



INDUSTRY PROFILE ADJUSTMENTS: NIGERIA

Industry Profile Adjustments aim to capture credit risk factors that are related to the specific industry or sector in which an issuer operates. This adjustment takes into account the following considerations:

ESG factors: This looks at the degree to which an industry is exposed to environmental, social, and governance-related risks or opportunities. For instance, companies in the energy sector may face significant environmental risks related to greenhouse gas emissions and regulatory penalties, while a technology company may face social risks related to data privacy and cybersecurity. These risks, if not adequately managed, can impact an issuer's financial performance and hence its creditworthiness.

Regulatory and Legal Environment: Industries differ significantly in the degree to which they are regulated and the type of legal challenges they might face. Industries with favourable regulations could warrant a positive adjustment. Conversely, heavily regulated sectors, like utilities or healthcare, can face compliance costs, regulatory risks, and limitations on their operations, which may warrant a negative adjustment.

Industry Structure: This encompasses the competitive landscape of the industry, barriers to entry, the level of industry consolidation, and the overall market dynamics. Industries with relatively high barriers to entry and lower competition can have more predictable revenues and profitability, potentially leading to positive adjustments.

Cyclicality: This reflects the sensitivity of the industry to economic cycles. Industries highly sensitive to economic cycles (e.g. hospitality and construction companies) might warrant a negative adjustment during economic downturns due to the increased risk of lower revenues and earnings. Conversely, industries less sensitive to economic cycles (like utilities) could be more resilient during downturns, possibly warranting a positive adjustment.

Market Risk: Certain industries e.g., banking, mining and agriculture are inherently vulnerable to market risks, including foreign exchange and commodity price fluctuations. Such industries may need adjustments to reflect their vulnerability to market risks.

Other Factors: Industries can also be characterised by their levels of opacity and complexity. Some sectors may have intricate operational models, making their risk profiles hard to discern and evaluate. These complexities, coupled with a lack of transparency in certain industries, can necessitate specific adjustments when gauging credit risk.

Each of these elements provides crucial insights into the industry-specific risks and opportunities that an issuer faces, which are essential to forming a holistic view of an issuer's creditworthiness.

Industry Profile Adjustments are capped at ± 2 to ensure sector risks are credit-relevant without overwhelming issuer-specific fundamentals, while the net adjustment across industries within a jurisdiction is constrained to around ± 0.5 to preserve relativity and avoid systematic bias in adjusted credit scores.

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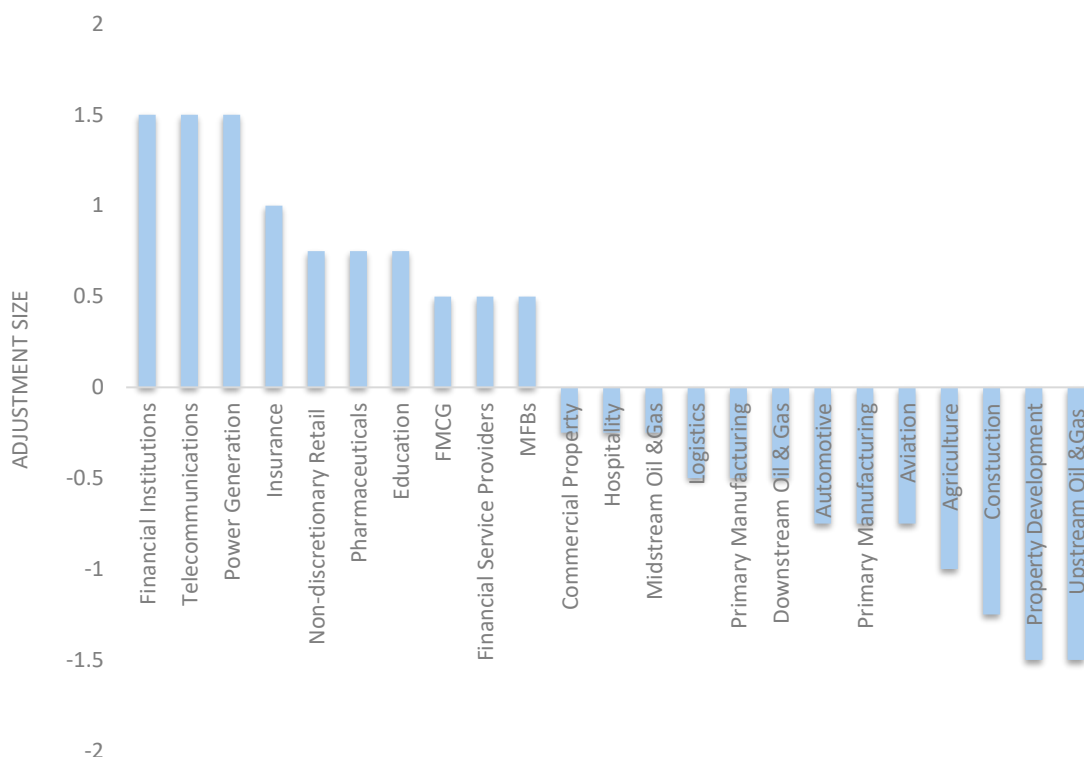
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Industry Profile Adjustments - Table

Sectors	ESG	Regulatory & Legal Environment	Structure	Cyclicality	Market Risk Exposure	Other Factors	Industry Profile Adjustment
Financial Institutions		1.25	1		-0.75		+1.5
Credit Enhancement Facility Providers		0.5	1				+1.5
Telecommunications		0.25	0.75	1.25	-0.75		+1.5
Power Generation		0.5	0.5	1.25		-0.75	+1.5
Insurance		0.75	0.5		-0.25		+1.0
Non-discretionary Retail			-0.25	1			+0.75
Pharmaceuticals			-0.25	1.25	-0.25		+0.75
Education	-0.25			1.25		-0.25	+0.75
Fast Moving Consumer Goods			-0.25	1	-0.25		+0.5
Financial Service Providers		1	-0.25			-0.25	+0.5
MFBs		1.25	-0.25		-0.25	-0.25	+0.5
Commercial Property				-0.25			-0.25
Hospitality			-0.25	-0.25		0.25	-0.25
Midstream Oil & Gas	-1	0.5	1			-0.75	-0.25
Logistics		0.25	-0.25	-0.25		-0.25	-0.5
Secondary Manufacturing		0.25	0.25	-0.75	-0.25		-0.5
Downstream Oil & Gas	-0.25	0.5	-1	0.5		-0.25	-0.5
Automotive			-0.25	-0.25	-0.25		-0.75
Primary Manufacturing		0.25	0.25	-1	-0.25		-0.75
Aviation			0.75	-1	-0.25	-0.25	-0.75
Agriculture	-0.25				-0.5	-0.25	-1.0
Construction				-0.75	-0.25	-0.25	-1.25
Property Development				-1		-0.5	-1.5
Upstream Oil & Gas	-1	0.5	1	-1.25		-0.75	-1.5
Total Adjustments							-0.5

Industry Profile Adjustments Chart



Financial Institutions: +1.5

Intelligence Africa (IA) applies a +1.5 Industry Profile adjustment for Nigerian Financial Institutions. At the sector level, financial institutions benefit from a +1.25 adjustment for the regulatory and legal environment, reflecting the generally well-established prudential framework governing Nigerian financial institutions, and a further +1.0 adjustment for industry structure, recognising a market characterised by high barriers to entry, including capital intensity, licensing requirements, and institutional credibility. These positives are partially offset by a –0.75 adjustment for market risk exposure, reflecting the sector’s inherent sensitivity to interest rate and foreign exchange movements.

- **Credit Enhancement Facility Providers (a subset of financial institutions): +1.5**

IA applies a +1.5 Industry Profile Adjustment to Credit Enhancement Facility Providers. They are typically regulated by the Securities and Exchange Commission (SEC) under the CEF framework. Nigerian CEFs benefit from a +0.5 adjustment for the regulatory and legal environment, reflecting the SEC’s application of defined safeguards, including minimum paid-up capital thresholds, leverage constraints, liquidity requirements, and strict eligibility criteria for qualifying capital, which collectively support balance-sheet resilience. IA applies a further +1.0 adjustment for industry structure, recognising a market characterised by high barriers to entry, including capital intensity, regulatory requirements, and institutional credibility.

Telecommunications: +1.5

IA has applied a strong positive Industry Profile adjustment of +1.5 to the telecommunications sector. The industry is regulated by the Nigerian Communications Commission which prescribes licensing requirements that are protective of incumbents. Therefore, the industry benefits from a +0.25 adjustment to reflect the positive regulatory



environment. A further +0.75 captures the favourable industry structure, as high capital intensity, continuous technology investment, and scale requirements further constrain new entry and reinforce an oligopolistic market structure. The low cyclicality also supports +1.25 adjustment given the resilient, non-discretionary demand which has supported stable revenues across various economic cycles. These strengths are partially offset by a -0.75 adjustment for elevated FX risk, following material earnings pressure in 2023–2024 due to naira devaluation and USD-denominated lease obligations.

Power Generation: +1.5

IA applies +1.5 risk adjustment to the Nigerian power generation sector. This includes +0.5 to reflect the regulatory oversight by the Nigerian Electricity Regulatory Commission as well as positive government interventions to support liquidity within the sector. Also, the industry benefits from a +0.5 adjustment on account of high barriers to entry given its capital-intensive characteristics, while the low demand cyclicality, supported by the essential nature of electricity further attracts a +1.25 adjustment. However, the sector is exposed to concentration risk from Nigerian Bulk Electricity Trading Plc (NBET) being the primary off taker of on-grid power supply, as well as elevated gas supply risk from the dominance of gas fired generation. Furthermore, the industry faces persistent liquidity pressures arising from weak collections at the distribution segment resulting in the accumulation of significant receivables; these challenges cumulatively account for a -0.75 adjustment.

Insurance: +1.0

The Nigerian insurance sector operates within a robust regulatory framework underpinned by established laws and supervisory standards by the Nigerian Insurance Commission (NAICOM). The Nigerian Insurance Industry Reform Act 2025 (NIIRA 2025) strengthens this framework through the introduction of risk-based capital requirements, higher minimum capital thresholds, and tighter solvency standards. A +0.75 adjustment has been applied to reflect the regulatory environment. In addition, stringent licensing and regulatory requirements materially increase the cost of entry, limiting the ability of new players to enter at scale and supporting incumbents' market positions. This has been captured through a further +0.5 adjustment for high barriers to entry. These strengths are partially offset by a -0.25 adjustment reflecting some foreign exchange exposure which could constrain growth and introduce earnings volatility. Overall, IA has applied a net +1.0 Industry Profile adjustment to the Nigerian insurance sector.

Non-discretionary Retail: +0.75

IA applies an adjustment of +0.75 to the non-discretionary retail industry. This factors +1.0 for its moderately low cyclicality and resilient demand, driven by the essential nature of consumables and staples, which support stable volumes and profitability across different economic cycles. The industry profile is however moderated by a -0.25 adjustment to factor the sector's low barriers to entry and competitive pressures. Although the informal segment remains dominant, the growing penetration of modern retail, aided by low setup costs and increasing online retail adoption, could further intensify competitive dynamics over the medium term.

Pharmaceuticals: +0.75

IA applies a positive adjustment of +0.75 to the pharmaceutical industry's risk profile. This includes a +1.25 to reflect the structurally inelastic demand for medicines, which supports stable volumes even during economic downturns. The assessment is, however, moderated by a -0.25 given the intense competitive pressure, particularly from foreign manufacturers operating in the domestic market. A further -0.25 reflects the industry's reliance on imported active pharmaceutical ingredients and finished inputs, exposing operators to foreign exchange volatility and global supply-chain disruptions. While ongoing initiatives toward backward integration are expected to mitigate import-related vulnerabilities over the medium term, execution risks remain.



Education: +0.75

The adjustment for the education sector includes a +1.25 to reflect the low cyclicity given the essential service provided. The profile is moderated by a -0.25 adjustment given high reputational risks, because unfavourable events can materially disrupt enrolment and operations. Also, governance risks are captured by -0.25 adjustment given the predominance of privately owned schools which have limited governance systems and structures. Overall, a net adjustment of +0.75 has been applied to the Nigerian education sector.

Fast Moving Consumer Goods (FMCG): +0.5

IA applies a net +0.5 industry profile adjustment to the Nigerian FMCG sector. A -0.25 negative adjustment reflects low barriers to entry and intense competition, which limit pricing power and earnings resilience. A further -0.25 negative adjustment captures the sector's high dependence on imported inputs, exposing companies to foreign exchange volatility. Although backward integration initiatives are underway to reduce import reliance and currency risk, their impact is constrained by high capital requirements and long implementation timelines. These risks are however offset by the sector's moderately low cyclicity which supports a +1.0 adjustment.

Financial Service Providers: +0.5

IA applies an industry risk adjustment of +0.5 on financial service providers. This includes a score of +1.0 to reflect the regulatory oversight exercised by either Central Bank of Nigeria or Security and Exchange Commission over the industry. While regulatory initiatives aimed at promoting financial inclusion have supported market expansion, they have also resulted in moderately low barriers to entry, leading to a growing number of new entrants and intensifying competitive pressures, thereby attracting a -0.25 adjustment. The sector is particularly exposed to information technology vulnerabilities and cyber fraud risks because it mostly runs on digital platforms. This risk could materialise in form of system breaches, identity fraud, often leading to financial losses, downtime, regulatory penalties, and reputational damage hence a -0.25 adjustment for 'Other Factors'.

Microfinance Banks (MFBs): +0.5

IA applies a +0.5 adjustment to the Nigerian microfinance banking sector. The industry benefits from a +1.25 adjustment due to the established regulatory framework by Central Bank of Nigeria which govern MFBs. Capital requirements are much lower compared to commercial banks, hence, barriers to entry are very low with the industry covering over 900 players, thus moderating the industry profile by a -0.25. The assessment also includes a -0.25 adjustment to reflect exposure to interest rate risks. Due to the nature of sector's operations, MFBs have concentrated exposure to low-income and informal borrowers, limited collateralisation and intensifying competition from fintechs and digital banks; these risks are captured by a further -0.25 adjustment.

Commercial Property: -0.25

IA has applied a -0.25 Industry Profile adjustment to the commercial property sector. The industry exhibits moderate sensitivity to macroeconomic conditions, as economic slowdowns can weaken tenant demand, delay leasing decisions, and lead to higher vacancy rates, particularly within traditional office segments. This exposure to cyclical demand dynamics is reflected in the -0.25 adjustment. While the sector faces risks related to lease renewals, these pressures are mitigated by the prevalence of long-term lease contracts, which provide relatively stable and predictable rental cash flows.



Hospitality: -0.25

The Nigerian hospitality industry receives a slightly negative risk adjustment of -0.25. This reflects moderately high cyclical nature of -0.25, as revenues depend on discretionary consumer spending and business activity, which typically expand in strong economic conditions and contract during downturns. The sector is also vulnerable to external shocks such as security challenges and pandemics, which can quickly weaken demand. A further -0.25 adjustment reflects low barriers to entry, which enable small and informal operators, particularly in the mid-scale and budget segments, to enter the market and intensify competitive pressure. However, a partially offsetting +0.25 adjustment reflects strong cash flow characteristics. Hospitality operators typically benefit from low receivables, advance or near-immediate cash collection, and relatively modest debt requirements for day-to-day operations, providing a degree of operational flexibility despite cyclical pressures.

Midstream Oil & Gas: -0.25

IA applies an overall -0.25 Industry Profile adjustment to the Nigerian midstream oil and gas sector. While underlying energy demand is strong, earnings and cash flows remain sensitive to crude production levels and refinery throughput, exposing the sector to operational volatility. The industry benefits from strong regulatory oversight (+0.5) and very high barriers to entry (+1.0), driven by significant capital and infrastructure requirements, which support incumbent operators. These positives are offset by project execution and infrastructure risks (-0.75), including maintenance issues and operational disruptions that can materially affect cash flows. ESG considerations result in a -1.0 adjustment, reflecting elevated environmental and transition risks, including exposure to spills, emissions, hazardous waste, climate-related disruptions, and increasing pressure from the transition toward cleaner energy sources.

Logistics: -0.5

IA applies a -0.5 industry adjustment to the Nigerian logistics sector. The sector's performance is closely linked to volatile end markets, including oil and gas, construction, and discretionary consumer consumption, which can drive significant earnings and cash flow volatility. A -0.25 adjustment has been factored to reflect this risk. Although licenses are mostly required to operate within the sector, barriers to entry are relatively low thus heightening competition within the space, hence a further adjustment of -0.25. While some levels of logistics especially sea transport, are regulated by Nigerian Maritime Administration and Safety Agency alongside other regulatory bodies, thus enabling the sector to benefit from a +0.25 adjustment, this is offset by a -0.25 due to the risks around disruptions in license renewals which can materially affect operations and increase credit risk.

Secondary Manufacturing: -0.5

The Nigerian secondary manufacturing sector is highly cyclical, with demand closely linked to macroeconomic conditions and consumer spending patterns. This exposure is captured through a -0.75 adjustment, reflecting heightened vulnerability during economic downturns. A further -0.25 adjustment reflects the industry's heavy reliance on imported raw materials and intermediate goods, which exposes operators to foreign exchange volatility, input cost inflation, and supply-chain disruptions, constraining margin stability and growth. These pressures are partially offset by two modest positive factors. A +0.25 adjustment reflects domestic regulatory measures, including import restrictions, which help mitigate competition from foreign manufacturers and provide some support to local producers. In addition, a +0.25 adjustment captures high capital requirements, which raise barriers to entry and limit the threat of new competitors at scale.



Downstream Oil & Gas: -0.5

IA applies an overall –0.50 Industry Profile adjustment to the Nigerian downstream oil and gas sector. The sector is highly fragmented with low barriers to entry, which drive intense competition, constrain pricing power, and pressure earnings. This is reflected in a –1.0 adjustment for adverse industry structure. The sector benefits from +0.5 adjustment reflecting strong regulatory oversight but this is moderated by a –0.25 adjustment to capture policy and regulatory uncertainty, as evolving regulatory frameworks can materially disrupt operations and investment planning. Environmental risks, including exposure to oil spills and leakages during storage, transportation, and handling, are captured through a further –0.25 adjustment, reflecting potential remediation costs and reputational risks. These downside factors are partially offset by a +0.5 adjustment for moderately low cyclicality, as demand for downstream petroleum products remains relatively stable across economic cycles, supporting revenue resilience.

Automotive: -0.75

IA applies a –0.75 Industry Profile adjustment to the Nigerian automotive sector. The sector exhibits moderately high cyclicality, captured through a –0.25 adjustment, as demand is largely discretionary and closely linked to macroeconomic conditions and consumer purchasing power, resulting in sensitivity of revenues, earnings, and cash flows during economic downturns. A further –0.25 adjustment reflects the industry’s strong reliance on imported components, which heightens exposure to foreign exchange volatility and supply-chain disruptions, constraining cost stability and margin resilience. Additionally, the low barriers to entry for importers of fully built units and intense competition within the industry necessitate an additional -0.25 adjustment.

Primary Manufacturing: -0.75

IA applies an overall –0.75 Industry Profile adjustment to the Nigerian primary manufacturing sector. This includes a –1.0 adjustment to reflect the sector’s high cyclicality, as revenues and profitability are closely linked to macroeconomic conditions and demand fluctuations. A further –0.25 adjustment captures the sector’s dependence on imported inputs, which exposes operators to foreign exchange volatility and supply-chain disruptions, constraining margin stability and growth. However, a +0.25 adjustment has been applied to reflect protective domestic regulatory measures within the industry and another +0.25 to capture the high barriers to entry given the industry’s substantial capital requirements.

Aviation: -0.75

IA applies an overall –0.75 Industry Profile adjustment to the Nigerian aviation sector. While the industry benefits from structurally high barriers to entry (+0.75), driven by substantial capital requirements for aircraft acquisition, leasing, and regulatory compliance, these positives are outweighed by significant downside risks. The sector exhibits high cyclicality, captured through a –1.0 adjustment, as passenger demand is highly sensitive to macroeconomic conditions, income levels, and business activity, resulting in pronounced volatility in revenues and earnings during economic downturns. In addition, elevated market risk is reflected through a –0.25 adjustment, as airlines face substantial foreign-currency-denominated obligations, exposing cash flows to exchange-rate volatility. A further –0.25 adjustment reflects the industry’s rigid cost base, dominated by aircraft leasing, maintenance, and fuel costs, which results in high operating leverage. These pressures are compounded by significant passenger traffic concentration, with Lagos, Abuja, and Port Harcourt accounting for over 90% of volumes, creating heightened geographic concentration risk.



Agriculture: -1

The –1.0 Industry Profile adjustment reflects the elevated market and operational risks inherent in the Nigerian agricultural sector. Notwithstanding the essential nature of food demand, sector revenues and cash flows are highly exposed to volatile commodity prices resulting in a -0.5 adjustment. In addition, agricultural output is highly vulnerable to exogenous shocks, including adverse weather conditions, insecurity, and disease outbreaks, which can materially disrupt production, weaken yields, and increase cost pressures. These risks heighten credit volatility and are captured through two –0.25 adjustments.

Construction: -1.25

IA applies a –1.25 Industry Profile adjustment to the Nigerian construction sector, reflecting its high-risk profile. The industry exhibits high cyclical, captured through a –0.75 adjustment, as demand and cash flows are highly volatile and closely tied to macroeconomic conditions and government spending. In addition, market risk attracts a further –0.25 adjustment, given the sector’s reliance on imported construction materials, which exposes operators to foreign exchange volatility and supply-chain disruptions, thereby pressuring costs and margins. Execution and completion risks remain significant, as project delays, cost overruns, and contract disputes can materially disrupt cash flows and strain liquidity thereby attracting an additional -0.25 adjustment.

Property Development: -1.5

The Nigerian property development sector faces high cyclical and elevated market risk, underpinning IA’s –1.5 Industry Profile adjustment. Demand is highly sensitive to macroeconomic conditions, resulting in pronounced revenue and cash flow volatility. This exposure is captured through a –1 adjustment. A further –0.5 adjustment reflects building quality and safety risks, as incidents of structural failures can lead to reputational damage, legal liabilities, project delays, and weakened investor confidence, all of which can materially impair cash flows, financing access and overall credit risk.

Upstream Oil & Gas: -1.5

The Nigerian upstream oil and gas sector is highly cyclical, with revenues and margins closely tied to global oil prices and broader economic conditions. Market demand is volatile and influenced by global energy trends and geopolitical shocks, resulting in elevated earnings volatility. This exposure is captured through a –1.25 cyclical adjustment. However, the industry benefits from strong regulatory oversight (+0.5), while high capital requirements and technical complexity, including exploration risk, specialised expertise, and long development timelines, create substantial barriers to entry, reflected through a +1.0 adjustment. These strengths are materially offset by significant operational and regulatory risks, including security challenges and evolving regulatory policies. Although profitability metrics are generally strong, they remain highly sensitive to cost fluctuations, fiscal levies, and production disruptions. These risks are captured through a –0.75 adjustment. Environmental risk is pronounced, resulting in a –1.0 adjustment, given exposure to oil spills, gas flaring, and heightened climate-related scrutiny, which can trigger financial penalties, remediation costs, and reputational damage. Overall, the sector’s elevated market, operational, regulatory, and environmental risks underpin IA’s material –1.5 Industry Profile adjustment for the Nigerian upstream oil and gas sector.



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