

## RATING RELEASE

September 27th, 2021

### **CariCRIS assigns Corporate Credit Ratings for Sygnus Credit Investments Limited**

Caribbean Information and Credit Rating Services Limited (CariCRIS) has assigned initial issuer/corporate credit ratings of *jm***BBB** on the Jamaica national scale (Foreign Currency and Local Currency) to Sygnus Credit Investments Limited (SCI or the Company). These national scale ratings indicate that SCI's creditworthiness, compared to other obligors in Jamaica, is **adequate**.

The assigned ratings are driven by SCI's adequate financial performance supported by growing revenue and profits. Asset growth has been consistent with a portfolio backed by moderately diversified interest-earning assets with good asset quality. Further supporting the ratings are SCI's adequate governance structure and risk management practices, as well as generally favourable capitalization and liquidity levels, despite high cost of funds. These rating strengths are tempered by the Company's small size which may hamper growth potential and its exposure to sovereigns with an elevated level of economic uncertainty.

CariCRIS has also assigned a **stable** outlook on the ratings. The stable outlook is premised on CariCRIS' expectation that despite the negative impact of the coronavirus (COVID-19) on economic activity in Jamaica and the wider Caribbean region, SCI's financial performance will continue to be adequate over the next 12-15 months. Furthermore, CariCRIS expects continuity in the key credit drivers supporting the ratings over the next 12-15 months, with all debt service commitments expected to be paid in a timely manner over the period.

#### **Rating Sensitivity Factors:**

**Factors that could, individually or collectively, lead to an improvement in the ratings and/or Outlook include:**

- An improvement in the GOJ's credit rating over the next 12-15 months
- Improving business conditions over the next 12-15 months, thereby leading to growth in client base and sustained earnings growth
- SCI's ability to attract and retain lower cost funding

**Factors that could, individually or collectively, lead to a lowering of the ratings and/or Outlook include:**

- Deterioration of asset quality ratio to 8% or more
- Increase of SCI's debt to TNW ratio to over 1.25 times
- Cost to Income ratio weakens to 75% and over
- A sustained decrease in yield from interest earning assets by over 100 basis points or greater over the next 12-15 months, thereby leading to a significant tightening of the net interest spread earned on investments
- A deterioration in the GOJ's credit rating over the next 12-15 months

**About the company:**

Sygnus Credit Investments Limited (SCI or the Company) is a specialty Private Credit Investment Company incorporated in Saint Lucia in January 2017 under the International Business Companies Act 1999. The Company is listed on the Jamaican Stock Exchange (JSE), in the main US and JA dollar markets, following the completion of an Initial Public Offering (IPO) in 2018 with an Additional Public Offering (APO) completed in 2020. Following SCI's listing, the Company became subject to all laws applicable to issuers of securities in Jamaica listed on the stock exchange, as well as the regulatory authority of the JSE, the Financial Services Commission and the Companies Office. The largest single shareholder of SCI is ATL Group Pension Fund Trustees Nominee Limited, which currently holds 4.6% of SCI's total shareholding as at June 2021.

SCI has no direct employees as its SCI's investment activities are managed and administered by its Investment Manager, Sygnus Capital Limited (SCL)<sup>1</sup> (Chart 1). SCL is a licensed securities dealer in Jamaica and is regulated by the Financial Services Commission<sup>2</sup>.

---

<sup>1</sup> On 13<sup>th</sup> May 2021, a new investment management agreement was put in place that effected a change in Investment Manager from Sygnus Capital Management Limited to Sygnus Capital Limited (SCL). SCL is a wholly owned subsidiary of Sygnus Capital Group Limited.

<sup>2</sup> As a registered broker, Sygnus Capital is committed to assisting local and regional clients to access financing through the debt or equity capital markets, as well as non-traditional channels through their Private Credit Investment companies which include SCI.

**Chart 1**  
**SCI's Corporate Structure as at June 2021**



Source: Sygnus Group

SCI mainly provides private credit instruments to medium-sized companies<sup>3</sup> across the Caribbean region at attractive risk-adjusted returns with principal protection. SCI's niche is in designing customised debt and equity funding instruments for medium-sized companies. The Company has been able to quickly grow its portfolio of clients by taking advantage of the high level of inflexibility displayed by banks and the latter's inability to offer anything but traditional plain-vanilla loans that are largely unsuitable for the expansionary stage of many medium-sized entities in the region. The Company's private credit investment products include mainly short and medium-term notes, bonds, preference shares, asset-backed debt, resale agreements, mezzanine debt, lease receivables, convertible debt and other forms of structured private credit instruments. SCI currently invests in approximately 30 medium-sized firms across 7 Caribbean countries<sup>4</sup> in various industries<sup>5</sup>. As at June 2021, total assets stood at US \$87.9 million<sup>6</sup>, of which 50% were derived from Jamaica, its largest market. Over the next 3 years, SCI intends to aggressively grow its operations with a view towards further diversifying its operations and reducing the cost of funding.

<sup>3</sup> The medium-sized firms are known as portfolio companies with revenues ranging from US\$5 million to US\$25 million that require capital to pursue their respective growth initiatives.

<sup>4</sup> These include Jamaica, Barbados, St. Lucia, Cayman Islands, Bahamas, ABC Islands and SSS Islands. The ABC Islands are Aruba, Bonaire and Curaçao while the SSS Islands are Saba, Sint Eustatius and Sint Maarten.

<sup>5</sup> These industries include manufacturing, distribution, financial services, energy, real estate, transportation, infrastructure and business services.

<sup>6</sup> Total assets have been adjusted to exclude intangible assets, unrealized gains/(losses) and contingencies.



*For more information on SCI's ratings, please visit [www.caricris.com](http://www.caricris.com) or contact:*

Ms. Kathryn Budhooram  
Senior Manager, Rating Operations,  
Strategic Planning and Brand Development  
Tel: 1-868-627-8879 Ext. 227  
Cell: 1-868-706-6510  
E-mail: [kbudhooram@caricris.com](mailto:kbudhooram@caricris.com)

OR

Ms. Anelia Oudit  
Manager, Ratings  
Tel: 1-868-627-8879 Ext. 226  
Cell: 1-868-487-8364  
E-mail: [aoudit@caricris.com](mailto:aoudit@caricris.com)

---

### **Note**

*This press release is transmitted to you for the sole purpose of dissemination through your agency/newspaper/magazine. You may use this press release in full or in part without changing the meaning or context thereof, but with due credit to CariCRIS. CariCRIS has the sole right of distribution of its press releases, for consideration or otherwise, through any media, including websites, portals, etc.*