



Private Credit Rating Notification

GCR accords an Indicative Rating to Niger Delta Exploration & Production Plc's Up to N10bn Series 1 Bonds.

Rating Action

Lagos, 26 September 2022- GCR Ratings ("GCR") has accorded a national scale long-term indicative issue rating of A^{+(NG)(IR)} to Niger Delta Exploration & Production Plc's proposed up to N10bn Series 1 Senior Unsecured Fixed Rate Bonds, with the Outlook accorded as Stable.

Rated Entity/Issue	Rating class	Rating scale	Rating	Outlook / Watch
Up to N10bn Series 1 Senior Unsecured Bonds	Long Term Issue	National	A ^{+(NG)(IR)*}	Stable Outlook

*An Indicative Rating is denoted by an 'IR' suffix to indicate that a credit rating has been accorded based on review of final draft documentation and expectations regarding final documentation. The Indicative Rating is expected to convert to a final credit rating subject to the receipt of final documentation in line with GCR's expectations. Typically, this suffix will be used when awaiting the finalization of notes for a debt or program issuance. In this case, once the final documents are available the IR suffix may be removed. We expect the rating to convert upon regulatory approval, within the next 180days.

Rating Rationale

Niger Delta Exploration & Production Plc ("NDEP" or "the Issuer") is one of the independent oil producing firms within the Nigerian oil and gas industry with assets across the oil and gas value chain. GCR assigned a national scale long-term Issuer rating of A^{+(NG)} to the Issuer, with a Stable Outlook in September 2022. The rating was underpinned by NDEP's strong financial profile supported by the robust, albeit variable earnings and sound cash flows, which has limited the utilisation of debt funding. However, the ratings are constrained by NDEP's modest competitive positioning relative to the larger companies in the Nigerian oil and gas sector.

The Issuer has registered a N20bn Bond Issuance Programme with the Securities and Exchange Commission and is in the process of raising an initial up to N10bn in Series 1 Senior Unsecured Bonds under the Programme. The Series 1 Bonds shall constitute direct, unconditional, senior, unsubordinated and unsecured obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. The Bonds shall have a tenor of five (5) years, with 24 months moratorium on principal repayment, and legal maturity date of 2027. Principal repayment shall be on an amortising basis, payable semi-annually following the expiration of the moratorium. The coupon shall be a fixed rate, payable semi-annually in arrears and commencing from the issue date up to and including the maturity date.

The Programme Trust Deed does not offer Series 1 Bondholders any security over assets but does feature a negative pledge and other covenants to protect the interest of Bondholders. The bond documents contain covenants that stipulate a maximum net debt to EBITDA covenant of 3x and asset disposal not exceeding N10bn. These covenants could be tested if the earnings projections do not materialise. A breach of these covenants could lead to a downgrade of the Issuer and the bond ratings.

Being senior unsecured debt, the Bonds bear the same probability of default as the Issuer and would reflect similar recovery prospects to senior unsecured creditors in the event of a default. As such, the long-term rating for the Series 1 Bonds is equalised with the Issuer's long term senior unsecured rating.

The indicative rating assumes that the conditions in the notes will not change and will receive regulatory approval.

Outlook Statement

The Stable Outlook reflects GCR's opinion that NDEP will continue to generate robust earnings and cash flow, which will underpin strong leverage metrics, despite an increase in debt.

Rating Triggers

Given that the indicative rating is intrinsically linked to the Issuer's long-term rating, any change in the rating assigned to the Issuer will directly affect the Bond rating.

A positive rating movement is possible if NDEP meaningfully increases revenue diversification and reports sustained growth in earnings and cash flow, translating to a stronger financial profile.

The rating may come under pressure from prolonged oil theft and/or adverse exogenous factors which constrain production/sales volumes and earnings underperformance. Also, significant increase in gross debt which places some pressure on liquidity and weakens leverage metrics will be negatively viewed.

Private Rating Usage

Recipients of this rating notification are to note that the rating accorded is private. A private rating is by nature confidential, but GCR may agree that the Rated Entity distributes the rating confirmation letter to (prospective) investors and other relevant counterparties, but only to the extent that such parties agree to confidentiality with the Rated Entity and agree that the credit rating action is private and only intended to be used in a closed circle of known parties. GCR requires Rated Entities to disclose the counterparties to whom it intends to distribute the letter prior to such distribution.

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Related Criteria and Research

Criteria for the GCR Ratings Framework, January 2022

GCR Country Risk Scores, August 2022

Criteria for Rating Corporate Entities, January 2022

GCR Ratings Scales, Symbols & Definitions, May 2022

GCR Nigeria Corporate Sector Risk Scores, April 2022

Niger Delta Exploration & Production Plc's Credit Rating Announcement, September 2022

Ratings History

Niger Delta Exploration & Production Plc

Rating class	Review	Rating scale	Rating class	Outlook	Date
Long term Issue	Initial/Last	National	A+(NG)(IR)	Stable	September 2022

Glossary

Credit Risk	The possibility that a bond issuer or any other borrowers (including debtors/creditors) will default and fail to pay the principal and interest when due.
Debt	An obligation to repay a sum of money. More specifically, it is funds passed from a creditor to a debtor in exchange for interest and a commitment to repay the principal in full on a specified date or over a specified period.
Indicative Rating	An indicative Rating is denoted by an 'IR' suffix to indicate that a credit rating has been accorded based on review of final draft documentation and expectations regarding final documentation.
Issuer Ratings	See GCR Rating Scales, Symbols and Definitions.
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.
Long Term Rating	See GCR Rating Scales, Symbols and Definitions.
Maturity	The length of time between the issue of a bond or other security and the date on which it becomes payable in full.
Rating Horizon	The rating outlook period
Rating Outlook	See GCR Rating Scales, Symbols and Definitions.
Refinancing	The issue of new debt to replace maturing debt. New debt may be provided by existing or new lenders, with a new set of terms in place.
Short Term Rating	See GCR Rating Scales, Symbols and Definitions.

Salient Points of Accorded Ratings

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 rating has been disclosed to Niger Delta Exploration & Production Plc. The rating above was solicited by, or on behalf of, the rated entity, and therefore, GCR has been compensated for the provision of the rating.

Niger Delta Exploration & Production Plc participated in the rating process via telephonic management meetings, and other written correspondence. Furthermore, the quality of information received was considered adequate and has been independently verified where possible. The information received from Niger Delta Exploration & Production Plc and other reliable third parties to accord the credit ratings included:

- 2021 audited annual financial statement, and prior four years annual financial statements;
- Six-month management accounts to 30 June 2022;
- Draft Programme Trust Deed
- Draft Series 1 Pricing Supplements
- Draft Shelf Prospectus
- Draft Series 1 Trust Deed

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