with downside risks on the underlying financial assets solely borne by the fundholders. Looking ahead, cash flow should remain sufficient for its operations, with the unleveraged position expected to be maintained over the outlook horizon.

### Earnings and Risk

Earnings assessment remains positive to the ratings. Based on the unaudited financials for the financial year ended 31 December 2024, SFS Capital's gross revenue grew by 19.0% to NGN635.5 million (USD0.4 million), largely driven by improved management fees and commissions. Nonetheless, EBITDA margin moderated to 31.7% in December 2024 from 40.3% in December 2023 due to a 36.1% increase in operating costs stemming from sustained inflationary pressure, a rise in personnel expenses, and business expansion costs.

**Exhibit 2: Profitability metrics (NGN'000)**

	2024	2023	2022	2021	2020
Gross Revenue	635,472.0	533,803.0	413,402.0	435,359.0	407,543.0
Operating Costs	433,742.0	318,639.0	237,959.0	246,354.0	234,395.0
EBITDA	201,730.0	215,164.0	175,443.0	161,189.0	154,303.0
Profit Before Tax	181,344.0	196,805.7	164,222.0	156,225.0	153,171.0
Net Income	174,997.0	193,165.7	150,120.0	135,438.0	147,487.0

Source: SFS Capital's financial statements and GCR financial tool

SFS Capital maintained a good risk profile. The manager plans to launch a new REIT by acquiring readily built properties, thereby mitigating construction risk. Looking ahead, the planned launch of new funds and the ongoing operational expansion efforts could enhance earnings generation capacity.

**Exhibit 3: Profitability metrics**

	2026(f)	2025(e)	2024	2023	2022
EBITDA margin (%)	41.4	38.6	31.7	40.3	42.4
ROE (%)	14.8	13.6	11.9	14.3	12.5
ROA (%)	13.3	12.4	10.9	13.3	11.4

e: Based on GCR estimates f: Based on GCR forecasts

Source: SFS Capital's financial statements and GCR financial tool

**Liquidity**

SFS Capital's strong liquidity position is a major positive rating factor, with liquidity sources consistently covering the anticipated uses at above 2x and registered at 3.2x in 2024 (2023: 2.9x). Additionally, there are no refinancing and covenants risk that could impact liquidity, as the balance sheet remained ungeared as of 31 December 2024. We expect the liquidity coverage to be sustained above 2x over the next 12-18 months, underpinned by a good mix of liquid assets, sound operating cash flow and conservative dividend payments.

**Exhibit 4: Liquidity**

	2025(f)	2024(e)	2023	2022	2021
Liquidity Sources vs Uses (X)	3.0	2.8	2.4	3.8	1.9

e: Based on GCR estimates f: Based on GCR forecasts

Source: SFS Capital's financial statements and GCR financial tool

**Comparative profile****Peer analysis**

The peer analysis is neutral to the ratings.

**Group support**

Group support is neutral to the ratings.

**Rating adjustment factors****Structural adjustments**

No structural adjustments have been made to the Anchor Credit Evaluation in arriving at the final ratings.

**Instrument ratings**

No instrument rating adjustments.



## Glossary

Assets	A resource with economic value that a company owns or controls with the expectation that it will provide future benefit.
Balance Sheet	Also known as Statement of Financial Position. A statement of a company's assets and liabilities provided for the benefit of shareholders and regulators. It gives a snapshot at a specific point in time of the assets the company holds and how they have been financed.
Capital	The sum of money that is invested to generate proceeds.
Credit	A contractual agreement in which a borrower receives something of value now, and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or company
Dividend	The portion of a company's after-tax earnings that is distributed to shareholders.
Environment	The surroundings or conditions in which an entity operates (Economic, Financial, Natural).
Equity	Equity is the holding or stake that shareholders have in a company. Equity capital is raised by the issue of new shares or by retaining profit.
Financial Institution	An entity that focuses on dealing with financial transactions, such as investments, loans and deposits.
Financial Year	The year used for accounting purposes by a company or government. It can be a calendar year, or it can cover a different period, often starting in April, July or October. It can also be referred to as the fiscal year.
Interest	Scheduled payments made to a creditor in return for the use of borrowed money. The size of the payments will be determined by the interest rate, the amount borrowed or principal and the duration of the loan.
Issuer	The party indebted or the person making repayments for its borrowings.
Leverage	With regard to corporate analysis, leverage (or gearing) refers to the extent to which a company is funded by debt.
Liquidity	The speed at which assets can be converted to cash. It can also refer to the ability of a company to service its debt obligations due to the presence of liquid assets such as cash and its equivalents. Market liquidity refers to the ease with which a security can be bought or sold quickly and in large volumes without substantially affecting the market price.
Margin	A term whose meaning depends on the context. In the widest sense, it means the difference between two values.
Market	An assessment of the property value, with the value being compared to similar properties in the area.
Portfolio	A collection of investments held by an individual investor or financial institution. They may include stocks, bonds, futures contracts, options, real estate investments or any item that the holder believes will retain its value.
Private	An issuance of securities without market participation, however, with a select few investors. Placed on a private basis and not in the open market.
Retention	The net amount of risk the ceding company keeps for its own account.
Revaluation	Formal upward or downward adjustment to assets such as property or plant and equipment.
Risk	The chance of future uncertainty (i.e. deviation from expected earnings or an expected outcome) that will have an impact on objectives.
Shareholder	An individual, entity or financial institution that holds shares or stock in an organisation or company.
Short Term	Current; ordinarily less than one year.
Total Risk	Both systematic and unsystematic risks.

## Salient points of accorded ratings

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GCR affirms that a.) no part of the ratings process was influenced by any other business activities of the credit rating agency; b.) the ratings were based solely on the merits of the rated entity, security or financial instrument being rated; and c.) such ratings were an independent evaluation of the risks and merits of the rated entity, security or financial instrument.

The credit ratings have been disclosed to the rated entity.

The ratings above were solicited by, or on behalf of, the rated entity.

The rated entity participated in the rating process via in person interaction and/or via online virtual interaction and/or via electronic and/or verbal communication and correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from the rated entity and other reliable third parties to accord the credit ratings included:

- Audited financial results as of 31 December 2023
- Unaudited management accounts as of 31 December 2024
- Other relevant information
- Exchange rate source: Central Bank of Nigeria; USD1.00= NGN1,550.25 (31 December 2024)



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